



# Bank of America Merrill Lynch Financials Conference

Tom Naratil

*Group Chief Financial Officer*

October 4, 2011



# Cautionary statement regarding forward-looking statements

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This presentation contains statements that constitute “forward-looking statements”, including statements relating to UBS’s financial performance and statements relating to the anticipated effect of strategic initiatives on UBS’s business and future development. Factors that could cause actual developments and results to differ materially from UBS’s expectations include, but are not limited to: whether UBS will be successful in effecting organizational changes and implementing strategic plans, and whether those changes and plans will have the effects intended; developments in the markets in which UBS operates or to which it is exposed; changes in the availability of capital and funding; UBS’s ability to retain earnings and manage its risk-weighted assets in order to meet its strategic objectives and comply with Swiss capital requirements without adversely affecting its business; changes in financial regulation in Switzerland, the United States, the United Kingdom and other major financial centers; possible constraints that regulatory authorities may impose directly or indirectly on UBS’s business activities, whether as a consequence of the recently announced unauthorized trading or for other reasons; changes in UBS’s competitive position, including whether differences in regulatory requirements applicable to UBS will adversely affect its ability to compete in certain lines of business; the liability to which UBS may be exposed due to litigation, contractual claims and regulatory investigations; the effects on UBS’s cross-border banking business of tax treaties recently concluded by Switzerland or to be concluded in the future; UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses; limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling; whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; and the occurrence of operational failures, such as fraud, unauthorized trading and systems failures. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2010. 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.

# Key messages

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UBS will report a modest net profit and positive net new money in its wealth management businesses for 3Q11

We will leverage our unique competitive advantages in wealth management while strengthening the alignment with a less complex and more focused Investment Bank

Our financial, capital and funding positions are sound

# 3Q11 preview

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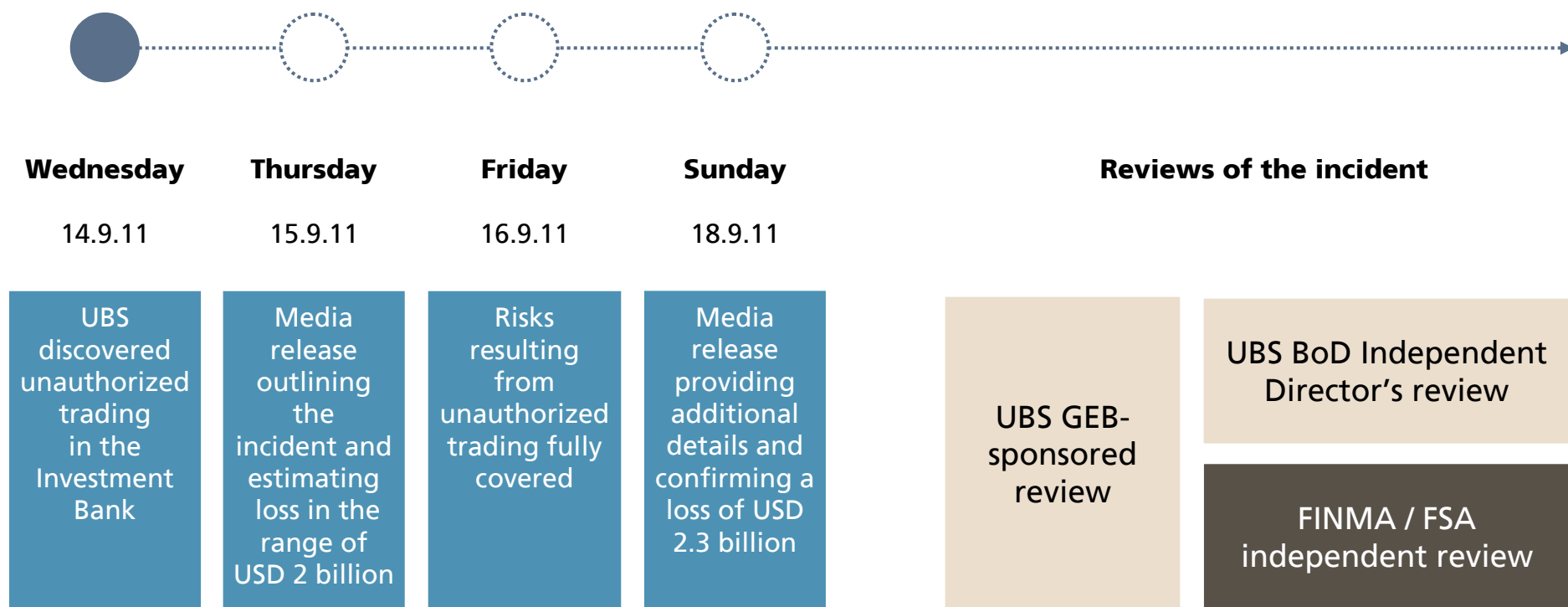
Modest net profit attributable to UBS shareholders for the quarter

