



# *Second* quarter 2013 results



July 30, 2013

# Cautionary statement regarding forward-looking statements

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This presentation 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. Additional information about those factors is set forth in documents furnished or filed by UBS with the US Securities and Exchange Commission, including UBS’s financial report for second quarter 2013 and UBS’s Annual Report on Form 20-F for the year ended 31 December 2012. 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.

# 2Q13 results

## Group<sup>1</sup>

- **Net profit attributable to UBS shareholders CHF 690 million**, diluted EPS CHF 0.18, ROE 5.9%
- **Profit before tax (PBT) CHF 1,020 million**, adjusted PBT CHF 1,022 million
  - Including charges of CHF 865 million related to issues from the past<sup>2</sup>
- **Continued progress on cost saving initiatives**, almost CHF 2 billion of cost reductions vs. 1H11

## Business divisions<sup>1</sup>

- **Wealth Management:** PBT CHF 711 million, highest in four years
  - Strong NNM of CHF 10.1 billion
  - "Best Global Wealth Manager 2013"<sup>3</sup>
- **Wealth Management Americas:** Record PBT USD 269 million
  - Record revenue, invested assets and financial advisor productivity, NNM USD 2.8 billion
- **Investment Bank:** PBT CHF 806 million, 38% RoAE
  - Best second quarter Equities performance in three years
- **Global Asset Management:** PBT CHF 152 million, third party NNM CHF 1.6 billion excluding money market
- **Retail & Corporate:** PBT CHF 390 million up 8%, "Best bank in Switzerland" for second consecutive year<sup>3</sup>
- **Corporate Center:** Pre-tax loss CHF 1,184 million including CHF 707 million of litigation matters and other

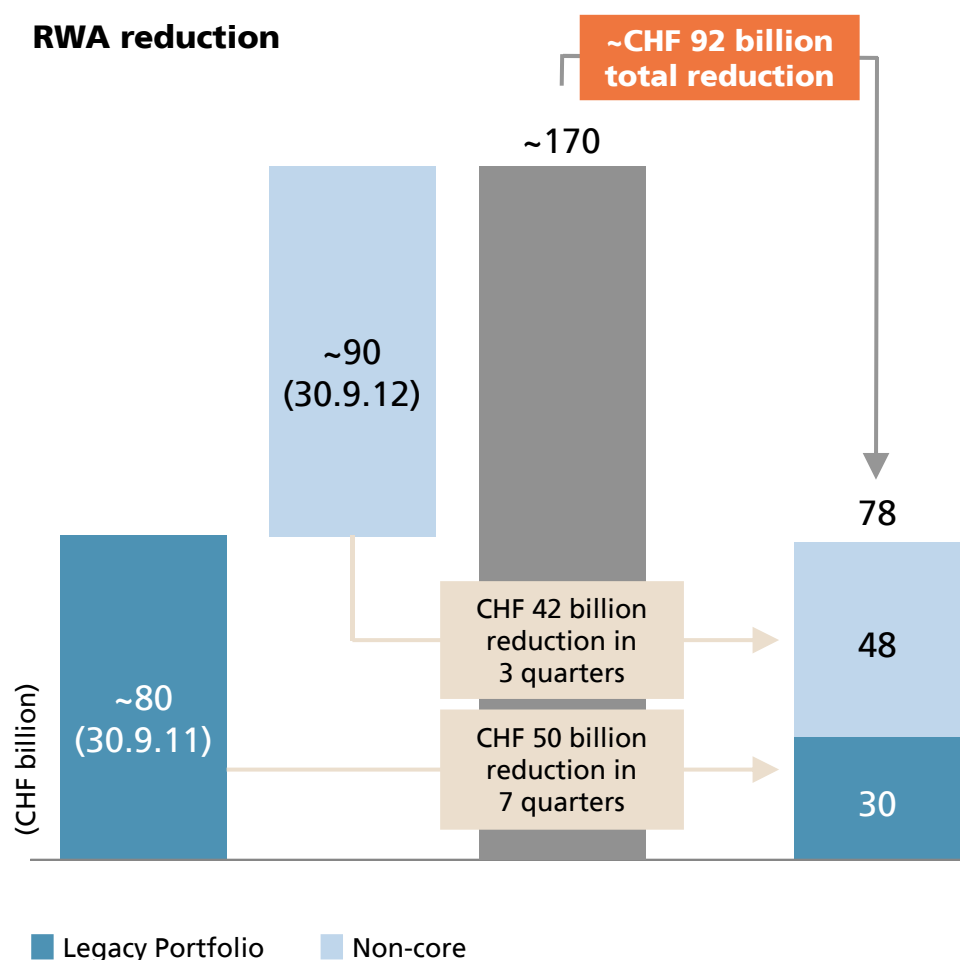
Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation



<sup>1</sup> Group ROE and Investment Bank RoAE are annualized figures for the quarter on an adjusted basis and differ from the year-to-date annualized numbers shown in the financial report; all business division and Corporate Center pre-tax profit (PBT) figures on an adjusted basis; Wealth Management also excluding a charge of CHF 104 million in relation to the Swiss-UK tax agreement; <sup>2</sup> CHF 658 million net charges for litigation, regulatory and similar matters, a charge of CHF 106 million in relation to the Swiss-UK tax agreement (of which CHF 104 million in Wealth Management), CHF 87 million related to an impairment of certain disputed receivables and CHF 14 million other; <sup>3</sup> Euromoney 2013

# Non-core and Legacy Portfolio run-down

## Significant progress and outstanding RWA reduction track record



- ~CHF 400 million cumulative operating income<sup>1</sup>

- We are well ahead of our original RWA reduction targets and have clear plans to run down the remaining positions

- Our goal is to maximize shareholder value and we consider all available options, factoring in costs of exits and the cost of capital

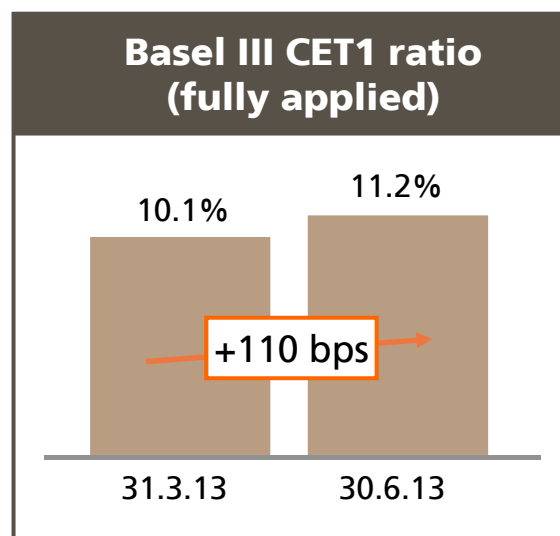
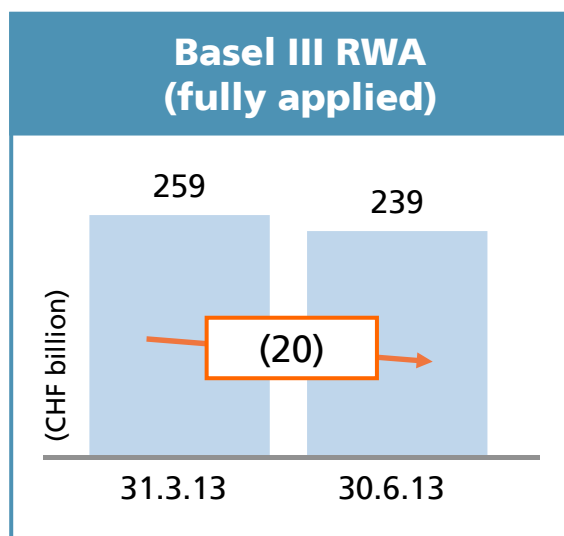
**We will continue to reduce exposures in the most value accretive way for shareholders**



# Capital strength is the foundation of our success and business model

## Basel III fully applied CET1 ratio up by 110 bps in 2Q13

- Industry-leading Basel III fully applied CET1 ratio increased to 11.2%
- RWA down CHF 20 billion to CHF 239 billion ahead of year-end target of <CHF 250 billion
- Our Swiss SRB Basel III leverage ratio continued to improve to 3.9% at 30.6.13



### SNB StabFund option

- We expect to exercise the SNB StabFund option in 4Q13
- Basel III fully applied CET1 ratio expected to improve by 70-90 bps as a result of the option exercise

**We are on track to achieve our 13% fully applied CET1 target in 2014**

# Group results<sup>1</sup>

(CHF million)	2Q12	1Q13	2Q13
Total operating income	6,402	7,775	7,389
Total operating expenses	5,400	6,327	6,369
<b>Profit before tax as reported</b>	<b>1,002</b>	<b>1,447</b>	<b>1,020</b>
Own credit gain / (loss)	239	(181)	138
Net restructuring charges <sup>2</sup>	(9)	(246)	(140)
Gain on disposals	-	65	-
Net loss related to the buyback of debt	-	(92)	-
Credit related to changes to a retiree benefit plan in the US	116	-	-
<b>Adjusted profit before tax</b>	<b>656</b>	<b>1,901</b>	<b>1,022</b>
<i>of which provisions for litigation, regulatory and similar matters</i>	(181)	(378)	(658)
<i>of which guarantee payments in relation to the Swiss-UK tax agreement, an impairment of certain disputed receivables and others</i>	-	-	(207)
Tax (expense) / benefit	(257)	(458)	(125)
Net profit attributable to preferred noteholders / non-controlling interests <sup>3</sup>	222	1	205
<b>Net profit attributable to UBS shareholders</b>	<b>524</b>	<b>988</b>	<b>690</b>
Diluted EPS (CHF)	0.14	0.26	0.18
Total book value per share (CHF)	13.47	12.57	12.49
Tangible book value per share (CHF)	10.87	10.79	10.73



Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

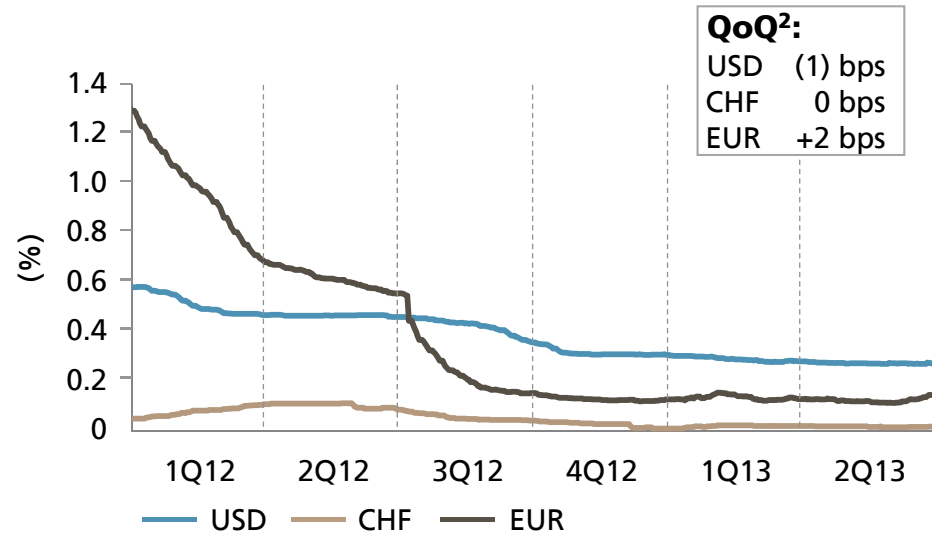
1 Refer to page 13 of the 2Q13 financial report for detailed adjusted results by business division and Corporate Center

2 We expect restructuring charges of ~CHF 0.8 billion for FY13

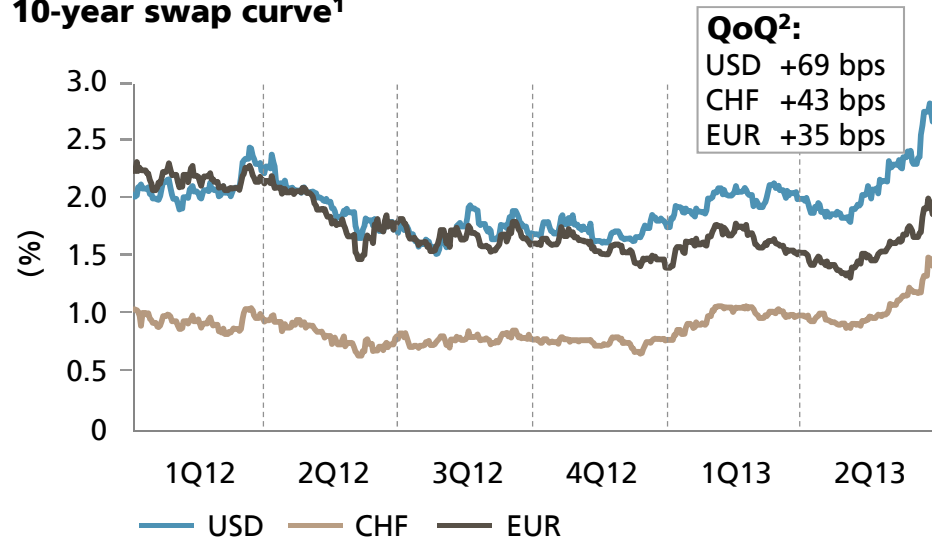
3 We expect net profit attributable to preferred noteholders / non-controlling interests of ~CHF 210 million for FY13

