



# Investor Meetings

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Jürg Zeltner, CEO UBS Wealth Management

August 2010

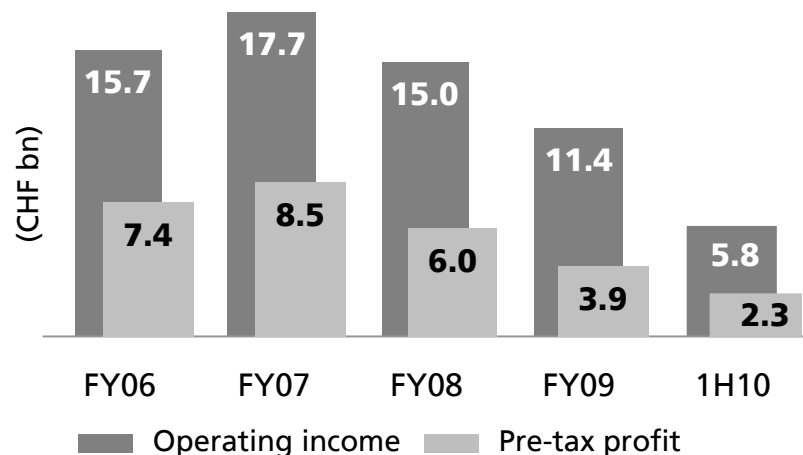
# Cautionary statement regarding forward-looking statements

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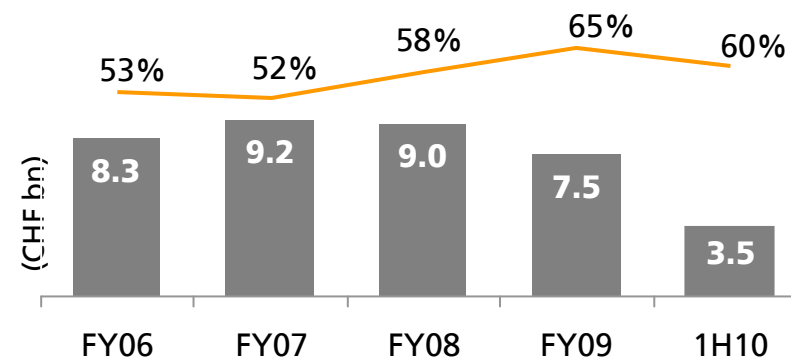
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# WM&SB – Key financials

