

# Group Strategy and Transformation

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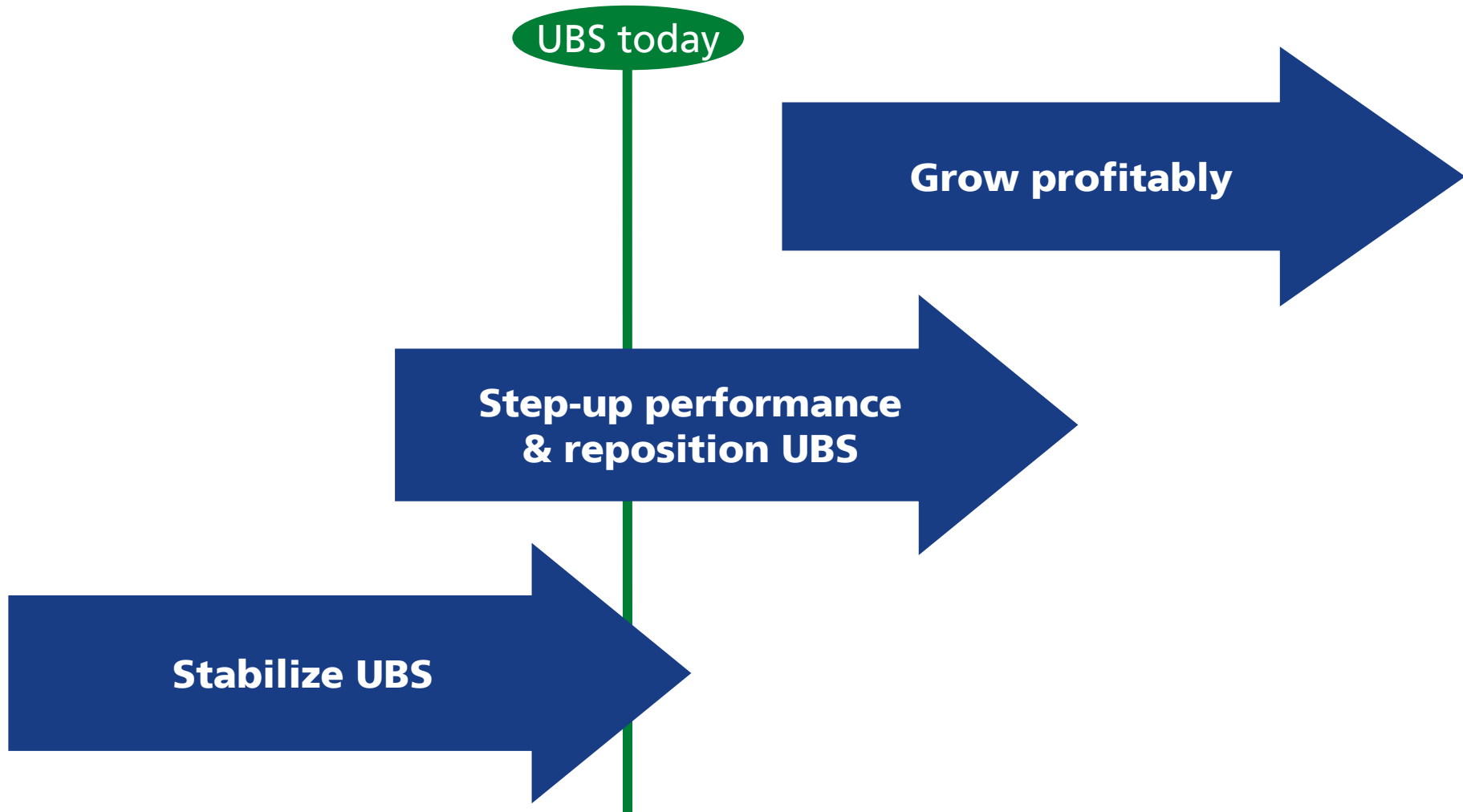
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# UBS is going through a major transformation change

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**Focus of today: stabilization of UBS and strategic direction going forward**



# Key messages

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1. UBS is financially stable, strong and secure

2. UBS is excellently positioned to take advantage of the changing market environment

3. UBS will transform the way it operates and step-up performance to deliver higher returns

# We have stabilized the bank's financial condition

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## De-risking and de-leveraging

- ◆ **Tier 1 ratio:** increased from 11.0% in 4Q08 to 15.0% in 3Q09
- ◆ **Leverage ratio (FINMA):** improved from 2.5% in 4Q08 to 3.5% in 3Q09
- ◆ **Balance sheet size (IFRS):** reduced by 27% over the past 9 months
- ◆ **Risk profile:** reduced RWAs by 30% over the past 9 months

## Restoring profitability

- ◆ **Adjusted revenues<sup>1</sup>:** improved to CHF 32 billion in 3Q09 annualized
- ◆ **Adjusted operating results<sup>1</sup>:** improved to CHF 6.2 billion in 3Q09 annualized
- ◆ **Cost reduction:** program on track to reach CHF 3.5 – 4.0 billion target by 2010