# Impact of rising interest rates

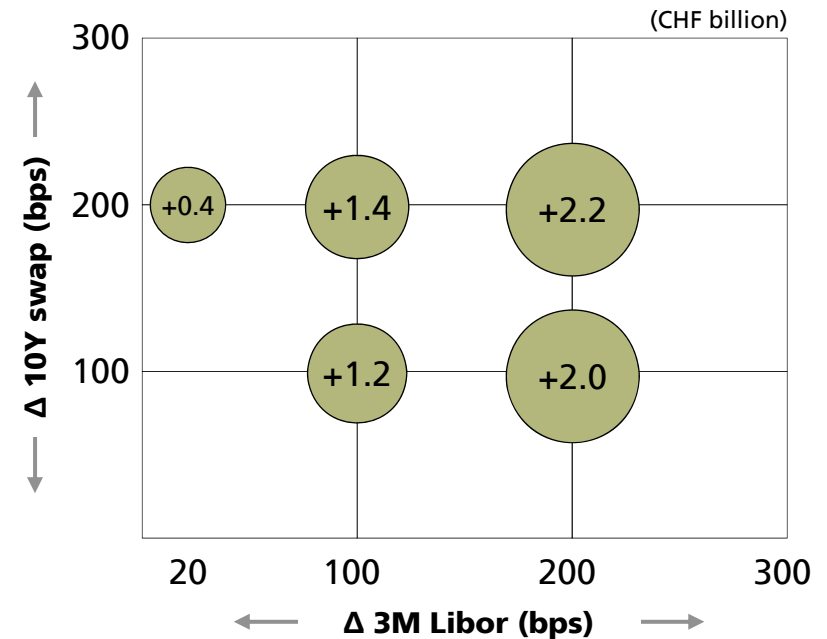
## 3-month Libor<sup>1</sup>



## 10-year swap curve<sup>1</sup>



## Net interest income sensitivity of core banking book<sup>3</sup>

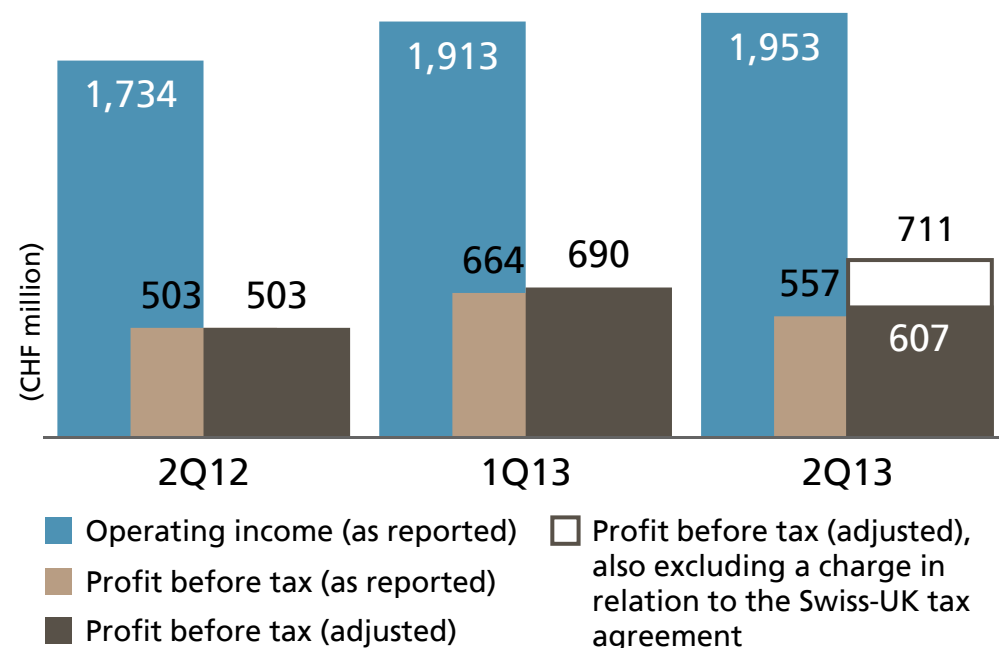


## Impact on book value / regulatory capital

- **2Q13:** OCI was negative CHF 0.7 billion in 2Q13, largely due to rising interest rates, with CHF 0.1 billion related to AFS portfolio, impacting regulatory capital
- **Potential impact of a 100 bps parallel increase:** Significant initial impact on book value through OCI of ~CHF (2.9) billion, of which ~CHF (0.7) billion related to AFS portfolio would impact regulatory capital

# Wealth Management

## Highest adjusted pre-tax profit in four years, best 2Q NNM since 2007<sup>1</sup>



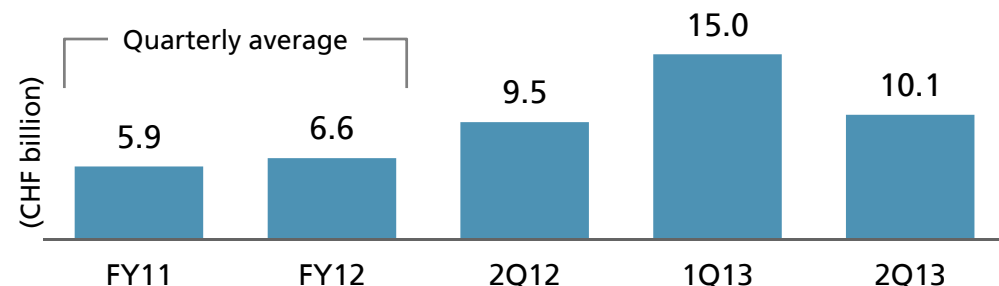
### Operating income up 2%

- Increased recurring fees on higher asset base and pricing measures partly offset by the impact of retrocession-free products
- Net interest income up on volume growth, re-pricing and higher treasury related income; lower income from our replication portfolio
- Continued solid client activity, although down on 1Q13

### Adjusted cost / income ratio of 69%

- 64%, excluding a charge of CHF 104 million in relation to the Swiss-UK tax agreement
- Within 60-70% target range

### Net new money



### CHF 10.1 billion net new money

- Positive in all regions, with EM and APAC delivering the highest net inflows
- Europe positive with strong onshore inflows offsetting continuing offshore outflows
- Strong growth in ultra high net worth

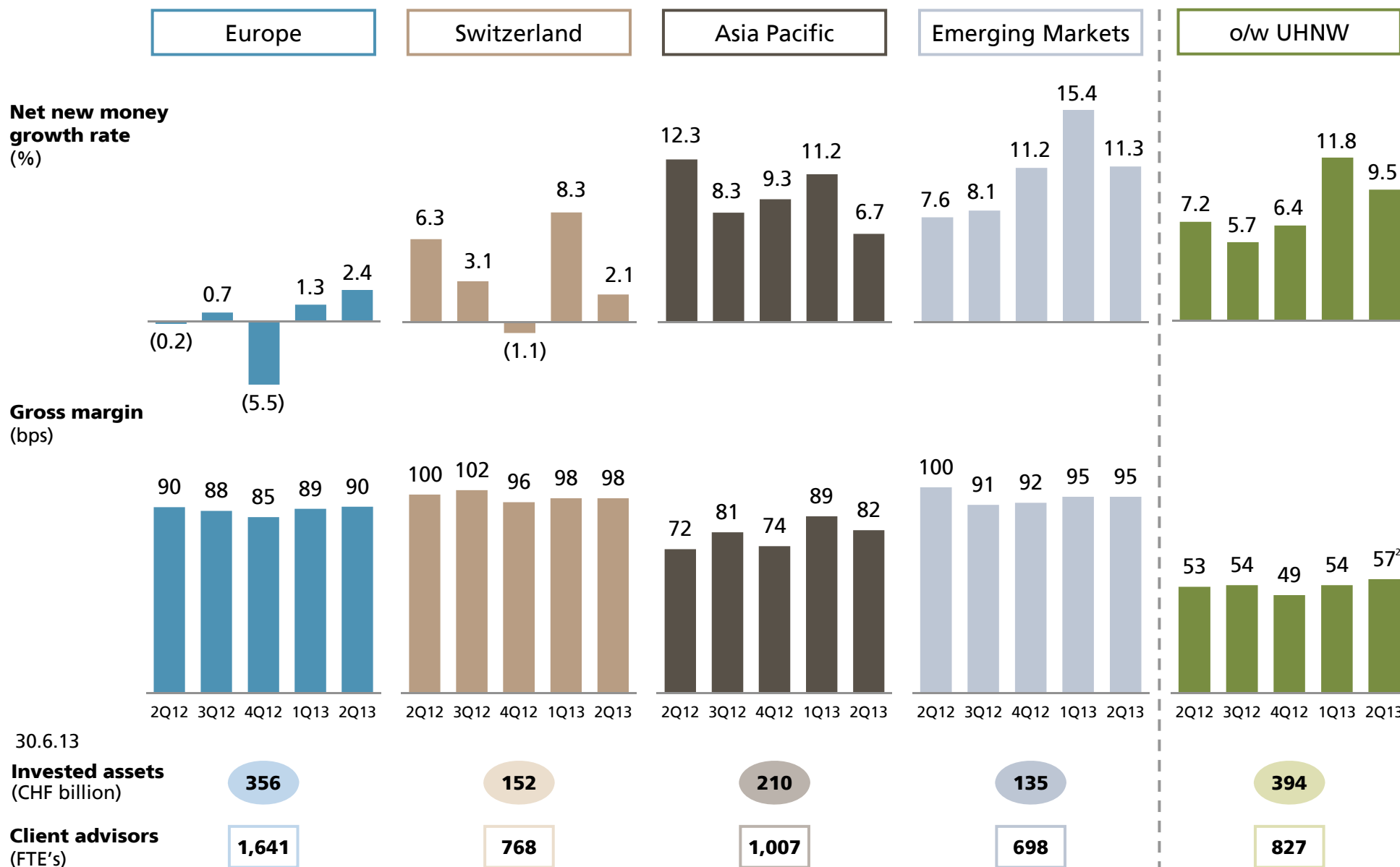


Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

<sup>1</sup> Adjusted pre-tax profit, also excluding a charge of CHF 104 million in relation to the Swiss-UK tax agreement



# Wealth Management—by business area<sup>1</sup>



30.6.13

**Invested assets**  
(CHF billion)

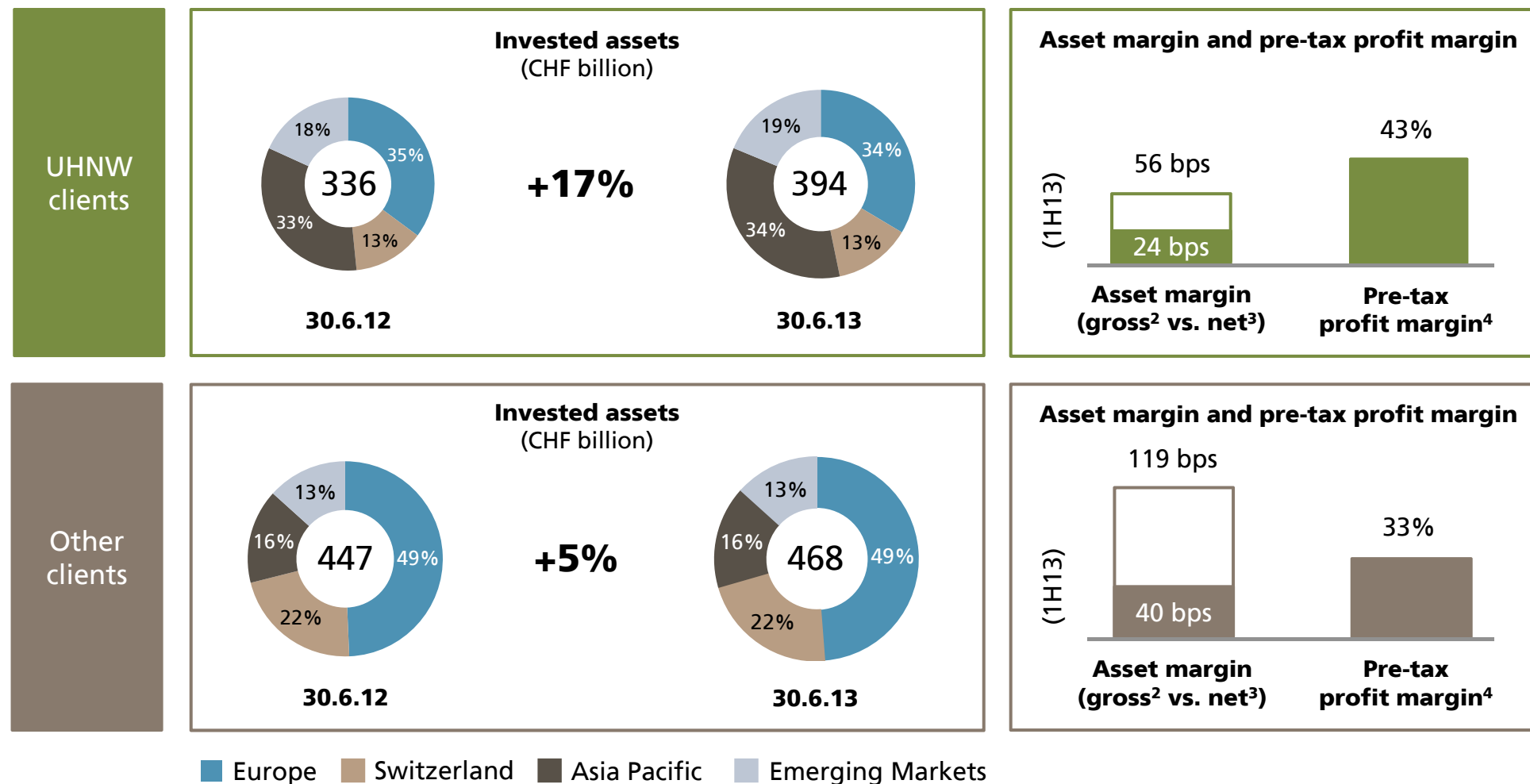
**Client advisors**  
(FTE's)



<sup>1</sup> Based on the Wealth Management business area structure, and excluding minor functions with 64 client advisors, CHF 9 billion of invested assets and CHF 0.2 billion of NNM outflows in 2Q13 which are mainly attributable to Wealth Management's employee share and option plan services provided to corporate clients and their employees; <sup>2</sup> Gross margin in UHNW includes a year-to-date change in the Wealth Management internal revenue allocation model for treasury-related revenues

# Wealth Management—UHNW segment<sup>1</sup>

Globally #1 with compelling economics and growth prospects



**Unrivaled in scope and scale; uniquely positioned in fastest growing markets**

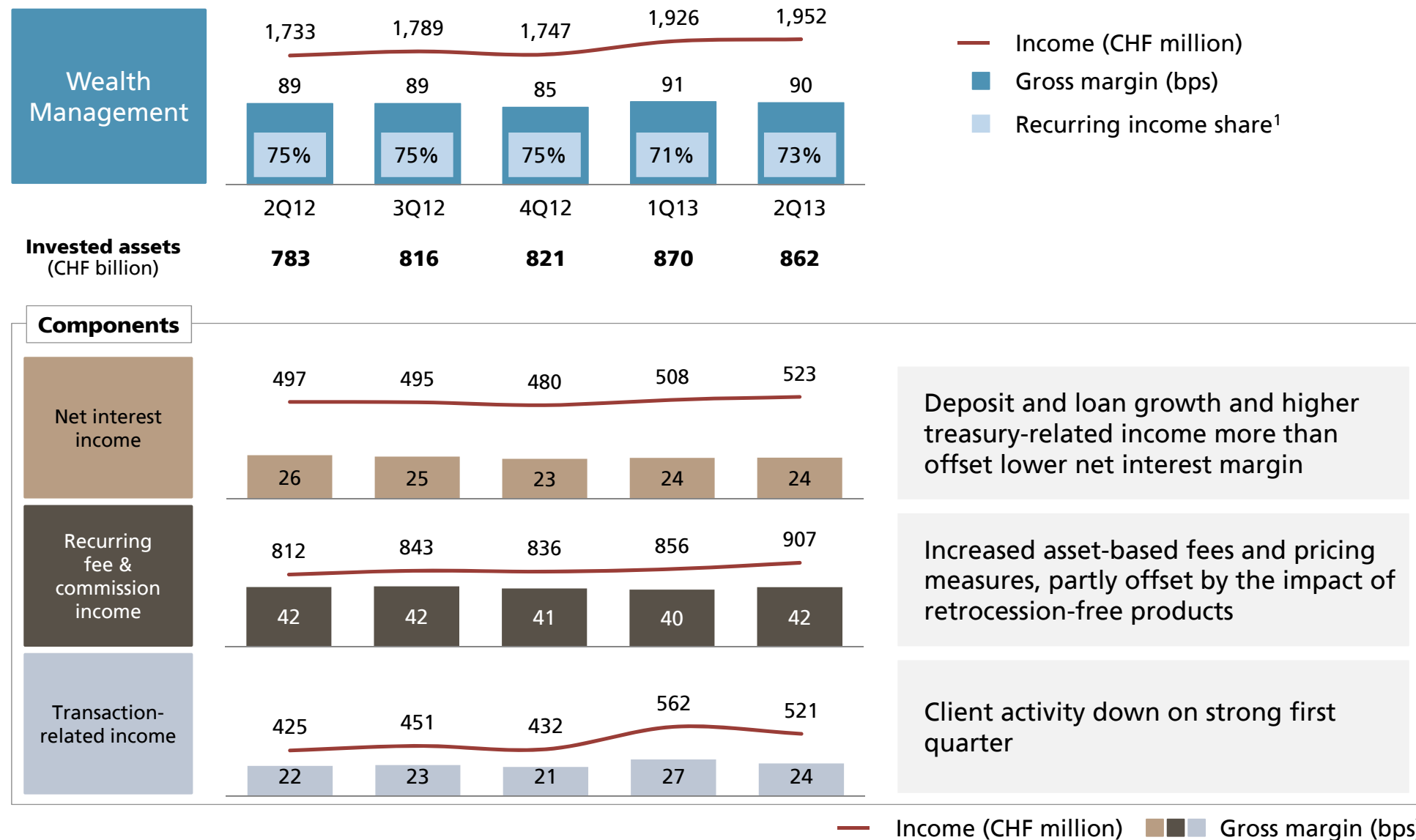


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<sup>1</sup> Ultra high net worth client segment (generally considered to be, among other factors, clients with more than CHF 50 million in investable assets); revenues for Wealth Management only; asset margin and pre-tax profit margin are calculated based on adjusted figures also excluding a charge of CHF 104 million in relation to the Swiss-UK tax agreement in 2Q13; geographical split by business area; <sup>2</sup> Annualized operating income before credit loss (expense) or recovery / average invested assets; <sup>3</sup> Annualized pre-tax profit / average invested assets; <sup>4</sup> Pre-tax profit / operating income before credit loss (expense) or recovery

