UBS

Our *Basel II Pillar 3* disclosure for first half 2010.

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Publication of third quarter 2010 results
Tuesday, 26 October 2010

Publication of fourth quarter 2010 results
Tuesday, 8 February 2011

Publication of first quarter 2011 results
Tuesday, 26 April 2011

Annual General Meeting
Thursday, 28 April 2011

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Introduction

This report is an update as of 30 June 2010 of our Basel II Pillar 3 quantitative disclosures published in our Annual Report 2009.

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

The Swiss Financial Market Supervisory Authority (FINMA) requires us to publish comprehensive quantitative and qualitative Pillar 3 disclosures at least annually, and an update of quantitative disclosures and any significant changes to qualitative information at least semi-annually. This report presents our Basel II Pillar 3 disclosures as of 30 June 2010, and consists mainly of quantitative disclosures complemented with explanatory texts where needed.

➔ **Qualitative disclosures related to our risk management and control definitions and risk exposures as well as to capital management can be found in the "Risk management and control" and "Treasury management" sections of our Annual Report 2009**

In certain cases, our Pillar 3 disclosures may differ from the way we manage our risks and how these risks are disclosed in our quarterly reports and in sections of our annual reports other than the Basel II Pillar 3 section.

Overview of disclosures

This table provides an overview of our Basel II Pillar 3 disclosures in our Annual Report 2009.

Basel II Pillar 3 requirement	Disclosure in the Annual Report 2009
Capital structure	"Capital management" section
Capital adequacy	"Capital management" and "Basel II Pillar 3" sections
Risk management objectives, policies and methodologies (qualitative disclosure)	"Risk management and control" section
Credit risk	"Basel II Pillar 3" section
Investment positions	"Basel II Pillar 3" section
Market risk	"Risk management and control" section
Securitization	"Basel II Pillar 3" section
Operational risk	"Risk management and control" section
Interest rate risk in the banking book	"Basel II Pillar 3" section

Description of risk exposure measures and capital requirements

Measures of risk exposure may differ depending on the purpose for which exposures are calculated: financial accounting under International Financial Reporting Standards (IFRS), determination of our regulatory capital or our internal management of the firm. Our Basel II Pillar 3 disclosures are generally based on the measures of risk exposure that are used to calculate the regulatory capital that is required to underpin those risks.

The table below provides a summary of the approaches we use for the main risk categories for the determination of regulatory capital.

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

Although we determine published risk-weighted assets according to the Basel II Capital Accord (BIS guidelines), our calculation of the regulatory capital requirement is based on the regulations of FINMA, which are more conservative and therefore result in higher risk-weighted assets. Generally, the scope of consolidation for purposes of calculating these regulatory capital requirements follows the IFRS consolidation rules for subsidiaries directly or indirectly controlled by UBS Group (Group), which are active in the banking and finance business, but excludes subsidiaries in other sectors. The significant operating subsidiary companies in the Group consolidated for IFRS purposes are listed in "Note 34 Significant subsidiaries and associates" in the "Financial information" section of our Annual Report 2009. More specifically, the main differences in the basis of consolidation for IFRS and regulatory capital purposes relate to the following entity types and apply regardless of our level of control:

- Real estate and commercial companies, as well as collective investment schemes, are not consolidated for regulatory capital purposes, but are risk-weighted.
- Insurance companies are not consolidated for regulatory capital purposes, but are deducted from capital.
- Securitization vehicles are not consolidated for regulatory capital purposes, but are treated under the securitization framework.
- Joint ventures that are controlled by two ventures are fully consolidated for regulatory capital purposes, whereas they are valued under equity method accounting for IFRS.

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

Capital

The "Detailed segmentation of BIS risk-weighted assets" table below provides a granular breakdown of our risk-weighted assets. The table also shows the net exposure at default (net EAD) per category for the current disclosure period, which forms the basis for the calculation of the risk-weighted assets.

➔ **For further information of risk-weighted assets or the determination of the eligible capital, please refer to the "Capital management" section of our Annual Report 2009 and to the "Capital management" section of our second quarter 2010 financial report**

Detailed segmentation of BIS risk-weighted assets

	30.6.10				31.12.09
	Net EAD	Basel II RWA			
CHF million		Advanced IRB approach	Standardized approach	Total	Total
Credit risk	622,531	93,569	31,542	125,111	127,218
Sovereigns	*153,273*	*8,235*	*384*	*8,619*	*7,060*
Banks	*110,456*	*14,532*	*1,791*	*16,324*	*18,305*
Corporates	*170,480*	*56,931*	*26,367*	*83,298*	*83,179*
Retail					
Residential mortgages	120,432	10,228	633	10,861	13,498
Lombard lending	63,566	3,122	0	3,122	2,682
Other retail	4,324	522	2,367	2,888	2,496
Securitization exposures [1]	23,855	7,849		7,849	8,515
Non-counterparty related risk	17,898		6,706	6,706	7,026
Settlement risk (failed trades)	179	109	65	174	103
Equity exposures outside trading book	1,285	4,596 [2]		4,596	4,657
Market risk		11,367 [3]		11,367	12,861
Operational risk		49,046 [4]		49,046	46,144
Total BIS risk-weighted assets	665,746	166,536	38,313	204,848	206,525
Additional risk-weighted assets according to FINMA regulations				18,035 [5]	19,103
Total FINMA risk-weighted assets				222,883 [6]	225,628

1 On 30 June 2010, approximately CHF 3 billion of the securitization exposures are deducted from capital and therefore do not generate RWA. 2 Simple risk weight method. 3 Value-at-Risk approach. 4 Advanced measurement approach. 5 Reflects an additional charge of 10% on credit risk RWA for exposures treated under the standardized approach, a FINMA surcharge of 200% for RWA of non-counterparty related assets and additional FINMA requirements for market risk. 6 As of 30 June 2010, the FINMA tier 1 ratio amounts to 15.1% and the FINMA total capital ratio to 18.8%. Taking into account the effects from the transitional provisions of the capital floor, which require 5% of the total FINMA RWA, FINMA RWA would increase by CHF 11.1 billion, resulting in a FINMA tier 1 ratio of 14.4% and a FINMA total capital ratio of 17.9%.

