

Supplement No. 10 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 20 October 2005,

concerning the issue of

[Call] [Put] Warrants, HIT [Call] [Put] Warrants, Lock Out [Call] [Put] Warrants, Double Lock Out Warrants, [Turbo Long-] [Turbo Short-] Warrants, Digital [Call] [Put] Warrants and Hamster Warrants

at the same time

Supplement No. 8 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 20 October 2005,

concerning the issue of

[Discount] [Discount PLUS] [Sprint] [Multibloc] Certificates

at the same time

Supplement No. 11 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 5 January 2006,

concerning the issue of

UBS [Performance Certificates without settlement formula] [Performance-Certificates with settlement formula] [Outperformance Certificates] [Relative Performance Plus Certificates] [Open-End Certificates without settlement formula] [Open-End Certificates with settlement formula] [S²MART Certificates] [Super S²MART Certificates] [Bonus Certificates] [Bonus Plus Certificates] [Bonus Extra Plus Certificates] [Express Certificates] [Express Kick-In Certificates] [Express Plus Certificates] [Easy Express Certificates] [Express XL Certificates]

at the same time

Supplement No. 9 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 1 March 2006,

concerning the issue of

UBS [Capital Protected] Gearing Certificates

at the same time

Supplement No. 7 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 28 March 2006,

concerning the issue of

A(lternative) I(nvestment) S(trategies) Index - Certificates

at the same time

Supplement No. 8 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 11 July 2006,

concerning the issue of

UBS [TWIN-WIN] [•] Certificates

at the same time

Supplement No. 8 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 11 July 2006,

concerning the issue of

UBS Reverse [(Capped)] Bonus Certificates

at the same time

Supplement No. 9 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 16 November 2006,

concerning the issue of

UBS [[Call] [or, as the case may be,] [Put] Warrants] [Hit [Call] [or, as the case may be,] [Put] Warrants] [Lock Out [Call] [or, as the case may be,] [Put] Warrants] [Double Lock Out Warrants] [[Turbo Long-] [or, as the case may be,] [Turbo Short-] Warrants] [Digital [Call] [or, as the case may be,] [Put] Warrants] [Hamster Warrants]

at the same time

Supplement No. 10 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 17 November 2006,

concerning the issue of

UBS [Discount Certificates] [Discount PLUS Certificates] [Sprint [PLUS] Certificates] [Multibloc Certificates] [[Easy] [Outperformance [(Capped)]] Express [Kick-In] [PLUS] [XL] [Bonus] Certificates] [Callable Yield Certificates]

at the same time

Supplement No. 13 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 25 January 2007,

concerning the issue of

UBS [[Performance] [PERLES] [(Capped)] Certificates [without] [with] settlement formula] [Outperformance [(Capped)] Certificates] [Relative Performance Plus Certificates] [Open-End [(Capped)] Certificates [without] [with] settlement formula] [[Super] S²MART Certificates] [[Lock-In] Bonus [(Capped)] [Extra] [Plus] [Flex] Certificates]

at the same time

Supplement No. 9 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, London Branch, dated 20 March 2007,

concerning the issue of

- Series 2007-[●] Up to CHF [●] 100% Principal Protected Type A Notes linked to the [●] CHF Protected Index
- Series 2007-[●] Up to CHF [●] 100% Principal Protected Type B Notes linked to the [●] CHF Protected Index ((i) and (ii) together, the CHF Notes) (for marketing purposes these securities are known as "[●] CHF Index Notes")
- Series 2007-[●] Up to EUR [●] 100% Principal Protected Type A Notes linked to the [●] EUR Protected Index
- Series 2007-[●] Up to EUR [●] 100% Principal Protected Type B Notes linked to the [●] EUR Protected Index ((iii) and (iv) together, the EUR Notes) (for marketing purposes these securities are known as the "[●] EUR Index Notes")
- Series 2007-[●] Up to USD [●] 100% Principal Protected Type A Notes linked to the [●] USD Protected Index
- Series 2007-[●] Up to USD [●] 100% Principal Protected Type B Notes linked to the [●] USD Protected Index ((v) and (vi) together, the USD Notes and, together with the CHF Notes and the EUR Notes, the Notes) (for marketing purposes these securities are known as "[●] USD Index Notes")

as well as for the

- Series 2007-[●] Up to CHF [●] Type A Certificates linked to the [●] CHF Index
- Series 2007-[●] Up to CHF [●] Type B Certificates linked to the [●] CHF Index ((vii) and (viii) together, the CHF Certificates) (for marketing purposes these securities are known as the "[●] CHF Index Certificates")
- Series 2007-[●] Up to EUR [●] Type A Certificates linked to the [●] EUR Index
- Series 2007-[●] Up to EUR [●] Type B Certificates linked to the [●] EUR Index ((ix) and (x) together, the EUR Certificates) (for marketing purposes these securities are known as "[●] EUR Index Certificates")
- Series 2007-[●] Up to USD [●] Type A Certificates linked to the [●] USD Index

- Series 2007-[●] Up to USD [●] Type B Certificates linked to the [●] USD Index ((xi) and (xii) together, the USD Certificates) (for marketing purposes these securities are known as "[●] USD Certificates")

at the same time

Supplement No. 13 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 12 April 2007,

concerning the issue of

UBS [Capital Protected] [Gearing] [●] [(Capped)] Certificates

at the same time

Supplement No. 9 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 17 April 2007,

concerning the issue of

UBS [Capital Protected] [A(lternative) I(nvestment) S(trategies)] [●] Index [(Capped)]-Certificates

at the same time

Supplement No. 8 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 17 August 2007

concerning the issue of

UBS [Capital Protected] [A(lternative) I(nvestment) S(trategies)] [●] [Portfolio] [(Capped)] Certificates

at the same time

Supplement No. 12 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London][Jersey] Branch, dated 13 November 2007,

concerning the issue of

UBS [Capital Protected] [[Call] [or, as the case may be,] [Put]] [Hit [Call] [or, as the case may be,] [Put]] [Lock Out [Call] [or, as the case may be,] [Put]] [Double Lock Out] [[Turbo Long-] [or, as the case may be,] [Turbo Short-]] [Digital [Call] [or, as the case may be,] [Put]] [Hamster] [●] [(Capped)] Warrants

at the same time

Supplement No. 11 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 23 November 2007,

concerning the issue of

UBS [Capital Protected] [Discount [PLUS]] [Sprint [PLUS]] [Multibloc] [[Easy] [Outperformance [Express]] [Kick-In] [PLUS] [XL] [Bonus]] [Callable Yield] [•] [(Capped)] Certificates

at the same time

Supplement No. 9 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 20 December 2007,

concerning the issue of

UBS [Capital Protected] [Bonus] [Express] [Reverse] [Lock-in] [(Capped)] Certificates

at the same time

Supplement No. 9 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 21 January 2008,

concerning the issue of

UBS [Capital Protected] [[Performance] [PERLES]] [Outperformance] [Relative Performance Plus] [Open-End] [[Super] S²MART] [[Lock-In] Bonus [Extra] [Plus] [Flex]] [(Capped)] Certificates [[without] [with] settlement formula]

at the same time

Supplement No. 8 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG [Zurich], [London] [Jersey] Branch, dated 29 February 2008,

concerning the issue of

UBS [Capital Protected] [A(Iternative) I(nvestment) S(trategies)] [Reverse] [Performance] [Tracker] [(Capped)] Certificates

at the same time

Supplement No. 6 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG [London] [Jersey] Branch, dated 18 April 2008,

concerning the issue of

UBS [Capital Protected] [Gearing] [(Capped)] Certificates

at the same time

Supplement No. 6 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 the already published (single document) Base Prospectus of UBS AG [Zurich], [London] [Jersey] Branch, dated 2 May 2008,

concerning the issue of

UBS [Capital Protected] [A(lternative) I(nvestment) S(trategies)] [•] [Portfolio] [(Capped)] Certificates

at the same time

Supplement No. 6 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 27 May 2008,

concerning the issue of

UBS [Capital Protected] [Kick-In] [GOAL] [(Capped)] Notes

at the same time

Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 14 July 2008,

concerning the issue of

UBS [Capital Protected] [Champion] [Express] [(Capped)] Certificates

at the same time

Supplement No. 3 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 25 November 2008,

concerning the issue of

UBS [Capital Protected] [Discount [PLUS]] [Sprint [PLUS]] [Multibloc] [[Easy] [Outperformance [Express] [Kick-In] [PLUS] [XL] [Bonus]] [Callable Yield] [Reverse] [Champion] [Express] [(Capped)]] Certificates

at the same time

Supplement No. 3 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 17 December 2008,

concerning the issue of

UBS [Capital Protected] [Bonus] [Twin-Win] [Express] [Reverse] [Lock-In] [Basket] [Select] [(Capped)] [Certificates] [Notes]

at the same time

Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 29 January 2009,

concerning the issue of

UBS [Capital Protected] [[Performance] [Express] [Reverse] [PERLES]] [Outperformance] [Relative Performance Plus] [Open-End] [[Super] S2MART] [[Lock-In] [Bonus] [Extra Plus] [Flex]] [(Capped)] Certificates, dated 29 January 2009

Supplement No. 1 pursuant to § 16 (1) of the German Securities Prospectus Act

dated 31 August 2009 to the already published (single document) Base Prospectus of UBS AG, [London] [Jersey] Branch, dated 21 April 2009,

concerning the issue of

UBS [CAPITAL PROTECTED] [GEARING] [(CAPPED)] [Certificates] [Notes]

The attention of the investors is in particular drawn to the following: Investors who have already agreed to purchase or subscribe for the Securities before the Supplement is published have, pursuant to § 16 (3) of the German Securities Prospectus Act, the right, exercisable within a time limit of two working days after the publication of the Supplement, to withdraw their acceptances, provided that the Securities have not been settled yet. Declarations of withdrawal do not have to contain a cause and must be directed at UBS Deutschland AG, Risk Management Products, Stephan-strasse 14-16 , D-60313 Frankfurt am Main, Germany. The time limit is met if the declaration of withdrawal is duly dispatched.

1) In the Base Prospectuses listed above, the section following the heading "Documents incorporated by reference" is completely replaced as follows:

"DOCUMENTS INCORPORATED BY REFERENCE

The following documents relating to UBS AG are incorporated by reference in this Prospectus and represent an integral part of this Prospectus and shall be maintained in printed format, for free distribution, at the offices of the Issuer as well as at UBS Deutschland AG, Stephanstrasse 14 - 16, 60313 Frankfurt am Main, Federal Republic of Germany. In addition, they are published on the UBS website, at www.ubs.com/investors or a successor address.

Incorporated document	Referred to in	Information
- UBS Annual Report 2008 (restated), UBS business divisions and Corporate Center, in English; pages B74 -B115 (inclusive)	- Business Overview	- Description of the Issuer's business groups
- UBS Annual Report 2008 (restated), Financial information, in English; pages E347 – E350 (inclusive)	- Organisational Structure of the Issuer	- Illustration of the key subsidiaries
- UBS Annual Report 2008 (restated), Corporate governance and compensation, in English; pages D195 – D196 (inclusive)	- Major Shareholders of the Issuer	- Further details on UBS shares
- UBS Annual Report 2007, 4 Financial Statements, in English:	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	- Financial Statements of UBS AG (Group) for the financial year 2007:
(i) page D18,		(i) Income Statement,
(ii) page D19,		(ii) Balance Sheet,
(iii) pages D23 - D24 (inclusive),		(iii) Statement of Cash Flows,
(iv) pages D25 - D120 (inclusive),		(iv) Notes to the Financial Statements,
(v) pages D3 - D8 (inclusive),		(v) Accounting Standards and Policies,
(vi) pages D16 - D17 (inclusive).		(vi) Report of the Group Auditors.
		- Financial Statements of UBS AG (Parent Bank) for the financial year 2007:
(i) page D125,		(i) Income Statement,
(ii) page D126,		(ii) Balance Sheet,
(iii) page D127,		(iii) Statement of Appropriation of Retained Earnings,
(iv) page D128,		(iv) Notes to the Financial Statements,
(v) page D124,		(v) Parent Bank Review,
(vi) pages D3 - D8 (inclusive),		(vi) Accounting Standards and Policies,
(vii) page D140.		(vii) Report of the Statutory

- Consolidated Financial Statements (restated) of UBS AG for the financial year 2007, in English:	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	Auditors. - Consolidated Financial Statements (restated) of UBS AG for the financial year 2007, in English:
(i) page F-31,		(i) Income Statement,
(ii) page F-32,		(ii) Balance Sheet,
(iii) pages F-37 - F-38 (including),		(iii) Statement of Cash Flow,
(iv) pages F-39 - F-139 (including),		(iv) Notes to the Financial Statements,
(v) pages F-29 - F-30 (including).		(v) Report of the Statutory Auditors.
- UBS Annual Report 2008, Financial information, in English:	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	- Financial Statements of UBS AG (Group) for the financial year 2008:
(i) page E256,		(i) Income Statement,
(ii) page E257,		(ii) Balance Sheet,
(iii) pages E261 - E262 (inclusive),		(iii) Statement of Cash Flows,
(iv) pages E263 - E370 (inclusive),		(iv) Notes to the Financial Statements,
(v) pages E245 - E250 (inclusive),		(v) Accounting Standards and Policies,
(vi) pages E252 - E255 (inclusive).		(vi) Report of the Group Auditors
		- Financial Statements of UBS AG (Parent Bank) for the financial year 2008:
(i) page E372,		(i) Income Statement,
(ii) page E373,		(ii) Balance Sheet,
(iii) page E373,		(iii) Statement of Appropriation of Retained Earnings,
(iv) pages E374 - E389 (inclusive),		(iv) Notes to the Financial Statements,
(v) page E371,		(v) Parent Bank Review,
(vi) pages E245 - E250 (inclusive),		(vi) Accounting Standards and Policies,
(vii) pages E390 - E391 (inclusive).		(vii) Report of the Statutory Auditors.
- Consolidated Financial Statements (restated) of UBS AG for the financial year 2008, in English:	- Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	- Consolidated Financial Statements (restated) of UBS AG for the financial year 2008, in English:
(i) page 256,		(i) Income Statement,
(ii) page 257,		(ii) Balance Sheet,
(iii) pages 261 - 262 (including),		(iii) Statement of Cash Flow,
(iv) pages 263 - 370 (including),		(iv) Notes to the Financial Statements,
(v) pages 390 - 391 (including).		(v) Report of the Statutory Auditors.
- UBS AG quarterly report as of 31 March 2009	- Description of the Issuer - Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	- UBS AG quarterly report as of 31 March 2009
- UBS AG quarterly report as of 30 June 2009	- Description of the Issuer - Financial Information concerning the Issuer's Assets	- UBS AG quarterly report as of 30 June 2009

	and Liabilities, Financial Position and Profits and Losses	
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- (a) The UBS AG Annual Report 2008 has been filed with the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – “**BaFin**”) as appendix to the Registration Document of UBS AG dated 6 April 2009;
- (b) The Restated UBS AG Annual Report 2008 has been filed with the BaFin as appendix to the Base Prospectus dated 15 June 2009;
- (c) The Quarterly Report of UBS AG as of 31 March 2009 has been filed with the BaFin as appendix to the Base Prospectus dated 15 June 2009;
- (d) The Quarterly Report of UBS AG as of 30 June 2009 will be filed with the BaFin as appendix to the Supplement dated 31 August 2009;
- (e) the UBS AG Annual Report 2007 has been filed with the BaFin as appendix to the Registration Document of UBS AG dated 4 April 2008;
- (f) the Consolidated Financial Statements (restated) of UBS AG for the financial year 2007 have been filed with the BaFin in connection with the securities prospectus dated 23 May 2008 for the Offering of 760,295,181 Registered Shares of UBS AG.

2) In section “SUMMARY”, the bullet points ‘Who is the Issuer’, ‘Who are the members of the Issuer’s management and supervisory bodies?’ and ‘What is the Issuer’s financial situation?’ and in relation the Base Prospectus dated 20 March 2007 the bullet points ‘Issuer’, ‘Rating of the Issuer’ and ‘Issuer’s financial situation’ are completely replaced as follows:

“Who is the Issuer?”

UBS AG (“**UBS AG**” or “**UBS**” or the “**Issuer**” or the “**Company**”) with its subsidiaries, is, according to its own opinion, one of the world’s leading financial firms, serving a discerning international client base. UBS is, according to its own opinion, a leading global wealth manager, one of the world’s premier investment banking and securities firms with a strong institutional and corporate client franchise, one of the leading global asset managers and the market leader in Swiss commercial and retail banking. On 30 June 2009, UBS employed 71,806 people¹. With headquarters in Zurich and Basel, Switzerland, UBS operates in over 50 countries and from all major international centers.

UBS is, according to its own opinion, one of the best-capitalized financial institutions in the world. On 30 June 2009, the BIS Tier1² ratio was 13.2 %, invested assets stood at CHF 2,250 billion, equity attributable to UBS shareholders was CHF 33,545 million and market capitalization was CHF 42,872 million.

The rating agencies Standard & Poor’s Inc. (“**Standard & Poor’s**”), Fitch Ratings (“**Fitch**”) and Moody’s Investors Service Inc. (“**Moody’s**”) have assessed the creditworthiness of UBS, i.e. the ability of UBS to fulfill payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing, in a timely manner. The ratings from Fitch and Standard & Poor’s may be attributed a plus or minus sign, and those from Moody’s a number. These supplementary attributes indicate the relative position within the respective rating class. UBS currently has long-term senior debt ratings of A+ from Standard & Poor’s, Aa2 from Moody’s³ and A+ from Fitch.

¹ Full-time equivalents.

² Tier 1 capital comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interests less accrued dividends, net long positions in own shares and goodwill.

³ On 15 June 2009, Moody’s placed UBS’ long-term senior debt rating on review for possible downgrade.

Who are the members of the Issuer's management and supervisory bodies?

The Board of Directors is the most senior body of UBS. The Board of Directors consists of at least of six or a maximum of twelve members.

Board of Directors of UBS AG

The Board of Directors consists of twelve members:

Name	Title	Term of office	Position outside UBS AG
Kaspar Villiger	Chairman	2010	None
Sergio Marchionne	Independent vice chairman / Senior independent director	2010	CEO and member of the supervisory board of Fiat S.p.A., Turin; CEO of Fiat Group Automobiles; Chairman of SGS, Geneva; member of the BoD of Philip Morris International Inc., New York; member of Acea (European Automobile Manufacturers Association); Chairman of CNH Case New Holland Global N.V., Amsterdam.
Sally Bott	Member	2010	Group HR Director and member of the Group Executive Committee of BP Plc; member of the board of the Royal College of Music in London; member of the board of the Carter Burden Center for the Aged in NYC.
Michel Demaré	Member	2010	CFO and member of the Executive Committee of ABB; president of Global Markets at ABB; member of the foundation board of IMD, Lausanne.
Rainer-Marc Frey	Member	2010	Founder and Chairman of Horizon21; member of the BoD of DKSH Group, Zurich; member of the advisory board of Invision Private Equity AG, Zug; member of the BoD of the Frey Charitable Foundation, Freienbach.
Bruno Gehrig	Member	2010	Vice chairman of the BoD of Roche Holding AG, Basel; Chairman of the Swiss Air Transport Foundation, Zug.
Ann F. Godbehere	Member	2010	Non executive director of Prudential Plc.; member of the board of the Lloyd's managing agency Atrium Underwriters Group Ltd. (acquired by Ariel Holdings); member of the board of Ariel Holdings.
Axel P. Lehmann	Member	2010	Group Chief Risk Officer and member of the Group Executive Committee of Zurich Financial Services (Zurich); responsible for Group IT at Zurich; Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen.
Helmut Panke	Member	2010	Member of the BoD of Microsoft Corporation, Redmond, WA (USA); member of the supervisory board of Bayer AG (Germany); member of the BoD of the American Chamber of Commerce in Germany;
William G. Parrett	Member	2010	Independent director of Eastman Kodak Co., Blackstone Group LP and Thermo Fisher Scientific Inc., USA; Chairman of the BoD of the United States Council for International Business and Chairman of United Way of America; member of the board of trustees of Carnegie Hall; member of the Executive Committee of the International Chamber of Commerce.

David Sidwell	Member	2010	Director of the Federal National Mortgage Association Fannie Mae; trustee of the International Accounting Standards Committee Foundation, London; Chairman of the BoD of Village Care of New York; director of the National Council on Aging.
Peter R. Voser	Member	2010	CEO and executive BoD member of Royal Dutch Shell plc, London; member of the BoD of the Swiss Federal Auditor Oversight Authority.

Group Executive Board of UBS AG

The GEB consists of thirteen members:

Oswald J. Gruebel	Group Chief Executive Officer
John Cryan	Group Chief Financial Officer
Markus U. Diethelm	Group General Counsel
John A. Fraser	Chairman and Chief Executive Officer Global Asset Management
Marten Hoekstra	Chief Executive Officer Wealth Management Americas
Carsten Kengeter	Co-Chief Executive Officer Investment Bank
Ulrich Koerner	Group Chief Operating Officer and Chief Executive Officer Corporate Center
Philip J. Loftis	Group Chief Risk Officer
Francesco Morra	Chief Executive Officer Switzerland, Wealth Management & Swiss Bank
Alexander Wilmot-Sitwell	Co-Chief Executive Officer Investment Bank
Robert Wolf	Chairman and Chief Executive Officer, UBS Group Americas / President Investment Bank
Chi-Won Yoon	Chairman and Chief Executive Officer, Asia Pacific
Juerg Zeltner	Chief Executive Officer Wealth Management Global, Wealth Management & Swiss Bank

No member of the GEB has any significant business interests outside of UBS.

What is the Issuer's financial situation?

The following table has been produced from the unaudited results of UBS as of 30 June 2009 and shows the key facts and UBS' ratings:

UBS key figures							
	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
Group results							
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)	(0.39)	(0.57)	(0.16)	32	(144)	(0.96)	(4.98)
Balance sheet and capital management							
Total assets	1,599,873	1,861,326		(14)			
Equity attributable to UBS shareholders	33,545	31,283		7			
BIS total ratio (%)	17.7	14.7					
BIS risk-weighted assets	247,976	277,665		(11)			
Key performance indicators							
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 (%) ¹	N/A	N/A	N/A			N/A	N/A
Net new money (CHF billion) ²	(39.5)	(14.9)	(43.8)			(54.4)	(56.5)
Efficiency							
Cost / income ratio (%) ³	115.2	106.9	202.6			111.1	N/A
Capital strength							
BIS tier 1 ratio (%)	13.2	10.5					
FINMA leverage ratio (%)	3.46	2.71 ⁴					
Additional information							
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	42,872	31,379	62,874	37	(32)		
Long-term ratings							
Fitch, London	A+	A+	AA-				
Moody's, New York ⁵	Aa2	Aa2	Aa1				
Standard & Poor's, New York	A+	A+	AA-				

¹ Not meaningful if either the current period or the comparison period is a loss period. ² Excludes interest and dividend income. ³ Not meaningful if operating income before credit loss (expense) / recovery is negative. ⁴ 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 %. ⁵ On 15 June 2009, Moody's placed the long-term debt and deposit ratings of UBS AG and affiliates on review for possible downgrade.

..

3) With reference to

- (a) the Base Prospectus dated 28 March 2006 concerning the issue of A(Alternative) I(nvestment) S(trategies) Index – Certificates,
- (b) the Base Prospectus dated 17 April 2007 concerning the issue of UBS [Capital Protected] [A(Alternative) I(nvestment) S(trategies)] [●] Index [(Capped)]-Certificates,
- (c) the Base Prospectus dated 17 August 2007 concerning the issue of UBS [Capital Protected] [A(Alternative) I(nvestment) S(trategies)] [●] [Portfolio] [(Capped)] Certificates,
- (d) the Base Prospectus dated 29 February 2008 for the issue of UBS [Capital Protected] [A(Alternative) I(nvestment) S(trategies)] [Reverse] [Performance] [Tracker] [(Capped)] Certificates,
- (e) the Base Prospectus dated 2 May 2008 concerning the issue of UBS [Capital Protected] [A(Alternative) I(nvestment) S(trategies)] [●] [Portfolio] [(Capped)] Certificates,
- (f) the Base Prospectus dated 25 November 2008 concerning the issue of UBS [Capital Protected] [Discount [PLUS]] [Sprint [PLUS]] [Multibloc] [[Easy] [Outperformance [Express] [Kick-In] [PLUS] [XL] [Bonus]] [Callable Yield] [Reverse] [Champion] [Express] [(Capped)] Certificates,
- (g) the Base Prospectus dated 17 December 2008 concerning the issue of UBS [Capital Protected] [Bonus] [Twin-Win] [Express] [Reverse] [Lock-In] [Basket] [Select] [(Capped)] [Certificates] [Notes]
- (h) the Base Prospectus dated 29 January 2009 concerning the issue of UBS [Capital Protected] [[Performance] [Express] [Reverse] [PERLES]] [Outperformance] [Relative Performance Plus] [Open-End] [[Super] S2MART] [[Lock-In] [Bonus] [Extra Plus] [Flex]] [(Capped)] Certificates, and
- (i) the Base Prospectus dated 21 April 2009 concerning the issue of UBS [Capital Protected] [Gearing] [(Capped)] [Certificates] [Notes]

in the section “ZUSAMMENFASSUNG”, the bullet points ‘Wer ist die Emittentin’, ‘Wer sind die Mitglieder der Geschäftsführungs- und Aufsichtsorgane der Emittentin?’ and ‘Wie ist die finanzielle Situation der Emittentin?’ are completely replaced as follows:

„Wer ist die Emittentin?”

Die UBS AG („**UBS AG**“, „**UBS**“, die „**Emittentin**“ oder die „**Gesellschaft**“) einschließlich ihrer Tochtergesellschaften, ist nach eigener Einschätzung eines der global führenden Finanzinstitute für internationale anspruchsvolle Kundinnen und Kunden. UBS ist eigenen Angaben zufolge ein weltweit führender Anbieter von Wealth Management-Dienstleistungen und gehört zu den wichtigsten Investmentbanken und Wertschriftenhäusern mit einer starken Stellung im Geschäft mit institutionellen und Firmenkunden. Sie zählt nach eigener Einschätzung zu den führenden Vermögensverwaltern und ist in der Schweiz Marktführer im Geschäft mit Privat- und Firmenkunden. Zum 30. Juni 2009 beschäftigte UBS 71.806 Mitarbeiter (auf Vollzeitbasis). UBS mit Hauptsitz in Zürich und Basel, Schweiz, ist in mehr als 50 Ländern und an den wichtigsten internationalen Finanzplätzen vertreten.

UBS gehört nach eigener Einschätzung zu den bestkapitalisierten Finanzinstituten der Welt. Am 30. Juni 2009 betrug die BIZ-Kernkapitalquote (Tier 1)⁴ 13,2 %, das investierte Kapital belief sich auf CHF 2.250 Mrd., und das UBS-Aktionären zurechenbare Eigenkapital lag bei CHF 33.545 Mio. Die Marktkapitalisierung betrug CHF 42.872 Mio.

Die Rating-Agenturen Standard & Poor's Inc. („**Standard & Poor's**“), Fitch Ratings („**Fitch**“) und Moody's Investors Service Inc. („**Moody's**“) haben die Bonität von UBS und damit ihre Fähigkeit, Zahlungsverpflichtungen, beispielsweise Tilgungs- und Zinszahlungen (Kapitaldienst) bei langfristigen Krediten, pünktlich nachzukommen, beurteilt und bewertet. Bei Fitch und Standard & Poor's kann die Beurteilung mit Plus- oder Minus-Zeichen, bei Moody's mit Ziffern versehen sein. Diese Zusätze geben Aufschluss über die Beurteilung innerhalb einer Bewertungsstufe. Dabei beurteilt Standard & Poor's die UBS hinsichtlich des Long-Term senior debt ratings aktuell mit A+, Moody's mit Aa2⁵ und Fitch mit A+.

⁴ Tier-1-Kapital setzt sich zusammen aus Aktienkapital, Kapitalrücklagen, Gewinnrücklagen einschließlich Gewinn des laufenden Jahres, Währungsumrechnung und Minderheitsanteilen abzüglich aufgelaufene Dividende, Nettolongpositionen in eigenen Aktien und Goodwill.

⁵ Am 15. Juni 2009 setzte Moody's das Long-Term senior debt Rating der UBS auf Beobachtung zur möglichen Herabstufung.

Wer sind die Mitglieder der Geschäftsführungs- und Aufsichtsorgane der Emittentin?

Der Verwaltungsrat ist das oberste Führungsgremium der UBS. Der Verwaltungsrat besteht aus mindestens sechs und höchstens zwölf Mitgliedern.

Mitglieder des Verwaltungsrats der UBS AG

Der Verwaltungsrat besteht derzeit aus zwölf Mitgliedern:

Name	Funktion	Ablauf der Amtszeit	Mandate außerhalb der UBS AG
Kaspar Villiger	Präsident	2010	Keine
Sergio Marchionne	Unabhängiger Vizepräsident / Senior Independent Director	2010	CEO und Mitglied des Verwaltungsrats von Fiat S.p.A., Turin; CEO von Fiat Group Automobiles, Präsident des Verwaltungsrats der SGS, Genf; Mitglied des Verwaltungsrats von Philip Morris International Inc., New York, Mitglied der Acea (European Automobile Manufacturers Association) und Chairman von CNH Case New Holland Global N.V., Amsterdam
Sally Bott	Mitglied	2010	Group Human Resources Director und Mitglied der Konzernleitung von BP Plc., Mitglied des Board des Royal College in London und des Carter Burden Center for the Aged in New York City
Michel Demaré	Mitglied	2010	Chief Financial Officer und Mitglied des Executive Committees von ABB; Präsident von Global Markets Mitglied des Stiftungsrates von IMD, Lausanne.
Rainer-Marc Frey	Mitglied	2010	Gründer und Verwaltungsratspräsident von Horizon21, Mitglied des Verwaltungsrats von DKSH, Zürich, Mitglied des Advisory Board der Invision Private Equity AG, Zug, und Mitglied des Verwaltungsrats der Frey Charitable Foundation, Freienbach
Bruno Gehrig	Mitglied	2010	Vizepräsident des Verwaltungsrats der Roche Holding AG, Basel; Präsident der Swiss Luftfahrtstiftung, Zug
Ann F. Godbehere	Mitglied	2010	Verwaltungsrätin von Prudential Plc.; Mitglied des Verwaltungsrats der Managing Agency von Lloyd's Atrium Underwriters Group Ltd., Mitglied im Verwaltungsrat der Ariel Holdings.
Axel P. Lehmann	Mitglied	2010	Group Chief Risk Officer und Mitglied der Konzernleitung Zurich Financial Services (Zürich); verantwortlich für Group IT bei Zürich; Präsident des Geschäftsleitenden Ausschusses des Instituts für Versicherungswirtschaft (I.VW-HSG) an der Universität St. Gallen
Helmut Panke	Mitglied	2010	Mitglied des Board of Directors von Microsoft Corporation, Redmond, WA (USA); Mitglied des Aufsichtsrats der Bayer AG, Deutschland; Vorstandsmitglied der amerikanischen Handelskammer in Deutschland

William G. Parrett	Mitglied	2010	Unabhängiger Director von Eastman Kodak Co., Blackstone Group LP und Thermo Fisher Scientific, USA; Verwaltungsratspräsident des United States Council for International Business und von United Way of America, Mitglied des Board of Trustees der Carnegie Hall, Mitglied des Executive Committee der Internationalen Handelskammer
David Sidwell	Mitglied	2010	Director der Federal National Mortgage Association Fannie Mae, Stiftungsratsmitglied der International Accounting Standards Committee Foundation, London; Verwaltungsratspräsident der Village Care of New York, sowie Director des National Council on Aging
Peter R. Voser	Mitglied	2010	Chief Financial Officer und Konzernleitungsmitglied von Royal Dutch Shell plc, London; Mitglied des Verwaltungsrats der Eidgenössischen Revisionsaufsichtsbehörde

Konzernleitung der UBS AG

Die Konzernleitung besteht derzeit aus dreizehn Mitgliedern:

Oswald J. Grübel	Group Chief Executive Officer
John Cryan	Group Chief Financial Officer
Markus U. Diethelm	Group General Counsel
John A. Fraser	Chairman und Chief Executive Officer Global Asset Management
Marten Hoekstra	Chief Executive Officer Wealth Management Americas
Carsten Kengeter	Co- Chief Executive Officer der Investment Bank
Ulrich Körner	Group Chief Operating Officer und Chief Executive Officer Corporate Center
Philip J. Lofts	Group Chief Risk Officer
Francesco Morra	Chief Executive Officer Switzerland, Wealth Management & Swiss Bank
Alexander Wilmot-Sitwell	Co- Chief Executive Officer der Investment Bank
Robert Wolf	Chairman und Chief Executive Officer, UBS Group Americas/President Investment Bank
Chi-Won Yoon	Chairman und CEO Asia Pacific
Juerg Zeltner	Chief Executive Officer Wealth Management Global, Wealth Management & Swiss Bank

Kein Mitglied der Konzernleitung übt bedeutsame Tätigkeiten außerhalb der UBS aus.

Wie ist die finanzielle Situation der Emittentin?

Die nachfolgende Tabelle ist aus dem publizierten nicht-geprüften Geschäftsbericht der UBS zum 30. Juni 2009 entnommen und zeigt die wesentlichen Kennzahlen und das Rating der UBS:

Kennzahlen UBS							
		Für das Quartal endend am oder per		Veränderung in %		Seit Jahresbeginn	
Mio. CHF (Ausnahmen sind angegeben)	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
UBS-Konzern							
Geschäftsertrag	5 770	4 970	3 984	16	45	10 740	(50)
Geschäftsaufwand	7 093	6 528	8 110	9	(13)	13 621	15 957
Ergebnis vor Steuern (aus fortzuführenden und aufgegebenen Geschäftsbereichen)	(1 316)	(1 547)	(4 067)	15	68	(2 863)	(15 829)
Den UBS-Aktionären zurechenbares Konzernergebnis	(1 402)	(1 975)	(395)	29	(255)	(3 376)	(12 012)
Verwässertes Ergebnis pro Aktie (CHF)	(0.39)	(0.57)	(0.16)	32	(144)	(0.96)	(4.98)
Bilanz- und Kapitalbewirtschaftung UBS							
Total Aktiven	1 599 873	1 861 326		(14)			
Den UBS-Aktionären zurechenbares Eigenkapital	33 545	31 283		7			
Gesamtkapitalquote (Tier 1 und 2) (%)	17,7	14,7					
Risikogewichtete Aktiven	247 976	277 665		(11)			
Kennzahlen zur Leistungsmessung							
Performance							
Eigenkapitalrendite (RoE) (%)						(21,0)	(80,8)
Rendite auf risikogewichtete Aktiven, brutto (%)						8,9	0,2
Rendite auf Aktiven, brutto (%)						1,3	0,0
Wachstum							
Wachstum des Ergebnisses (%) ¹	N/A	N/A	N/A			N/A	N/A
Neugelder (Mrd. CHF) ²	(39,5)	(14,9)	(43,8)			(54,4)	(56,5)
Effizienz							
Geschäftsaufwand / Geschäftsertrag (%) ³	115,2	106,9	202,6			111,1	N/A
Kapitalkraft							
Kernkapitalquote (Tier 1) (%)	13,2	10,5					
FINMA Leverage Ratio (%)	3,46	2,71 ⁴					
Zusätzliche Informationen							
Verwaltete Vermögen (Mrd. CHF)	2 250	2 182	2 763	3	(19)		
Personalbestand (auf Vollzeitbasis)	71 806	76 206	81 452	(6)	(12)		
Börsenkapitalisierung	42 872	31 379	62 874	37	(32)		
Langfristige Ratings							
Fitch, London	A+	A+	AA-				
Moody's, New York ⁵	Aa2	Aa2	Aa1				
Standard & Poor's, New York	A+	A+	AA-				

¹ Besitzt keine Aussagekraft, falls für die laufende Periode oder die Vergleichsperiode ein Verlust ausgewiesen wird. ² Ohne Zins- und Dividendenerträge. ³ Besitzt keine Aussagekraft, falls der Geschäftsertrag vor Auflösung von Wertberichtigungen für Kreditrisiken negativ ist. ⁴ Mit der Anpassung der Verrechnung der Barhinterlagen im ersten Quartal 2009 sanken die bereinigten Vermögenswerte um 62 Mrd. CHF, und die FINMA Leverage Ratio verbesserte sich von 2,56 % auf 2,71 %. ⁵ Am 15. Juni 2009 hat Moody's die Ratings für die langfristigen Verbindlichkeiten und Einlagen der UBS AG und ihrer assoziierten Gesellschaften unter Beobachtung für eine mögliche Zurückstufung gesetzt.

- 4) With reference to the Base Prospectus dated 20 March 2007 concerning the issue of
- Series 2007-[●] Up to CHF [●] 100% Principal Protected Type A Notes linked to the [●] CHF Protected Index
 - Series 2007-[●] Up to CHF [●] 100% Principal Protected Type B Notes linked to the [●] CHF Protected Index ((i) and (ii) together, the CHF Notes) (for marketing purposes these securities are known as "[●] CHF Index Notes")
 - Series 2007-[●] Up to EUR [●] 100% Principal Protected Type A Notes linked to the [●] EUR Protected Index
 - Series 2007-[●] Up to EUR [●] 100% Principal Protected Type B Notes linked to the [●] EUR Protected Index ((iii) and (iv) together, the EUR Notes) (for marketing purposes these securities are known as the "[●] EUR Index Notes")
 - Series 2007-[●] Up to USD [●] 100% Principal Protected Type A Notes linked to the [●] USD Protected Index
 - Series 2007-[●] Up to USD [●] 100% Principal Protected Type B Notes linked to the [●] USD Protected Index ((v) and (vi) together, the USD Notes and, together with the CHF Notes and the EUR Notes, the Notes) (for marketing purposes these securities are known as "[●] USD Index Notes")

as well as for the

- Series 2007-[●] Up to CHF [●] Type A Certificates linked to the [●] CHF Index
- Series 2007-[●] Up to CHF [●] Type B Certificates linked to the [●] CHF Index ((vii) and (viii) together, the CHF Certificates) (for marketing purposes these securities are known as the "[●] CHF Index Certificates")
- Series 2007-[●] Up to EUR [●] Type A Certificates linked to the [●] EUR Index
- Series 2007-[●] Up to EUR [●] Type B Certificates linked to the [●] EUR Index ((ix) and (x) together, the EUR Certificates) (for marketing purposes these securities are known as "[●] EUR Index Certificates")
- Series 2007-[●] Up to USD [●] Type A Certificates linked to the [●] USD Index
- Series 2007-[●] Up to USD [●] Type B Certificates linked to the [●] USD Index ((xi) and (xii) together, the USD Certificates) (for marketing purposes these securities are known as "[●] USD Certificates")

in the section "ZUSAMMENFASSUNG" the paragraphs "Emittentin", "Rating der Emittentin" and "Vermögenslage der Emittentin" of the table are deleted and the following bullet points are inserted above the table:

„Wer ist die Emittentin?"

Die UBS AG („**UBS AG**", „**UBS**", die „**Emittentin**" oder die „**Gesellschaft**") einschließlich ihrer Tochtergesellschaften, ist nach eigener Einschätzung eines der global führenden Finanzinstitute für internationale anspruchsvolle Kundinnen und Kunden. UBS ist eigenen Angaben zufolge ein weltweit führender Anbieter von Wealth Management-Dienstleistungen und gehört zu den wichtigsten Investmentbanken und Wertschriftenhäusern mit einer starken Stellung im Geschäft mit institutionellen und Firmenkunden. Sie zählt nach eigener Einschätzung zu den führenden Vermögensverwaltern und ist in der Schweiz Marktführer im Geschäft mit Privat- und Firmenkunden. Zum 30. Juni 2009 beschäftigte UBS 71.806 Mitarbeiter (auf Vollzeitbasis). UBS mit Hauptsitz in Zürich und Basel, Schweiz, ist in mehr als 50 Ländern und an den wichtigsten internationalen Finanzplätzen vertreten.

UBS gehört nach eigener Einschätzung zu den bestkapitalisierten Finanzinstituten der Welt. Am 30. Juni 2009 betrug die BIZ-Kernkapitalquote (Tier 1)⁶ 13,2 %, das investierte Kapital belief sich auf CHF 2.250 Mrd., und das UBS-Aktionären zurechenbare Eigenkapital lag bei CHF 33.545 Mio. Die Marktkapitalisierung betrug CHF 42.872 Mio.