Positive net new money in wealth management businesses in line with 2Q11

Basel 2 tier 1 capital base broadly in line with 2Q11 quarter end

# Actions related to the unauthorized trading incident

**UBS took swift action to identify, communicate and close out risks**



# Key messages

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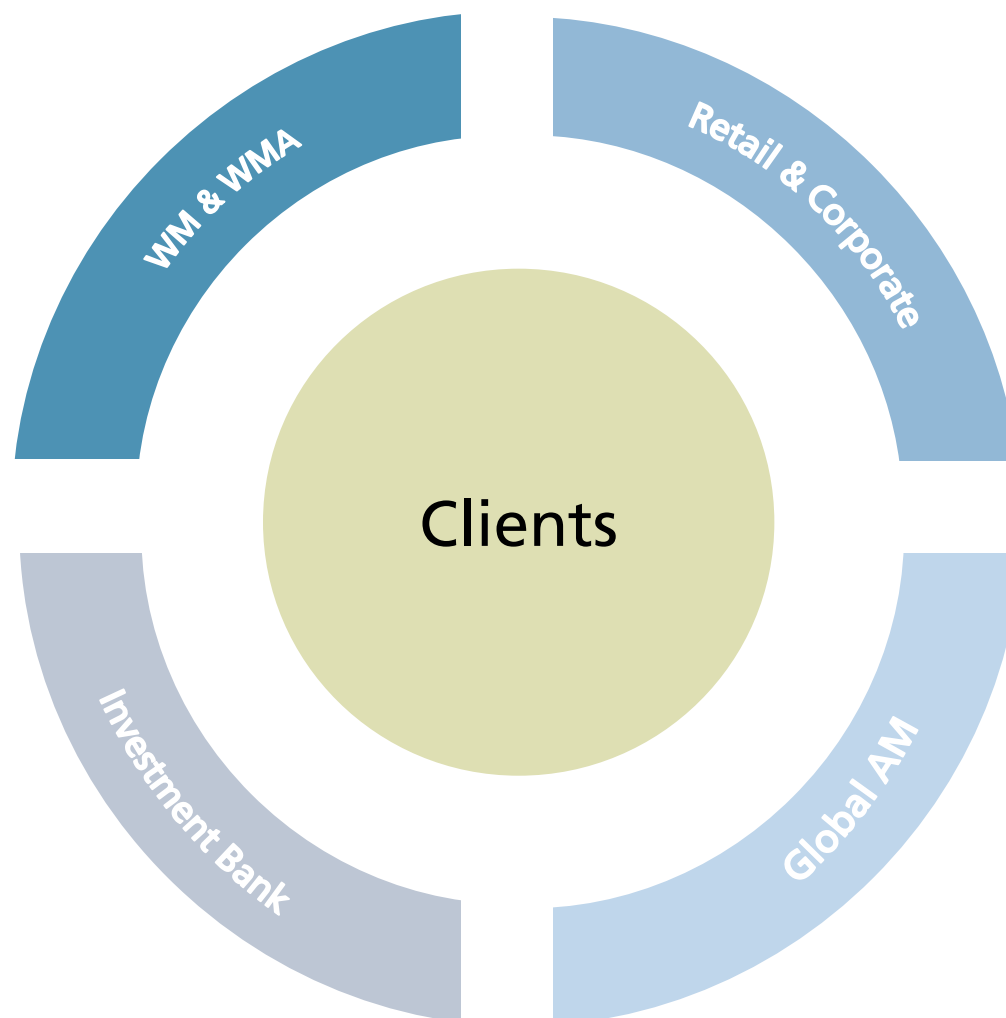
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# UBS combines strong and complementary client-focused businesses

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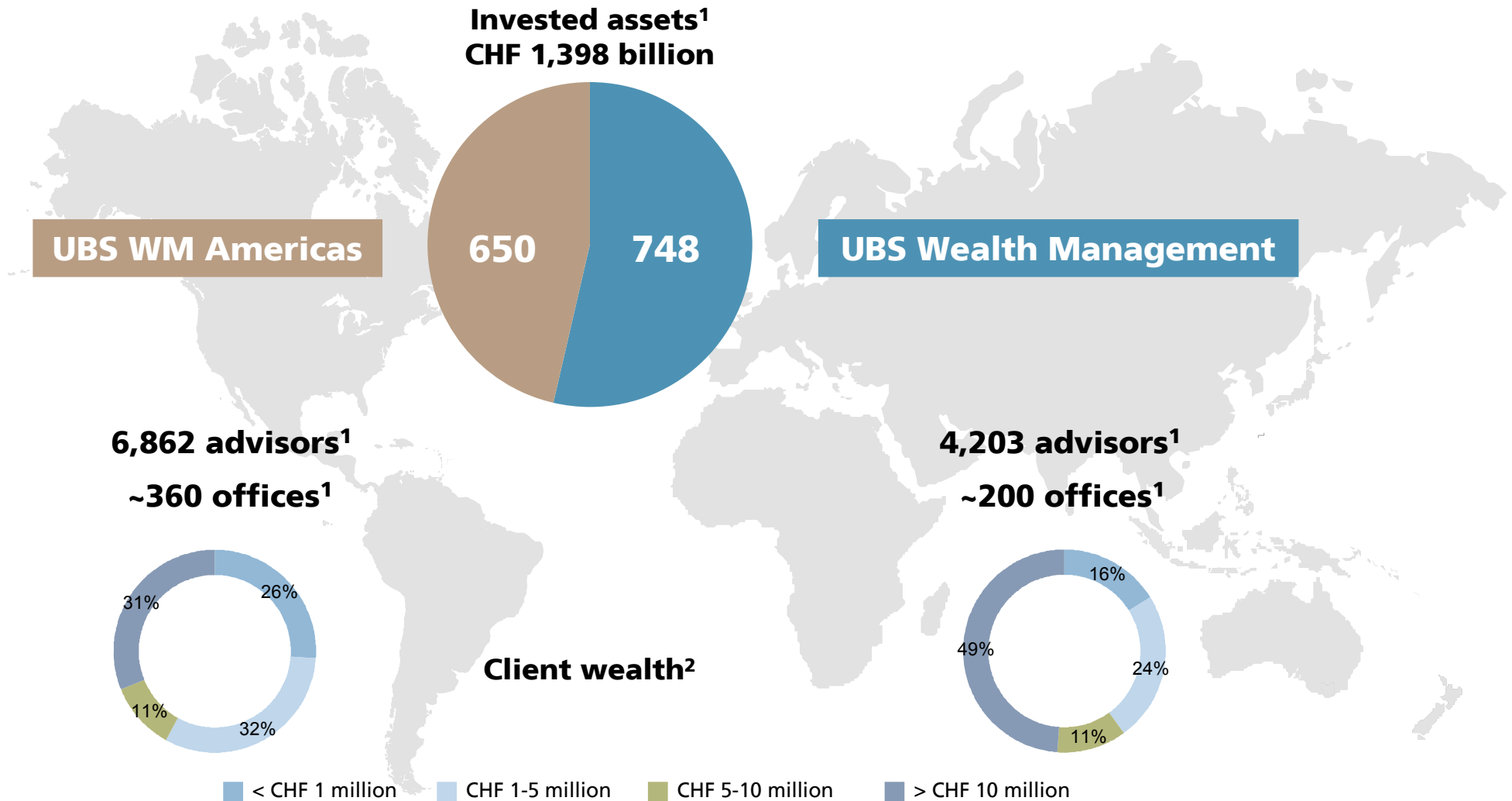
**We will leverage our unique competitive advantages in wealth management...**



**...while strengthening the alignment of all our businesses**

# Our global wealth management business is unrivaled

We have global presence and a premier Ultra High Net Worth franchise...