## Re-organization & structures

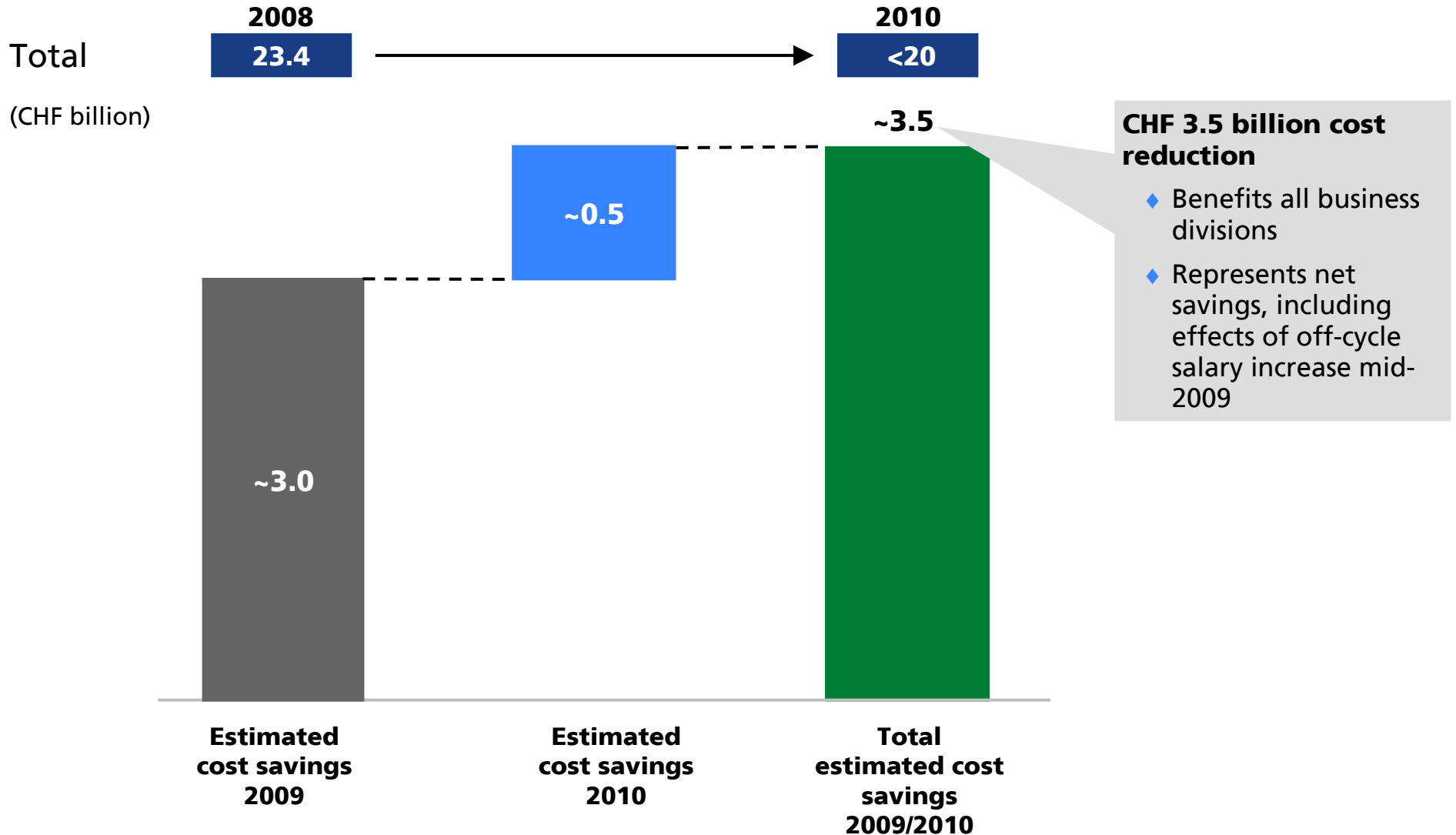
- ◆ **Corporate Center:** centralization of functions fully implemented to increase control, efficiency and transparency (e.g., Finance, Risk, Communications, Corporate Development, IT, L&C, Supply & Demand Management, HR, CREAS)
- ◆ **UBS Switzerland:** Retail, Corporate, WM, IB, AM businesses under one leadership

## Regaining confidence

- ◆ **Swiss government stake:** exited at a profit of CHF 1.2 billion for the government
- ◆ **US tax issues:** settled with DOJ, SEC and IRS

# Cost reduction – program on track to reach CHF 3.5 – 4 billion target in annual equivalent run-rate by 2010

## Cost run-rate excluding significant non-recurring items and variable personnel expenses



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# New paradigm in the banking industry

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	<b>From...</b>	<b>To...</b>
<b>Capital / risk</b>	<ul style="list-style-type: none"><li>◆ Excessive market liquidity and high risk-taking</li></ul>	<ul style="list-style-type: none"><li>◆ Scarce capital and reduced risk tolerance</li></ul>
<b>Clients</b>	<ul style="list-style-type: none"><li>◆ Higher risk tolerance</li><li>◆ General confidence in the banking system</li></ul>	<ul style="list-style-type: none"><li>◆ Strong need for transparency and trusted relationships</li><li>◆ Focus on stable returns with lower risk</li></ul>
<b>Regulation</b>	<ul style="list-style-type: none"><li>◆ No significant interventions</li></ul>	<ul style="list-style-type: none"><li>◆ Stricter capital and liquidity requirements and closer international coordination</li></ul>
<b>Growth</b>	<ul style="list-style-type: none"><li>◆ Secular growth of wealth and capital fueled by explosive expansion in assets</li></ul>	<ul style="list-style-type: none"><li>◆ Slower wealth formation</li><li>◆ Continued shift in growth towards Asia and emerging markets</li></ul>
<b>Returns</b>	<ul style="list-style-type: none"><li>◆ High leverage, wholesale funded, driving higher returns</li></ul>	<ul style="list-style-type: none"><li>◆ Higher pressure on margins and returns</li></ul>



# UBS is strongly positioned to deliver on the new key success factors

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## New success factors

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Ability to attract client flows