Die Rating-Agenturen Standard & Poor's Inc. („**Standard & Poor's**"), Fitch Ratings („**Fitch**") und Moody's Investors Service Inc. („**Moody's**") haben die Bonität von UBS und damit ihre Fähigkeit, Zahlungsverpflichtungen, beispielsweise Tilgungs- und Zinszahlungen (Kapitaldienst) bei langfristigen Krediten, pünktlich nachzukommen, beurteilt und bewertet. Bei Fitch und Standard & Poor's kann die Beurteilung mit Plus- oder Minus-Zeichen, bei Moody's mit Ziffern versehen sein. Diese Zusätze geben

⁶ Tier-1-Kapital setzt sich zusammen aus Aktienkapital, Kapitalrücklagen, Gewinnrücklagen einschließlich Gewinn des laufenden Jahres, Währungsumrechnung und Minderheitsanteilen abzüglich aufgelaufene Dividende, Nettolongpositionen in eigenen Aktien und Goodwill.

Aufschluss über die Beurteilung innerhalb einer Bewertungsstufe. Dabei beurteilt Standard & Poor's die UBS hinsichtlich des Long-Term senior debt ratings aktuell mit A+, Moody's mit Aa2⁷ und Fitch mit A+.

Wer sind die Mitglieder der Geschäftsführungs- und Aufsichtsorgane der Emittentin?

Der Verwaltungsrat ist das oberste Führungsgremium der UBS. Der Verwaltungsrat besteht aus mindestens sechs und höchstens zwölf Mitgliedern.

Mitglieder des Verwaltungsrats der UBS AG

Der Verwaltungsrat besteht derzeit aus zwölf Mitgliedern:

Name	Funktion	Ablauf der Amtszeit	Mandate außerhalb der UBS AG
Kaspar Villiger	Präsident	2010	Keine
Sergio Marchionne	Unabhängiger Vizepräsident / Senior Independent Director	2010	CEO und Mitglied des Verwaltungsrats von Fiat S.p.A., Turin; CEO von Fiat Group Automobiles, Präsident des Verwaltungsrats der SGS, Genf; Mitglied des Verwaltungsrats von Philip Morris International Inc., New York, Mitglied der Acea (European Automobile Manufacturers Association) und Chairman von CNH Case New Holland Global N.V., Amsterdam
Sally Bott	Mitglied	2010	Group Human Resources Director und Mitglied der Konzernleitung von BP Plc., Mitglied des Board des Royal College in London und des Carter Burden Center for the Aged in New York City
Michel Demaré	Mitglied	2010	Chief Financial Officer und Mitglied des Executive Committees von ABB; Präsident von Global Markets Mitglied des Stiftungsrates von IMD, Lausanne.
Rainer-Marc Frey	Mitglied	2010	Gründer und Verwaltungsratspräsident von Horizon21, Mitglied des Verwaltungsrats von DKSH, Zürich, Mitglied des Advisory Board der Invision Private Equity AG, Zug, und Mitglied des Verwaltungsrats der Frey Charitable Foundation, Freienbach
Bruno Gehrig	Mitglied	2010	Vizepräsident des Verwaltungsrats der Roche Holding AG, Basel; Präsident der Swiss Luftfahrtstiftung, Zug
Ann F. Godbehere	Mitglied	2010	Verwaltungsrätin von Prudential Plc.; Mitglied des Verwaltungsrats der Managing Agency von Lloyd's Atrium Underwriters Group Ltd., Mitglied im Verwaltungsrat der Ariel Holdings.
Axel P. Lehmann	Mitglied	2010	Group Chief Risk Officer und Mitglied der Konzernleitung Zurich Financial Services (Zürich); verantwortlich für Group IT bei Zürich; Präsident des Geschäftsleitenden Ausschusses des Instituts für Versicherungswirtschaft

⁷ Am 15. Juni 2009 setzte Moody's das Long-Term senior debt Rating der UBS auf Beobachtung zur möglichen Herabstufung

			(I.VW-HSG) an der Universität St. Gallen
Helmut Panke	Mitglied	2010	Mitglied des Board of Directors von Microsoft Corporation, Redmond, WA (USA); Mitglied des Aufsichtsrats der Bayer AG, Deutschland; Vorstandsmitglied der amerikanischen Handelskammer in Deutschland
William G. Parrett	Mitglied	2010	Unabhängiger Director von Eastman Kodak Co., Blackstone Group LP und Thermo Fisher Scientific, USA; Verwaltungsratspräsident des United States Council for International Business und von United Way of America, Mitglied des Board of Trustees der Carnegie Hall, Mitglied des Executive Committee der Internationalen Handelskammer
David Sidwell	Mitglied	2010	Director der Federal National Mortgage Association Fannie Mae, Stiftungsratsmitglied der International Accounting Standards Committee Foundation, London; Verwaltungsratspräsident der Village Care of New York, sowie Director des National Council on Aging
Peter R. Voser	Mitglied	2010	Chief Financial Officer und Konzernleitungsmitglied von Royal Dutch Shell plc, London; Mitglied des Verwaltungsrats der Eidgenössischen Revisionsaufsichtsbehörde

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Philip J. Loftis	Group Chief Risk Officer
Francesco Morra	Chief Executive Officer Switzerland, Wealth Management & Swiss Bank
Alexander Wilmot-Sitwell	Co- Chief Executive Officer der Investment Bank
Robert Wolf	Chairman und Chief Executive Officer, UBS Group Americas/President Investment Bank
Chi-Won Yoon	Chairman und CEO Asia Pacific
Juerg Zeltner	Chief Executive Officer Wealth Management Global, Wealth Management & Swiss Bank

Kein Mitglied der Konzernleitung übt bedeutsame Tätigkeiten außerhalb der UBS aus.

Wie ist die finanzielle Situation der Emittentin?

Die nachfolgende Tabelle ist aus dem publizierten nicht-geprüften Geschäftsbericht der UBS zum 30. Juni 2009 entnommen und zeigt die wesentlichen Kennzahlen und das Rating der UBS:

Kennzahlen UBS							
		Für das Quartal endend am oder per		Veränderung in %		Seit Jahresbeginn	
Mio. CHF (Ausnahmen sind angegeben)	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
UBS-Konzern							
Geschäftsertrag	5 770	4 970	3 984	16	45	10 740	(50)
Geschäftsaufwand	7 093	6 528	8 110	9	(13)	13 621	15 957
Ergebnis vor Steuern (aus fortzuführenden und aufgegebenen Geschäftsbereichen)	(1 316)	(1 547)	(4 067)	15	68	(2 863)	(15 829)
Den UBS-Aktionären zurechenbares Konzernergebnis	(1 402)	(1 975)	(395)	29	(255)	(3 376)	(12 012)
Verwässertes Ergebnis pro Aktie (CHF)	(0.39)	(0.57)	(0.16)	32	(144)	(0.96)	(4.98)
Bilanz- und Kapitalbewirtschaftung UBS							
Total Aktiven	1 599 873	1 861 326		(14)			
Den UBS-Aktionären zurechenbares Eigenkapital	33 545	31 283		7			
Gesamtkapitalquote (Tier 1 und 2) (%)	17,7	14,7					
Risikogewichtete Aktiven	247 976	277 665		(11)			
Kennzahlen zur Leistungsmessung							
Performance							
Eigenkapitalrendite (RoE) (%)						(21,0)	(80,8)
Rendite auf risikogewichtete Aktiven, brutto (%)						8,9	0,2
Rendite auf Aktiven, brutto (%)						1,3	0,0
Wachstum							
Wachstum des Ergebnisses (%) ¹	N/A	N/A	N/A			N/A	N/A
Neugelder (Mrd. CHF) ²	(39,5)	(14,9)	(43,8)			(54,4)	(56,5)
Effizienz							
Geschäftsaufwand / Geschäftsertrag (%) ³	115,2	106,9	202,6			111,1	N/A
Kapitalkraft							
Kernkapitalquote (Tier 1) (%)	13,2	10,5					
FINMA Leverage Ratio (%)	3,46	2,71 ⁴					
Zusätzliche Informationen							
Verwaltete Vermögen (Mrd. CHF)	2 250	2 182	2 763	3	(19)		
Personalbestand (auf Vollzeitbasis)	71 806	76 206	81 452	(6)	(12)		
Börsenkapitalisierung	42 872	31 379	62 874	37	(32)		
Langfristige Ratings							
Fitch, London	A+	A+	AA–				
Moody's, New York ⁵	Aa2	Aa2	Aa1				
Standard & Poor's, New York	A+	A+	AA–				

¹ Besitzt keine Aussagekraft, falls für die laufende Periode oder die Vergleichsperiode ein Verlust ausgewiesen wird. ² Ohne Zins- und Dividendenerträge. ³ Besitzt keine Aussagekraft, falls der Geschäftsertrag vor Auflösung von Wertberichtigungen für Kreditrisiken negativ ist. ⁴ Mit der Anpassung der Verrechnung der Barhinterlagen im ersten Quartal 2009 sanken die bereinigten Vermögenswerte um 62 Mrd. CHF, und die FINMA Leverage Ratio verbesserte sich von 2,56 % auf 2,71 %. ⁵ Am 15. Juni 2009 hat Moody's die Ratings für die langfristigen Verbindlichkeiten und Einlagen der UBS AG und ihrer assoziierten Gesellschaften unter Beobachtung für eine mögliche Zurückstufung gesetzt.

„

5) In case not yet displayed in the Base Prospectuses as listed above the section 'Risk Factors relating to the Issuer and the Securities' or 'Risk Factors', as the case may be, the paragraph headed 'I. Issuer-specific risks' will be supplemented by the following risk factor:

"Potentially significant litigation risks

The Issuer and other UBS Group companies operate in a legal and regulatory environment that exposes them to potentially significant litigation risks. As a result, UBS AG is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations. Such cases are subject to many uncertainties, and their outcome often is difficult to predict, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, UBS AG may based on a cost benefit analysis enter a settlement even though UBS AG denies any wrongdoing. UBS Group makes provisions for cases brought against it only when after seeking legal advice, in the opinion of management, it is probable that a liability exists, and the amount can be reasonably estimated. No provision is made for claims asserted against UBS Group that in the opinion of management are without merit and where it is not likely that UBS AG will be found liable."

6) In the Base Prospectuses as listed above the section 'Description of the Issuer' is completely replaced as follows:

"DESCRIPTION OF THE ISSUER

The following description contains general information on UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland, and Aeschenvorstadt 1, 4051 Basel, Switzerland [, acting through its [London Branch, 1 Finsbury Avenue, London EC2M 2PP, United Kingdom] [Jersey Branch, 24 Union Street, Saint Helier, Jersey JE4 8UJ]].

OVERVIEW

Who is the Issuer?

UBS AG ("**UBS AG**" or "**UBS**" or the "**Issuer**" or the "**Company**") with its subsidiaries, is, according to its own opinion, one of the world's leading financial firms, serving a discerning international client base. UBS is, according to its own opinion, a leading global wealth manager, one of the world's premier investment banking and securities firms with a strong institutional and corporate client franchise, one of the leading global asset managers and the market leader in Swiss commercial and retail banking. On 30 June 2009, UBS employed 71,806 people⁸. With headquarters in Zurich and Basel, Switzerland, UBS operates in over 50 countries and from all major international centers.

UBS is, according to its own opinion, one of the best-capitalized financial institutions in the world. On 30 June 2009, the BIS Tier1⁹ ratio was 13.2%, invested assets stood at CHF 2,250 billion, equity attributable to UBS shareholders was CHF 33,545 million and market capitalization was CHF 42,872 million.

The rating agencies Standard & Poor's Inc. ("**Standard & Poor's**"), Fitch Ratings ("**Fitch**") and Moody's Investors Service Inc. ("**Moody's**") have assessed the creditworthiness of UBS, i.e. the ability of UBS to fulfill payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing, in a timely manner. The ratings from Fitch and Standard & Poor's may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS currently has long-term senior debt ratings of A+ from Standard & Poor's, Aa2 from Moody's¹⁰ and A+ from Fitch.

⁸ Full-time equivalents.

⁹ Tier 1 capital comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interests less accrued dividends, net long positions in own shares and goodwill.

¹⁰ On 15 June 2009, Moody's placed UBS' long-term senior debt rating on review for possible downgrade.

I. Corporate Information

The legal and commercial name of the Company is UBS AG. The Company was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton Basel-City on that day. On 8 December 1997, the Company changed its name to UBS AG. The Company in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CH-270.3.004.646-4.

UBS AG is incorporated and domiciled in Switzerland and operates under Swiss Code of Obligations and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

The addresses and telephone numbers of UBS' two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8098 Zurich, Switzerland, telephone +41-44-234 11 11; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41-61-288 20 20.

UBS shares are listed on the SIX Swiss Exchange, the New York Stock Exchange and the Tokyo Stock Exchange.

According to Article 2 of the Articles of Association of UBS AG ("**Articles of Association**") the purpose of UBS is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, service and trading activities in Switzerland and abroad.

II. BUSINESS OVERVIEW

Business divisions and Corporate Center

Organizationally, UBS has operated throughout 2008 as a Group with three business divisions: Global Wealth Management & Business Banking, Global Asset Management and the Investment Bank and a Corporate Center. As announced on 10 February 2009, Global Wealth Management & Business Banking has been divided into two business divisions: Wealth Management & Swiss Bank and Wealth Management Americas. Each of the business divisions and the Corporate Center is described below. A full description of their strategies, organization, products, services and markets (under the 2008 structure) can be found in the restated Annual Report 2008 of UBS AG published on 20 May 2009 (the "Annual Report 2008"), in the English version on pages B74 – B115 (inclusive).

Wealth Management & Swiss Bank

Wealth Management & Swiss Bank caters to high net worth and ultra high net worth individuals around the world (except those served by Wealth Management Americas) whether they are investing internationally or in their home country. UBS offers these clients a complete range of tailored advice and investment services. Its Swiss Bank business provides a complete set of banking services for Swiss individual and corporate clients.

Wealth Management Americas

Wealth Management Americas provides advice-based relationships through its financial advisors who deliver a fully integrated set of products and services specifically designed to address the needs of high net worth and ultra high net worth individuals and families. It includes the former Wealth Management US business area, as well as the domestic Canadian and Brazilian (UBS Pactual) businesses and international business booked in the United States.

Global Asset Management

Global Asset Management is, according to its own opinion, one of the world's leading asset managers, providing investment solutions to private clients, financial intermediaries and institutional investors worldwide. It offers diverse investment capabilities and investment styles across all major traditional and alternative asset classes. Specialist equity, fixed income, currency, hedge fund, real estate, infrastructure and private equity investment capabilities can also be combined in multi-asset strategies.

Investment Bank

The Investment Bank provides securities and other financial products and research in equities, fixed income, rates, foreign exchange and precious metals. It also provides advisory services as well as access to the world's capital markets for corporate, institutional, intermediary and alternative asset management clients.

Corporate Center

The Corporate Center ensures that all business divisions operate as a coherent and effective whole by providing and managing support and control functions for the business divisions and the Group in such areas as risk management and control, finance, legal and compliance, marketing and communications, funding, capital and balance sheet management, management of foreign currency earnings, human resources, information technology infrastructure and service centers.

III. Organisational Structure of the Issuer

The objective of UBS' group structure is to support the business activities of the Company within an efficient legal, tax, regulatory and funding framework. None of the individual business divisions of UBS or the Corporate Center are legally independent entities; instead, they primarily perform their activities through the domestic and foreign offices of the parent bank, UBS AG.

Settlement of transactions through the parent bank allows UBS to fully exploit the advantages generated for all business divisions through the use of a single legal entity. In cases where it is impossible or inefficient to process transactions via the parent, due to local legal, tax or regulatory provisions or newly acquired companies, these tasks are performed on location by legally independent Group companies. UBS' significant subsidiaries are listed in the Annual Report 2008 of UBS AG, Financial Information, in English, on pages E347 - E350 (inclusive).

Competition

UBS faces stiff competition in all business areas. Both in Switzerland and abroad, the Bank competes with asset management companies, commercial, investment and private banks, brokerages and other financial services providers. Competitors include not only local banks, but also global financial institutions, which are similar to UBS in terms of both size and services offered.

In addition, the consolidation trend in the global financial services sector is introducing new competition, which may have a greater impact on prices, as a result of an expanded range of products and services and increased access to capital and growing efficiency.

IV. Trend Information

Recent Developments:

On 4 August 2009, UBS reported a second quarter 2009 net loss attributable to UBS shareholders of CHF 1,402 million compared with a net loss of CHF 1,975 million in first quarter. This result was mainly driven by lower losses on risk positions from businesses now exited or in the process of being exited by the Investment Bank. Results were significantly affected by an own credit charge of CHF 1,213 million, restructuring charges of CHF 582 million and a goodwill impairment charge of CHF 492 million related to the announced sale of UBS Pactual. Net new money outflows totaled CHF 16.5 billion for Wealth Management & Swiss Bank, CHF 5.8 billion for Wealth Management Americas and CHF 17.1 billion for Global Asset Management. UBS further reduced risk exposures and its balance sheet during second quarter 2009. As of 30 June 2009 UBS had a BIS tier 1 ratio of 13.2 % and BIS total capital ratio of 17.7 %, including the effect of the capital increase completed on 30 June 2009.

Agreement to resolve the John Doe summons matter: On 12 August 2009, the US government informed the US District Court of the Southern District of Florida that all parties have reached an agreement to resolve the John Doe summons matter and that they have initialed the final documentation. The hearing scheduled for 17 August will be removed from the court's calendar, and immediately after the formal signing has occurred, the parties will file the agreed upon stipulation of dismissal with the court.

On 19 August, UBS AG announced the formal signing of a settlement agreement with the US Internal Revenue Service (IRS) regarding the John Doe summons issued on 21 July 2008. The summons has been the subject of a civil action in the United States District Court of the Southern District of Florida. The principal terms of this settlement agreement and the related agreement entered into at the same time by the governments of Switzerland and the United States are described below:

The agreement does not call for any payment by UBS. Moreover, it resolves all issues relating to the alleged breaches of UBS' Qualified Intermediary Agreement with the IRS as set forth in the Notice of Default dated 15 May 2008.

As part of the settlement, the parties will promptly file a stipulation with the court to dismiss the enforcement action relating to the John Doe summons.

In accordance with the separate agreement between the United States and Switzerland, the IRS will submit a request for administrative assistance pursuant to the existing US-Switzerland Double Taxation Treaty to the Swiss Federal Tax Administration (SFTA). This request will seek information relating to certain accounts of US persons maintained at UBS in Switzerland. It is expected that approximately 4,450 accounts will be provided to the SFTA in response to this treaty request. The SFTA will decide which of those accounts should be disclosed to the IRS, and such decisions will be subject to judicial review.

UBS is required to provide information on the accounts covered by the treaty request to the SFTA and to send notices to affected US persons encouraging them to take advantage of the IRS's voluntary disclosure practice and to instruct UBS to send their account information and documentation to the IRS. The US government will withdraw the John Doe summons with prejudice as to all accounts not covered by the treaty request no later than 31 December 2009, provided that UBS has complied with those obligations that are required to be performed by that date.

The US government will withdraw the John Doe summons with prejudice as to the remaining accounts – those subject to the treaty request - no later than 24 August 2010 upon the actual or anticipated delivery to the IRS of information relating to accounts covered by the treaty request that does not differ significantly from the expected results. In addition, the summons will be withdrawn with prejudice as to those remaining accounts if at any time on or after 1 January 2010 the IRS has received information relating to at least 10,000 accounts of US persons maintained at UBS in Switzerland. The sources of such information include, in addition to the treaty request itself, the IRS's voluntary disclosure practice, client instructions to UBS to send account information to the IRS and the Deferred Prosecution Agreement.

If neither of these events were to occur by 24 August 2010, the two governments would confer and consult in order to consider alternative mechanisms for achieving the expected levels of account information exchange expected to occur through the treaty request. Possible measures will not impose any financial or new, non-financial obligations on UBS. If these efforts were not successful, the John Doe summons could remain in place beyond 24 August 2010 as to the portion of the accounts covered by the treaty request that have not otherwise been disclosed to the IRS.

On 19 August, the Swiss Confederation (the "Confederation") has announced its intention to exercise its right to convert all CHF 6 billion of its holding of UBS Mandatory Convertible Notes due 2011 ("MCNs") and to place with institutional investors the newly issued UBS shares received upon conversion.

Upon conversion of the MCNs, as described above, UBS issued 332,225,913 new shares with a nominal value of CHF 0.10 each from existing conditional capital. As a result, the share capital of UBS increased from currently CHF 322,583,859.90 to CHF 355,806,451.20. Conversion and the capital increase took place on 25 August 2009.

Further, in connection with the conversion of the MCNs, the Confederation waived its right to receive future coupons on the converted MCNs for a cash amount of approximately CHF 1.8 billion, (the "Coupon Consideration"), representing the present value of the future coupon payments. The Coupon Consideration was paid on 25 August 2009.

Upon conversion, the liability relating to the principal value of the MCNs and the negative replacement value relating to the embedded options of the MCNs has been transferred to equity, increasing the book value of UBS' capital by a corresponding amount. Conversion had no impact on UBS' regulatory capital. The Coupon Consideration does not differ materially in amount from the book value of the relevant liability held in UBS' balance sheet as at 30 June 2009. The Coupon Consideration will, therefore, have no material impact on UBS' profit and loss account for the third quarter of 2009. However, the Coupon Consideration

has reduced UBS' Tier 1 ratio by approximately 60 basis points based on risk-weighted assets as at 30 June 2009. As at 30 June 2009, UBS had accrued charges of approximately CHF 400 million to its regulatory capital account in respect of the coupon liability. The balance of unaccrued liability of approximately CHF 1.4 billion will therefore be charged to regulatory capital.

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.

V. Administrative, Management and Supervisory Bodies of the Issuer

Details of the Executive Bodies of the Company

UBS operates under a strict dual board structure, as mandated by Swiss banking law. This structure establishes checks and balances and creates an institutional independence of the Board of Directors ("BoD") from the day-to-day management of the firm, for which responsibility is delegated to the Group Executive Board ("GEB"). No member of one Board may be a member of the other.

The supervision and control of the executive management remains with the BoD. The Articles of Association and the Organisation Regulations of UBS AG, with their annexes govern all details as to authorities and responsibilities of the two bodies.

Board of Directors

The BoD is the most senior body of UBS. The BoD consists of at least six and a maximum of 12 members.

All the members of the BoD are elected individually by the Annual General Meeting for a term of office of one year¹¹. The BoD itself then appoints its Chairman, one or more vice chairmen, the deputy, the senior independent director and the chairpeople and members of the various BoD committees (audit committee; corporate responsibility committee; governance and nominating committee; human resources and compensation committee; risk committee and strategy committee).

The BoD has ultimate responsibility for the success of UBS and delivering sustainable shareholder value within a framework of prudent and effective controls which enables risk to be assessed and managed. The BoD sets UBS' strategic aims, ensures that the necessary financial and human resources are in place for UBS to meet its objectives and reviews management performance. The BoD sets UBS' values and standards and ensures that its obligations to its shareholders and others are met. The BoD's proposal for election of members of the BoD must be such that three quarters of the members will, following election, be independent. While the Chairman does not need to be independent, at least one of the vice-chairmen must be. The BoD meets as often as business requires, and at least six times a year.

The business address of the members of the BoD is UBS AG, Bahnhofstrasse 45, CH-8098 Zurich, Switzerland.

¹¹ At the annual general meeting on 23 April 2008 the shareholders reduced the term of office for the members of the BoD from three years to one year. As a result, the new members were elected for one year. For existing members the one-year term starts from the point at which they are re-elected.

Board of Directors of UBS AG

The BoD consists of twelve members:

Name	Title	Term of office	Position outside UBS AG
Kaspar Villiger	Chairman	2010	None
Sergio Marchionne	Independent vice chairman / Senior independent director	2010	CEO and member of the supervisory board of Fiat S.p.A., Turin; CEO of Fiat Group Automobiles; Chairman of SGS, Geneva; member of the BoD of Philip Morris International Inc., New York; member of Acea (European Automobile Manufacturers Association); Chairman of CNH Case New Holland Global N.V., Amsterdam.
Sally Bott	Member	2010	Group HR Director and member of the Group Executive Committee of BP Plc; member of the board of the Royal College of Music in London; member of the board of the Carter Burden Center for the Aged in NYC.
Michel Demaré	Member	2010	CFO and member of the Executive Committee of ABB; president of Global Markets at ABB; member of the foundation board of IMD, Lausanne.
Rainer-Marc Frey	Member	2010	Founder and Chairman of Horizon21; member of the BoD of DKSH Group, Zurich; member of the advisory board of Invision Private Equity AG, Zug; member of the BoD of the Frey Charitable Foundation, Freienbach.
Bruno Gehrig	Member	2010	Vice chairman of the BoD of Roche Holding AG, Basel; Chairman of the Swiss Air Transport Foundation, Zug.
Ann F. Godbehere	Member	2010	Non executive director of Prudential Plc.; member of the board of the Lloyd's managing agency Atrium Underwriters Group Ltd. (acquired by Ariel Holdings); member of the board of Ariel Holdings.
Axel P. Lehmann	Member	2010	Group Chief Risk Officer and member of the Group Executive Committee of Zurich Financial Services (Zurich); responsible for Group IT at Zurich; Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen.
Helmut Panke	Member	2010	Member of the BoD of Microsoft Corporation, Redmond, WA (USA); member of the supervisory board of Bayer AG (Germany); member of the BoD of the American Chamber of Commerce in Germany;

William G. Parrett	Member	2010	Independent director of Eastman Kodak Co., Blackstone Group LP and Thermo Fisher Scientific Inc., USA; Chairman of the BoD of the United States Council for International Business and Chairman of United Way of America; member of the board of trustees of Carnegie Hall; member of the Executive Committee of the International Chamber of Commerce.
David Sidwell	Member	2010	Director of the Federal National Mortgage Association Fannie Mae; trustee of the International Accounting Standards Committee Foundation, London; Chairman of the BoD of Village Care of New York; director of the National Council on Aging.
Peter R. Voser	Member	2010	CEO and executive BoD member of Royal Dutch Shell plc, London; member of the BoD of the Swiss Federal Auditor Oversight Authority.

Group Executive Board

Under the leadership of the Group Chief Executive Officer (“**CEO**”), the GEB has executive management responsibility for UBS Group and its business. It assumes overall responsibility for the development and implementation of the strategies for the Group and the business divisions. All GEB members (with the exception of the Group CEO) are proposed by the Group CEO and the BoD approves the appointments of the Group CEO, the Group Chief Operating Officer, the Group Chief Financial Officer, the Group Chief Risk Officer and the General Counsel; the human resources and compensation committee approves all other GEB members.

The business address of the members of the GEB is UBS AG, Bahnhofstrasse 45, CH-8098 Zurich, Switzerland.

Group Executive Board of UBS AG

The Group Executive Board consists of thirteen members:

Oswald J. Gruebel	Group Chief Executive Officer
John Cryan	Group Chief Financial Officer
Markus U. Diethelm	Group General Counsel
John A. Fraser	Chairman und Chief Executive Officer Global Asset Management
Marten Hoekstra	Chief Executive Officer Wealth Management Americas
Carsten Kengeter	Co- Chief Executive Officer der Investment Bank
Ulrich Koerner	Group Chief Operating Officer und Chief Executive Officer Corporate Center
Philip J. Lofts	Group Chief Risk Officer
Francesco Morra	Chief Executive Officer Switzerland, Wealth Management & Swiss Bank
Alexander Wilmot-Sitwell	Co- Chief Executive Officer der Investment Bank
Robert Wolf	Chairman und Chief Executive Officer, UBS Group Americas/President Investment Bank
Chi-Won Yoon	Chairman und CEO Asia Pacific
Juerg Zeltner	Chief Executive Officer Wealth Management Global, Wealth Management & Swiss Bank

No member of the GEB has any significant business interests outside of UBS.

Potential conflicts of interest

Members of the BoD and GEB may act as directors or executive officers of other companies (for current positions outside of UBS (if any) please see above under “Board of Directors of UBS AG”) and may have

economic or other private interests that differ from those of UBS. Potential conflicts of interest may arise from these positions or interests. UBS is confident that its internal corporate governance practices and its compliance with relevant legal and regulatory provisions reasonably ensure that any conflicts of interest of the type described above are appropriately managed, including disclosure when appropriate.

VI. Auditors

On 15 April 2009, the annual general meeting of UBS reelected Ernst & Young Ltd., Aeschengraben 9, 4002 Basel, Switzerland, as auditors for the financial statements of UBS and the consolidated financial statements of the UBS Group for a further one-year term, in accordance with Swiss company law and banking law provisions. Ernst & Young Ltd., Basel, is a member of the Swiss Institute of Certified Accountants and Tax Consultants based in Zurich, Switzerland.

VII. Major Shareholders of the Issuer

The ownership of UBS shares is broadly dispersed. As at 30 June 2009, Chase Nominees Ltd., London, was registered with a 7.80% holding (31 December 2008: 7.19 %, 31 December 2007: 7.99 %) of total share capital held in trust for other investors. As at 30 June 2009, the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company", held 8.75 % (31 December 2008: 9.89 %, 31 December 2007: 14.15 %) of total share capital in trust for other beneficiaries. Pursuant to UBS' provisions on registration of shares, the voting rights of nominees are limited to 5 %. This regulation does not apply to securities clearing and settlement organizations. On 30 June 2009, no other shareholder had reported holding 3 % or more of all voting rights. Only shareholders registered in the share register as shareholders with voting rights are entitled to exercise voting rights.

As of 30 June 2009, UBS held a stake of UBS registered shares, which corresponds to less than 3.00 % of the total share capital of UBS AG.

As of 19 June 2009, UBS had disposal positions relating to 976,366,123 shares of UBS AG, corresponding to 33.29 % of the total share capital of UBS AG. These positions included the number of shares of UBS AG to be issued upon the future conversion of (i) the Mandatory Convertible Notes issued in March 2008 to the Government of Singapore Investment Corporation Pte. Ltd, Singapore, and an investor from the Middle East, and (ii) the Mandatory Convertible Notes issued in December 2008 to the Swiss Confederation. Correspondingly, as of 15 July 2008, the Government of Singapore Investment Corporation Pte. Ltd reported in a filing with the US Securities and Exchange Commission that it held 240,223,963 UBS shares, including 228,832,951 shares to be received upon conversion of the MCN, and as of 26 November 2008, the Swiss Confederation held acquisition positions relating to 329,447,681 shares of UBS AG.

Further details on the distribution of UBS shares, the number of registered and non-registered securities, voting rights as well as distribution by shareholder categories and geographical regions can be found in the Annual Report 2008, in English, on pages D195 - D198.

VIII. Financial Information concerning the Issuer's Assets and Liabilities; Financial Position and Profits and Losses

A description of the Issuer's assets and liabilities, financial position and profits and losses is available, for financial year 2007, in the Annual Report 2007 of UBS AG, 4 Financial Statements, in English, which were restated on 14 April 2008 (see (iv) below) and, for financial year 2008, in the Annual Report 2008, as restated on 20 May 2009, Financial Information, in English. The Issuer's financial year is the calendar year.

In the case of financial year 2007 reference is made to

- (i) the Financial Statements of UBS AG (Group), in particular to the Income Statement of UBS AG (Group) on page D18, the Balance Sheet of UBS AG (Group) on page D19, the Statement of Cash Flows of the UBS AG (Group) on pages D23 - D24 (inclusive) and the Notes to the Financial Statements on pages D25 - D120 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement of UBS AG (Parent Bank) on page D125, the Balance Sheet of UBS AG (Parent Bank) on page D126, the Statement of Appropriation of Retained Earnings of UBS AG (Parent Bank) on page D127, the Notes to the Financial Statements on page D128 and the Parent Bank Review on page D124, and

- (iii) the section entitled "Accounting Standards and Policies" on pages D3 - D8 (inclusive) in the Annual Report 2007 of UBS AG, 4 Financial Statements.
- (iv) In January 2008, the International Accounting Standards Board ("IASB") issued an amendment to IFRS 2 Share-based Payment. The amended standard, entitled IFRS 2 Sharebased Payment: Vesting Conditions and Cancellations, is effective 1 January 2009 (early adoption permitted). The new standard clarifies the definition of vesting conditions and the accounting treatment of cancellations. UBS has early adopted this amended standard as of 1 January 2008. Under the amended standard, UBS is required to distinguish between vesting conditions (such as service and performance conditions) and non-vesting conditions. The amended standard no longer considers vesting conditions to include certain non-compete provisions. The impact of this change is that UBS compensation awards are expensed over the period that the employee is required to provide active services in order to earn the award. Post-vesting sales and hedge restrictions and non-vesting conditions are considered when determining grant date fair value. Following adoption of this amendment, UBS fully restated the two comparative prior years (2006 and 2007). The effect of the restatement on the opening balance sheet at 1 January 2006 was as follows: reduction of retained earnings by approximately CHF 2.3 billion, increase of share premium by approximately CHF 2.3 billion, increase of liabilities (including deferred tax liabilities) by approximately CHF 0.5 billion, and increase of deferred tax assets by approximately CHF 0.5 billion. Net profits attributable to UBS shareholders declined by CHF 863 million in 2007 and by CHF 730 million in 2006. Additional compensation expense of CHF 797 million and CHF 516 million was recognized in 2007 and 2006, respectively. This additional compensation expense includes awards granted in 2008 for the performance year 2007. The impact of the restatement on total equity as of 31 December 2007 was a decrease of CHF 366 million. Retained earnings at 31 December 2007 decreased by approximately CHF 3.9 billion, share premium increased by approximately CHF 3.5 billion, liabilities (including deferred tax liabilities) increased by approximately CHF 0.6 billion and deferred tax assets increased by approximately CHF 0.2 billion. The restatement decreased basic and diluted earnings per share for the year ended 31 December 2007 by CHF 0.40 each and for the year ended 31 December 2006 by CHF 0.33 and CHF 0.31, respectively. In order to provide comparative information, these amounts also reflect the retrospective adjustments to shares outstanding in 2007 due to the capital increase and the share dividend paid in 2008. The additional compensation expense is attributable to the acceleration of expense related to share-based awards as well as for certain alternative investment vehicle awards and deferred cash compensation awards which contain non-compete provisions and sale and hedge restrictions that no longer qualify as vesting conditions under the amended standard.

Reference is also made to the Consolidated Financial Statements (restated) of UBS AG for the financial year 2007, in particular the Income Statement of UBS AG (Group) on page F-31, the Balance Sheet of UBS AG (Group) on page F-32, the Statement of Cash Flows of UBS AG (Group) on pages F-37 - F-38 (inclusive) and the Notes to the Financial Statements on pages F-39 - F-139 (inclusive). Moreover, reference is made to the Annual Report 2008 of UBS AG, Financial Information.

In the case of financial year 2008 reference is made to

- (i) the Financial Statements of UBS AG (Group), in particular to the Income Statement of UBS AG (Group) on page E256, the Balance Sheet of UBS AG (Group) on page E257, the Statement of Cash Flows of the UBS AG (Group) on pages E261 - E262 (inclusive) and the Notes to the Financial Statements on pages E263 - E370 (inclusive), and
- (ii) the Financial Statements of UBS AG (Parent Bank), in particular to the Income Statement of UBS AG (Parent Bank) on page E372, the Balance Sheet of UBS AG (Parent Bank) on page E373, the Statement of Appropriation of Retained Earnings of UBS AG (Parent Bank) on page E373, the Notes to the Financial Statements of UBS AG (Parent Bank) on pages E374 – E389 (inclusive) and to the Parent Bank Review on page E371, and
- (iii) the sections entitled "Accounting Principles" on page E245 and "Critical Accounting Policies" on pages E246 - E250 (inclusive) in the Annual Report 2008 of UBS AG, as restated on 20 May 2009, Financial Information, in English.

The annual financial reports form an essential part of UBS' reporting. They include the audited Consolidated Financial Statements of UBS Group, prepared in accordance with International Financial Reporting Standards ("IFRS") and the audited financial statements of UBS AG (Parent Bank), prepared according to Swiss banking law provisions. The financial statements also include certain additional

disclosures required under Swiss and US regulations. The annual reports also include discussions and analysis of the financial and business results of UBS, its business divisions and the Corporate Center.

The financial statements for UBS AG (Group) and its subsidiaries as well as for UBS AG (Parent Bank) were audited by Ernst & Young Ltd., Basel, for financial years 2007 and 2008. The report of the auditors of UBS AG (Parent Bank) can be found on page D140 of the Annual Report 2007 of UBS AG, 4 Financial Statements, in English and on pages E390 - E391 of the Annual Report 2008 of UBS AG, Financial Information, in English. The report of the auditors of UBS AG (Group) can be found on pages D16 - D17 (inclusive) of the Annual Report 2007 of UBS AG, 4 Financial Statements, in English, and on pages F29 - F30 (inclusive) of the Consolidated Financial Statements (restated) of UBS AG for the financial year 2007, in English and on pages E252 – E255 (inclusive) of the Annual Report 2008 of UBS AG, Financial Information, in English.

Reference is also made to UBS' first and second quarter 2009 reports, which contain information on the financial condition and the results of operation of UBS Group as of 31 March 2009 and 30 June 2009 respectively. The interim financial statements are not audited.

All relevant financial information contained in the 2007 and 2008 annual reports as well as in UBS' first and second quarter 2009 reports (including the relevant notes thereto), as well as the "Risk Factors" section of the Annual Report 2008, as restated on 20 May 2009, in English, on pages 23-27, form an integral component of this document, and are therefore fully incorporated in this document.

1. Legal and Arbitration Proceedings

The UBS Group operates in a legal and regulatory environment that exposes it to potentially significant litigation risks. As a result, UBS is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations, including numerous disputes and legal proceedings arising directly or indirectly out of the credit crisis. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on the operations or financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, UBS may, based on a cost benefit analysis, enter into a settlement even though UBS denies any wrongdoing. The Group makes provisions for cases brought against it when after seeking legal advice, in the opinion of management, it is probable that a liability exists, and the amount can be reasonably estimated.

Certain potentially significant legal proceedings within the last 12 months until the date of this document are described below:

- a) Tax shelter investigation: In connection with a criminal investigation of tax shelters, the United States Attorney's Office for the Southern District of New York (US Attorney's Office) continues to examine certain tax-oriented transactions in which UBS and others engaged between 1996 and 2000. UBS is continuing to cooperate in this investigation and with the IRS in the related civil litigation.
- b) Municipal Bonds: In November 2006, UBS and others received subpoenas from the US Department of Justice, Antitrust Division, and the US Securities and Exchange Commission ("SEC") seeking information relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. Both investigations are ongoing, and UBS is cooperating. In addition, various state Attorneys General have issued subpoenas seeking similar information. In the SEC investigation, on 4 February 2008, UBS received a "Wells notice" advising that the SEC staff is considering recommending that the SEC bring a civil action against UBS AG in connection with the bidding of various financial instruments associated with municipal securities.
- c) HealthSouth: UBS is defending itself in two putative securities class actions brought in the US District Court for the Northern District of Alabama by holders of stocks and bonds in HealthSouth Corp. A class has been certified in the stockholder action. UBS is seeking leave to appeal that ruling. In October 2008, UBS agreed to settle derivative litigation brought on behalf of HealthSouth in Alabama State Court. Due to existing insurance coverage this settlement had no impact on UBS' result in 2008.
- d) Parmalat: UBS has been facing multiple proceedings arising out of the Parmalat insolvency. In June 2008, UBS settled all civil claims brought by Parmalat and its administrator for EUR 185 million. Certain other civil claims by third parties have automatically terminated as a result of termination of criminal proceedings in Milan and Parma (with the exception of some costs issues which are the subject of appeals to Court of Cassation). A joint offer by UBS (and two other banks)

has also been made to all retail bondholder and shareholder third party claimants. A very large proportion of this category of claimants has now accepted the offer. If 100 % of this class accepts the offer, UBS would have to make a further payment of approximately EUR 18.5 million.