# Wealth Management – Gross margin trends

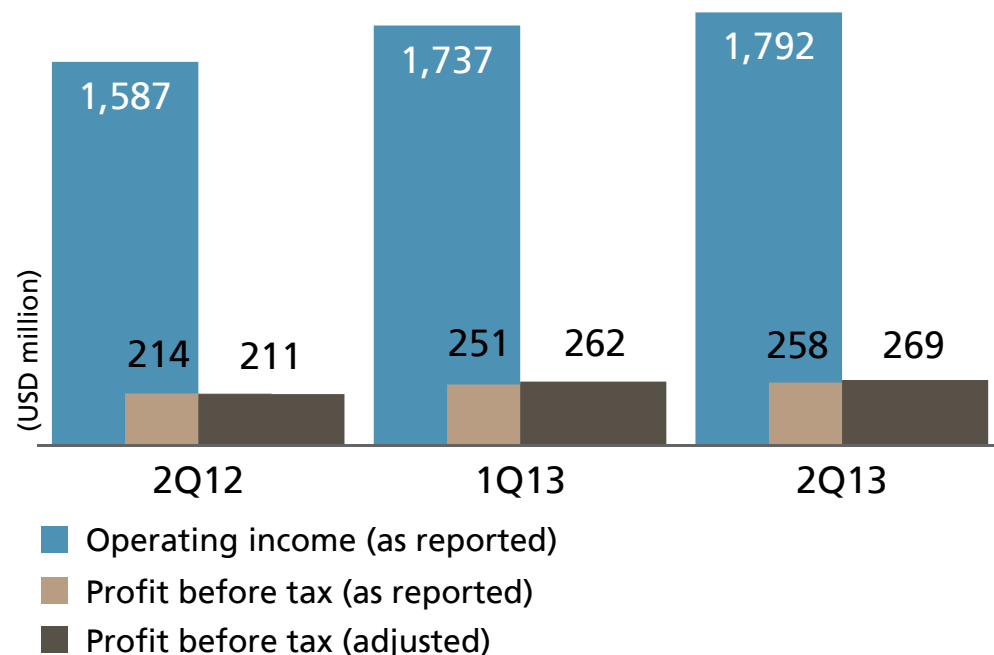
## 90 bps gross margin on higher average asset base



# Wealth Management Americas (USD)

## Record pre-tax profit, revenue, invested assets and FA productivity

### Operating income and profit before tax



### Operating income up 3%

- Improved recurring income on higher managed account fees and increased net interest income
- Gains from AFS portfolio USD 12 million vs. USD 41 million in 1Q13

### Adjusted cost / income ratio 85%

- Adjusted expenses up 3% mostly due to higher FA compensation on increased revenues
- Within 80-90% target range

### USD 2.8 billion net new money

- Including ~USD 2.5 billion of withdrawals associated with annual income tax payments
- Record invested assets of USD 892 billion

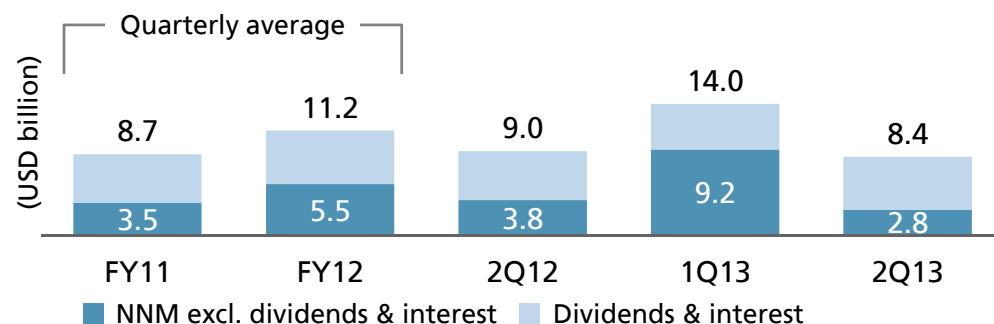
### Record invested assets per FA

- Most productive FAs on revenue / FA basis

### Banking initiatives are progressing well

- Average mortgage balances up 18%, average securities-backed lending up 5%

### Net new money

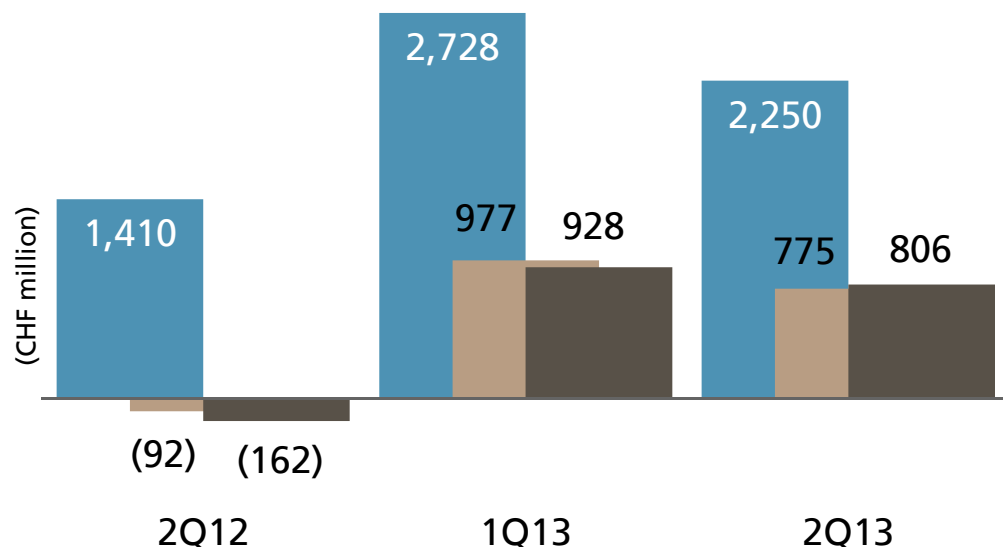


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# Investment Bank

## Continued strong performance despite more challenging markets

### Adjusted operating income and profit before tax



- Operating income (adjusted)
- Profit before tax (as reported)
- Profit before tax (adjusted)

#### Adjusted operating income down 18%

- Lower revenues on seasonally strong 1Q13, which included a large private transaction
- Front office staff productivity nearly doubled vs. 2Q12<sup>3</sup>

#### Adjusted cost / income ratio 64%

- Adjusted operating expenses down 20% on savings from cost reduction programs and lower performance related variable compensation
- Headcount decreased by 406 FTEs to 12,138

#### 38% adjusted RoAE<sup>1</sup>

- CCS and ICS both generated positive economic profit with effective resource management
- 13% adjusted return on RWA

	2Q12	1Q13	2Q13
Adjusted cost / income ratio (%)	111	66	64
Adjusted return on attributed equity (%) <sup>1</sup>	(5)	47	38
Basel III RWA (CHF billion; fully applied)	n/a	69	67
Adjusted return on RWA, gross (%) <sup>1</sup>	n/a	16	13
Funded assets (CHF billion) <sup>2</sup>	195	186	179
Front office staff (FTE)	6,717	5,751	5,445



Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

<sup>1</sup> RoAE and RoRWA are annualized figures for the quarter on an adjusted basis and differ from the year-to-date annualized numbers shown in the financial report

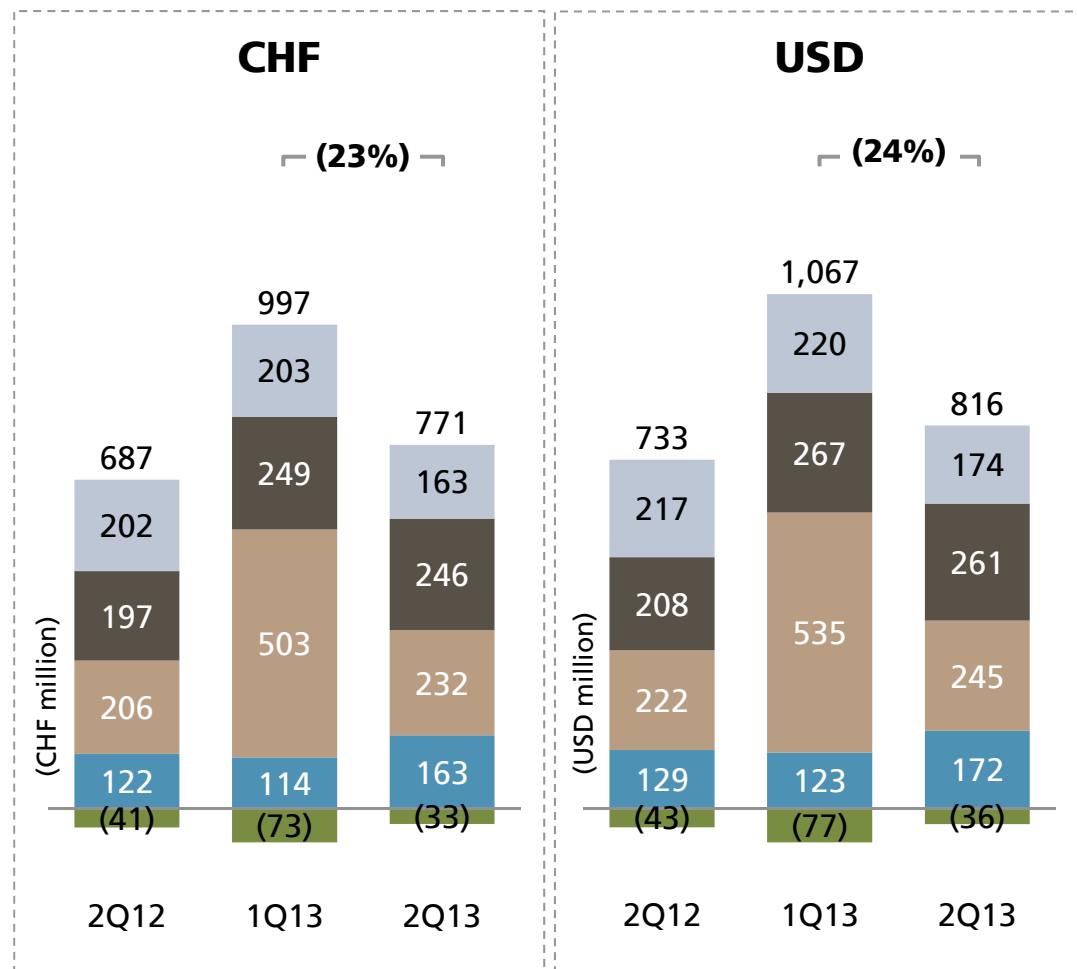
<sup>2</sup> Funded assets defined as total IFRS balance sheet assets less positive replacement values (PRV) and collateral delivered against over-the-counter (OTC) derivatives

<sup>3</sup> Revenues per head based on period-end front office FTEs; 2Q12 included CHF 349 million losses related to the Facebook IPO

# Corporate Client Solutions (CCS)

## Solid performance following an exceptional 1Q13

### Adjusted income



■ Advisory   ■ Equity capital markets   ■ Debt capital markets  
 ■ Financing solutions<sup>1</sup>   ■ Risk management<sup>2</sup>

### Comparison in USD terms (2Q13 vs. 1Q13)

#### Advisory +40%

- Revenues increased on a large number of private transactions

#### Equity capital markets (54%)

- Revenues decreased as 1Q13 included a large private transaction; higher IPO activity
- Participated in 5 of the top 20 deals in 2Q13; #6 by volumes globally in ECM for 1H13, up from #8 1H12 reflecting cross-regional strength

#### Debt capital markets (2%)

- Maintained top 5 position in target markets and products
- Continued strong performance in Americas and EMEA offset by lower revenues in APAC

#### Financing solutions (21%)

- Increase in real estate finance offset by lower revenues in structured financing and special situations group



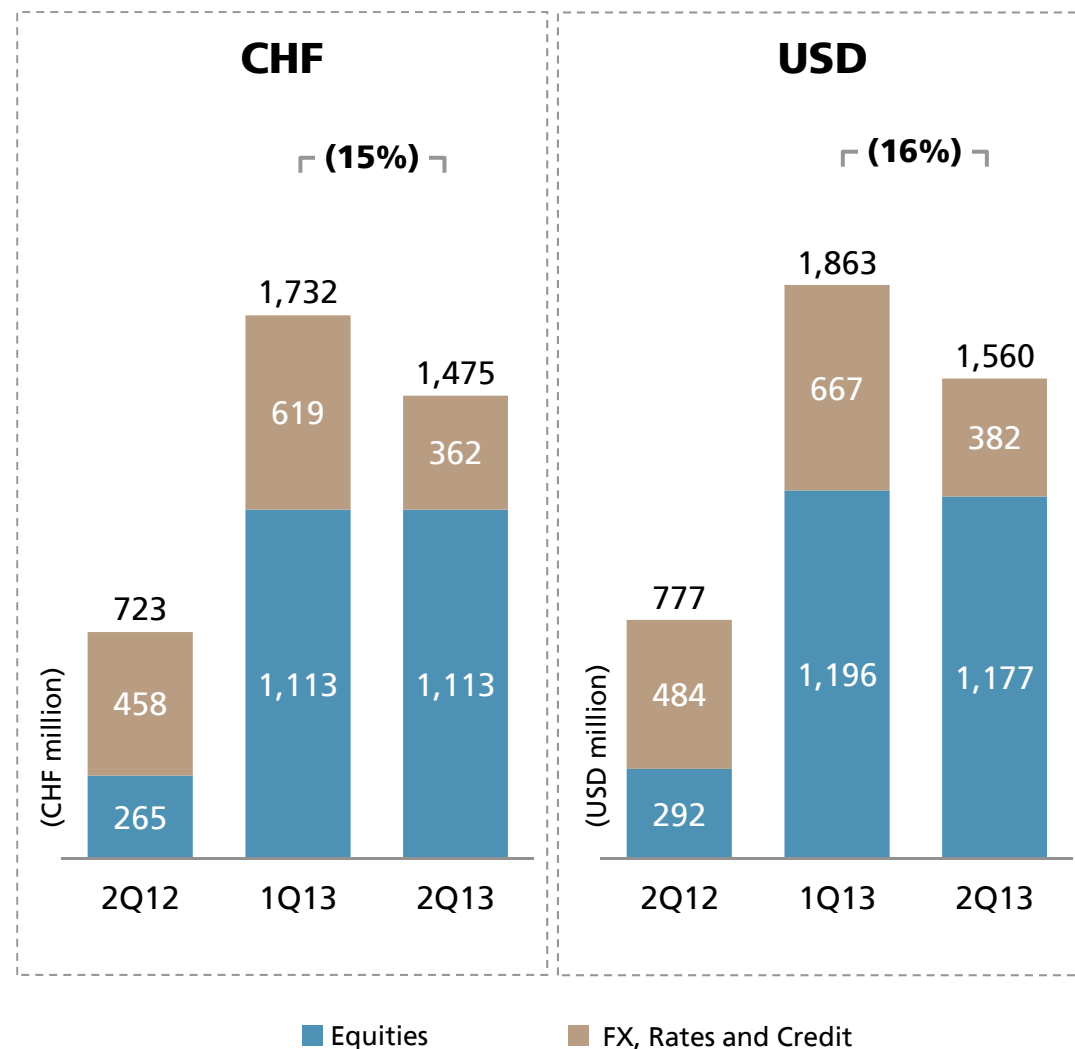
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<sup>1</sup> Financing solutions provides customized solutions across asset classes via a wide range of financing capabilities including structured financing, real estate finance and special situations group; <sup>2</sup> Risk management includes corporate lending and hedging activities