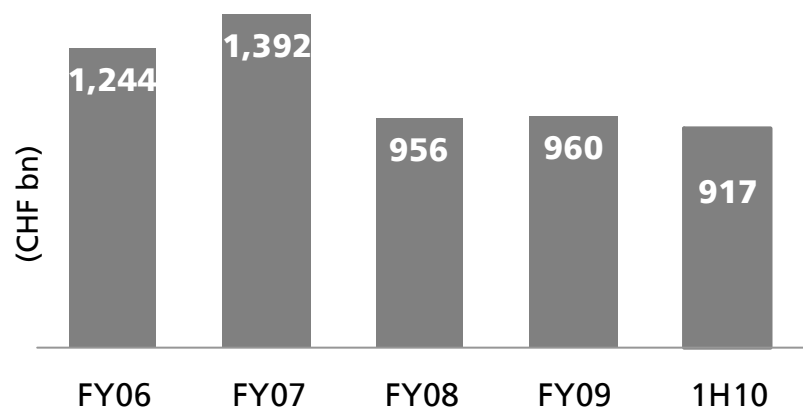
## Operating income, pre-tax profit



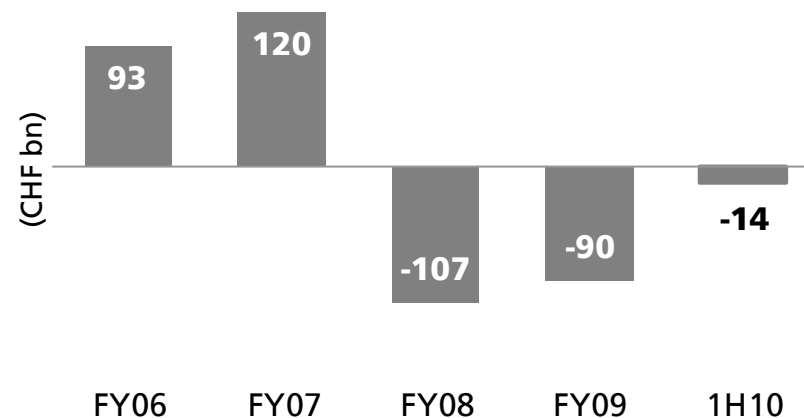
## Operating expenses, C/I ratio



## Invested assets



## Net new money

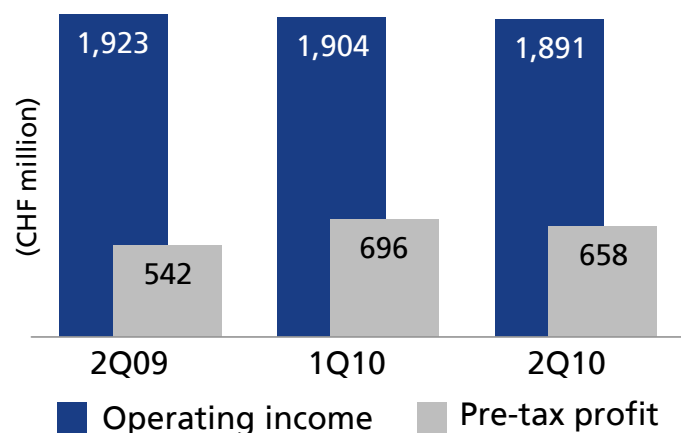


Note:

1 Profit before tax in FY09 includes restructuring costs of CHF 322 million

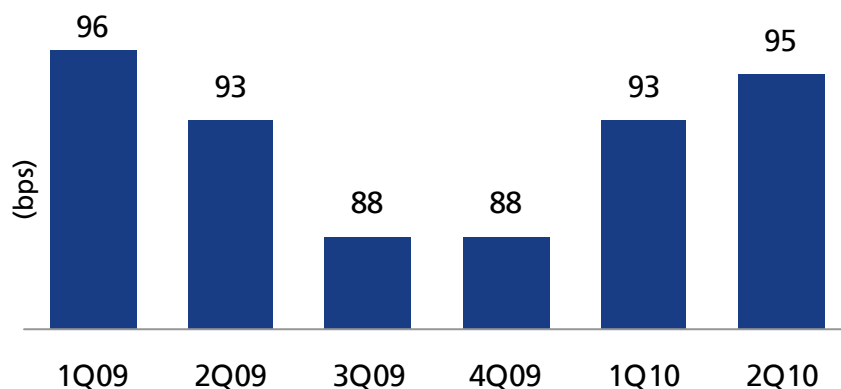
# Wealth Management – Revenues and expenses

## Revenues

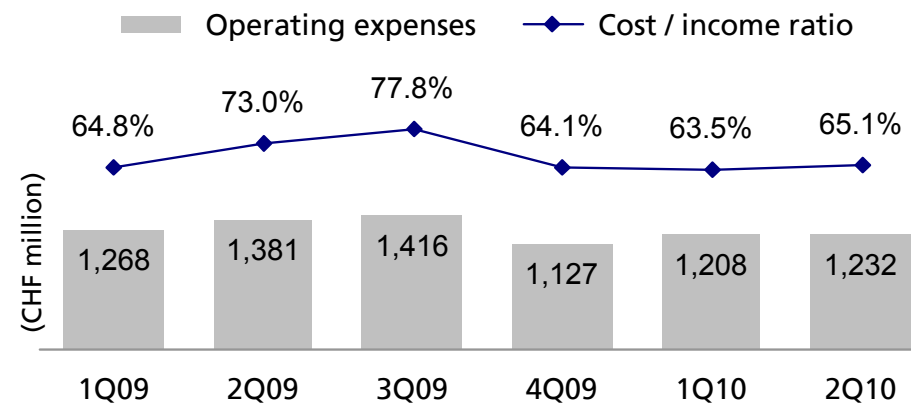


- ◆ Stable revenues with higher gross margins
  - Increased risk aversion by clients reflected in asset allocation and lower trading activity
- ◆ Costs up 2% due to UK Bank Payroll Tax and higher salary costs