Credit risk

The tables in this section provide details on the exposures used to determine our credit risk regulatory capital. The parameters applied under the advanced IRB approach are generally based on the same methodologies, data and systems used by the firm for internal credit risk quantification, except where certain treatments are specified by regulatory requirements. These include, for example, the application of regulatory prescribed floors and multipliers, as well as differences with respect to eligibility criteria and exposure definitions. The exposure information presented in this section differs therefore from that disclosed in the "Risk management and control" section in our Annual Report 2009. Similarly, the regulatory capital prescribed measure of credit risk exposure also differs from that required under IFRS.

With respect to the calculation of derivative exposures for determining our required regulatory capital, we have received approval from FINMA to apply the effective expected positive exposure (EPE) as defined in Annex 4 to the Basel II framework. For a minor part of the derivatives portfolio, we also apply the current exposure method (based on the replacement value of derivatives in combination with a regulatory-prescribed add-on).

The regulatory net credit exposure detailed in the tables in this section is shown as the Basel II EAD after applying collateral, netting and other eligible risk mitigants permitted by the relevant regulations. This section also presents information on impaired and defaulted assets in a segmentation which is consistent with the regulatory capital calculation.

Credit risk exposures and risk-weighted assets

This table shows our average regulatory gross credit exposure and the derivation of risk-weighted assets from the regulatory gross credit exposure. Our risk-weighted assets remained broadly stable on 30 June 2010 compared with 31 December 2009, and the increase in our regulatory gross and net credit exposure was primarily due to increased deposits with central banks in Switzerland and Europe.

	Exposure				Average regulatory risk weighting[2]	Risk-weighted assets
CHF million	Average regulatory gross credit exposure	Regulatory gross credit exposure	Less: regulatory credit risk offsets and adjustments[1]	Regulatory net credit exposure		
Cash and balances with central banks	35,572	60,698		60,698	2%	1,140
Due from banks	26,697	23,762	(6,854)	16,908	23%	3,812
Loans	262,108	265,594	(7,218)	258,376	17%	44,411
Financial assets designated at fair value	9,480	9,318	(4,857)	4,462	37%	1,672
Off-balance sheet[3]	42,441	42,612	(356)	42,256	27%	11,385
Banking products	**376,298**	**401,984**	**(19,284)**	**382,700**	**16%**	**62,420**
Derivatives	97,109	93,439		93,439	41%	37,930
Securities financing	49,543	55,423		55,423	9%	5,216
Traded products	**146,652**	**148,863**		**148,863**	**29%**	**43,146**
Trading portfolio assets	17,472	8,623		8,623	83%	7,174
Financial investments available-for-sale[4]	70,568	70,261		70,261	2%	1,213
Accrued income and prepaid expenses	5,622	5,807	(109)	5,697	86%	4,892
Other assets	7,205	7,265	(877)	6,388	98%	6,267
Other products	**100,866**	**91,956**	**(987)**	**90,970**	**21%**	**19,547**
Total 30.6.10	**623,816**	**642,803**	**(20,272)**	**622,531**	**20%**	**125,111**
Total 31.12.09	630,562	610,036	(24,487)	585,549	22%	127,218

1 Regulatory credit risk offsets and adjustments mainly include margin accounts for derivatives. 2 The derivation of RWA is based on the various credit risk parameters of the advanced IRB approach and the standardized approach, respectively. 3 Includes contingent claims and undrawn irrevocable credit facilities. 4 Excludes equity positions. Includes high-quality liquid short-term securities issued by governments and government-controlled institutions following our strategic decision to rebalance our liquidity reserve, which led to a shift from repurchase agreements and trading positions into debt instruments available-for-sale.

Regulatory gross credit exposure by geographical region

This table provides a breakdown of our portfolio by major types of credit exposure according to classes of financial instruments and geographical regions. The geographical distribution is based on the legal domicile of the customer.

CHF million	Switzerland	Other Europe	North America[1]	Latin America	Asia / Pacific	Africa / Middle East	**Total regulatory gross credit exposure**	Total regulatory net credit exposure
Cash and balances with central banks	28,876	19,916	7,221		4,686		**60,698**	60,698
Due from banks	807	13,181	4,717	226	4,458	373	**23,762**	16,908
Loans	160,074	28,072	57,176	4,461	12,134	3,677	**265,594**	258,376
Financial assets designated at fair value	4	1,355	7,568	17	346	27	**9,318**	4,462
Off-balance sheet	6,802	8,080	25,305	502	1,448	475	**42,612**	42,256
Banking products	**196,562**	**70,604**	**101,987**	**5,206**	**23,072**	**4,552**	**401,984**	**382,700**
Derivatives	7,511	40,650	35,101	469	8,282	1,426	**93,439**	93,439
Securities financing	9,906	17,073	19,510	68	8,431	436	**55,423**	55,423
Traded products	**17,416**	**57,723**	**54,611**	**537**	**16,713**	**1,863**	**148,863**	**148,863**
Trading portfolio assets		1,964	5,211	283	1,147	17	**8,623**	8,623
Financial investments available-for-sale[2]	666	23,191	40,276	3	5,996	130	**70,261**	70,261
Accrued income and prepaid expenses	375	769	4,459	23	165	16	**5,807**	5,697
Other assets	3,073	2,011	1,861	1	300	20	**7,265**	6,388
Other products	**4,115**	**27,935**	**51,807**	**309**	**7,607**	**183**	**91,956**	**90,970**
Total regulatory gross credit exposure 30.6.10	**218,093**	**156,263**	**208,404**	**6,052**	**47,392**	**6,598**	**642,803**	**622,531**
Total regulatory gross credit exposure 31.12.09	187,283	154,601	204,709	5,344	52,550	5,548	610,036	585,549

1 North America includes the Caribbean. 2 Excludes equity positions.

Regulatory gross credit exposure by counterparty type

This table provides a breakdown of our portfolio by major type of credit exposure according to classes of financial instruments and counterparty type.