- e) Auction Rate Securities: UBS was sued by four state regulatory authorities and was the subject of investigations by the SEC and other regulators, relating to the marketing and sale of auction rate securities ("**ARSS**") to clients and to UBS' role and participation in ARS auctions and underwriting of ARSSs. UBS was also named in several putative class actions and individual civil suits and a large number of individual arbitrations. The regulatory actions and investigations and the civil proceedings followed the disruption in the markets for these securities and related auction failures since mid-February 2008. Plaintiffs and the regulators generally sought rescission, *i. e.*, for UBS to purchase the ARSSs that UBS sold to them at par value, as well as compensatory damages, disgorgement of profits and in some cases penalties. On 8 August 2008, UBS entered into settlements in principle with the SEC, the New York Attorney General ("**NYAG**") and other state agencies represented by the North American Securities Administrators Association ("**NASAA**"), whereby UBS agreed to offer to buy back ARSSs from eligible customers within certain time periods, the last of which begins on 30 June 2010, and to pay penalties of USD 150 million (USD 75 million to the NYAG, USD 75 million to the other states). UBS subsequently finalized its settlement with the State of Massachusetts, the SEC and the NYAG, and is continuing to finalize agreements with the other state regulators. UBS' settlement is largely in line with similar industry regulatory settlements. The NYAG and SEC continue to investigate individuals affiliated with UBS who traded in ARSSs or who had responsibility for disclosures.
- f) US Cross-Border: UBS AG has been responding to a number of governmental inquiries and investigations relating to its cross-border private banking services to US private clients during the years 2000-2007. On 18 February 2009, UBS announced that it had entered into a Deferred Prosecution Agreement ("**DPA**") with the US Department of Justice Tax Division ("**DOJ**") and the United States Attorney's Office for the Southern District of Florida, and a Consent Order with the SEC relating to these investigations. As part of these settlement agreements, among other things: (i) UBS will pay a total of USD 780 million to the United States, USD 380 million representing disgorgement of profits from maintaining the US cross-border business and USD 400 million representing US federal backup withholding tax required to be withheld by UBS, together with interest and penalties, and restitution for unpaid taxes associated with certain account relationships involving fraudulent sham and nominee offshore structures and otherwise as covered by the DPA; (ii) UBS will complete the exit of the US cross-border business out of non-SEC registered entities, as announced in July 2008, which these settlements permit UBS to do in a lawful, orderly and expeditious manner; (iii) UBS will implement and maintain an effective program of internal controls with respect to compliance with its obligations under its Qualified Intermediary ("**QI**") Agreement with the Internal Revenue Service ("**IRS**"), as well as a revised legal and compliance governance structure in order to strengthen independent legal and compliance controls; and (iv) pursuant to an order issued by the Swiss Financial Market Supervisory Authority ("**FINMA**"), information was transferred to the DOJ regarding accounts of certain US clients as set forth in the DPA who, based on evidence available to UBS, appear to have committed tax fraud or the like within the meaning of the Swiss-US Double Taxation Treaty. Pursuant to the DPA, the DOJ has agreed that any further prosecution of UBS will be deferred for a period of at least 18 months, subject to extension under certain circumstances such as UBS needing more time to complete the implementation of the exit of its US cross-border business. If UBS satisfies all of its obligations under the DPA, the DOJ will refrain permanently from pursuing charges against UBS relating to the investigation of its US crossborder business. As part of the SEC resolution, the SEC filed a Complaint against UBS in US Federal District Court in Washington, D.C., charging UBS with acting as an unregistered broker-dealer and investment advisor in connection with maintaining its US cross-border business. Pursuant to the Consent Order, UBS did not admit or deny the allegations in that Complaint, and consented to the entry of a final judgment that provides, among other things, that: (i) UBS will pay USD 200 million to the SEC, representing disgorgement of profits from the US crossborder business (this amount is included in, and not in addition to, the USD 780 million UBS is paying to the United States as described above); and (ii) UBS will complete its exit of the US cross-border business and will be permanently enjoined from violating the SEC registration requirements by providing broker-dealer or investment advisory services to US persons through UBS entities not registered with the SEC. The District Court entered the final judgment on 19 March 2009. The DOJ and SEC agreements did not resolve the "John Doe" summons which the IRS served on UBS in July 2008. In this regard, on 19 February 2009, the Civil Tax Division of the DOJ filed a civil petition for enforcement of this summons in US Federal District Court in Miami, through which it seeks an order directing UBS to produce information located in Switzerland regarding US clients who have

maintained accounts with UBS in Switzerland without providing a Form W-9. The DPA preserves UBS' ability to fully defend its rights in connection with the IRS's enforcement effort. UBS believes that it has substantial defenses, including that complying with the summons would constitute a violation of Swiss financial privacy laws, and intends to vigorously contest the enforcement of the summons. The litigation could result in the imposition of substantial fines, penalties and / or other remedies (due to a possible finding of contempt of court). In addition, pursuant to the DPA, should UBS fail to comply with a final US court order directing it to comply with the summons after fully exhausting all rights to appeal, the DOJ may, after certain conditions have been satisfied, choose to pursue various remedies available for breach of the DPA. This may include charging UBS with conspiracy to commit tax fraud. On 13 July 2009, the District Court entered an order, on joint motion by UBS and the US government, which motion was also supported by the Swiss government as *amicus curiae*, staying the litigation of the matter and granting a continuance of the evidentiary hearing that was set to begin on that day. The Court set the evidentiary hearing for 3 and 4 August. On 31 July, the U.S. Government informed the Court that the parties have reached an agreement in principle on the major issues and expect to resolve the remaining issues in the coming week. The hearing scheduled for 3 and 4 August has been postponed twice and is now scheduled for 17 August, and the Court has scheduled a status conference for 12 August. Also on 18 February 2009, FINMA published the results of the now concluded investigation conducted by the Swiss Federal Banking Commission ("**SFBC**"). The SFBC concluded, among other things, that UBS violated the requirements for proper business conduct under Swiss banking law and issued an order barring UBS from providing services to US resident private clients out of non-SEC registered entities. Further, the SFBC ordered UBS to enhance its control framework around its cross-border businesses, and announced that the effectiveness of such framework will be audited. Following the disclosure of the US cross-border matter and the settlements with the DOJ and the SEC, tax and regulatory authorities in a number of jurisdictions have expressed an interest in understanding the cross-border wealth management services provided by UBS and other financial institutions. It is premature to speculate on the outcome of any such inquiries.

- g) **Matters Related to the Credit Crisis:** UBS is responding to a number of governmental inquiries and investigations, and is involved in a number of litigations, arbitrations and disputes, related to the credit crisis, and in particular US mortgage-related securities and related structured transactions and derivatives. These matters concern, among other things, UBS' valuations, disclosures, writedowns, underwriting, and contractual obligations. In particular, UBS has been in regular communication with, and responding to inquiries by FINMA, its home country consolidated regulator, as well as the SEC, the Financial Industry Regulatory Authority ("**FINRA**") and the United States Attorney's Office for the Eastern District of New York ("**USAO**"), regarding some of these issues and others, including the role of internal control units, governance and processes around risk control and valuation of mortgage-related instruments, compliance with public disclosure rules, and the business rationales for the launching and the reintegration of Dillon Read Capital Management ("**DRCM**"). FINMA concluded its investigation in October 2008, but the investigations by the SEC, FINRA and the USAO are ongoing.
- h) **Claims Related to UBS Disclosure:** A putative consolidated class action was filed against UBS and a number of current and former directors and senior officers in the Southern District of New York alleging securities fraud in connection with the firm's disclosures relating to its losses in the subprime mortgage markets, its losses and positions in auction rate securities, and its US cross-border business. Defendants have moved to dismiss the complaint for lack of jurisdiction and for failure to state a claim. In February and March 2009, two additional securities fraud class actions were filed in the Southern District of New York against UBS and various senior executives and directors alleging that defendants made materially misleading disclosures concerning UBS' US cross-border wealth management business. By order dated 7 April 2009, these two actions were consolidated with the pending shareholder class action. UBS and a number of senior officers and directors have also been sued in a consolidated class action brought on behalf of holders of UBS ERISA retirement plans in which there were purchases of UBS stock. UBS has moved to dismiss the ERISA complaint for failure to state a claim.
- i) **Madoff:** In relation to the Madoff investment fraud, UBS, UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier ("**CSSF**"). The CSSF has made inquiries concerning two third-party funds established under Luxembourg law the assets of which were managed by Bernard L. Madoff Investment Securities LLC ("**BMIS**") (as well as certain funds established under offshore jurisdictions with either direct or indirect exposure to BMIS), and which now face severe losses. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate. The

documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. On 25 February 2009, the CSSF issued a communiqué with respect to the larger of the two funds, stating that UBS (Luxembourg) SA had failed to comply with its due diligence responsibilities as custodian bank. The CSSF ordered UBS (Luxembourg) SA to review its infrastructure and procedures relating to its supervisory obligations as custodian bank, but did not order it to compensate investors. On 25 May 2009, UBS (Luxembourg) SA submitted a comprehensive final report to the CSSF, which resulted in the CSSF publishing a new communiqué saying that UBS (Luxembourg) SA has provided evidence demonstrating that it has the infrastructure and internal organization in place in accordance with professional standards applicable to custodian banks in Luxembourg. A large number of alleged beneficiaries have filed claims against UBS entities for purported losses relating to the Madoff scheme. Further, certain clients of UBS Sauerborn (the KeyClient segment of UBS Deutschland AG) are exposed to Madoff-managed positions through third-party funds and funds administered by UBS Sauerborn.

Besides the proceedings specified above under (a) through (i) no governmental, legal or arbitration proceedings, which may significantly affect the Issuer's financial position are or have been pending, nor is the Issuer aware that any such governmental, legal or arbitration proceedings are threatened.

2. Significant changes in the Financial Situation of the Issuer

On 4 August 2009, UBS reported a second quarter 2009 net loss attributable to UBS shareholders of CHF 1,402 million compared with a net loss of CHF 1,975 million in first quarter. This result was mainly driven by lower losses on risk positions from businesses now exited or in the process of being exited by the Investment Bank. Results were significantly affected by an own credit charge of CHF 1,213 million, restructuring charges of CHF 582 million and a goodwill impairment charge of CHF 492 million related to the announced sale of UBS Pactual. Net new money outflows totaled CHF 16.5 billion for Wealth Management & Swiss Bank, CHF 5.8 billion for Wealth Management Americas and CHF 17.1 billion for Global Asset Management. UBS further reduced risk exposures and its balance sheet during second quarter 2009. As of 30 June 2009 UBS had a BIS tier 1 ratio of 13.2 % and BIS total capital ratio of 17.7 %, including the effect of the capital increase completed on 30 June 2009.

Agreement to resolve the John Doe summons matter: On 12 August 2009 the US government informed the US District Court of the Southern District of Florida that all parties have reached an agreement to resolve the John Doe summons matter and that they have initialed the final documentation. The hearing scheduled for 17 August will be removed from the court's calendar, and immediately after the formal signing has occurred, the parties will file the agreed upon stipulation of dismissal with the court.

On 19 August, UBS AG announced the formal signing of a settlement agreement with the US Internal Revenue Service (IRS) regarding the John Doe summons issued on 21 July 2008. The summons has been the subject of a civil action in the United States District Court of the Southern District of Florida. The principal terms of this settlement agreement and the related agreement entered into at the same time by the governments of Switzerland and the United States are described below:

The agreement does not call for any payment by UBS. Moreover, it resolves all issues relating to the alleged breaches of UBS' Qualified Intermediary Agreement with the IRS as set forth in the Notice of Default dated 15 May 2008.

As part of the settlement, the parties will promptly file a stipulation with the court to dismiss the enforcement action relating to the John Doe summons.

In accordance with the separate agreement between the United States and Switzerland, the IRS will submit a request for administrative assistance pursuant to the existing US-Switzerland Double Taxation Treaty to the Swiss Federal Tax Administration (SFTA). This request will seek information relating to certain accounts of US persons maintained at UBS in Switzerland. It is expected that approximately 4,450 accounts will be provided to the SFTA in response to this treaty request. The SFTA will decide which of those accounts should be disclosed to the IRS, and such decisions will be subject to judicial review.

UBS is required to provide information on the accounts covered by the treaty request to the SFTA and to send notices to affected US persons encouraging them to take advantage of the IRS's voluntary disclosure practice and to instruct UBS to send their account information and documentation to the IRS. The US

government will withdraw the John Doe summons with prejudice as to all accounts not covered by the treaty request no later than 31 December 2009, provided that UBS has complied with those obligations that are required to be performed by that date.

The US government will withdraw the John Doe summons with prejudice as to the remaining accounts – those subject to the treaty request - no later than 24 August 2010 upon the actual or anticipated delivery to the IRS of information relating to accounts covered by the treaty request that does not differ significantly from the expected results. In addition, the summons will be withdrawn with prejudice as to those remaining accounts if at any time on or after 1 January 2010 the IRS has received information relating to at least 10,000 accounts of US persons maintained at UBS in Switzerland. The sources of such information include, in addition to the treaty request itself, the IRS's voluntary disclosure practice, client instructions to UBS to send account information to the IRS and the Deferred Prosecution Agreement.

If neither of these events were to occur by 24 August 2010, the two governments would confer and consult in order to consider alternative mechanisms for achieving the expected levels of account information exchange expected to occur through the treaty request. Possible measures will not impose any financial or new, non-financial obligations on UBS. If these efforts were not successful, the John Doe summons could remain in place beyond 24 August 2010 as to the portion of the accounts covered by the treaty request that have not otherwise been disclosed to the IRS.

On 19 August, the Swiss Confederation (the "Confederation") has announced its intention to exercise its right to convert all CHF 6 billion of its holding of UBS Mandatory Convertible Notes due 2011 ("MCNs") and to place with institutional investors the newly issued UBS shares received upon conversion.

Upon conversion of the MCNs, as described above, UBS issued 332,225,913 new shares with a nominal value of CHF 0.10 each from existing conditional capital. As a result, the share capital of UBS increased from currently CHF 322,583,859.90 to CHF 355,806,451.20. Conversion and the capital increase took place on 25 August 2009.

Further, in connection with the conversion of the MCNs, the Confederation waived its right to receive future coupons on the converted MCNs for a cash amount of approximately CHF 1.8 billion, (the "Coupon Consideration"), representing the present value of the future coupon payments. The Coupon Consideration was paid on 25 August 2009.

Upon conversion, the liability relating to the principal value of the MCNs and the negative replacement value relating to the embedded options of the MCNs has been transferred to equity, increasing the book value of UBS' capital by a corresponding amount. Conversion had no impact on UBS' regulatory capital. The Coupon Consideration does not differ materially in amount from the book value of the relevant liability held in UBS' balance sheet as at 30 June 2009. The Coupon Consideration will, therefore, have no material impact on UBS' profit and loss account for the third quarter of 2009. However, the Coupon Consideration has reduced UBS' Tier 1 ratio by approximately 60 basis points based on risk-weighted assets as at 30 June 2009. As at 30 June 2009, UBS had accrued charges of approximately CHF 400 million to its regulatory capital account in respect of the coupon liability. The balance of unaccrued liability of approximately CHF 1.4 billion will therefore be charged to regulatory capital.

Apart from the above-mentioned, there has been no material change in the financial position of the Issuer since the publication of UBS' second quarter report (not audited) for the period ending 30 June 2009.

IX. Material Contracts

No material agreements have been concluded outside of the normal course of business which could lead to UBS being subjected to an obligation or obtaining a right, which would be of key significance to the Issuer's ability to meet its obligations to the investors in relation to the issued securities.

X. Documents on Display

- The restated Annual Report of UBS AG as at 31 December 2007, comprising (i) 1 Strategy, Performance and Responsibility, (ii) 2 Risk, Treasury and Capital Management, (iii) 3 Corporate Governance and Compensation Report, (iv) 4 Financial Statements (including the "Report of the Group Auditors – Independent Registered Public Accounting Firm, Consolidated Financial Statements" and the "Report of the Statutory Auditors");

- The Consolidated Financial Statements (restated) of UBS AG for the financial year 2007 (including the "Report of the Group Auditors"), published in the securities prospectus dated 23 May 2008 for the Offering of 760,295,181 Registered Shares of UBS AG;
- The Annual Report of UBS AG as of 31 December 2008, as restated on 20 May 2009, comprising (i) Strategy, performance and responsibility, (ii) UBS business divisions and Corporate Center (iii) Risk and treasury management, (iv) Corporate governance and compensation, (v) Financial information (including the "Report of the Statutory Auditor and the Independent Registered Public Accounting Firm on the Consolidated Financial Statements" and the "Report of the Statutory Auditor on the Financial Statements");
- the Review 2007 and 2008 and the Compensation Report 2008;
- The quarterly reports of UBS AG as at 31 March 2009 and 30 June 2009; and
- The Articles of Association of UBS AG Zurich/Basel, as the Issuer,

shall be maintained in printed format, for free distribution, at the offices of the Issuer, for a period of twelve months after the publication of this document. In addition, the annual and quarterly reports of UBS AG are published on the UBS website, at www.ubs.com/investors or a successor address.

Appendix: Quarterly Report of UBS AG as at 30 June 2009

quarterly report

2Q09

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- 2 | UBS business divisions and Corporate Center
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UBS key figures

CHF million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Group results							
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							
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 indicators³							
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					
Additional information							
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 ⁸	42,872	31,379	62,874	37	(32)		
Long-term ratings							
Fitch, London	A+	A+	AA-				
Moody's, New York ⁹	Aa2	Aa2	Aa1				
Standard & Poor's, New York	A+	A+	AA-				

¹ Refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the financial statements of this report. ² Refer to the "Capital management" section of this 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 consolidated leverage ratio to 2.71% from 2.56%. ⁸ Refer to the "UBS registered shares" section of this report. ⁹ 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.

UBS and its businesses

UBS is a global firm providing financial services to private, corporate and institutional clients. Its strategy is to focus on international wealth management and the Swiss banking business alongside its global expertise in investment banking and asset management. Under Swiss company law, UBS is organized as a limited company, a corporation that has issued shares of common stock to investors. UBS AG is the parent company of the UBS Group (Group). The operational structure of the Group comprises the Corporate Center and four business divisions: Wealth Management & Swiss Bank, Wealth Management Americas, Global Asset Management and the Investment Bank.

Wealth Management & Swiss Bank

Wealth Management & Swiss Bank caters to high net worth and ultra high net worth individuals around the world (except those served by Wealth Management Americas) whether they are investing internationally or in their home country. UBS offers these clients a complete range of tailored advice and investment services. Its Swiss Bank business provides a complete set of banking services for Swiss individual and corporate clients.

Wealth Management Americas

Wealth Management Americas provides advice-based relationships through its financial advisors who deliver a fully integrated set of products and services specifically designed to address the needs of high net worth and ultra high net worth individuals and families. It includes the former Wealth Management US business area, as well as the domestic Canadian and Brazilian (UBS Pactual) businesses and international business booked in the United States.

Global Asset Management

Global Asset Management is one of the world's leading asset managers, providing investment solutions to private clients, financial intermediaries and institutional investors worldwide. It offers diverse investment capabilities and investment styles across all major traditional and alternative asset classes. Specialist equity, fixed income, currency, hedge fund, real estate, infrastructure and private equity investment capabilities can also be combined in multi-asset strategies.

Investment Bank

The Investment Bank provides securities and other financial products and research in equities, fixed income, rates, foreign exchange and precious metals. It also provides advisory services as well as access to the world's capital markets for corporate, institutional, intermediary and alternative asset management clients.

Corporate Center

The Corporate Center ensures that all business divisions operate as a coherent and effective whole by providing and managing support and control functions for the business divisions and the Group in such areas as risk management and control, finance, legal and compliance, marketing and communications, funding, capital and balance sheet management, management of foreign currency earnings, human resources, information technology infrastructure and service centers.

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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 European 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 stat-

ed 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,



Kaspar Villiger
Chairman of the Board of Directors



Oswald J. Grübel
Group Chief Executive Officer



Corporate calendar and information sources

Corporate calendar

Publication of third quarter 2009 results	Tuesday, 3 November 2009
Publication of fourth quarter 2009 results	Tuesday, 2 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.

UBS Group

Management report

Market climate

There were no clear signals of a return to positive global growth during the second quarter – the unemployment rate continued to rise across all regions and household spending remained conservative as consumers continued to reduce their debts. There was, however, a slowdown in the pace of economic deterioration in most economies. This reflected several key factors: the end of reductions in inventory in the industrial sector, the positive impact of significant monetary and fiscal stimulus in many economies (which started in 2008 and continued throughout the first half of 2009) and improved confidence in specific areas of the economy. Policy responses to the financial crisis are beginning to shift away from the initial emergency interventions to focus on tighter regulatory frameworks, and both the US and EU have announced plans for significant regulatory reforms. Swiss regulatory authorities are also considering what measures should be taken to reduce the systemic risk associated with Switzerland's two largest banks.

Signs of stabilization in the global economy prompted an improvement in market climate and a rally in stock prices, which began in March 2009, continued during the second quarter. During this period, the MSCI World Index recovered by 19.7% to end the quarter positive year-to-date, the S&P 500 Index rose 15.2% and the Dow Jones STOXX 600 Index climbed 23.2%. Emerging markets recovered very significantly with a rise in stock prices of 33.6%, as measured by the MSCI Emerging Markets Index.

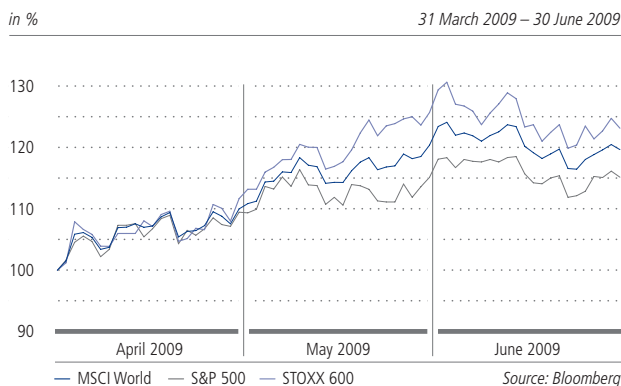
The improved investment climate and increased appetite for risk among investors were also reflected in lower volatility in equity markets, though volatility remained historically high. Rising stock prices and reduced volatility contributed to an increase in primary issuance of equity as financial and non-financial companies issued capital to restructure their

balance sheets. During the second quarter, the global deal value of equity issuances totaled USD 279 billion according to *Dealogic*, almost four times the first quarter amount.

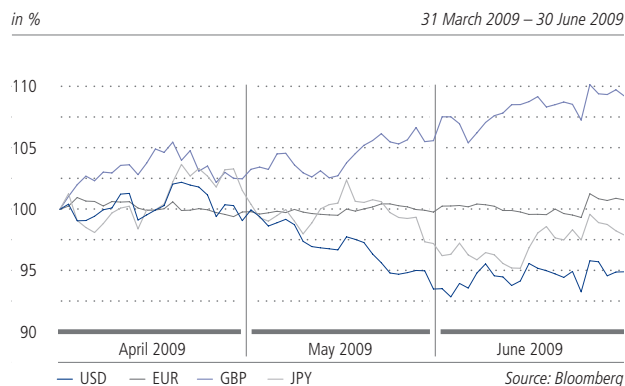
In the corporate bond sector, credit spreads continued to contract from the historically high levels seen towards the end of 2008. At the end of second quarter 2009, credit spreads in the high yield corporate sector were about 50% above their historical average, compared with 200% higher in December 2008. Fears of rising inflation due to increasing public debt across the world contributed to government bonds underperforming corporate bonds in second quarter 2009, a reversal from recent quarters. The increased attractiveness of corporate debt among investors led to a continued increase in corporate bond issuances during the second quarter. According to *Dealogic*, the global debt capital market deal value reached USD 1,711 billion in second quarter 2009, in line with the historically high levels seen in the prior quarter.

Central banks kept short-term interest rates at historically low levels during the second quarter, signaling that these could remain low until economic recovery materializes. Long-term interest rates were more volatile during the quarter, reflecting concerns about the implications of government stimulus efforts on future inflation expectations. The increased risk appetite experienced during the quarter contributed to a depreciation of the US dollar and the Japanese yen against the Swiss franc, while the British pound appreciated against the Swiss franc. Against the euro, the Swiss currency remained broadly stable during the second quarter as the Swiss National Bank continued intervening in the foreign exchange market. Commodity prices rebounded strongly during the second quarter as increasing optimism about the global economy, particularly in emerging markets, contributed towards a lift in price levels from earlier in the year.

Equity indices



Major currencies against the Swiss franc



Recent developments

Capital increase

On 25 June 2009, UBS placed 293,258,050 newly issued shares from authorized capital with a small number of large institutional investors at a price of CHF 13.00 per share. After deducting costs associated with the placement, the amount of new equity capital raised when the transaction was completed on 30 June 2009 was approximately CHF 3.8 billion.

As a result of this transaction, and the issuance of 10,685 shares to source equity-based compensation plans, total UBS shares issued increased to 3,225,849,284 at 30 June 2009 from 2,932,580,549 at 31 March 2009. Including the outstanding mandatory convertible notes (MCNs) and adjustments made to the terms of the MCNs following the above-mentioned capital increase, shares outstanding for earnings per share were 3,786,400,644 at 30 June 2009, up from 3,506,384,469 at 31 March 2009. Refer to the "Capital management" section and "Note 8 Earnings per share (EPS) and shares outstanding" in the financial statements of this report for more information.

Changes to the Group Executive Board

On 25 June 2009, UBS announced the appointment of Chi-Won Yoon as the Chairman and CEO of Asia Pacific and a member of the Group Executive Board, with immediate effect. Chi-Won Yoon succeeds Rory Tapner who is leaving UBS.

Update on the announced sale of UBS Pactual

Transaction description

As announced on 20 April 2009 and in UBS's first quarter 2009 report, UBS has agreed to sell its Brazilian financial services business, UBS Pactual, to BTG Investments, LP. The sale consideration consists of a combination of a cash payment and an assumption of liabilities by BTG Investments. The total cash consideration is approximately USD 667 million, of which USD 467 million will be payable at the closing of the transaction, and the remaining approximately USD 200 million, plus accrued interest, will be payable 12 months after the closing. Liabilities assumed by BTG Investments relate primarily to the residual payment obligation of USD 1.6 billion owed to former Pactual partners, which was incurred by UBS upon acquisition of Pactual in 2006 and is due in 2011. The transaction is expected to close in third quarter 2009, subject to regulatory approval.

Impact on UBS's income statement and balance sheet

In first quarter 2009, a net charge of CHF 388 million was recognized in UBS's income statement in relation to the announced sale – a goodwill impairment charge of CHF 631 million partly offset by a deferred tax benefit of CHF 243 million. The goodwill impairment charge was split across the results of three business divisions in first quarter 2009 – CHF 421 million in the Investment Bank, CHF 191 million in Global Asset Management and CHF 19 million in Wealth Management Americas – but had no impact on the results of Wealth Management & Swiss Bank or the Corporate Center.

In second quarter 2009, re-measurement of UBS Pactual to "fair value less costs to sell" led to the recognition of an additional goodwill impairment charge of CHF 492 million. This goodwill impairment charge included primarily the effects from foreign exchange losses that were previously deferred in equity and from the translation of the US dollar-denominated sales price into Swiss francs. The operational results of UBS Pactual continued to be reported in the business divisions Investment Bank, Global Asset Management and Wealth Management Americas, and in the Corporate Center. For management and segment reporting purposes, the goodwill impairment charge in second quarter 2009 was also presented in the respective business division results in the "Impairment of goodwill" line item. However, consistent with UBS's internal policy that foreign exchange exposures related to investments in subsidiaries are managed by Group Treasury and related gains and losses are recognized in the Corporate Center, the goodwill impairment charge was then charged through the "Services (to)/from other business divisions" line item to the Corporate Center. At 30 June 2009, and after this impairment, the goodwill allocated to UBS Pactual amounted to CHF 416 million. The net impact of UBS Pactual on UBS's second quarter results was a pre-tax loss of CHF 428 million, including the abovementioned goodwill impairment charge of CHF 492 million.

Upon the closing of the transaction, UBS expects to realize an additional loss in the range of CHF 300 million, predominantly attributable to foreign currency translation effects that accumulated in equity during the holding period of UBS Pactual. Additionally, upon closing of the transaction, UBS expects its BIS tier 1 capital to increase by approximately CHF 1 billion and risk-weighted assets to decrease by CHF 3 billion. 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%. Refer to UBS's financial report for first quarter 2009 and "Note 14 Changes in organization" in the financial statements of this report for more information.

Accounting changes

Accounting changes in second quarter 2009

IAS 1 (revised) Presentation of Financial Statements

Effective as of 1 January 2009, the revised International Accounting Standard (IAS) 1 affects the presentation of both owner changes in equity and comprehensive income. UBS continues to present owner changes in equity in the "Statement of changes in equity", but detailed information relating to non-owner changes in equity, such as foreign exchange translation, cash flow hedges and financial investments available-for-sale, is now presented in the "Statement of comprehensive income".

When implementing these amendments, UBS also adjusted the format of its "Statement of changes in equity" and replaced the "Statement of recognized income and expense" with a "Statement of comprehensive income". Preferred securities issued by consolidated trusts are reported as "Equity attributable to minority interests", as they are equity instruments held by third parties. As securities issued by consolidated trusts comprise the largest part of UBS's equity attributable to minority interests, UBS discloses movement information in a separate table.

UBS has also re-assessed its accounting treatment of dividends from trust preferred securities. In line with the classification of trust preferred securities as equity instruments, UBS now recognizes liabilities for the full dividend payment obligation once a coupon payment becomes mandatory, i.e. when it is triggered by a contractually determined event. In the income statement, the same amount is reclassified from net profit attributable to UBS shareholders to net profit attributable to minority interests.

The implementation of this policy as of 1 April 2009 resulted in the reclassification of equity attributable to UBS shareholders of CHF 176 million and equity attributable to minority interests of CHF 354 million to liabilities (total CHF 530 million). Net profit attributable to UBS shareholders decreased by CHF 176 million, and net profit attributable to minority interests increased correspondingly. Total net profit, BIS capital and capital ratios were not impacted. At transition date, 1 April 2009, year-to-date basic earnings per share and diluted earnings per share were both reduced by CHF 0.05 to CHF (0.61) and CHF (0.62) from CHF (0.56) and CHF (0.57) respectively.

Key performance indicators

Key performance indicators¹

	As of or for the quarter ended			Year-to-date	
	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 (%) ²	N/A	N/A	N/A	N/A	N/A
Net new money (CHF billion) ³	(39.5)	(14.9)	(43.8)	(54.4)	(56.5)
Efficiency					
Cost / income ratio (%) ⁴	115.2	106.9	202.6	111.1	N/A
Capital strength					
BIS tier 1 ratio (%)	13.2	10.5			
FINMA leverage ratio (%)	3.46	2.71 ⁵			

¹ 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. ² Not meaningful if either the current period or the comparison period is a loss period. ³ Excludes interest and dividend income. ⁴ Not meaningful if operating income before credit loss (expense) / recovery is negative. ⁵ 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%.

Net new money¹

CHF billion	Quarter ended			Year-to-date	
	30.6.09	31.3.09	30.6.08	30.6.09	30.6.08
Swiss clients	(0.2)	(10.2)	(7.2)	(10.4)	(11.7)
International clients	(16.3)	(13.2)	(3.2)	(29.5)	1.8
Wealth Management & Swiss Bank	(16.5)	(23.4)	(10.4)	(39.9)	(9.9)
Wealth Management Americas	(5.8)	16.2	(8.9)	10.3	(5.6)
Institutional	(6.6)	(1.1)	(8.4)	(7.7)	(17.9)
Wholesale intermediary	(10.6)	(6.6)	(16.1)	(17.2)	(23.1)
Global Asset Management	(17.1)	(7.7)	(24.5)	(24.9)	(41.0)
UBS	(39.5)	(14.9)	(43.8)	(54.4)	(56.5)

¹ Excludes interest and dividend income.

Invested assets

CHF billion	As of			% change from	
	30.6.09	31.3.09	30.6.08	31.3.09	30.6.08
Swiss clients	328	313	403	5	(19)
International clients	633	621	833	2	(24)
Wealth Management & Swiss Bank	961	934	1,236	3	(22)
Wealth Management Americas	695	673	771	3	(10)
Institutional	351	337	448	4	(22)
Wholesale intermediary	242	239	310	1	(22)
Global Asset Management	593	576	757	3	(22)
UBS	2,250	2,182	2,763	3	(19)

Group results

Income statement

	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
Continuing operations							
Interest income	6,035	7,645	17,530	(21)	(66)	13,680	37,752
Interest expense	(4,892)	(5,746)	(16,294)	(15)	(70)	(10,638)	(34,837)
Net interest income	1,143	1,899	1,236	(40)	(8)	3,042	2,915
Credit loss (expense)/recovery	(388)	(1,135)	(19)	(66)		(1,523)	(329)
Net interest income after credit loss expense	755	764	1,217	(1)	(38)	1,519	2,586
Net fee and commission income	4,502	4,241	6,221	6	(28)	8,744	12,436
Net trading income	220	(630)	(3,549)			(410)	(15,175)
Other income	292	595	94	(51)	211	887	103
Total operating income	5,770	4,970	3,984	16	45	10,740	(50)
Personnel expenses	4,578	3,963	4,612	16	(1)	8,542	9,887
General and administrative expenses	1,699	1,635	2,831	4	(40)	3,334	5,074
Depreciation of property and equipment	284	253	277	12	3	537	558
Impairment of goodwill	492	631	341	(22)	44	1,123	341
Amortization of intangible assets	39	45	49	(13)	(20)	84	98
Total operating expenses	7,093	6,528	8,110	9	(13)	13,621	15,957
Operating profit from continuing operations before tax	(1,323)	(1,558)	(4,126)	15	68	(2,881)	(16,008)
Tax expense	(208)	294	(3,829)		95	86	(4,126)
Net profit from continuing operations	(1,115)	(1,852)	(297)	40	(275)	(2,967)	(11,882)
Discontinued operations							
Profit from discontinued operations before tax	7	11	59	(36)	(88)	17	179
Tax expense	0	0	1		(100)	0	1
Net profit from discontinued operations	7	11	58	(36)	(88)	17	178
Net profit	(1,108)	(1,842)	(239)	40	(364)	(2,949)	(11,703)
Net profit attributable to minority interests	294	133	156	121	88	427	309
from continuing operations	290	128	155	127	87	418	262
from discontinued operations	4	5	1	(20)	300	9	47
Net profit attributable to UBS shareholders	(1,402)	(1,975)	(395)	29	(255)	(3,376)	(12,012)
from continuing operations	(1,405)	(1,980)	(452)	29	(211)	(3,385)	(12,144)
from discontinued operations	3	5	57	(40)	(95)	8	132
Earnings per share							
Basic earnings per share (CHF)	(0.39)	(0.56)	(0.15)	30	(160)	(0.96)	(4.96)
from continuing operations	(0.40)	(0.57)	(0.17)	30	(135)	(0.96)	(5.02)
from discontinued operations	0.00	0.00	0.02		(100)	0.00	0.05
Diluted earnings per share (CHF)	(0.39)	(0.57)	(0.16)	32	(144)	(0.96)	(4.98)
from continuing operations	(0.40)	(0.57)	(0.18)	30	(122)	(0.96)	(5.03)
from discontinued operations	0.00	0.00	0.02		(100)	0.00	0.05
Additional information							
Personnel (full-time equivalents)	71,806	76,206	81,452	(6)	(12)		

Results: 2Q09 vs 1Q09

Net loss attributable to UBS shareholders was CHF 1,402 million compared with CHF 1,975 million. This was mainly driven by lower losses on risk positions from businesses now exited or in the process of being exited by the Investment Bank. Second quarter results were significantly affected by a charge of CHF 1,213 million on own credit for financial liabilities designated at fair value, restructuring charges of CHF 582 million and goodwill impairment charges of CHF 492 million in relation to the announced sale of UBS Pactual. Net loss from continuing operations was CHF 1,115 million compared with a net loss of CHF 1,852 million.

Operating income: 2Q09 vs 1Q09

Total operating income increased to CHF 5,770 million from CHF 4,970 million.

Net interest income and net trading income

Net trading income was positive CHF 220 million compared with negative CHF 630 million. Net interest income before credit losses decreased to CHF 1,143 million from CHF 1,899 million.

Net income from trading businesses

Net income from trading businesses was negative CHF 207 million compared with negative CHF 640 million. This change was driven by lower losses on risk positions from businesses now exited or in the process of being exited within the Investment Bank's fixed income, currencies and commodities (FICC) area.

The trading results of FICC were less impacted by losses on risk positions from businesses now exited or in the pro-

cess of being exited; however other FICC trading revenues were weaker, notably in the emerging markets and foreign exchange and money market distribution businesses. Within the Investment Bank's equities businesses, decreases in derivatives revenues and equity-linked revenues were more than offset by increases in proprietary trading and prime brokerage.

The Investment Bank recorded a loss on own credit on financial liabilities designated at fair value of CHF 1,213 million in net trading income, compared with a gain of CHF 651 million in the prior quarter. The own credit gain on financial liabilities designated at fair value still held as at 30 June 2009 amounted to CHF 2,412 million life-to-date. Refer to "Note 11 Fair value of financial instruments" in the financial statements of this report for more information on own credit.

Net income from interest margin businesses

Net income from interest margin businesses decreased 1% to CHF 1,302 million from CHF 1,321 million.

Net income from treasury activities and other

Net income from treasury activities and other was CHF 268 million compared with CHF 587 million. Second quarter 2009 included a gain of CHF 78 million on the mandatory convertible notes (MCNs) issued in December 2008 (largely due to the revaluation of the embedded derivative components of the MCNs) and a net gain of CHF 129 million from the revaluation of UBS's option to acquire the SNB StabFund's equity. First quarter 2009 included a gain of CHF 524 million from the abovementioned MCNs (largely due to the revaluation of the embedded derivative components) and a net loss of CHF 302 million from the revaluation of UBS's option to acquire the SNB StabFund's equity.

Net interest and trading income

CHF million	Quarter ended			% change from		Year-to-date	
	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Net interest income	1,143	1,899	1,236	(40)	(8)	3,042	2,915
Net trading income	220	(630)	(3,549)			(410)	(15,175)
Total net interest and trading income	1,363	1,269	(2,313)	7		2,632	(12,260)

Breakdown by businesses

Net income from trading businesses ¹	(207)	(640)	(3,941)	68	95	(847)	(19,686)
Net income from interest margin businesses	1,302	1,321	1,526	(1)	(15)	2,623	3,107
Net income from treasury activities and other	268	587	102	(54)	163	855	4,318
Total net interest and trading income	1,363	1,269	(2,313)	7		2,632	(12,260)

¹ Includes lending activities of the Investment Bank.

Credit loss expenses

UBS recorded credit loss expenses of CHF 388 million in second quarter 2009, compared with CHF 1,135 million in first quarter 2009.

In the Investment Bank, credit loss expenses in second quarter 2009 were CHF 369 million, of which CHF 208 million related to assets-backed securities that were reclassified in previous quarters from "Held for trading" to "Loans and receivables". The remaining credit losses of CHF 161 million related to loans originated in the ordinary course of business across a number of different sectors. First quarter credit loss expenses were mainly due to loan positions which were entered into with the intent to syndicate or distribute but where the syndication or distribution markets became illiquid.

Wealth Management & Swiss Bank reported credit loss expenses of CHF 20 million in second quarter 2009, a significant decrease compared with the CHF 119 million reported in the prior quarter. This decrease was mainly due to the fact that allowances made against lombard loans in prior periods were released in the second quarter.

Refer to the "Risk management and control" section of this report for more information on credit risk.

Net fee and commission income

Net fee and commission income was CHF 4,502 million, up 6% from CHF 4,241 million. Second quarter 2009 saw an increase in underwriting and net brokerage fees partly offset by decreases in the other fee categories, as follows:

- **Underwriting fees** increased 46% to CHF 666 million, driven by a 37% increase in equity underwriting fees and a 61% increase in debt underwriting fees.
- **Mergers and acquisitions and corporate finance fees** fell 10% to CHF 207 million, in an environment of reduced market activity and lower mandated deal volumes.
- **Net brokerage fees** increased 12% to CHF 1,210 million mainly due to higher fees in the Investment Bank's cash equities business and higher client transaction volumes in the Wealth Management & Swiss Bank business division.
- **Investment fund fees** fell 2% to CHF 995 million as lower asset-based fees in the wealth management businesses were only partly offset by higher asset-based fees in the asset management business and higher sales-based fees in both the wealth and asset management businesses.
- **Portfolio management and advisory fees** fell 1% to CHF 1,440 million, mainly as lower fees of the Wealth Management & Swiss Bank business division were only partly offset by higher performance fees in the asset management business and higher fees in the Investment Bank's cash equities business.
- **Other commission expenses** increased 3% to CHF 349 million, mainly due to higher fees paid in the Investment Bank's cash equities business.

Other income

Other income decreased to CHF 292 million from CHF 595 million. Second quarter 2009 included the release of previously deferred foreign exchange gains of CHF 300 million due to the de-consolidation and liquidation of subsidiaries. First quarter 2009 included gains of CHF 304 million on the buyback of subordinated debt and a gain of CHF 94 million due to the divestment of certain commodities businesses by the Investment Bank.

Operating expenses: 2Q09 vs 1Q09

Total operating expenses increased 9% to CHF 7,093 million from CHF 6,528 million.