## Gross margin



## Operating expenses and C/I ratio

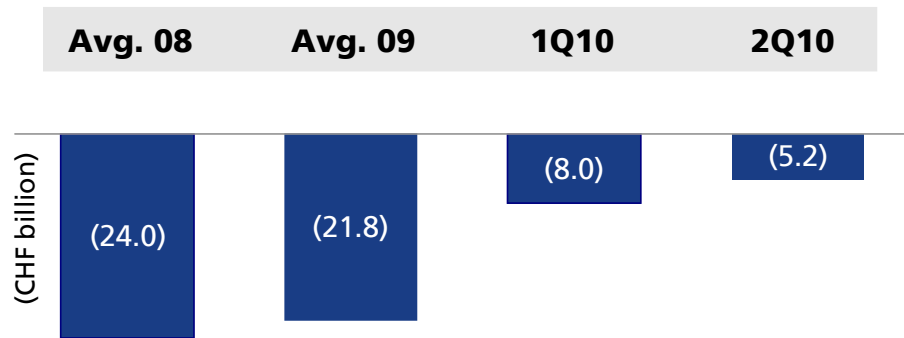


Notes:

1 Operating income before credit loss (expense) or recovery (annualized) / average invested assets. Gross margin excludes negative valuation adjustments on a property fund of CHF 17 million in 2Q10, CHF 28 million in 1Q10, CHF 88 million in 4Q09, CHF 31 million in 3Q09, CHF 13 million in 2Q09, CHF 23 million in 1Q09 and CHF 9 million in 4Q08

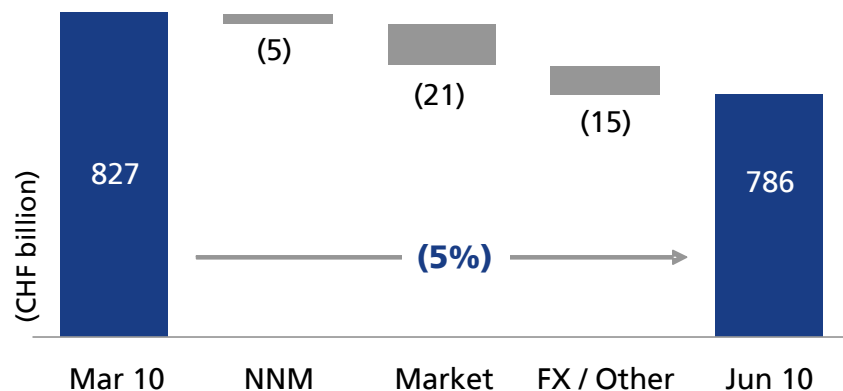
# Wealth Management – Net new money and invested assets

## Net new money



- ◆ Continued net inflows in Asia Pacific region
- ◆ Positive NNM from UHNW clients for second consecutive quarter
- ◆ Outflows related to client advisor attrition had a diminishing impact
- ◆ Most of the net outflows continued to be in the cross-border segment
- ◆ Continued focus on attracting profitable NNM