CHF million	Private individuals	Corporates[1]	Public entities (including sovereigns and central banks)	Banks and multilateral institutions	**Total regulatory gross credit exposure**	Total regulatory net credit exposure
Cash and balances with central banks		3	60,477	218	**60,698**	60,698
Due from banks			174	23,588	**23,762**	16,908
Loans	159,519	99,400	6,675		**265,594**	258,376
Financial assets designated at fair value		5,112	17	4,189	**9,318**	4,462
Off-balance sheet	2,874	37,691	749	1,297	**42,612**	42,256
Banking products	**162,393**	**142,207**	**68,092**	**29,292**	**401,984**	**382,700**
Derivatives	1,967	49,992	18,963	22,517	**93,439**	93,439
Securities financing	67	32,590	9,839	12,927	**55,423**	55,423
Traded products	**2,034**	**82,583**	**28,801**	**35,444**	**148,863**	**148,863**
Trading portfolio assets		8,157	325	140	**8,623**	8,623
Financial investments available-for-sale[2]	2	3,522	61,675	5,061	**70,261**	70,261
Accrued income and prepaid expenses	4,309	1,161	67	269	**5,807**	5,697
Other assets	1,901	4,612	184	567	**7,265**	6,388
Other products	**6,213**	**17,453**	**62,251**	**6,037**	**91,956**	**90,970**
Total regulatory gross credit exposure 30.6.10	**170,641**	**242,242**	**159,145**	**70,774**	**642,803**	**622,531**
Total regulatory gross credit exposure 31.12.09	165,012	227,330	138,717	78,977	610,036	585,549

1 Includes corporates and non-banks financial institutions. 2 Excludes equity positions.

Regulatory gross credit exposure by residual contractual maturity

This table provides a breakdown of our portfolio by major type of credit exposure according to classes of financial instruments and maturity. The maturity distribution is based on the residual contractual tenor.

CHF million	Due in 1 year or less	Due over 1 to 5 years	Due over 5 years	Other[1]	**Total regulatory gross credit exposure**	Total regulatory net credit exposure
Cash and balances with central banks				60,698	**60,698**	60,698
Due from banks	2,033	249	110	21,370	**23,762**	16,908
Loans	105,046	75,492	40,850	44,206	**265,594**	258,376
Financial assets designated at fair value	1,377	5,820	2,023	97	**9,318**	4,462
Off-balance sheet	9,725	30,421	1,839	626	**42,612**	42,256
Banking products	**118,181**	**111,983**	**44,822**	**126,997**	**401,984**	**382,700**
Derivatives	36,560	22,804	34,075		**93,439**	93,439
Securities financing	10,294	8	100	45,021	**55,423**	55,423
Traded products	**46,854**	**22,812**	**34,175**	**45,021**	**148,863**	**148,863**
Trading portfolio assets	927	5,907	1,702	88	**8,623**	8,623
Financial investments available-for-sale[2]	53,548	12,299	4,414		**70,261**	70,261
Accrued income and prepaid expenses				5,807	**5,807**	5,697
Other assets				7,265	**7,265**	6,388
Other products	**54,474**	**18,206**	**6,116**	**13,160**	**91,956**	**90,970**
Total regulatory gross credit exposure 30.6.10	**219,510**	**153,001**	**85,114**	**185,178**	**642,803**	**622,531**
Total regulatory gross credit exposure 31.12.09	249,047	151,651	83,350	125,988	610,036	585,549

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

Derivation of regulatory net credit exposure

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

CHF million	Advanced IRB approach	Standardized approach	**Total 30.6.10**	Total 31.12.09
Total regulatory gross credit exposure	512,615	130,188	**642,803**	610,036
Less: regulatory credit risk offsets and adjustments[1]	(14,539)	(5,733)	**(20,272)**	(24,487)
Total regulatory net credit exposure	498,076	124,455	**622,531**	
Total 31.12.09	445,526	140,024		585,549
Breakdown of the regulatory net credit exposure by exposure segment				
Corporates	137,089	33,390	**170,480**	165,246
Sovereigns	72,968	80,305	**153,273**	128,957
Banks	104,182	6,273	**110,456**	109,049
Retail				
Residential mortgages	*119,077*	*1,355*	***120,432***	*119,859*
Lombard lending	*63,566*		***63,566***	*58,723*
Other retail	*1,194*	*3,132*	***4,324***	*3,714*
Total regulatory net credit exposure	498,076	124,455	**622,531**	
Total 31.12.09	445,526	140,024		585,549

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

Regulatory gross credit exposure covered by guarantees and credit derivatives

This table provides a breakdown of our regulatory gross credit exposures covered by guarantees, and those covered by credit derivatives according to Basel II defined exposure segments. These exposure segments are defined as follows:

Corporates consists of all exposures that do not fit into any of the other exposure segments in the table below. It includes private commercial entities such as corporations, partnerships or proprietorships, insurance companies, funds, exchanges and clearing houses.

Sovereigns ("Central governments and central banks" under Swiss and EU regulations) consists of exposures relating to sovereign states and their central banks, the Bank for International Settlements (BIS), the International Monetary Fund (IMF), the European Union including the European Central Bank and eligible multilateral development banks (MDB).

Banks ("Institutions" under Swiss and EU regulations) consists of exposures to banks, i.e. legal entities holding a banking license. It also includes securities firms that are subject to supervisory and regulatory arrangements comparable to those applied to banks according to the Basel II Revised Framework, including, in particular, risk-based capital requirements. Basel II also defines this regulatory exposure segment such that it contains exposures to public sector entities with tax raising power or whose liabilities are fully guaranteed by a public entity.

Residential mortgages ("Claims secured on residential real estate" under Swiss and EU regulations) consists of residential mortgages, regardless of exposure size, if the obligor owns and occupies or rents out the mortgaged property.

Lombard lending consists of loans which are made against the pledge of eligible marketable securities or cash.

Other retail consists of exposures to small businesses, private clients and other retail customers without mortgage financing.

The exposure amounts in the table reflect the values used for determining regulatory capital. However, we utilize credit hedging to reduce concentrated exposure to individual names or sectors or in specific portfolios, which is not fully reflected in the regulatory numbers in this section.

➔ **For further information on credit risk mitigation, please refer to the "Credit risk" section of our Annual Report 2009**

CHF million	Exposure covered by guarantees[1]	Exposure covered by credit derivatives
Exposure segment		
Corporates	3,594	25,168
Sovereigns	95	4
Banks	363	287
Retail		
Residential mortgages	*11*	
Lombard lending	*284*	
Other retail	*46*	
Total regulatory gross credit exposure 30.6.10	**4,395**	**25,458**
Total regulatory gross credit exposure 31.12.09	4,746	24,978

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

Advanced IRB approach

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

This table provides a breakdown of the regulatory net credit exposure of our credit portfolio using the advanced IRB approach according to our internal rating classes.

