



# Debt Investor Presentation (2Q09)

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August 2009

# Disclaimer

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# Content

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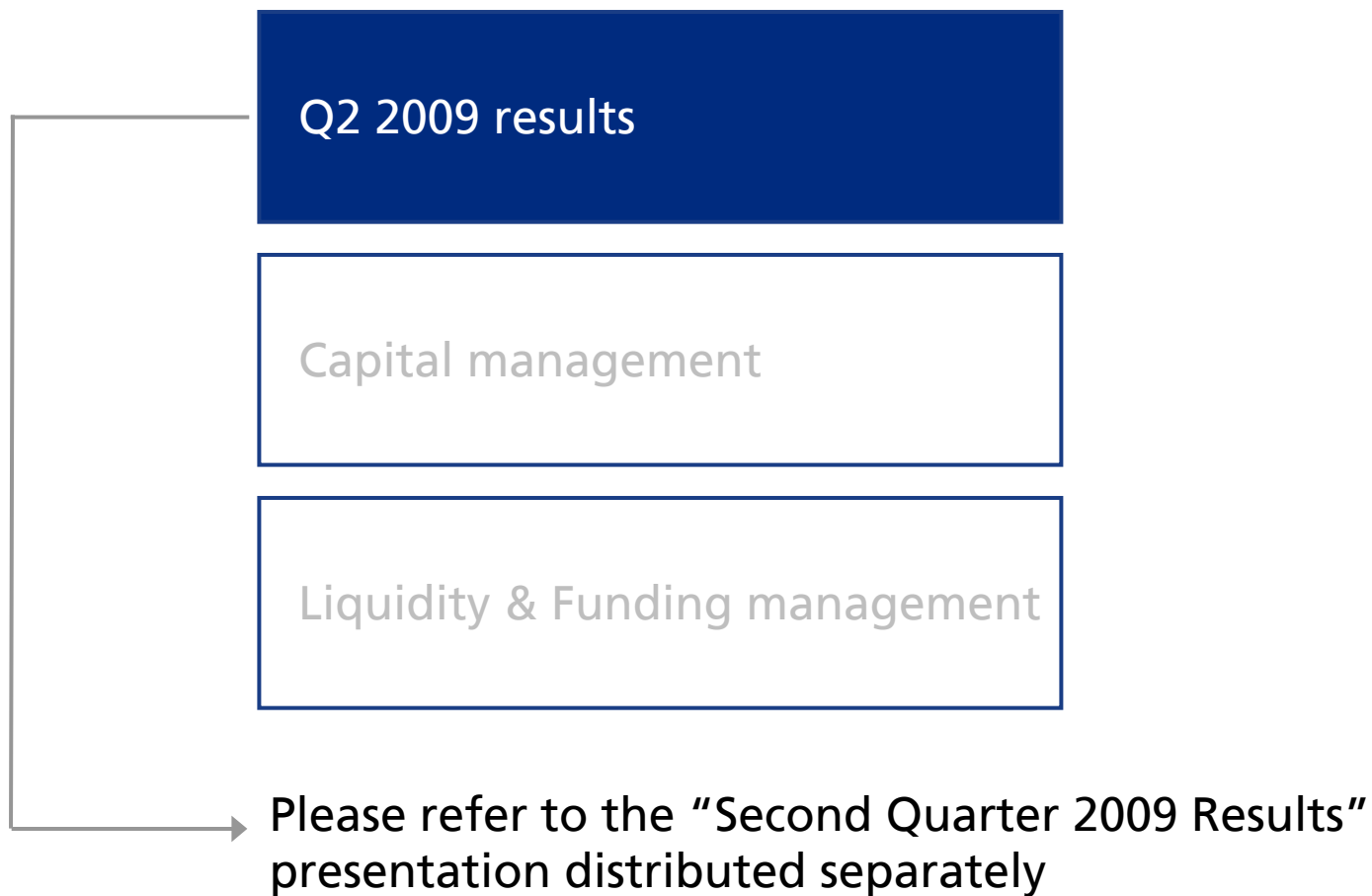
Q2 2009 results

Capital management

Liquidity & Funding management

# Content

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# Liquidity, Funding, Balance Sheet and Capital at-a-glance

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- ◆ Reduction in funding needs from further asset reductions but increased long-term funding:
  - long-term debt now contributes 20% of UBS's funding sources<sup>1</sup>
- ◆ UBS generated long-term funds during 2Q09 by:
  - Issuing public senior benchmark bonds in EUR and CHF – CHF equivalent 3 bn
  - Issuing new covered bonds via Swiss Mortgage Bank – CHF 2+ bn
  - Private placement of authorized share capital – CHF 3.8 bn
- ◆ Overall, the balance sheet continued its decline by a further CHF 261 bn during 2Q09 falling to CHF 1,600 bn
- ◆ Both the tier 1 capital ratio and the BIS total ratio improved at the end of 2Q09:
  - Tier 1 capital ratio increased to 13.2% at the end of 2Q09 from 10.5% at the end of 1Q09
  - The BIS total capital ratio increased to 17.7% at the end of 2Q09 from 14.7% at the end of 1Q09
- ◆ Post 2Q09, UBS continued to taking advantage of market opportunities to strengthen its funding base by issuance of:
  - Public senior bonds in Euro and GBP – CHF equivalent 4 bn
  - New covered bonds via Swiss Mortgage Bank – CHF 1+ bn

1. Excluding Negative RVs, trading shorts, equity, other liabilities: see slide 24.

# Content

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Q2 2009 results

**Capital management**

Liquidity & Funding management

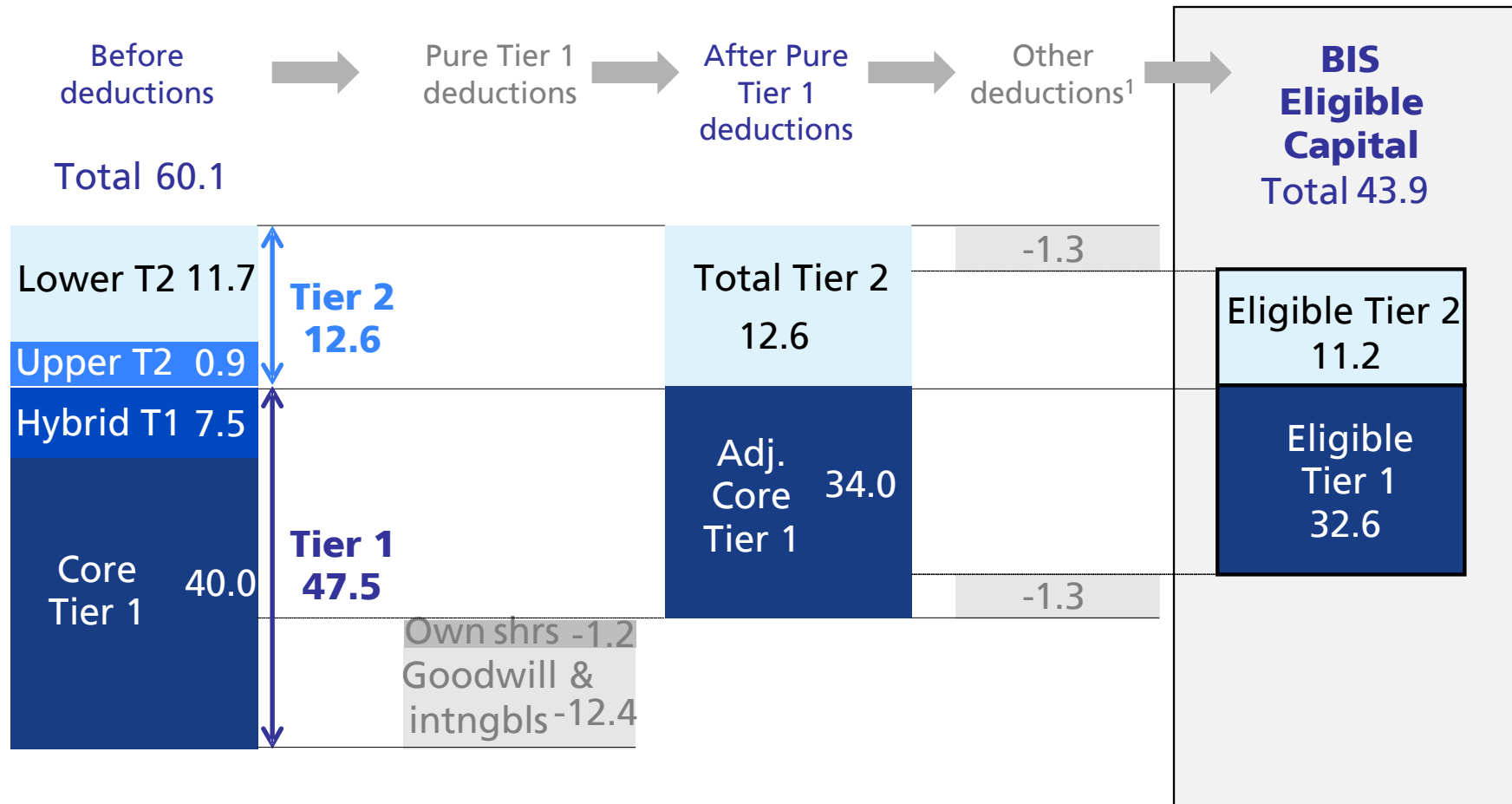
# Regulatory capital – 2Q09

	Tier 1 capital	BIS RWA	Tier 1 ratio	Total capital	Total ratio
CHF bn					
31.03.09	29.2	278	10.5%	41.0	14.7%
Net P&L attr. to shareholders	(1.4)			(1.4)	
Net P&L not eligible for capital	1.2			1.2	
Share placement	3.8			3.8	
Other <sup>1</sup>	(0.2)			(0.2)	
Risk-weighted assets		(30)			
Impacts on Tier 2 capital				(0.5)	
30.06.09	32.6	248	13.2%	43.9	17.7%
Pro-forma for announced UBS Pactual sale	33.6	245	13.7%	44.9	18.3%

1. Includes effects of goodwill CHF 0.7bn, accrual for MCN coupons (CHF 0.5bn), own shares (CHF 0.3bn) and other (CHF 0.1bn).