...in the largest established markets and in the fastest growing markets



<sup>1</sup> On 30.6.11

<sup>2</sup> Based on assets under management on 31.12.10



# IB is a key contributor to our UHNW and HNW businesses

**Our wealth management franchise is built on relationships with sophisticated UHNW & HNW clients**

## Key wealth management client needs

		Client relevance	
		UHNW	HNW
<b>Product development</b>	Creative, innovative products and bespoke solutions	✓	✓
<b>Execution / risk capabilities</b>	Impeccable and cost effective execution and market making for listed and OTC products	✓	✓
<b>Research</b>	Top tier research offering, single stock, sector and macroeconomic	✓	✓
<b>Global Family Office</b>	Access to primary and secondary deal flows	✓	
<b>Advisory</b>	Tailored advice for entrepreneurial clients, e.g. capital markets	✓	

**the skills and strengths of our Investment Bank enable us to meet the needs of our wealth management clients**

# Why institutional clients value UBS Investment Bank

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## Relationships

- Unique capability to **quickly reach large** and **sophisticated global audience** of **wealthy private investors**
- Our **presence and relationships throughout** the globe give us **deep insight** into the **economic, market and geopolitical environments** of the major jurisdictions that matter to our clients
- **Professionals with extensive experience in advisory/capital markets**
- Patient **cultivation of long-term advisory relationships**

## Platform

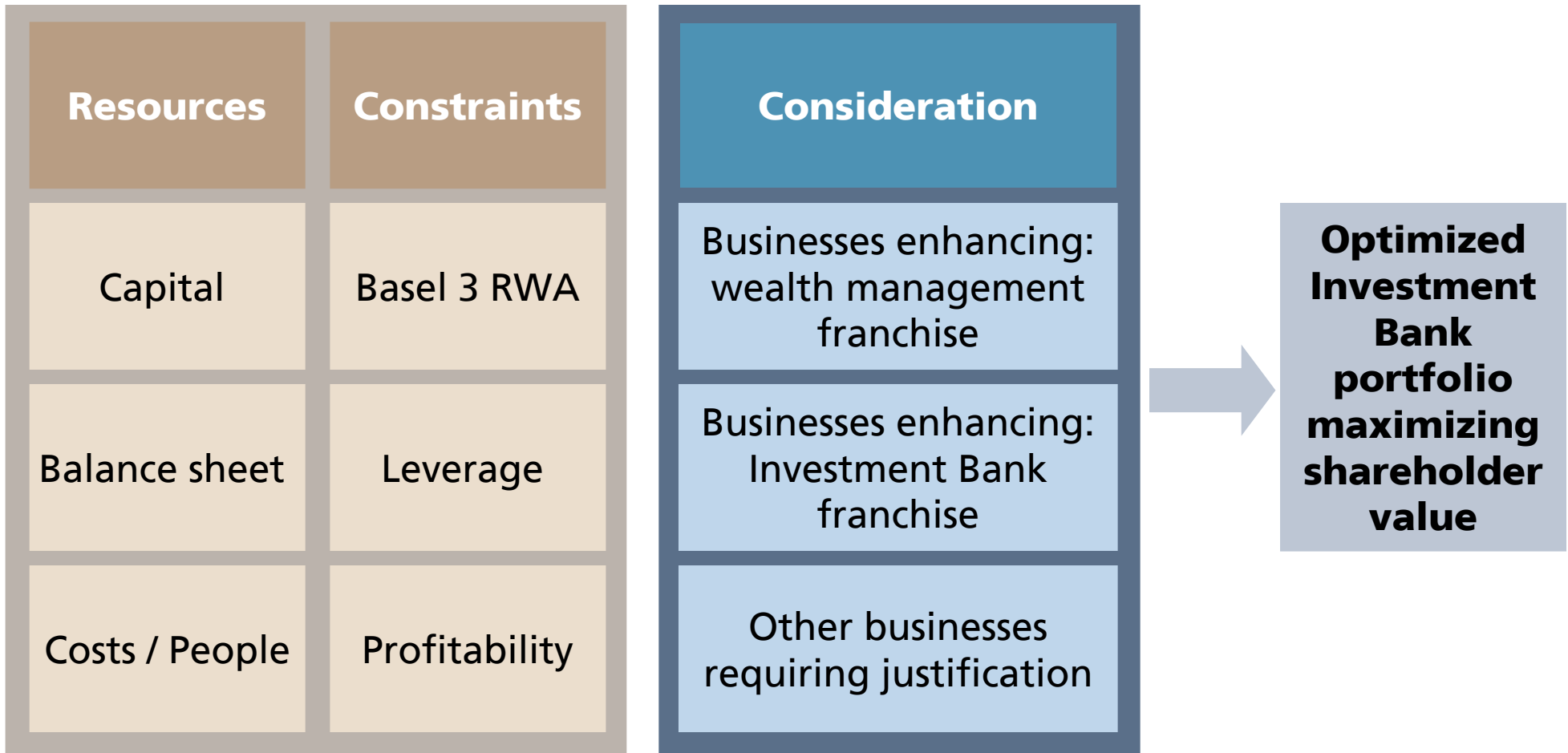
- Leading **low latency execution platforms** for equities and FX
- **Top 3 Futures Clearing** platform and **robust operational platform**
- **Leading portfolio management** and **risk assessment tools**
- **Strength and presence in each region** and particular strength in APAC

## Capabilities and expertise

- Thought leadership and insights provided by **deep high quality research coverage and IBD coverage teams**
- **Strong equities presence in all major markets**, drives powerful synergies across geographies and capabilities
- **Pioneer** in OTC to CCP debate
- **Major liquidity provider**
- **Strong balance sheet** and **capital position**

# Optimizing risk-adjusted returns in the Investment Bank

We are making choices...