Personnel expenses

Personnel expenses were CHF 4,578 million compared with CHF 3,963 million, mainly due to higher accruals for performance-based compensation. Second quarter 2009 personnel expenses included restructuring charges of CHF 320 million (mainly recorded in Wealth Management & Swiss Bank), compared with CHF 192 million in the prior quarter (mainly recorded in the Investment Bank). Second quarter personnel expenses were also affected by salary increases in selected areas and increases in incentive compensation accruals. Due to restructuring charges and headcount reductions, personnel costs for second quarter 2009 may not be representative of those expected in the second half of 2009. In particular, a significant proportion of headcount reductions that have been communicated have not yet rolled off monthly personnel expenses. Cost savings due to headcount reductions and salary increases are expected to affect the fixed component of personnel expenses for business divisions to different degrees.

General and administrative expenses

At CHF 1,699 million, general and administrative expenses increased by CHF 64 million from CHF 1,635 million. Cost reductions in all categories except professional fees were more than offset by restructuring charges of CHF 230 million, mainly related to real estate. There were no non-personnel restructuring charges in first quarter 2009.

Depreciation, amortization and goodwill impairment

Depreciation of property and equipment was CHF 284 million, up CHF 31 million, mainly due to restructuring charges of CHF 32 million in the second quarter driven by a CHF 28 million impairment loss on property and equipment. At CHF 39 million, amortization of intangible assets was down CHF 6 million. A goodwill impairment charge of CHF 492 million was recorded by the business divisions in second quarter 2009 in relation to the announced sale of UBS Pactual and charged to the Corporate Center. First quarter 2009 included a goodwill impairment charge of CHF 631 million for this transaction.

that was attributed to the business divisions (refer to the "Recent developments" section of this report for additional information on this transaction).

Tax: 2Q09 vs 1Q09

UBS recognized a net income tax benefit of CHF 208 million in its income statement for second quarter 2009. This includes a deferred tax benefit of CHF 371 million, which mainly relates to a release of valuation allowances against deferred tax assets in respect of tax losses and temporary differences, taking into account latest forecasts of taxable profits. UBS recognized a net income tax expense of CHF 294 million for first quarter 2009, which mainly reflected a reduction in deferred tax assets recognized of CHF 312 million.

Summary of business division performance: 2Q09 vs 1Q09

Wealth Management & Swiss Bank recorded a pre-tax profit of CHF 932 million, compared with CHF 1,077 million. Operating income was virtually flat, while restructuring charges of CHF 321 million in second quarter 2009 resulted in an increase in operating expenses. Excluding restructuring charges, pre-tax profit for second quarter 2009 would have increased 16% from the prior quarter.

Wealth Management Americas recorded a pre-tax loss of CHF 221 million compared with a pre-tax loss of CHF 35 million. The second quarter included restructuring charges of CHF 152 million, whereas the first quarter included a goodwill impairment charge of CHF 19 million related to the announced sale of UBS Pactual. Excluding these charges, the pre-tax loss for second quarter 2009 would have been CHF 69 million compared with a first quarter pre-tax loss of CHF 16 million.

Global Asset Management recorded a pre-tax profit of CHF 82 million compared with a pre-tax loss of CHF 59 million. Excluding a goodwill impairment charge in the first quarter of CHF 191 million in relation to the announced sale of UBS Pactual and restructuring charges in both quarters,

pre-tax profit in the second quarter would have decreased by CHF 30 million, or 22%. Increased performance fees were more than offset by higher personnel expenses.

The *Investment Bank* recorded a pre-tax loss of CHF 1,846 million compared with a pre-tax loss of CHF 3,162 million. This change was driven by lower losses on risk positions from businesses now exited or in the process of being exited. An own credit charge of CHF 1,213 million on financial liabilities designated at fair value was included in the second quarter result, compared with an own credit gain of CHF 651 million in first quarter 2009. Operating expenses were down from the prior quarter, despite higher personnel expenses, as first quarter expenses included a goodwill impairment charge of CHF 421 million related to the announced sale of UBS Pactual.

The *Corporate Center* recorded a pre-tax loss from continuing operations of CHF 270 million in second quarter 2009. This was mainly due to a goodwill impairment charge of CHF 492 million related to the announced sale of UBS Pactual, which was recorded by the business divisions and charged to the Corporate Center. The Corporate Center recorded a pre-tax profit from continuing operations of CHF 621 million in first quarter 2009.

Invested assets development: 2Q09 vs 1Q09

Net new money

Wealth Management & Swiss Bank

Outflows of net new money slowed to CHF 16.5 billion from CHF 23.4 billion. Total net new money outflows comprised CHF 0.2 billion from *Swiss clients* and CHF 16.3 billion from *international clients*, compared with net outflows of CHF 10.2 billion and CHF 13.2 billion respectively for first quarter 2009.

Wealth Management Americas

Second quarter saw net new money outflows of CHF 5.8 billion, compared with net new money inflows of CHF 16.2 billion in first quarter 2009.

Performance from continuing operations before tax

CHF million	Quarter ended			% change from		Year-to-date	
	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Wealth Management & Swiss Bank	932	1,077	1,858	(13)	(50)	2,009	3,817
Wealth Management Americas	(221)	(35)	(748)	(531)	70	(256)	(567)
Global Asset Management	82	(59)	352		(77)	24	682
Investment Bank	(1,846)	(3,162)	(5,239)	42	65	(5,008)	(23,451)
Corporate Center	(270)	621	(349)		23	351	3,512
UBS	(1,323)	(1,558)	(4,126)	15	68	(2,881)	(16,008)

Global Asset Management

Net new money outflows were CHF 17.1 billion compared with CHF 7.7 billion. *Institutional* net new money outflows were CHF 6.6 billion compared with CHF 1.1 billion. Excluding money market flows, net outflows were CHF 3.4 billion compared with CHF 9.2 billion. Outflows of *wholesale intermediary* net new money were CHF 10.6 billion compared with CHF 6.6 billion. Excluding money market flows, wholesale intermediary net outflows were CHF 4.5 billion compared with CHF 8.7 billion.

Invested assets

Invested assets stood at CHF 2,250 billion at the end of second quarter 2009, compared with CHF 2,182 billion on 31 March 2009. CHF 961 billion were attributable to Wealth Management & Swiss Bank, CHF 695 billion were attributable to Wealth Management Americas and CHF 593 billion were attributable to Global Asset Management.

Results: 6M09 vs 6M08

Net loss attributable to UBS shareholders decreased to CHF 3,376 million from CHF 12,012 million, driven by much lower losses on risk positions in businesses now exited or in the process of being exited by the Investment Bank. Operating expenses were down 15% from the first half of 2008 to CHF 13,621 million, driven by personnel expenses decreasing to CHF 8,542 million from CHF 9,887 million.

Personnel

UBS employed 71,806 people on 30 June 2009, down 4,400, or 6%, compared with 31 March 2009. In comparison with the prior quarter, staff levels for second quarter 2009 decreased by 1,103 in Wealth Management & Swiss Bank, 1,816 in Wealth Management Americas and 143 in Global Asset Management. Over the same period, Investment Bank staff levels decreased by 1,142 and Corporate Center staff levels decreased by 196. As announced on 15 April 2009, staff will be reduced to approximately 67,500 by 2010.

Personnel by region

		As of		% change from	
<i>Full-time equivalents</i>	30.6.09	31.3.09	30.6.08	31.3.09	30.6.08
Switzerland	25,343	25,889	27,516	(2)	(8)
UK	6,409	6,888	8,003	(7)	(20)
Rest of Europe	4,518	4,678	4,962	(3)	(9)
Middle East/Africa	143	148	130	(3)	10
USA	24,460	26,934	28,356	(9)	(14)
Rest of Americas	1,788	1,832	2,073	(2)	(14)
Asia Pacific	9,144	9,837	10,413	(7)	(12)
Total	71,806	76,206	81,452	(6)	(12)

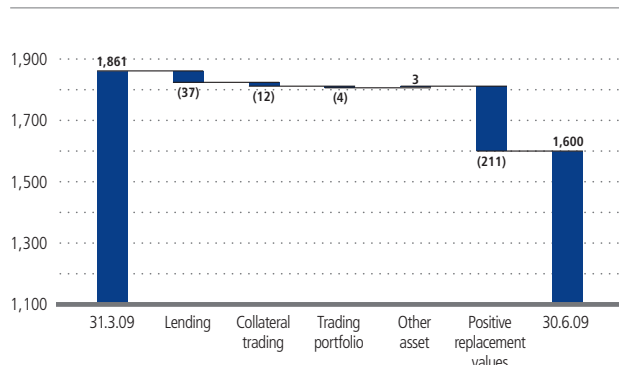
Personnel by business division

		As of		% change from	
<i>Full-time equivalents</i>	30.6.09	31.3.09	30.6.08	31.3.09	30.6.08
Wealth Management & Swiss Bank	27,705	28,808	30,616	(4)	(10)
Wealth Management Americas	18,146	19,962	20,282	(9)	(11)
Global Asset Management	3,574	3,717	3,861	(4)	(7)
Investment Bank	15,324	16,466	19,475	(7)	(21)
Operational Corporate Center	1,416	1,477	1,587	(4)	(11)
IT Infrastructure	3,975	4,093	4,189	(3)	(5)
Group Offshoring	1,665	1,682	1,442	(1)	15
Corporate Center	7,057	7,253	7,218	(3)	(2)
Total	71,806	76,206	81,452	(6)	(12)

Balance sheet

Second quarter 2009 asset development

CHF billion



Second quarter 2009 development

UBS reduced its balance sheet by a further CHF 261 billion during the quarter and held total assets of CHF 1,600 billion on 30 June 2009. Replacement values (RVs) decreased by a similar extent on both sides of the balance sheet, as market movements drove down positive replacement values by 28%, or CHF 211 billion, to CHF 543 billion and negative replacement values by 29%, or CHF 211 billion, to CHF 524 billion. In addition, lending assets fell by CHF 37 billion, collateral trading assets by CHF 12 billion and trading assets by CHF 4 billion.

The balance sheet was slightly impacted by currency movements affecting the Swiss franc during the quarter (CHF 24 billion). Adjusted to eliminate these currency effects, the balance sheet would have declined by CHF 285 billion during the quarter.

As in prior quarters, almost all reductions in UBS's total assets originated from reductions to the Investment Bank's balance sheet, which declined by CHF 276 billion in the second quarter to CHF 1,259 billion. The balance sheet of Wealth Management & Swiss Bank grew by CHF 16 billion to CHF 263 billion, following internal asset re-allocations, which originated from the Investment Bank. The balance sheet sizes remained stable for both Wealth Management Americas and Global Asset Management, ending the quarter at CHF 38 billion and CHF 22 billion respectively.

Lending and borrowing

Lending

"Cash and balances with central banks" was CHF 38 billion on 30 June 2009 – a slight decrease of CHF 1 billion from the prior quarter-end. "Due from banks" decreased by CHF 7 billion,

largely due to the lower variation margins deposited for derivative instruments, though these were partly offset by current account increases. "Loans" were reduced by CHF 28 billion to CHF 316 billion on 30 June 2009. The second quarter decreases in lending occurred predominantly in the Investment Bank, where they were spread across all major products, including fixed-term loans which were reduced mainly due to the final transfers under the SNB transaction in early April. Although UBS was no longer at risk from these assets they were still held on UBS's balance sheet at the end of the first quarter. In addition, variation margins deposited by UBS for derivative instruments and the de-leveraging in the prime brokerage business reduced the loan volume. The loan book of Wealth Management & Swiss Bank declined by CHF 3 billion to CHF 203 billion, with the majority of the decline in lombard lending.

Borrowing

The Investment Bank reduced its reliance on unsecured funding by reducing its assets. Unsecured borrowings declined substantially in second quarter 2009, decreasing by CHF 61 billion to CHF 830 billion. Money market paper issuance was CHF 86 billion, a decrease of CHF 39 billion, due to lower funding needs. Customer deposits ("Due to customers") amounted to CHF 446 billion on 30 June 2009, a decrease of CHF 20 billion, of which CHF 7 billion was attributable to currency movements. The outflows of client deposits occurred predominantly in the Investment Bank's prime brokerage business and in Wealth Management & Swiss Bank's fixed-term and fiduciary deposits, while Wealth Management & Swiss Bank recorded continued net inflows of CHF 3 billion in savings and personal accounts. "Due to banks" decreased by CHF 8 billion to CHF 109 billion on 30 June 2009, with the reduction driven by UBS's central funding entity (the Investment Bank's foreign exchange and money market desk) and decreased variation margins for derivative instruments. "Long-term debt issued" and "Financial liabilities designated at fair value" grew by CHF 6 billion to CHF 190 billion on 30 June 2009, related to valuation on equity-linked notes, credit-linked notes and benchmark bonds issued in the amounts of EUR 1.5 billion and CHF 0.7 billion. In addition UBS accessed more than CHF 2 billion of additional new medium- to long-term funds via the Mortgage Bond Bank of the Swiss Mortgage Institutions by pledging high-quality Swiss residential mortgages.

Repurchase / reverse repurchase agreements and securities borrowing / lending

In second quarter 2009, UBS increased its secured funding by CHF 5 billion to CHF 109 billion.

The cash collateral on securities borrowed and reverse repurchase agreements declined by CHF 12 billion to CHF 303 billion on 30 June 2009. This was due to continued overall balance sheet reduction measures.

Trading portfolio

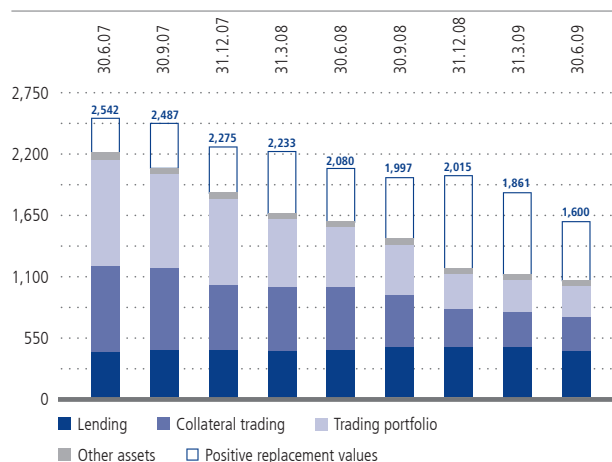
The trading portfolio decreased by CHF 4 billion during the second quarter, ending the period at CHF 286 billion. The composition of the trading inventory changed slightly during the quarter. On the one hand, UBS reduced its traded loans (most of which were part of the last SNB StabFund transaction completed in early April 2009) and debt instruments by CHF 5 billion and CHF 4 billion respectively, while on the other hand liquid money market paper (mainly treasury bills) and equity instruments (resulting from general stock market gains) increased by CHF 4 billion and CHF 2 billion respectively.

Replacement values

The positive and the negative replacement values (RVs) of derivative instruments developed in parallel and both decreased strongly, by CHF 211 billion, during second quarter 2009. They ended the quarter at CHF 543 billion and CHF 524 billion, respectively, mainly due to movements in interest rates, credit spreads and currencies. Decreases in positive RVs occurred mainly in interest rate contracts, which dropped by CHF 107 billion, while credit derivative contracts declined by CHF 59 billion and foreign exchange contracts declined by CHF 24 billion.

Balance sheet trend

CHF billion



Shareholders' equity

Equity attributable to UBS shareholders was CHF 33.5 billion on 30 June 2009 – an increase of CHF 2.3 billion compared with 31 March 2009. UBS generated CHF 3.8 billion of shareholders' equity through its private placement of authorized share capital towards the end of the second quarter, which was partly offset by the Group's net loss of CHF 1.4 billion and by a debit to other comprehensive income recognized in equity of CHF 0.6 billion (refer to the statement of comprehensive income in the "Financial information" section of this report for more information).

Off-balance sheet

In the normal course of business, UBS enters into arrangements that, under International Financial Reporting Standards, lead to either de-recognition of financial assets and liabilities for which UBS has transferred substantially all risks and rewards, or the non-recognition of financial assets and liabilities received for which UBS has not assumed the related risks and rewards. UBS recognizes these types of arrangements on the balance sheet to the extent of its involvement, which, for example, may be in the form of derivatives, guarantees, financing commitments or servicing rights.

When UBS, through these arrangements, incurs an obligation or becomes entitled to an asset, it recognizes them on the balance sheet, with the resulting loss or gain recorded in the income statement. It should be noted that, in many instances, the amount recognized on the balance sheet does not represent the full gain or loss potential inherent in such arrangements. Generally, these arrangements either meet the financial needs of customers or offer investment opportunities through entities that are not controlled by UBS.

UBS continually evaluates whether triggering events require the reconsideration of the consolidation conclusions made at the inception of its involvement with special purpose vehicles, especially securitization vehicles and collateralized debt obligations (CDOs). Triggering events generally include items such as major restructurings, the vesting of potential rights and the acquisition, disposal or expiration of interests. In these instances, special purpose entities may be

consolidated or de-consolidated depending on how the conditions have changed. If future consolidation of securitization vehicles is required by accounting standards, UBS does not expect this to have a significant impact on its risk exposure, capital, financial position or results of operations.

Off-balance sheet arrangements include purchased and retained interests, derivatives and other involvements in non-consolidated entities and structures. UBS has originated such structures and has acquired interests in structures set up by third parties.

"Note 13 Commitments" in the financial statements of this report presents committed amounts of undrawn irrevocable credit facilities, credit guarantees, performance guarantees, documentary credits and similar instruments. The "Risk management and control" section of this report includes a discussion of commitments to acquire auction rate securities from clients and information about the RMBS Opportunities Master Fund, LP, a special purpose entity managed by BlackRock, Inc. to which UBS sold US-real estate-related assets in second quarter 2008. The repositioning of UBS's Investment Bank in 2008 and 2009 included a substantial downsizing of UBS's real estate, securitization and proprietary trading activities. The downsizing was substantially advanced by a transfer of significant securitized positions to the SNB StabFund in December 2008, in March and April 2009. The table below includes information about derivative instruments. Refer to UBS's restated annual report for 2008 for more information about UBS's off-balance sheet commitments.

Derivative instruments¹

CHF billion	30.6.09			31.3.09			31.12.08		
	Replacement values		Notional values	Replacement values		Notional values	Replacement values		Notional values
	Positive	Negative		Positive	Negative		Positive	Negative	
Interest rate contracts	258	245	36,604	365	354	37,552	375	369	36,571
Credit derivative contracts	128	114	2,913	187	173	3,238	197	185	3,654
Foreign exchange contracts	117	118	6,259	141	137	5,914	222	227	6,025
Equity/index contracts	32	39	587	37	46	547	35	47	566
Precious metals contracts	4	3	96	5	5	106	6	6	108
Commodity contracts, excluding precious metals contracts	5	5	38	19	19	119	19	18	227
Total	543²	524³	46,497	754²	734³	47,476	854²	852³	47,151

¹ Replacement values based on International Financial Reporting Standards netting. Refer to "Note 23 Derivative instruments and hedge accounting" in the financial statements of UBS's restated annual report for 2008. ² The impact of netting agreements (including cash collateral) with the Swiss Financial Market Supervisory Authority (FINMA) for capital adequacy purposes was to reduce positive replacement values to CHF 94 billion on 30 June 2009, CHF 128 billion on 31 March 2009 and CHF 202 billion on 31 December 2008. ³ The impact of netting agreements (including cash collateral) with FINMA for capital adequacy is to reduce negative replacement values to CHF 85 billion on 30 June 2009, CHF 114 billion on 31 March 2009 and CHF 200 billion on 31 December 2008.

UBS business divisions and Corporate Center

Management report

Wealth Management & Swiss Bank

Business division reporting

	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
Swiss clients income	1,565	1,619	1,924	(3)	(19)	3,184	3,950
International clients income	1,369	1,393	2,058	(2)	(33)	2,762	4,236
Income	2,934	3,011	3,982	(3)	(26)	5,946	8,187
Credit loss (expense) / recovery	(20)	(119)	(7)	(83)	186	(139)	(11)
Total operating income	2,914	2,892	3,975	1	(27)	5,806	8,176
Personnel expenses	1,358	1,213	1,411	12	(4)	2,571	2,910
General and administrative expenses	434	404	499	7	(13)	839	1,016
Services (to) / from other business divisions	149	162	163	(8)	(9)	312	347
Depreciation of property and equipment	35	32	41	9	(15)	67	80
Amortization of intangible assets	6	3	3	100	100	9	6
Total operating expenses	1,983	1,815	2,117	9	(6)	3,797	4,359
Business division performance before tax	932	1,077	1,858	(13)	(50)	2,009	3,817

Key performance indicators¹

Pre-tax profit growth (%)	(13.5)	101.3	(5.2)			(47.4)	(7.6)
Cost / income ratio (%)	67.6	60.3	53.2			63.9	53.2
Net new money (CHF billion) ²	(16.5)	(23.4)	(10.4)			(39.9)	(9.9)
Impaired lending portfolio as a % of total lending portfolio, gross (Swiss clients)	0.9	1.0	0.9				
Gross margin on invested assets (bps) (international clients)	87	89	100	(2)	(13)	88	99

Additional information

Average attributed equity (CHF billion) ³	9.0	9.0	10.0	0	(10)	9.0	10.0
Return on attributed equity (RoAE) (%)						44.6	76.3
BIS risk-weighted assets (CHF billion)	51.8	54.8	71.0	(5)	(27)		
Return on risk-weighted assets, gross (%)						21.3	22.4
Goodwill and intangible assets (CHF billion)	1.8	1.8	1.7	0	6		
Recurring income	2,203	2,316	3,016	(5)	(27)	4,519	6,187
Invested assets (CHF billion)	961	934	1,236	3	(22)		
Client assets (CHF billion)	1,756	1,643	2,168	7	(19)		
Personnel (full-time equivalents)	27,705	28,808	30,616	(4)	(10)		

Swiss clients

Net new money (CHF billion) ²	(0.2)	(10.2)	(7.2)			(10.4)	(11.7)
Invested assets (CHF billion)	328	313	403	5	(19)		

International clients

Net new money (CHF billion) ²	(16.3)	(13.2)	(3.2)			(29.5)	1.8
Invested assets (CHF billion)	633	621	833	2	(24)		
Client advisors (full-time equivalents)	3,593	3,892	4,423	(8)	(19)	3,593	4,423

¹ For definitions of UBS's key performance indicators, refer to the "Key performance indicators" section on page 11 of UBS's first quarter 2009 report. ² Excludes interest and dividend income. ³ Refer to the "Capital management" section of this report for more information about the equity attribution framework.

Results: 2Q09 vs 1Q09

Pre-tax profit for Wealth Management & Swiss Bank decreased to CHF 932 million from CHF 1,077 million. The primary reason for this change was charges of CHF 321 million

recorded in second quarter 2009 in connection with the restructuring of the business. Excluding these charges, profit levels for the second quarter would have increased 16% as credit loss expenses and personnel expenses were strongly reduced in the second quarter.

Operating income

Total operating income increased 1% to CHF 2,914 million from CHF 2,892 million. Recurring income fell 5% to CHF 2,203 million, mainly due to lower interest income, which was impacted by lower margins of liabilities. Non-recurring income increased 5% to CHF 731 million, primarily due to higher client activity. Moreover, internal funding-related interest charges decreased compared with first quarter 2009.

Credit loss expenses were CHF 20 million, a significant decrease from the CHF 119 million in the first quarter, mainly due to the fact that allowances made against lombard loans in prior periods were released in the second quarter.

Operating expenses

Total operating expenses were CHF 1,983 million compared with CHF 1,815 million in the previous quarter. Excluding the abovementioned restructuring charges booked in second quarter 2009, total operating expenses would have decreased 8%. Personnel expenses increased 12% to CHF 1,358 million, mainly due to the personnel-related part of the abovementioned restructuring charges (CHF 255 million). Excluding these restructuring charges, personnel expenses would have decreased 9%, mainly due to lower performance-related compensation accruals and the reduction in personnel by 1,103 during the quarter. A significant proportion of headcount reductions that have been communicated to employees will roll-off monthly personnel expenses towards the end of the year and the beginning of 2010. Lower headcount is expected to result in lower fixed personnel costs, assuming all other factors remain constant.

General and administrative expenses increased 7% to CHF 434 million. This increase mainly reflects the real estate-related part of the restructuring charges booked in second quarter 2009, without which general and administrative expenses would have been reduced 7% due to lower operational provisions, travel and entertainment, information technology (IT) and advertising expenses in line with the implementation of cost cutting measures. Expenses for services from other businesses decreased CHF 13 million to CHF 149 million, reflecting lower charges for IT infrastructure. Depreciation was at CHF 35 million, up CHF 3 million from the previous quarter. The amortization of intangible assets was up by CHF 3 million to CHF 6 million.

Invested assets development: 2Q09 vs 1Q09

Net new money

Outflows of net new money slowed to CHF 16.5 billion from CHF 23.4 billion. Total net new money outflows from *Swiss clients* improved from CHF 10.2 billion to CHF 0.2 billion. Outflows from *international clients* increased to CHF 16.3 billion from CHF 13.2 billion. Higher net outflows, particularly in European locations, were only partly offset by net inflows in the Asia Pacific region.

Invested assets

Invested assets were CHF 961 billion on 30 June 2009, an increase of CHF 27 billion, or 3%, from 31 March 2009. The increase was driven by higher market performance and was only partly offset by outflows of net new money and the depreciation of the US dollar against the Swiss franc in second quarter 2009.

Gross margin on invested assets (only international clients)

The gross margin on invested assets decreased by two basis points to 87 basis points. The recurring income margin decreased three basis points to 64 basis points due to lower interest income and clients' structural portfolio shift towards lower-margin products over the last couple of months, which was mainly driven by uncertainty in the current market environment. The non-recurring income margin was up one basis point to 23 basis points due to higher client activity and the abovementioned lower internal funding-related interest charges in the second quarter.

Results: 6M09 vs 6M08

Pre-tax profit decreased 47% to CHF 2,009 million from CHF 3,817 million. The decline in profit was driven by a 29% drop in operating income, which resulted from lower asset-based fees combined with decreased interest following margin pressure as well as increased internal funding-related interest charges, lower transaction income and higher credit loss expenses. This was only partly offset by a 13% reduction in operating expenses. Excluding restructuring costs, operating expenses would have decreased 20%. Personnel expenses decreased 12%, or 21% excluding the personnel-related part of the restructuring costs, due to lower accruals for performance-based compensation and a 10% reduction in personnel. In addition, general and administrative expenses were reduced 17%, mainly due to lower expenses for travel and entertainment, advertising and IT. Adjusted for the non-personnel-related part of the restructuring charges recorded in second quarter 2009, general and administrative expenses would have been down by 23%.

Personnel

Wealth Management & Swiss Bank employed 27,705 staff on 30 June 2009, down 1,103 from 28,808 on 31 March 2009 mainly through natural attrition, but also through the abovementioned restructuring measures. The number of client advisors in the international clients business was down by 299 to 3,593 as the business division adjusted its client-facing capacity to the current market environment.

Wealth Management Americas

Business division reporting

	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
Income	1,367	1,408	1,590	(3)	(14)	2,775	3,238
Credit loss (expense) / recovery	1	1	(1)	0		2	0
Total operating income	1,368	1,409	1,590	(3)	(14)	2,777	3,237
Personnel expenses	1,154	1,082	1,091	7	6	2,236	2,228
General and administrative expenses	290	229	1,141	27	(75)	519	1,366
of which: ARS settlement impact			919				919
Services (to) / from other business divisions	73	68	67	7	9	141	137
Depreciation of property and equipment	42	29	22	45	91	71	42
Impairment of goodwill	15	19	0	(21)		34	0
Amortization of intangible assets	16	17	16	(6)	0	33	31
Total operating expenses	1,589	1,444	2,337	10	(32)	3,033	3,804
Business division performance before tax	(221)	(35)	(748)	(531)	70	(256)	(567)
of which: ARS settlement impact			(919)				(919)
business division performance before tax excluding ARS settlement impact	(221)	(35)	171	(531)		(256)	352

Key performance indicators¹

Pre-tax profit growth (%) ²	N/A	N/A	N/A			N/A	N/A
Cost / income ratio (%)	116.2	102.6	147.0			109.3	117.5
Net new money (CHF billion) ³	(5.8)	16.2	(8.9)			10.3	(5.6)
Gross margin on invested assets (bps)	80	86	83	(7)	(4)	83	81

Additional information

Average attributed equity (CHF billion) ⁴	9.0	9.0	7.0	0	29	9.0	7.0
Return on attributed equity (RoAE) (%)						(5.7)	(16.2)
BIS risk-weighted assets (CHF billion)	23.2	24.6	22.3	(6)	4		
Return on risk-weighted assets, gross (%)						22.4	37.3
Goodwill and intangible assets (CHF billion)	4.4	4.7	4.3	(6)	2		
Recurring income	787	823	993	(4)	(21)	1,610	2,018
Invested assets (CHF billion)	695	673	771	3	(10)		
Client assets (CHF billion)	735	711	867	3	(15)		
Personnel (full-time equivalents)	18,146	19,962	20,282	(9)	(11)		
Financial advisors (full-time equivalents)	7,939	8,760	8,555	(9)	(7)		

Additional information (only Wealth Management US)

Net new money (CHF billion) ³	(5.0)	17.1	(8.0)			12.0	(4.9)
Net new money including interest and dividend income (CHF billion) ⁵	(0.3)	22.1	(2.6)			21.8	6.0

¹ For definitions of UBS's key performance indicators, refer to the "Key performance indicators" section on page 11 of UBS's first quarter 2009 report. ² Not meaningful if either the current period or the comparison period is a loss period. ³ Excludes interest and dividend income. ⁴ Refer to the "Capital management" section of this report for more information about the equity attribution framework. ⁵ For purposes of comparison with US peers.

Results: 2Q09 vs 1Q09

Wealth Management Americas recorded a pre-tax loss of CHF 221 million compared with a pre-tax loss of CHF 35 million. The second quarter included restructuring charges of CHF 152 million, whereas the first quarter included a goodwill impairment charge of CHF 19 million related to the announced sale of UBS Pactual. Excluding these charges, the pre-tax loss for second quarter 2009 would have been CHF 69 million compared with a first quarter pre-tax loss of CHF 16 million. Furthermore, the quarter was negatively impacted by a special assessment levied by the US Federal Deposit Insurance Corporation (FDIC) on the assets of every FDIC-insured depository institution, including UBS Bank USA in the amount of CHF 17 million, to ensure that the FDIC Deposit Insurance Fund retains a positive balance. As part of the business division's restructuring efforts, the number of personnel was reduced by 9% from the prior quarter.

Operating income

Total operating income declined 3% to CHF 1,368 million from CHF 1,409 million. Excluding the impact of currency translation, operating income would have increased 2%.

Recurring income fell 4% due primarily to currency translation effects. In US dollar terms, recurring income increased 1%, driven by higher managed account fees, partly offset by lower interest income due to lower spreads and the above-mentioned special FDIC assessment fee. Recurring income represented 58% of total operating income in second quarter 2009, unchanged from the prior quarter. Non-recurring income decreased 1%, while up 5% in US dollar terms due to higher client transactional income and lower internal funding related interest charges, partly offset by lower municipal trading income.

Operating expenses

Total operating expenses increased 10% to CHF 1,589 million from CHF 1,444 million. The increase was driven by the restructuring charges of CHF 152 million. Excluding restructuring charges and goodwill impairment charges in first quarter 2009 related to the announced sale of UBS Pactual, operating expenses would have increased 1%. In US dollar terms, operating expenses excluding restructuring and goodwill impairment charges increased 6% due to higher personnel and non-personnel expenses, as described below.

Personnel expenses increased 7% to CHF 1,154 million from CHF 1,082 million. Personnel expenses included CHF 71 million in restructuring charges related to headcount reductions during the quarter. Excluding restructuring charges, personnel expenses would have been relatively flat. In US dollar terms, personnel expenses excluding restructuring charges increased 6%. This increase was driven by higher revenue-based financial advisor compensation, higher incentive compensation accruals compared with unusually low

accruals in the first quarter, and increased expenses related to the hiring of financial advisors, reduced by cost savings related to staff reductions implemented during the quarter.

Non-personnel expenses (including general and administrative expenses, depreciation and amortization expenses, and services provided to and received from other business divisions) increased 20% to CHF 435 million. Excluding restructuring charges of CHF 81 million primarily related to real estate writedowns and the CHF 19 million goodwill impairment charges in first quarter 2009 related to the announced sale of UBS Pactual, non-personnel costs would have increased 3%. In US dollar terms, non-personnel costs excluding restructuring and goodwill impairment charges increased 9% due to higher service charges from other business divisions and increases in legal fees and provisions. The second quarter included a goodwill impairment charge of CHF 15 million related to the announced sale of UBS Pactual compared with a CHF 19 million charge in the previous quarter. The second quarter charge was accounted for through the "Services (to)/from other business divisions" line item to the Corporate Center, and therefore had no effect on Wealth Management Americas' second quarter results. Refer to the "Recent developments" section of this report for more information.

Invested assets development: 2Q09 vs 1Q09

Net new money

Wealth Management Americas experienced net new money outflows of CHF 5.8 billion in second quarter 2009 compared with net new money inflows of CHF 16.2 billion in the previous quarter. The former Wealth Management US business unit experienced net new money outflows of CHF 5.0 billion compared with net new money inflows of CHF 17.1 billion in the previous quarter. Second quarter net new money was impacted by annual client income tax payments as well as financial advisor attrition. Including interest and dividends, net new money from the former Wealth Management US business unit decreased to an outflow of CHF 0.3 billion from an inflow of CHF 22.1 billion in the prior quarter.

Invested assets

Invested assets increased by CHF 22 billion, or 3%, to CHF 695 billion on 30 June 2009. This was due to positive market performance and partly offset by the negative impact of currency translation effects and net new money outflows. In US dollar terms, invested assets increased 8% on stronger equity market performance.

Gross margin on invested assets

The gross margin on invested assets decreased six basis points to 80 basis points. The decrease was mainly attributable to a 3% decline in revenue, while average invested

assets increased 4%. A four basis point decrease in the recurring income margin, to 46 basis points, corresponded with an equal decline in recurring income; and the non-recurring income margin decreased two basis points, to 34 basis points. In US dollar terms, the gross margin on invested assets of 81 basis points was unchanged from the prior quarter.

Results: 6M09 vs 6M08

Wealth Management Americas reported a pre-tax loss of CHF 256 million compared with a pre-tax loss of CHF 567 million. The 2009 performance through June was negatively impacted by the abovementioned restructuring charges of CHF 152 million and goodwill impairment charges of CHF 19 million in first quarter 2009 related to the announced sale of UBS Pactual, while the performance for the first half of 2008 was negatively impacted by a CHF 919 million provision made for the expected costs of the purchase of auction rate securities (ARSs) and related costs, including fines. Excluding the restructuring, goodwill impairment and ARS-related charges, pre-tax performance would have been a loss of CHF 85 million in the first six months of 2009 compared with a profit of CHF 352 million in the same period in 2008.

This decline in performance occurred in the context of a challenging market climate marked by a sharp decline in invested assets which resulted in revenues declining at a faster rate than expenses. Average invested assets for the first half of 2009 fell 16% from the same period in 2008, leading to a 14% decrease in operating income, including a 20% decrease in recurring income and a 5% decline in non-recurring income. Recurring income declined to 58% from 62% of operating income. Operating expenses experienced

a decline of 20% from the first half of 2008, but would have decreased 1% when excluding the restructuring charges, the goodwill impairment charges in first quarter 2009 related to the announced sale of UBS Pactual and the ARS provision. Personnel expenses were flat, but would have declined 3% excluding restructuring charges booked in second quarter 2009 due to lower incentive compensation and lower revenue-based financial advisor compensation, both of which were partly offset by higher financial advisor-related recruitment costs. Non-personnel expenses decreased 49% from the first half of 2008. Excluding restructuring charges, the goodwill impairment charges in first quarter 2009 related to the announced sale of UBS Pactual and the ARS provision, non-personnel costs increased 6%, but were down 4% in US dollar terms due to cost control efforts in general and administrative expenses and lower service charges from other business divisions, partly offset by higher depreciation costs.

Personnel

Wealth Management Americas reduced staff by 9% during second quarter 2009 as part of the business division's restructuring initiative. There were 18,146 personnel on 30 June 2009, a decrease of 1,816 from 31 March 2009. Non-financial advisor employees decreased by 995 to 10,207, primarily related to staff reductions across all business areas. Financial advisors decreased by 821 to 7,939. This reduction reflects, in part, planned reductions of lower producing financial advisors. The departures were partially offset by recruitment consistent with the business division's strategy to attract highly productive financial advisors, although the pace of recruitment slowed compared with the prior quarter.

Global Asset Management

Business division reporting

	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
Institutional fees	317	284	472	12	(33)	601	898
Wholesale intermediary fees	213	218	336	(2)	(37)	431	701
Total operating income	530	502	808	6	(34)	1,033	1,599
Personnel expenses	309	226	291	37	6	535	595
General and administrative expenses	93	95	113	(2)	(18)	188	217
Services (to)/from other business divisions	(110)	39	34			(72)	73
Depreciation of property and equipment	5	5	8	0	(38)	10	15
Impairment of goodwill	149	191	0	(22)		340	0
Amortization of intangible assets	3	6	10	(50)	(70)	9	18
Total operating expenses	448	561	456	(20)	(2)	1,009	917
Business division performance before tax	82	(59)	352		(77)	24	682

Key performance indicators¹

Pre-tax profit growth (%) ²	N/A	N/A	6.7			(96.5)	13.3
Cost/income ratio (%)	84.5	111.8	56.4			97.7	57.3
Net new money (CHF billion) ³	(17.1)	(7.7)	(24.5)			(24.9)	(41.0)
Gross margin on invested assets (bps) (institutional)	37	34	42	9	(12)	35	39
Gross margin on invested assets (bps) (wholesale intermediary)	35	36	43	(3)	(19)	36	43

Additional information

Average attributed equity (CHF billion) ⁴	3.0	3.0	3.0	0	0	3.0	3.0
Return on attributed equity (RoAE) (%)						1.6	45.5
BIS risk-weighted assets (CHF billion)	5.6	6.4	6.2	(13)	(10)		
Return on risk-weighted assets, gross (%)						30.7	49.8
Goodwill and intangible assets (CHF billion)	1.7	2.1	2.5	(19)	(32)		
Invested assets (CHF billion)	593	576	757	3	(22)		
Personnel (full-time equivalents)	3,574	3,717	3,861	(4)	(7)		

Institutional

Net new money (CHF billion) ³	(6.6)	(1.1)	(8.4)			(7.7)	(17.9)
of which: money market funds	(3.2)	8.1	(0.3)			4.9	4.9
Invested assets (CHF billion)	351	337	448	4	(22)		
of which: money market funds	50	53	41	(6)	22		

Wholesale intermediary

Net new money (CHF billion) ³	(10.6)	(6.6)	(16.1)			(17.2)	(23.1)
of which: money market funds	(6.1)	2.1	(0.1)			(4.1)	9.8
Invested assets (CHF billion)	242	239	310	1	(22)		
of which: money market funds	78	86	75	(9)	4		

¹ For definitions of UBS's key performance indicators, refer to the "Key performance indicators" section on page 11 of UBS's first quarter 2009 report. ² Not meaningful if either the current period or the comparison period is a loss period. ³ Excludes interest and dividend income. ⁴ Refer to the "Capital management" section of this report for more information about the equity attribution framework.

Results: 2Q09 vs 1Q09

Global Asset Management's pre-tax result was a profit of CHF 82 million compared with a loss of CHF 59 million. Excluding a goodwill impairment charge in the first quarter of CHF 191 million in relation to the announced sale of UBS Pactual and restructuring charges in both quarters, pre-tax profit would have decreased by CHF 30 million, or 22%. Increased performance fees were more than offset by higher personnel expenses.

Operating income

Total operating income increased 6% to CHF 530 million from CHF 502 million. *Institutional* revenues rose to CHF 317 million from CHF 284 million, primarily due to higher performance fees in alternative and quantitative investments and lower operational losses. *Wholesale intermediary* revenues declined marginally to CHF 213 million from CHF 218 million.

Operating expenses

Total operating expenses were CHF 448 million compared with CHF 561 million. Excluding the goodwill impairment charge in the first quarter of CHF 191 million in relation to the announced sale of UBS Pactual and the restructuring charges, total operating expenses would have increased by CHF 58 million.