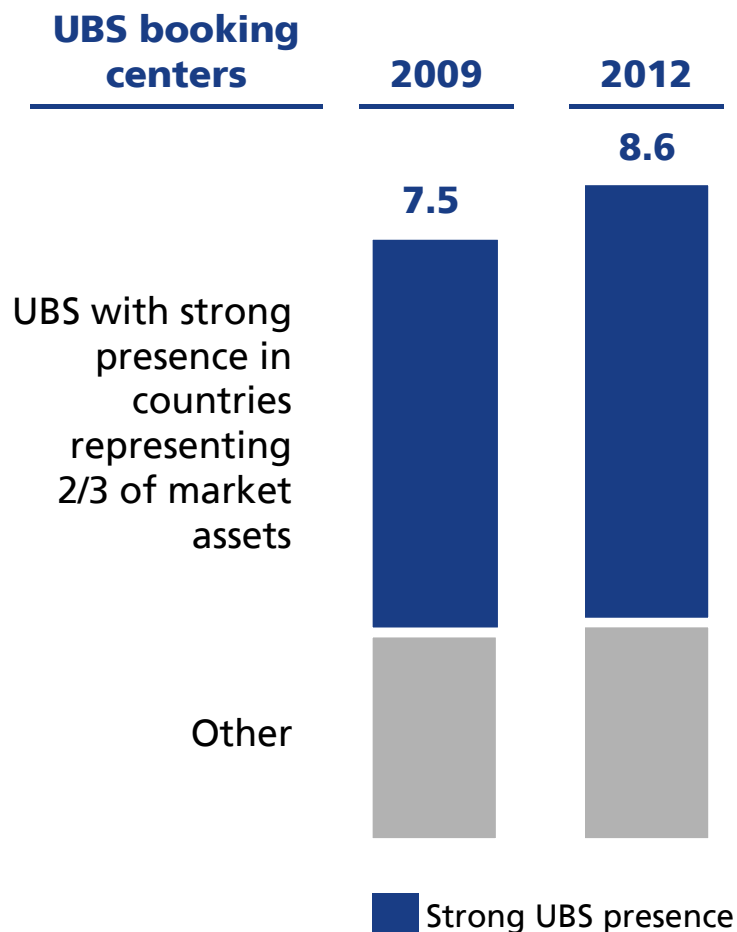
## Invested assets



- ◆ Decrease in invested assets mainly due to market and FX movements
- ◆ The lower invested asset base at June 30 will result in lower fee income in 3Q10

# Strong position in attractive cross-border centers

## WM cross-border market<sup>1</sup> (AuM, CHF trillion)



## Market trends and our position

### Market trends

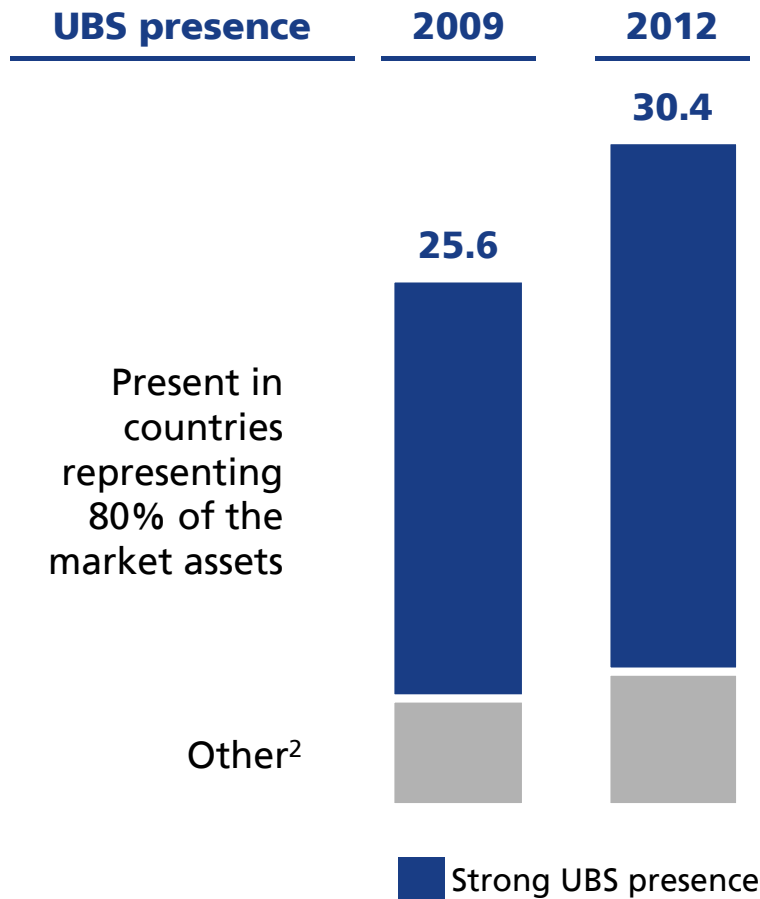
- ◆ There is a persistent client need for cross-border business due to
  - political and currency stability
  - comprehensive product and service offering with access to global capital markets
  - client confidentiality
- ◆ Expected growth of ~4.5% p.a. medium-term
- ◆ Highest growth rates in Hong Kong and Singapore booking centers
- ◆ Swiss and European booking centers will retain attractive absolute growth