# Investor Client Services (ICS)

## Best second quarter performance in Equities in 3 years

### Adjusted income



### Comparison in USD terms (2Q13 vs. 1Q13)

#### Equities (2%)

- Higher Cash revenues across all regions; improved secondary block trading
- Continued strong performance in derivatives, particularly in Americas, on slightly lower revenues vs. 1Q13; best second quarter for derivatives since 2010
- Prime services saw good performance in equity finance and gains from the sale of an equity participation

#### FX, Rates and Credit (43%)

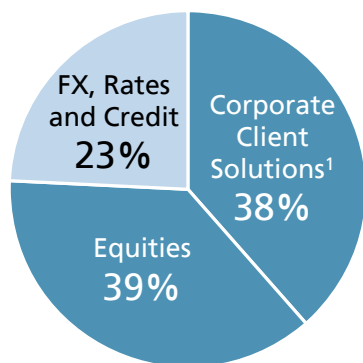
- Foreign Exchange: Increase in FX spot revenues mainly driven by higher electronic trading volumes, offset by reduced revenue in FX options as volatility levels increased and liquidity reduced
- Rates and Credit: Revenues declined due to increased market volatility and lower client activity levels

# UBS Investment Bank—An attractive risk / return profile

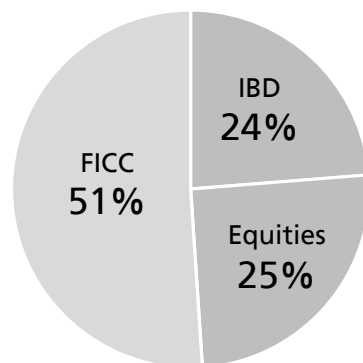
## Client flow focused business model with efficient resource utilization

### Revenue mix (average 1Q12 – 2Q13)

#### UBS Investment Bank



#### Peers<sup>2</sup> Investment bank businesses



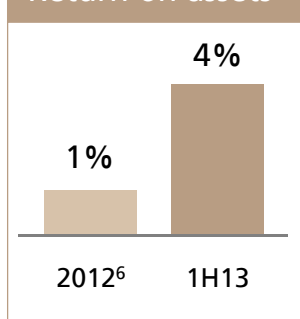
### Focus on capital light and economically profitable businesses

- More than 75% of our revenue mix comes from Corporate Client Solutions and Equities
- We continue to focus on high velocity products
- Our client-centric Investment Bank is an ideal partner to our wealth management businesses, Retail & Corporate and Global Asset Management

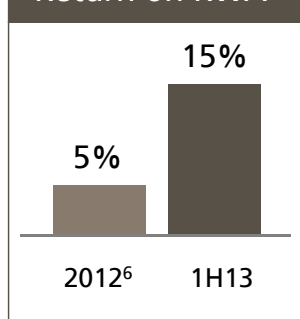
### Effectively managing our resources

- ~60% more revenue in 2Q13 vs. 2Q12 utilizing
  - 8% less funded assets
  - 19% fewer front office headcount
- Average value-at-risk CHF 14 million in 2Q13 at historical low level, revenue per unit of VaR CHF 161 million

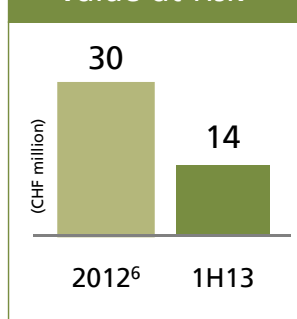
#### Return on assets<sup>3</sup>



#### Return on RWA<sup>4</sup>



#### Value-at-risk<sup>5</sup>



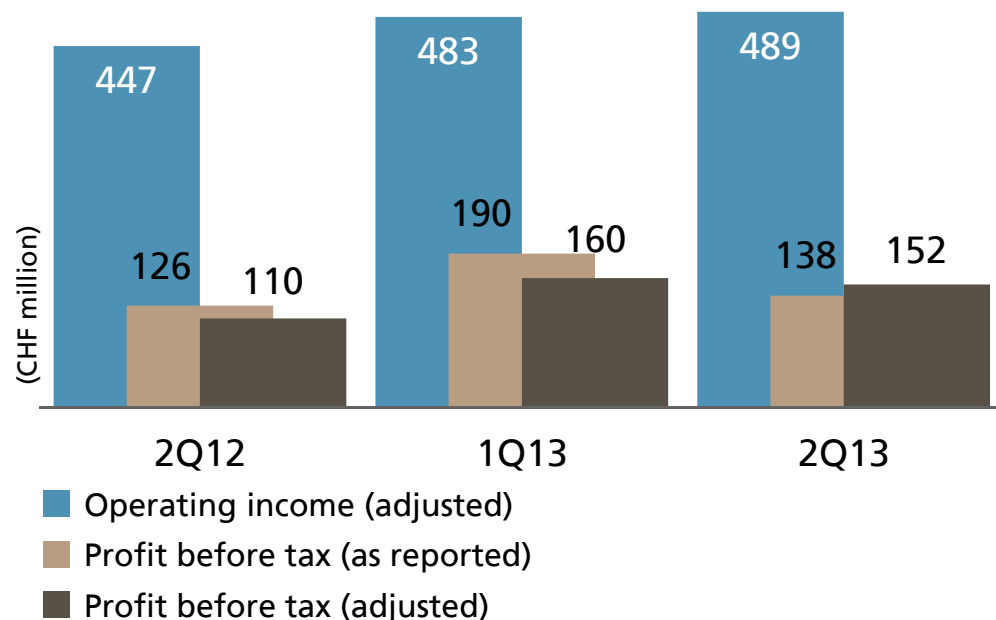
1 Advisory, Equity capital markets, Debt capital markets, Financing solutions and Risk management; 2 Source companies reporting: Bank of America, Citigroup, Credit Suisse, Deutsche Bank (1Q12-1Q13 only), Goldman Sachs, JP Morgan, Morgan Stanley; 3 Annualized operating income before credit loss (expense) or recovery / average total assets; 4 Annualized operating income before credit loss (expense) or recovery / average Basel III RWA (phase-in) for 2013, based on pro-forma Basel III RWA for 2012; 5 Average VaR, 1-day, 95% confidence, 5 years of historical data; 6 2012 numbers based on old Investment Bank structure (including Non-core)



# Global Asset Management

## CHF 1.6 billion third party NNM excluding money market

### Adjusted operating income and profit before tax



### Operating income +1%

- Higher net management fees mainly in traditional investments and fund services
- Performance fees declined following a strong first quarter for A&Q

### Adjusted cost / income ratio of 69%

- Within 60-70% target range

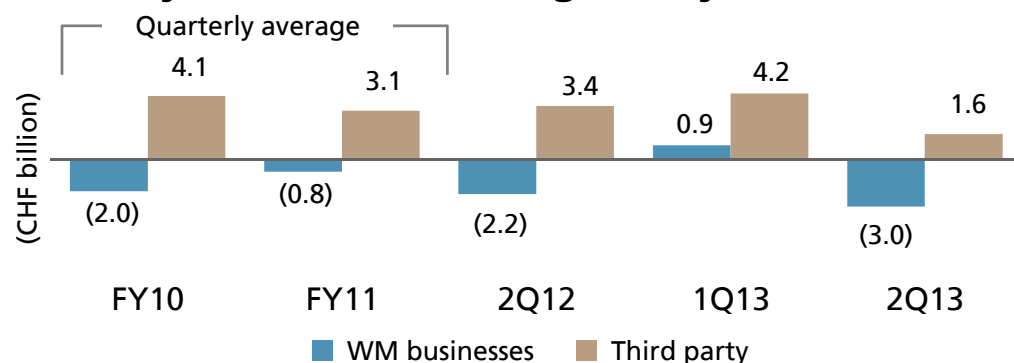
### Gross margin at 33 bps

- Within 32-38 bps target range

### Investment performance generally robust in challenging market conditions

- Over 85% of A&Q assets eligible for performance fees above or within 1% of high water mark at quarter-end

### NNM by channel – excluding money markets

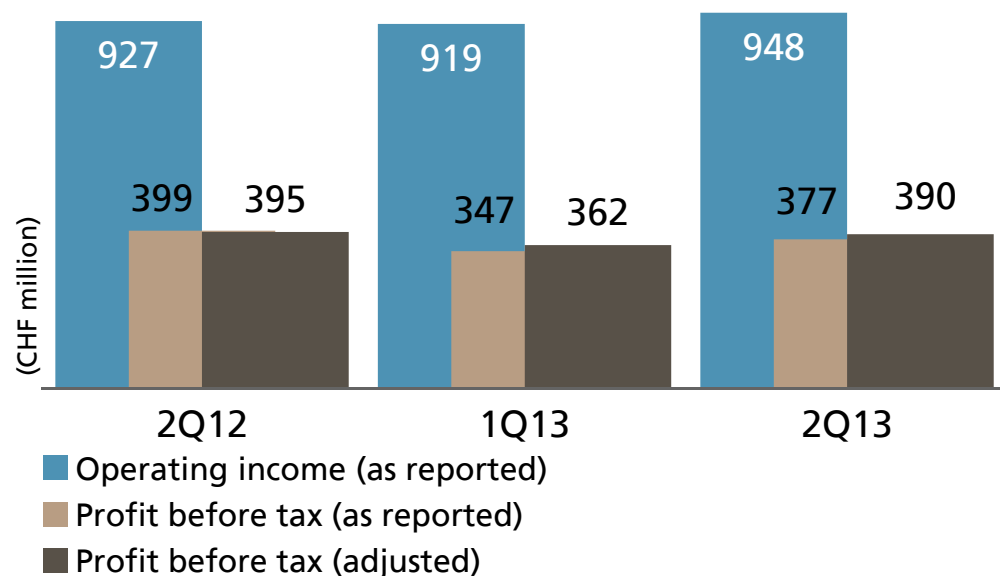


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# Retail & Corporate

## Strong performance with higher net interest margin

### Operating income and profit before tax



### Operating income +3%

- Net interest, fee and trading income were all up on selective pricing measures, higher treasury-related income and improved client activity

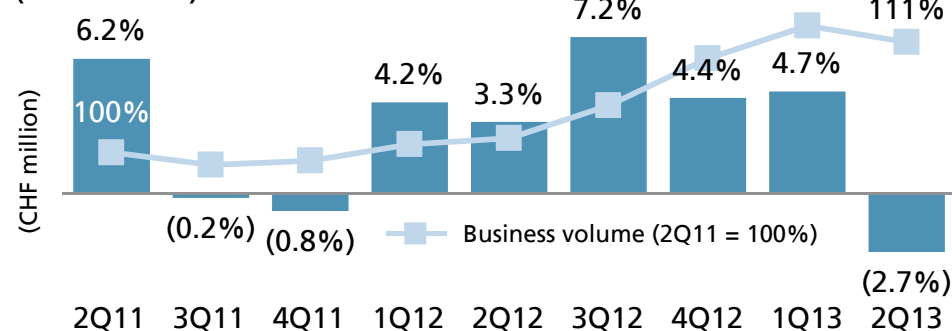
### Adjusted cost / income ratio of 59%

- Lower personnel expenses were partly offset by higher provisions for litigation, regulatory and similar matters; within 50-60% target range

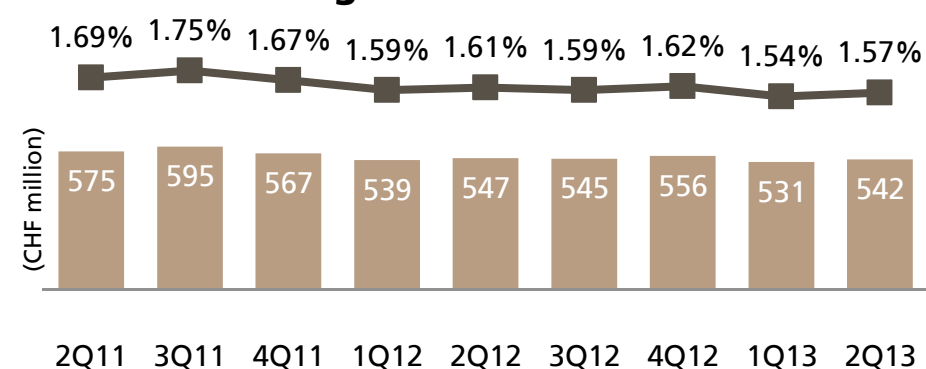
### Annualized NNBV growth of (2.7%)

- Resilient client asset and loan inflows from domestic private clients were more than offset by a small number of corporate outflows<sup>1</sup>; continued focus on qualitative growth

### Net new business volume (NNBV) growth rate (annualized)



### Net interest margin



Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation  
<sup>1</sup> Including an outflow due to the issuance of a banking license to Swiss PostFinance

■ Net interest income ■ Net interest margin (%)

# Corporate Center—Core Functions

## Adjusted pre-tax loss of CHF 275 million

### Operating income and profit before tax

(CHF million)	2Q12	1Q13	2Q13
Operating income (as reported)	189	(479)	(17)
Own credit gain / (loss)	239	(181)	138
Loss related to the buyback of debt	0	(119)	0
Foreign currency translation losses on the sale of the IB proprietary business	0	(24)	0
<b>Adjusted operating income</b>	<b>(50)</b>	<b>(155)</b>	<b>(155)</b>
<b>Adjusted operating expenses</b>	<b>151</b>	<b>242</b>	<b>121</b>
Profit before tax (as reported)	45	(719)	(142)
<b>Profit before tax (adjusted)</b>	<b>(202)</b>	<b>(398)</b>	<b>(275)</b>
<b>Personnel (after allocation)</b>	<b>441</b>	<b>1,092</b>	<b>1,006</b>

### Adjusted operating income unchanged at CHF 155 million loss

- Lower treasury income; included a CHF 85 million loss related to cross-currency swaps

### Adjusted operating expenses CHF 121 million

- Lower retained costs on provisions, untaken vacation accruals and variable compensation accruals
- Headcount (after allocation) down by 86 FTEs