Personnel expenses were CHF 309 million, up from CHF 226 million in the first quarter. Personnel expenses for the second quarter included restructuring charges of CHF 27 million (up from CHF 7 million in the first quarter) and also reflect higher accruals for incentive compensation as a result of higher performance fee revenues. First quarter 2009 personnel expenses were lower due to a partial write-back of CHF 35 million from incentive compensation accruals made in 2008. The fixed personnel costs for second quarter 2009 are not representative of those expected in the second half of 2009. Around half of the headcount reductions that have been communicated to employees (including those associated with the announced sale of UBS Pactual) had not rolled off monthly expenses by the end of the second quarter. Lower fixed personnel costs are expected to apply downward pressure on the divisional cost/income ratio by fourth quarter 2009, assuming all other factors remain constant.

General and administrative expenses decreased by CHF 2 million to CHF 93 million following decreases in travel and entertainment expenses, marketing costs and professional fees. A second quarter goodwill impairment charge of CHF 149 million related to the announced sale of UBS Pactual was charged through the "Services (to)/from other business divisions" line item to the Corporate Center and therefore had no effect on Global Asset Management's second quarter results (refer to the "Recent developments" section of this

report for more information on the UBS Pactual transaction).

Invested assets development: 2Q09 vs 1Q09

Net new money

Net new money outflows were CHF 17.1 billion compared with CHF 7.7 billion. Excluding money market flows, outflows of net new money slowed to CHF 7.8 billion from CHF 17.9 billion. Net new money outflows relating to clients of UBS's wealth management businesses totaled CHF 13.2 billion in the second quarter. Some of the inflows and outflows related to clients of UBS's wealth management businesses are also reported as net new money for the Wealth Management & Swiss Bank and Wealth Management Americas business divisions.

Institutional net new money outflows were CHF 6.6 billion compared with CHF 1.1 billion. Excluding money market flows, net outflows slowed to CHF 3.4 billion from CHF 9.2 billion. Equities saw the first quarterly net inflow since fourth quarter 2005 but net outflows were reported in multi-asset, alternative and quantitative investments, fixed income and real estate funds.

Outflows of *wholesale intermediary* net new money were CHF 10.6 billion compared with CHF 6.6 billion. Excluding money market flows, wholesale intermediary net outflows slowed to CHF 4.5 billion from CHF 8.7 billion. Outflows were reported mainly in multi-asset, equities and fixed income.

Invested assets

Total invested assets were CHF 593 billion at the end of the second quarter, up from CHF 576 billion at 31 March 2009. *Institutional* invested assets were CHF 351 billion on 30 June 2009, up from CHF 337 billion on 31 March 2009, reflecting the positive impact of financial market developments, partly offset by net new money outflows. *Wholesale intermediary* invested assets were CHF 242 billion on 30 June 2009, compared with CHF 239 billion on 31 March 2009, as the positive impact of financial market developments was partly offset by net new money outflows and the negative impact of currency fluctuations.

Gross margin on invested assets

The gross margin on *institutional* invested assets increased to 37 basis points from 34 basis points, mainly due to higher performance fees, particularly in alternative and quantitative investments, and lower operational losses. The gross margin on *wholesale intermediary* invested assets decreased by one basis point to 35 basis points.

Results: 6M09 vs 6M08

Pre-tax profit decreased to CHF 24 million from CHF 682 million. Excluding the goodwill impairment charge in first quarter 2009 of CHF 191 million in relation to the announced sale

of UBS Pactual and restructuring charges in first and second quarter 2009, pre-tax profit would have decreased 63% to CHF 249 million. Total operating income declined 35% to CHF 1,033 million from CHF 1,599 million. *Institutional* revenues declined to CHF 601 million from CHF 898 million due to lower management fees associated with lower market levels, the lower average invested assets base and lower performance fees in alternative and quantitative investments and real estate. *Wholesale intermediary* revenues declined to CHF 431 million from CHF 701 million due to lower management fees associated with lower market levels and the lower average invested assets base. Total operating expenses increased 10% to CHF 1,009 million from CHF 917 million. Excluding the goodwill impairment charge in first quarter 2009 and restructuring charges, operating expenses declined 15% to CHF 784 million. This reflected lower incentive compensation accruals and reduced general and administrative expenses, mainly in travel and entertainment expenses and marketing costs as a result of ongoing cost saving measures.

Personnel

The number of employees on 30 June 2009 was 3,574, a 4% decrease from 3,717 on 31 March 2009. The decrease in headcount was predominantly in non-investment areas and reflects action across the business division to reduce the cost base while maintaining appropriate resource levels.

Investment capabilities and performance: 2Q09

The strong improvement in investment performance versus benchmark in many traditional strategies, which began in 2008 and gathered momentum in first quarter 2009, continued in the second quarter. The changes to investment teams and leadership made over the past two years have shown sustained positive results. Alternative strategies showed generally positive results in improving markets.

Core/value equities

Strong performance continued across many strategies that outperformed their benchmarks in first quarter 2009. Notable strong performers were global, US, European, Asian and emerging markets strategies, as well as UK and Australian strategies. Good stock selection across a broad range of industry sectors was the primary positive factor. Other strategies that did less well in the quarter remained strong over one year, including Swiss and Canadian strategies. A number of concentrated and long/short strategies launched in recent years delivered some of the strongest returns.

Growth equities

Performance was mixed for the quarter. The US large cap select growth and emerging markets growth strategies outperformed their benchmarks, primarily due to strong stock selec-

tion, and ended the quarter well ahead of their respective benchmarks year-to-date. Global ex-US all cap growth marginally outperformed its benchmark for the quarter. Meanwhile, US small cap and mid cap growth strategies were below their respective benchmarks for the quarter as both stock selection and sector allocation produced disappointing results.

Fixed income

Performance across many key bond strategies continued the improving trend of first quarter 2009. Global sovereign strategies outperformed their benchmarks. While global aggregate strategies were below their benchmarks, they showed continued improvement. US strategies improved with performance that exceeded their benchmarks. The performance of UK strategies improved with significant outperformance versus benchmarks. Australian, euro aggregate, Canadian and Swiss strategies all significantly improved their performance compared with first quarter 2009 and outperformed their benchmarks. Japanese strategies were slightly behind their benchmarks. Emerging market strategies were significantly ahead of their benchmarks for the quarter. High yield strategies delivered positive returns but were behind their benchmarks having taken defensive issuer and industry positioning. Money market funds continued to achieve their capital preservation objectives.

Global investment solutions

The performance of multi-asset strategies, including the global securities composite and dynamic alpha strategies, was strongly positive during the quarter. Asset allocation, currency management and security selection all contributed to this result. These strategies have been positioned for a recovery in risky assets such as equities, and thus benefited from the upswing in equity markets that started in March. The strong performance in the second quarter more than offset the underperformance reported in the first quarter, leaving these strategies significantly ahead of their benchmarks year-to-date. Multi-manager investment solutions delivered generally positive returns.

Alternative and quantitative investments

Second quarter 2009 saw continued positive momentum for hedge funds in general, with May being one of the best months for the industry in several years. The single manager platform, O'Connor, recorded mixed returns with strong performance in the multi-strategy and credit strategies, moderate returns in equity long/short strategies and negative returns for the currency and rates strategies. Returns were generally positive within the funds of funds run by the multi-manager platform.

Global real estate

Real estate values in the UK and US direct funds generally declined at a slower pace than in recent quarters. All direct funds based in Germany and Switzerland, as well as a UK

direct fund designed as a bond alternative, continued to generate positive absolute returns. Performance of the Swiss composite (consisting of four Swiss listed real estate funds) was broadly in line with the market, while the J-REIT flagship fund (Japanese real estate investment trust managed in collaboration with joint venture partner Mitsubishi Corporation) outperformed its benchmark. The majority of the real estate securities strategies outperformed their benchmarks, including Asian, European, Swiss and US strategies. The global fund-of-funds strategy delivered moderately negative performance in absolute terms.

Infrastructure and private equity

The investments of the UBS International Infrastructure Fund performed well in both local currency and US dollar terms, the fund's base currency. Currency movements during the quarter had a positive impact on valuations. The infrastructure joint venture with Invest AD (formerly the Abu Dhabi Investment Company) – ADIC-UBS Infrastructure Investment – successfully took up commitments of USD 250 million at the first close of its fund in May.

Composite

The table below represents approximately 16% of Global Asset Management's invested assets at 30 June 2009.

	Annualized			
	3 months	1 year	3 years	5 years
Australian Equity Composite vs. S&P/ASX 300 Accumulation Index	+	+	+	+
Canadian Equity Composite vs. TSE Total Return Index	–	+	+	+
Emerging Equity Composite vs. Emerging Markets Equity Index	+	–	–	+
Global Equity Composite vs. MSCI World Equity (Free) Index	+	+	+	+
Pan European Composite vs. MSCI Europe Free Index	+	+	+	+
Swiss Equity Composite vs. SPI (Total Return) Index	–	+	+	+
US Large Cap Equity Composite vs. Russell 1000 Index	+	–	–	+
Global Equity Ex-US Growth Composite vs. MSCI EAFE (Free) Index	+	–	+	+
US Large Cap Select Growth Equity Composite vs. Russell 1000 Growth Index	+	+	+	+ ¹
EUR Aggregate Bonds Composite vs. Barclays Capital Euro Aggregate 500mio+ Index	+	–	+	+
Global Bond Composite vs. Citigroup World Government Bond Index	+	–	–	–
Global Securities Composite vs. Global Securities Markets Index	+	–	–	–
Global Real Estate Securities composite (hedged in CHF) vs. FTSE EPRA/NAREIT Developed Index (hedged in CHF)/reference index ²	–	–	–	– ²

(+) above benchmark; (–) under benchmark; (=) equal to benchmark. All are before the deduction of investment management fees. Global composites are stated in USD terms; all others are in appropriate local currencies (unless otherwise stated). A composite is an aggregation of one or more portfolios in a single group that is representative of a particular strategy, style, or objective. The composite is the asset-weighted average of the performance results of all the portfolios it holds. Global Asset Management has been verified as compliant with the Global Investment Performance Standards by Ernst & Young on a firm-wide basis to 31 December 2007.

¹ Performance data for 5 years is for UBS AG, NY Branch Large Cap Select Growth Composite, which is managed in a substantially similar manner to the US Large Cap Select Growth Equity Composite.

² Prior to 30 September 2005 returns for the FTSE EPRA/NAREIT Global Real Estate Index hedged into CHF were based on published data; currency translation and hedging into CHF are calculated internally. Thereafter, UBS contracted with FTSE, the index provider, to provide on a customized request basis CHF hedged returns for the FTSE EPRA/NAREIT Global Real Estate Index. Starting on 23 March 2009 the Index changed its name to FTSE EPRA/NAREIT Developed Index. Reference index returns are provided for reference purposes only.

Investment Bank

Business division reporting

	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
Investment banking	717	304	1,008	136	(29)	1,021	1,566
Advisory revenues	211	215	437	(2)	(52)	426	813
Capital market revenues	771	482	750	60	3	1,254	1,029
Equities	440	264	438	67	0	704	546
Fixed income, currencies and commodities	331	218	312	52	6	550	483
Other fee income and risk management	(265)	(393)	(179)	33	(48)	(658)	(276)
Sales and trading	1,397	(599)	(2,965)			799	(19,931)
Equities	1,456	1,371	1,680	6	(13)	2,827	3,728
Fixed income, currencies and commodities	(59)	(1,970)	(4,645)	97	99	(2,028)	(23,658)
Total income	2,114	(295)	(1,956)			1,819	(18,365)
Credit loss (expense) / recovery ¹	(369)	(1,017)	(10)	(64)		(1,386)	(318)
Total operating income excluding own credit	1,746	(1,312)	(1,967)			434	(18,683)
Own credit ²	(1,213)	651	(341)		(256)	(563)	1,579
Total operating income as reported	532	(661)	(2,308)			(129)	(17,105)
Personnel expenses	1,474	1,185	1,494	24	(1)	2,659	3,527
General and administrative expenses	602	639	784	(6)	(23)	1,240	1,900
Services (to) / from other business divisions	(129)	195	248			66	439
Depreciation of property and equipment	89	42	45	112	98	131	97
Impairment of goodwill	328	421	341	(22)	(4)	749	341
Amortization of intangible assets	14	19	20	(26)	(30)	34	43
Total operating expenses	2,378	2,501	2,931	(5)	(19)	4,879	6,347
Business division performance before tax	(1,846)	(3,162)	(5,239)	42	65	(5,008)	(23,451)

Key performance indicators³

Pre-tax profit growth (%) ⁴	N/A	N/A	N/A			N/A	N/A
Cost / income ratio (%) ⁵	263.9	N/A	N/A			388.1	N/A
Return on attributed equity (RoAE) (%)						(37.8)	(170.6)
Return on assets, gross (%)						0.2	(1.8)
Average VaR (10-day, 99% confidence, 5 years of historical data) ⁶	350	433	310	(19)	13		

Additional information

Total assets (CHF billion) ⁷	1,258.9	1,535.3	1,733.0	(18)	(27)		
Average attributed equity (CHF billion) ⁸	25.0	28.0	27.0	(11)	(7)	26.5	27.5
BIS risk-weighted assets (CHF billion)	160.6	184.5	214.2	(13)	(25)		
Return on risk-weighted assets, gross (%)						1.4	(15.1)
Goodwill and intangible assets (CHF billion)	3.7	4.4	4.8	(16)	(23)		
Compensation ratio (%) ⁹	163.6	N/A	N/A			211.5	N/A
Impaired lending portfolio as a % of total lending portfolio, gross ⁹	4.3	4.0	0.4				
Personnel (full-time equivalents)	15,324	16,466	19,475	(7)	(21)		

¹ Includes CHF 565 million for 1Q09 and CHF 265 million for 2Q09 in credit losses from impairment charges on reclassified financial instruments. ² Represents own credit changes of financial liabilities designated at fair value through profit or loss. The life-to-date own credit gain for such debt held at 30 June 2009 amounts to CHF 2,412 million. This gain has reduced the fair value of financial liabilities designated at fair value through profit or loss recognized on UBS's balance sheet. Refer to "Note 11 Fair value of financial instruments" in the financial statements of this report for more information. 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 Neither the cost / income nor the compensation ratio are meaningful if revenues in the Investment Bank are negative. ⁶ Regulatory VaR. ⁷ Based on third-party view, i.e. without intercompany balances. ⁸ Refer to the discussion of the equity attribution framework in the "Capital management" section of this report. ⁹ The first quarter 2009 Investment Bank impaired lending portfolio as a % of total lending portfolio (gross) was restated from 6.3% to 4.0% due to the implementation of a threshold for designating a reclassified security as an "impaired loan". Refer to the discussion on the gross lending portfolio and impairments in the "Risk management and control" section of this report for more information.

Results: 2Q09 vs 1Q09

The pre-tax result was negative CHF 1,846 million compared with negative CHF 3,162 million. The change was driven by lower losses on risk positions from businesses now exited or in the process of being exited – this includes areas such as the municipal securities, fixed income proprietary trading, real estate and securitization and complex structured products businesses. An own credit charge of CHF 1,213 million on financial liabilities designated at fair value was included in the second quarter result, compared with a gain of CHF 651 million in the first quarter. The equities and investment banking businesses saw increased revenues as they capitalized on improved market sentiment with increased activity in equity markets. However, underlying sales and trading revenues in the fixed income, currencies and commodities (FICC) area were weak as the business was being rebuilt following significant voluntary and involuntary staff turnover and management changes. Additionally, the deployment of resources to FICC reflected a conservative view on risk taking. Operating expenses were down from the prior quarter.

Operating income

Total operating income was positive CHF 532 million compared with negative CHF 661 million. This was mainly due to lower losses on risk positions from businesses now exited or in the process of being exited.

Credit loss expenses

Credit loss expenses were down significantly to CHF 369 million from CHF 1,017 million. Of the credit loss expenses for the second quarter, CHF 208 million related to asset-backed securities that were reclassified from “Held for trading” to “Loans and receivables” in previous quarters. The remaining credit losses of CHF 161 million related to loans originated in the ordinary course of business across a number of different sectors. These results are in contrast to the first quarter credit loss expenses that were mainly due to loan positions which were entered into with the intent to syndicate or distribute but where the syndication or distribution markets became illiquid. Refer to the “Risk management and control” section of this report for more information on credit loss expenses and credit risk.

Own credit

Own credit losses on financial liabilities designated at fair value were CHF 1,213 million. This compares with a gain of CHF 651 million in the first quarter. Refer to “Note 11 Fair value of financial instruments” in the financial statements of this report for more information on own credit.

Operating income by segment

Investment banking

Total revenues increased 136% to CHF 717 million from CHF 304 million. Advisory revenues were down 2% to CHF 211 million, as activity was affected by a continued slowdown in the global economy. Capital markets revenues were up 60% to CHF 771 million, with a 67% increase in equity capital markets revenues driven by higher follow-on issuances across all regions and a 52% increase in debt capital markets revenues. Other fee income and risk management revenues were negative CHF 265 million compared with negative CHF 393 million, and mainly relate to hedging losses on select investment grade loans predominantly accounted for on an accrual basis as credit spreads tightened during the second quarter.

Sales and trading

Total sales and trading revenues for equities and FICC were positive CHF 1,397 million, compared with negative CHF 599 million.

Equities

Revenues increased 6% to CHF 1,456 million from CHF 1,371 million. Cash revenues increased modestly as a result of improved commissions and trading revenues in Europe. Derivatives revenues were down as an increase in the Americas was offset by a decline in Asia Pacific due to lower structured product volumes. Equity-linked revenues were less than the prior quarter, despite a strong performance in Asia Pacific. Prime brokerage services were up as financing revenues benefited from spread improvements. Revenues from exchange-traded derivatives also increased. Proprietary revenues were positive and increased in all regions.

Fixed income, currencies and commodities

FICC revenues were negative CHF 59 million compared with negative CHF 1,970 million. The main driver of this change was lower losses on risk positions from businesses now exited or in the process of being exited.

Revenues from the foreign exchange and money markets and emerging markets businesses were down from a stronger first quarter, impacted by reduced business activity. Total credit revenues were down, partly reflecting mark-to-market losses on hedges carried at fair value but not offset by corresponding gains on underlying loans accounted for on an accrual basis. These losses were only partly offset by strong results from credit sales and trading, especially in European investment grade instruments. The rates business (including rates solutions) was down from the prior quarter due to reduced customer flows and trading volumes.

Exposure to credit default swaps (CDSs) purchased from monoline insurers to hedge specific positions contributed credit valuation adjustment (CVA) related gains of CHF 0.5 billion in second quarter 2009. This exposure has been substantially reduced since the end of first quarter 2009, including through the commutation of certain trades with select monolines in second quarter 2009 and July 2009. Approximately two thirds of the second quarter 2009 reduction in monoline CVAs is attributable to second quarter 2009 commutations. Exposure to monolines contributed losses of CHF 1.9 billion in the prior quarter. Refer to the "Risk management and control" section of this report for more information on exposure to monolines.

Operating expenses

Total operating expenses were CHF 2,378 million compared with CHF 2,501 million.

Personnel expenses increased to CHF 1,474 million from CHF 1,185 million, mainly due to higher accruals for performance-related compensation and, to a lesser extent, salary increases. Second quarter 2009 personnel expenses included a reversal of restructuring charges of CHF 52 million, compared with restructuring charges of CHF 174 million in first quarter 2009.

General and administrative expenses declined 6% to CHF 602 million. A second quarter goodwill impairment charge of CHF 328 million was incurred relating to the announced sale of UBS Pactual, and was charged to the Corporate Center through the "Services (to)/from other business divisions" line item. This charge therefore had no effect on the Investment Bank's second quarter results (refer to the "Recent developments" section of this report for more information on the UBS Pactual transaction). A goodwill impairment charge of CHF 421 million related to the announced sale of UBS Pactual was recorded in first quarter 2009.

Results: 6M09 vs 6M08

The pre-tax result was negative CHF 5,008 million compared with negative CHF 23,451 million. The change was mainly due to much lower losses on risk positions from businesses now exited or in the process of being exited within the FICC business area and reduced operating expenses. Total operating income was negative CHF 129 million compared with negative CHF 17,105 million. Investment banking and equities revenues were down year-on-year, mainly due to lower market activity. Total operating expenses decreased 23% to CHF 4,879 million from CHF 6,347 million, mainly due to lower personnel expenses.

Personnel

The Investment Bank employed 15,324 personnel on 30 June 2009, with the 7% decrease from the prior quarter-end spread across all businesses and support functions.

Investment banking: market share and transaction information

According to data from *Dealogic*, UBS ended the first half of 2009 with a market share of the global fee pool of 5.0% and a ranking of sixth, a year-on-year decline from 5.4% and a ranking of fifth.

Worldwide advisory and M&A

Thomson Reuters reported a 40% decline in the volume of worldwide mergers and acquisitions, with deal volumes decreasing to USD 941 billion in the first half of 2009 from USD 1.6 trillion in the first half of 2008. UBS recorded a 43% decline in deal volumes during this period and slipped in rank from sixth to eighth. Key UBS transactions announced in second quarter 2009 included:

- Exclusive financial advisor to Fiat S.p.A. on its global strategic alliance with Chrysler LLC.
- Sole financial advisor to Farmers Group, a subsidiary of Zurich Financial Services, on its USD 1.9 billion acquisition of AIG's Personal Auto Group.
- Financial advisor to Holcim in relation to the acquisition of Cemex Australia, including a 25% interest in Cement Australia, for AUD 2.0 billion and related financing of CHF 1.8 billion.

Equity underwriting

There was a 12% decline in the global deal volume of equity capital markets, comparing the first half of 2009 with the first half of 2008, according to *Dealogic*. During this period, UBS reported a 2% increase in its deal volume for global equity capital markets, at USD 22.7 billion in the first half of 2009, and the firm increased its rank to fifth from sixth. Key UBS transactions for second quarter 2009 included:

- Joint bookrunner on the USD 1.4 billion block trade for Anadarko Petroleum Corp. This landmark transaction was the largest non-financial institutions block trade in the US markets in 2009 and the largest-ever energy block trade in the US markets.
- Joint sponsor, bookrunner and financial advisor on a GBP 4.3 billion placing and compensatory open offer for Lloyds Banking Group plc.
- Joint bookrunner for the HKD 9.8 billion initial public offering (IPO) for China Zhongwang Holdings, the second largest IPO globally in the first half of 2009.

Fixed income underwriting

Issuance volumes for global debt capital markets increased 17% in first half 2009 compared with the same period in 2008, according to *Dealogic*. UBS saw a 24% decrease in transaction volume over this period, participating in 599 transactions with a total value of USD 111 billion. UBS was ranked twelfth (down from sixth) overall for debt capital markets globally with a market share of 3.3%, down from 5.1% in the first half of 2008. Key UBS transactions for second quarter 2009 included:

- Joint bookrunner on a GBP 1.9 billion 8-year and 31-year transaction for AT&T, the largest ever offering in the GBP market for a corporate issuer.
- Joint lead manager on an AUD 3.3 billion 10-year benchmark issue for the Queensland Treasury Corporation ("QTC"), the borrowing arm of the Queensland government in Australia, the borrower's debut syndicated issue.
- Joint bookrunner on a EUR 5.0 billion government bond issue for the Kingdom of Belgium, the second transaction UBS has lead-managed for Belgium this year.

Corporate Center

Corporate Center reporting

	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
Total operating income	425	827	(81)	(49)		1,252	4,042
Personnel expenses	284	257	325	11	(13)	541	626
General and administrative expenses	281	269	294	4	(4)	549	576
Services (to) / from other business divisions	17	(464)	(511)			(447)	(996)
Depreciation of property and equipment	113	145	161	(22)	(30)	258	324
Amortization of intangible assets	0	0	0			0	0
Total operating expenses¹	695	206	268	237	159	901	530
Performance from continuing operations before tax	(270)	621	(349)		23	351	3,512
Performance from discontinued operations before tax	7	11	59	(36)	(88)	17	179
Performance before tax	(263)	631	(290)		9	368	3,691
Additional information							
BIS risk-weighted assets (CHF billion)	6.9	7.4	11.7	(7)	(41)		
Personnel (full-time equivalents)	7,057	7,253	7,218	(3)	(2)		
Personnel for Operational Corporate Center (full-time equivalents)	1,416	1,477	1,587	(4)	(11)		
Personnel for ITI (full-time equivalents)	3,975	4,093	4,189	(3)	(5)		
Personnel for Group Offshoring (full-time equivalents)	1,665	1,682	1,442	(1)	15		

¹ Includes expenses for the Company Secretary, Board of Directors and Group Internal Audit.

Results: 2Q09 vs 1Q09

The Corporate Center's pre-tax result from continuing operations declined to negative CHF 270 million from positive CHF 621 million. The decline was primarily due to a goodwill impairment charge of CHF 492 million made in the second quarter in relation to the announced sale of UBS Pactual. This goodwill impairment charge was allocated to the Corporate Center through the "Services (to)/from other business divisions" line item. Refer to the "Recent developments" section of this report for more information.

Operating income

Total operating income decreased to CHF 425 million from CHF 827 million. The second quarter result was driven by the following significant items:

- The net impact in second quarter 2009 of the mandatory convertible notes (MCNs) issued in December 2008 was positive CHF 78 million, compared with positive CHF 524 million in the prior quarter, largely due to decreased expected volatility in the UBS share price, which more than offset the impact of the share price increase in the second quarter. The embedded derivative components of the MCNs are re-valued each quarter. As a result, UBS records corresponding fluctuations in the results of the Corporate Center. This fluctuation is subject to the development and expected volatility of UBS's share price, and will continue until the conversion of the MCNs into UBS shares.
- The valuation of the option to acquire the Swiss National Bank (SNB) StabFund's equity resulted in a net gain of CHF 129 million in the second quarter, compared with a net loss of CHF 302 million in the prior quarter. Refer to the "Transaction with the Swiss National Bank" sidebar in UBS's restated annual report for 2008 and "Note 11 Fair value of financial instruments" in the financial statements of this report for more information on both the MCNs and the SNB transaction.
- A foreign exchange gain of CHF 300 million, which was previously deferred in equity was released to the income statement due to the de-consolidation and liquidation of subsidiaries.
- Group Treasury activities further contributed to the reduced operating income in second quarter 2009, mainly related to losses on interest rate swaps. Internal funding-related charges decreased significantly from the previous quarter.

In comparison, first quarter 2009 included a gain of CHF 304 million on the buyback of subordinated debt.

Operating expenses

Total operating expenses increased to CHF 695 million from CHF 206 million, mainly due to the abovementioned goodwill impairment charge of CHF 492 million. Excluding this charge, operating expenses would have been CHF 203 million, down CHF 3 million. Personnel expenses increased 11% to CHF 284 million, largely due to increased restructuring costs. General and administrative expenses increased to CHF 281 million from CHF 269 million, mainly due to real estate-related restructuring charges. This was partly offset by reduced advertising and equipment costs. Excluding the abovementioned goodwill impairment charge for the announced sale of UBS Pactual, charges to other businesses increased by CHF 11 million to CHF 475 million.

Results: 6M09 vs 6M08

The pre-tax profit from continuing operations declined to CHF 351 million from CHF 3,512 million. Total operating income decreased 69% to CHF 1,252 million, primarily due to the fact that first half 2008 included the gain of CHF 3,860 million related to the accounting treatment of the MCNs issued in March 2008. The gain recorded in the first half of 2009 related to the re-valuation of the call component of the MCNs issued in December 2008 was smaller, at CHF 602 million. Further, operating income was impacted by the abovementioned foreign exchange-related gain in second quarter 2009 and a gain of CHF 304 million on the buyback of subordinated debt in first quarter 2009.

Total operating expenses increased to CHF 901 million from CHF 530 million, mainly due to the goodwill impairment charge of CHF 492 million recorded in second quarter 2009 in relation to the announced sale of UBS Pactual. Adjusted for this impairment charge, operating expenses would have decreased by CHF 121 million, mainly due to lower personnel costs following lower staff levels and reduced advertising and sponsoring expenditure. These items were partly offset by higher restructuring costs.

Personnel

The Corporate Center had 7,057 employees on 30 June 2009, a decrease of 196 employees from 31 March 2009 mainly driven by reductions of 118 personnel in IT Infrastructure following cost saving initiatives, and a decrease of 61 personnel in Operational Corporate Center and 17 employees in Group Offshoring.

Risk and treasury management

Management report

During August 2009, UBS will publish an update to the Basel II Pillar 3 quantitative disclosures included in its restated annual report for 2008. The update will be as of 30 June 2009 and will include additional disclosures on capital management, credit risk, market risk and securitization. It should be read in conjunction with UBS's financial report for second quarter 2009 and will be available in English as a standalone report at www.ubs.com/investors.

Risk management and control

Summary of key developments in second quarter 2009

UBS took the opportunity of more favorable markets to further reduce its risk exposures relating to businesses now exited or in the process of being exited by the Investment Bank. In second quarter and July 2009, UBS commuted trades with a notional value of USD 5.7 billion with three monoline insurers. This contributed to a reduction in UBS's net exposure to monolines after credit valuation adjustments (CVAs) to USD 3.2 billion. The credit risk disclosures in this section of the report have been enhanced to provide more information on the composition of UBS's key lending portfolios in the Wealth Management & Swiss Bank and the Investment Bank business divisions.

Credit risk

Credit risk is the risk of loss resulting from the failure of a client or counterparty to meet its contractual obligations. It arises on traditional banking products, such as loans and commitments, as well as derivatives and similar transactions. A form of credit risk also arises on securities and other obligations in tradable form, with their fair values affected when expectations change regarding the probability of failure to meet obligations and when actual failures occur. Where these instruments are held in connection with a trading activity, UBS views the risk as a market risk.

UBS actively manages the credit risk in its portfolios by taking collateral against exposures and utilizing credit hedging with the aim of reducing concentrations to specific counterparties, sectors and portfolios.

Credit loss expenses

UBS recorded credit loss expenses of CHF 388 million in second quarter 2009, compared with 1,135 million in first quarter 2009.

In the Investment Bank, credit loss expenses in second quarter 2009 were CHF 369 million, of which CHF 208 million related to asset-backed securities that were reclassified

from "Held for trading" to "Loans and receivables" in previous quarters. The remaining credit losses of CHF 161 million related to loans originated in the ordinary course of business across a number of different sectors.

Wealth Management & Swiss Bank reported credit loss expenses of CHF 20 million in second quarter 2009, a significant decrease compared with the CHF 119 million reported in the prior quarter. This decrease was mainly due to the fact that allowances made against lombard loans in prior periods were released in the second quarter.

Gross lending portfolio and impairments

The credit risk exposures reported in the "Allowances and provisions for credit losses" table on the next page represent the IFRS balance sheet view of UBS's gross lending portfolio, which comprises "Due from banks" and "Loans". The table also shows the IFRS reported allowances for credit losses and impairments as well as UBS's impaired lending portfolio. UBS's gross lending portfolio was CHF 370 billion on 30 June 2009, down from CHF 405 billion on 31 March 2009.

The level of UBS's gross impaired lending portfolio was CHF 8,383 million at the end of second quarter 2009, a decrease compared with CHF 9,471 million at the prior quarter-end. The ratio of the impaired lending portfolio to total gross lending portfolio remained stable at 2.3% on 30 June 2009. Excluding the reclassified securities the ratio decreased to 2.1% at the end of the second quarter from 2.3% at the end of the first quarter.

UBS periodically revises its estimated cash flows associated with the portfolio of reclassified securities backed by multiple assets (i.e. predominantly asset-backed securities and excluding reclassified leveraged finance positions). 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 reclassi-

Credit loss (expense) / recovery

CHF million	Quarter ended			% change from		Year-to-date	
	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Wealth Management & Swiss Bank	(20)	(119)	(7)	(83)	186	(139)	(11)
Wealth Management Americas	1	1	(1)			2	0
Investment Bank ¹	(369)	(1,017)	(10)	(64)		(1,386)	(318)
of which: related to reclassified securities	(208)	(118)	0	76		(326)	0
UBS	(388)	(1,135)	(19)	(66)		(1,523)	(329)

¹ Includes credit loss (expense) of CHF 57 million (31.3.09: CHF 447 million) related to reclassified leveraged finance positions.

fied 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.

In order to provide quarter on quarter comparability, UBS has restated its first quarter 2009 Investment Bank impaired lending portfolio by CHF 4.0 billion to CHF 7.0 billion from CHF 11.0 billion, and the UBS Group gross impaired lending portfolio by CHF 4.0 billion from CHF 13.5 billion to CHF 9.5 billion. In first quarter 2009, cumulative decreases in estimated cash flows of approximately CHF 37 million can be attributed to CHF 4.0 billion of reclassified securities that were previously designated as impaired on 31 March 2009. The gross impaired lending portfolio as a percentage of total gross lending portfolio at the end of

first quarter 2009 was revised from 6.3% to 4.0% for the Investment Bank and to 2.3% from 3.3% for UBS Group.

In the second quarter, cumulative allowances of approximately CHF 40 million related to CHF 4.0 billion of reclassified securities were reflected in profit and loss but did not result in these assets being considered impaired. This is consistent with the policy for designating a reclassified security as an "impaired loan" mentioned above.

The total gross lending portfolio in the Investment Bank was CHF 144 billion at the end of second quarter 2009, down from CHF 176 billion on 31 March 2009. The decrease in the Investment Bank's loan book occurred across all major products, in addition to a decrease in variation margins posted by UBS for derivative instruments and general deleveraging in the prime brokerage business. Net of impairments, the

Allowances and provisions for credit losses

CHF million	Wealth Management & Swiss Bank		Wealth Management Americas		Investment Bank		Others ¹		UBS	
As of	30.6.09	31.3.09	30.6.09	31.3.09	30.6.09	31.3.09	30.6.09	31.3.09	30.6.09	31.3.09
Due from banks	3,656	3,910	1,252	1,796	44,718	50,452	306	301	49,932	56,459
Loans	199,232	201,945	20,752	20,935	99,490	125,121	147	255	319,621	348,255
of which: related to reclassified securities ²					22,081	23,980			22,081	23,980
Total lending portfolio, gross³	202,887	205,855	22,004	22,731	144,209	175,573	453	556	369,553	404,714
Allowances for credit losses	(1,152)	(1,257)	(18)	(24)	(2,664)	(2,865)	0	0	(3,835)	(4,146)
of which: related to reclassified securities					(340)	(253)			(340)	(253)
Total lending portfolio, net⁴	201,735	204,598	21,986	22,707	141,544	172,708	453	556	365,719	400,568
Impaired lending portfolio, gross ⁵	2,154	2,482	21	29	6,208	6,960	0	0	8,383	9,471
of which: related to reclassified securities					1,150	715			1,150	715
Estimated liquidation proceeds of collateral for impaired loans	(760)	(959)	(5)	(3)	(1,374)	(2,342)	0	0	(2,139)	(3,304)
of which: related to reclassified securities					(719)	(444)			(719)	(444)
Impaired lending portfolio, net of collateral	1,394	1,523	16	26	4,834	4,618	0	0	6,244	6,167
Allocated allowances for impaired lending portfolio	1,111	1,225	18	24	2,664	2,865	0	0	3,793	4,114
Other allowances for lending portfolio	41	32	0	0	0	0	0	0	41	32
Total allowances for credit losses in lending portfolio	1,152	1,257	18	24	2,664	2,865	0	0	3,835	4,146
Allowances and provisions for credit losses outside of lending portfolio	65	34	0	0	55	50	0	0	120	84

Ratios

Allowances for lending portfolio as a % of total lending portfolio, gross	0.6	0.6	0.1	0.1	1.8	1.6	0.0	0.0	1.0	1.0
Impaired lending portfolio as a % of total lending portfolio, gross	1.1	1.2	0.1	0.1	4.3	4.0	0.0	0.0	2.3	2.3
Impaired lending portfolio excluding reclassified securities as a % of total lending portfolio, gross excluding reclassified securities					4.1	4.1			2.1	2.3
Allocated allowances as a % of impaired lending portfolio, gross	51.6	49.4	87.5	82.8	42.9	41.2	0.0	0.0	45.3	43.4
Allocated allowances as a % of impaired lending portfolio, net of collateral	79.7	80.4	112.5	92.3	55.1	62.0	0.0	0.0	60.7	66.7

¹ Includes Global Asset Management and Corporate Center. ² This excludes reclassified loan underwriting positions with a value of CHF 2,942 million at June 30 (31.3.09: CHF 3,264 million), which are included in the risk view of loan exposures. ³ Excludes loans designated at fair value, but includes margin accounts for exchange-traded derivatives transactions, cash collateral delivered for OTC derivatives and cash current accounts from prime brokerage (cash leg) of total CHF 71,620 million (of which due from banks: CHF 32,005 million, of which loans: CHF 39,615 million) (31.3.09: CHF 91,454 million of which due from banks: CHF 40,357 million, of which loans: CHF 51,097 million). ⁴ Reconciles to the balance sheet carrying values of "Due from banks" and "Loans", which are reported net of allowances for credit losses. ⁵ Excludes reclassified securities with adverse cash flow estimate revisions cumulatively below 5% of the carrying value at reclassification date, adjusted for redemptions.

Investment Bank held CHF 6.9 billion of monoline protected assets and CHF 3.3 billion of commercial real estate positions in its lending portfolio following their reclassification from "Held for trading" to "Loans and receivables" in fourth quarter 2008. The exposures related to monoline protected assets are included in the discussion of that asset class in the "Risk concentration" section of this report.

The Investment Bank's gross impaired lending portfolio decreased to CHF 6,208 million at the end of second quarter 2009 from CHF 6,960 million on a restated basis at the prior quarter-end.

In Wealth Management & Swiss Bank, the gross lending portfolio was CHF 203 billion on 30 June 2009, down from CHF 206 billion reported at the previous quarter-end. The gross impaired lending portfolio decreased by CHF 328 million in second quarter 2009 to CHF 2,154 million at quarter-end.

Further information on the composition and credit quality of the Wealth Management & Swiss Bank and the Investment Bank lending portfolios is provided below.

Composition of UBS credit risk

The tables in this section provide an update as at 30 June 2009 on the composition of UBS's credit risk exposures in its

key lending portfolios in the Wealth Management & Swiss Bank and Investment Bank business divisions.

Wealth Management & Swiss Bank – lending portfolio

The table below shows the composition of the lending portfolio for Wealth Management & Swiss Bank as detailed in the "Allowances and provisions for credit losses" table which comprises "Due from banks" and "Loans". Approximately 90% of Wealth Management & Swiss Bank's lending portfolio is secured by collateral.

Over half of the unsecured lending portfolio is rated investment grade. Approximately 60% of unsecured loans relate to cash flow-based lending to corporate counterparties. In addition, 20% of the unsecured loans relate to lending to central or local governments.

Investment Bank – banking products

The tables below show the composition of the Investment Bank's credit exposures in its banking products portfolio based on UBS's internal management view of credit risk.

The first table provides a bridge from the total lending portfolio ("Due from banks" and "Loans") as detailed in the "Allowances and provisions for credit losses" table above to the total view of banking products exposure

Wealth Management & Swiss Bank: composition of lending portfolio, gross

	30.6.09		31.3.09	
	CHF million	in %	CHF million	in %
Secured by residential property	121,443	59.9	121,385	59.0
Secured by commercial/industrial property	20,291	10.0	20,179	9.8
Secured by securities (lombard loans)	39,635	19.5	41,101	20.0
Lending to banks	3,656	1.8	3,910	1.9
Unsecured loans	17,863	8.8	19,280	9.4
Total lending portfolio, gross	202,887	100.0	205,855	100.0

Investment Bank: banking products exposure to corporates and other non-banks

CHF million	30.6.09	31.3.09
Total lending portfolio	144,209	175,573
Balances with central banks	7,027	13,836
Contingent claims and undrawn irrevocable credit facilities	59,959	62,909
Total banking products exposure IFRS (accounting view)	211,194	252,318
less: internal risk adjustments to IFRS view ¹	(71,608)	(97,839)
less: reclassified securities not in lending portfolio	(22,081)	(23,867)
other ²	(2,461)	2,208
Gross banking products exposure	115,044	132,820
less: specific allowances for credit losses and loan loss provisions ³	(2,310)	(2,407)
less: short-term deposits	(19,131)	(24,077)
Net banking products exposure	93,603	106,336
less: credit protection bought (credit default swaps)	(46,343)	(46,608)
Net banking products exposure, after application of credit hedges	47,260	59,728
of which: held for distribution ⁴	3,912	7,188

¹ IFRS adjustments include the elimination of margin accounts for ETD transactions, cash collateral posted by UBS against negative replacement values for OTC derivatives, cash/current accounts from prime brokerage (cash legs) of total CHF 71,620 million (31.3.09: CHF 91,454 million) and valuation differences caused by a different exposure treatment in Risk Control than in IFRS. ² Includes traded loans and funded risk participations. ³ Does not include other allowances for credit losses for an amount of CHF 354 million (31.3.09: CHF 458 million). ⁴ Net of markdowns on fair value loans.

according to International Financial Reporting Standards (IFRS). The table shows the adjustments required to get from the IFRS view to the internal management view of banking products exposure. The main difference between these measures relates to the treatment of cash collateral posted by UBS against negative replacement values of derivative instruments. This is reported on a gross basis for IFRS purposes, whereas for internal management purposes UBS does not treat this posting of collateral as a loan but controls the risk profile of the derivative transactions with the counterparty taking into account the collateral posted. The first table also provides a further breakdown to derive the net banking products exposure to corporate and non-

bank counterparties after credit hedges. The second table provides a breakdown of the rating and loss given default profiles of this portfolio, with additional granularity provided on the sub-investment grade component.