Global access to client demand

Efficient capital allocation

Strong earnings in capital-light businesses

Cost efficiency and execution excellence

## UBS strongly positioned

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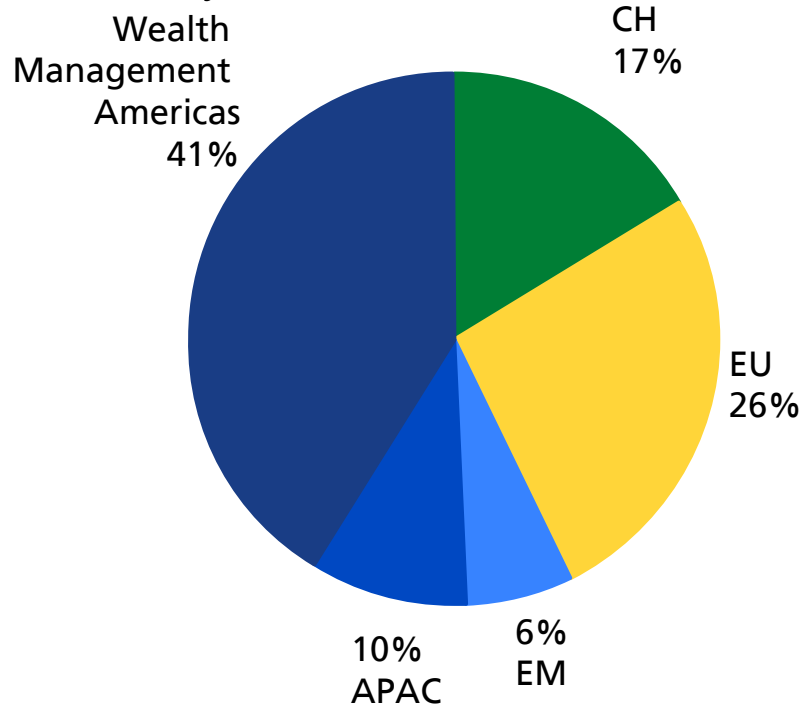
- 1 Leading Wealth Management franchise
- 2 Unique combination of asset gathering and investment banking with a global footprint
- 3 Flow/fee businesses dominating UBS revenue mix, resilient over time
- 4 Leader in APAC and leading wealth manager in other growth markets (MEA, CEE, LatAm)

# 1 Leading wealth management franchise

## Leading wealth manager with highest quality of assets

UBS 3Q09 AuM<sup>1</sup> of CHF 1.7 trillion, #2 by AuM globally

Breakdown by client domicile



## Top positions in most markets

- ◆ #1 wealth manager by AuM outside the US (by client domicile)<sup>2</sup>
  - #1 in CH
  - #1 in EU
  - #1 in APAC
  - #1 in selected emerging markets
- ◆ #1 foreign wealth manager in the U.S.; #4 overall

## Strongest UHNW franchise

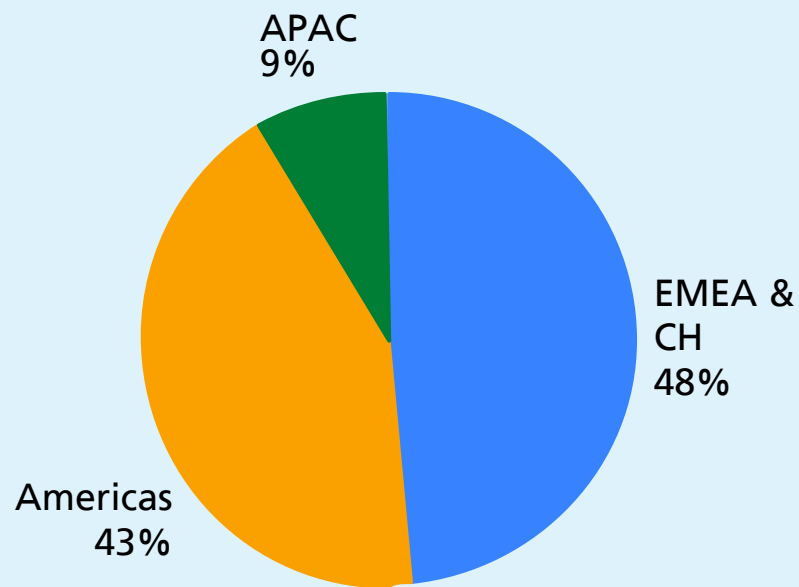
- ◆ #1 in advising UHNW clients with ~5% market share globally
- ◆ ~70% of AuM from UHNW/HNW in Wealth Management Americas

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# Unique combination of asset gathering and investment banking with a global footprint

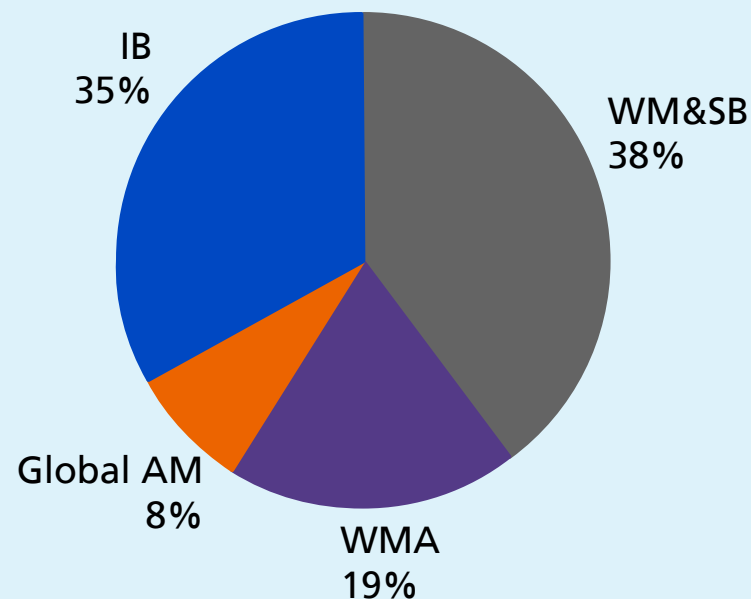
**UBS today has CHF 2.3 trillion in AuM and is a truly global asset gatherer (WM&AM)...**