# Corporate Center—Non-core and Legacy Portfolio

## More challenging environment and increased litigation expenses

### Operating income and profit before tax

(CHF million)	2Q12	1Q13	2Q13
Non-core	216	231	(57)
<i>of which: Debit valuation adjustments</i>	25	37	(21)
Legacy Portfolio	(27)	274	135
<i>of which: SNB StabFund option</i>	48	245	122
Credit loss (expense) / recovery	10	(2)	(5)
<b>Total operating income</b>	<b>200</b>	<b>504</b>	<b>73</b>
Gain related to the buyback of debt	0	27	0
<b>Adjusted operating income</b>	<b>200</b>	<b>477</b>	<b>73</b>
<b>Adjusted operating expenses</b>	<b>388</b>	<b>561</b>	<b>983</b>
Profit before tax (as reported)	(182)	(245)	(927)
<b>Profit before tax (adjusted)</b>	<b>(188)</b>	<b>(84)</b>	<b>(909)</b>
<b>Personnel (front office)</b>	<b>566</b>	<b>323</b>	<b>263</b>

### Adjusted operating income CHF 73 million

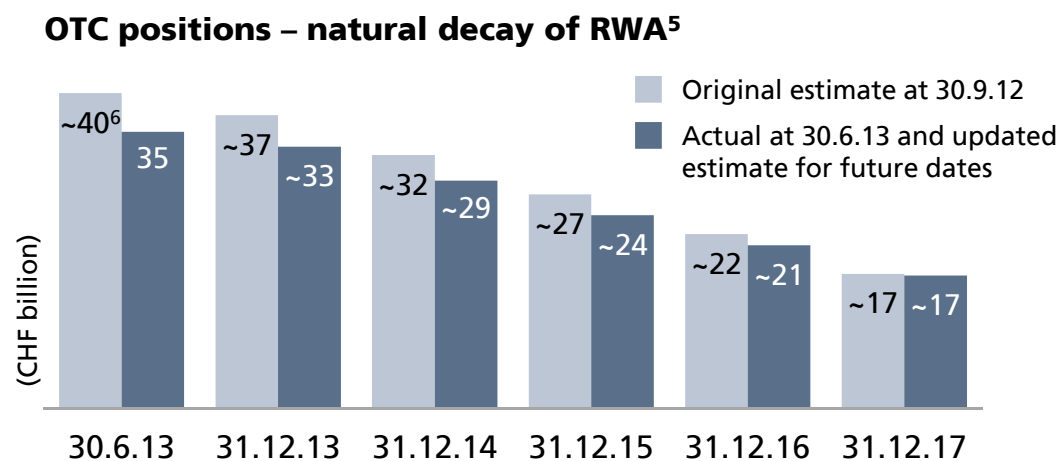
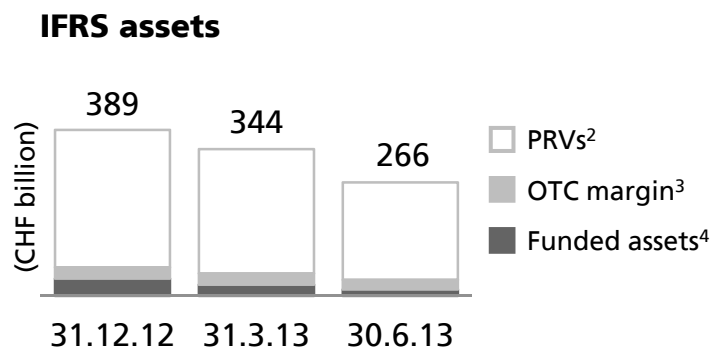
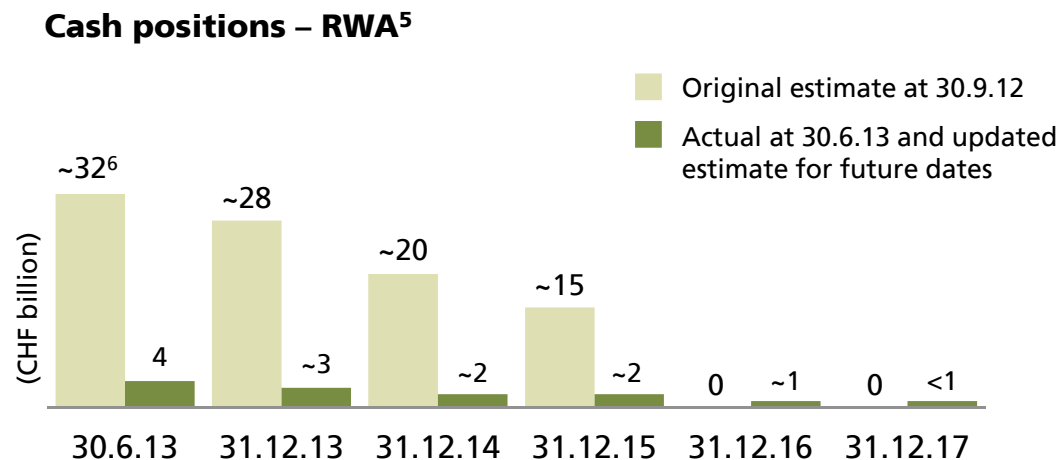
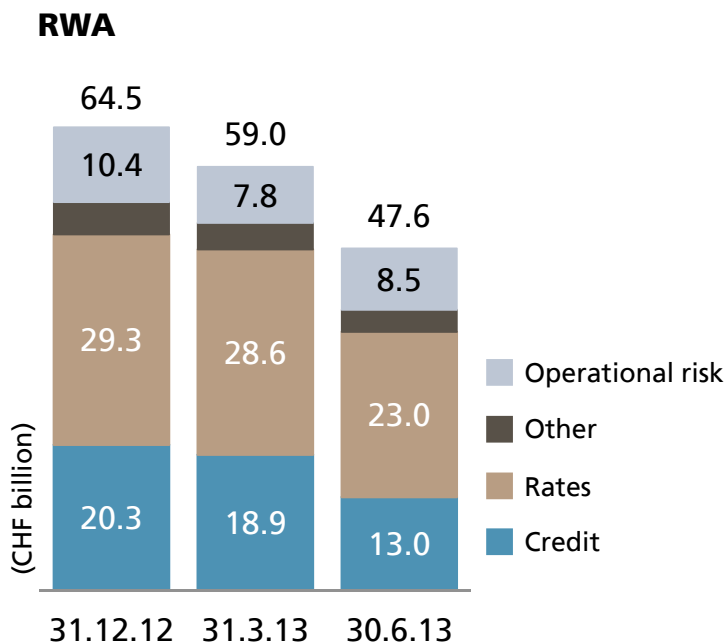
- **Non-core:** Revenues declined due to lower income in both credit and rates which benefited from stronger market activity and liquidity in 1Q13
- **Legacy Portfolio:** Lower contribution from the SNB StabFund option

### Adjusted operating expenses increased on higher litigation charges

- Higher charges for litigation, regulatory and similar matters of CHF 619 million
- Impairment charge of CHF 87 million against certain disputed receivables

# Corporate Center—Non-core<sup>1</sup>

## RWA on cash positions cut to CHF 4 billion, significantly ahead of schedule

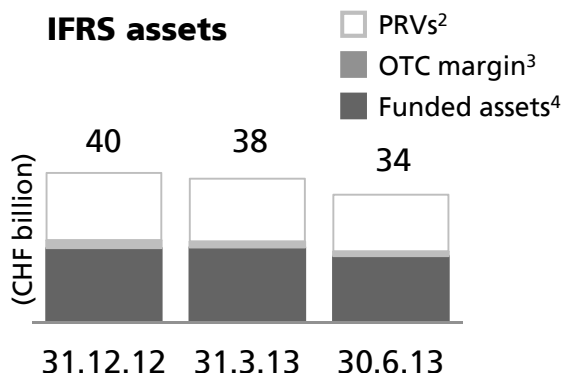
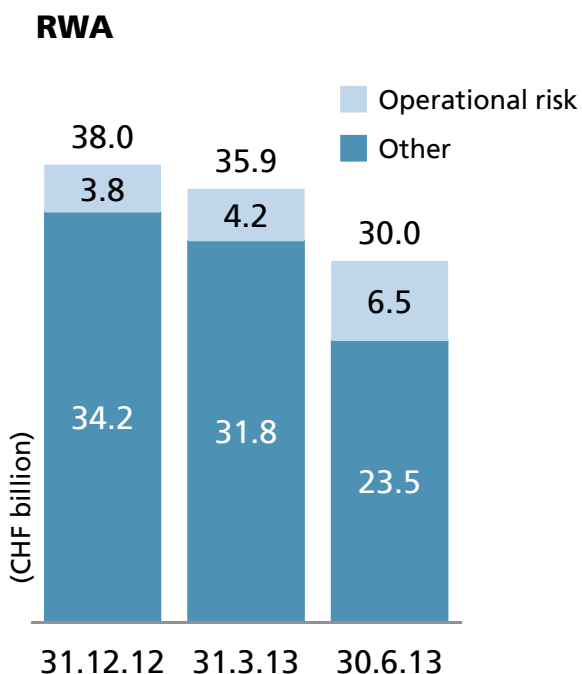


Refer to slide 36 for details about adjusted numbers, pro-forma Basel III estimates and FX rates in this presentation

1 Refer to the 2Q13 financial report for more information about the composition of Non-core; 2 Positive replacement values (gross exposure excluding the impact of any counterparty netting); 3 OTC: over-the-counter; represents collateral delivered; 4 Funded assets defined as total IFRS balance sheet assets less positive replacement values (PRV) and collateral delivered against over-the-counter (OTC) derivatives; 5 Estimates based on 30.6.13 values which are subject to change; a portion of cash positions will remain as hedges of outstanding Non-core OTC contracts; 6 Calculated based on 30.9.12 and 31.12.13 values disclosed in 3Q12 presentation

# Corporate Center—Legacy Portfolio<sup>1</sup>

## 16% reduction in RWA; SNB StabFund option expected to be exercised in 4Q13



- **Funded assets decreased to CHF 17.8 billion**, driven by sales of student loan auction rate securities
- **PRVs decreased to CHF 15.2 billion** with decreases in most categories
- **RWA decreased 16% to CHF 30.0 billion** with largest decreases in CDOs and monolines partly offset by increases in operational risk RWA

### SNB StabFund option

- **We expect to exercise the option in 4Q13**
- **No material P&L impact from the option exercise**
  - However, option value (CHF 2.5 billion on 30.6.13) will change in line with the fund's assets until it is exercised
  - Any P&L impact from changes in the option value will be offset by the effect of the corresponding deduction of the option value from our Basel III CET1 capital
- **70-90 bps improvement expected in our Basel III fully applied CET1 ratio upon exercise<sup>5</sup>**
  - Increase in Basel III CET1 capital equivalent to the value of the option as capital deduction is removed
  - CHF 3-7 billion incremental RWA and CHF 1-2 billion in funded assets on UBS's balance sheet will be managed down with other Legacy Portfolio assets



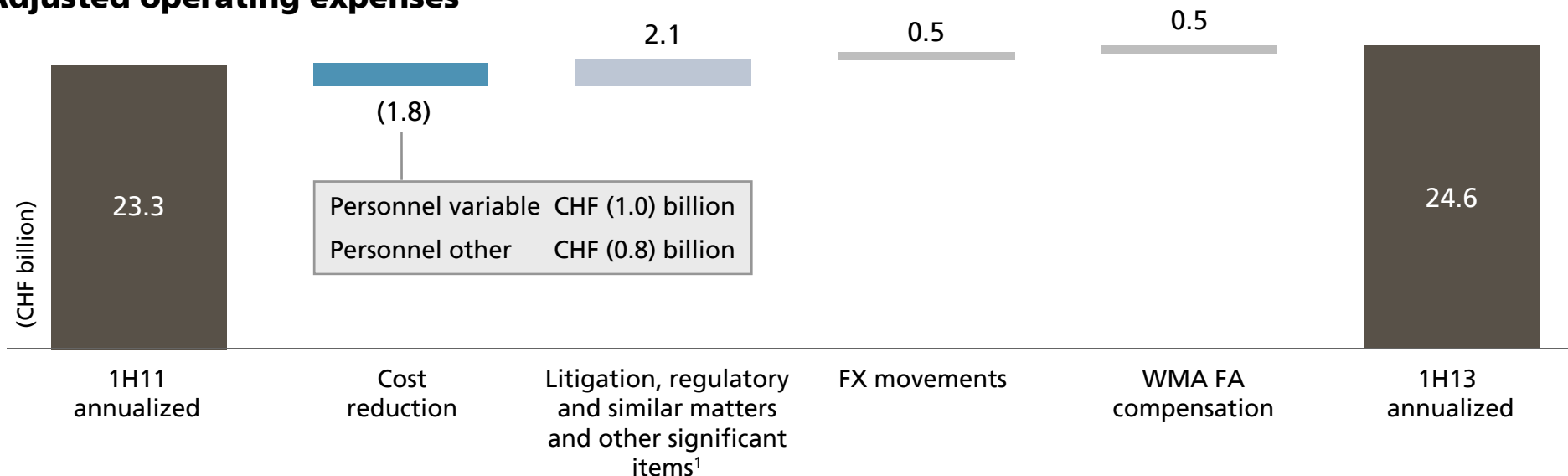
Refer to slide 36 for details about adjusted numbers, pro-forma Basel III estimates and FX rates in this presentation

1 Refer to the 2Q13 financial report for more information about the composition of the Legacy Portfolio; 2 Positive replacement values (gross exposure excluding the impact of any counterparty netting); 3 OTC: over-the-counter; represents collateral delivered; 4 Funded assets defined as total IFRS balance sheet assets less positive replacement values (PRV) and collateral delivered against OTC derivatives; 5 55-80 bps expected effect on our phase-in CET 1 ratio

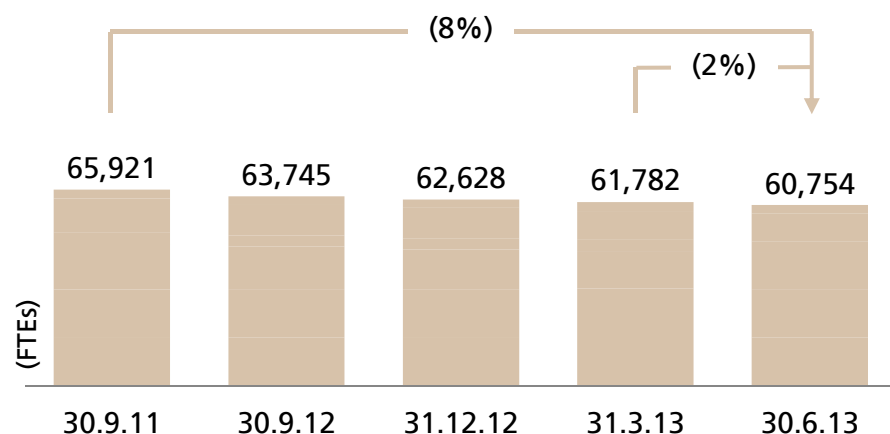
# Adjusted operating expenses and headcount