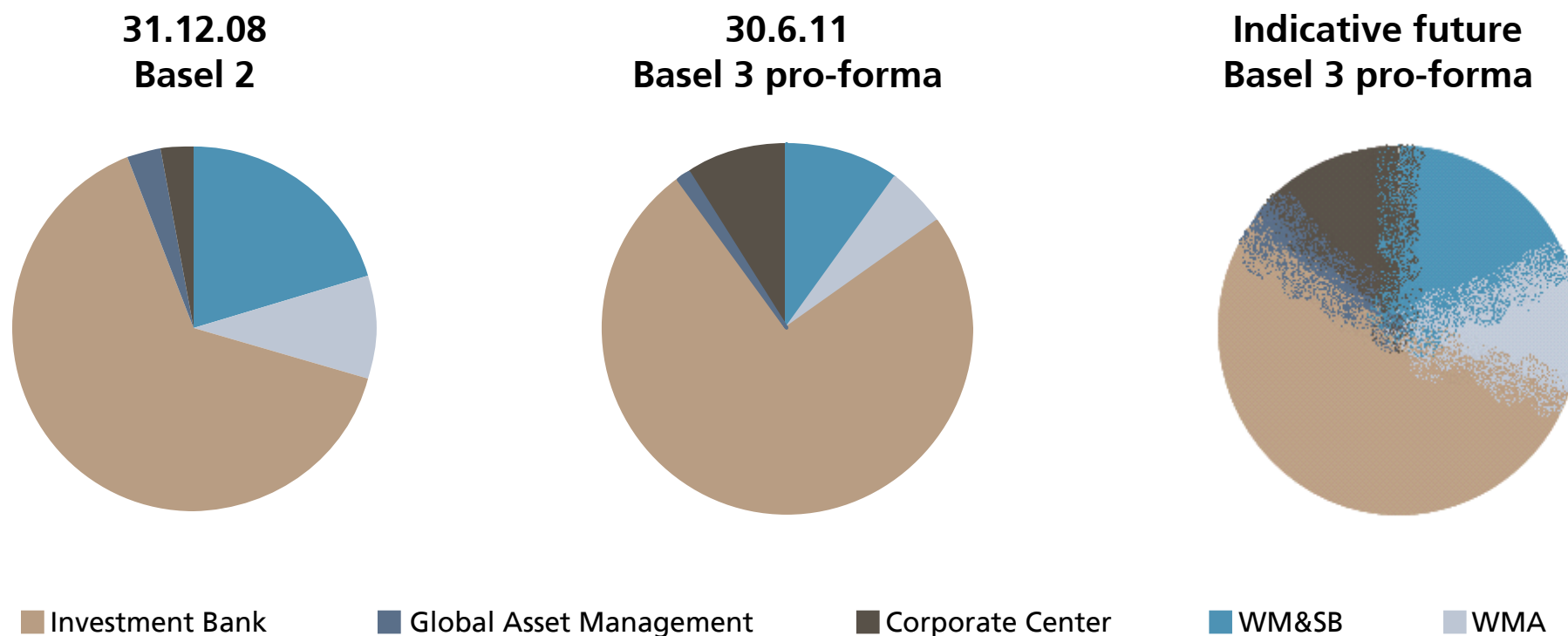


... which will enable us to optimize the risk-adjusted returns of the Investment Bank

# Our new strategy will lead to a rebalancing of risk in the Group

We will reduce risk and complexity in our Investment Bank...

Historic and indicative future RWA breakdown<sup>1</sup> (%)



...to deliver higher quality risk adjusted returns

# Key messages

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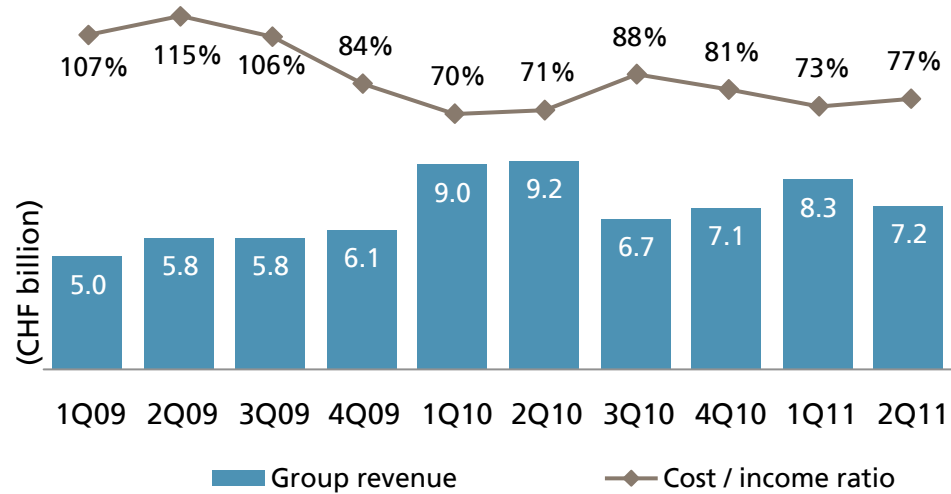
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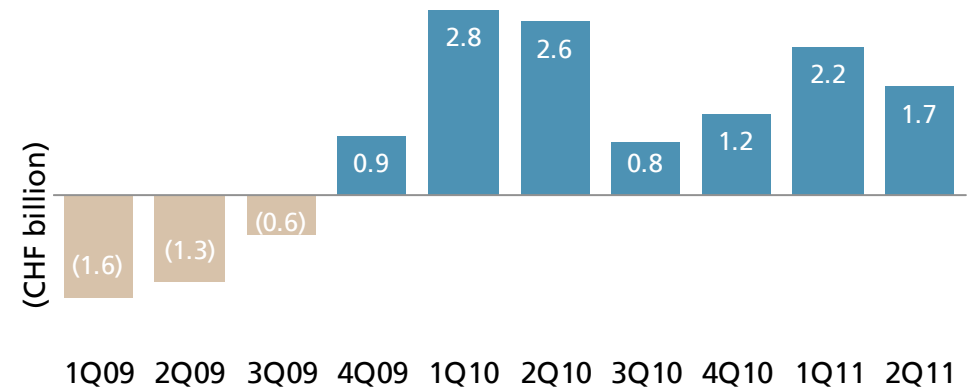
Our financial, capital and funding positions are sound