	UBS-internal rating							
	Investment grade			Sub-investment grade		Defaulted[1]	Total regulatory net credit exposure	
CHF million	0 / 1	2 / 3	4 / 5	6–8	9–13		**30.6.10**	31.12.09
Regulatory net credit exposure-weighted average PD	0.006%	0.058%	0.278%	0.930%	5.809%		**0.518%**	0.548%
Exposure segment								
Corporates	4,982	51,908	31,461	28,686	16,204	3,848	**137,089**	128,146
Sovereigns	50,824	21,018	811	176	131	8	**72,968**	36,163
Banks	7,066	84,258	10,677	1,834	316	32	**104,182**	103,280
Retail								
Residential mortgages	*1*	*4,876*	*55,456*	*52,885*	*5,333*	*525*	***119,077***	*118,213*
Lombard lending		*54,311*	*6,100*	*2,184*	*863*	*107*	***63,566***	*58,723*
Other retail		*155*	*58*	*955*	*17*	*9*	***1,194***	*1,000*
Total 30.6.10	**62,874**	**216,527**	**104,564**	**86,719**	**22,863**	**4,529**	**498,076**	
Total 31.12.09	27,748	205,085	101,119	84,659	20,805	6,109		445,526

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

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

This table provides a breakdown of the net exposure-weighted average loss given default (LGD) for our credit portfolio exposures calculated using the advanced IRB approach, according to our internal rating classes. Undrawn commitments included in the advanced IRB approach are CHF 59.6 billion with a net EAD of CHF 31.0 billion and an average regulatory risk weighting of 26%.

	UBS-internal rating						
	Investment grade			Sub-investment grade		Regulatory net credit exposure-weighted average LGD (%)	
	0 / 1	2 / 3	4 / 5	6–8	9–13	**30.6.10**	31.12.09
Regulatory net credit exposure-weighted average LGD (%)							
Corporates	37	36	33	30	25	**33**	31
Sovereigns	40	49	52	40	82	**42**	44
Banks	14	24	34	41	48	**25**	29
Retail							
Residential mortgages	*10*	*10*	*10*	*10*	*10*	***10***	*10*
Lombard lending		*20*	*20*	*20*	*20*	***20***	*20*
Other retail		*20*	*12*	*41*	*16*	***36***	*35*
Average 30.6.10	**37**	**28**	**20**	**18**	**22**	**26**	
Average 31.12.09	35	29	20	18	21		25

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

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

	UBS-internal rating						
	Investment grade			Sub-investment grade		Regulatory net credit exposure-weighted average risk weight	
in %	0 / 1	2 / 3	4 / 5	6–8	9–13	**30.6.10**	31.12.09
Regulatory net credit exposure-weighted average risk weight							
Corporates	11	18	36	52	84	**39**	42
Sovereigns	2	28	57	84	280	**11**	17
Banks	4	9	34	84	144	**13**	15
Retail							
Residential mortgages	*1*	*2*	*5*	*10*	*23*	***8***	*10*
Lombard lending		*3*	*11*	*12*	*30*	***5***	*4*
Other retail		*3*	*6*	*49*	*25*	***41***	*42*
Average 30.6.10	**3**	**12**	**18**	**26**	**70**	**18**	
Average 31.12.09	5	12	19	28	68		20

Standardized approach

The standardized approach is generally applied where it is not possible to use the advanced IRB approach and/or where an exemption from the advanced IRB approach has been granted by FINMA. The standardized approach requires banks to use risk assessments prepared by external credit assessment institutions (ECAI) or export credit agencies to determine the risk weightings applied to rated counterparties.

We use ECAI risk assessments to determine the risk weightings for certain components of the following classes of exposure:

- central governments and central banks;
- regional governments and local authorities;
- multilateral development banks;
- institutions; and
- corporates.

The risk weights are based on regulatory values or external ratings.

We have selected three FINMA-recognized external credit assessment institutions for this purpose – Moody's Investors Service, Inc., Standard & Poor's Ratings Group and Fitch Group. The mapping of external ratings to the standardized approach risk weights is determined by FINMA and is published on their website.

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

This table provides a breakdown of the regulatory gross and net credit exposure by risk weight for our credit portfolio exposures treated under the standardized approach, according to Basel II defined exposure segments.

	Total exposure					Total exposure	
CHF million	0%	>0–35%	36–75%	76–100%	150%	**30.6.10**	31.12.09
Regulatory gross credit exposure							
Corporates	1	8,736	957	27,487	922	**38,103**	42,159
Sovereigns [1]	79,866	69		406		**80,341**	92,843
Banks	1	4,769	1,501	106	1	**6,379**	6,821
Retail							
Residential mortgages		*306*	*1,049*	*866*	*1*	***2,221***	*1,646*
Lombard lending							
Other retail			*3,119*		*26*	***3,145***	*2,731*
Total 30.6.10	**79,868**	**13,880**	**6,624**	**28,865**	**950**	**130,188**	
Total 31.12.09	92,176	17,444	7,209	28,256	1,115		146,200
Regulatory net credit exposure [2]							
Corporates	1	8,736	957	22,791	906	**33,390**	37,100
Sovereigns [1]	79,866	69		370		**80,305**	92,794
Banks	1	4,665	1,500	106	1	**6,273**	5,769
Retail							
Residential mortgages		*306*	*1,049*		*1*	***1,355***	*1,646*
Lombard lending							
Other retail			*3,106*		*26*	***3,132***	*2,715*
Total 30.6.10	**79,868**	**13,775**	**6,612**	**23,267**	**934**	**124,455**	
Total 31.12.09	92,176	17,428	6,157	23,148	1,115		140,024

1 Includes high-quality liquid short-term securities issued by governments and government-controlled institutions following our strategic decision to rebalance our liquidity reserve, which led to a shift from repurchase agreements and trading positions into debt instruments available-for-sale. 2 For traded products, the regulatory gross credit exposure is equal to the regulatory net credit exposure.

Eligible financial collateral recognized under standardized approach

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

	Regulatory net credit exposure under standardized approach		Eligible financial collateral recognized in capital calculation [1]	
CHF million	**30.6.10**	31.12.09	**30.6.10**	31.12.09
Exposure segment				
Corporates	**33,390**	37,100	**7,003**	20,852
Sovereigns	**80,305**	92,794	**36**	60
Banks	**6,273**	5,769	**2,580**	4,916
Retail				
Residential mortgages	***1,355***	*1,646*	***866***	
Lombard lending				
Other retail	***3,132***	*2,715*	***13***	*18*
Total	**124,455**	140,024	**10,497**	25,847

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

Impairment, default and credit loss

As illustrated in the tables below, our impaired assets decreased 33% on 30 June 2010 compared with 31 December 2009, mainly due to sales of legacy loan positions and reductions in our impaired derivative exposures.