### Our position

- ◆ Leader in several established and emerging markets, especially in APAC
- ◆ Truly international franchise with our booking centers in APAC, Switzerland, the UK and other European booking countries

# Way ahead in onshore build-out

## WM onshore market<sup>1</sup> (AuM, CHF tn)



## Market trends and our position

### Market trends

- ◆ Onshore business represents vast majority of global wealth management assets
- ◆ Onshore assets are expected to grow more than twice as fast as cross-border assets

### Our position

- ◆ Strong position in most onshore markets
  - Market position in top 5: Switzerland, Germany, UK, Hong Kong, Singapore, Japan and Taiwan
  - Market position in top 10: Italy, Austria, Netherlands, Spain, France and Australia

# The way forward in Wealth Management

2Q10

## Ambition

**Be the bank of choice for wealthy individuals. We relentlessly strive for quality advice, service, execution and performance**

### Business mix

Markets	UBS invested assets Total CHF 786 billion	UBS position
Europe	380	#1
APAC <sup>1</sup>	172	#1/2
Switzerland <sup>2</sup>	134	#1/2
Emerging markets <sup>3</sup>	100	Top3
of which UHNW <sup>4</sup>	301	#1

### Starting position

- ◆ Strong and leading WM business globally
- ◆ Well positioned in key growth areas with an integrated firm approach
- ◆ Positive net new money growth will take time
- ◆ Highly attractive pre-tax profit margin

### Challenges / Strategic Cornerstones

- ◆ Increase and strengthen geographical footprint in onshore business
- ◆ Strengthen market position in Switzerland onshore
- ◆ Further expand our leading position in the UHNW segment
- ◆ Rigorous focus on performance and execution

1 UBS WM roughly at par with Citi, which has rebranded the upper end of Citigold (clients with AuM of USD 1m to 10m) into Citigold Private

Clients, in addition to their Private Banking clients (with AuM > USD 10m). Citi does not disclose detailed number on their APAC AuM

2 Switzerland: similar size to CS but comparison complicated by differing disclosures

3 LatAm, Middle East, Central and Eastern Europe

4 UHNW segments with clients of more than CHF 50m (booked or potential)



# Key challenges and how we answer them

## Challenges

## Actions

1

**Revenue** generation / gross margin improved but remains challenging

- ◆ Implementation of IPS to ensure best in class product offering for WM clients
- ◆ Intensified client advisor activity based on improved sales approach
- ◆ Continue to shift from cash into suitable and value-add investment products and higher brokerage activity (Research based Advice)
- ◆ Continuous review of pricing grids and pricing discipline
- ◆ Enhanced co-operation with Asset-Management