**UBS AuM by region<sup>1</sup>, 2008**



**... in combination with investment banking**

**Adjusted operating income<sup>2</sup> 3Q09 = CHF 7.4 billion, by business division**



<sup>1</sup> WM: by client domicile; AM: by client servicing location

<sup>2</sup> Excluding Corporate Center income of CHF (160) million and own credit charge of CHF 1.4 billion in Investment Bank

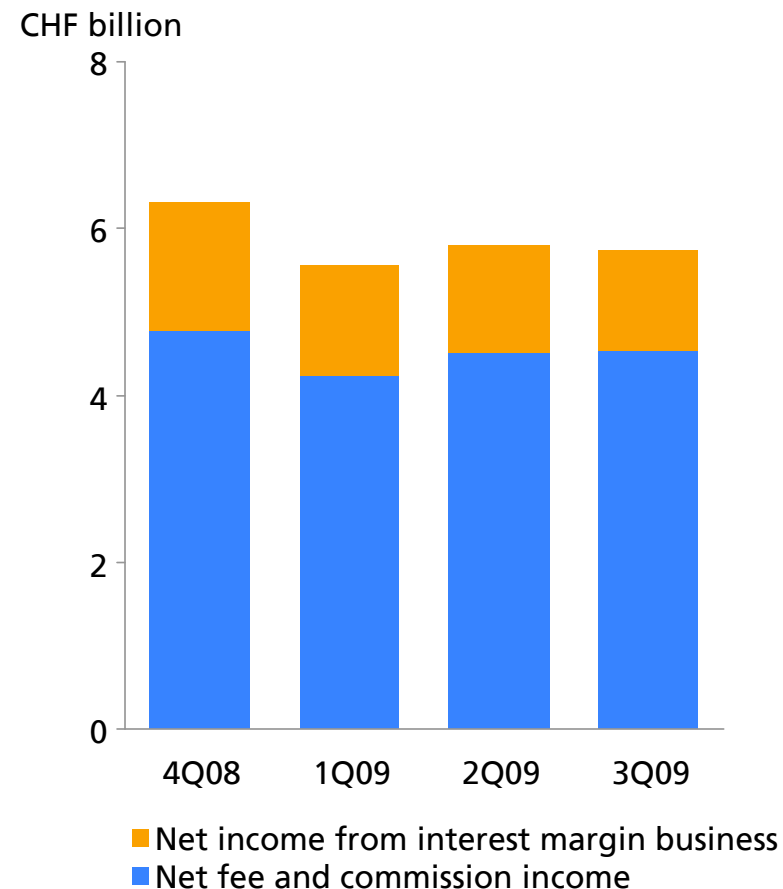
### 3 Flow/fee business dominating UBS revenue mix

**Flow/fee business:  
~90% of UBS revenue  
with top positions...**

Examples and market positioning

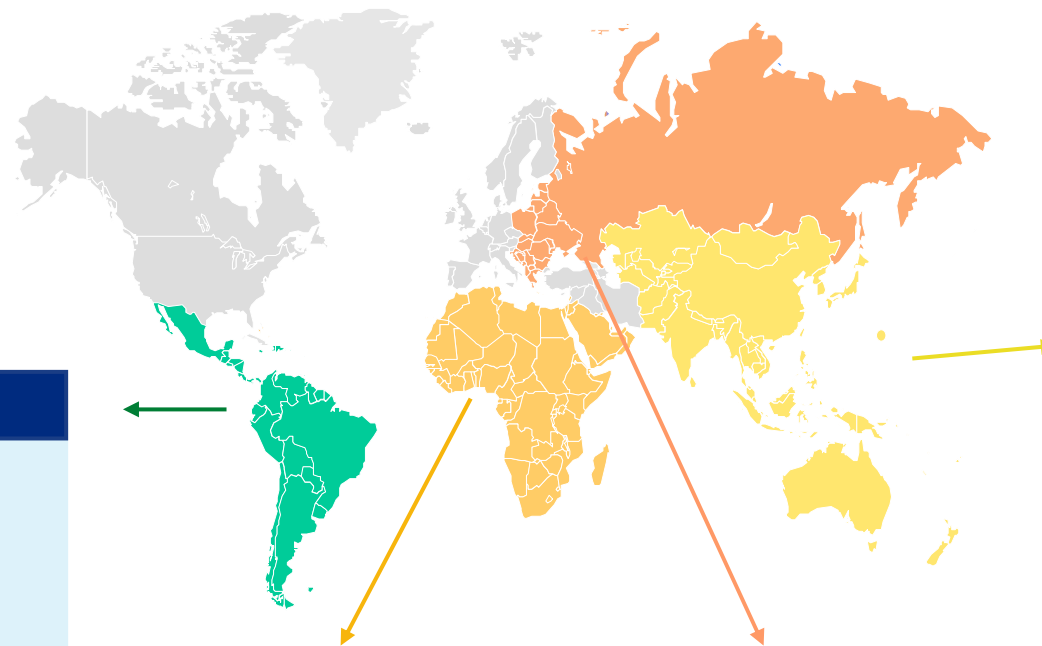
- ◆ Investment funds (CH) #1
- ◆ Mandates (WM) #1
- ◆ Res. mortgages (SB) #1
- ◆ FX #2
- ◆ Cash EQ #3
- ◆ US Wealth Mgmt. #4

**...very stable and resilient over time**



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# Leader in APAC and leading wealth manager in other growth markets



**LatAm**

- ◆ **Leading cross-border wealth manager**
- 🏆 #2 **"Best Private Banking Service Overall"**<sup>1</sup>

**MEA**

- ◆ **Leading position in both WM and AM**
- ◆ Leader in **M&A advisory**
- ◆ Over **40 years presence** in the region
- 🏆 #2 **"Best Private Banking Service Overall"**<sup>1</sup>