Impaired assets by geographical region

This table provides a breakdown of credit exposures arising from impaired assets and allowances/provisions by geographical region, based on the legal domicile of the customer. Our impaired asset exposures include loans, off-balance sheet claims, securities financing transactions and derivative contracts.

CHF million	Regulatory gross credit exposure	Impaired assets[1]	Specific allowances, provisions and credit valuation adjustments	Exposure net of specific allowances, provisions and credit valuation adjustments	Collective allowances and provisions[2]	**Total allowances, provisions and specific credit valuation adjustments[2]**	Total allowances, provisions and specific credit valuation adjustments 31.12.09
Switzerland	218,093	1,280	(741)	539	(47)	**(788)**	(885)
Other Europe	156,263	1,663	(233)	1,430		**(233)**	(1,185)
North America[3]	208,404	4,495	(2,071)	2,424		**(2,071)**	(3,584)
Latin America	6,052	24	(19)	5		**(19)**	(25)
Asia / Pacific	47,392	458	(88)	370		**(88)**	(121)
Africa / Middle East	6,598	97	(89)	8		**(89)**	(80)
Total 30.6.10	**642,803**	**8,016**	**(3,241)**	**4,775**	**(47)**	**(3,288)**	
Total 31.12.09	610,036	11,920	(5,831)	6,090	(49)		(5,881)

1 Values of defaulted derivative contracts (CHF 2,701 million) are based on replacement values and do not include "add-ons" used in the calculation of regulatory capital. 2 Collective credit valuation adjustments for derivatives of CHF 1.7 billion are partially included in the upper tier 2 capital and therefore not included in this table. 3 North America includes the Caribbean.

Impaired assets by exposure segment

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

CHF million	Regulatory gross credit exposure	Impaired assets[1]	Specific allowances, provisions and credit valuation adjustments	Collective allowances and provisions[2]	**Total allowances, provisions and specific credit valuation adjustments[2]**	Write-offs for the six-month period ended 30.6.10	Total allowances, provisions and specific credit valuation adjustments 31.12.09
Corporates	204,191	7,351	(2,893)		**(2,893)**	(1,351)	(5,470)
Sovereigns	153,440	14	(10)		**(10)**	(1)	(10)
Banks	95,749	45	(37)		**(37)**		(42)
Retail							
Residential mortgages	*121,392*	*278*	*(79)*		***(79)***		*(92)*
Lombard lending	*63,654*	*257*	*(159)*		***(159)***	*(1)*	*(147)*
Other retail	*4,376*	*71*	*(62)*		***(62)***	*(17)*	*(71)*
Not allocated segment[3]				(47)	**(47)**		(49)
Total 30.6.10	**642,803**	**8,016**	**(3,241)**	**(47)**	**(3,288)**	**(1,369)**	
Total 31.12.09	610,036	11,920	(5,831)	(49)	(5,881)	(2,046)	(5,881)

1 Values of defaulted derivative contracts (CHF 2,701 million) are based on replacement values and do not include "add-ons" used in the calculation of regulatory capital. 2 Collective credit valuation adjustments for derivatives of CHF 1.7 billion are partially included in the upper tier 2 capital and therefore not included in this table. 3 Collective loan loss allowances and provisions are not allocated to individual counterparties and thus also not to exposure segments.

Changes in allowances, provisions and specific credit valuation adjustments

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

CHF million	Specific allowances and provisions for banking products and securities financing	Specific credit valuation adjustments for derivatives	Total specific allowances, provisions and credit valuation adjustments	Collective allowances and provisions[1]	**For the six-month period ended 30.6.10**		For the twelve-month period ended 31.12.09
Opening balance as at 1.1.10	2,771	3,060	5,831	49	**5,881**	Opening balance as of 1.1.09	7,275
Write-offs	(1,369)		(1,369)		**(1,369)**		(2,046)
Recoveries (on written-off positions)	19		19		**19**		52
Increase / (decrease) in allowances, provisions and specific credit valuation adjustments[2]	(66)	(1,273)	(1,339)	(2)	**(1,341)**		1,110
Foreign currency translations and other adjustments	77	23	99		**99**		(460)
Transfers							(51)
Closing balance as at 30.6.10	**1,431**	**1,810**	**3,241**	**47**	**3,288**	Closing balance as at 31.12.09	5,881

1 Collective credit valuation adjustments for derivatives of CHF 1.7 billion are partially included in the upper tier 2 capital and therefore not included in this table. 2 Total actual credit loss (credit loss expense and changes in specific credit valuation adjustments for derivatives recognized in net trading income).

Total credit loss

This table provides a breakdown of the credit (loss) / recovery amount charged against our income statement in the first six months of 2010, according to Basel II defined exposure segments of the advanced IRB approach.

A semi-annual comparison between our annualized expected credit loss and our actual credit loss for the first six months of 2010 is not meaningful. A comparison of our expected loss versus actual loss will be provided in our full-year Basel II Pillar 3 report for 2010.

The release of specific credit valuation adjustments was primarily related to monoline insurers and was mainly a reversal of credit valuation adjustments established in 2008. The actual net recovery in the first six months of 2010 was primarily due to recoveries on certain legacy leveraged finance positions, which more than offset credit losses in our portfolio of reclassified assets.

	Actual credit (loss) / recovery and credit valuation adjustments			
	For the six-month period ended 30.6.10			For the twelve-month period ended 31.12.09
CHF million	**Actual credit (loss) / recovery**	**Specific credit valuation adjustments for defaulted derivatives**	**Total actual credit (loss) / recovery and credit valuation adjustments**	Total actual credit loss and credit valuation adjustments
Corporates[1]	**67**	**1,273**	**1,340**	(1,093)
Sovereigns				1
Banks	**2**		**2**	(22)
Retail				
Residential mortgages	***3***		***3***	*(1)*
Lombard lending	***(5)***		***(5)***	*52*
Other retail	***(1)***		***(1)***	*(30)*
Not specified[2]	**3**		**3**	(17)
Total	**68**	**1,273**	**1,341**	**(1,110)**

1 Includes actual credit losses from reclassified securities, which amounted to CHF 85 million for the first half 2010. 2 Includes changes in collective loan loss allowances and provisions.