## Cost reductions of CHF 1.8 billion achieved

### Adjusted operating expenses



### Headcount



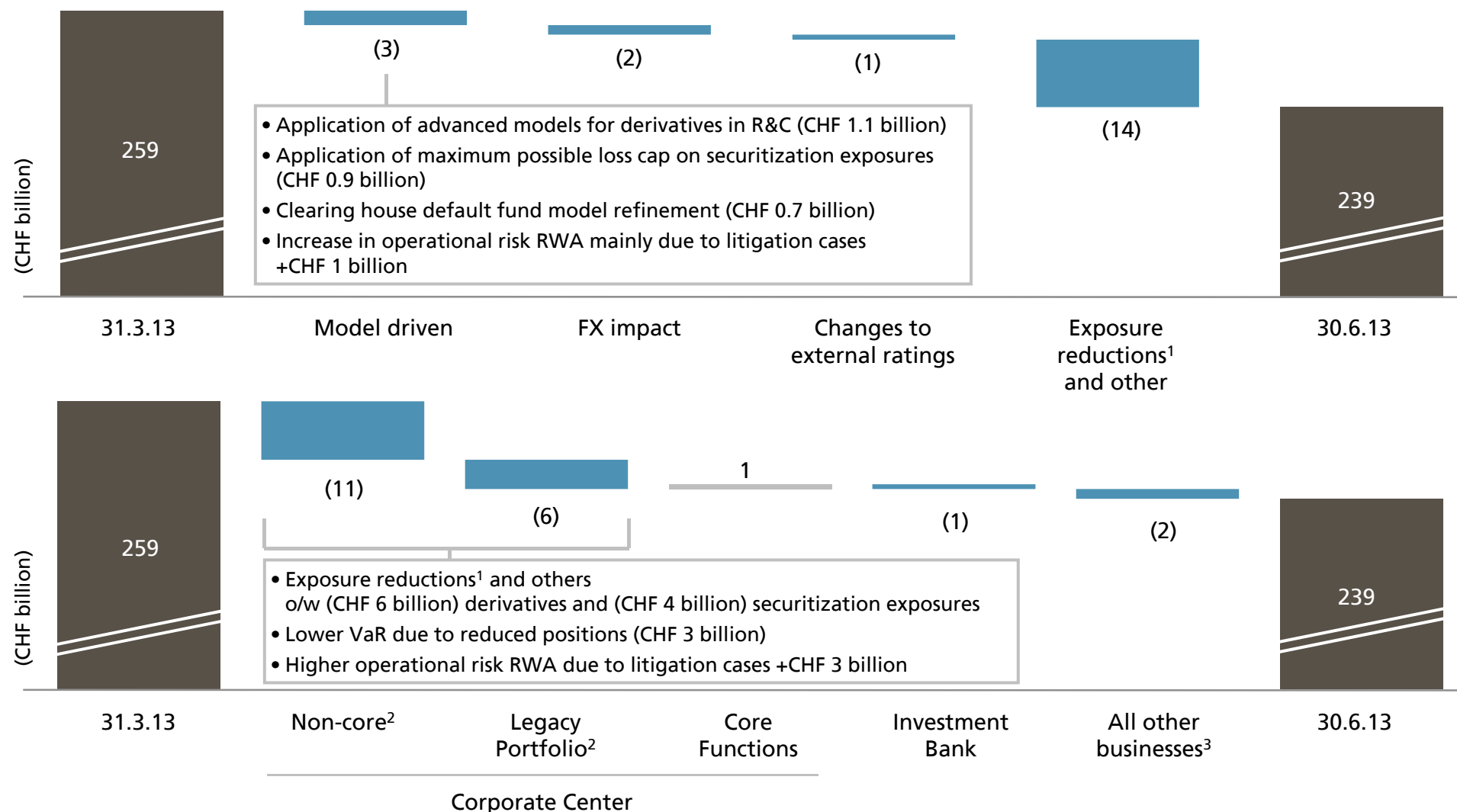
- **Cost reductions offset by:**
  - Higher litigation and related costs
  - Adverse currency effect
  - Higher WMA financial advisor compensation on better performance
- **Headcount down by 5,167 since 30.9.11**



Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

<sup>1</sup> Represents charges for litigation, regulatory and similar matters in excess of annualized run rate for 1H11; other significant items are a charge of CHF 106 million in relation to the Swiss-UK tax agreement, an impairment charge of CHF 87 million related to certain disputed receivables and CHF 14 million other

# Breakdown of changes in Group RWA



**Over 85% of RWA decrease since 3Q11 from exposure reduction**

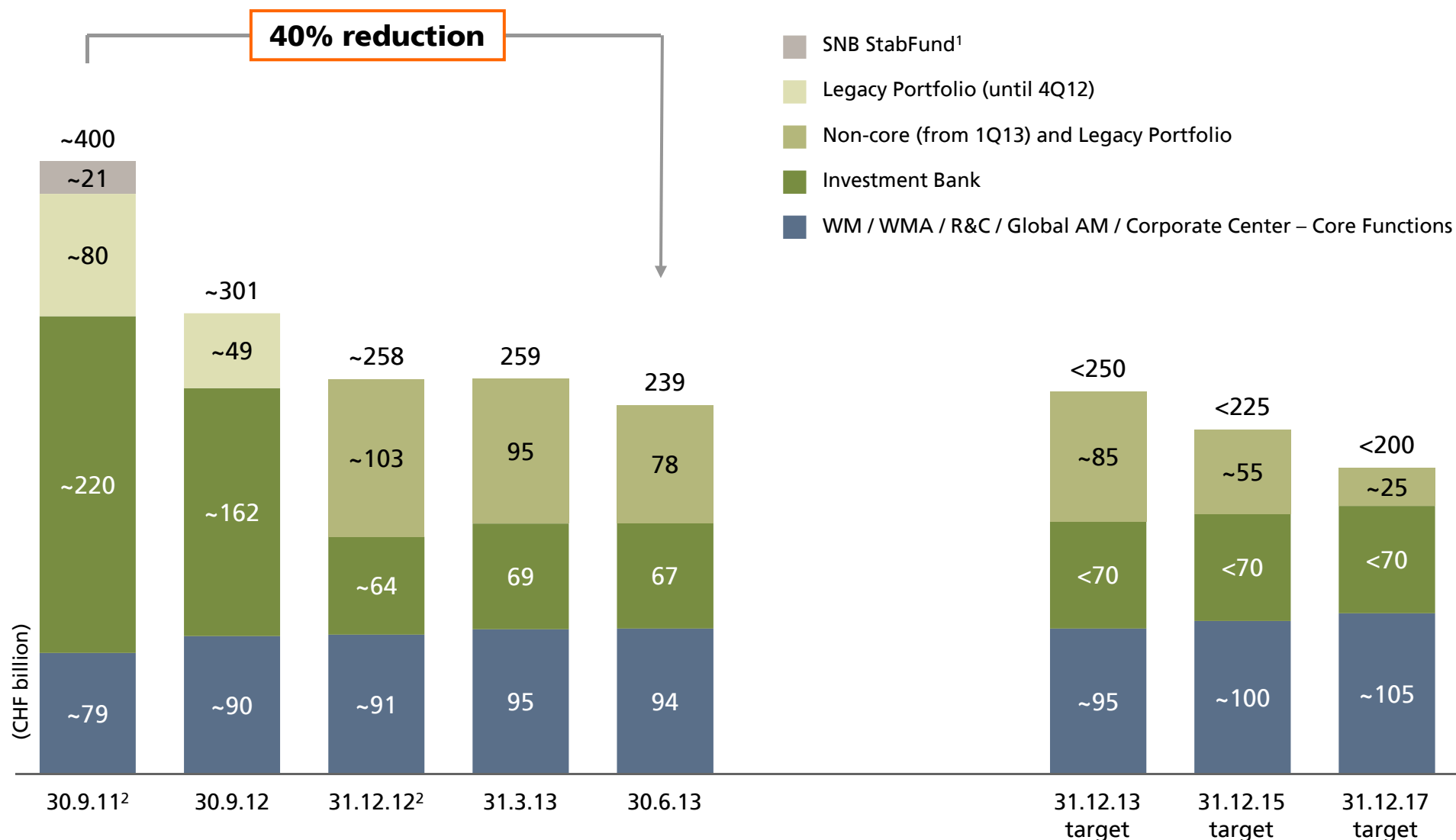


Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Exposure reductions through sales, trade compressions, hedges and market moves; 2 Refer to pages 61-63 of the 2Q13 financial report for more information on Non-core and Legacy Portfolio; 3 Wealth Management, Wealth Management Americas, Retail & Corporate and Global Asset Management



# Progress on RWA reduction (fully applied)



**We continue to target future RWA for the Group of <CHF 200 billion**



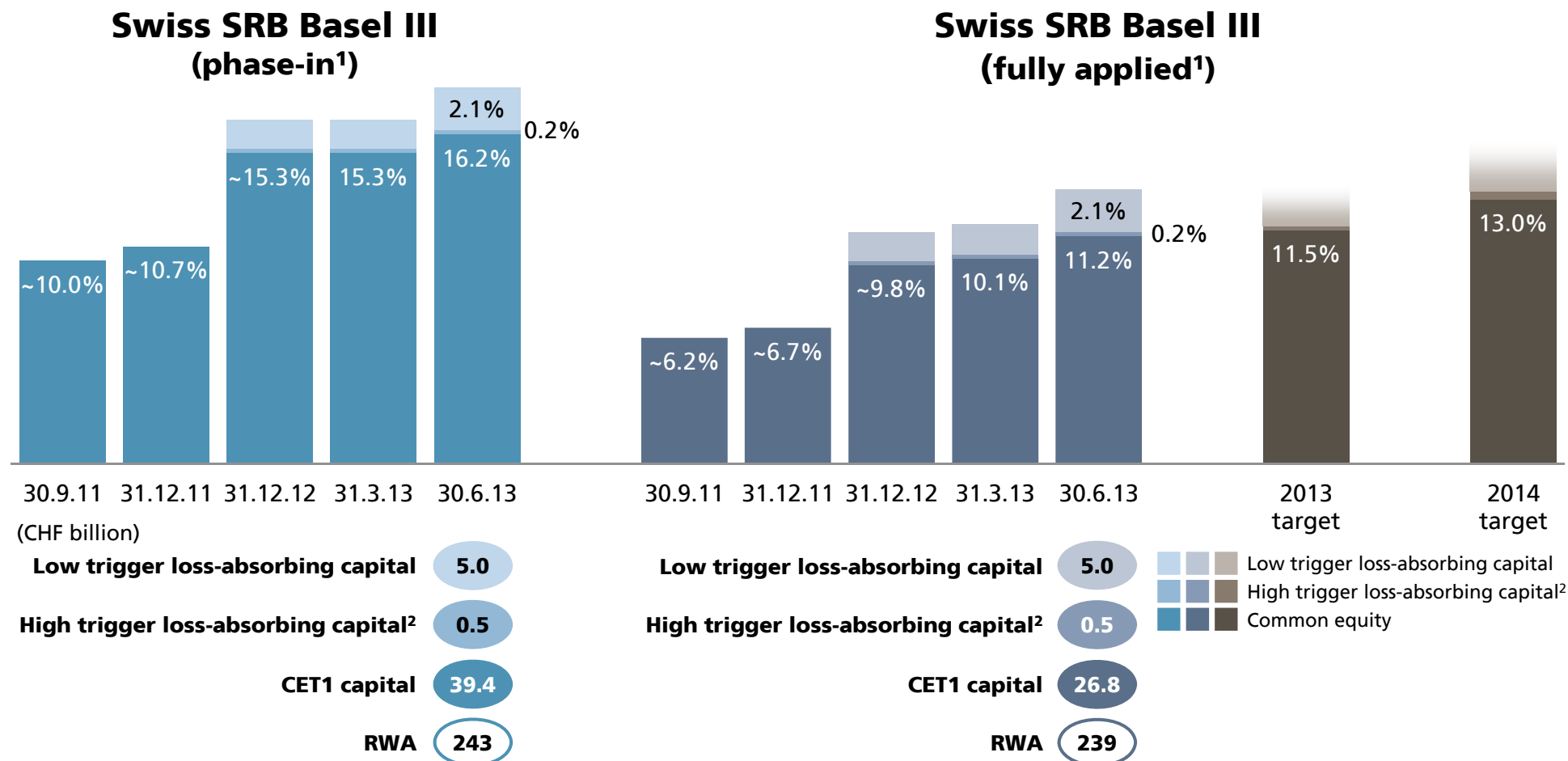
Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

<sup>1</sup> RWA associated with UBS's option to purchase the SNB StabFund's equity (treated as a participation with full deduction from CET1 capital starting 2Q12)

<sup>2</sup> Legacy Portfolio included on a pro-forma basis from 30.9.11; Non-core and Legacy Portfolio included on a pro-forma basis from 31.12.12

# Basel III capital

## Basel III fully applied CET1 ratio improved by 110 bps



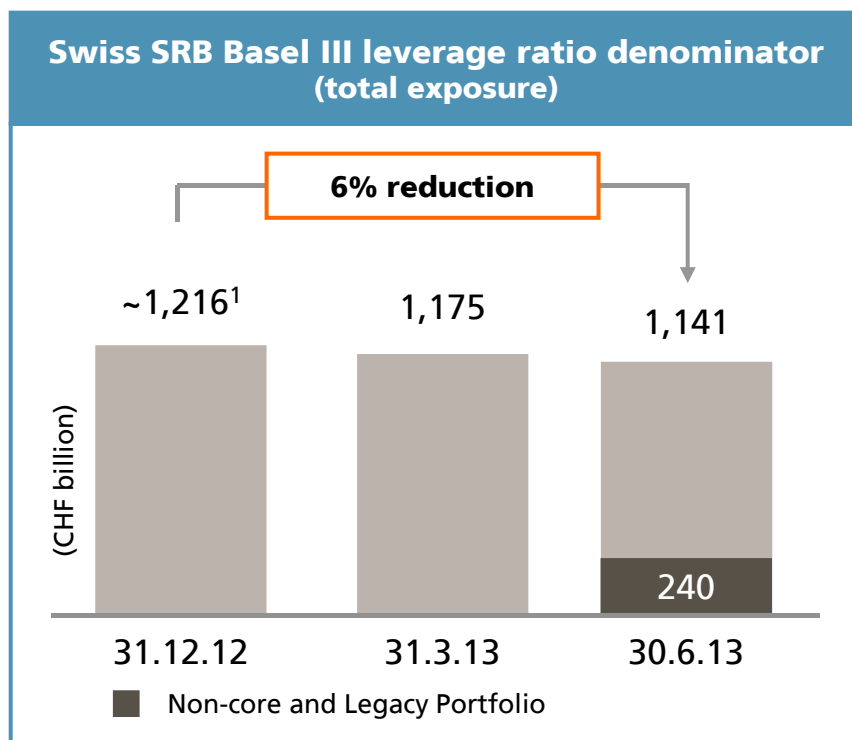
**We are on track to achieve our 13% fully applied CET1 target in 2014**

Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 BIS Basel III CET1 ratios as of 30.6.13: phase-in (16.2%), fully applied (11.2%). The BIS Basel III rules are in line with the Swiss SRB Basel III rules (applicable to systemically relevant banks in Switzerland), except that under the BIS Basel III rules our high trigger loss-absorbing capital which was granted as part of UBS's deferred compensation programs is amortized and that Tier 2 phase-out capital is recognized; 2 Debt issued as part of UBS's 2012 deferred compensation programs. We could build ~100 bps of high trigger loss-absorbing capital from these deferred compensation programs over the next 5 years; CHF 0.5 billion are eligible under Swiss SRB rules (systemically relevant banks in Switzerland) while under BIS rules the amount is amortized and CHF 0.4 billion are eligible on 30.6.13

# Leverage ratio

## Swiss SRB Basel III leverage ratio (phase-in) 3.9% at 30.6.13



**Cumulative impact on leverage ratio over time (illustrative example, bps)**

<b>Leverage ratio numerator</b>	
Exercise of the SNB StabFund option	~20-25 <sup>2</sup>
Loss-absorbing capital (high-trigger)	~10-15 <sup>3</sup>
Loss-absorbing capital (low-trigger)	~30-35 <sup>4</sup>
<b>Leverage ratio denominator<sup>5</sup></b>	
Non-core and Legacy Portfolio run-down	~50-95
<b>Total leverage ratio uplift</b>	<b>110-170 bps</b>