**Russia & CEE**

- ◆ **Leading cross-border wealth manager**
- ◆ **Top tier IB in Russia**
- 🏆 #1 **"Best UHNW CEE"**<sup>1</sup>
- 🏆 #2 **"Best Private Banking Service Overall"**<sup>1</sup>

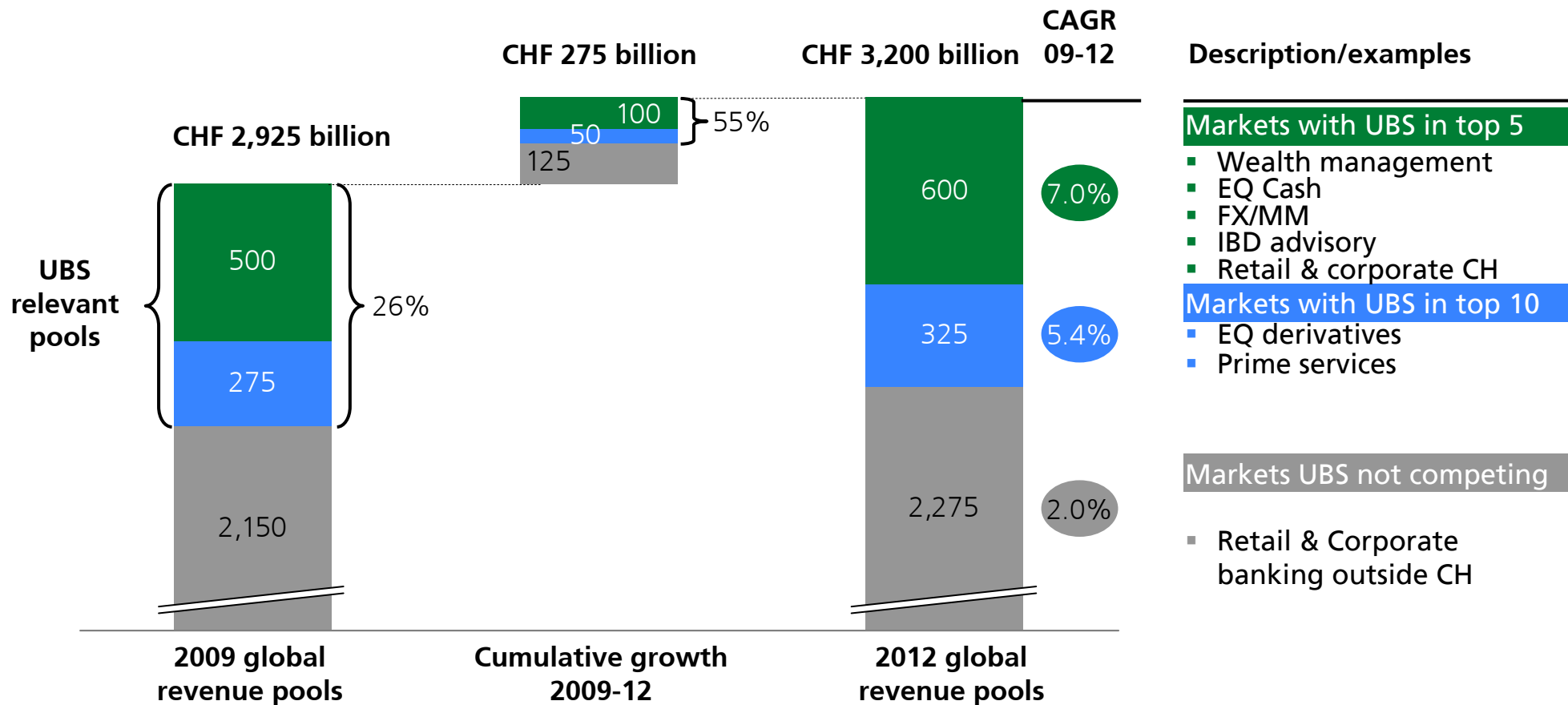
**APAC**

- ◆ **Strongest combination of IB and WM in the region**
  - 🏆 #1 **"Best Private Bank"**<sup>2</sup>
  - 🏆 #1 **"Best Investment Bank"**<sup>2</sup>
- ◆ **Leading foreign asset gatherer**
  - ◆ WM leader by CAs and AuM: CHF 161 billion (3Q09)
  - ◆ Global AM AuM: CHF 65+ billion (3Q09)
- ◆ Over **40 years presence** in the region

# UBS strongly positioned to capture high growth revenue pools

UBS active in 26% of global revenue pools, which accounts for 55% of cumulative growth until 2012. Two-thirds of this growth is in businesses where UBS has top 5 positions

Global revenue pool, CHF billion



Source: Boston Consulting Group  
1 Or with minimal activity

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# UBS aspiration — leading client-focused global bank

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The #1 global bank for HNW/UHNW clients