# UBS Capital Structure (BIS) 2Q09

CHF billions

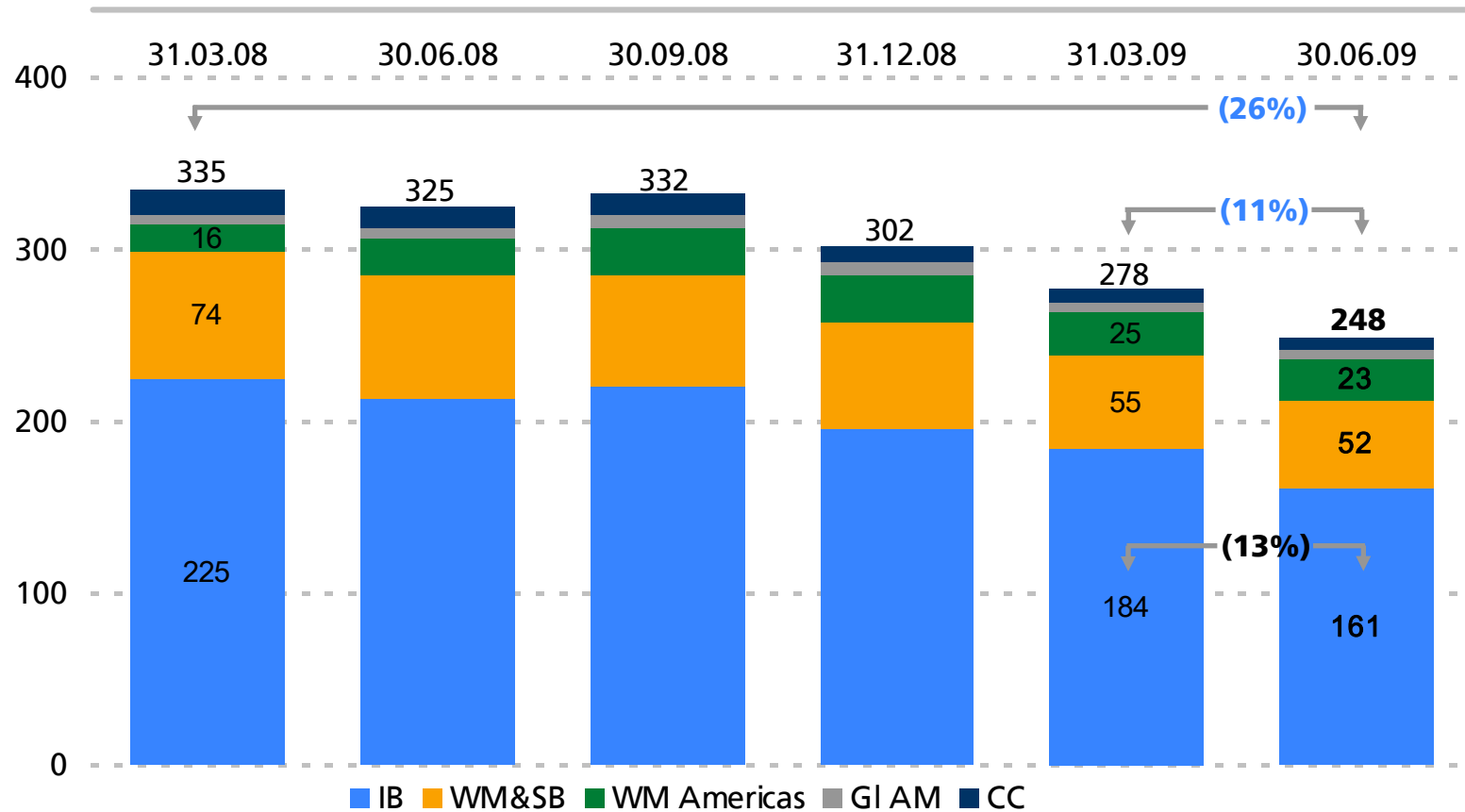


1. Positions to be deducted as 50% from tier 1 and 50% from total capital mainly consist of: net long position of non-consolidated participations in the finance sector; expected loss less provisions (if positive, for AIRB); expected loss for equities (simple risk weight method); first-loss positions from securitization exposures.

# Risk-Weighted Asset trend – by Division

In 2Q09, RWAs were reduced by another CHF 30 bn (11%)...

BIS Risk-Weighted Assets  
CHF Billion

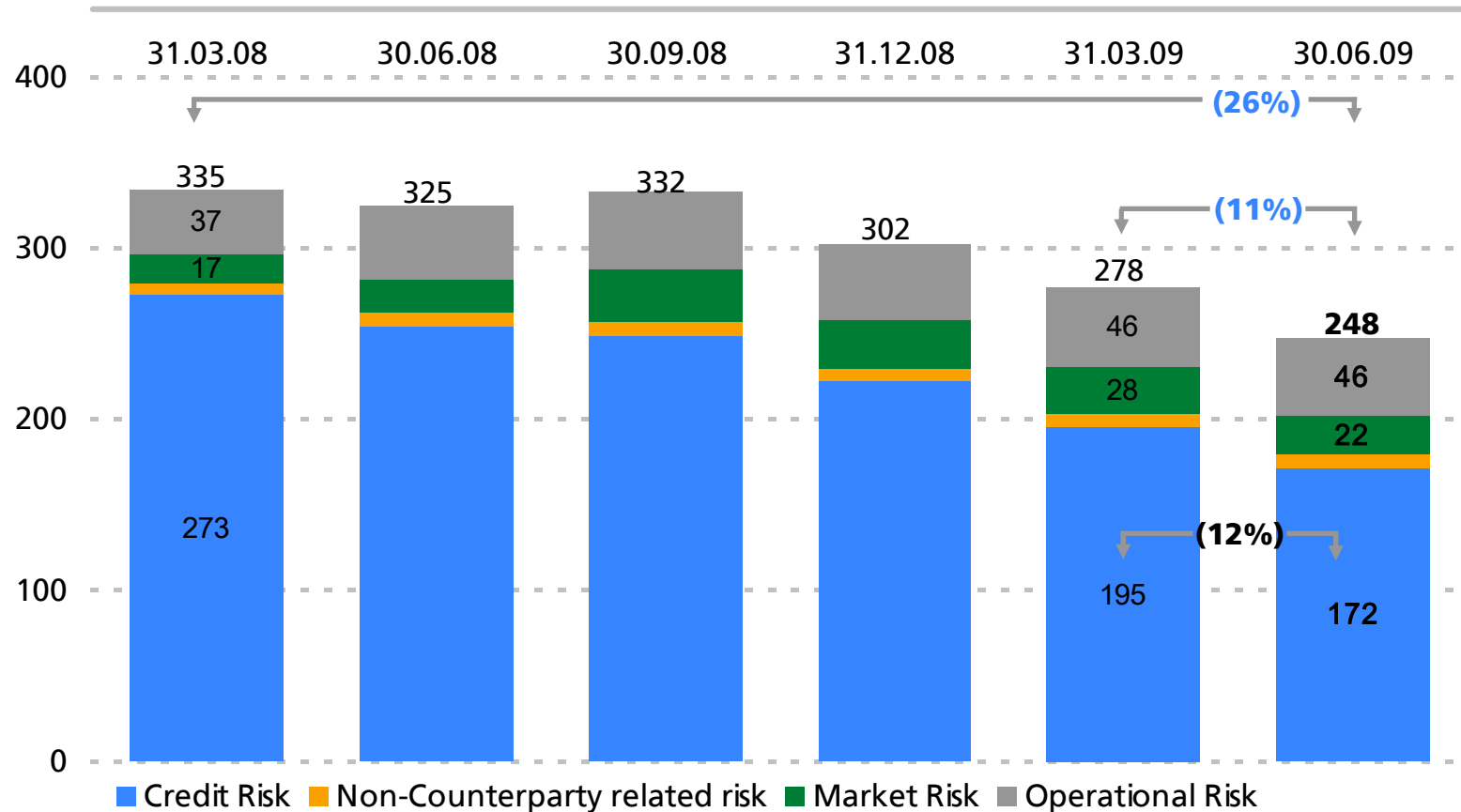


... with 2Q09 reductions across IB, WM&SB, and WM Americas:  
IB RWA down by CHF 24bn (13%) in 2Q09

# Risk-Weighted Asset trend – by Risk Category

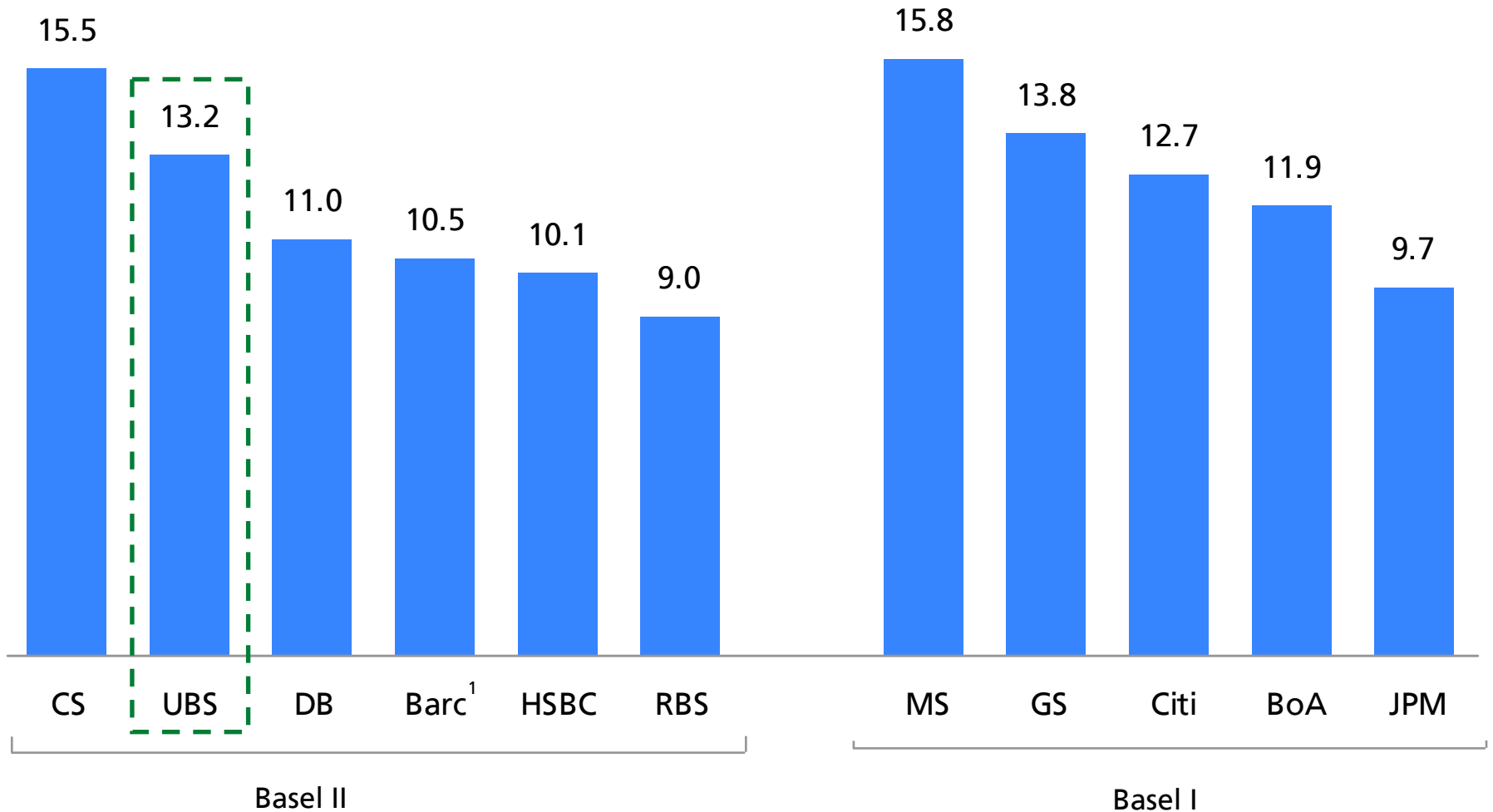
In 2Q09, RWA reductions occurred within the Credit and Market Risk categories ...