Other credit risk tables

Credit exposure of derivative instruments

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

CHF million	**30.6.10**	31.12.09
Gross positive replacement values	**504,210**	424,548
Netting benefits recognized[1]	**(380,798)**	(313,172)
Collateral held	**(52,240)**	(38,012)
Net current credit exposure	**71,172**	73,364
Regulatory net credit exposure (total counterparty credit risk)[2]	**93,439**	96,063
of which treated with internal models (effective expected positive exposure (EPE))[2]	***79,634***	*79,111*
of which treated with supervisory approaches (current exposure method)[2]	***13,805***	*16,952*
Breakdown of the collateral held		
Cash collateral	**46,952**	34,049
Securities collateral and debt instruments collateral (excluding equity)	**5,054**	3,243
Equity instruments collateral	**145**	95
Other collateral	**89**	625
Total collateral held	**52,240**	38,012

1 Derivatives exposure based on accounting definition (consolidation scope for capital) measured as gross positive replacement values with netting benefits from negative replacement values with the same counterparty. 2 Derivatives exposure is defined as regulatory net credit risk exposure.

Credit derivatives[1,2]

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

	Regulatory banking book			Regulatory trading book			Total	
Notional amounts, CHF million	Protection bought	Protection sold	Total	Protection bought	Protection sold	Total	**30.6.10**	31.12.09
Credit Default Swaps	34,840		34,840	1,277,916	1,222,289	2,500,206	**2,535,046**	2,466,954
Total Return Swaps				3,804	3,489	7,293	**7,293**	11,123
Total 30.6.10	**34,840**		**34,840**	**1,281,721**	**1,225,778**	**2,507,499**	**2,542,339**	
Total 31.12.09[3]	36,353		36,353	1,254,586	1,187,139	2,441,725		2,478,077

1 Notional amounts of credit derivatives are based on accounting definitions and do not include any netting benefits. For capital underpinning of the counterparty credit risk of derivative positions, the effective expected positive exposure (or current exposure method) is taken. 2 Notional amounts are reported based on regulatory scope of consolidation and do not include options and warrants. 3 The reporting of notional amounts split between regulatory banking book and regulatory trading book have been aligned to reflect the allocation used for capital calculation under Pillar 1. On 31 December 2009, total regulatory banking book notional amounts were previously reported as CHF 22,633 million, of which CHF 22,043 million was protection bought and CHF 589 million was protection sold. At the same date, total regulatory trading book notional amounts were previously reported as CHF 2,455,445 million, of which CHF 1,268,895 million was protection bought and CHF 1,186,550 million was protection sold.

Our credit derivative trading is predominately on a collateralized basis. This means that our credit exposures arising from our derivatives activities with collateralized counterparties are typically reduced to nominal levels on a regular basis by the use of collateral.

Derivatives trading with counterparties with higher credit ratings (for example a large bank or broker-dealer) is typically under an International Swaps and Derivatives Association (ISDA) master agreement, and credit exposures to those counterparties from credit defaults swaps (CDS), together with exposures from other over-the-counter (OTC) derivatives, are netted and included in the calculation of the collateral required to be posted. Trading with lower rated counterparties (for example, hedge funds) would also generally require an initial margin to be posted by the counterparty.

We therefore receive collateral from, or post collateral to, our counterparties based on our open net receivable or net payable from OTC derivative activities. Under the terms of the ISDA master agreement and like forms, that collateral (which generally takes the form of cash or highly liquid fixed income securities) is generally available to cover any amounts due under those derivative contracts.

Settlement risk (including payment risk) of CDS has been mitigated to some extent by the development of a market-wide credit event auction process, which has resulted in a widespread shift to the cash settlement of CDS following a credit event on a reference entity.

The vast majority of our CDS trading activity is conducted by the Investment Bank. The "Credit derivatives portfolio split by counterparty" table provides further analysis of the Investment Bank's CDS counterparties, based on notional amount of CDS protection purchased and sold. The analysis shows that on 30 June 2010, the vast majority of the Investment Bank's CDS counterparties were market professionals. Based on the same notional measure, approximately 99% of these counterparties were rated investment grade and approximately 99% of the CDS activity was traded on a collateralized basis on 30 June 2010.

Credit derivatives portfolio split by counterparty[1]

	30.6.10		
in %	of total notional	of buy notional	of sell notional
Portfolio segment			
Developed markets commercial banks	64	64	65
Broker-dealers, investment and merchant banks	25	26	25
Hedge funds	1	1	2
All other	10	9	8

1 Counterparty analysis based on notional CDS exposures of Investment Bank sourced from credit risk systems.

Investment positions

Equities disclosure for banking book positions

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

	Book value	
CHF million	**30.6.10**	31.12.09
Equity investments		
Financial investments available-for-sale	**1,344**	1,351
Financial assets designated at fair value	**857**	841
Investments in associates	**898**	870
Total equity investments under IFRS	**3,099**	3,062
Consolidation scope adjustment	**(26)**	(30)
Other positions designated equity exposures under BIS	**437**	743
Total equity exposure under BIS	**3,510**	3,774
of which: to be risk-weighted		
publicly traded	***1,177***	*1,452*
privately held	***1,019***	*1,110*
of which: deducted from equity	***1,314***	*1,212*
Capital requirement according to simple risk weight method	**368**	373
Total capital charge	**1,682**	1,585
Unrealized gains included in tier 2 capital	**56**	50

The IFRS view differs from the regulatory capital view primarily due to: (i) differences in the basis of valuation in that IFRS is based on "fair value accounting" whereas either "lower of cost or market value" (LOCOM) or "cost less impairment" is used for regulatory capital purposes; (ii) positions may be treated under a different framework to determine regulatory capital (for example, tradable assets that are treated under market risk VaR); and (iii) differences in the scope of consolidation for IFRS (for example, special purpose entities consolidated for IFRS but not for regulatory capital purposes).

Under IFRS, our realized gains for equity investments were CHF 18 million for the six-month period ended 30 June 2010 (CHF 77 million for the twelve-month period ended 31 December 2009), and our unrealized gains related to financial investments available-for-sale were CHF 370 million for the six-month period ended 30 June 2010 (CHF 466 million for the twelve-month period ended 31 December 2009). We had no unrealized gains and losses that were not recognized either on the balance sheet or in the statement of income relating to available-for-sale investments and financial assets designated at fair value. In addition, there was no significant disparity between the share prices of investment positions held in publicly quoted entities and their fair values.