The #1 bank in Switzerland



A top-tier bank in every growth region



A leading client-focused investment bank

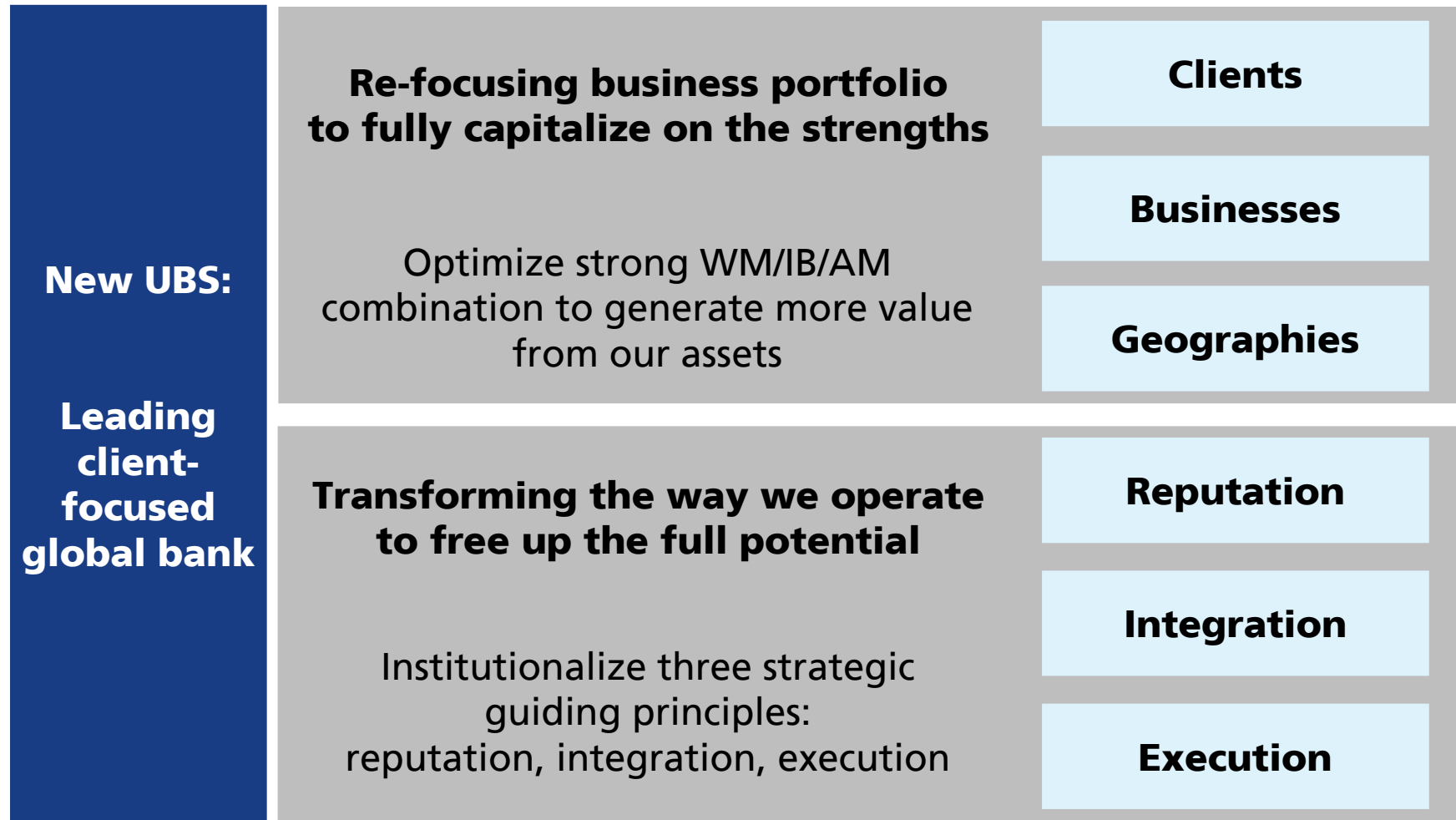


Economically profitable in every segment, market and business we operate



# New UBS – key strategic thrusts

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# New UBS – refocusing business portfolio

We will...

... optimize strong WM/IB/AM combination to generate more value from our assets	
<b>Businesses</b>	<ul style="list-style-type: none"><li>... <b>Build on</b> our strong <b>WM franchise</b><ul style="list-style-type: none"><li>– <b>Transform</b> our <b>cross-border business</b> model</li><li>– <b>Increase/strengthen onshore footprint</b> and focus on <b>efficiency</b> and <b>execution</b></li></ul></li><li>... <b>Transform</b> our <b>Investment Bank</b> into an integrated and client-focused business<ul style="list-style-type: none"><li>– Build on <b>strong, less capital-intensive, flow</b> franchises (e.g. cash equities, FX/MM, IBD)</li><li>– <b>Strengthen</b> all <b>additional components</b> to complete the client offering (e.g., FICC Rates and Credit business)</li></ul></li><li>... Manage <b>WMA</b> for <b>increased profitability</b></li><li>... <b>Enhance AM</b> by focusing on <b>investment performance</b> and overall <b>efficiency</b></li></ul>
<b>Geographies</b>	<ul style="list-style-type: none"><li>... Reinforce <b>commitment to</b> our leading position in <b>Switzerland</b></li><li>... <b>Capture</b> the full value from <b>growth in APAC and other emerging markets</b></li></ul>
<b>Clients</b>	<ul style="list-style-type: none"><li>... Further <b>strengthen our UHNW franchise</b> and increase market share</li><li>... <b>Position WMA</b> as an advice-led WM platform while focusing on our HNW/UHNW client franchise</li></ul>

# New UBS – transforming the way we operate

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## We will...

... institutionalize three strategic guiding principles: reputation, integration, execution