# Our financial position is sound

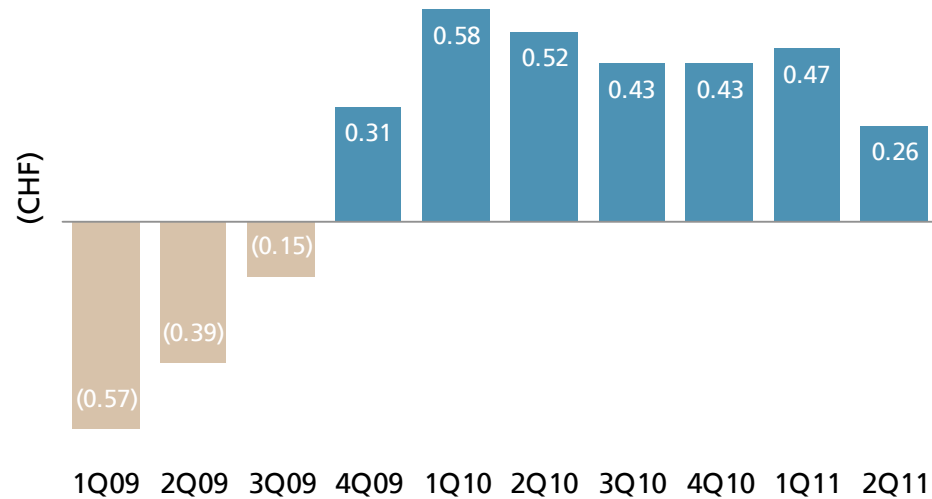
## Group revenue and cost / income ratio