BIS Risk-Weighted Assets  
CHF Billion



... with reductions of CHF 23 bn (12%) in Credit Risk RWA in 2Q09

# Tier 1 ratios – 30 June 2009

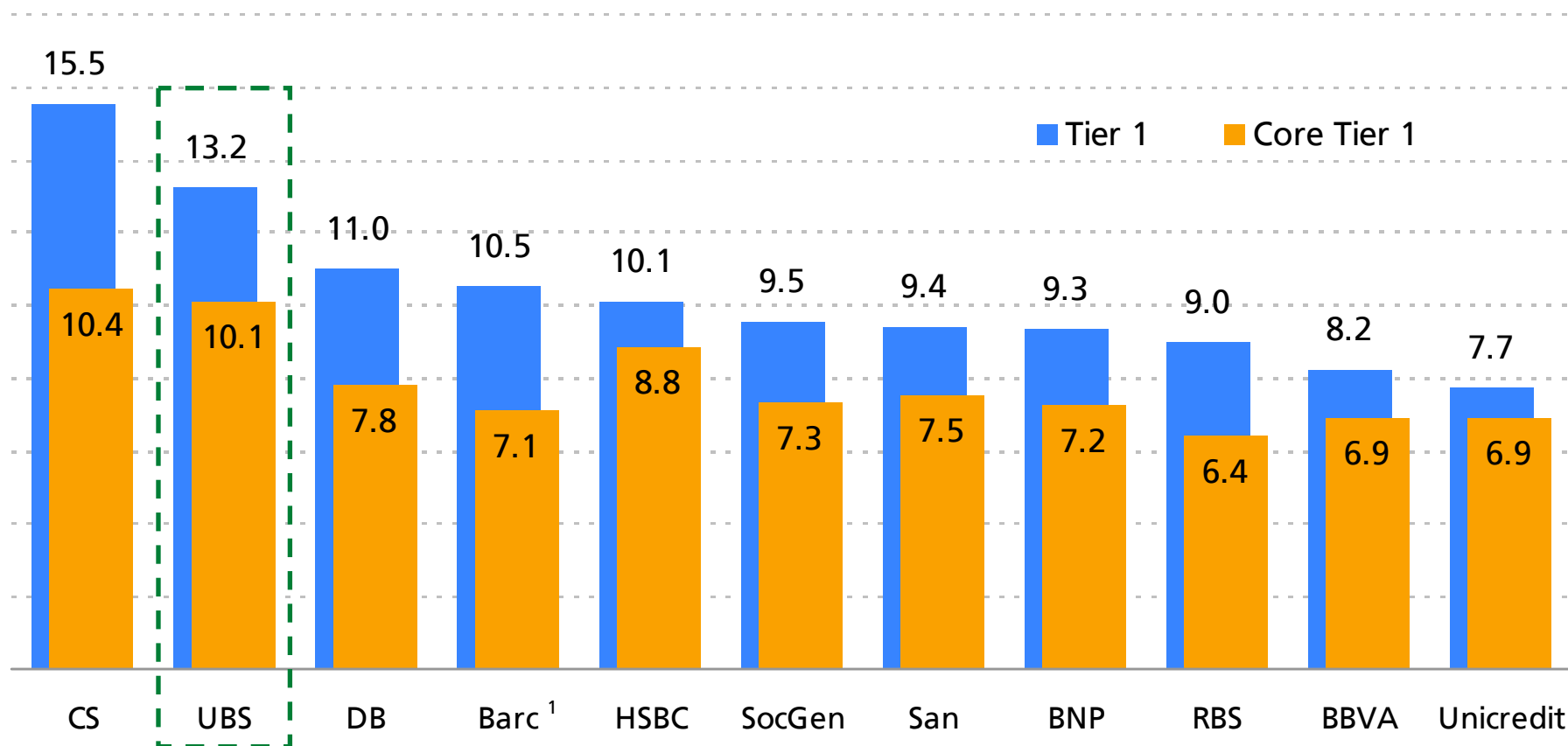


Source: Companies reporting. Updated on 14 Aug 2009.

Bar – Barclays, BoA – Bank of America, Citi – Citigroup, CS – Credit Suisse, DB – Deutsche Bank, GS – Goldman Sachs, JPM – JPMorgan, MS – Morgan Stanley, RBS – Royal Bank of Scotland.

1. Pro-forma Tier 1 ratio taking into account the effects of sale of the Barclays Global Investors business as reported by the company was 11.7%.

# Capital ratios – 30 June 2009, banks reporting under Basel II



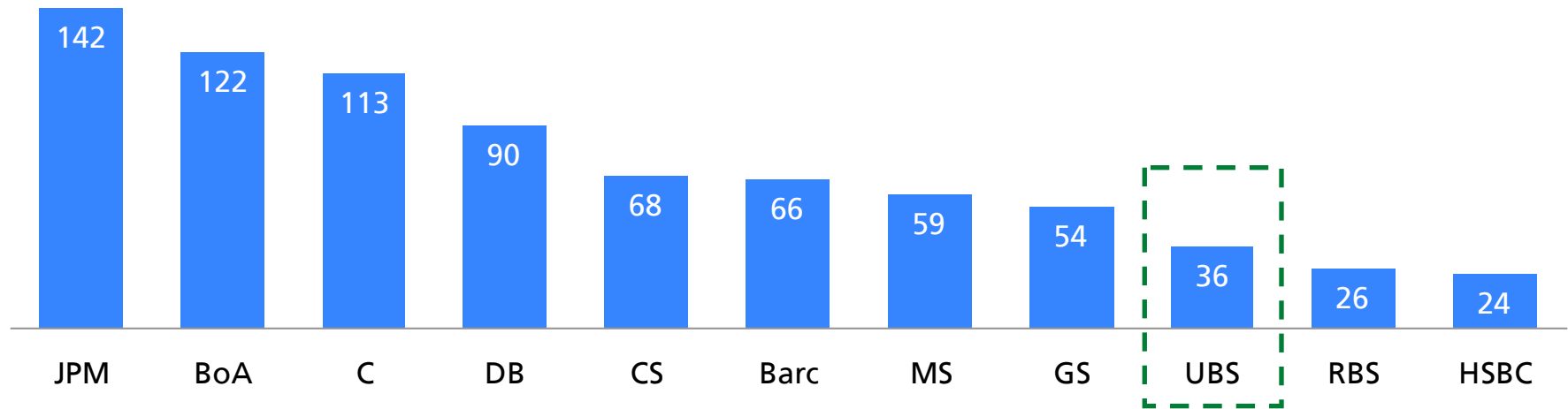
Source: Companies reporting. Updated on 14 Aug 2009.

Bar – Barclays, BNPP – BNP Paribas, CS – Credit Suisse, DB – Deutsche Bank, RBS – Royal Bank of Scotland, San – Santander, SocGen – Societe Generale.

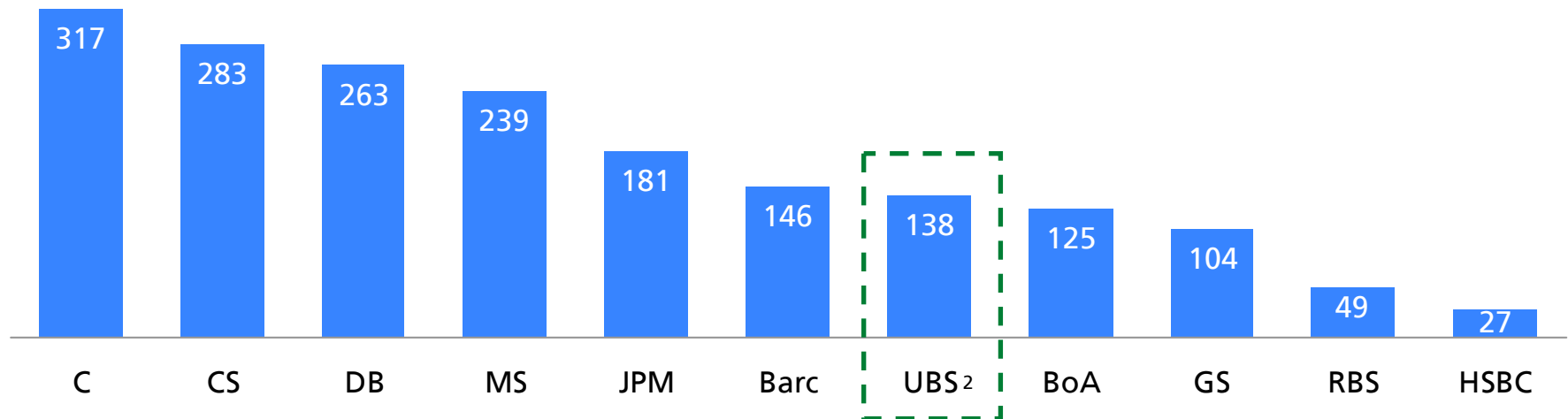
1. Pro-forma Tier 1 and core Tier 1 ratios taking into account the effects of sale of the Barclays Global Investors business as reported by the company were 11.7% and 8.8% respectively.