The net banking products exposure after credit hedges decreased significantly to CHF 47.3 billion at the end of the second quarter compared with CHF 59.7 billion at the end of the first quarter, mainly due to reductions in short-term deposits, loan repayments and foreign exchange movements. 66% of the net banking products exposures after the application of credit hedges are classified as investment grade. The vast majority of sub-investment grade exposures have a loss given default of 0–50%.

Investment Bank: distribution of net banking products exposure to corporates and other non-banks, after application of credit hedges, across UBS internal rating and loss given default (LGD) buckets

CHF million			30.6.09						31.3.09	
UBS internal rating	Moody's Investor Services equivalent	Standard & Poor's equivalent	Loss given default (LGD) buckets					Weighted average LGD (%)	Exposure	Weighted average LGD (%)
			Exposure	0–25%	26–50%	51–75%	76–100%			
Investment grade	Aaa–Baa3	AAA–BBB–	31,013	11,958	12,901	3,967	2,187	38	40,560	38
Sub-investment grade			16,247	6,348	6,998	2,161	740	34	19,169	34
of which: 6	Ba1	BB+	1,341	213	730	314	85	44	2,234	34
of which: 7	Ba2	BB	2,036	977	642	328	88	31	1,967	44
of which: 8	Ba2	BB	1,454	108	976	334	36	48	1,325	48
of which: 9	Ba3	BB–	2,805	1,465	914	248	178	29	3,479	27
of which: 10	B1	B+	1,561	820	463	197	81	33	1,856	36
of which: 11	B2	B	2,249	1,283	678	193	96	28	2,785	34
of which: 12	B3	B–	1,460	1,220	128	53	58	16	1,632	13
of which: 13	Caa to C	CCC to C	342	115	175	52		34	328	29
of which: defaulted		D	2,999	147	2,293	441	118	44	3,563	41
Net banking products exposure, after application of credit hedges			47,260	18,306	19,899	6,128	2,927	37	59,728	37

Update on BlackRock fund

As reported in second quarter 2008, UBS sold a portfolio of US residential mortgage backed securities (RMBSs) for proceeds of USD 15 billion to the RMBS Opportunities Master Fund, LP (the “RMBS fund”), a special purpose entity managed by BlackRock, Inc. The RMBS fund was capitalized with approximately USD 3.75 billion in equity raised by BlackRock from third party investors and an eight-year amortizing USD 11.25 billion senior

secured loan provided by UBS. Refer to the “Sale of US real estate-related assets to BlackRock fund” sidebar in UBS’s financial report for second quarter 2008 for more information on this transaction.

Since its inception, the RMBS fund has amortized the loan through monthly payments which have slowed moderately, primarily due to declines in floating rate interest payments and increasing mortgage defaults. As at

30 June 2009, the loan had a balance outstanding of USD 8.1 billion. The RMBS fund is not consolidated in UBS’s financial statements. UBS continues to monitor the development of the RMBS fund’s performance and will reassess the consolidation status if events warrant and deterioration of the underlying RMBS mortgage pools indicates that the equity investors in the fund no longer receive the majority of the risks and rewards.

Market risk

Market risk is the risk of loss resulting from changes in market variables of two broad types: general market risk factors and idiosyncratic components. General market risk factors include interest rates, exchange rates, equity market indices, commodity prices and general credit spreads. Idiosyncratic components are specific to individual companies and affect the values of their securities and other obligations in tradable form, as well as derivatives referenced to those companies.

Most of UBS's market risk comes from the Investment Bank's trading activities. Group Treasury, part of the Corporate Center, assumes foreign exchange and interest rate risk in connection with its balance sheet, profit and loss, and capital management responsibilities. The wealth and asset management operations of UBS take limited market risk in support of client business.

Value at Risk

Value at Risk (VaR) is a statistical measure of market risk, representing a loss greater in absolute value than market risk losses realized over a set time period at an established probability. This assumes no change in the firm's trading positions. The tables on the next page show this statistic calibrated to a 10-day horizon and a 99% probability, using five years of historical data. For both the Group and the Investment Bank the tables also show VaR for a 1-day horizon and a 99% probability, using five years of historical data.

For a variety of reasons, the actual realized market risk loss may differ from that implied by the VaR measures of UBS. For example, the historical period used in creating the VaR measure may have fluctuations in market rates and prices that differ from those in the future; the firm's intra-period trading may mute or accentuate the losses; and the impact on revenue of a market move may differ from those assumed by the VaR model. All VaR measures are subject to these limitations to some extent and must be interpreted accordingly. UBS continues to review the performance of its VaR implementation and will continue to enhance its VaR model in order to more accurately capture the relationships between the market risks associated with certain positions, as well as the revenue impact of large market movements for some trading positions.

As an essential complement to VaR, UBS runs macro stress scenarios bringing together various combinations of market moves to reflect the most common types of potential stress events, and more targeted stress tests for concentrated exposures and vulnerable portfolios.

The Investment Bank's internal management average VaR decreased significantly to CHF 276 million in second quarter 2009 from CHF 328 million in first quarter 2009, as a result of active risk reduction in exposures to credit spread risk. Internal management VaR remains dominated by cred-

it spread risk exposures, which are largely attributable to the management of counterparty risk in the OTC derivatives portfolios as well as risks in businesses now exited or in the process of being exited. Risks in the equity, foreign exchange and rates businesses remain relatively low compared with historical levels.

Investment Bank regulatory VaR ended the second quarter at CHF 245 million, significantly down from CHF 403 million at the prior period-end. Average Investment Bank regulatory VaR in the second quarter was CHF 350 million, also significantly down from CHF 433 million in first quarter 2009. The main difference between regulatory VaR and internal management VaR in the period was the treatment of credit valuation adjustments (the estimated sensitivity to credit spreads of protection required to hedge credit risk from counterparties in UBS's OTC derivatives portfolio), which were required to be excluded from regulatory VaR.

Regulatory VaR for UBS as a whole followed a similar pattern to Investment Bank regulatory VaR.

Backtesting

"Backtesting" compares 1-day regulatory VaR calculated on positions at the close of each business day with the revenues arising on those positions on the following business day. These "backtesting revenues" exclude non-trading revenues, such as fees and commissions, and estimated revenues from intraday trading. A "backtesting exception" occurs when backtesting revenues are negative and the absolute value of those revenues is greater than the previous day's VaR.

UBS experienced two backtesting exceptions in second quarter 2009 – the same number of backtesting exceptions experienced in the previous period.

In the first histogram below, daily backtesting revenues are shown for the 12 months ending 30 June 2009. In the second histogram, the daily backtesting revenues are compared with the corresponding VaR over the same 12-month period for days when the backtesting revenues are negative. A positive result in this histogram represents a loss less than VaR, while a negative result represents a loss greater than VaR and therefore a backtesting exception.

Value at Risk developments

As part of its ongoing program to improve risk management practices and methodologies, UBS intends to implement the following key changes to its VaR framework in third quarter 2009:

- UBS will change its management VaR measure and the related risk limits in third quarter 2009 from a 10-day 99% VaR measure based on five years of historical data to a 1-day 95% VaR measure based on five years of historical data. This will more appropriately represent the way that trading risks are viewed and managed by the business. The 10-day 99% VaR measure and the 1-day 99% VaR measure will remain unchanged for the purposes

of calculating market risk regulatory capital and backtesting respectively, in accordance with applicable regulatory requirements.

- UBS has received regulatory approval to increase the scope of its regulatory VaR in third quarter 2009 to incorporate a significant proportion of its credit valuation adjustment (CVA) exposures associated with its CVA hedging activity. This will more accurately represent underlying risk exposures and their related hedges and the

same enhancement was implemented for internal management VaR during third quarter 2008. Monoline CVA and related hedges will not be included as part of this implementation and also remain outside the scope of internal management VaR. Refer to the “Risk management and control” section and “Note 11 Fair value of financial instruments” in the financial statements of this report for more information on monoline CVA valuation and sensitivities.

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

CHF million	Quarter ended 30.6.09				Quarter ended 31.3.09			
	Min.	Max.	Average	30.6.09	Min.	Max.	Average	31.3.09
Business divisions								
Investment Bank	209	458	350	245	328	541	433	403
Wealth Management & Swiss Bank	0	1	0	0	0	0	0	0
Wealth Management Americas	15	24	20	21	15	18	17	16
Global Asset Management	0	2	1	2	0	7	2	1
Corporate Center	4	67	19	10	3	64	14	18
Diversification effect			(44)	(41)	¹	¹	(41)	(35)
Total regulatory VaR	206	481	346	238	319	545	426	403
Diversification effect (%)			(11)	(15)			(9)	(8)
Management VaR²	188	376	273	193	237	473	325	262

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.

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

CHF million	Quarter ended 30.6.09				Quarter ended 31.3.09			
	Min.	Max.	Average	30.6.09	Min.	Max.	Average	31.3.09
Risk type								
Equities	57	115	81	57	55	109	77	60
Interest rates (including credit spreads)	226	491	351	284	363	552	436	414
Foreign exchange	18	55	28	22	19	46	30	31
Energy, metals and commodities	15	21	17	16	14	25	19	17
Diversification effect	¹	¹	(127)	(134)	¹	¹	(129)	(120)
Total regulatory VaR	209	458	350	245	328	541	433	403
Diversification effect (%)			(27)	(35)			(23)	(23)
Management VaR²	183	386	276	183	238	454	328	261

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		Quarter ended 30.6.09				Quarter ended 31.3.09			
		Min.	Max.	Average	30.6.09	Min.	Max.	Average	31.3.09
Investment Bank	Regulatory VaR ²	80	153	117	86	111	167	132	135
	Management VaR ³	70	125	95	72	84	159	104	102
UBS	Regulatory VaR ²	79	155	117	87	112	170	133	128
	Management VaR ³	71	132	97	71	86	166	107	98

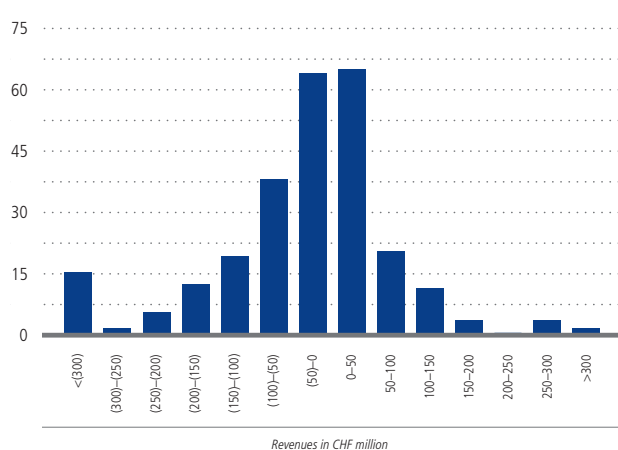
¹ 10-day and 1-day Value at Risk (VaR) results are separately calculated from underlying positions and historical market moves. They cannot be inferred from each other. ² Backtesting is based on regulatory capital VaR. ³ Includes all positions subject to internal management VaR limits.

Investment Bank: backtesting revenues¹ distribution

Frequency in number of days

1 July 2008 – 30 June 2009

Source: management accounts



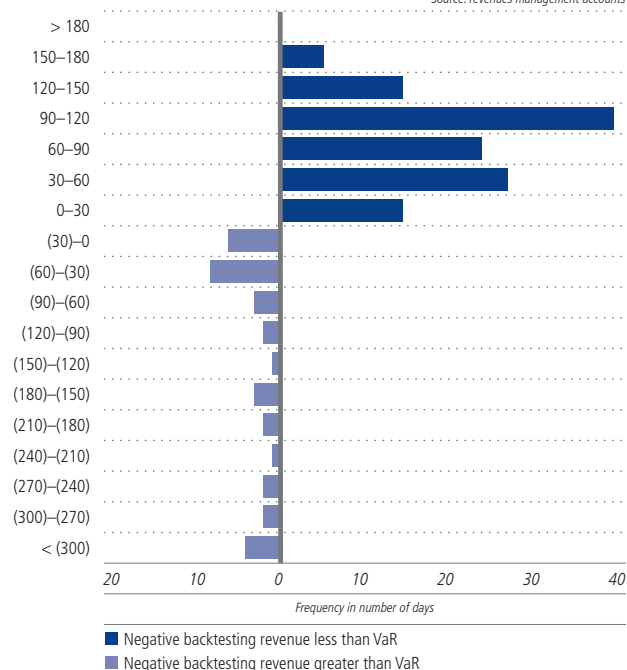
¹ Backtesting revenues exclude non-trading revenues, such as commissions and fees, and revenues from intraday trading.

Investment Bank: analysis of negative backtesting revenues¹

CHF million

1 July 2008 – 30 June 2009

Source: revenues management accounts



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

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes, whether deliberate, accidental or natural. Operational risks are monitored and, to the extent possible, controlled and mitigated.

UBS recognizes that it cannot eliminate all operational risks and, even where possible, it may not always be cost-effective to do so.

Many potential causes of loss are identified before their probability, timing or amounts of future costs are known with certainty. International Financial Reporting Standards (IFRS)

require UBS to make provisions for present obligations due to past events, based on a best estimate of the liability, when it is probable that a payment will be required and where the amount can be reliably estimated, even if the amount to be paid has not yet been determined. This requires an exercise of judgment. Once UBS is able to quantify any potential operational risk with a reasonable degree of accuracy, the corresponding provision will be revised up or down.

UBS is also required to hold capital against operational risk, which is converted into a risk-weighted asset (RWA) equivalent. Refer to the "Capital management" section of this report for more information on the development of RWA for operational risk.

Risk concentrations

A concentration of risk exists where: (i) a position or group of positions in financial instruments is affected by changes in the same risk factor or group of correlated factors; and (ii) the exposure could, in the event of large but plausible adverse developments, result in significant losses.

The identification of risk concentrations requires judgment because potential future developments cannot be predicted and may vary from period to period. In determining whether a concentration of risk exists, UBS considers a number of elements, both individually and in the aggregate. These elements include: the shared characteristics of the instruments; the size of the position or group of positions; the sensitivity of the position to changes in risk factors; and the volatility and correlations of those factors. Also important in this assessment is the liquidity of the markets in which the instruments are traded, and the availability and effectiveness of hedges or other potential risk mitigants. The value of a hedge instrument may not always move in line with the position being hedged and this mismatch is referred to as basis risk.

If a risk concentration is identified, it is assessed to determine whether it should be reduced or mitigated, and the available means to do so are also evaluated. Identified risk concentrations are subject to increased monitoring.

Identified risk concentrations

Based on UBS's assessment of its portfolios and asset classes with potential for material loss in a stress scenario relevant to the current environment, the firm believes that its exposures to monoline insurers as shown below can be considered a risk concentration according to the above-mentioned definition.

It is possible that material losses could occur on asset classes, positions and hedges other than those disclosed in this section of the report, particularly if the correlations that emerge in a stressed environment differ markedly from those anticipated by UBS.

UBS is exposed to price risk, basis risk, credit spread risk and default risk, other idiosyncratic and correlation risks on both equities and fixed income inventories, and particularly on fixed income inventories relating to businesses now exited or in the process of being exited. The firm also has lend-

ing, counterparty and country risk exposures that could sustain significant losses if the current economic conditions were to persist or worsen. Refer to the discussions of credit risk, market risk and operational risk in this section for more information on the risks to which UBS is exposed.

Exposure to monoline insurers

The vast majority of UBS's direct exposures to monoline insurers arises from over-the-counter (OTC) derivative contracts, mainly credit default swaps (CDSs), purchased to hedge specific positions. The table on the next page shows the CDS protection bought from monoline insurers to hedge specific positions. It illustrates the notional amounts of the protection held, the fair value of the underlying instruments and the fair value of the CDSs both prior to and after the credit valuation adjustments taken for these contracts. As a result of trade commutations and because a significant portion of the underlying assets are classified as "Loans and receivables" for accounting purposes, the change in CVA reported in the table on the next page does not equal the profit or loss associated with this portfolio during second quarter 2009.

Exposure under CDS contracts to monoline insurers is calculated as the sum of the fair values of individual CDSs after credit valuation adjustments. This, in turn, depends on the valuation of the instruments against which protection has been bought. A positive fair value, or a valuation gain, on the CDS is recognized if the fair value of the instrument the CDS is intended to hedge decreases. CVA increases are driven by increases in CDS fair value and the widening of monoline credit spreads. Conversely, CVA decreases are driven by decreases in CDS fair value and the tightening of monoline credit spreads. Refer to "Note 11 Fair value of financial instruments" in the financial statements of this report for more information on CVA valuation and sensitivities.

In second quarter 2009, UBS continued to take action to reduce its exposures to monoline insurers. In second quarter 2009 and July 2009, UBS agreed to commute certain trades with three monoline insurers which significantly decreased remaining exposures. The impact on profit and loss of the July commutations is reflected in UBS's income statement as at 30 June 2009. The table on the next page also illustrates the adjustments required to exclude the July commutations from exposures reported as at 30 June 2009. Allowing for the impact of the July commutations, the total fair value of

CDS protection purchased from monoline insurers was reduced to USD 3.2 billion after cumulative CVAs of USD 3.4 billion. The trade commutations also resulted in significant reductions in aggregate notional amounts of collateralized debt obligations (CDOs) and fair value of CDSs since the end of the first quarter. The trade commutations related primarily to US residential mortgage-backed securities (RMBS) CDOs that had been substantially written-down on a fair value basis. Combined with the improved performance and composition of the portfolio, the fair values of the remaining assets hedged by monoline insurers were broadly stable over the

period. As at 30 June 2009, approximately 80% of the remaining assets were collateralized loan obligations (CLOs) and only 5% related to US RMBS CDOs. The CLO positions continue to be rated AAA. Analysis of cash flow projections indicates that these positions could withstand defaults materially higher than peak speculative grade default rates projected by the rating agencies without incurring credit losses.

Other than credit protection bought on the positions detailed in the table below, UBS held direct derivative exposure to monolines of USD 385 million after CVAs of USD 413 million.

Exposure to monoline insurers, by rating¹

USD million

	30.6.09				
	Notional amount ³	Fair value of underlying CDOs ⁴	Fair value of CDSs prior to credit valuation adjustment ⁵	Credit valuation adjustment as of 30.6.09	Fair value of CDSs after credit valuation adjustment
	Column 1	Column 2	Column 3 (= 1–2)	Column 4	Column 5 (= 3–4)
Credit protection on US RMBS CDOs²	6,349	747	5,602	4,046	1,556
of which: from monolines rated investment grade (BBB and above)	3,966	489	3,478	2,282	1,195
<i>on US sub-prime residential mortgage-backed securities (RMBS) CDOs high grade</i>	<i>3,966</i>	<i>489</i>	<i>3,478</i>	<i>2,282</i>	<i>1,195</i>
<i>on US sub-prime RMBS CDOs mezzanine</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>on other US RMBS CDOs</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
of which: from monolines rated sub-investment grade (BB and below)	2,383	258	2,124	1,764	361
<i>on US sub-prime residential mortgage-backed securities (RMBS) CDOs high grade</i>	<i>1,611</i>	<i>160</i>	<i>1,451</i>	<i>1,427</i>	<i>24</i>
<i>on US sub-prime RMBS CDOs mezzanine</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>on other US RMBS CDOs</i>	<i>772</i>	<i>99</i>	<i>673</i>	<i>336</i>	<i>336</i>
Credit protection on other assets²	12,005	7,449	4,555	2,192	2,364
of which: from monolines rated investment grade (BBB and above)	4,086	2,935	1,151	426	725
of which: from monolines rated sub-investment grade (BB and below)	7,919	4,514	3,405	1,766	1,639
Total 30.6.09	18,353	8,196	10,158	6,237	3,920
Adjustment to reflect impact of post quarter-end trade commutations	(4,022)	(430)	(3,592)	(2,847)	(745)
Adjusted total 30.6.09⁶	14,331	7,766	6,566	3,390	3,175
Total 31.3.09	20,350	7,975	12,375	7,836	4,539

¹ Excludes the benefit of credit protection purchased from unrelated third parties. ² Categorization based on the lowest insurance financial strength rating assigned by external rating agencies. ³ Represents gross notional amount of credit default swaps (CDSs) purchased as credit protection. ⁴ CDOs = collateralized debt obligations. ⁵ CDSs = credit default swaps. ⁶ Values as at 30.6.09 have been adjusted to reflect the impact of commutations agreed with two monolines in July 2009.

Exposure to auction rate securities

UBS repurchased USD 109 million of student loan auction rate securities in second quarter 2009. Combined with redemptions and debt restructuring initiatives, this resulted in a decrease of USD 258 million to USD 8,477 million as at 30 June 2009 in UBS's commitment to repurchase student loan ARS from clients. UBS's inventory of student loan ARS increased by USD 74 million to USD 10,929 million at end of second quarter as client repurchases were partially offset by redemptions in the period.

The majority (approximately 70%) of the collateral underlying UBS's inventory of student loan ARS is backed by Federal Family Education Loan Program (FFELP) collateral which is reinsured by the US Department of

Education for no less than 97% of principal and interest. All student loan ARS positions held by UBS are subject to an impairment test which includes a detailed review of the quality of the underlying collateral. UBS has not incurred any impairment charges on its inventory of student loan ARS in second quarter 2009.

Approximately 89% of the USD 8,477 million student loan ARS held by clients are backed by FFELP guaranteed collateral.

Commitment to repurchase client auction rate securities

UBS has committed to restore liquidity to certain client holdings of ARS. This commitment is in line with previously announced agreements in principle

with various US regulatory agencies, and the final settlements entered into with the Massachusetts Securities Division, the US Securities and Exchange Commission, and the New York State Attorney General. The table above shows the maximum repurchase amount at par of ARS required by the regulatory settlements, which would occur over various time periods between 31 October 2008 and 2 July 2012 according to client type and security. UBS anticipates that the maximum required repurchase amount is likely to decline over time as issuers refinance their debt obligations and UBS works with issuers, industry peers and US government officials on restructuring initiatives and redemption opportunities.

Auction rate securities inventory

<i>USD million</i>	Net exposures as of 30.6.09	Net exposures as of 31.3.09
US student loan auction rate securities	10,929	10,855
US municipal auction rate securities	1,378	1,359
US taxable auction preferred securities	1,272	1,461
US tax-exempt auction preferred securities	2,855	2,892
Total	16,434	16,567

Client holdings: auction rate securities

	Par value of maximum required purchase as of 30.6.09	Buy-back period			Par value of maximum required purchase as of 31.3.09
		Remaining unpurchased holdings of private clients	Holdings of institutional clients		
<i>USD million</i>		31.10.08 to 4.1.11	2.1.09 to 4.1.11	30.6.10 to 2.7.12	
US student loan auction rate securities	8,477	18	105	8,354	8,735
US municipal auction rate securities	510	34	243	233	605
US taxable auction preferred securities	304	48	89	167	481
US tax-exempt auction preferred securities	20	20	—	—	36
Total	9,311	120	437	8,754	9,857

Liquidity and funding management

UBS defines liquidity as the ability to meet obligations as they come due and to provide funds for increases in assets without incurring unacceptable costs.

Market liquidity overview: second quarter 2009

At the start of the second quarter, market conditions in the banking and broader financial sector remained tense. However, as the quarter progressed, signs of relative improvement emerged: credit spreads of financial institutions continued to retreat from the high levels of the prior quarter; and public term-debt markets became broadly accessible to banks for unsecured bond issuances for the first time since late third quarter 2008, across various currencies and a range of tenors. The banking sector had been dominated by, and for lengthy periods restricted to, government-guaranteed bond issuances throughout fourth quarter 2008 and into much of first quarter 2009. The general tone of the market for money market paper issuances likewise improved noticeably during the second quarter, with flows no longer being effectively limited to very short tenors, signaling investors' increasing appetite for banks' term debt.

Developments and activities by governments and central banks during the second quarter were also indicative of the relative improvement in financial market conditions. For instance, in early May, the US Federal Reserve Board announced the results of its Supervisory Capital Assessment Program, allowing ten major US financial groups to repay to the US Treasury some of the previous capital injections they had received, and marking a potential turning point in the economic crisis. At the same time, declines in borrowing were registered in some of the Federal Reserve Bank's major extraordinary liquidity facilities that had been introduced during the crisis, as in many cases market sources of funding became less expensive than funding obtained through these facilities.

Liquidity

UBS continuously tracks its liquidity position and asset/liability profile. This involves monitoring its contractual and behavioral maturity profiles, projecting and modeling its liquidity exposures under various stress scenarios and monitoring its secured funding capacity. The results are then factored into the overall contingency plans of UBS. The underlying assumptions in the analysis encompass the characteristics that have emerged in the present market turmoil, such as continued risk aversion and dislocation in terms of money markets and market liquidity being limited to a very

narrow range of asset classes. The assumptions incorporated into UBS's current stress scenario analysis exceed the conditions that have thus far been experienced since the onset of the current crisis.

UBS seeks to preserve at all times a prudent liquidity and funding profile and a balanced asset/liability profile. This has been possible throughout the current financial crisis due to the broad diversity of UBS's funding sources, its contingency planning processes and its global scope. UBS has continued to maintain its substantial multi-currency portfolio of unencumbered high-quality short-term assets, but reduced its size during the second quarter in view of the considerable balance sheet and exposure reductions and the relative improvements in overall market conditions.

While UBS experienced some additional net outflows of client assets during the second quarter, this did not have any significant impact on UBS's liquidity situation since only the cash component of these outflows constitutes a direct loss of liquidity for the firm. UBS has been able to readily compensate for any such liquidity outflows by its continued reduction of balance sheet assets and, moreover, has been able to access ample funding from alternative sources within its diversified funding base.

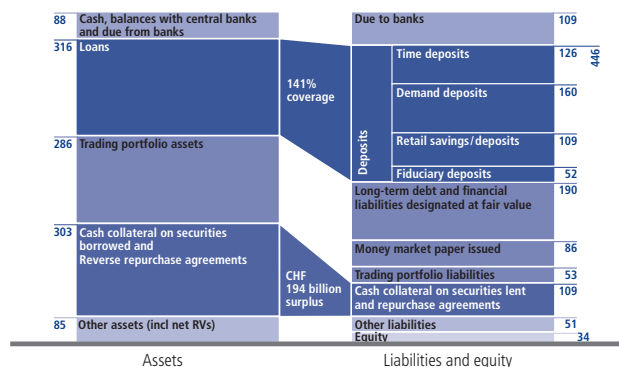
Funding profile

UBS continues to maintain a portfolio of liabilities that is broadly diversified by market, product and currency. The vast product offerings and global scope of the firm's business activities are the primary reasons for its funding stability to date.

UBS's wealth management businesses continue to be valuable, cost-efficient and reliable sources of funding. These businesses contributed CHF 337 billion, or 76%, of the CHF 446 billion total customer deposits shown in the "UBS asset funding" diagram. Compared with the CHF 316 billion of net loans as of 30 June 2009, customer deposits provided 141% coverage (up from 136% on 31 March 2009). In terms of secured funding, i.e. repurchase agreements and securities lent against cash collateral received, UBS borrows less cash on a collateralized basis than it lends, leading to a surplus of net securities sourced (and capable of being re-hypothecated) – shown as the CHF 194 billion cash-equivalent surplus in the "UBS asset funding" diagram. Furthermore, funding is provided through numerous short-, medium- and long-term funding programs in Europe, the US and Asia, which provide specialized investments to institutional and private clients.

UBS asset funding

As of 30.6.09



UBS returned to the public unsecured long-term debt markets during second quarter 2009, issuing a total of CHF 3 billion in benchmark bonds (in EUR and CHF). There were no maturities of public unsecured long-term debt in the second quarter. At the same time, UBS continued to raise medium- and long-term funding globally through private placements of debt. As part of its diversified funding base, UBS accessed more than CHF 2 billion of additional new medium-to long-term funds during the second quarter via the Mortgage Bond Bank of the Swiss Mortgage Institutions by pledging high-quality Swiss residential mortgages. Additionally, UBS generated CHF 3.8 billion of long-term funds through its private placement of authorized share capital towards the

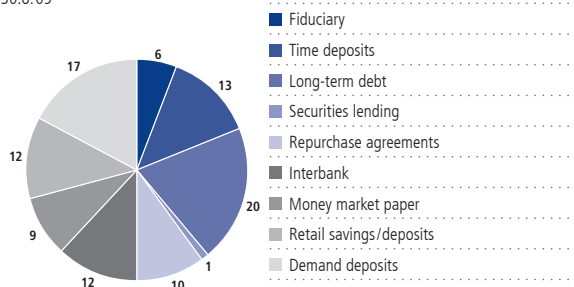
end of the second quarter. UBS once again reduced its balance sheet during the second quarter, contributing to a reduction in UBS's overall long-term funding needs. UBS's long-term debt (including financial liabilities at fair value) stood at CHF 190 billion at 30 June 2009, up by CHF 6 billion from CHF 184 billion at 31 March 2009.

At the end of second quarter 2009, the overall composition of UBS's funding sources, illustrated in the figures below, was broadly similar to the prior quarter-end, with a slight shift away from money market paper and inter-bank debt towards more long-term debt and secured funding. These sources amount to CHF 939 billion on the balance sheet consisting of repurchase agreements, securities lending against cash collateral received, due from banks, money market paper issued, due to customers and long-term debt (including financial liabilities at fair value). Customer time and demand deposits accounted for 30% of UBS's funding sources, stable compared with the prior quarter-end, while savings deposits were up by 1% to reach 12%. The proportion of UBS's funding from long-term debt (including financial liabilities designated at fair value) was up 1% to reach 20%, partly reflecting UBS's aforementioned public senior debt issuance. The proportion of funding through money market paper issuance dropped to 9% from 12% during the second quarter. Compared with the prior quarter-end, the proportion of funding from fiduciary deposits and short-term inter-bank borrowing remained constant, at 6% and 12% respectively. During the second quarter, UBS increased its secured funding, resulting in its proportion rising by 1% to reach 11% (primarily through repurchase agreements).

UBS: funding by product type

in % (excluding negative replacement values, other liabilities and equity)

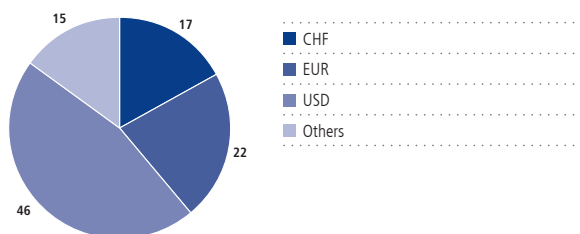
As of 30.6.09



UBS: funding by currency

in % (excluding negative replacement values, other liabilities and equity)

As of 30.6.09



Capital management

Regulatory developments

In July 2009, the Basel Committee on Banking Supervision issued enhancements to the Basel II framework and revisions to the Basel II market risk framework. Banks are expected to comply with the revised requirements by 31 December 2010.

The enhanced Basel II framework introduces higher risk weights for securitization exposures, better reflecting the risk inherent in these products, and requires banks to conduct more rigorous credit analyses of externally rated securitization exposures.

The revisions to the Basel II market risk framework aim to address perceived shortcomings in the current Value at Risk (VaR) framework, most notably by introducing new capital requirements to incorporate effects of "stressed VaR", by introducing a new incremental risk charge that accounts for default and migration risk of trading book positions, and by requiring that banking book capital charges will apply to trading book securitization positions. Furthermore, the committee also issued valuation guidance for all illiquid positions accounted for at fair value.

As disclosed in UBS's fourth quarter 2008 financial report, the Swiss Financial Market Supervisory Authority (FINMA) introduced a minimum leverage ratio and higher target capital ratios for the two largest Swiss banks. Recent public statements by FINMA officials and by the Swiss National Bank suggest that Swiss authorities are actively considering what measures should be taken, including measures relating to capital, liquidity and structure, to reduce the systemic risk associated with Switzerland's two largest banks. It would be premature to

speculate whether these considerations will lead to further policy changes, and what effect such changes might have on UBS's business and strategic direction.

Capital ratios

On 30 June 2009, UBS's BIS tier 1 capital ratio stood at 13.2% and its BIS total capital ratio was 17.7%, up from 10.5% and 14.7% respectively on 31 March 2009. During the second quarter, risk-weighted assets (RWA) decreased by CHF 29.7 billion to CHF 248.0 billion and the BIS tier 1 capital increased by CHF 3.4 billion, due to the placement of new shares from authorized capital in June 2009 for approximately CHF 3.8 billion in net proceeds (refer to the paragraph below on UBS's share count for more information about this transaction).

Taking into account the estimated effects from the announced sale of UBS Pactual, which is expected to close in third quarter 2009, BIS tier 1 capital would increase by approximately CHF 1 billion and RWA 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%. Refer to UBS's financial report for first quarter 2009 and "Note 14 Changes in organization" in the financial statements of this report for more information.

Capital requirements

To facilitate comparability, UBS determines published RWA according to the Basel II Capital Accord (BIS guidelines). However,

Capital adequacy

CHF million, except where indicated	30.06.09	31.03.09	31.12.08
BIS tier 1 capital	32,640	29,240	33,154
of which: hybrid tier 1 capital	7,540	7,669	7,393
BIS total capital	43,871	40,950	45,367
BIS tier 1 capital ratio (%)	13.2	10.5	11.0
BIS total capital ratio (%)	17.7	14.7	15.0
BIS risk-weighted assets	247,976	277,665	302,273
of which: credit risk ¹	172,038	195,410	222,563
of which: non-counterparty-related risk	7,622	7,610	7,411
of which: market risk	22,327	28,194	27,614
of which: operational risk	45,989	46,452	44,685

¹ Includes securitization exposures and equity exposures not part of the trading book and capital requirements for settlement risk (failed trades).

the calculation of UBS's regulatory capital requirement is based on the regulations of FINMA and this leads to higher RWA.

Total RWA decreased to CHF 248.0 billion on 30 June 2009 from CHF 277.7 billion on 31 March 2009. Figures by component for second quarter 2009 are as follows:

Credit risk

RWA for credit risk dropped to CHF 172.0 billion on 30 June 2009 from CHF 195.4 billion on 31 March 2009. The reduction is primarily related to reduced derivatives exposures and lower volumes of loans, committed credit lines and guarantees. Refer to the "Risk management and control" section of this report for more information about credit risk.

Non-counterparty-related assets

In the second quarter, RWA for non-counterparty-related assets remained largely unchanged at CHF 7.6 billion.

Market risk

RWA for market risk decreased in the second quarter by CHF 5.9 billion to CHF 22.3 billion on 30 June 2009, due to reduced risk positions in the trading book. Refer to the "Risk management and control" section of this report for more information about market risk.

Operational risk

The Basel II capital requirement for operational risk decreased to RWA of CHF 46.0 billion on 30 June 2009 from CHF 46.5 billion on 31 March 2009, due to lower operational risk events experienced in the second quarter. Refer to the "Risk management and control" section of this report for more information about operational risk.

Eligible capital

In order to determine eligible BIS tier 1 and BIS total capital, specific adjustments must be made to equity attributable to UBS shareholders as defined by International Financial Reporting Standards (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.

BIS tier 1 capital

BIS tier 1 capital amounted to CHF 32.6 billion on 30 June 2009, up from CHF 29.2 billion on 31 March 2009. The increase in BIS tier 1 capital of CHF 3.4 billion is mainly attributable to the CHF 3.8 billion share issue in June 2009. Second quarter losses of CHF 1.4 billion recognized under IFRS were largely offset by an adjustment for capital purposes of CHF 1.2 billion for losses on own credit. Various other effects reduced BIS tier 1 capital by CHF 0.2 billion.

BIS tier 2 capital

UBS accounts for CHF 0.9 billion of additional upper BIS tier 2 capital, mainly from general provisions in excess of expected losses. Lower BIS tier 2 capital consists of subordinated long-term debt issued in various currencies and with different maturities. In the second quarter, lower BIS tier 2 capital decreased CHF 0.2 billion to CHF 11.7 billion on 30 June 2009, predominantly due to foreign exchange movements against the Swiss franc.

Capital components

CHF million	30.06.09	31.03.09	31.12.08
Core capital prior to deductions	47,514	44,236	48,758
of which: paid-in share capital	323	293	293
of which: share premium, retained earnings, currency translation differences and other elements	39,651	36,274	41,072
of which: non-innovative capital instruments	1,843	1,851	1,810
of which: innovative capital instruments	5,697	5,818	5,583
Less: treasury shares / deduction for own shares ^{1,2}	(1,179)	(831)	(1,488)
Less: goodwill & intangible assets	(12,365)	(13,055)	(12,950)
Less: other deduction items ³	(1,329)	(1,109)	(1,167)
BIS tier 1 capital	32,640	29,240	33,154
Upper tier 2 capital	881	969	1,090
Lower tier 2 capital	11,679	11,851	12,290
Less: other deduction items ³	(1,329)	(1,109)	(1,167)
BIS total capital	43,871	40,950	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 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 as 50% from tier 1 and 50% from total capital mainly consist of: net long position of non-consolidated participations in the finance sector; expected loss less provisions (if positive, for the Advanced Internal Ratings-based Approach); expected loss for equities (simple risk weight method); and first loss positions from securitization exposures.

FINMA leverage ratio

FINMA introduced a minimum leverage ratio and thereby defined the minimum amount of BIS tier 1 capital required at each month-end compared with the average balance sheet size for the previous three month-ends. FINMA requires a minimum leverage ratio of 3% on Group level and expects that, in normal times, the ratio will be well above this. The FINMA leverage ratio will be progressively implemented until it is fully applicable on 1 January 2013.

In second quarter 2009, UBS considered the netting of cash collateral (allowed under Swiss GAAP) as an additional adjustment to total assets and restated its total adjusted assets for first quarter 2009. This change decreased the first quarter's total adjusted assets by CHF 62 billion and improved the 31 March 2009 leverage ratio to 2.71% from the previously published 2.56%.

On 30 June 2009, UBS's FINMA leverage ratio stood at 3.46%, an improvement from the restated 2.71% on 31 March 2009. During the second quarter, average total assets prior to deductions decreased by CHF 309.9 billion, or 15.5%, to CHF 1,689.4 billion as a result of UBS's continued efforts to reduce its balance sheet size. The reduction in average adjusted assets along with a 12% improvement in BIS tier 1 capital (as discussed earlier within this section) led to the overall improvement in the FINMA leverage ratio.

The table below shows the calculation of the FINMA leverage ratio as of 30 June 2009.

Equity attribution

UBS's equity attribution framework aims to reflect the firm's overarching objectives of maintaining a strong capital base and guiding each business towards activities with the best balance between profit potential, risk and capital usage. The design of the framework enables UBS to calculate and assess return on attributed equity (RoE) in each of its businesses and integrates Group-wide capital management activities with those at business division level.

In second quarter 2009, the attributed equity for Wealth Management & Swiss Bank, Wealth Management Americas and Global Asset Management was unchanged from average first quarter 2009 levels. The amount of equity attributed to the Investment Bank decreased by CHF 3 billion to CHF 25 billion, reflecting the reduction of risk exposures.

The "Average attributed equity" table on the next page shows that a total of CHF 46.0 billion of average equity was attributed to UBS's operating businesses (Wealth Management & Swiss Bank, Wealth Management Americas, Global Asset Management and the Investment Bank) in second quarter 2009. Equity attributable to UBS shareholders averaged CHF 32.4 billion during this period. This resulted in a deficit of CHF 13.6 billion in the Corporate Center.