- Fully applied Swiss SRB Basel III leverage ratio will become effective in 2019; on this basis our leverage ratio was 2.9% at 30.6.13
- Illustrative example shows an uplift over time of up to 170 bps helping us to exceed the estimated minimum requirement of 4.2% before 1.1.19<sup>6</sup>

Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation



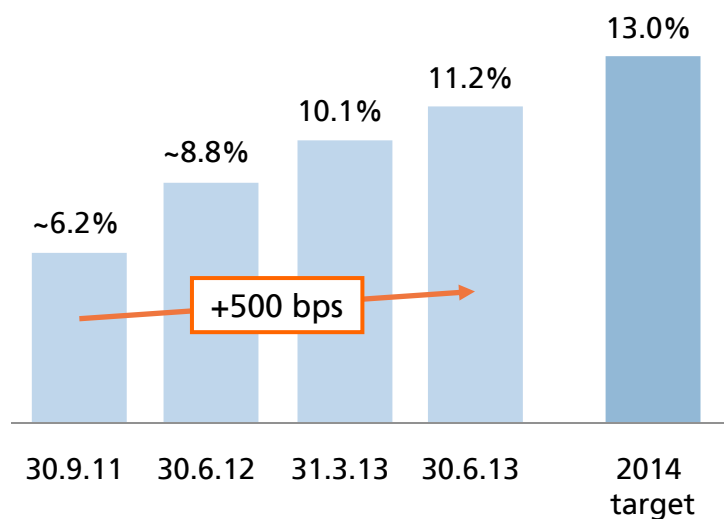
1 Pro-forma number; 2 The value of UBS's option to purchase the equity of the SNB StabFund was CHF 2.5 billion at 30.6.13 and fully deducted from regulatory capital; 3 We could build up ~100 bps of high trigger loss-absorbing capital from deferred compensation programs over the next 5 years based on our RWA target of <CHF 200 billion; 4 CHF 9 billion of low-trigger loss-absorbing capital based on 17.5% fully applied total capital requirement expectation; 5 Any additional measures to reduce leverage ratio denominator are not included; 6 Minimum leverage ratio is based on 17.5% fully applied total capital requirement expectation

# Unrivaled wealth management businesses

## Our capital position is a clear competitive advantage supporting growth

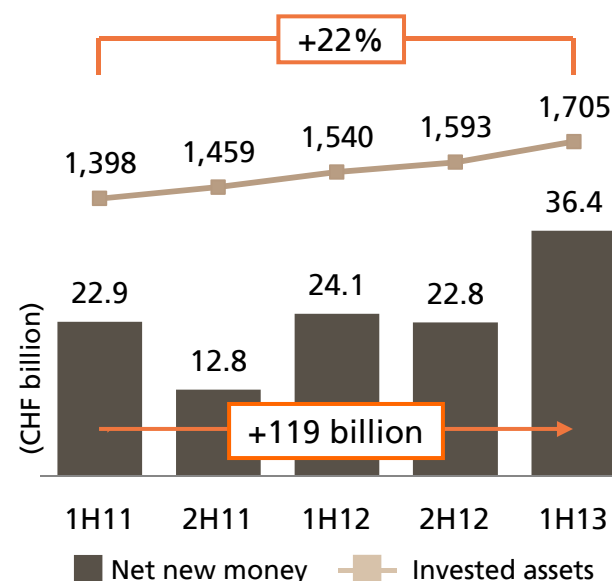
### Industry-leading capital ratios

#### Basel III fully applied CET1 ratio

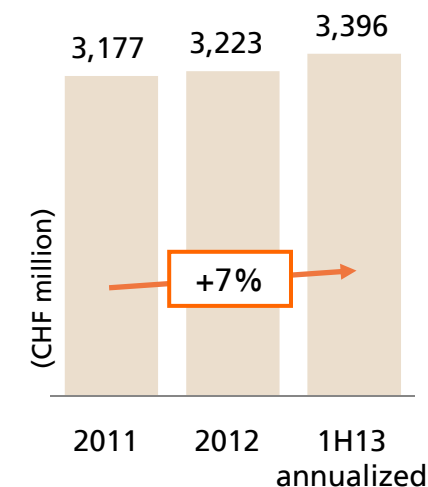


### WM / WMA combined

#### NNM / invested assets



#### Pre-tax profit



- UBS is the largest and fastest growing large-scale wealth manager in the world<sup>1</sup>, NNM >CHF 36 billion in 1H13, over 11,000 client advisors globally
- Our industry-leading capital position continues to be an important factor in our success and remains a unique competitive advantage

# UBS—An unrivaled franchise with compelling growth prospects

## Wealth management businesses

- Largest and fastest growing large-scale wealth manager in the world<sup>1</sup>; leading HNW and UHNW franchise with unrivaled scope, reach and client mix
- Uniquely positioned in the largest markets and in the most attractive growth markets
- Wealth generation growth rates ~2x global GDP

## Wealth Management

- "Best Private Bank Globally 2013" and "Best Global Wealth Manager 2013"<sup>2</sup>
- "Best Private Bank in Asia"<sup>2</sup>
- Leading position in Europe, APAC, Emerging Markets, Switzerland and UHNW segment by invested assets<sup>3</sup>
- Over 4,000 advisors and a presence in 40+ countries

## Wealth Management Americas

- #1 revenue per FA
- 7,000+ advisors in 320+ branches
- High levels of FA satisfaction; low attrition

## Retail & Corporate

- Leading universal bank in Switzerland with strong momentum
- "Best bank in Switzerland" for the 2<sup>nd</sup> consecutive year<sup>2</sup>
- "Best Domestic Cash Manager"<sup>4</sup>

## Investment Bank

- Leading Equities franchise, top FX/Precious metals house with leading technology platform, strong advisory and solutions capabilities
- Cash equities: #1 globally<sup>5</sup>; FX: #2 globally with the largest share gain, #1 Europe, #1 Americas<sup>6</sup>
- Gained rank in ECM volumes globally (1H13 vs. 1H12) and maintained rank in both DCM and M&A

## Global Asset Management

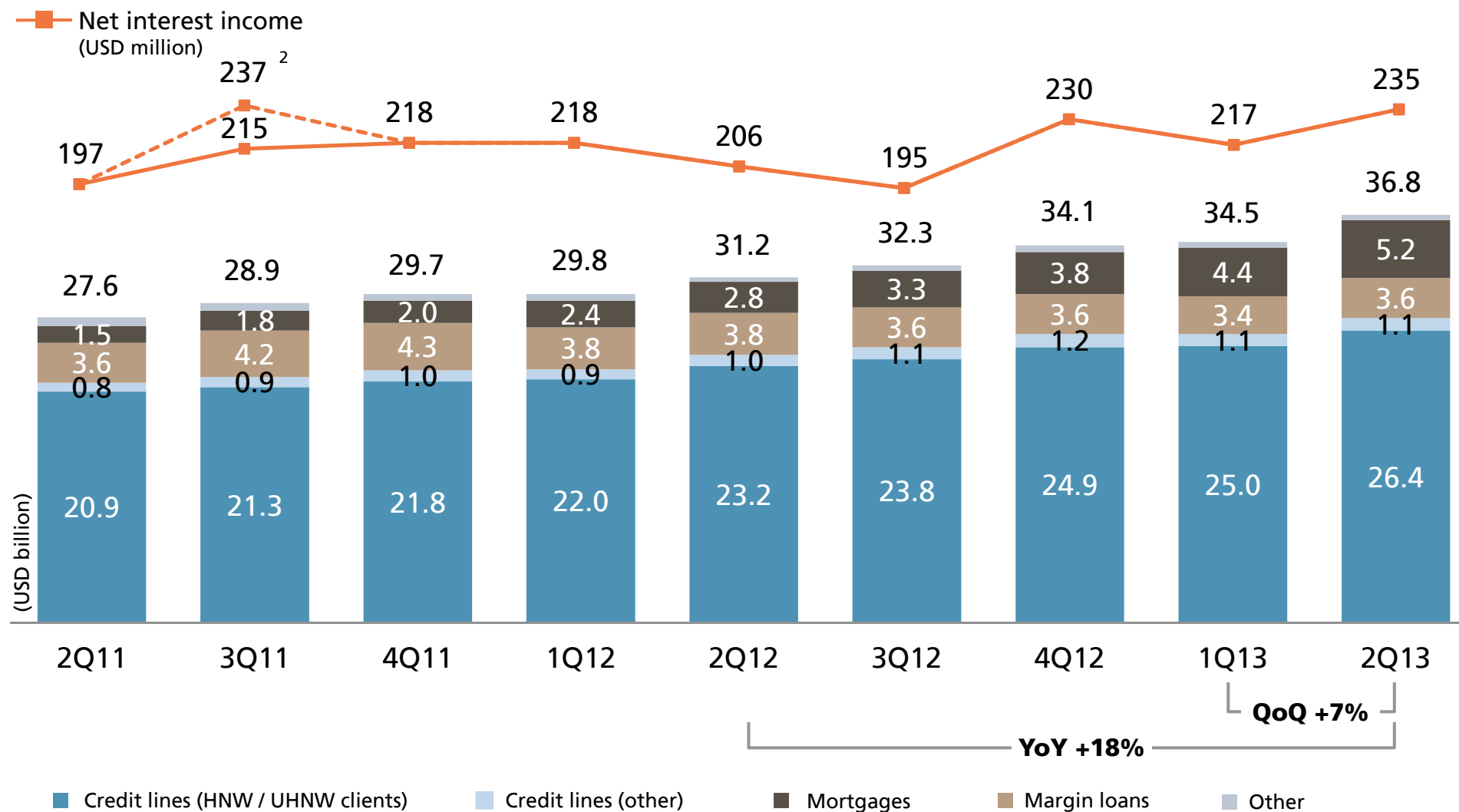
- Well diversified business across investment capabilities, regions and distribution channels
- Strong alternatives platform; #2 fund of hedge funds and #4 real estate globally<sup>7</sup>
- Benefits from wealth and pension growth



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# Appendix

# Wealth Management Americas – Lending balances<sup>1</sup> (USD)



➔ Over 98% of WMA's loan portfolio is secured by securities (85%) and residential property (14%)



<sup>1</sup> Period ending balances

<sup>2</sup> As reported; includes a USD 22 million upward adjustment from OCI relating to mortgage-backed securities in our AFS portfolio

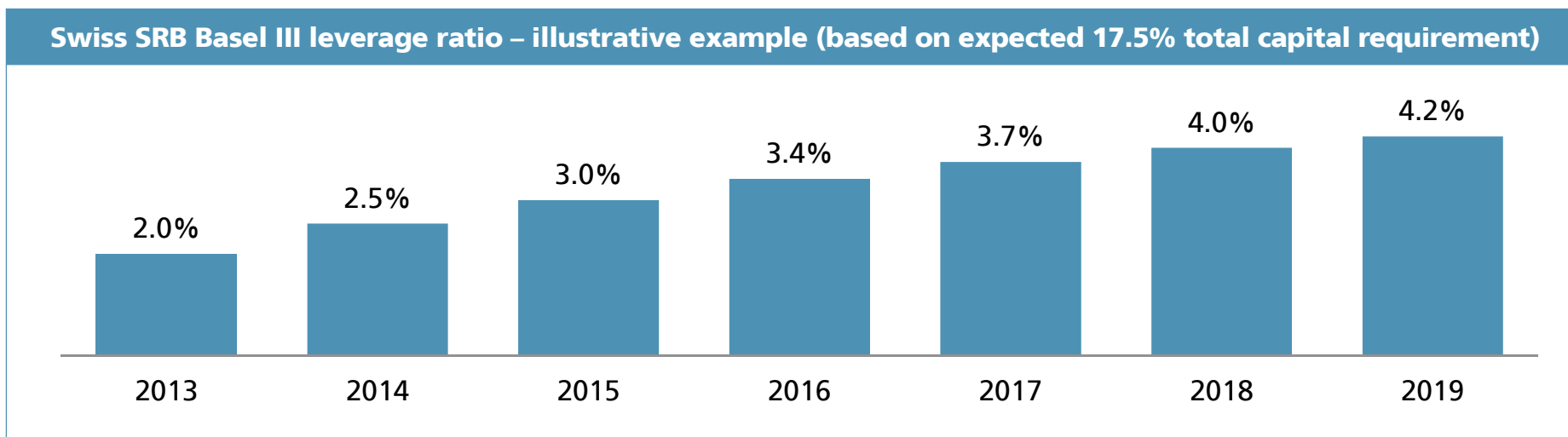
# Swiss SRB Basel III leverage ratio

## UBS's phase-in Swiss SRB Basel III leverage ratio above minimum requirements

- **UBS's phase-in Swiss SRB Basel III leverage ratio of 3.9% on 30.6.13<sup>1</sup>**

$$\frac{\text{Total capital (Phase-in CET1 + loss absorbing capital)}}{\text{Total exposure (Total IFRS assets + adjustments)}} = \frac{\text{CHF 44.9 billion}}{\text{CHF 1,141 billion}} = 3.9\%$$

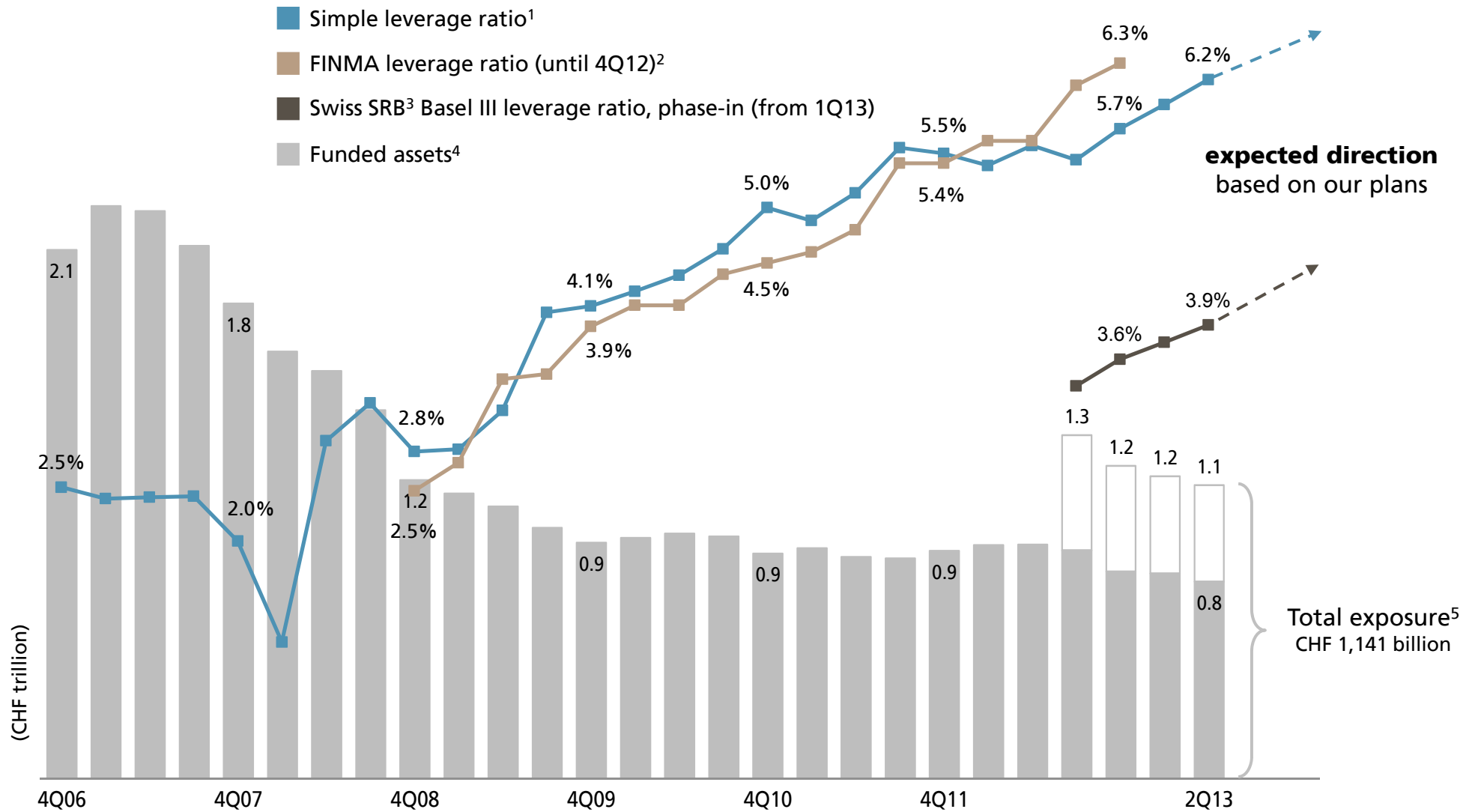
- The minimum leverage ratio is defined as the total capital requirements x 24% (e.g. expected 17.5% total capital requirement x 24% = 4.2%)