# Level 3 assets – 2Q09

Level 3 assets, USD bn



Level 3 assets as % of tangible equity<sup>1</sup>



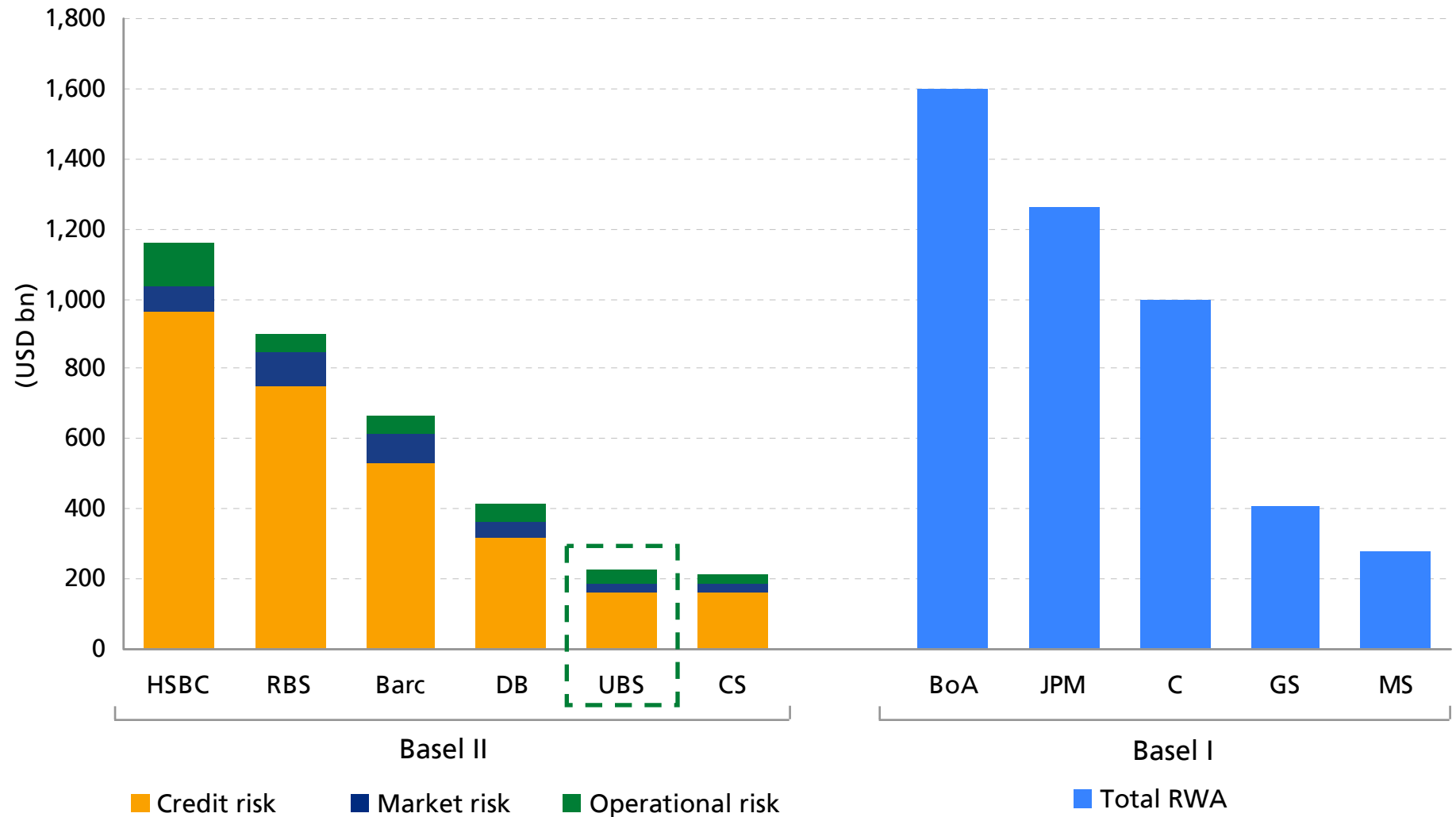
Source: Companies reporting. Spot rates at 30 June 2009 used for conversion: USD/CHF 1.09, EUR/USD 1.40, GBP/USD 1.65

Barc – Barclays, BoA – Bank of America, Citi – Citigroup, CS – Credit Suisse, DB – Deutsche Bank, GS – Goldman Sachs, JPM – JPMorgan, MS – Morgan Stanley, RBS – Royal Bank of Scotland.



1. Total equity as reported minus goodwill and intangible assets, preferred shares and minority interests.
2. UBS total equity adjusted for CHF 6.4bn related to MCNs.

# Risk weighted assets – 30 June 2009



Source: Companies reporting. Spot rates at 30 June 2009 used for conversion: USD/CHF 1.09, EUR/USD 1.40, GBP/USD 1.65.

Barc – Barclays, BoA – Bank of America, Citi – Citigroup, CS – Credit Suisse, DB – Deutsche Bank, GS – Goldman Sachs, JPM – JPMorgan, MS – Morgan Stanley, RBS – Royal Bank of Scotland.

# Equity Attribution Framework

**Designed to reflect the firm's overarching objectives of maintaining a strong capital base ...**

<b>Average attributed equity</b> <i>(CHF billion)</i>	<b>2Q09</b>	1Q09	4Q08	3Q08	2Q08	1Q08
Wealth Management & Swiss Bank	<b>9.0</b>	9.0	9.0	9.0	10.0	10.0
Wealth Management Americas	<b>9.0</b>	9.0	9.0	8.0	7.0	7.0
Global Asset Management	<b>3.0</b>	3.0	3.0	3.0	3.0	3.0
Investment Bank	<b>25.0</b>	28.0	26.0	26.0	27.0	28.0
Corporate Center	<b>(13.6)</b>	(17.1)	(7.5)	0.2	(15.0)	(20.5)
<b>Equity attributable to UBS shareholders</b>	<b>32.4</b>	<b>31.9</b>	<b>39.5</b>	<b>46.2</b>	<b>32.0</b>	<b>27.5</b>

- ◆ The framework enables UBS to calculate and assess return on attributed equity (Roae) in each of its businesses and integrates Group-wide capital management activities with those at business division levels.
- ◆ Attribution of the Group's Book Equity is guided by the GEB and based on risk measures and tolerance, regulatory requirements, and management discretion
- ◆ In 2Q09, the attributed equity for WM&SB, WM Americas and Global AM was unchanged from average first 1Q09 levels. The amount of equity attributed to the Investment Bank decreased by CHF 3 bn, reflecting the reduction of risk exposures.
- ◆ Equity attributable to UBS shareholders averaged CHF 32.4 bn during this period. This resulted in a deficit of CHF 13.6 bn in the Corporate Center.

**... and guiding each business towards activities with the best balance between profit potential, risk and capital usage**

## Equity Attribution Framework ... pro-forma view

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- ◆ Equity attributable to UBS shareholders includes the CHF 13 bn nominal value of the MCNs issued in March 2008. Also, the average 2Q09 figure takes into account the CHF 3.8 bn of net proceeds from the shares issued in June 2009. However, the CHF 6 bn 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 equity attributable to minority interests (which primarily consists of Tier 1 capital instruments issued by UBS) were included, then UBS total equity would exceed the equity attributed to the divisions, as shown in the table below:

<b>Average excess total equity</b>	
<i>(CHF billion)</i>	<b>Average 2Q09</b>
Equity attributable to UBS shareholders	32.4
MCNs issued in December 2008	6.0
Equity attributable to minority interests	8.2
<b>Pro-forma average total equity</b>	<b>46.6</b>
Equity attributed to business divisions	46.0
<b>Average excess total equity</b>	<b>0.6</b>

# Content

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Q2 2009 results

Capital management

Liquidity & Funding management

# UBS's liquidity & funding situation

## UBS continuously tracks its liquidity position and asset / liability profile

- ◆ Monitoring its contractual and behavioral maturity profiles, projecting its liquidity exposures under various stress scenarios and monitoring its secured funding capacity.
- ◆ Despite the severity of the current market crisis, the assumptions incorporated in these stress scenario analyses exceed the conditions thus far experienced.

## UBS maintains a substantial multi-currency liquidity portfolio

- ◆ Consisting of unencumbered high-quality short-term assets.
- ◆ We also maintain available (unutilized) collateralized liquidity facilities at several major central banks.
- ◆ The unencumbered portfolio was reduced in size during the quarter in view of balance sheet and exposure reductions which were implemented since the onset of financial crisis, and the relative improvements in overall market conditions.

## Impact of recent outflows in WM and AM

- ◆ Not all of these have been directly liquidity-relevant: only the portion appearing on our balance sheet (e.g., cash deposits) represented direct funding for UBS.
- ◆ WM businesses have CHF 337 bn, or 76%, of UBS's total CHF 446 bn of customer deposits on the balance sheet.
- ◆ Total customer deposits down CHF 13 bn (net of FX effects); mostly from IB Prime Brokerage due to clients re-investing credits into long positions following the recent market rally.

## Continued balance sheet reductions leading to lower funding needs

- ◆ The CHF 261 bn balance sheet reduction during 2Q09 corresponds to a CHF 50 bn reduction of funding needs (i.e., excluding reduction in Positive RVs by CHF 211 bn).

# UBS Liquidity & Funding Management

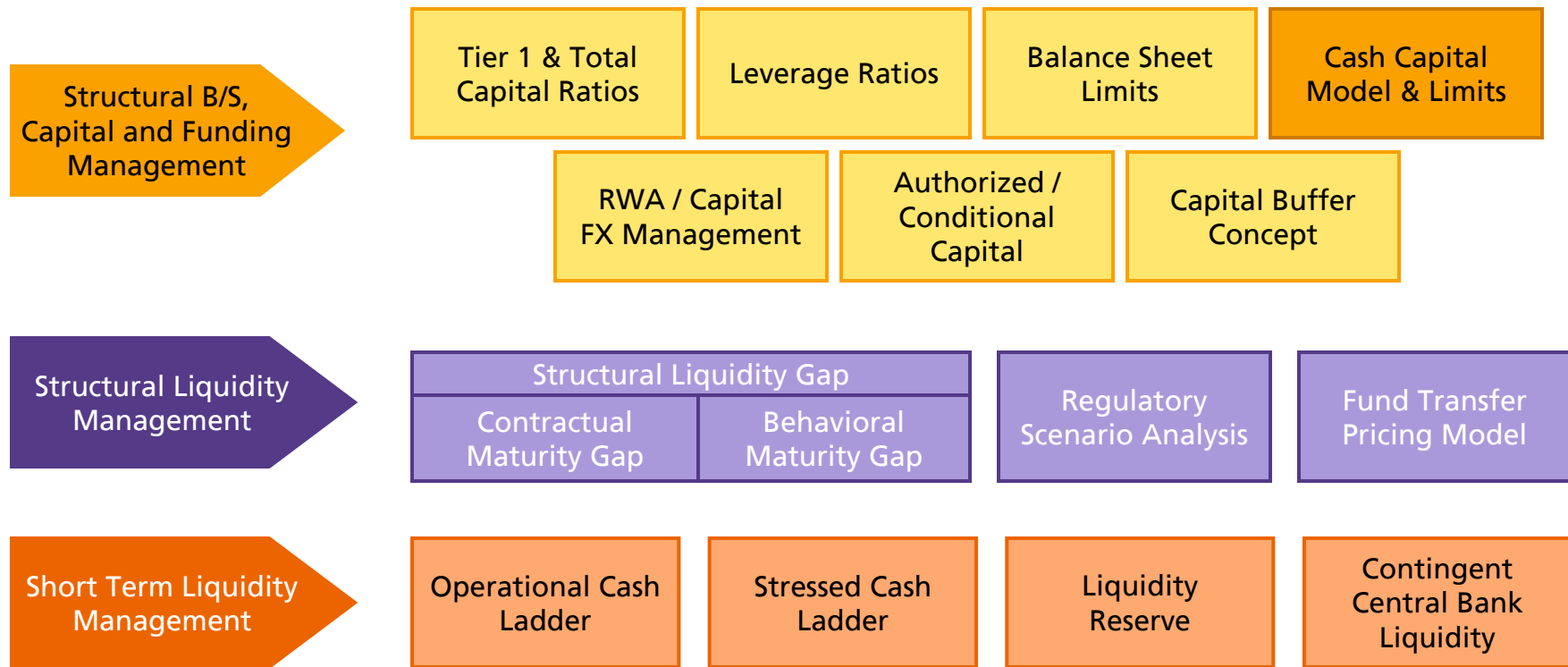
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**Liquidity - ability to meet obligations as they come due and to provide funds for increases in assets without incurring unacceptable costs**

- ◆ Centralized Treasury Management process
- ◆ Short-term Liquidity Limits
- ◆ Diversified Funding Sources
  - by product, tenor, currency and investor type
- ◆ Contractual and Behavioral Maturity Gap Monitoring
  - Behavioral analysis with cautious stress assumptions
- ◆ Cash Capital Analysis
- ◆ Unencumbered Assets
- ◆ Available Central Bank Contingency Facilities
- ◆ Market-based Internal Funds Transfer Pricing
- ◆ Regulatory environment monitoring

# Funding & Liquidity Risk Management Instruments

A combination of limits, models and tools, and performance measures are used ...