2

**NNM** improved but still negative

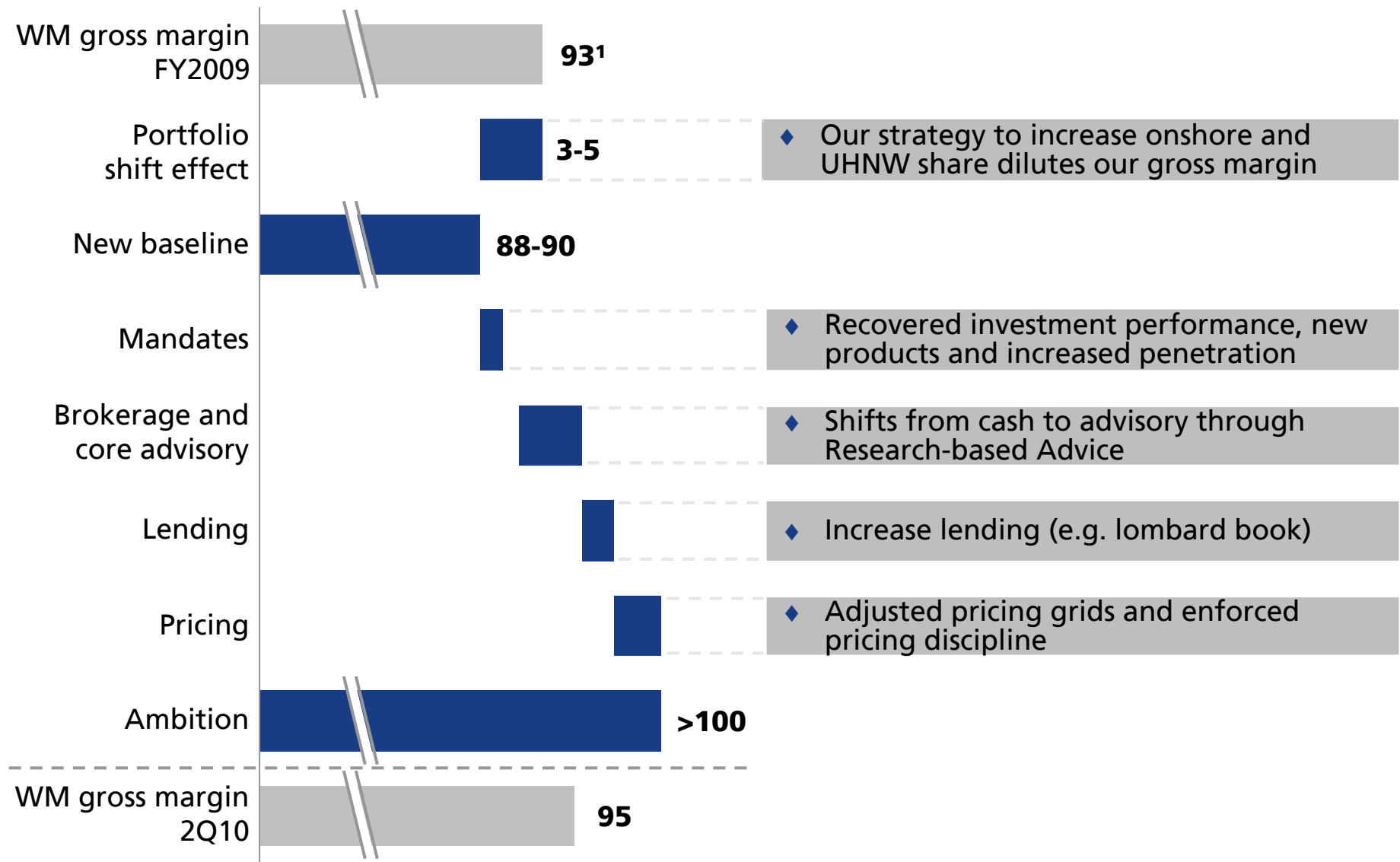
- ◆ Continuously working on net new money flows through improved pipeline management and retention measures incl. involvement of senior management
- ◆ Increased acquisition power due to regained financial stability
- ◆ Accelerated growth in origination units by attracting new senior client advisors and increased efficiency of front staff (e.g. training, process enhancements, new hiring of client advisor assistants)
- ◆ Referral program within UBS Group renewed