In the same table, "Average equity attributable to UBS shareholders" includes the CHF 13 billion nominal value of the MCNs issued in March 2008. Also, the average second quarter 2009 figure for equity attributable to UBS shareholders takes into account the CHF 3.8 billion of net

FINMA leverage ratio calculation

CHF billion, except where indicated	Average 2Q09	Average 1Q09	Average 4Q08
Total assets (IFRS) prior to deductions	1,689.4	1,999.3	2,211.7
Less: netting of replacement values ¹	(542.5)	(703.6)	(653.5)
Less: loans to Swiss clients (excluding banks) ²	(162.2)	(164.6)	(165.5)
Less: cash and balances with central banks	(27.7)	(36.4)	(26.0)
Less: other ³	(13.3)	(14.2)	(14.6)
Total adjusted assets	943.6	1,080.5	1,352.1
BIS tier 1 capital (at quarter end)	32.6	29.2	33.2
FINMA leverage ratio (%)	3.46	2.71 ⁴	2.45

¹ Netting follows Swiss GAAP rules (including netting of cash collateral). ² Includes mortgage loans to international clients for properties located in Switzerland. ³ Refer to the "Capital components" table for more information on deductions of assets from BIS tier 1 capital. ⁴ 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%.

Average attributed equity

CHF billion	2Q09	1Q09	2Q08
Wealth Management & Swiss Bank	9.0	9.0	10.0
Wealth Management Americas	9.0	9.0	7.0
Global Asset Management	3.0	3.0	3.0
Investment Bank	25.0	28.0	27.0
Corporate Center	(13.6)	(17.1)	(15.0)
Average equity attributable to UBS shareholders	32.4	31.9	32.0

proceeds from the new shares issued in June 2009. The CHF 6 billion nominal value of the MCNs issued in December 2008 will be included only when the notes are converted or if certain other conditions are met which make it appropriate to include the December 2008 MCNs in equity.

If the nominal value of the MCNs issued in December 2008 were included on a pro forma basis and if average equity attributable to minority interests (which primarily consists of BIS tier 1 capital instruments issued by UBS) were included, then UBS's pro forma average total equity would exceed the average equity attributed to the business divisions, as shown in the table below:

Average excess total equity

CHF billion	2Q09
Average equity attributable to UBS shareholders	32.4
MCNs issued in December 2008	6.0
Average equity attributable to minority interests	8.2
Pro forma average total equity	46.6
Average equity attributed to business divisions	46.0
Average excess total equity	0.6

The Corporate Center continues to transfer interest income earned from managing UBS's consolidated capital back to each business division. Refer to the "UBS business divisions and Corporate Center" section of this report for further information regarding the impact of interest income on the operating income of the business divisions. RoaE for the individual business divisions is disclosed in the respective sections of this report.

UBS share count

Total UBS shares issued on 30 June 2009 were 3,225,849,284, up from 2,932,580,549 shares as of 31 March 2009. The

increase reflects the issuance of 293,258,050 shares for a share placement with institutional investors and 10,685 shares to source equity-based compensation plans.

The shares used for the placement were issued upon the decision by the Board of Directors out of authorized capital which had been approved at the annual general meeting of shareholders on 15 April 2009. The placement of the 293,258,050 shares at a price of CHF 13.00 per share resulted in net proceeds of approximately CHF 3.8 billion, thereby increasing the BIS tier 1 capital ratio by approximately 1.4 percentage points.

As of 30 June 2009, UBS had two outstanding MCNs – one in the face amount of CHF 13 billion and the other of CHF 6 billion. The conversion of these MCNs, adjusted for dilution events, is expected to lead to the issuance of 272,651,005 and a maximum of up to 332,225,913 new shares out of conditional capital respectively (refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the financial statements of this report and to the "Shares and capital instruments" section of UBS's restated annual report for 2008 for more information). A further 150,084,026 new shares, to be issued out of conditional capital, were available on 30 June 2009 in order to settle employee options at exercise.

Treasury shares

UBS shares are held primarily to hedge employee share and option participation plans. A smaller number are held by the Investment Bank in its capacity as a market-maker in UBS shares and related derivatives. The total number of UBS shares held as treasury shares on 30 June 2009 was 44,992,074, a reduction of 10,084,263 shares from 31 March 2009. The decrease reflects a reduction of shares held as hedges against delivery obligations from employee participation plans, as well as changes in the holding of shares by the Investment Bank.

UBS registered shares

UBS share price chart vs DJ Banks Titans Index

in %

1 January 2007 – 30 June 2009



UBS shares and market capitalization

		As of		% change from	
		31.3.09	30.6.08	31.3.09	30.6.08
Share price (CHF) ¹	13.29	10.70	21.44	24	(38)
Market capitalization (CHF million) ²	42,872	31,379	62,874	37	(32)

¹ Historical share price adjusted for the 2008 rights issue and stock dividend. ² Market capitalization calculated based on the total UBS ordinary shares issued times the UBS share price at period-end. The total UBS ordinary shares do not reflect the 272.7 million UBS shares and the maximum of 332.2 million UBS shares to be issued through the conversion of mandatory convertible notes in the future. Both mandatory convertible notes issued are adjusted for the dilution effect of the capital increase in June 2009. Refer to "Note 8 Earnings per share (EPS) and shares outstanding" in the financial statements of this report for more information.

UBS ordinary shares are registered shares with a par value of CHF 0.10 per share. They are issued in the form of Global Registered Shares (GRS). A GRS is a security that provides direct and equal ownership for all shareholders. It can be traded and transferred across applicable borders without the need for conversion, with identical shares traded on different stock exchanges in different currencies. The shares are listed on the SIX Swiss Exchange, the New York Stock Exchange and the Tokyo Stock Exchange.

Ticker symbols

Trading exchange	Bloomberg	Reuters
SIX Swiss Exchange	UBSN VX	UBSN.VX
New York Stock Exchange	UBS US	UBS.N
Tokyo Stock Exchange	8657 JP	8657.T

Security identification codes

ISIN	CH0024899483
Valoren	2.489.948
Cusip	CINS H89231 33 8

Financial information

(unaudited)

Financial statements

Income statement

		For the quarter ended			% change from		Year-to-date	
CHF million, except per share data	Note	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Continuing operations								
Interest income	3	6,035	7,645	17,530	(21)	(66)	13,680	37,752
Interest expense	3	(4,892)	(5,746)	(16,294)	(15)	(70)	(10,638)	(34,837)
Net interest income	3	1,143	1,899	1,236	(40)	(8)	3,042	2,915
Credit loss (expense) / recovery		(388)	(1,135)	(19)	(66)		(1,523)	(329)
Net interest income after credit loss expense		755	764	1,217	(1)	(38)	1,519	2,586
Net fee and commission income	4	4,502	4,241	6,221	6	(28)	8,744	12,436
Net trading income	3	220	(630)	(3,549)			(410)	(15,175)
Other income	5	292	595	94	(51)	211	887	103
Total operating income		5,770	4,970	3,984	16	45	10,740	(50)
Personnel expenses	6	4,578	3,963	4,612	16	(1)	8,542	9,887
General and administrative expenses	7	1,699	1,635	2,831	4	(40)	3,334	5,074
Depreciation of property and equipment		284	253	277	12	3	537	558
Impairment of goodwill		492	631	341	(22)	44	1,123	341
Amortization of intangible assets		39	45	49	(13)	(20)	84	98
Total operating expenses		7,093	6,528	8,110	9	(13)	13,621	15,957
Operating profit from continuing operations before tax		(1,323)	(1,558)	(4,126)	15	68	(2,881)	(16,008)
Tax expense		(208)	294	(3,829)		95	86	(4,126)
Net profit from continuing operations		(1,115)	(1,852)	(297)	40	(275)	(2,967)	(11,882)
Discontinued operations								
Profit from discontinued operations before tax		7	11	59	(36)	(88)	17	179
Tax expense		0	0	1		(100)	0	1
Net profit from discontinued operations		7	11	58	(36)	(88)	17	178
Net profit		(1,108)	(1,842)	(239)	40	(364)	(2,949)	(11,703)
Net profit attributable to minority interests		294	133	156	121	88	427	309
from continuing operations		290	128	155	127	87	418	262
from discontinued operations		4	5	1	(20)	300	9	47
Net profit attributable to UBS shareholders		(1,402)	(1,975)	(395)	29	(255)	(3,376)	(12,012)
from continuing operations		(1,405)	(1,980)	(452)	29	(211)	(3,385)	(12,144)
from discontinued operations		3	5	57	(40)	(95)	8	132
Earnings per share								
Basic earnings per share (CHF)	8	(0.39)	(0.56)	(0.15)	30	(160)	(0.96)	(4.96)
from continuing operations		(0.40)	(0.57)	(0.17)	30	(135)	(0.96)	(5.02)
from discontinued operations		0.00	0.00	0.02		(100)	0.00	0.05
Diluted earnings per share (CHF)	8	(0.39)	(0.57)	(0.16)	32	(144)	(0.96)	(4.98)
from continuing operations		(0.40)	(0.57)	(0.18)	30	(122)	(0.96)	(5.03)
from discontinued operations		0.00	0.00	0.02		(100)	0.00	0.05

Statement of comprehensive income

	For the quarter ended			Year-to-date	
CHF million	30.6.09	31.3.09	30.6.08	30.6.09	30.6.08
Net profit	(1,108)	(1,842)	(239)	(2,949)	(11,703)
Other comprehensive income					
Foreign currency translation					
Foreign currency translation movements, before tax	(26)	860	528	834	(2,782)
Foreign exchange amounts reclassified to the income statement from equity	(300)	(32)	31	(332)	150
Income tax relating to foreign currency translation movements		13	141	13	141
Subtotal foreign currency translation movements, net of tax	(326)	841	700	515	(2,491)
Financial investments available-for-sale					
Net unrealized gains/(losses) on financial investments available-for-sale, before tax	209	(37)	196	172	(306)
Impairment charges reclassified to the income statement from equity	15	44	5	59	8
Realized gains reclassified to the income statement from equity	(118)	(20)	(50)	(138)	(81)
Realized losses reclassified to the income statement from equity	0	0	4	0	5
Income tax relating to net unrealized gains/(losses) on financial instruments available-for-sale	(25)	(1)	(33)	(26)	88
Subtotal net unrealized gains/(losses) on financial instruments available-for-sale, net of tax	81	(14)	122	67	(286)
Cash flow hedges					
Changes in fair value of derivative instruments designated as cash flow hedges, before tax	(550)	487	(741)	(63)	70
Net unrealized (gains)/losses reclassified to the income statement from equity	(132)	(76)	(66)	(208)	(44)
Income tax relating to changes in the fair value of derivative instruments designated as cash flow hedges	248	(82)	160	166	(31)
Subtotal changes in fair value of derivative instruments designated as cash flow hedges, net of tax	(434)	329	(647)	(105)	(5)
Total other comprehensive income	(679)	1,156	175	477	(2,782)
Total comprehensive income	(1,786)	(686)	(64)	(2,472)	(14,485)
Total comprehensive income attributable to minority interests	253	436	315	689	(197)
Total comprehensive income attributable to UBS shareholders	(2,039)	(1,122)	(379)	(3,161)	(14,288)

Balance sheet

<i>CHF million</i>				% change from 31.12.08
	30.6.09	31.3.09	31.12.08	31.12.08
Assets				
Cash and balances with central banks	37,668	39,005	32,744	15
Due from banks	49,882	56,434	64,451	(23)
Cash collateral on securities borrowed	99,546	109,805	122,897	(19)
Reverse repurchase agreements	203,366	205,574	224,648	(9)
Trading portfolio assets	231,694	246,980	271,838	(15)
Trading portfolio assets pledged as collateral	53,910	42,300	40,216	34
Positive replacement values	542,541	753,618	854,100	(36)
Financial assets designated at fair value	12,073	12,615	12,882	(6)
Loans	315,837	344,134	340,308	(7)
Financial investments available-for-sale	5,429	5,098	5,248	3
Accrued income and prepaid expenses	6,455	6,916	6,141	5
Investments in associates	877	907	892	(2)
Property and equipment	6,560	6,809	6,706	(2)
Goodwill and intangible assets	11,602	13,040	12,935	(10)
Deferred tax assets	8,764	8,933	8,880	(1)
Assets of disposal groups held for sale	5,723			
Other assets	7,946	9,157	9,931	(20)
Total assets	1,599,873	1,861,326	2,014,815	(21)
Liabilities				
Due to banks	108,746	116,623	125,628	(13)
Cash collateral on securities lent	10,868	13,230	14,063	(23)
Repurchase agreements	97,916	90,269	102,561	(5)
Trading portfolio liabilities	52,833	53,115	62,431	(15)
Negative replacement values	523,589	734,196	851,864	(39)
Financial liabilities designated at fair value	104,841	99,371	101,546	3
Due to customers	446,116	466,484	474,774	(6)
Accrued expenses and deferred income	8,475	8,211	10,196	(17)
Debt issued	170,552	208,578	197,254	(14)
Liabilities associated with disposal groups held for sale	3,431			
Other liabilities	30,951	31,543	33,965	(9)
Total liabilities	1,558,317	1,821,620	1,974,282	(21)
Equity				
Share capital	323	293	293	10
Share premium	27,549	23,519	25,250	9
Net income recognized directly in equity, net of tax	(4,120)	(3,482)	(4,335)	5
Revaluation reserve from step acquisitions, net of tax	38	38	38	0
Retained earnings	11,111	12,512	14,487	(23)
Equity classified as obligation to purchase own shares	(56)	(31)	(46)	(22)
Treasury shares	(1,299)	(1,567)	(3,156)	59
Equity attributable to UBS shareholders	33,545	31,283	32,531	3
Equity attributable to minority interests	8,011	8,423	8,002	0
Total equity	41,556	39,706	40,533	3
Total liabilities and equity	1,599,873	1,861,326	2,014,815	(21)

Statement of changes in equity

CHF million	Share capital	Share premium	Treasury shares	Equity classified as obligation to purchase own shares	Retained earnings	Foreign currency translation
Balance at 31 December 2008	293	25,250	(3,156)	(46)	14,487	(6,309)
Issuance of share capital	30					
Acquisition of treasury shares			(407)			
Disposition of treasury shares			2,264			
Net premium / (discount) on treasury share and own equity derivative activity		(1,162)				
Premium on shares issued and warrants exercised		3,776				
Employee share and share option plans		(279)				
Tax benefits from deferred compensation awards		1				
Transaction costs related to share issuances, net of tax		(37)				
Dividends ¹						
Equity classified as obligation to purchase own shares – movements				(10)		
Preferred securities						
New consolidations and other increases						
Deconsolidations and other decreases						
Total comprehensive income for the year recognized in equity					(3,376)	359
Balance at 30 June 2009	323	27,549	(1,299)	(56)	11,111	(5,950)

CHF million	Financial investments available-for-sale	Cash flow hedges	Revaluation reserve from step acquisitions	Total equity attributable to UBS shareholders	Minority interests	Total equity
Balance at 31 December 2008	347	1,627	38	32,531	8,002	40,533
Issuance of share capital				30		30
Acquisition of treasury shares				(407)		(407)
Disposition of treasury shares				2,264		2,264
Net premium / (discount) on treasury share and own equity derivative activity				(1,162)		(1,162)
Premium on shares issued and warrants exercised				3,776		3,776
Employee share and share option plans				(279)		(279)
Tax benefits from deferred compensation awards				1		1
Transaction costs related to share issuances, net of tax				(37)		(37)
Dividends ¹				0	(666)	(666)
Equity classified as obligation to purchase own shares – movements				(10)		(10)
Preferred securities				0	(7)	(7)
New consolidations and other increases				0	1	1
Deconsolidations and other decreases				0	(9)	(9)
Total comprehensive income for the year recognized in equity	(39)	(105)		(3,161)	689	(2,472)
Balance at 30 June 2009	308	1,522	38	33,545	8,011	41,556

¹ Includes dividend payment obligations for preferred securities.

Statement of changes in equity (continued)

<i>CHF million</i>	Share capital	Share premium	Treasury shares	Equity classified as obligation to purchase own shares	Retained earnings	Foreign currency translation
Balance at 31 December 2007	207	12,433	(10,363)	(74)	35,795	(2,600)
Issuance of share capital	86					
Acquisition of treasury shares			(334)			
Disposition of treasury shares			5,080			
Net premium / (discount) on treasury share and own equity derivative activity		(2,268)				
Premium on shares issued and warrants exercised		22,879				
Employee share and share option plans		(1,671)				
Tax benefits from deferred compensation awards		26				
Transaction costs related to share issuances, net of tax		(408)				
Dividends					(16)	
Equity classified as obligation to purchase own shares – movements				(11)		
Preferred securities						
New consolidations and other increases						
Deconsolidations and other decreases						
Total comprehensive income for the year recognized in equity					(12,012)	(2,016)
Balance at 30 June 2008	293	30,991	(5,617)	(85)	23,767	(4,616)

<i>CHF million</i>	Financial investments available-for-sale	Cash flow hedges	Revaluation reserve from step acquisitions	Total equity attributable to UBS shareholders	Minority interests	Total equity
Balance at 31 December 2007	1,471	(32)	38	36,875	6,951	43,826
Issuance of share capital				86		86
Acquisition of treasury shares				(334)		(334)
Disposition of treasury shares				5,080		5,080
Net premium / (discount) on treasury share and own equity derivative activity				(2,268)		(2,268)
Premium on shares issued and warrants exercised				22,879		22,879
Employee share and share option plans				(1,671)		(1,671)
Tax benefits from deferred compensation awards				26		26
Transaction costs related to share issuances, net of tax				(408)		(408)
Dividends				(16)	(261)	(277)
Equity classified as obligation to purchase own shares – movements				(11)		(11)
Preferred securities				0	1,618	1,618
New consolidations and other increases				0	21	21
Deconsolidations and other decreases				0	(121)	(121)
Total comprehensive income for the year recognized in equity	(254)	(6)		(14,288)	(197)	(14,485)
Balance at 30 June 2008	1,217	(38)	38	45,950	8,011	53,961

Preferred securities¹

<i>CHF million</i>	For the six-month period ended	
Balance at the beginning of the period	30.6.09	30.6.08
Issuances	7,381	6,381
Redemptions	0	1,618
Foreign currency translation	(7)	0
Balance at the end of the period	154	(456)
	7,528	7,543

¹ Represents equity attributable to minority interests. Dividend payment obligations are excluded from this table.

Statement of cash flows

	For the six-month period ended	
CHF million	30.6.09	30.6.08
Cash flow from/(used in) operating activities		
Net profit	(2,949)	(11,703)
Adjustments to reconcile net profit to cash flow from/(used in) operating activities		
Non-cash items included in net profit and other adjustments:		
Depreciation of property and equipment	537	558
Impairment/amortization of goodwill and intangible assets	1,207	439
Credit loss expense/(recovery)	1,523	329
Share of net profits of associates	(12)	(45)
Deferred tax expense/(benefit)	(394)	(4,444)
Net loss/(gain) from investing activities	(7)	(284)
Net loss/(gain) from financing activities	373	(17,879)
Net (increase)/decrease in operating assets:		
Net due from/to banks	(15,762)	(19,259)
Reverse repurchase agreements and cash collateral on securities borrowed	43,222	15,074
Trading portfolio, net replacement values and financial assets designated at fair value	(2,980)	206,313
Loans/due to customers	(5,899)	(90,381)
Accrued income, prepaid expenses and other assets	740	4,073
Net increase/(decrease) in operating liabilities:		
Repurchase agreements, cash collateral on securities lent	(7,128)	(74,325)
Accrued expenses and other liabilities	(5,167)	(14,680)
Income taxes paid	(352)	(527)
Net cash flow from/(used in) operating activities	6,953	(6,741)
Cash flow from/(used in) investing activities		
Investments in subsidiaries and associates	(78)	(1,111)
Disposal of subsidiaries and associates	181	1,183
Purchase of property and equipment	(401)	(1,014)
Disposal of property and equipment	44	49
Net (investment in)/divestment of financial investments available-for-sale	426	(89)
Net cash flow from/(used in) investing activities	171	(982)
Cash flow from/(used in) financing activities		
Net money market paper issued/(repaid)	(25,698)	(23,975)
Net movements in treasury shares and own equity derivative activity	163	910
Capital issuance	3,775	26,380
Issuance of long-term debt, including financial liabilities designated at fair value	53,679	58,374
Repayment of long-term debt, including financial liabilities designated at fair value	(55,696)	(40,358)
Increase in minority interests	2	1,669
Dividends paid to/decrease in minority interests	(28)	(412)
Net cash flow from/(used in) financing activities	(23,803)	22,588
Effects of exchange rate differences	5,489	(23,495)
Net increase/(decrease) in cash and cash equivalents	(11,189)	(8,630)
Cash and cash equivalents at the beginning of the period	179,693	149,105
Cash and cash equivalents at the end of the period	168,504	140,475
Cash and cash equivalents comprise:		
Cash and balances with central banks	37,682	16,397
Money market paper ¹	84,047	72,885
Due from banks with original maturity of less than three months	46,775	51,193
Total	168,504	140,475

¹ Money market paper is included in the balance sheet under "Trading portfolio assets", "Trading portfolio assets pledged as collateral" and "Financial investments available-for-sale".

Cash paid as interest was CHF 11,014 million and CHF 35,562 million during first half 2009 and first half 2008, respectively.

Notes to the financial statements

Note 1 Basis of accounting

UBS AG's ("UBS") consolidated financial statements (financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and stated in Swiss francs (CHF). These financial statements are presented in accordance with IAS 34 *Interim Financial Reporting*.

In preparing the interim financial statements, the same accounting principles and methods of computation are applied as in the financial statements on 31 December 2008 and for the year then ended except for the changes set out below. For fair value measurements and changes in valuation techniques, UBS provides complementary information in "Note 11 Fair value of financial instruments".

The interim financial statements are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods have been made. These interim financial statements should be read in conjunction with the audited financial statements included in UBS's restated annual report for 2008.

IAS 1 (revised) Presentation of Financial Statements

Effective as of 1 January 2009, the revised International Accounting Standard (IAS) 1 affects the presentation of both owner changes in equity and comprehensive income. UBS continues to present owner changes in equity in the "Statement of changes in equity", but detailed information relating to non-owner changes in equity, such as foreign exchange translation, cash flow hedges and financial investments available-for-sale, is now presented in the "Statement of comprehensive income".

When implementing these amendments, UBS also adjusted the format of its "Statement of changes in equity" and replaced the "Statement of recognized income and expense" with a "Statement of comprehensive income". Preferred securities issued by consolidated trusts are reported as "Equity attributable to minority interests", as they are equity instruments held by third parties. As securities issued by consolidated trusts comprise the largest part of UBS's equity attributable to minority interests, UBS discloses movement information in a separate table.

UBS has also re-assessed its accounting treatment of dividends from trust preferred securities. In line with the classi-

fication of trust preferred securities as equity instruments, UBS now recognizes liabilities for the full dividend payment obligation once a coupon payment becomes mandatory, i.e., when it is triggered by a contractually determined event. In the income statement, the same amount is reclassified from net profit attributable to UBS shareholders to net profit attributable to minority interests.

The implementation of this policy as of 1 April 2009 resulted in the reclassification of equity attributable to UBS shareholders of CHF 176 million and equity attributable to minority interests of CHF 354 million to liabilities (total CHF 530 million). Net profit attributable to UBS shareholders decreased by CHF 176 million, and net profit attributable to minority interests increased correspondingly. Total net profit, BIS capital and capital ratios were not impacted. At transition date, 1 April 2009, year-to-date basic earnings per share and diluted earnings per share were both reduced by CHF 0.05 to CHF (0.61) and CHF (0.62) from CHF (0.56) and CHF (0.57) respectively.

IAS 1 (revised) Presentation of Financial Statements, and IAS 32 (revised) Financial Instruments: Presentation

The IASB issued a further amendment to IAS 1 and an amendment to IAS 32 regarding puttable financial instruments and obligations arising on liquidation. The IAS 32 amendment clarifies under which circumstances puttable financial instruments and obligations arising on liquidation have to be treated as equity instruments.

The amendment is limited in scope and is restricted to the accounting for such instruments under IAS 1, IAS 32, IAS 39 and IFRS 7. The amendment to IAS 1 requires additional information about puttable financial instruments and obligations arising on liquidations which have to be treated as equity instruments. UBS adopted the amendments on 1 January 2009. The adoption of the amendments did not have a significant impact on UBS's financial statements.

IFRS 7 (revised) Financial Instruments: Disclosures

This standard was revised in March 2009 when the International Accounting Standards Board (IASB) published the amendment "Improving Disclosures about Financial Instru-

Note 1 Basis of accounting (continued)

ments". Effective as of 1 January 2009, the amendment requires enhanced disclosures about fair value measurements and liquidity risk.

The enhanced fair value measurement disclosure requirements include: a fair value hierarchy (i.e., categorization of all financial instruments into levels 1, 2 and 3 based on the relevant definitions); significant transfers between level 1 and level 2; reconciliation of level 3 instruments at the beginning of the period to the ending balance (level 3 movement table); level 3 profit or loss for positions still held at balance sheet date; and sensitivity information for the total position of level 3 instruments and the basis for the calculation of such information. Refer to "Note 11 Fair value of financial instruments" for the most relevant disclosures about fair value measurements.

The amended liquidity risk disclosure requirements largely confirm the previous rules for providing maturity information for non-derivative financial liabilities, but amend the rules for providing maturity information for derivative financial liabilities. UBS presents maturity analysis information for financial liabilities in its annual reports.

IFRS 8 Operating Segments

IFRS 8 *Operating Segments* is effective from 1 January 2009 onwards and replaces IAS 14 *Segment Reporting*. Under the requirements of the new standard, UBS's external segmental reporting is now based on the internal reporting to the Group Executive Board (or the "chief operating decision maker"), which makes decisions on the allocation of resources and assesses the performance of the reportable segments.

In accordance with the new UBS structure announced in February 2009, and following the guidance of IFRS 8, UBS is disclosing four reportable segments in 2009. These segments are the business divisions – Wealth Management & Swiss Bank, Wealth Management Americas, Global Asset Management and the Investment Bank. While the Corporate Center does not meet the requirements of an operating segment, it is also shown separately. Segment information from prior periods has been restated to conform to the requirements of this new standard and the interim financial reporting requirements.

As UBS's reportable segment operations are mainly financial, the total interest income and expense for all reportable segments is presented on a net basis. Based on the present arrangement of revenue-sharing agreements, the intersegment revenue for UBS is immaterial. From 2009 onwards, the segment assets are disclosed without the intercompany balances and this basis is in line with the internal reporting. For more details on the basis on which the segment informa-

tion is prepared and reconciled to the amounts presented in UBS's income statement and balance sheet, refer to "Note 2 Segment reporting".

Reassessment of embedded derivatives

The International Financial Reporting Interpretations Committee (IFRIC) issued, in March 2009, the supplement *Embedded Derivatives: Amendments to IFRIC 9 and IAS 39*. This guidance amends IFRIC 9 *Reassessment of Embedded Derivatives*, and IAS 39 *Financial Instruments: Recognition and Measurement*. The amendments clarify that on reclassification of a financial asset out of the "Held for trading" category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements. The application of this guidance did not materially impact UBS's financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 was issued on 1 October 2008 and became effective on 1 January 2009. IFRIC 16 provides guidance in determining which foreign exchange risks arising from net investments in foreign operations of subsidiaries, associates, joint ventures or branches qualify for hedge accounting in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. IFRIC 16 clarifies that net investment hedging can only be applied when the net assets of the foreign operation are recognized in the entity's consolidated financial statements. The impact of this interpretation on UBS's financial statements was immaterial.

Improvements to IFRS 2009

The International Accounting Standards Board issued amendments to twelve IFRS standards as part of its annual improvements project on 16 April 2009. The adoption of the amendments could result in accounting changes for presentation, recognition or measurement purposes. Most of the amendments are effective on 1 January 2010, although entities are permitted to adopt them earlier. UBS does not expect these amendments to have a significant impact on its financial statements.

IFRS 2 (revised) Share-based Payments

The International Accounting Standards Board issued an amendment to IFRS 2 *Share-based Payment* on 18 June 2009. The amended standard clarifies how an individual

Note 1 Basis of accounting (continued)

subsidiary in a group should account for certain share-based payment arrangements in its stand-alone financial statements. Under the amended standard, an entity which receives goods or services in a share-based payment arrangement must account for those goods and services no

matter which entity in the group settles the transaction and whether the transaction is settled in shares or cash. The amendments are effective on 1 January 2010. UBS is already compliant with the guidance in the revised standard.

Note 2 Segment reporting

Transactions between the reportable segments are carried out at internally agreed rates or at arm's length and are reflected in the performance of each segment. Revenue-sharing agreements are used to allocate external customer revenues to a segment and cost-allocation agreements are used to allocate shared costs between the segments.

CHF million	Wealth Management & Swiss Bank	Wealth Management Americas	Global Asset Management	Investment Bank	Corporate Center	UBS
For the six months ended 30 June 2009						
Net interest income	2,386	362	8	782	(496)	3,042
Non-interest income	3,560	2,413	1,025	475	1,748	9,221
Income ¹	5,946	2,775	1,033	1,257	1,252	12,263
Credit loss (expense)/recovery	(139)	2	0	(1,386)	0	(1,523)
Total operating income	5,806	2,777	1,033	(129)	1,252	10,740
Personnel expenses	2,571	2,236	535	2,659	541	8,542
General and administrative expenses	839	519	188	1,240	549	3,335
Services (to)/from other business divisions	312	141	(72)	66	(447)	0
Depreciation of property and equipment	67	71	10	131	258	537
Impairment of goodwill	0	34	340	749	0	1,123
Amortization of intangible assets	9	33	9	34	0	84
Total operating expenses	3,797	3,033	1,009	4,879	901	13,621
Performance from continuing operations before tax	2,009	(256)	24	(5,008)	351	(2,881)
Performance from discontinued operations before tax					17	17
Performance before tax	2,009	(256)	24	(5,008)	368	(2,863)
Tax expense on continuing operations						86
Tax expense on discontinued operations						0
Net profit						(2,949)

As of 30 June 2009

Total assets²	263,191	37,821	21,535	1,258,910	18,415	1,599,873
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For the six months ended 30 June 2008

Net interest income	2,775	433	11	558	(861)	2,915
Non-interest income	5,411	2,805	1,588	(17,344)	4,903	(2,636)
Income ¹	8,187	3,238	1,599	(16,786)	4,042	279
Credit loss (expense)/recovery	(11)	0	0	(318)	0	(329)
Total operating income	8,176	3,237	1,599	(17,105)	4,042	(50)
Personnel expenses	2,910	2,228	595	3,527	626	9,887
General and administrative expenses	1,016	1,366	217	1,900	576	5,074
Services (to)/from other business divisions	347	137	73	439	(996)	0
Depreciation of property and equipment	80	42	15	97	324	558
Impairment of goodwill	0	0	0	341	0	341
Amortization of intangible assets	6	31	18	43	0	98
Total operating expenses	4,359	3,804	917	6,347	530	15,957
Performance from continuing operations before tax	3,817	(567)	682	(23,451)	3,512	(16,008)
Performance from discontinued operations before tax					179	179
Performance before tax	3,817	(567)	682	(23,451)	3,691	(15,829)
Tax expense on continuing operations						(4,126)
Tax expense on discontinued operations						1
Net profit						(11,703)

As of 31 December 2008

Total assets²	251,487	39,039	24,640	1,680,257	19,392	2,014,815
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¹ The total inter-segment revenues for the Group are immaterial as the majority of the revenues are allocated across the business divisions by means of revenue-sharing agreements. ² The segment assets are based on a third-party view and this basis is in line with the internal reporting to the management, i.e. the amounts do not include intercompany balances.

Note 3 Net interest and trading income

Accounting standards require separate disclosure of “Net interest income” and “Net trading income” (see the tables on this and the next page). This required disclosure, however, does not take into account that net interest and trading income are generated by a range of different businesses. In many cases, a particular business can generate both net interest and trading income. Fixed income trading activity, for example, generates both trading profits and coupon income. It is therefore more meaningful to analyze net interest and trading income according to the businesses that drive it. The sec-

ond table below (“Breakdown by businesses”) provides information that corresponds to this view: “Net income from trading businesses” includes both interest and trading income generated by the Investment Bank, including its lending activities, and trading income generated by the other business divisions; “Net income from interest margin businesses” comprises interest income from the loan portfolios of Wealth Management & Swiss Bank and Wealth Management Americas; “Net income from treasury activities and other” reflects all income from the Group’s centralized treasury function.

	For the quarter ended			% change from		Year-to-date	
CHF million	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Net interest and trading income							
Net interest income	1,143	1,899	1,236	(40)	(8)	3,042	2,915
Net trading income	220	(630)	(3,549)			(410)	(15,175)
Total net interest and trading income	1,363	1,269	(2,313)	7		2,632	(12,260)
Breakdown by businesses							
Net income from trading businesses ¹	(207)	(640)	(3,941)	68	95	(847)	(19,686)
Net income from interest margin businesses	1,302	1,321	1,526	(1)	(15)	2,623	3,107
Net income from treasury activities and other	268	587	102	(54)	163	855	4,318
Total net interest and trading income	1,363	1,269	(2,313)	7		2,632	(12,260)
¹ Includes lending activities of the Investment Bank.							
Net interest income							
Interest income							
Interest earned on loans and advances	3,430	3,777	4,922	(9)	(30)	7,207	10,358
Interest earned on securities borrowed and reverse repurchase agreements	741	1,106	6,320	(33)	(88)	1,847	14,238
Interest and dividend income from trading portfolio	1,764	2,658	6,181	(34)	(71)	4,422	12,944
Interest income on financial assets designated at fair value	82	87	86	(6)	(5)	169	166
Interest and dividend income from financial investments available-for-sale	18	18	22	0	(18)	35	46
Total	6,035	7,645	17,530	(21)	(66)	13,680	37,752
Interest expense							
Interest on amounts due to banks and customers	1,051	1,524	4,575	(31)	(77)	2,575	10,367
Interest on securities lent and repurchase agreements	655	876	4,666	(25)	(86)	1,531	10,711
Interest and dividend expense from trading portfolio	1,346	1,120	3,026	20	(56)	2,466	5,358
Interest on financial liabilities designated at fair value	742	833	1,786	(11)	(58)	1,575	3,535
Interest on debt issued	1,098	1,393	2,242	(21)	(51)	2,491	4,866
Total	4,892	5,746	16,294	(15)	(70)	10,638	34,837
Net interest income	1,143	1,899	1,236	(40)	(8)	3,042	2,915

Interest includes forward points on foreign exchange swaps used to manage short-term interest rate risk on foreign currency loans and deposits.

Note 3 Net interest and trading income (continued)

CHF million	For the quarter ended			% change from		Year-to-date	
	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Net trading income¹							
Investment Bank equities	758	1,454	1,345	(48)	(44)	2,213	4,184
Investment Bank fixed income, currencies and commodities	(1,259)	(3,201)	(5,672)	61	78	(4,459)	(25,098)
Other business divisions	721	1,116	779	(35)	(7)	1,836	5,739
Net trading income	220	(630)	(3,549)			(410)	(15,175)
<i>of which: net gains/(losses) from financial liabilities designated at fair value²</i>	<i>(5,057)</i>	<i>4,684</i>	<i>3,818</i>			<i>(374)</i>	<i>13,979</i>
<i>of which: net gains/(losses) from own credit changes on financial liabilities designated at fair value³</i>	<i>(957)</i>	<i>881</i>	<i>(246)</i>		<i>(289)</i>	<i>(76)</i>	<i>1,290</i>

¹ Refer to the table "Net interest and trading income" on the previous page for the "Net income from trading businesses" (for an explanation, read the corresponding introductory comment).

² "Financial liabilities designated at fair value" are to a large extent economically hedged with derivatives and other instruments whose change in fair value is also reported in "Net trading income". ³ Refer to "Note 11 Fair value of financial instruments" for further information.

Significant impacts on net trading income

Net trading income in second quarter 2009 includes credit valuation adjustments for monoline credit protection of CHF 0.5 billion gain (CHF 1.9 billion loss in first quarter 2009); refer to the "Risk management and control" and "Investment Bank" sections of this report for more information on exposure to monolines.

The valuation of UBS's option to acquire equity of the SNB StabFund resulted in gains of CHF 0.1 billion in second quarter 2009, compared with losses of CHF 0.3 billion and additional losses of CHF 0.2 billion due to price adjustments for positions transferred to the SNB StabFund in the prior quarter.

A gain of CHF 0.1 billion (CHF 0.5 billion in first quarter 2009) was recorded on the valuation of the embedded derivative of the MCNs issued in December 2008.

Note 4 Net fee and commission income

CHF million	For the quarter ended			% change from		Year-to-date	
	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Equity underwriting fees	376	275	461	37	(18)	650	656
Debt underwriting fees	290	180	315	61	(8)	470	501
Total underwriting fees	666	455	776	46	(14)	1,121	1,157
M&A and corporate finance fees	207	230	445	(10)	(53)	437	863
Brokerage fees	1,939	1,817	1,969	7	(2)	3,756	4,454
Investment fund fees	995	1,014	1,437	(2)	(31)	2,008	3,029
Portfolio management and advisory fees	1,440	1,451	2,025	(1)	(29)	2,891	4,135
Insurance-related and other fees	40	69	92	(42)	(57)	110	218
Total securities trading and investment activity fees	5,286	5,036	6,745	5	(22)	10,322	13,856
Credit-related fees and commissions	81	81	66	0	23	163	130
Commission income from other services	212	204	258	4	(18)	416	522
Total fee and commission income	5,580	5,322	7,068	5	(21)	10,901	14,508
Brokerage fees paid	728	740	406	(2)	79	1,469	1,045
Other	349	340	441	3	(21)	689	1,027
Total fee and commission expense	1,078	1,080	847	0	27	2,158	2,072
Net fee and commission income	4,502	4,241	6,221	6	(28)	8,744	12,436

Note 5 Other income

CHF million	For the quarter ended			% change from		Year-to-date	
	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Associates and subsidiaries							
Net gains from disposals of consolidated subsidiaries ¹	316	137	(31)	131		452	(149)
Net gains from disposals of investments in associates	(1)	0	0			(1)	32
Share of net profits of associates	0	12	20	(100)	(100)	12	45
Total	314	149	(11)	111		463	(72)
Financial investments available-for-sale							
Net gains from disposals	25	20	64	25	(61)	46	119
Impairment charges	(48)	(95)	(11)	49	(336)	(143)	(33)
Total	(22)	(75)	52	71		(97)	86
Net income from investments in property ²	21	19	21	11	0	40	40
Net gains from investment properties ³	(29)	(4)	2	(625)		(33)	8
Other ⁴	9	506	29	(98)	(69)	515	41
Total other income	292	595	94	(51)	211	887	103

¹ Includes foreign exchange amounts reclassified from equity upon disposal or deconsolidation of subsidiaries. ² Includes net rent received from third parties and net operating expenses. ³ Includes unrealized and realized gains from investment properties at fair value and foreclosed assets. ⁴ Included in the quarter ended 31 March 2009 is a gain of CHF 304 million from the public tender offer for four subordinated bonds of UBS.

Note 6 Personnel expenses

CHF million	For the quarter ended			% change from		Year-to-date	
	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Salaries and bonuses	3,351	2,970	3,637	13	(8)	6,322	7,759
Contractors	72	88	110	(18)	(35)	161	216
Insurance and social security contributions	225	194	253	16	(11)	420	436
Contributions to retirement plans	259	217	245	19	6	476	484
Other personnel expenses	671	493	368	36	82	1,164	991
Total personnel expenses	4,578	3,963	4,612	16	(1)	8,542	9,887

Note 7 General and administrative expenses

CHF million	For the quarter ended			% change from		Year-to-date	
	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Occupancy	364	375	374	(3)	(3)	739	746
Rent and maintenance of IT and other equipment	148	162	165	(9)	(10)	310	322
Telecommunications and postage	181	187	223	(3)	(19)	368	453
Administration	170	181	226	(6)	(25)	351	436
Marketing and public relations	57	73	103	(22)	(45)	130	228
Travel and entertainment	97	117	194	(17)	(50)	215	375
Professional fees	222	215	253	3	(12)	437	473
Outsourcing of IT and other services	211	232	256	(9)	(18)	443	509
Other	249	93	1,037 ¹	168	(76)	342	1,533 ¹
Total general and administrative expenses	1,699	1,635	2,831	4	(40)	3,334	5,074

¹ Included in the quarter ended 30 June 2008 is an amount of CHF 919 million for the costs related to the repurchase of auction rate securities.