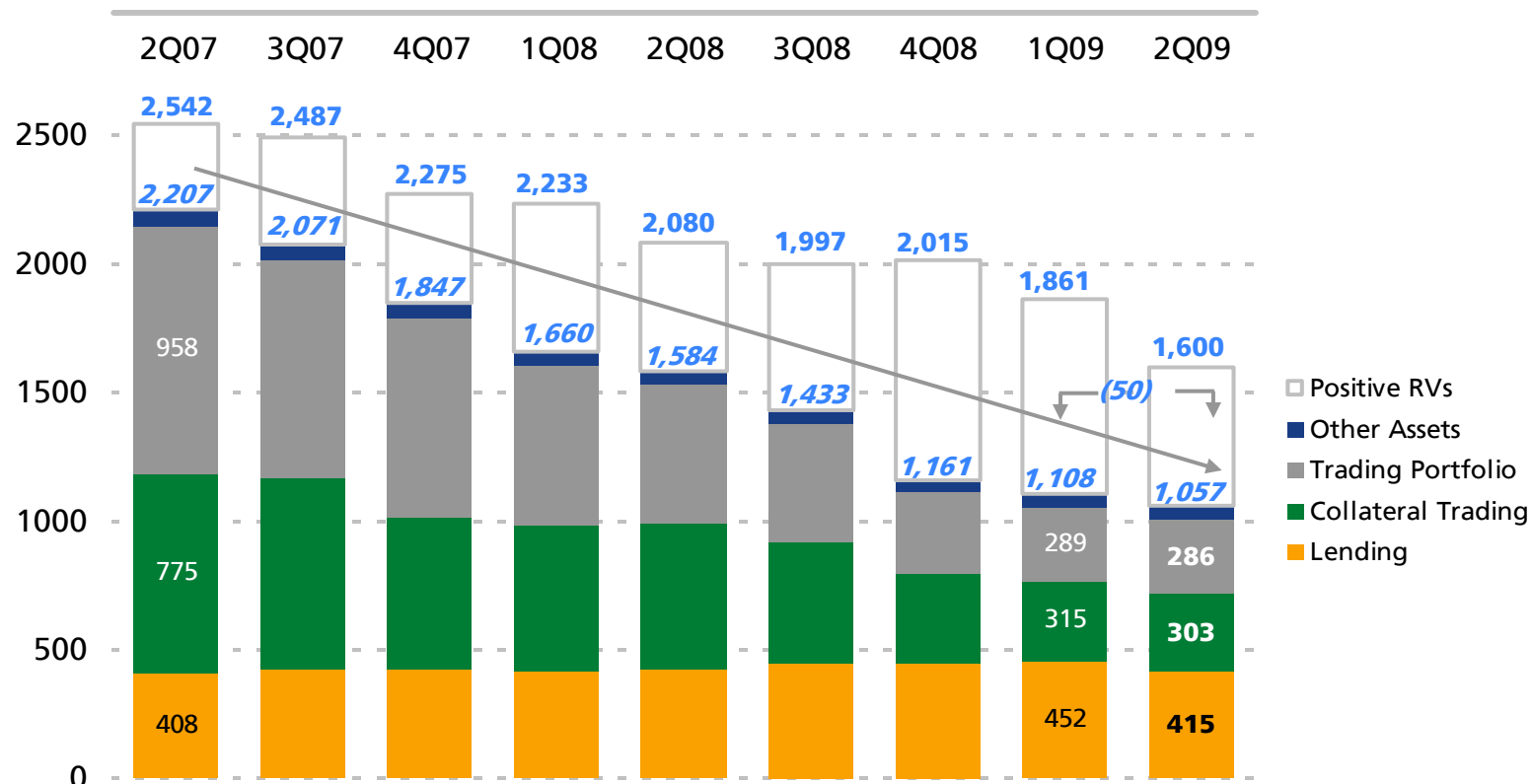


... to manage UBS's financial resources.

# Balance sheet reductions continuing: Assets

- ◆ Assets excluding PRVs down by another CHF 50 bn in 2Q09
  - B/S Assets excl. PRVs now down 50% + (CHF 1,150 bn reduction) since peak in 2Q07
- ◆ 2Q09 reductions mainly in:
  - Lending assets (CHF 37bn), Collateral Trading (CHF 12 bn), and Trading Portfolio (CHF 4 bn)
- ◆ FINMA Leverage ratio<sup>1</sup> at 3.46% (v. 2.71%<sup>2</sup> at 1Q09)

Balance Sheet trend: Assets (CHF Billion, as reported under IFRS)

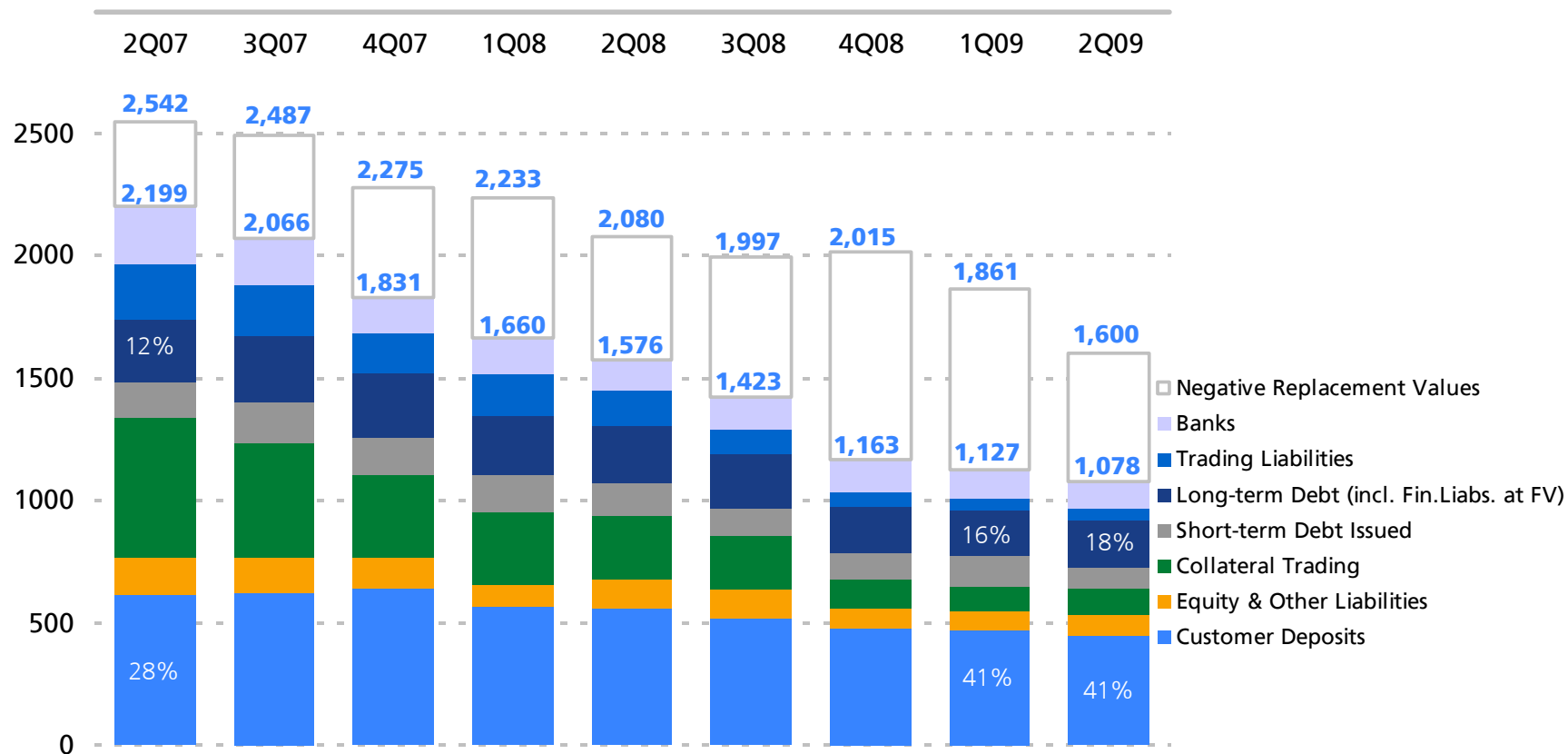


1. FINMA requires a minimum leverage ratio of 3% on group level and expects that in normal times, the ratio will be well above this. The FINMA leverage ratio will be progressively implemented until it is fully applicable on 1 January 2013.  
 2. In 2Q09 UBS considered the netting of cash collateral allowed under Swiss GAAP. This adjustment decreased the total adjusted assets by CHF 62 bn and improved the 1Q09 leverage ratio from previously published 2.56% to 2.71%.

