

UBS Update – September 2008

With a strong capital base, the underlying strength of its core businesses, and the measures it has implemented, UBS has created the basis to weather one of the most difficult periods in the history of the industry.

- UBS has rebuilt its capital ratio to the very strong levels it had prior to the outbreak of the credit crisis. On 30 June, UBS's BIS tier 1 capital ratio stood at 11.6%, which is among the highest in the industry. UBS's capital strength reflects measures taken during the second quarter as part of the capital improvement program, in particular the successful conclusion of a rights issue in June, which generated net proceeds of CHF 15.6 billion. 99.4% of new shares were taken up by existing and new shareholders. This allows us to absorb future shocks to the financial markets.
- UBS's direct and counterparty exposures to Lehman Brothers, net of hedges, are now substantially closed out. UBS does not expect the total cost of closing out its exposures to Lehman Brothers to exceed USD 300 million.
- Swiss regulators have stated that UBS is well capitalized and equipped to weather this crisis successfully. We believe that can also be attributed to the way we have been managing the market turmoil and the underlying strength of our diverse businesses.
- UBS has already significantly reduced risk weighted assets in the Investment Bank and aims for a further reduction of the Group balance sheet by the end of 2008. In addition, our risk control systems have been – and will continue to be – strengthened, and a new funding framework has been established.
- A group of global commercial and investment banks, including Bank of America, Barclays, Citibank, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, Merrill Lynch, Morgan Stanley, and UBS, initiated a series of actions to help enhance liquidity and mitigate the unprecedented volatility and other challenges affecting global equity and debt markets. UBS is proud to have contributed to helping restore liquidity to the markets in these difficult times.
- UBS management considers operational efficiencies and cost management throughout the firm as key performance targets in the coming quarters.
- UBS will continue to invest in and develop its global wealth management business, its core asset, with the aim of strengthening its presence in international growth markets and its leading position in Switzerland.

Even though UBS expects financial industry conditions to remain difficult, we are continuously striving to enhance our service and offering, to ensure your confidence and trust. We are convinced that especially in times like these, our UBS Client Experience makes a difference. Our approach to understanding your needs, offering the best solution and then reviewing on a regular basis is an ideal way to support you in this period.