3

**CA** decline slowing down, however hiring remains challenging

- ◆ Use of positive results to achieve higher levels of candidate interest
- ◆ Focus on retention measures
- ◆ Re-launch referral programs (e.g. ihire)

# Rebuild gross margin



Note:

1 International clients 2009FY gross margin of 86bps. WM 2009FY gross margin increases to 93 bps primarily due to WM Switzerland impact

# Various measures in place to achieve our gross margin target of 100 bps

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## Mandates

- ◆ Focused **sales initiatives** and book-screening to identify sales opportunities
- ◆ Launch of **new mandate offerings**

## Research-based Advice (RbA)

Core advisory products

Brokerage revenue

- ◆ **Systematic implementation** of RbA in all WM locations
- ◆ Expansion of RbA across **entire advisory book**
- ◆ **Improved analytic process** rolled out in BC CH, other BCs to follow
- ◆ Increased **penetration with UBS / 3rd party Global Agreement products**

## Lending

- ◆ **Integration** of Lombard Loans **in sales / RbA processes**
- ◆ Increase of **mortgage penetration** in **WM Switzerland**

## Pricing

- ◆ Booking Center Switzerland: Implementation of revised **pricing grid, tightened special condition authorities, screening of books** in WMI for special conditions
- ◆ Largest European locations: **focused Pricing Optimization initiatives**
- ◆ Kick off an **awareness-building initiative** on special conditions management

# Wealth Management – NNM

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## Standard measures

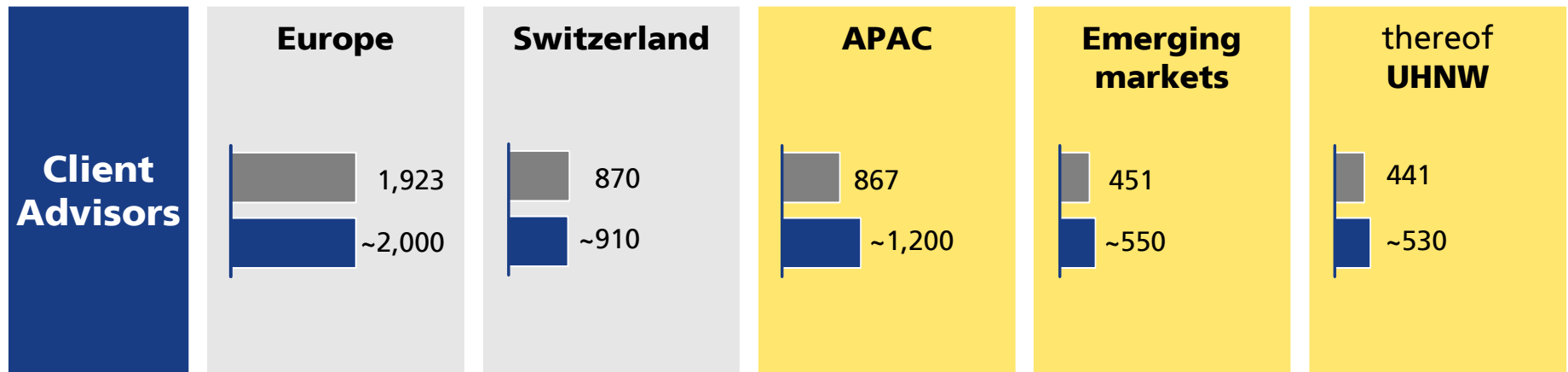
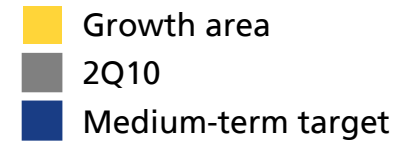
- ◆ **Clients@risk** – early warning system based on quantitative and qualitative factors as well as senior management coverage
- ◆ **Asset retention** – Contingency plans and processes in place
- ◆ **Service standards** – Minimum standards / service models
- ◆ **NNM pipeline** – Currently implemented
- ◆ **Systematic pipeline management** – Via dedicated tools and training