# Balance sheet reductions continuing: Liabilities

- ◆ Customer deposits down CHF 20 bn in 2Q09
  - Mainly from Prime Brokerage clients in the IB
  - Nevertheless, contribute 41% of total liabilities (excluding negative RVs)
- ◆ Long-term debt<sup>1</sup> increased by CHF 7 bn in 2Q09 (CHF 190 bn v. CHF 183 bn at end 1Q09)
  - contribute 18% of total liabilities (excluding negative RVs)

Balance Sheet trend: Liabilities (CHF Billion, as reported under IFRS)

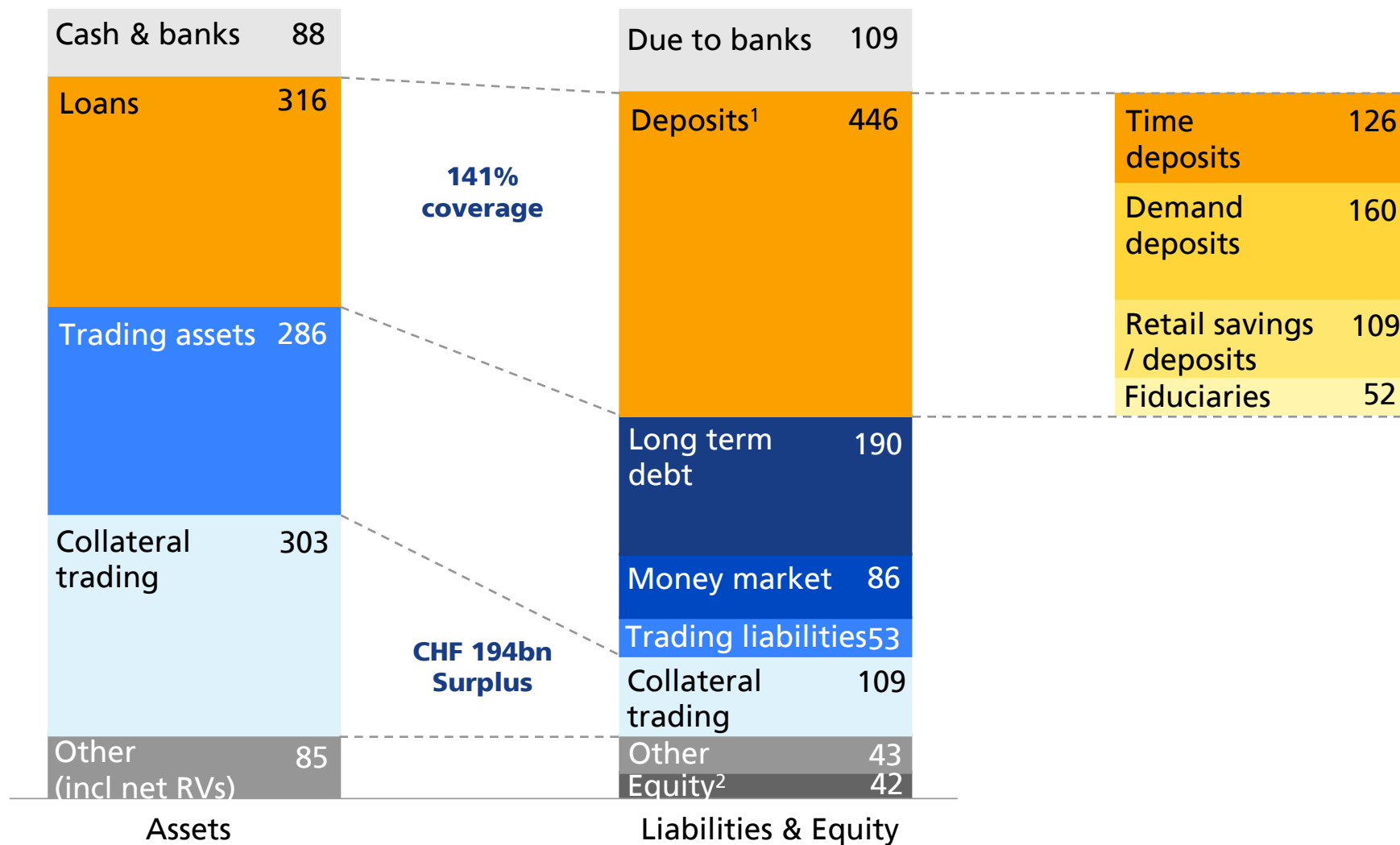


1. Including Financial Liabilities at Fair Value.

# UBS Asset Funding – 2Q09

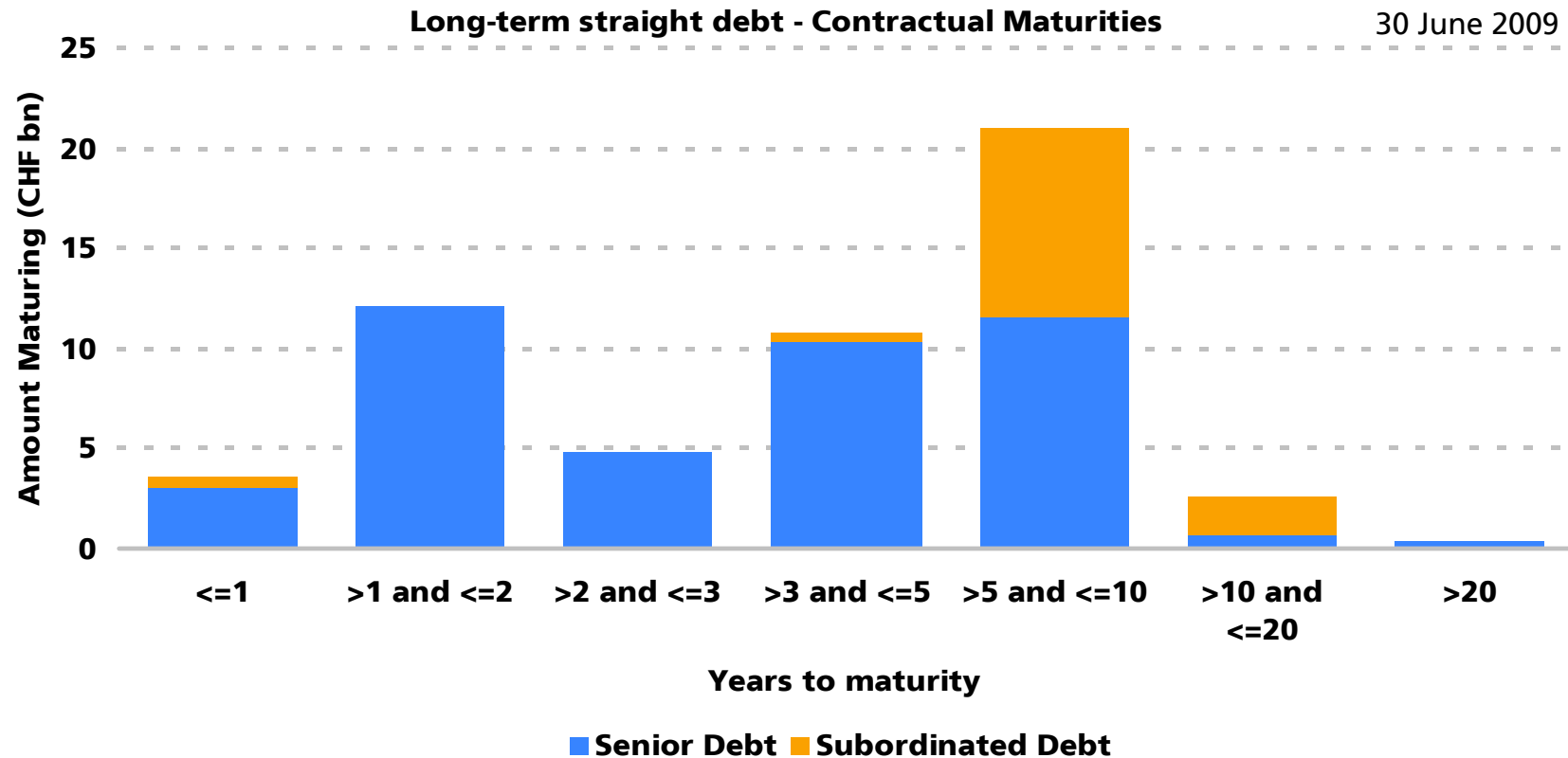
## Asset funding, 30 June, 2009

CHF bn



1. Deposits stem mostly from WM businesses.
2. Including equity attributable to minority interests.

# Long-term straight debt – contractual maturity profile



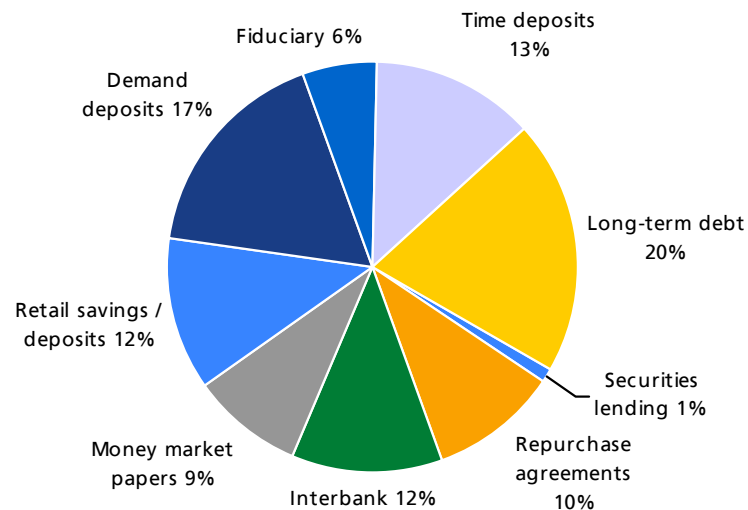
◆ CHF 54.5 bn total volume:

- CHF 42.2 bn of senior debt (includes both publicly and privately placed notes and bonds as well as Swiss cash bonds) and CHF 12.3 bn of subordinate debt
- CHF 3.6 bn, or 6.6%, of the positions mature within 1 year
- Does not include structured notes (which are predominantly 'Financial Liabilities at Fair Value')

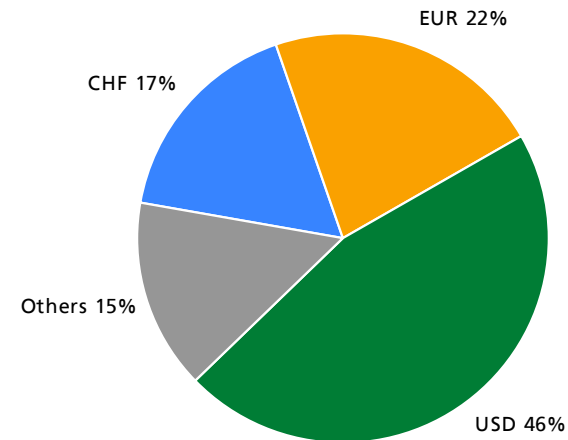
# Diversified funding sources

- ◆ UBS continues to maintain a portfolio of liabilities that is broadly diversified by market, product and currency
- ◆ Loans-to-deposits ratio of 71% (versus 74% in 1Q09)