Market risk

Risk-weighted assets attributable to market risk reduced to CHF 11,367 million as of 30 June 2010, compared with CHF 12,861 million as of 31 December 2009, as we adopted a more cautious approach to risk taking in second quarter 2010 in light of volatile markets. The market risk regulatory capital requirement is 8% of the respective risk-weighted assets. Market risk regulatory capital and risk-weighted assets are derived from our VaR model and are subject to regulatory determined multipliers.

UBS: Value-at-Risk (10-day 99% confidence, 5 years of historical data)

	For the six-month period ended 30.6.10				For the year ended 31.12.09			
CHF million	**Min.**	**Max.**	**Average**	**30.6.10**	Min.	Max.	Average	31.12.09
Business divisions								
Investment Bank	**132**	**446**	**248**	**184**	179	541	315	286
Wealth Management & Swiss Bank	**0**	**1**	**1**	**1**	0	1	0	0
Wealth Management Americas	**19**	**30**	**24**	**23**	15	32	21	30
Global Asset Management	**1**	**1**	**1**	**1**	0	7	2	1
Treasury activities and other corporate items	**5**	**71**	**15**	**13**	2	67	14	7
Diversification effect	[1]	[1]	**(30)**	**(23)**	[1]	[1]	(37)	(23)
Total regulatory VaR	**140**	**453**	**259**	**199**	187	545	315	301
Diversification effect (%)			**(10)**	**(10)**			(11)	(7)

1 As the minimum and maximum occur on different days for different business divisions, it is not meaningful to calculate a portfolio diversification effect.

Investment Bank: Value-at-Risk (10-day 99% confidence, 5 years of historical data)

	For the six-month period ended 30.6.10				For the year ended 31.12.09			
CHF million	**Min.**	**Max.**	**Average**	**30.6.10**	Min.	Max.	Average	31.12.09
Risk type								
Equities	**47**	**82**	**59**	**67**	55	115	71	57
Interest rates	**54**	**138**	**90**	**111**	64	149	98	116
Credit spreads	**225**	**496**	**349**	**324**	216	489	332	322
Foreign exchange	**8**	**54**	**24**	**16**	4	55	27	27
Energy, metals & commodities	**5**	**15**	**10**	**7**	9	25	16	12
Diversification effect	[1]	[1]	**(283)**	**(339)**	[1]	[1]	(229)	(248)
Total regulatory VaR	**132**	**446**	**248**	**184**	179	541	315	286
Diversification effect (%)			**(53)**	**(65)**			(42)	(46)

1 As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification effect.

UBS: Value-at-Risk (1-day 99% confidence, 5 years of historical data)[1]

		For the six-month period ended 30.6.10				For the year ended 31.12.09			
CHF million		**Min.**	**Max.**	**Average**	**30.6.10**	Min.	Max.	Average	31.12.09
Investment Bank	Regulatory VaR[2]	**57**	**96**	**75**	**65**	63	167	103	78
UBS	Regulatory VaR[2]	**58**	**97**	**77**	**67**	64	170	104	79

1 10-day 99% regulatory VaR and 1-day 99% regulatory VaR results are calculated separately from underlying positions and historical market moves. They cannot be inferred from each other. 2 Backtesting is based on 1-day 99% regulatory VaR.

Backtesting

Backtesting compares 1-day 99% regulatory VaR calculated on positions at the close of each business day, with the revenues arising on those positions on the following business day. 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.

We experienced one backtesting exception in the six-month period ended 30 June 2010, in May 2010, due to extreme market moves which followed the announcement of the European Central Bank's financial aid package for certain European countries. This was our first backtesting exception since second quarter 2009. We experienced four backtesting exceptions in 2009.

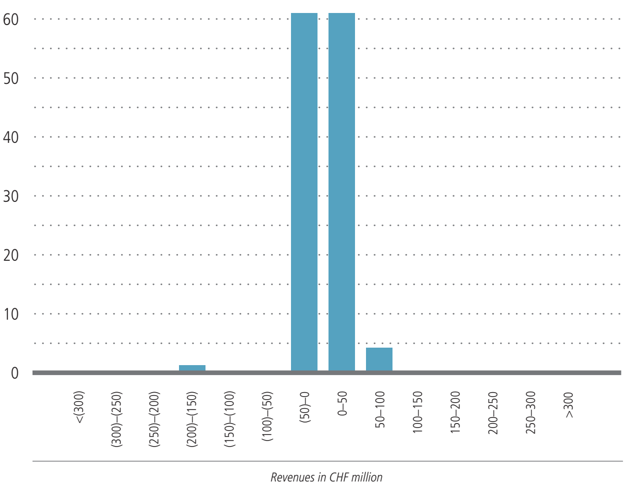
The first histogram below shows daily backtesting revenues in the Investment Bank for the six months to 30 June 2010. In the second histogram, the daily backtesting revenues are compared with the corresponding VaR over the same six-month period for days when backtesting revenues were negative. A positive 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.

We investigate all backtesting exceptions and any exceptional revenues on the profit side of the VaR distribution. In addition we report all backtesting results to senior business management, the Group Chief Risk Officer (CRO) and business division CROs.

Backtesting exceptions are also reported to internal and external auditors and relevant regulators.

Investment Bank: backtesting revenues[1] distribution

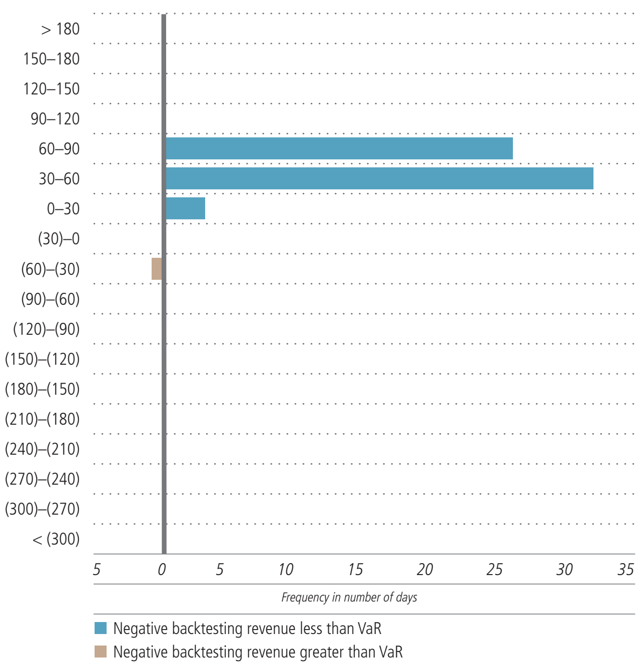
Frequency in number of days *1 January 2010 – 30 June 2010*



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

Investment Bank: analysis of negative backtesting revenues[1]

CHF million *1 January 2010 – 30 June 2010*



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

Operational risk

Risk-weighted assets attributable to operational risk were CHF 49,046 million as of 30 June 2010, compared with CHF 46,144 million as of 31 December 2009. The increase in risk-weighted assets was agreed with FINMA in first quarter 2010. Operational risk regulatory capital requirement is 8% of the respective risk-weighted assets.