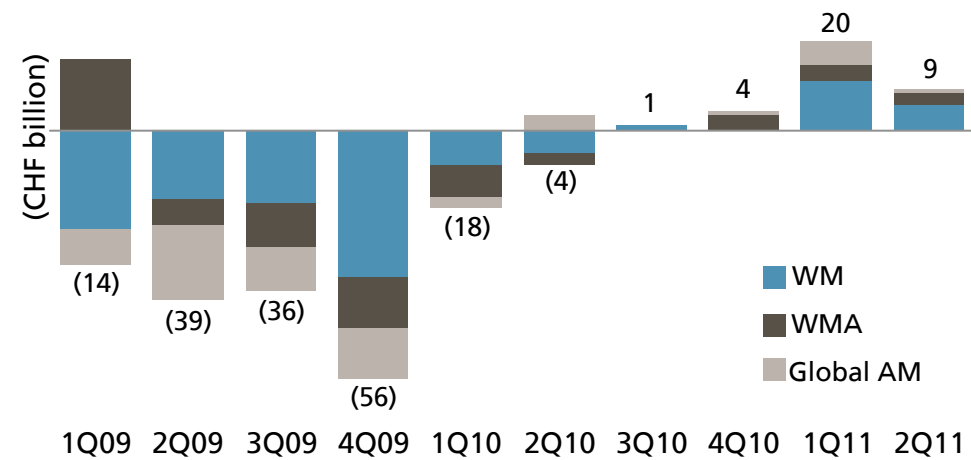
## Group pre-tax profit



## Diluted earnings per share

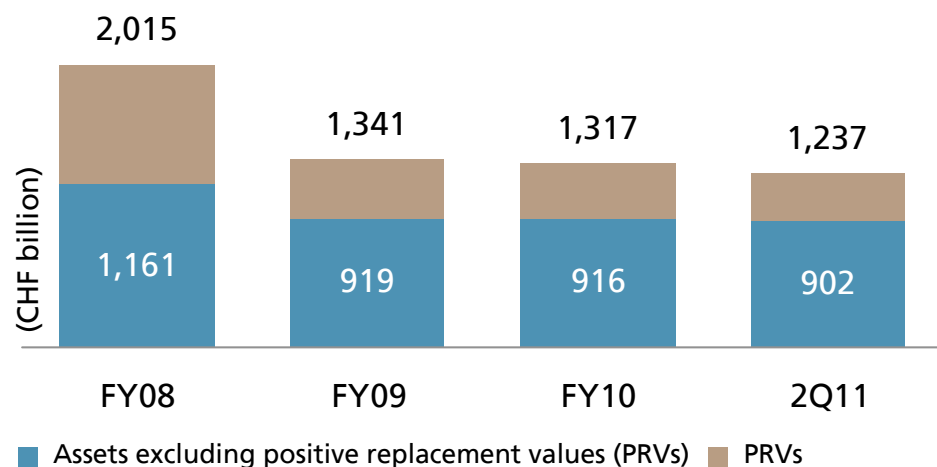


## Net new money

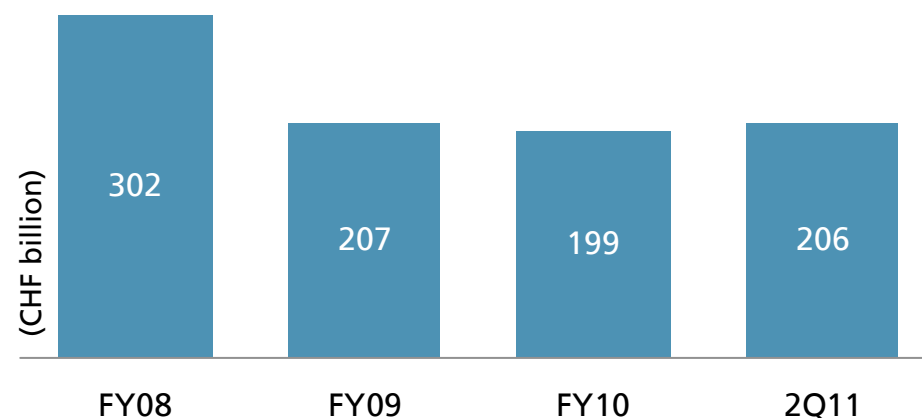


# We have significantly reduced our risk and balance sheet

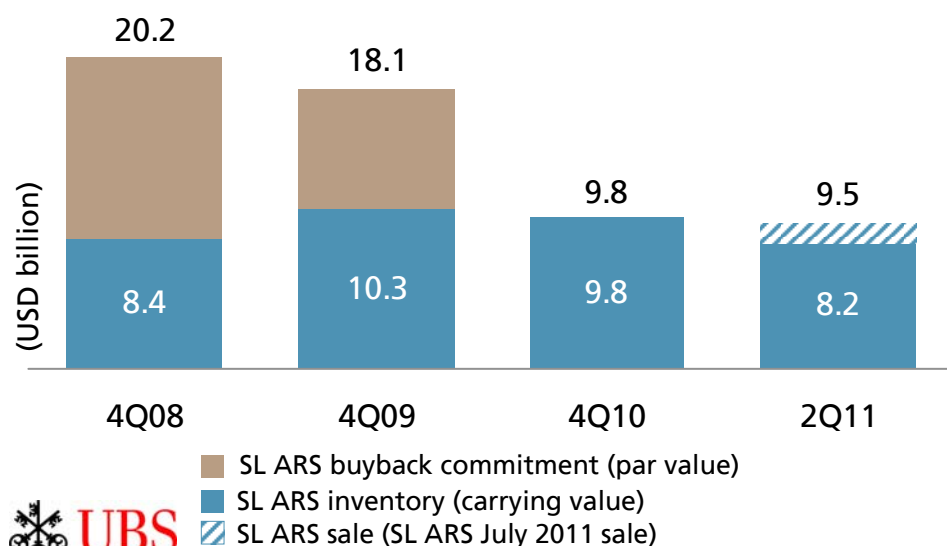
## Balance sheet



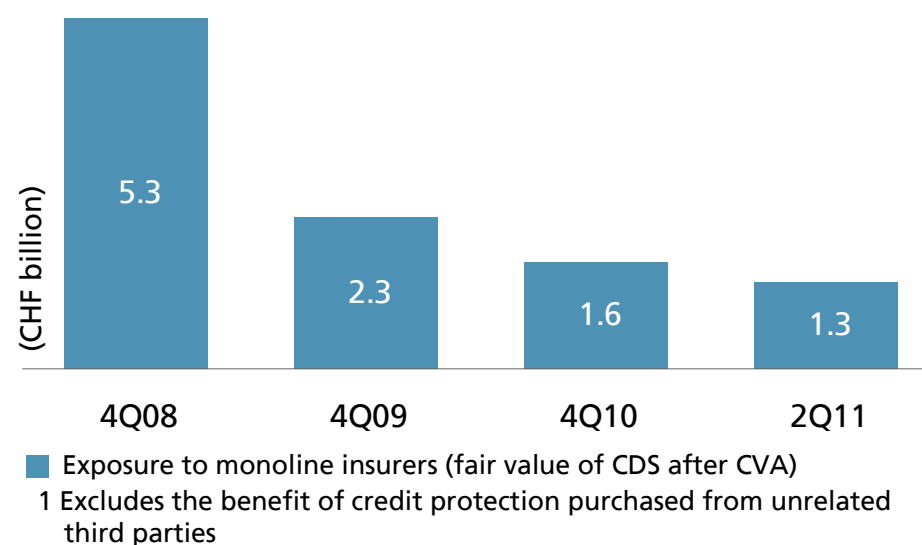
## Basel 2 risk-weighted assets



## Student loan auction rate securities



## Exposure to monoline insurers<sup>1</sup>



# Our exposure to selected European sovereigns is limited

Exposures to sovereigns<sup>1</sup> in selected European countries rated AA and below<sup>2,3</sup>