## Funding by product type<sup>1,2</sup>



## Funding by currency<sup>1,2</sup>

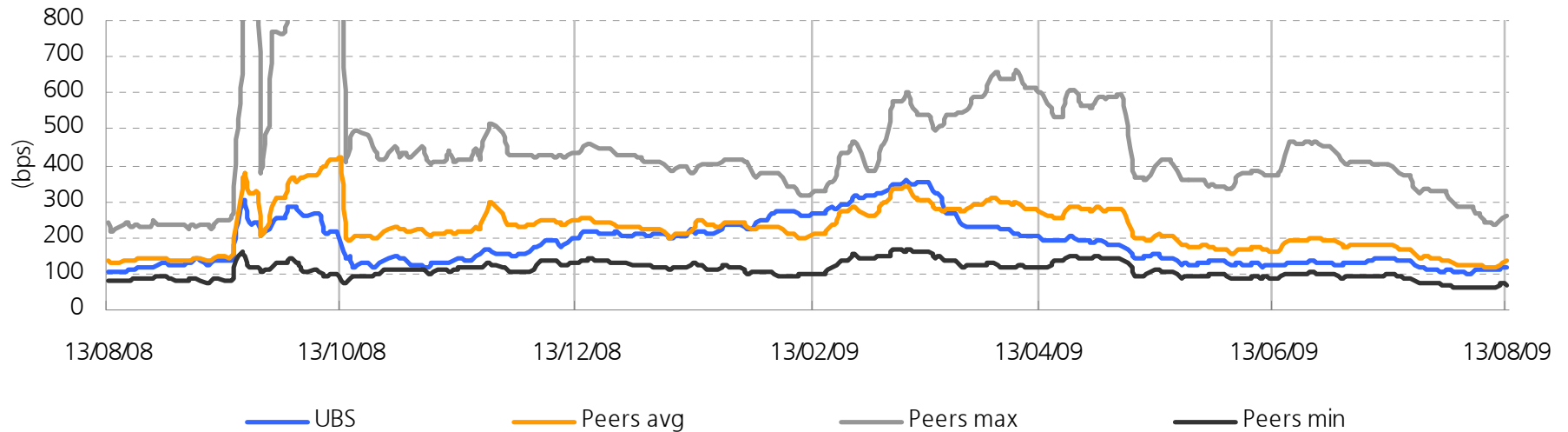


30 June 2009

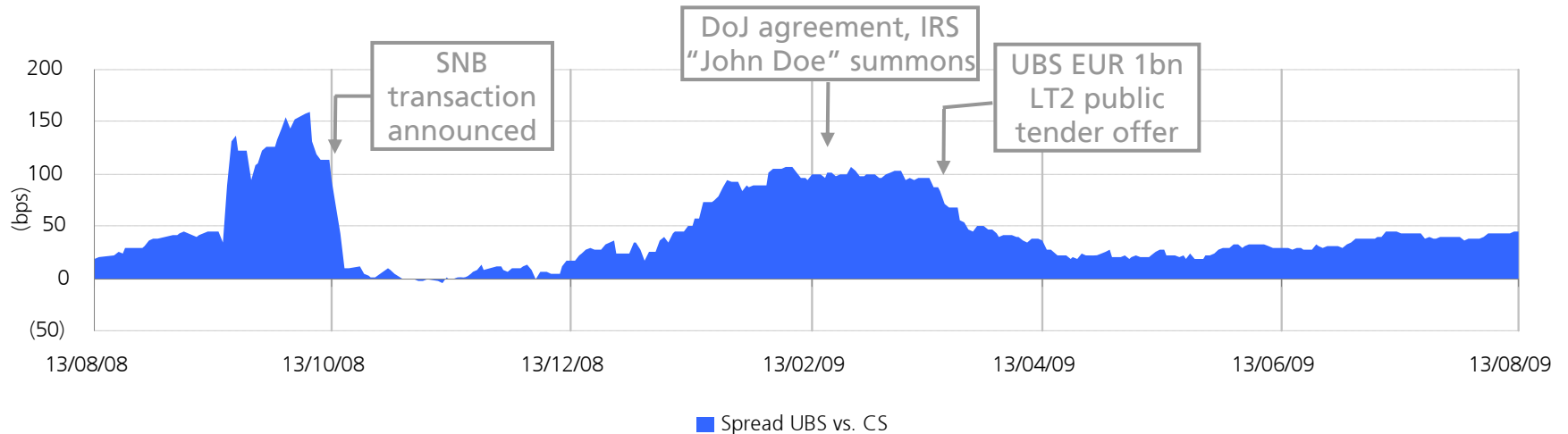
1. Percentages based on total funding defined as balance sheet liabilities excl. negative RVs, trading shorts, equity, other liabilities: amounting to CHF 995 bn of funding as of end 2Q09.
2. Long-term debt includes Financial Liabilities designated at fair value.

# CDS spreads (5 year, senior) – peer comparison

## CDS spreads – UBS vs. Peers<sup>1</sup>

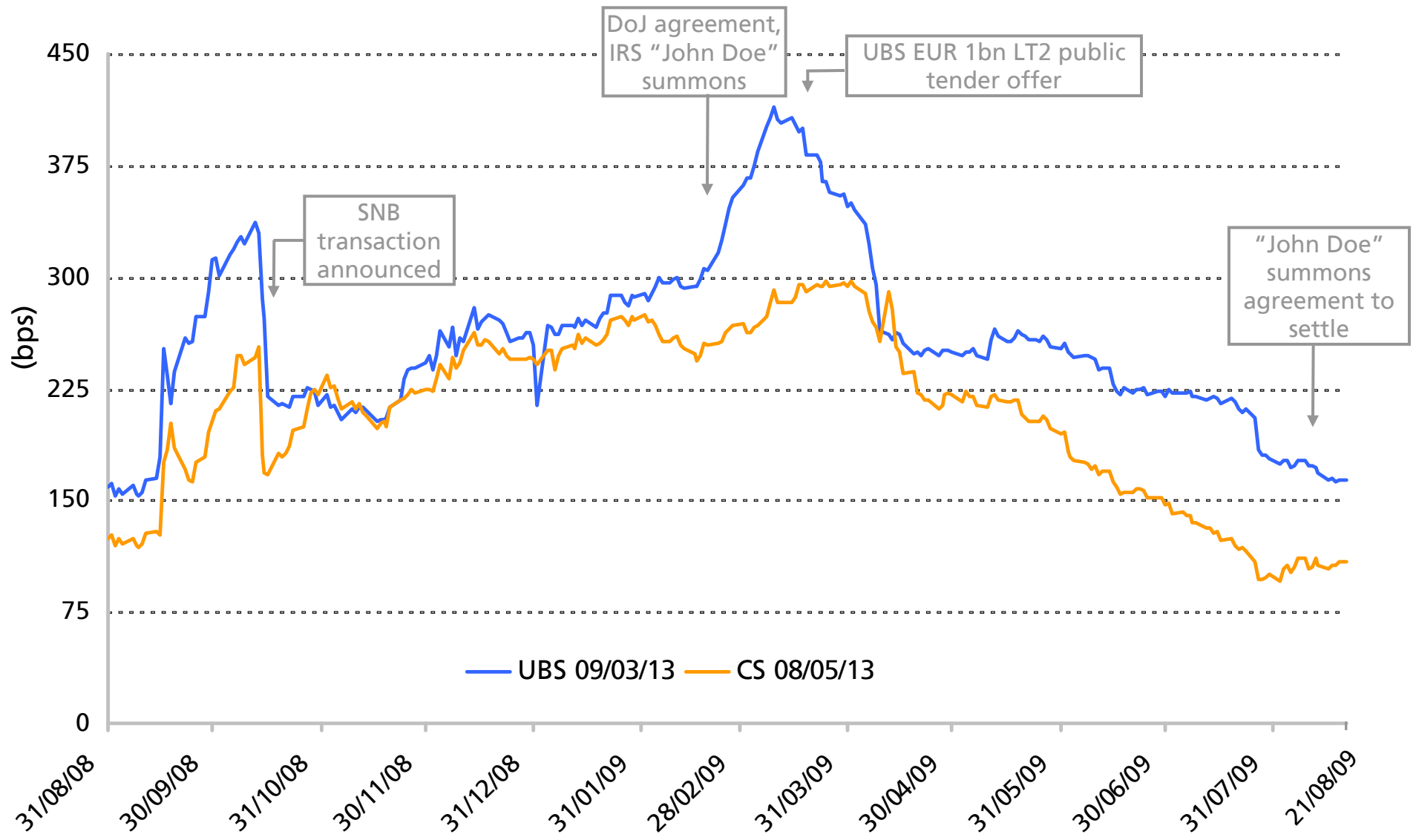


## CDS spreads – UBS vs. CS



1. Peers consist of Credit Suisse, Deutsche Bank, Citigroup, JPMorgan, Goldman Sachs, Morgan Stanley.

# Secondary spreads (5 year, senior) – UBS vs. CS



# UBS credit ratings<sup>1</sup>

UBS's ratings:

## UBS AG Ratings

	Moody's	Standard & Poor's	Fitch Ratings
Long-term senior debt	Aa2	A+	A+
Short-term debt	P-1	A-1	F1+
Financial strength / Individual rating	B-		D
Outlook	N/A*	stable	stable

\* Ratings under review for a possible downgrade

Last rating change: 26 June 2009

UBS's long-term rating v. peers:

July 27, 2009	Moody's long-term rating	S&P's long-term rating	Fitch long-term rating	Moody's outlook	S&P's outlook	Fitch outlook
UBS AG	Aa2 *-	A+	A+	n/a	STABLE	STABLE
Credit Suisse Group	Aa2	A	AA- *-	NEG	STABLE	n/a
Credit Suisse	Aa1	A+	AA- *-	NEG	STABLE	n/a
Deutsche Bank AG	Aa1	A+	AA- *-	NEG	STABLE	n/a
Citigroup Inc	A3	A	A+	STABLE	STABLE	STABLE
Citibank NA	A1	A+	A+	STABLE	STABLE	STABLE
JPMorgan Chase & Co	Aa3	A+	AA-	NEG	NEG	STABLE
JPMorgan Chase Bank NA	Aa1	AA-	AA-	NEG	NEG	STABLE
Bank of America Corp	A2	A	A+	STABLE	STABLE	STABLE
Bank of America NA	Aa3	A+	A+	STABLE	STABLE	STABLE
HSBC	Aa2	AA-	AA	NEG	NEG	NEG
HSBC Bank Plc	Aa2	AA	AA	NEG	NEG	NEG
Barclays Plc	A1	A+	AA-	STABLE	NEG	STABLE
Barclays Bank Plc	Aa3	AA-	AA-	STABLE	NEG	STABLE
BNP Paribas	Aa1	AA	AA	NEG	NEG	NEG
Royal Bank of Scotland Group Plc	A1	A	AA-	STABLE	STABLE	STABLE
Royal Bank of Scotland Plc	Aa3	A+	AA-	STABLE	STABLE	STABLE
Goldman Sachs Group Inc	A1	A	A+	NEG	NEG	STABLE
Morgan Stanley	A2	A	A	NEG	NEG	STABLE

Source: Bloomberg

\*- indicates rating is under review for a possible downgrade

\*+ indicates rating is under review for a possible upgrade

1. As of 27 July, 2009.

# Standard & Poor's rating on UBS stable

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- ◆ On June 26, 2009, Standard & Poor's indicated that its ratings on UBS AG (A+/Stable/A-1) were unaffected by UBS' announcements regarding current trading performance and a share placing.
  - S&P views the maintenance of a robust capital position as an important rating factor, particularly in view of UBS' weak earnings performance. S&P's also said that UBS' apparent inability to profit from strong trading volumes during the second quarter underlines the size of the task it faces in restructuring and de-leveraging its investment bank division, particularly the fixed-income segment.
  - In their opinion, the continued net new money outflow likely indicates UBS' reputational damage and current scrutiny from tax authorities. They believe these issues will inevitably take an extended period of time to resolve. To date, S&P's expectation has been that UBS would achieve modest underlying profitability during 2009. A negative rating action could be triggered if they consider that this expectation is unlikely to be reached.
  - S&P concluded that:
    - The ratings on UBS continue to reflect S&P's view of its stand-alone credit profile and the significant support provided to it by the Swiss government and central bank. Specifically, the long-term counterparty credit rating incorporates a two-notch uplift from the stand-alone credit profile.
- ◆ On Aug 4, 2009, S&P re-affirmed that its ratings and outlook on UBS AG (A+/Stable/A-1) are unaffected by the 2Q09 earnings announcement for the second quarter of 2009.