Note 8 Earnings per share (EPS) and shares outstanding

	As of or for the quarter ended			% change from		Year-to-date	
	30.6.09	31.3.09	30.6.08	1Q09	2Q08	30.6.09	30.6.08
Basic earnings (CHF million)							
Net profit attributable to UBS shareholders	(1,402)	(1,975)	(395)	29	(255)	(3,376)	(12,012)
from continuing operations	(1,405)	(1,980)	(452)	29	(211)	(3,385)	(12,144)
from discontinued operations	3	5	57	(40)	(95)	8	132
Diluted earnings (CHF million)							
Net profit attributable to UBS shareholders	(1,402)	(1,975)	(395)	29	(255)	(3,376)	(12,012)
Less: (profit)/loss on equity derivative contracts	(3)	(15)	(16)	80	81	(4)	(39)
Net profit attributable to UBS shareholders for diluted EPS	(1,405)	(1,990)	(411)	29	(242)	(3,380)	(12,051)
from continuing operations	(1,408)	(1,995)	(468)	29	(201)	(3,389)	(12,183)
from discontinued operations	3	5	57	(40)	(95)	8	132
Weighted average shares outstanding							
Weighted average shares outstanding	3,556,478,294	3,501,534,618	2,612,871,512	2	36	3,529,006,457	2,420,109,053
Potentially dilutive ordinary shares resulting from unvested exchangeable shares, options and warrants outstanding	716,858	3,270,313	2,636,254	(78)	(73)	2,351,944	2,100,351
Weighted average shares outstanding for diluted EPS	3,557,195,152	3,504,804,931	2,615,507,766	1	36	3,531,358,401	2,422,209,404
Potential ordinary shares from unexercised employee shares and options not considered due to the anti-dilutive effect	15,761,129	17,307,552	32,104,777	(9)	(51)	16,534,340	27,574,302
Earnings per share (CHF)							
Basic	(0.39)	(0.56)	(0.15)	30	(160)	(0.96)	(4.96)
from continuing operations	(0.40)	(0.57)	(0.17)	30	(135)	(0.96)	(5.02)
from discontinued operations	0.00	0.00	0.02		(100)	0.00	0.05
Diluted	(0.39)	(0.57)	(0.16)	32	(144)	(0.96)	(4.98)
from continuing operations	(0.40)	(0.57)	(0.18)	30	(122)	(0.96)	(5.03)
from discontinued operations	0.00	0.00	0.02		(100)	0.00	0.05
Shares outstanding							
Ordinary shares issued	3,225,849,284	2,932,580,549	2,932,567,827	10	10		
Treasury shares	44,992,074	55,076,337	100,846,828	(18)	(55)		
Shares outstanding	3,180,857,210	2,877,504,212	2,831,720,999	11	12		
Retrospective adjustments for capital increase ¹		23,307,784	22,936,940				
Mandatory convertible notes and exchangeable shares ²	605,543,434	605,572,473	273,745,402	0	121		
Shares outstanding for EPS	3,786,400,644	3,506,384,469	3,128,403,341	8	21		

¹ Shares outstanding increased by 0.81% due to the capital increase in June 2009. ² 30 June 2009 and 31 March 2009 include 332,225,913 shares for the mandatory convertible notes issued to the Swiss Confederation in December 2008. 30 June 2009, 31 March 2009 and 30 June 2008 include 272,651,005 shares for the mandatory convertible notes issued to two investors in March 2008. Both mandatory convertible notes issued are adjusted for the dilution effect of the capital increase in June 2009; remaining amounts related to exchangeable shares.

Note 9 Income taxes

UBS recognized a net income tax benefit in its income statement of CHF 208 million for second quarter 2009. This includes a deferred tax benefit of CHF 371 million, which mainly relates to a release of valuation allowances against deferred tax assets in respect of tax losses and temporary differences, taking into account the latest forecasts of taxable profits.

Note 10 Trading portfolio

CHF million	30.6.09	31.3.09	31.12.08
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Trading portfolio assets

Debt instruments			
Government and government agencies	117,311	99,213	115,696
Banks	22,232	24,777	23,175
Corporates and other	61,305	82,347	85,991
Total debt instruments	200,849	206,337	224,862
Equity instruments	69,303	67,222	77,258
Precious metals and other commodities¹	15,453	15,721	9,934
Total trading portfolio assets	285,604	289,280	312,054

Trading portfolio liabilities

Debt instruments			
Government and government agencies	30,329	25,099	34,043
Banks	3,122	3,141	4,354
Corporates and other	5,138	10,729	10,945
Total debt instruments	38,589	38,969	49,342
Equity instruments	14,244	14,146	13,089
Total trading portfolio liabilities	52,833	53,115	62,431

¹ Other commodities predominantly consist of energy.

Note 11 Fair value of financial instruments**a) Fair value hierarchy****Determination of fair values from quoted market prices or valuation techniques**

	30.6.09				31.3.09			
<i>CHF billion</i>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio assets	132.6	91.4	7.7	231.7	119.5	116.0	11.4	247.0
Trading portfolio assets pledged as collateral	38.7	13.6	1.5	53.9	27.7	13.7	0.9	42.3
Positive replacement values	5.7	508.3	28.5	542.5	5.6	714.4	33.7	753.6
Financial assets designated at fair value	0.8	11.2	0.1	12.1	0.8	11.7	0.1	12.6
Financial investments available-for-sale	2.9	1.2	1.3	5.4	2.7	1.0	1.4	5.1
Total assets	180.8	625.8	39.1	845.6	156.3	856.8	47.5	1,060.6
Trading portfolio liabilities	36.9	15.5	0.4	52.8	29.6	23.0	0.5	53.1
Negative replacement values	5.3	493.6	24.7	523.6	5.5	696.1	32.6	734.2
Financial liabilities designated at fair value		98.5	6.3	104.8		90.1	9.3	99.4
Total liabilities	42.2	607.7	31.4	681.3	35.1	809.1	42.4	886.7

Movements of level 3 instruments

<i>CHF billion</i>	Trading portfolio assets (including those pledged as collateral)	Derivative instruments (net replacement values)	Financial liabilities designated at fair value
Balance at 31 March 2009	12.3	1.1	9.3
Gains / losses included in the income statement	(2.1)	3.4	(1.0)
Purchases, sales, issuances and settlements	(3.3)	1.6	(2.1)
Purchases and issuances	1.3	2.6	0.9
Sales and settlements	(4.6)	(1.0)	(3.0)
Transfers into and /or out of level 3	2.4	(2.2)	(0.3)
Transfers into level 3	3.9	(2.0)	1.1
Transfers out of level 3	(1.5)	(0.2)	(1.4)
FX translation	(0.1)	(0.1)	0.4
Balance at 30 June 2009	9.2	3.8	6.3

As of 30 June 2009, financial instruments measured with valuation techniques using significant non-market observable inputs (level 3) mainly included structured rates and credit trades, bespoke collateralized debt obligations (CDOs) and instruments linked to the US sub-prime residential real estate market, US commercial and non-US real estate markets, as well as leveraged finance positions and credit instruments. In addition, level 3 financial liabilities included hybrid

financial liabilities from structured product issuances. Certain financial instruments classified as level 3 are fully or partially hedged by other financial instruments, which may also be classified as level 3. Therefore, the amount of level 3 financial instruments in the balance sheet and in the table "Determination of fair values from quoted market prices or valuation techniques" above is not representative of the valuation uncertainty resulting from level 3 measurements.

Note 11 Fair value of financial instruments (continued)

b) Valuations

UBS's own credit risk in the valuations of financial liabilities measured at fair value, including derivative liabilities

Changes in UBS's own credit are reflected in valuations for those financial liabilities at fair value, including derivative liabilities, where the Group's own credit risk would be considered by market participants and excludes fully collateralized transactions and other instruments for which it is established market practice not to include an entity-specific adjustment for own credit. Own credit changes were calculated based on a senior long-term debt curve generated from observed external pricing for funding associated with new senior debt issued by the Group, or relevant secondary market transactions in senior long-term UBS debt. In the absence of issued debt, credit default swap spreads would be considered as well.

Disclosures on own credit for "Financial liabilities designated at fair value"

As at 30 June 2009 and 31 March 2009, the own credit result for "Financial liabilities designated at fair value" still held at the reporting date (predominantly issued structured products) amounted to a loss of CHF 563 million and a gain of CHF 651 million, respectively, on a year-to-date basis; they generated a gain of CHF 2,412 million and a gain of CHF 3,767 million, respectively, on a life-to-date basis. The total own credit result reported in the second quarter on a quarter-to-date basis was a loss of CHF 1,213 million. The year-to-date amount represents the amount by which the financial liabilities designated at fair value were reduced since 1 January 2009. The life-to-date amount reflects the amounts by which the fair value of financial liabilities designated at fair value has been reduced since inception. Included in these amounts is the overall quantification of changes in fair value attributable to changes in UBS's credit spread during the periods. In addition, it includes the credit effect of "volume changes", i.e. the credit effect of period changes in fair values attributable to factors other than credit spreads, such as redemptions, effects from time decay, changes in the value of referenced instruments issued by third parties or changes in the foreign exchange rates. The change in the year-to-date 2009 own credit due only to the change in credit spread was a loss of CHF 76 million at 30 June 2009 and a gain of CHF 881 million at 31 March 2009. For second quarter the result was a loss of CHF 957 million.

Credit valuation adjustments on monoline credit protection

Credit valuation adjustments (CVAs) for monoline credit protection are based on a methodology that uses credit default swap (CDS) spreads on the monolines as a key input in determining an implied level of expected loss. Where a monoline has no observable CDS spread, a judgment is made on

the most comparable monoline or combination of monolines and the corresponding spreads are used instead.

CVAs are intended to achieve a fair value of the underlying contracts and are normally based on publicly available information. During second quarter 2009, UBS refined its approach to the assessment of CVA amounts applicable to transactions with collateralized loan obligation (CLO) underlyings by taking into consideration more detailed projections of cash flows on these instruments, thereby allowing for more accurate assessments of expected future exposure levels.

In second quarter 2009, in some cases where UBS had knowledge of potential restructurings that may result in economic outcomes more adverse than those implied by CDS market spreads, UBS determined to modify CVA amounts accordingly. At 31 December 2008, the same methodology was applied. To assess the sensitivity of the CVA calculation to alternative assumptions, the impact of a 10% increase in monoline credit default swap spreads (e.g. from 4,000 basis points to 4,400 basis points for a specific monoline) was considered. At 30 June 2009, such an increase would have resulted in an increase in the monoline credit valuation adjustment of approximately USD 153 million (CHF 166 million). The sensitivity of the monoline credit valuation adjustment to a decrease of one percentage point in the monoline recovery rate assumptions (e.g. from 25% to 24% for a specific monoline, conditional on default occurring) is estimated to result in an increase of approximately USD 25 million (CHF 27 million) in the CVA.

Option to acquire equity of the SNB StabFund

Under IFRS, the option to purchase the SNB StabFund's equity is recognized on the balance sheet as a derivative at fair value (positive replacement values) with changes in fair value recognized in profit and loss. At 30 June 2009, the fair value of the call option held by UBS was approximately CHF 969 million. This fair value is calculated using a standard option pricing model, where the asset pool is treated as the underlying asset. Key assumptions relate to the level of volatility assumed and to the interest rate assumed. The relevant assumptions applied at 30 June 2009 are the same as those applied at 31 December 2008, with the exception of the observable LIBOR rate. In particular, UBS assigned a volatility of 11.3% to the underlying asset pool. Decreasing or increasing this assumption by 10% (i.e. 11.3% to 10.2% and 11.3% to 12.4%) would have decreased or increased the fair value at 30 June 2009 by approximately USD 146 million (CHF 159 million) or USD 148 million (CHF 161 million) respectively.

At 30 June 2009, UBS applied an interest rate equal to the contractual funding rate for the asset pool of LIBOR +250 basis points. Decreasing or increasing this assumption by 100

Note 11 Fair value of financial instruments (continued)**b) Valuations (continued)**

basis points would have decreased or increased the estimated fair value at 30 June 2009 by USD 216 million (CHF 235 million) or USD 257 million (CHF 279 million).

Commitments to acquire auction rate securities

The auction rate securities (ARS) inventory held by UBS is classified as loans and receivables as of 30 June 2009, accounted for at amortized cost and tested for impairment. These positions are not included in the sensitivity information provided below. Commitments to acquire ARSs with a fair value of USD 795 million (CHF 863 million) as of 30 June 2009 are treated as derivatives (negative replacement values) and fair valued through profit or loss. Refer to the "Risk management and control" section of this report for further details on UBS's ARS commitments.

UBS's valuation of ARS commitments assumes that clients will request UBS to purchase the ARSs at the earliest possible opportunity available under the windows established by the settlement agreements UBS has entered into with various authorities. The valuation of the purchase liability is consistent with valuation approaches applied to the underlying ARSs. In particular, for student loan ARSs, which form the largest portion of the purchase commitment, this valuation is consistent with the fundamental cash flow model described in "Note 27 Fair value of financial instruments" in the financial statements of UBS's restated annual report for 2008. The discount rates in this model embed risk premiums that are calibrated to observe market transactions. The fair value of the ARSs as of 30 June 2009 is primarily sensitive to the level of various interest rates relevant to the outstanding student loan ARS population and to the calibrated risk premiums within the student loan ARS valuation model. UBS estimates that a 10 basis point parallel increase or decrease in all relevant interest rates would result in a loss or gain of approximately USD 2 million (CHF 2 million). With regard to the calibrated risk premiums, UBS estimates that a 50% increase or decrease in the risk premiums would result in a loss of approximately USD 291 million (CHF 316 million) or gain of approximately USD 303 million (CHF 329 million).

US reference-linked notes

The US reference-linked notes (US RLNs) consist of a series of transactions whereby UBS purchases credit protection, predominantly in note form, on a notional portfolio of fixed income assets. The referenced assets are comprised of USD asset-backed securities (ABSs) (primarily CMBS and subprime RMBS) and/or corporate bonds and loans across all rating categories. The credit protection embodied in the RLNs is fair valued using a market standard approach to the valuation of portfolio credit protection (Gaussian copula). This approach is intended to simulate correlated defaults within the portfolio, where the expected losses and defaults of the individual assets are closely linked to the observed market prices (spread levels) of those assets. Key assumptions of the model include correlations and recovery rates. UBS applies fair value adjustments related to potential uncertainty in each of these parameters, which are only partly observable. In addition, UBS applies fair value adjustments for uncertainties associated with the use of observed spread levels as the primary inputs. These fair value adjustments are calculated by applying shocks to the relevant parameters and revaluing the credit protection. These shocks for correlation, recovery and spreads are set to various levels depending on the asset type and/or region and may vary over time depending on the best judgment of the relevant trading and control function. Correlation and recovery shocks are generally in the range of 5 to 15 percentage points. Spread shocks vary more widely and also depend on whether the underlying protection is funded or unfunded to reflect cash or synthetic basis effects. As of 30 June 2009, the fair value of the US RLN credit protection (pre-reserve) is approximately USD 2,602 million (CHF 2,824 million). The fair value adjustments calculated by applying the shocks described above are approximately USD 179 million (CHF 194 million) as of 30 June 2009.

Non-US reference-linked notes

The same valuation model and the same approach to calculation of fair value adjustments are applied for the non-US reference-linked note (non-US RLN) credit protection as for

Note 11 Fair value of financial instruments (continued)

b) Valuations (continued)

the US RLN credit protection described above, except that the spread is shocked by 10% for European corporate names. As of 30 June 2009, the fair value of the non-US RLN credit protection is approximately USD 1,683 million (CHF 1,828 million). The fair value adjustments (up and down) calculated by applying the shocks described above are approximately USD 130 million (CHF 141 million).

Derivatives embedded in MCN December 2008 issuance

The MCNs issued in December 2008 include embedded equity and derivative components with UBS shares as underlying, which are bifurcated and treated as one derivative accounted for at fair value (negative replacement values)

with fair value changes recognized in profit or loss. Refer to "Note 26 Capital increases and mandatory convertible notes" in the financial statements of UBS's restated annual report 2008 for more information. The fair value amounted to negative CHF 412 million as of 30 June 2009. A 10% reduction in UBS's share price from CHF 13.29 to CHF 11.96, holding all other variables constant, would have resulted in a fair value of negative CHF 269 million (gain of CHF 143 million), whereas an increase of 10% in UBS's share price from CHF 13.29 to CHF 14.62 would have led to a fair value of negative CHF 588 million (loss of CHF 176 million). There is no impact on UBS's financial resources, as the embedded equity and derivative components will be settled in newly issued UBS shares.

c) Deferred day-1 profit or loss

The table reflects financial instruments for which fair value is determined using valuation models where not all inputs are market-observable. Such financial instruments are initially recognized in UBS's financial statements at their transaction price although the values obtained from the relevant valuation

model on day-1 may differ. The table shows the aggregate difference yet to be recognized in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference (movement of deferred day-1 profit or loss).

CHF million	For the quarter ended		
	30.6.09	31.3.09	30.6.08
Balance at the beginning of the period	600	627	461
Deferred profit/(loss) on new transactions	55	17	174
Recognized (profit)/loss in the income statement	(10)	(79)	(133)
Foreign currency translation	(25)	35	11
Balance at the end of the period	620	600	513

Note 12 Reclassification of financial assets

In 2008 and first quarter 2009, financial assets with fair values on their reclassification dates of CHF 26 billion and CHF 0.6 billion, respectively, were reclassified out of "Trad-

ing portfolio assets" to "Loans". No financial assets were reclassified in second quarter 2009. The table below shows the carrying values and fair values of these financial assets.

Trading portfolio assets reclassified to loans

<i>CHF billion</i>	30.6.09	31.3.09	31.12.08
Carrying value of trading portfolio assets reclassified	23.1	25.3	24.2
Fair value of trading portfolio assets reclassified	20.3	21.2	20.8

If these financial assets had not been reclassified, changes in their fair values would have resulted in fair value gains of CHF 1.3 billion for the quarter ended 30 June 2009 and fair value

losses of CHF 1.2 billion for the quarter ended 31 March 2009.

After reclassification, these financial assets impacted UBS's income statement as presented in the table below.

Contribution of the reclassified assets to the income statement

	For the quarter ended		Year-to-date
<i>CHF billion</i>	30.6.09	31.3.09	30.6.09
Net interest income	0.5	0.4	0.8
Credit loss (expense)/recovery	(0.3)	(0.6)	(0.8)
Other income	(0.1)	0.1	0.1
Impact on operating profit before tax	0.1	(0.1)	0.1

Note 13 Commitments

The table below shows the maximum committed amount of commitments.

	30.6.09			31.3.09			31.12.08		
<i>CHF million</i>	Gross	Sub-participations	Net	Gross	Sub-participations	Net	Gross	Sub-participations	Net
Credit guarantees and similar instruments	12,287	(282)	12,005	13,886	(225)	13,661	13,124	(344)	12,780
Performance guarantees and similar instruments	3,455	(375)	3,079	3,512	(455)	3,057	3,596	(446)	3,150
Documentary credits	2,362	(417)	1,946	2,465	(535)	1,930	2,979	(415)	2,564
Total commitments	18,104	(1,074)	17,030	19,863	(1,215)	18,648	19,699	(1,205)	18,494
Undrawn irrevocable credit facilities¹	60,489	(1,711)	58,778	60,828	(1,953)	58,875	60,316	(1,920)	58,396

¹ Amounts presented for the comparative periods have been adjusted: sub-participations and net commitments on 31 March 2009 from CHF (2) million to CHF (1,953) million and from CHF 60,826 million to CHF 58,875 million, respectively; sub-participations and net commitments on 31 December 2008 from CHF (1) million to CHF (1,920) million and from CHF 60,315 million to CHF 58,396 million, respectively.

Note 14 Changes in organization

Disposal groups classified as held for sale

As of 30 June 2009, UBS Pactual and 56 branches in Wealth Management Americas were classified as disposal groups held for sale. These disposal groups have been measured at the lower of their carrying value and fair value less costs to sell and their assets and liabilities presented as assets and liabilities of disposal groups held for sale in the balance sheet.

Sale of UBS Pactual

As announced on 20 April 2009 and in UBS's first quarter 2009 report, UBS has agreed to sell its Brazilian financial services business, UBS Pactual, to BTG Investments, LP. The sale consideration consists of a combination of a cash pay-

ment and an assumption of liabilities by BTG Investments. The total cash consideration is approximately USD 667 million, of which USD 467 million will be payable at the closing of the transaction, and the remaining approximately USD 200 million, plus accrued interest, will be payable 12 months after the closing. Liabilities assumed by BTG Investments relate primarily to the residual payment obligation of USD 1.6 billion owed to former Pactual partners, which was incurred by UBS upon acquisition of Pactual in 2006 and is due in 2011. The transaction is expected to close in third quarter 2009, subject to regulatory approval.

The main aggregates of assets and liabilities of UBS Pactual classified as held for sale at 30 June 2009 are presented in the table below.

UBS Pactual

CHF million	30.6.09
Assets	
Reverse repurchase agreements	1,410
Trading portfolio assets (including pledged as collateral)	1,574
Loans	643
Goodwill and intangible assets	722
All other assets	1,079
Assets of disposal groups held for sale	5,428
Liabilities	
Repurchase agreements	711
Due to customers	660
Debt issued	845
All other liabilities	1,174
Liabilities associated with disposal groups held for sale	3,390

In first quarter 2009, a net charge of CHF 388 million was recognized in UBS's income statement in relation to the announced sale, with a goodwill impairment charge of CHF 631 million partly offset by a deferred tax benefit of CHF 243 million. In second quarter 2009, re-measurement of UBS Pactual to fair value less costs to sell led to the recognition of an additional goodwill impairment charge of CHF 492 million. This goodwill impairment charge included primarily the effects from foreign exchange losses that were previously deferred in equity and from the translation of the US dollar-denominated sales price into Swiss francs.

The operational results of UBS Pactual continued to be reported in the business divisions Investment Bank, Global Asset Management and Wealth Management Americas, and in the Corporate Center. For management and segment reporting purposes, the goodwill impairment charge in second quarter 2009 was also presented in the respective business division results in the "Impairment of goodwill" line item.

However, consistent with UBS's internal policy that foreign exchange exposures related to investments in subsidiaries are managed by Group Treasury and related gains and losses are recognized in the Corporate Center, the goodwill impairment charge was then charged through the "Services (to)/from other business divisions" line item to the Corporate Center. At 30 June 2009, and after this impairment, the goodwill allocated to UBS Pactual amounted to CHF 416 million.

Upon the closing of the transaction, UBS expects to realize an additional loss in the range of CHF 300 million, predominantly attributable to foreign currency translation effects that accumulated in equity during the holding period of UBS Pactual.

Sale of 56 branches in Wealth Management Americas

Following an agreement announced in March 2009, UBS will sell 56 branches in Wealth Management Americas to Stifel, Nicolaus & Company, Incorporated for an upfront cash pay-

Note 14 Changes in organization (continued)

ment of approximately USD 28.5 million. UBS will also receive annual earn-out payments for the two-year period following the closing of the transaction principally based on the performance of the UBS financial advisors who become Stifel Nicolaus employees, as well as aggregate payments of up to approximately USD 19 million for net fixed assets and employee forgivable loans. The transaction is expected to close in four separate closings during the second half of 2009.

At 30 June 2009, the 56 branches had total assets of CHF 295 million, including CHF 241 million of customer loans, and total liabilities of CHF 41 million, principally reflecting amounts due to customers. This transaction is not expected to have a material impact on UBS's income statement.

Restructuring

In second quarter 2009, UBS incurred restructuring charges of CHF 582 million, including CHF 320 million in "Personnel

expenses", mainly for severance payments, CHF 230 million in "General and administrative expenses", primarily for real-estate related costs, and CHF 32 million of depreciation and impairment losses on property and equipment. In first quarter 2009, UBS incurred restructuring charges of CHF 192 million in "Personnel expenses".

Regulatory considerations

UBS has been in active dialogue with its regulators concerning remedial actions that it is taking to address deficiencies in its risk management and control, funding, and certain other processes and systems. UBS will for some period be subject to increased scrutiny by the Swiss Financial Market Supervisory Authority and its other major regulators, and accordingly will be subject to regulatory measures that might affect the implementation of its strategic plans.

Note 15 Capital increase

On 25 June 2009, UBS increased its share capital by issuing 293,258,050 new registered shares with a par value of CHF 0.10 each. The shares were placed with a small number of large institutional investors at a price of CHF 13.00 per share. Net proceeds from the capital increase were approx-

imately CHF 3.8 billion. The shares were issued upon decision by the Board of Directors out of authorized capital which had been approved at the annual general meeting of shareholders on 15 April 2009.

Note 16 Provisions

CHF million	30.6.09	31.3.09	31.12.08
Operational risks including litigation	1,272	1,383	1,688
Other ¹	1,624 ²	1,037	1,039
Total	2,896	2,420	2,727

¹ Excludes contingent claims and pensions. ² Includes a provision for restructuring costs of CHF 806 million.

Note 17 Litigation

The UBS Group operates in a legal and regulatory environment that exposes it to potentially significant litigation risks. As a result, UBS is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations, including numerous disputes and legal proceedings arising directly or indirectly out of the credit crisis. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, UBS may, based on a cost-benefit analysis, enter into a settlement even though UBS denies any wrongdoing. The Group makes provisions for cases brought against it when after seeking legal advice, in the opinion of management, it is probable that a liability exists, and the amount can be reasonably estimated.

Certain potentially significant legal proceedings as of 30 June 2009 are described below:

- a) **Municipal Bonds:** In November 2006, UBS and others received subpoenas from the US Department of Justice, Antitrust Division, and the US Securities and Exchange Commission (SEC) seeking information relating to the investment of proceeds of municipal bond issuances and associated derivative transactions. Both investigations are ongoing, and UBS is cooperating. In addition, various state Attorneys General have issued subpoenas seeking similar information. In the SEC investigation, on 4 February 2008, UBS received a "Wells notice" advising that the SEC staff is considering recommending that the SEC bring a civil action against UBS AG in connection with the bidding of various financial instruments associated with municipal securities.
- b) **Auction Rate Securities:** UBS was sued by four state regulatory authorities and was the subject of investigations by the SEC and other regulators, relating to the marketing and sale of auction rate securities (ARSs) to clients and to UBS's role and participation in ARS auctions and underwriting of ARSs. UBS was also named in several putative class actions and individual civil suits and a large number of individual arbitrations. The regulatory actions and investigations and the civil proceedings followed the disruption in the markets for these securities and related auction failures since mid-February 2008. Plaintiffs and the regulators generally sought rescission, i.e., for UBS to purchase the ARSs that UBS sold to them at par value, as well as compensatory damages, disgorgement of profits and in some cases penalties. On 8 August 2008, UBS entered into settlements in principle with the SEC, the New York Attorney General (NYAG) and other state agencies represented by the North American Securities Administrators Association (NASAA), whereby UBS agreed to

offer to buy back ARSs from eligible customers within certain time periods, the last of which begins on 30 June 2010, and to pay penalties of USD 150 million (USD 75 million to the NYAG, USD 75 million to the other states). UBS subsequently finalized its settlement with the State of Massachusetts, the SEC and the NYAG, and is continuing to finalize agreements with the other state regulators. UBS's settlement is largely in line with similar industry regulatory settlements. The NYAG and SEC continue to investigate individuals affiliated with UBS who traded in ARSs or who had responsibility for disclosures.

- c) **US Cross-Border:** UBS AG has been responding to a number of governmental inquiries and investigations relating to its cross-border private banking services to US private clients during the years 2000-2007. On 18 February 2009, UBS announced that it had entered into a Deferred Prosecution Agreement (DPA) with the US Department of Justice Tax Division (DOJ) and the United States Attorney's Office for the Southern District of Florida, and a Consent Order with the SEC relating to these investigations. As part of these settlement agreements, among other things: (i) UBS will pay a total of USD 780 million to the United States, USD 380 million representing disgorgement of profits from maintaining the US cross-border business and USD 400 million representing US federal backup withholding tax required to be withheld by UBS, together with interest and penalties, and restitution for unpaid taxes associated with certain account relationships involving fraudulent sham and nominee offshore structures and otherwise as covered by the DPA; (ii) UBS will complete the exit of the US cross-border business out of non-SEC registered entities, as announced in July 2008, which these settlements permit UBS to do in a lawful, orderly and expeditious manner; (iii) UBS will implement and maintain an effective program of internal controls with respect to compliance with its obligations under its Qualified Intermediary (QI) Agreement with the Internal Revenue Service (IRS), as well as a revised legal and compliance governance structure in order to strengthen independent legal and compliance controls; and (iv) pursuant to an order issued by the Swiss Financial Market Supervisory Authority (FINMA), information was transferred to the DOJ regarding accounts of certain US clients as set forth in the DPA who, based on evidence available to UBS, appear to have committed tax fraud or the like within the meaning of the Swiss-US Double Taxation Treaty. Pursuant to the DPA, the DOJ has agreed that any further prosecution of UBS will be deferred for a period of at least 18 months, subject to extension under certain circumstances such as UBS needing more time to complete the implementation of the exit of its US cross-border business. If UBS satisfies all of its obligations under the DPA,

Note 17 Litigation (continued)

the DOJ will refrain permanently from pursuing charges against UBS relating to the investigation of its US cross-border business. As part of the SEC resolution, the SEC filed a Complaint against UBS in US Federal District Court in Washington, D.C., charging UBS with acting as an unregistered broker-dealer and investment advisor in connection with maintaining its US cross-border business. Pursuant to the Consent Order, UBS did not admit or deny the allegations in that Complaint, and consented to the entry of a final judgment that provides, among other things, that: (i) UBS will pay USD 200 million to the SEC, representing disgorgement of profits from the US cross-border business (this amount is included in, and not in addition to, the USD 780 million UBS is paying to the United States as described above); and (ii) UBS will complete its exit of the US cross-border business and will be permanently enjoined from violating the SEC registration requirements by providing broker-dealer or investment advisory services to US persons through UBS entities not registered with the SEC. The District Court entered the final judgment on 19 March 2009.

The DOJ and SEC agreements did not resolve the "John Doe" summons which the IRS served on UBS in July 2008. In this regard, on 19 February 2009, the Civil Tax Division of the DOJ filed a civil petition for enforcement of this summons in US Federal District Court in Miami, through which it seeks an order directing UBS to produce information located in Switzerland regarding US clients who have maintained accounts with UBS in Switzerland without providing a Form W-9. The DPA preserves UBS's ability to fully defend its rights in connection with the IRS's enforcement effort. UBS believes that it has substantial defenses, including that complying with the summons would constitute a violation of Swiss financial privacy laws, and intends to vigorously contest the enforcement of the summons. The litigation could result in the imposition of substantial fines, penalties and/or other remedies (due to a possible finding of contempt of court). In addition, pursuant to the DPA, should UBS fail to comply with a final US court order directing it to comply with the summons after fully exhausting all rights to appeal, the DOJ may, after certain conditions have been satisfied, choose to pursue various remedies available for breach of the DPA. This may include charging UBS with conspiracy to commit tax fraud. On 13 July 2009, the District Court entered an order, on joint motion by UBS and the US government, which motion was also supported by the Swiss government as *amicus curiae*, staying the litigation of the matter and granting a continuance of the evidentiary hearing that was set to begin on that day. The Court set the evidentiary hearing for 3 and 4 August. On 31 July, the U.S. Government informed the Court that the parties have reached an agree-

ment in principle on the major issues and expect to resolve the remaining issues in the coming week. The hearing scheduled for 3 and 4 August has been postponed to 10 August, and the Court has scheduled a status conference for 7 August.

Also on 18 February 2009, FINMA published the results of the now concluded investigation conducted by the Swiss Federal Banking Commission (SFBC). The SFBC concluded, among other things, that UBS violated the requirements for proper business conduct under Swiss banking law and issued an order barring UBS from providing services to US resident private clients out of non-SEC registered entities. Further, the SFBC ordered UBS to enhance its control framework around its cross-border businesses, and announced that the effectiveness of such framework will be audited. Following the disclosure of the US cross-border matter and the settlements with the DOJ and the SEC, tax and regulatory authorities in a number of jurisdictions have expressed an interest in understanding the cross-border wealth management services provided by UBS and other financial institutions. It is premature to speculate on the outcome of any such inquiries.

- d) **Matters Related to the Credit Crisis:** UBS is responding to a number of governmental inquiries and investigations, and is involved in a number of litigations, arbitrations and disputes, related to the credit crisis, and in particular US mortgage-related securities and related structured transactions and derivatives. These matters concern, among other things, UBS's valuations, disclosures, writedowns, underwriting, and contractual obligations. In particular, UBS has been in regular communication with, and responding to inquiries by FINMA, its home country consolidated regulator, as well as the SEC, the Financial Industry Regulatory Authority (FINRA) and the United States Attorney's Office for the Eastern District of New York (USAO), regarding some of these issues and others, including the role of internal control units, governance and processes around risk control and valuation of mortgage-related instruments, compliance with public disclosure rules, and the business rationales for the launching and the reintegration of Dillon Read Capital Management (DRCM). FINMA concluded its investigation in October 2008, but the investigations by the SEC, FINRA and the USAO are ongoing.
- e) **Claims Related to UBS Disclosure:** A putative consolidated class action was filed against UBS and a number of current and former directors and senior officers in the Southern District of New York alleging securities fraud in connection with the firm's disclosures relating to its losses in the sub-prime mortgage markets, its losses and positions in auction rate securities, and its US cross-border business. Defendants have moved to dismiss the complaint for lack of

Note 17 Litigation (continued)

jurisdiction and for failure to state a claim. In February and March 2009, two additional securities fraud class actions were filed in the Southern District of New York against UBS and various senior executives and directors alleging that defendants made materially misleading disclosures concerning UBS's US cross-border wealth management business. By order dated 7 April 2009, these two actions were consolidated with the pending shareholder class action. UBS and a number of senior officers and directors have also been sued in a consolidated class action brought on behalf of holders of UBS ERISA retirement plans in which there were purchases of UBS stock. UBS has moved to dismiss the ERISA complaint for failure to state a claim.

- f) Madoff: In relation to the Madoff investment fraud, UBS, UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF). The CSSF has made inquiries concerning two third-party funds established under Luxembourg law the assets of which were managed by Bernard L. Madoff Investment Securities LLC (BMIS) (as well as certain funds established under offshore jurisdictions with either direct or indirect exposure to BMIS), and which now face severe losses. The last reported net asset value of the two Luxembourg funds before rev-

elation of the Madoff scheme was approximately USD 1.7 billion in the aggregate. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. On 25 February 2009, the CSSF issued a communiqué with respect to the larger of the two funds, stating that UBS (Luxembourg) SA had failed to comply with its due diligence responsibilities as custodian bank. The CSSF ordered UBS (Luxembourg) SA to review its infrastructure and procedures relating to its supervisory obligations as custodian bank, but did not order it to compensate investors. On 25 May 2009, UBS (Luxembourg) SA submitted a comprehensive final report to the CSSF, which resulted in the CSSF publishing a new communiqué saying that UBS (Luxembourg) SA has provided evidence demonstrating that it has the infrastructure and internal organization in place in accordance with professional standards applicable to custodian banks in Luxembourg. A large number of alleged beneficiaries have filed claims against UBS entities for purported losses relating to the Madoff scheme. Further, certain clients of UBS Sauerborn (the KeyClient segment of UBS Deutschland AG) are exposed to Madoff-managed positions through third-party funds and funds administered by UBS Sauerborn.

Note 18 Goodwill impairment

Introduction

As at 30 June 2009, the following four segments carried goodwill: Wealth Management & Swiss Bank, Wealth Management Americas, Global Asset Management, and the Investment Bank. For the purpose of testing goodwill for impairment, UBS considers each of these segments as a separate cash-generating unit, and determines the recoverable amount of a segment on the basis of value in use.

The ongoing crisis in the financial markets dramatically changed industry dynamics, and the related decrease in market capitalization of UBS made it necessary to review whether goodwill allocated to its cash generating units was impaired. On the basis of the impairment-testing methodology described below, UBS concluded that the goodwill allocated to all its segments remains recoverable.

UBS Pactual

In first quarter 2009, a goodwill impairment charge of CHF 631 million was recognized in relation to the announced sale

of UBS Pactual. In second quarter 2009, the re-measurement of UBS Pactual to fair value less costs to sell led to the recognition of an additional goodwill impairment charge of CHF 492 million. As of 30 June 2009, UBS Pactual was classified as disposal groups held for sale (refer to "Note 14 Changes in organization" for more information). Upon closing, UBS Pactual will be deconsolidated and the remaining goodwill of CHF 0.4 billion, reflected in "Assets of disposal groups held for sale", will be derecognized from UBS's balance sheet.

Methodology

The recoverable amount is determined using a proprietary model based on discounted cash flows, which has been adapted to give effect to the special features of the banking business and its regulatory environment. The recoverable amount is determined by estimating streams of earnings available to shareholders in the next five years, discounted to their present values. The terminal value reflecting all periods beyond the fifth year is calculated on the basis of the estimated individual return on equity for each segment, which is

Note 18 Goodwill impairment (continued)

derived from the forecast of fifth-year profit, the underlying equity, the cost of equity and the long-term growth rate. The recoverable amount of a segment is the sum of earnings available to shareholders from the first five years and the terminal value.

The carrying amount for each segment is determined by a roll-forward of historic carrying amounts based on the equity attributed to UBS shareholders, as full balance sheets are not available for the segments. For each segment the beginning of the period balance of equity is rolled forward by accounting for the items that affect a segment's carrying amount, e.g. allocation of transactions with shareholders at Group level, to arrive at the end of the period balance.

Investment Bank / Wealth Management Americas

On 30 June 2009, the reassessment of the goodwill of the Investment Bank and Wealth Management Americas, which has been strongly affected by the effects of the financial market crisis, was a key focus. Goodwill allocated to the Investment Bank amounted to CHF 3.5 billion as at 30 June 2009, down from CHF 4.1 billion as at 31 March 2009. The decline was due to an impairment of CHF 328 million related to UBS Pactual and the reclassification of the remaining UBS Pactual goodwill of CHF 277 million to "Assets of disposal groups held for sale" (refer to "Note 14 Changes in organization" for further details). Goodwill allocated to Wealth Management Americas amounted to CHF 3.8 billion as at 30 June 2009, down from CHF 4.0 billion as at 31 March 2009, with the decrease due to foreign currency translation

effects and an impairment of CHF 15 million related to UBS Pactual as well as the reclassification of the remaining UBS Pactual goodwill of CHF 14 million to "Assets of disposal groups held for sale".

In its review of the goodwill balance as at the end of second quarter 2009, UBS considered the performance outlook of its Investment Bank and Wealth Management Americas business divisions and the underlying business operations to resolve whether the recoverable amount for this unit covers its carrying amount, based on the methodology described above. On this basis, UBS concluded that goodwill allocated to the Investment Bank and Wealth Management Americas remained recoverable on 30 June 2009. The conclusion was reached based on the updated forecast results, which include those activities that are expected to generate positive cash flows in future years. The forecasts are based on an expectation that the economic environment will gradually improve over the next three years and reach an average growth level thereafter. However, if the conditions in the financial markets and banking industry further deteriorate and turn out to be worse than anticipated in UBS's performance forecasts, the goodwill carried in the Investment Bank and Wealth Management Americas business divisions may need to be impaired in future quarters.

Recognition of any impairment of goodwill would reduce IFRS equity attributable to UBS shareholders and net profit but it would not impact the cash flows, BIS tier 1 capital, BIS total capital, and capital ratios of the UBS Group, as goodwill is required to be deducted from capital under the Basel II capital framework.

Note 19 Currency translation rates

The following table shows the principal rates used to translate the financial information of foreign entities into Swiss francs:

	Spot rate			Average rate			Average rate	
	As of			Quarter ended			Year-to-date	
	30.6.09	31.3.09	30.6.08	30.6.09	31.3.09	30.6.08	30.6.09	30.6.08
1 USD	1.09	1.14	1.02	1.10	1.16	1.04	1.13	1.02
1 EUR	1.52	1.51	1.61	1.52	1.49	1.62	1.51	1.60
1 GBP	1.79	1.63	2.03	1.74	1.65	2.06	1.69	2.01
100 JPY	1.13	1.15	0.96	1.13	1.21	0.98	1.16	0.99

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) 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.

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.

Imprint | Publisher: UBS AG, P.O. Box, CH-8098 Zurich, Switzerland; CH-4002 Basel, P.O. Box, Switzerland; www.ubs.com | Language: English | SAP-No. 80834E-0903

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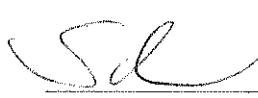
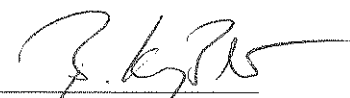


The relevant Base Prospectus and all supplements thereto, are available free of charge at the Issuer and at UBS Deutschland AG, Stephanstrasse 14 – 16, 60313 Frankfurt am Main, Federal Republic of Germany.

Additionally, the Base Prospectus and all supplements thereto are published on the website www.ubs.com/keyinvest, or a successor website.

Frankfurt am Main, 31 August 2009

UBS AG, acting through its [London] [Jersey] Branch

 
signed by signed by

UBS Limited

 
signed by signed by