### Reputation

... Put the **clients at the center of everything** we do

... Treat **reputation and people** as our **most valuable assets**

... **Ensure discipline** and implement best-in-class **governance processes**

### Integration

... Take a **holistic portfolio view** in decision-making

... Deliver the **best of all of UBS to our clients**

... **Enhance structures & processes** for further cost and capital efficiency

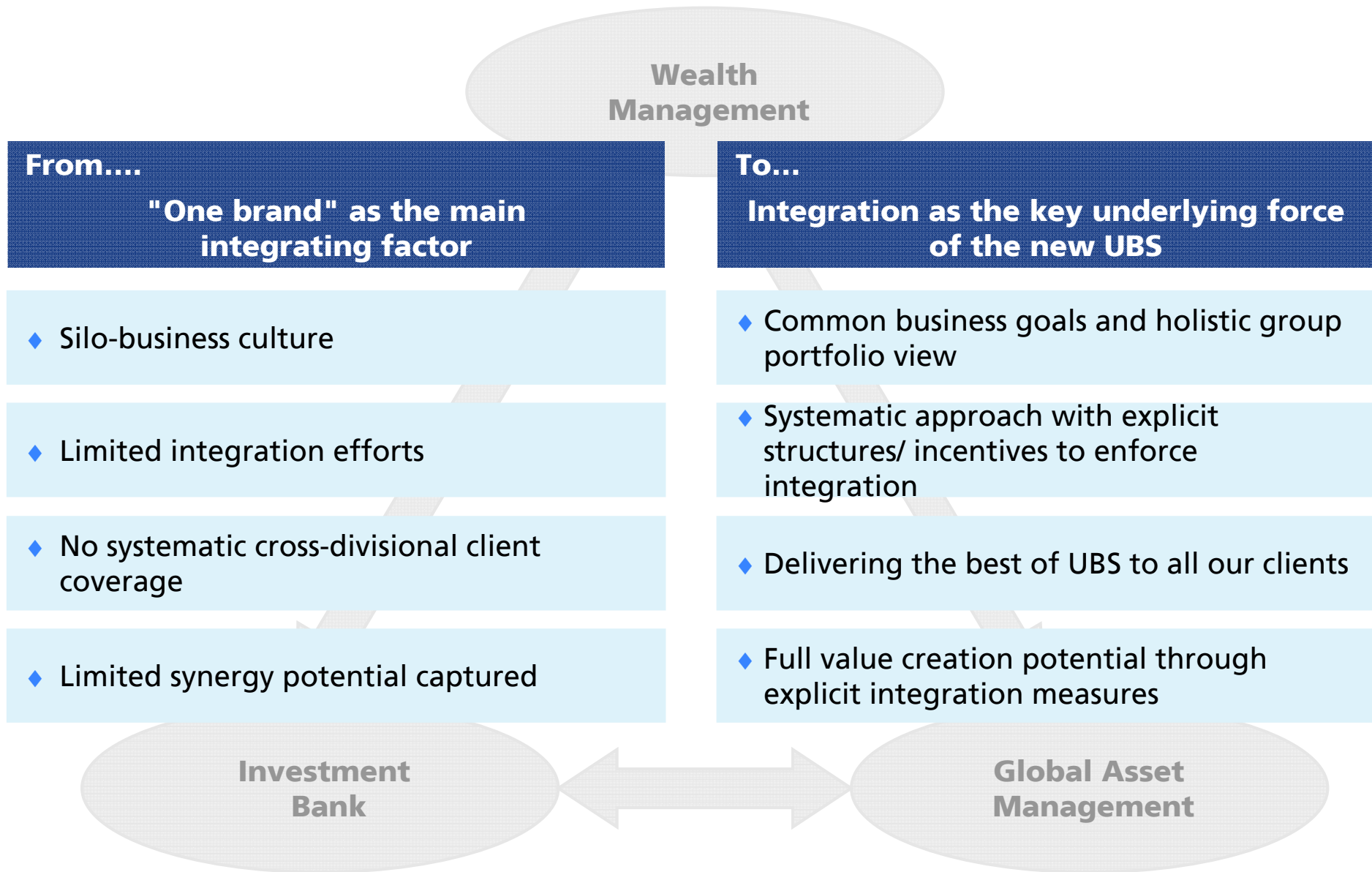
### Execution

... Ensure **consistent** high-quality **delivery externally & internally**

... Build a strong **performance-oriented culture**

... Retain, develop and hire the **best talent** at all levels

# New UBS – integration as a major underlying driver



# New UBS – several measures already in place to transform the way we operate

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## Governance & structures

- ✓ Strengthened **UHNW client service** with **new centralized set-up**
- ✓ **Switzerland** retail, corporate, WM, IB and AM businesses **under one leadership**
- ✓ Enhanced **management processes** and **centralized key control functions** - Finance, Risk, Legal & Compliance
- ✓ Created **Corporate Center shared services** to improve efficiency, control and decision-making

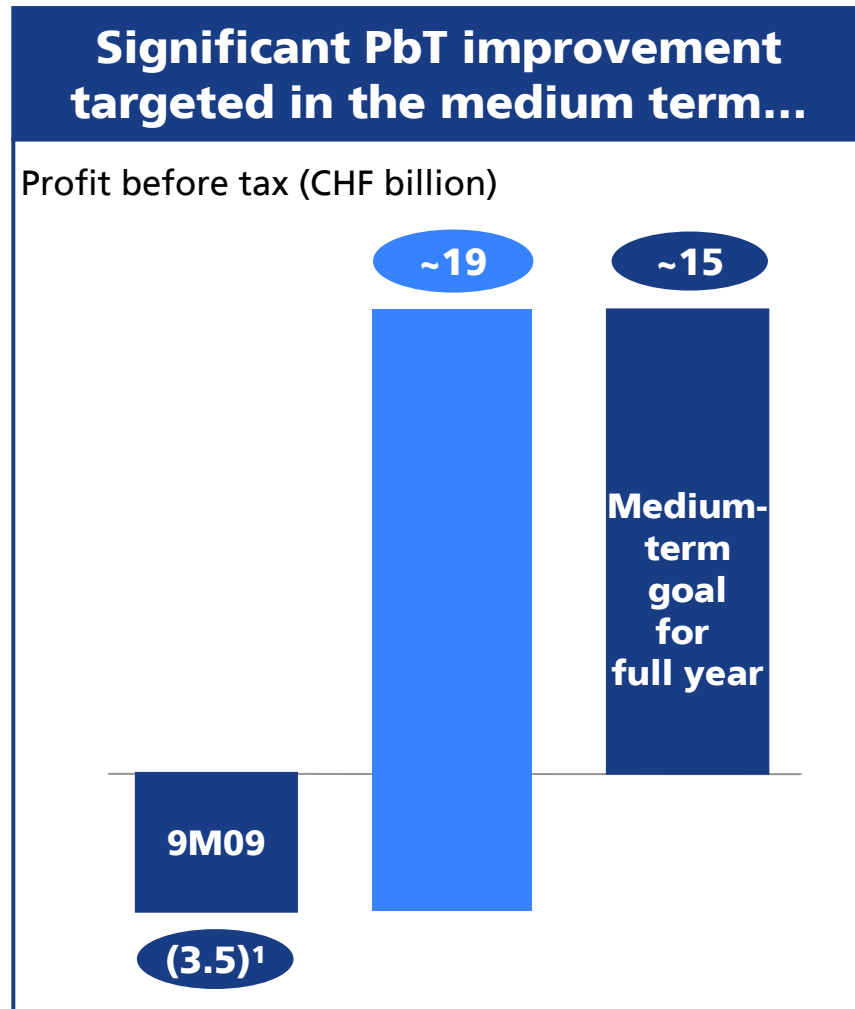
## Capital & risk allocation and control