## Moody's rating on UBS under review (June 15, 2009)

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- ◆ Moody's placed the long-term debt and deposit ratings of UBS AG and affiliates (deposits and senior debt at Aa2, subordinated at Aa3, trust preferred and capital securities at A1) on review for possible downgrade.
- ◆ Moody's bank financial strength rating (BFSR) for UBS of B- was also put on review, while the Prime-1 ratings on the short-term obligations of UBS AG and affiliates were affirmed.
- ◆ Moody's said that:
  - The review reflects their view of the considerable challenges that UBS continues to face in its two largest business lines: Investment Banking and Wealth Management. Moody's believes these challenges are unlikely to be short-lived, and pose greater risk to bondholders than it had previously believed. In addition, while the bank has benefited from substantial capital infusions over the past two years, the bank's ability to generate capital internally remains challenged.
- ◆ The review will focus on the bank's vulnerability to any further loss of customers in its wealth management franchise, its future earnings prospects under expected and stress scenarios, and its strategic direction. The review will also consider the potential effectiveness of the changes the bank has made to its risk management processes and oversight.

# General outlook

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- ◆ “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.”

*(UBS Shareholders’ Letter, 4 August 2009.)*

# Concluding remarks

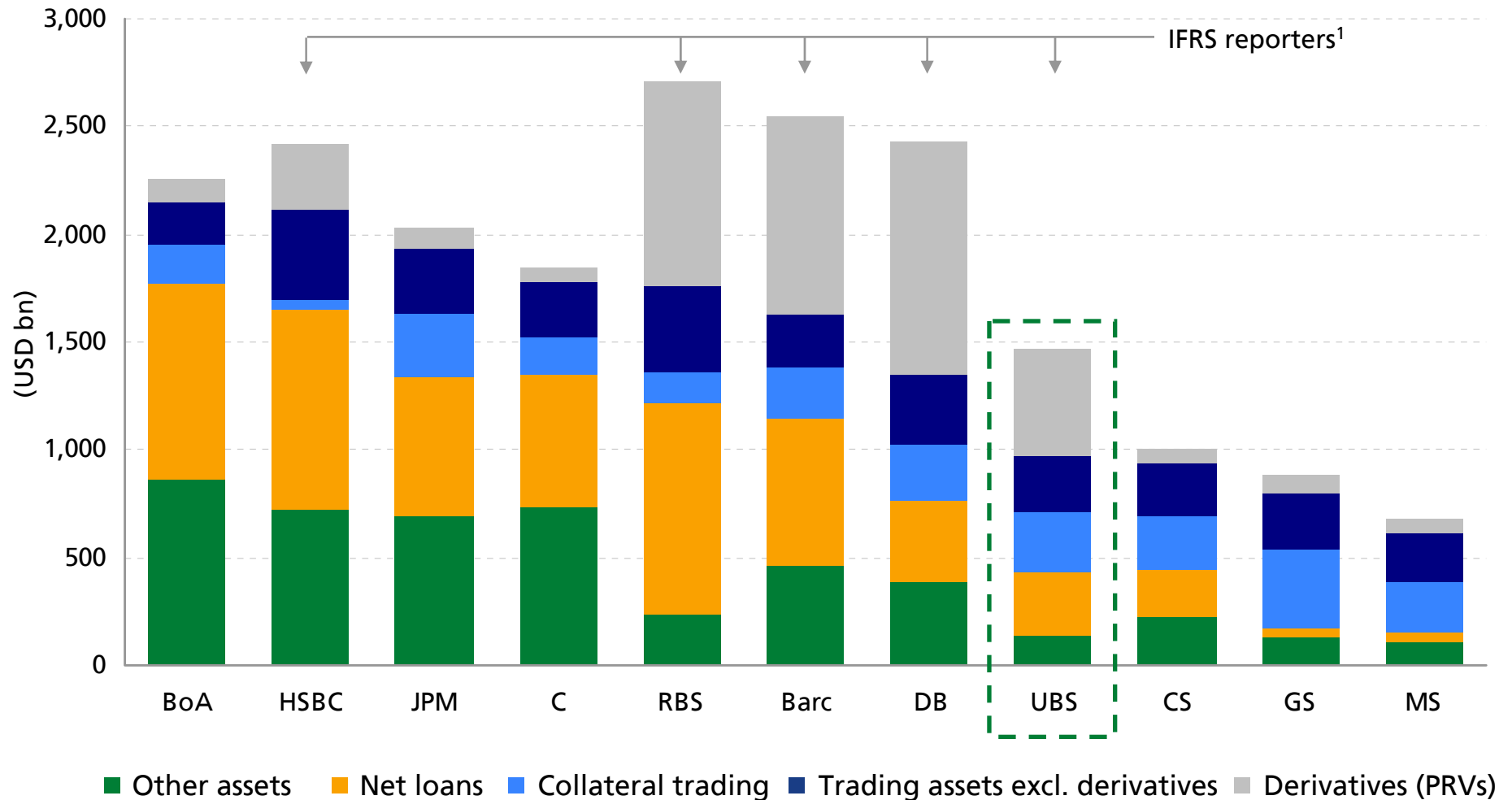
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- ◆ Strong focus on liquidity, funding capital and balance sheet
  - Issuance of public unsecured long-term debt
  - Strengthened capital base via common share private placement
  - Limited liquidity impact of net new money outflow in WM and AM as only on balance sheet portion (i.e. cash deposits) represent direct funding for UBS
  - Continued decline in balance sheet and risk weighted assets
  - Improvement in Tier 1 capital and the BIS total ratio
  - Improvement in FINMA leverage ratio

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# Appendix

# Total assets – 30 June 2009

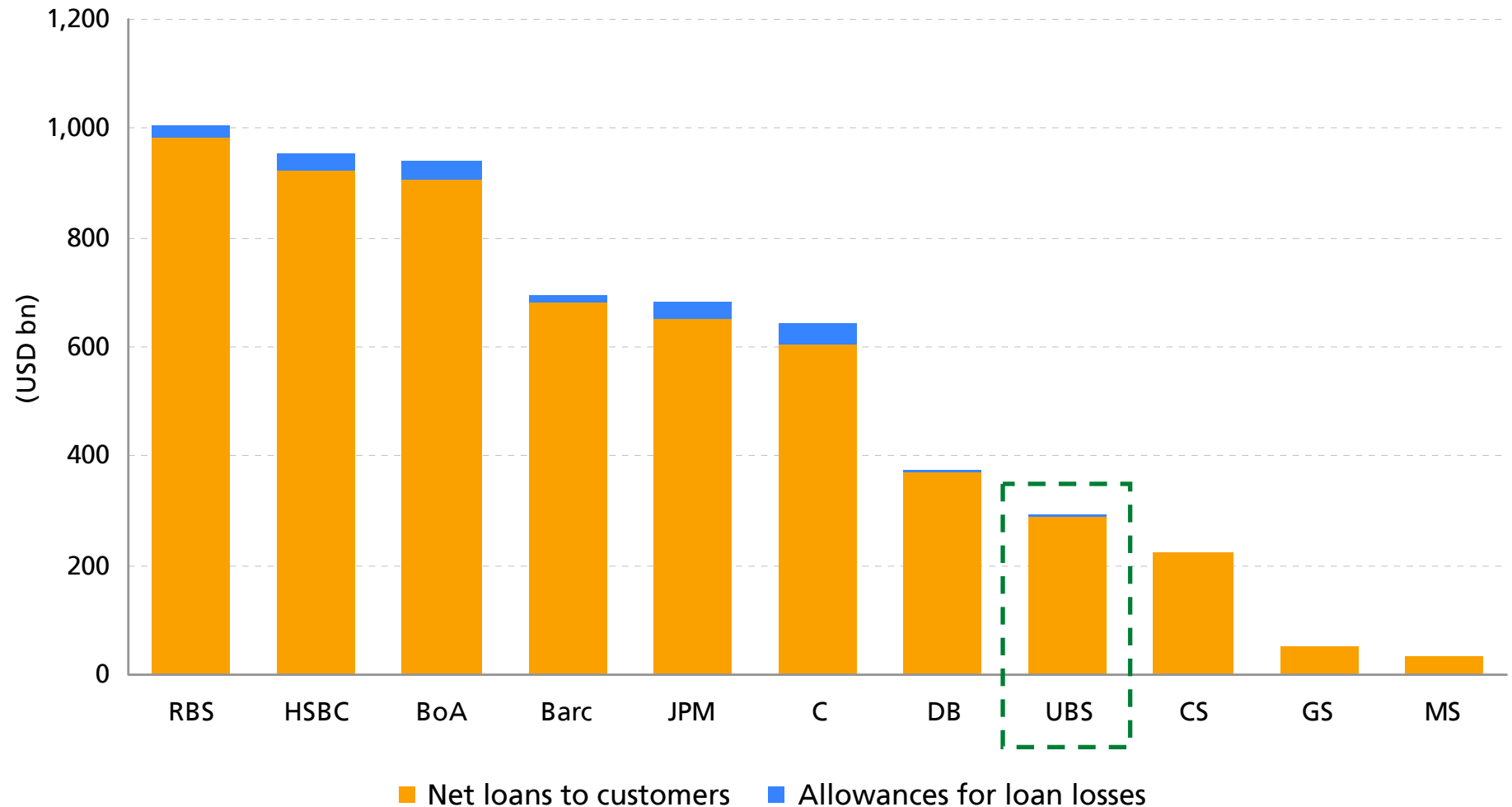


Source: Companies reporting. Spot rates at 30 June 2009 used for conversion: USD/CHF 1.09, EUR/USD 1.40, GBP/USD 1.65.

Barc – Barclays, BoA – Bank of America, Citi – Citigroup, CS – Credit Suisse, DB – Deutsche Bank, GS – Goldman Sachs, JPM – JPMorgan, MS – Morgan Stanley, RBS – Royal Bank of Scotland.

1. HSBC, RBS, Barc, DB and UBS report under IFRS, while BoA, JPM, C, CS, GS and MS report under US GAAP. Netting of replacement values (derivatives) is more restrictive under IFRS than under US GAAP. As a result, derivatives as reported are larger under IFRS than US GAAP.

# Loans to customers and allowances for losses – 30 June 2009



Source: Companies reporting. Spot rates at 30 June 2009 used for conversion: USD/CHF 1.09, EUR/USD 1.40, GBP/USD 1.65.

Barc – Barclays, BoA – Bank of America, Citi – Citigroup, CS – Credit Suisse, DB – Deutsche Bank, GS – Goldman Sachs, JPM – JPMorgan, MS – Morgan Stanley, RBS – Royal Bank of Scotland.

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