Securitization

Securitization exposures retained or purchased

The tables below provide a breakdown of our securitization exposures retained or purchased (irrespective of our role in the securitization transaction, i.e. originator or investor) split by asset type and risk weighting band, as well as a breakdown of the related capital charges into risk weighting bands.

The reduction in our securitization exposures in the first six months of 2010 related primarily to a reduction in our exposures to student loan auction rate securities, due to redemptions by issuers and sales in the secondary market. The increase in capital charges on 30 June 2010, compared with 31 December 2009, resulted mainly from rating downgrades.

	Exposure amount	
CHF million	**30.6.10**	31.12.09
Exposure type		
Commercial mortgages	**2,061**	3,316
CDOs and CLOs[1]	**9,242**	9,565
Student loans	**12,519**	18,010
Other	**3,023**	2,182
Total	**26,846**	33,074

1 Collateralized loan obligations.

Capital charge for securitization exposures retained or purchased by risk weights

	Exposure amount		Capital charge	
CHF million	**30.6.10**	31.12.09	**30.6.10**	31.12.09
0–10%	**8,600**	9,047	**56**	57
over 10–15%	**7,691**	13,236	**80**	139
over 15–20%	**3,149**	4,511	**53**	75
over 20–35%	**1,125**	2,560	**8**	71
over 35–50%	**148**	222	**6**	9
over 50–75%	**1,773**	295	**105**	17
over 75–100%	**170**	504	**14**	43
over 100–250%	**841**	289	**162**	61
over 250–1,250%	**357**	613	**144**	209
deducted from capital	**2,992**	1,797	**2,992**	1,797
Total	**26,846**	33,074	**3,620**	2,478

Securitization activity during the period

We did not securitize any exposures during the first six months of 2010 or in the full-year 2009.

Total outstanding exposures securitized via synthetic securitizations

Prior to 2008, we securitized exposures via synthetic securitizations as part of our global reference-linked note program. At the point of securitization, we retained certain securitization exposures (typically senior tranches) for all synthetic securitization structures that we transacted. The global reference-linked note program mainly consisted of multi-asset securitization structures which referenced residential mortgages, credit card receivables, corporate debt and other asset backed securities. Total outstanding exposures (based on exposures used to determine regulatory capital) that were part of synthetic securitizations decreased to CHF 2.7 billion on 30 June 2010, compared with CHF 3.2 billion on 31 December 2009.

Amount of impaired/past due assets securitized – synthetic securitizations

On 30 June 2010, CHF 47 million of outstanding impaired or past due exposures had been securitized by UBS via a synthetic securitization, compared with CHF 102 million on 31 December 2009. The exposure values are based on the amounts referenced in the transaction and are included in the impaired category when a credit event has occurred.

Losses recognized on originated transactions during the period

For the six-month period ended 30 June 2010, losses of CHF 60 million (CHF 34 million for the twelve-month period ended 31 December 2009) have been recognized on securitization tranches purchased or retained in respect of securitizations originated by UBS. This takes into account the offsetting effects of any credit protection that was an eligible risk mitigation instrument for the retained or repurchased tranche. We partially report such exposures on a fair value basis and partially on an amortized cost less impairment basis. These losses are mainly related to the global reference-linked note program.

Interest rate risk in the banking book

Risk profile

Interest rate risk sensitivity figures are provided for the impact of a one basis point change in interest rates, which is one of the ways in which non-trading interest rate risks are assessed for internal risk management purposes. In addition, the impact of an adverse parallel shift in interest rates of 200 basis points on our non-trading interest rate risk exposures is significantly below the threshold of 20% of eligible regulatory capital specified by regulators to identify banks that may be required to hold additional regulatory capital against this risk.

Impact of one basis point parallel increase of the yield curves[1]

This table shows the impact of a one basis point parallel increase of the yield curves on our interest-rate-sensitive banking book positions on 30 June 2010.

CHF million	**30.6.10**	31.12.09
CHF	**(0.1)**	(0.3)
EUR	**(0.1)**	(0.2)
GBP	**0.1**	(0.3)
USD	**(2.0)**	(0.8)
Other	**(0.1)**	(0.1)
Total impact on interest-rate-sensitive banking book positions	**(2.2)**	(1.8)

1 Does not include interest rate risk sensitivities in respect of our inventory of student loan auction rate securities (ARS) or our commitment to purchase client holdings of student loan ARS. From an economic perspective, these exposures are not materially affected by parallel shifts in USD interest rates, holding other factors constant. For further information on these exposures please refer to the "Risk concentrations" section of our Annual Report 2009 and the "Risk concentrations" section of our second quarter 2010 financial report.

Information sources

Reporting publications

Annual publications: *Annual report (SAP no. 80531; English and German)*. The report 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 and treasury management; corporate governance and executive compensation; and financial information, including the financial statements. *Review (SAP no. 80530; English, German, French and Italian).* This booklet contains key information on UBS's strategy and financials. *Compensation report (SAP no. 2307; English and German).* This report discusses compensation for senior management and the Board of Directors.

Quarterly publications: *Letter to shareholders (English, German, French and Italian).* This letter provides a quarterly update from executive management on our strategy and performance. *Financial report (SAP no. 80834; English).* This report provides a detailed description of our 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 "Financial information" section. Printed copies can be ordered from the same website by accessing the order / subscribe panel on the left-hand side of the screen. Alternatively, they can be ordered by quoting the SAP number and the language preference, where applicable, from UBS AG, Print & Publications, 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 can be downloaded 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 text message (SMS) or e-mail. Messages are sent in English, German, French and Italian and it is possible to state preferences for the theme of the alerts received.

Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages and percent changes are calculated based on rounded figures displayed in the tables and text and may not precisely reflect the percentages and percent changes that would be derived based on figures that are not rounded.

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