31.8.11

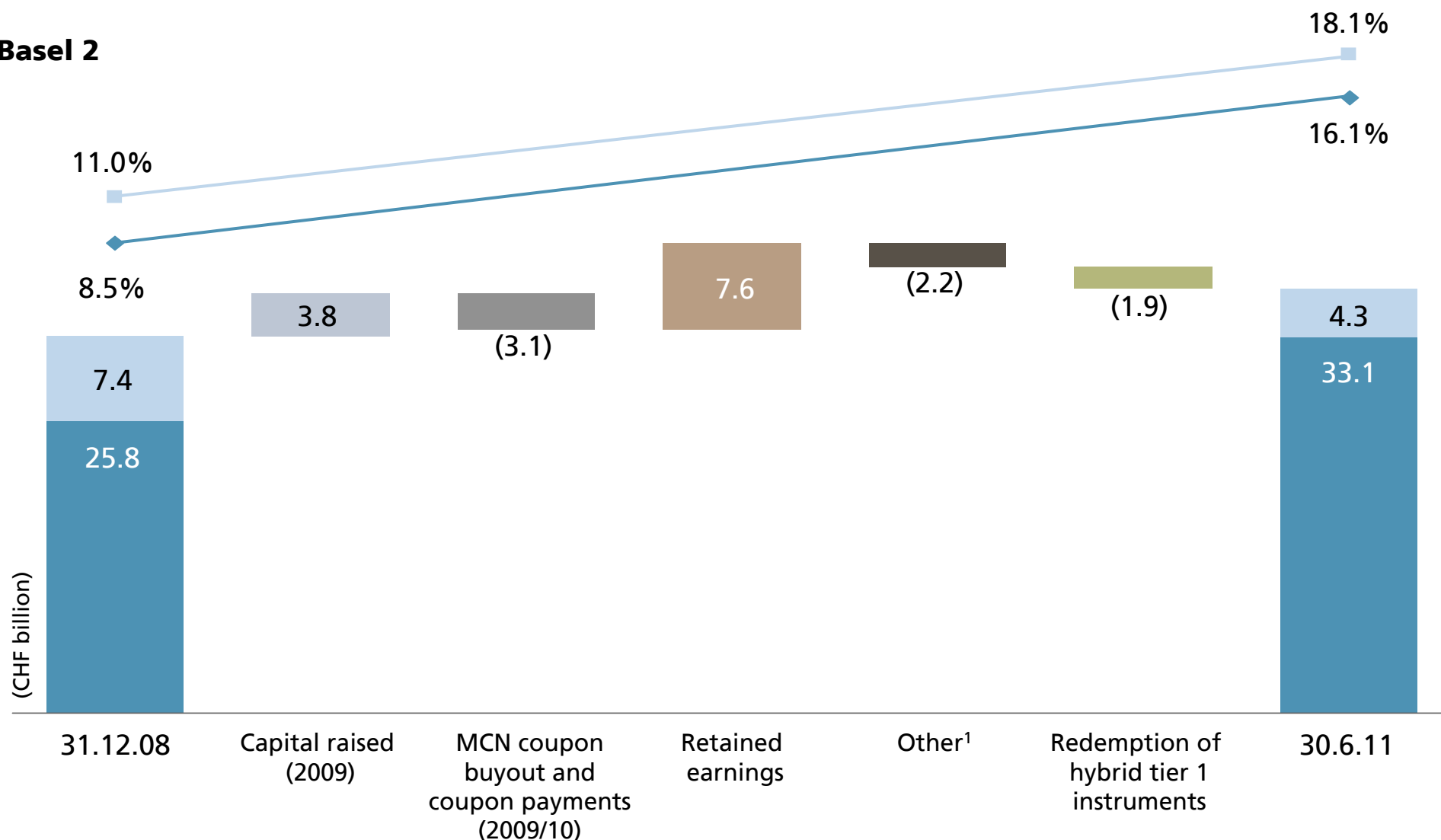
(CHF million)	Gross exposure	Net exposure <sup>3</sup>
Italy, sovereign	3,614	718
Belgium, sovereign	773	743
Greece, sovereign	158	158
Iceland, sovereign	65	65
Spain, sovereign	6	6
Portugal, sovereign	1	1
Ireland, sovereign	0	0



# We have increased the quality and size of our capital base

We have added CHF 7.6 billion of earnings to our capital base since the end of 2008