# Leverage ratios

**Our leverage ratios will improve substantially as we reduce our balance sheet**



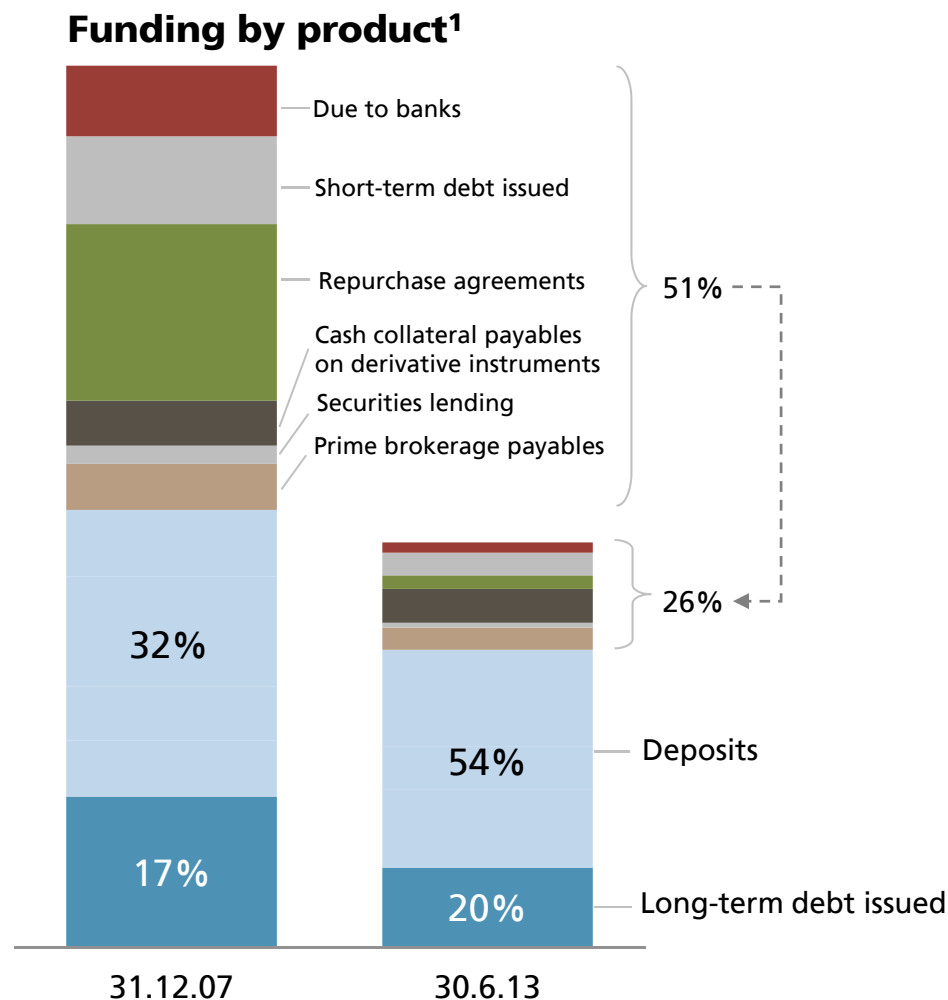
Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation



1 IFRS equity attributable to UBS shareholders / funded assets; 2 Refer to UBS's 4Q12 financial report for more information on UBS's FINMA leverage ratio; 3 Systemically relevant banks; 4 Funded assets defined as total IFRS balance sheet assets less positive replacement values (PRV) and collateral delivered against over-the-counter (OTC) derivatives; figures prior to 4Q10 include collateral for OTC derivatives; 5 Total adjusted exposure for the calculation of the Swiss SRB Basel III leverage ratio, includes on-balance sheet assets and off-balance sheet items

# Our balance sheet, funding and liquidity positions are strong

## Our balance sheet structure has many characteristics of a AA-rated bank



- **Strong and significantly reduced balance sheet**

- Funded assets down >50% from peak in 2007
- Phase-in Swiss SRB Basel III leverage ratio 3.9%<sup>2</sup>

- **Strong funding profile**

- Well diversified funding sources
- High proportion of stable funding sources with deposits >50% and long-term debt 20%
- Limited use of short-term wholesale funding
- 109% Basel III NSFR<sup>3</sup>

- **Strong liquidity position**

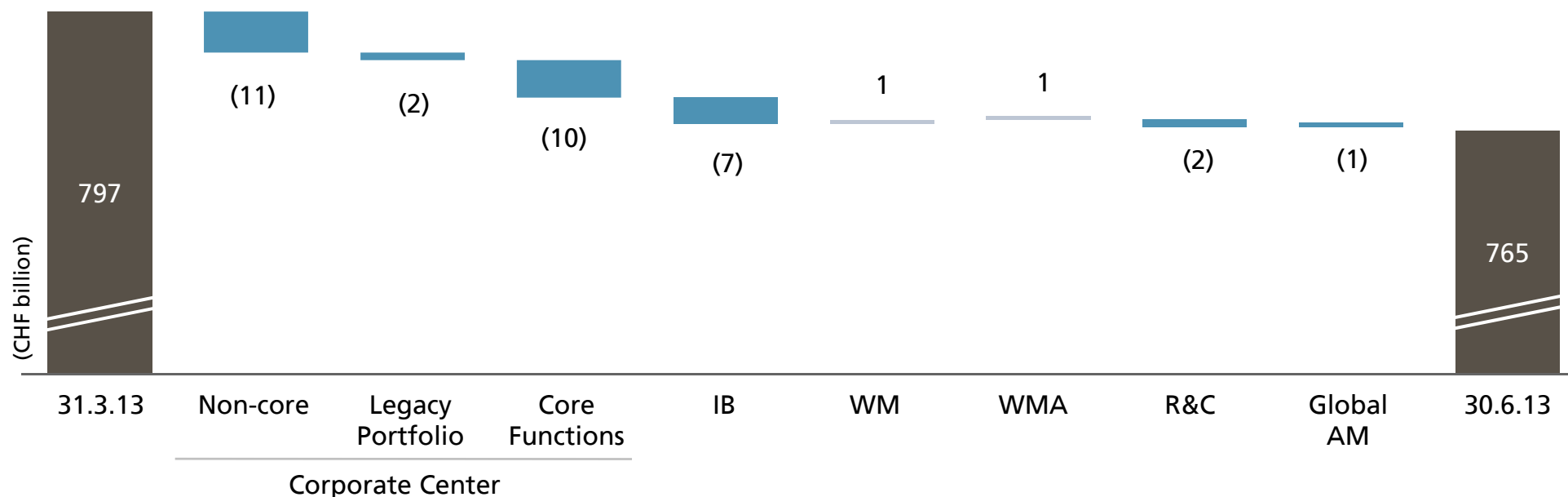
- 114% Basel III LCR<sup>3</sup>

Refer to slide 36 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

<sup>1</sup> As a percentage of total funding sources defined as: repurchase agreements, cash collateral on securities lent, due to banks, short-term debt issued, due to customers, long-term debt (including financial liabilities at fair value), cash collateral payables on derivative transactions and prime brokerage payables.

CHF 1,527 billion on 31.12.07 and CHF 702 billion on 30.6.13; <sup>2</sup> As of 30.6.13. Refer to the 2Q13 financial report for more information about UBS's Swiss SRB Basel III leverage ratio; <sup>3</sup> As of 30.6.13. Refer to the 2Q13 financial report for details about the calculation of UBS's Basel III LCR and NSFR

# Changes in funded assets<sup>1</sup>

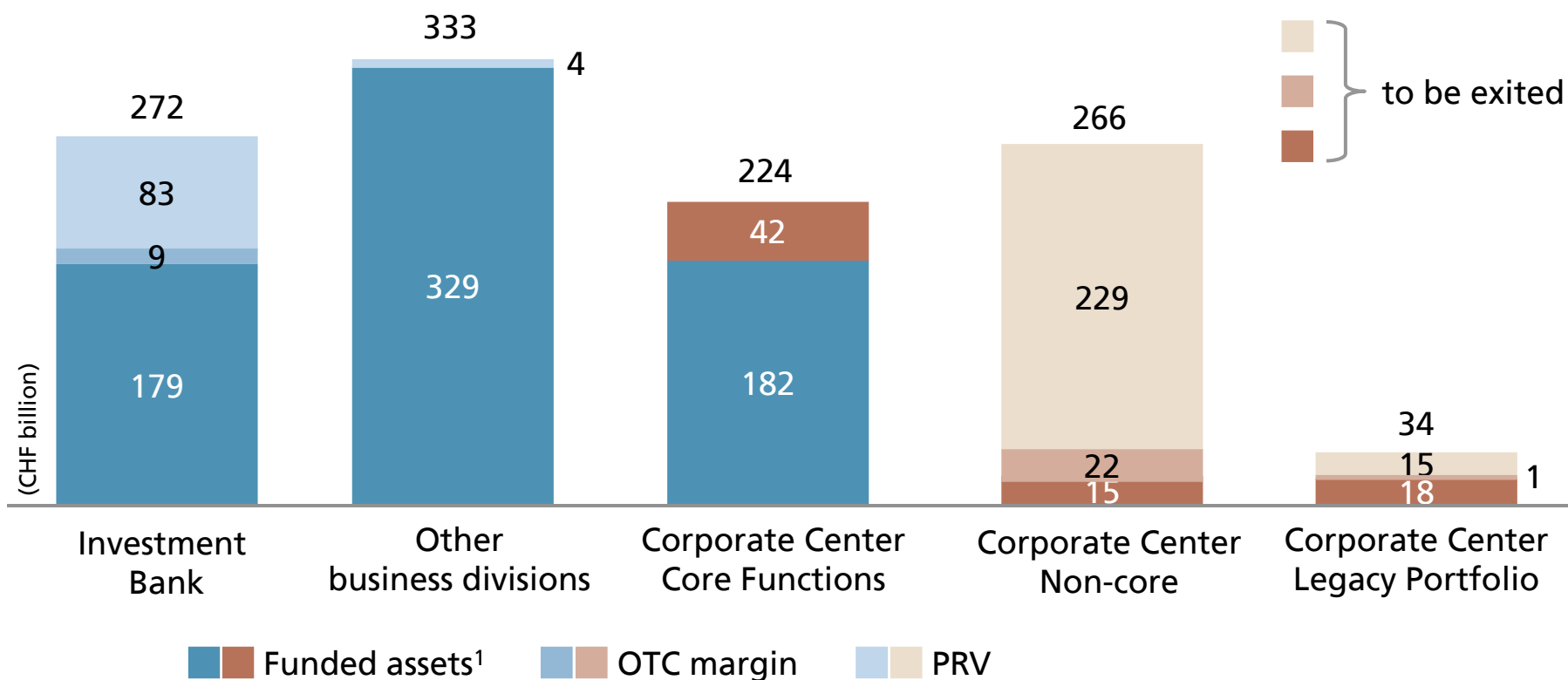


- **FX movements contributed ~CHF 5 billion to the decrease in funded assets, primarily from AUD, JPY and USD depreciation against CHF**
  - Largest effects on Corporate Center – Core Functions and the Investment Bank
- **PRV down by CHF 50 billion to CHF 332 billion; OTC margin at CHF 32 billion**
  - Largest PRV decline in Corporate Center Non-core and Legacy Portfolio; down by CHF 64 billion

# Balance sheet

**Total assets CHF 1,129 billion or CHF 765 billion excluding PRV and OTC margins**

30.6.13



# Important information related to numbers shown in this presentation

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## Use of adjusted numbers

Unless otherwise indicated, "adjusted" figures exclude each of the following items, to the extent applicable, on a Group and business division level:

- Own credit gain on financial liabilities designated at fair value for the Group of CHF 138 million in 2Q13 (CHF 181 million loss in 1Q13, CHF 239 million gain in 2Q12)
- Net restructuring charges of CHF 140 million for the Group in 2Q13 (net charges of CHF 246 million in 1Q13, net charges of CHF 9 million in 2Q12)
- Gain of CHF 34 million on the disposal of Global Asset Management's Canadian domestic business in 1Q13
- Gain on the sale of the remaining proprietary trading business in the Investment Bank of CHF 55 million and an associated foreign currency translation loss of CHF 24 million in Corporate Center – Core Functions in 1Q13
- Net loss of CHF 92 million for the Group incurred on the buyback of debt in a public tender offer in 1Q13
- Credit to personnel expenses related to changes to a retiree benefit plan in the US (CHF 116 million for the Group in 2Q12)

Refer to page 13 of the 2Q13 financial report for an overview of adjusted numbers.

## Basel III RWA, Basel III capital and Basel III liquidity ratios

Basel III numbers in the presentation are BIS Basel III numbers unless otherwise stated. In addition to being required to comply with the BIS Basel III rules, as implemented by the revised Swiss Capital Adequacy Ordinance issued by the Swiss Federal Council and required by FINMA regulation, systemically relevant banks (SRB) in Switzerland (currently UBS and Credit Suisse) are required to comply with Swiss SRB-specific rules. The Swiss SRB Basel III transition rules are in line with the BIS Basel III transition rules, except that under the Swiss SRB Basel III rules our high trigger loss-absorbing capital which was granted as part of UBS's deferred compensations programs is subject to different amortization criteria than under BIS and that phase-out Tier 2 capital is not recognized.

Basel III risk-weighted assets in the presentation are calculated on the basis of Basel III fully applied unless otherwise stated.

From 1Q13 Basel III requirements apply. All Basel III numbers prior to 1Q13 are on a pro-forma basis. Some of the models applied when calculating pro-forma information required regulatory approval and included estimates (discussed with our primary regulator) of the effect of these new capital charges. These estimates have been refined with prospective effect during the first and second quarter of 2013, as models and associated systems were enhanced.

Refer to the "Capital Management" section in UBS's 2Q13 report for more information.

## Currency translation

Monthly income statement items of foreign operations with a functional currency other than Swiss francs are translated with month-end rates into Swiss francs. Refer to "Note 20 Currency translation rates" in UBS's 2Q13 report for more information.