- ✓ Introduced a new **capital allocation framework**
- ✓ Created an **integrated market & credit risk control**
- ✓ Enhanced **cross-border program for WM** in line with individual market regulations
- ✓ Upgraded **risk methodology and stress testing/VaR**

## Culture & performance measures

- ✓ Introduced **risk-adjusted performance measurement** for business segments
- ✓ Aligned **compensation** with longer-term **economic profitability**
- ✓ Enhance **performance monitoring** at all levels

# Significant PbT improvement target in the medium term, with a smaller and higher quality balance sheet



**... with smaller and higher quality balance sheet than in the past**

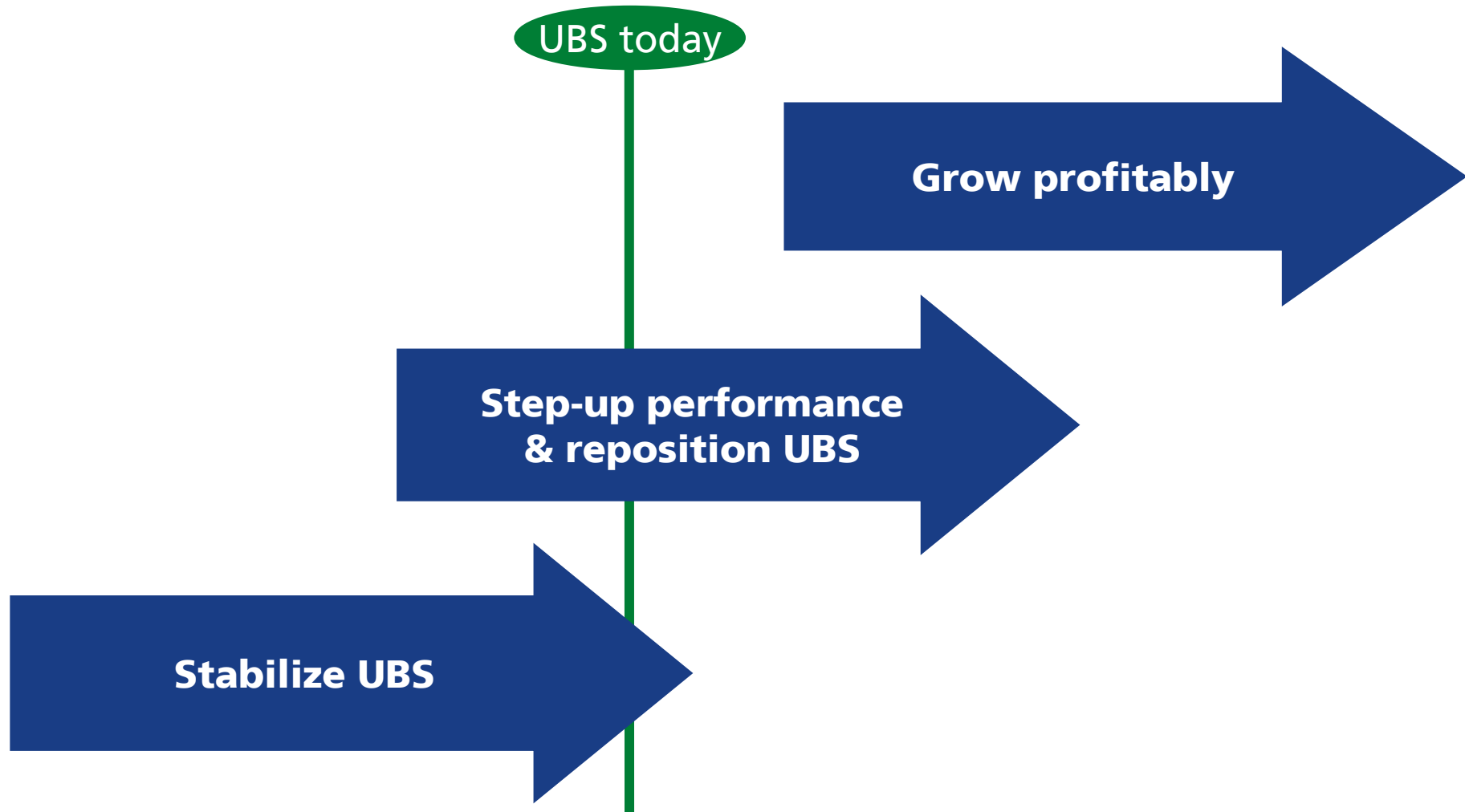
	2009 <sup>1</sup>	Medium term
<b>Balance sheet (CHF)</b>	1.5trn	~1.5trn
<b>FINMA Adjusted assets (CHF)</b>	0.9trn	~0.8trn
<b>Leverage ratio</b>	3.5%	>5.0%
<b>C/I ratio</b>	~110%	65-70%
<b>RoE</b>	(16%)	15-20%

**Higher and better quality RoE:  
lower leverage, higher asset turnover and better efficiency**

# Way forward – executing on UBS transformation

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**New UBS strategic direction is the basis for future growth**



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