## Basel 2

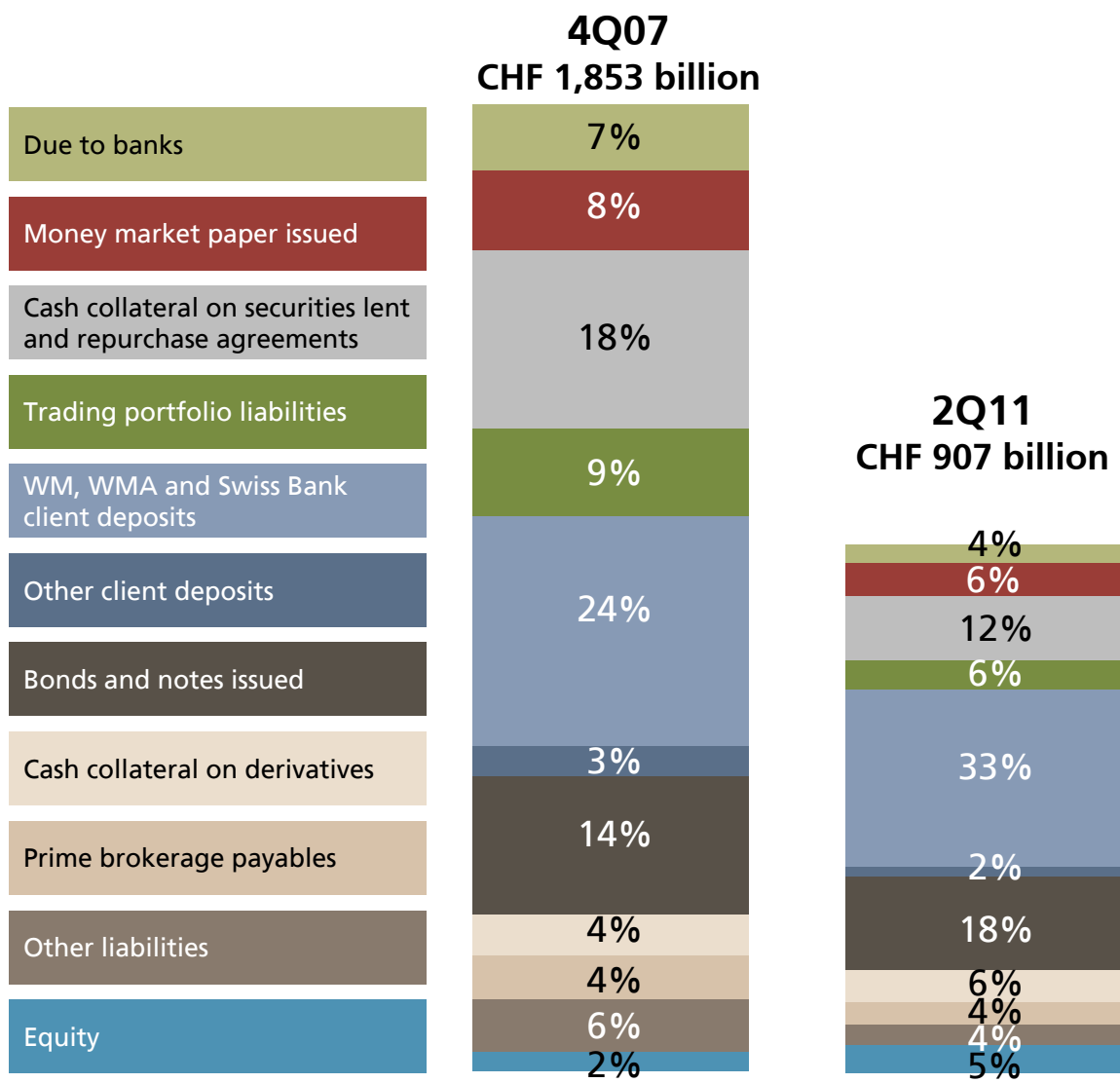


<sup>1</sup> Includes own shares related components, capital deduction and FX

Hybrid tier 1 capital  
 Core tier 1 capital  
 Tier 1 ratio (%)  
 Core tier 1 ratio (%)

# Funded balance sheet reduced by more than half since 4Q07

Significantly less reliance on short term wholesale unsecured funding...



- Significantly reduced reliance on short-term wholesale unsecured funding such as interbank and money market paper
- One third of the funded balance sheet originates from wealth management businesses and R&C client deposits
- Long term debt's importance as a funding source has increased

**...and a greater proportion of customer deposits and long term debt funding**

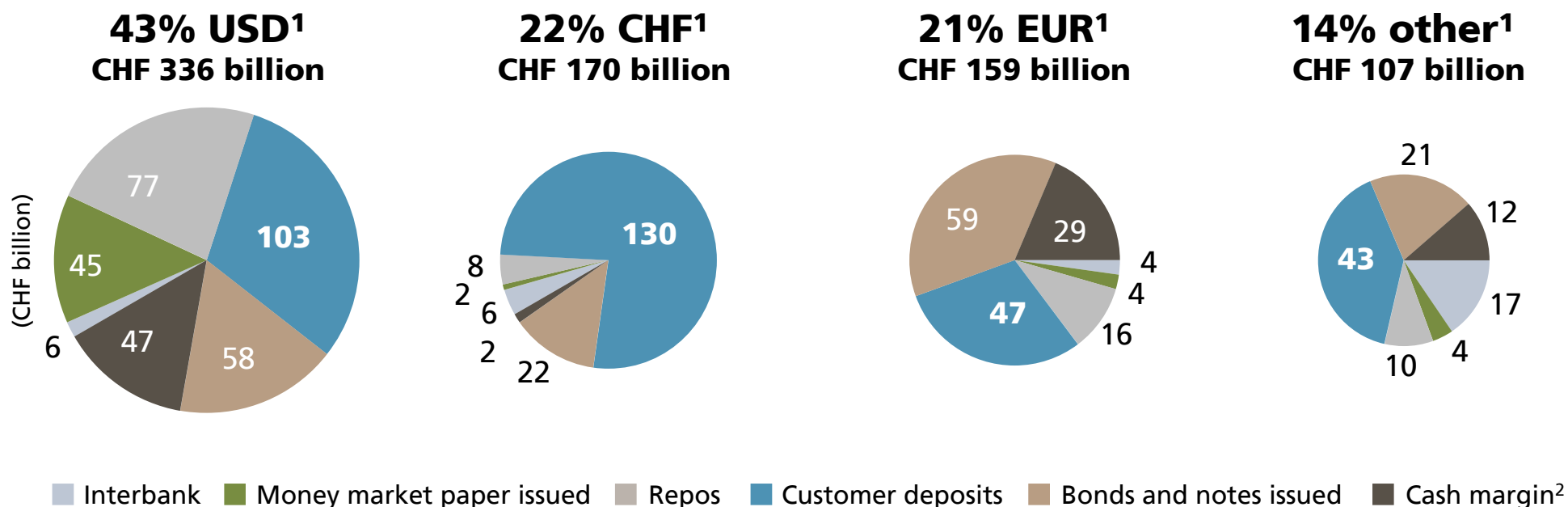


UBS

1 Liabilities and equity excluding NRVs

# Funding sources by currency – 30 June 2011

Customer deposits represent a significant source of funding in all major currencies



**limited reliance on interbank and money market paper**



<sup>1</sup> In % of total funding balance sheet (CHF 772 billion) comprising repurchase agreements, securities lending against cash collateral received, due to banks, money market paper issued, due to customers, long-term debt (including financial liabilities at fair value) and cash collateral on derivative transactions and prime brokerage <sup>18</sup>  
<sup>2</sup> Comprises cash collateral payable on derivatives and prime brokerage payables

# Delivering value for shareholders

## UBS combines strong and complementary client-focused businesses

### Wealth management businesses

- Our business is unrivalled in scale, presence and client mix
- We are leaders in the largest established markets and fastest growing emerging markets
- Strong cross-border footprint and onshore presence in major markets

### Investment Bank

- Successfully serving corporate, sovereign and institutional clients
- Leveraging the strengths of our wealth management business through closer alignment
- Reducing risk and complexity

### Global Asset Management

#### Retail & Corporate

- Global Asset Management has a diversified business model and is a key contributor to our wealth management businesses
- Retail & Corporate is a leading player in the Swiss domestic market and an inherently stable business

- Strong capital position: industry leading Basel 2 tier 1 capital ratio of 18.1% at 30.6.11
- Sound funding position based on diversified funding sources and a large deposit base
- Balance sheet risk reduction achieved
- Continued cost control: further progress on our CHF 2 billion cost reduction program

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# 2011 Investor Day

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## **UBS Investor Day 2011**

**Thursday, 17 November 2011**

The Waldorf Astoria, New York