## Focused initiatives

- ◆ **Win-back / Share of Wallet**
  - Various **initiatives** focused on **strengthening client relationships** and generating **revenues** (e.g. Jump Start, Fall Initiative)
  - **Back-to-UBS initiative** – concerted contact campaign leveraging the positive momentum of our group results to re-engage clients
- ◆ **IPS** – Building new Investment Products and Services (IPS) unit is key priority and enabler for both client acquisition as well as revenue growth
- ◆ **Referrals** (e.g. systematic approach, leverage group capabilities)
- ◆ **Other** (e.g. NNM and strategy workshops, repatriation, marketing events)

# Hiring initiatives under way

## Wealth Management – Client advisors



- Hiring**
- ◆ CA attrition has continued to slow throughout the first half of 2010
  - ◆ Hiring increased in the course of H1, supported by the turnaround in our results. Focus is on quality over quantity
  - ◆ Retention and development of existing talents is extremely important to us
  - ◆ Client Advisor recruiting targeted towards certain strategic markets during 2010-2012, especially APAC
  - ◆ Key search firms and agencies briefed. Development of own Associate programs (esp. UK and APAC) to grow more talent in-house going forward

# APAC strategy update

## Starting Point

- ◆ Strong competitive position
  - Largest dedicated WM player in the HNWI / UHNW space<sup>1</sup>
- ◆ Loyal client base
  - Positive NNM in Q2/2010 for third consecutive quarter
  - Voted best private bank in Asia in 2010 AsiaMoney client poll for the sixth consecutive year
- ◆ Attractive market to operate in
  - Growing APAC wealth
  - Increasing demand for WM products and services
  - Under-penetrated market
- ◆ Main strategic issues:
  - War for talent
  - Challenging regulatory framework
  - Competitive market, with aggressively growing players

## Strategic Priorities

- ◆ Deliver asset growth of 2.7x market CAGR
- ◆ Improve RoA by focusing on research-based advisory process, pricing, asset allocation, CA training
- ◆ Grow international business in Hong Kong and Singapore
- ◆ Expand domestic business in Hong Kong and Singapore
- ◆ Accelerate organic build in Japan and continue China investments to keep strategic options open
- ◆ Manage Australia and Taiwan for profitable growth and expand market share within cost/income parameters
- ◆ Increase UHNW penetration and share of wallet, deepen collaboration with IB & Global AM, expand offering



Note:

<sup>1</sup> UBS WM roughly at par with Citi, which has rebranded the upper end of Citigold (clients with AuM of USD 1m to 10m) into Citigold Private Clients, in addition to their Private Banking clients (with AuM > USD 10m). Citi does not disclose detailed number on their APAC AuM

# UHNW strategy update

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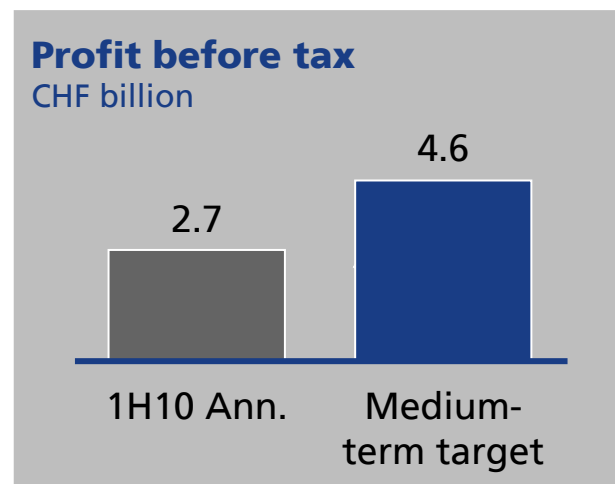
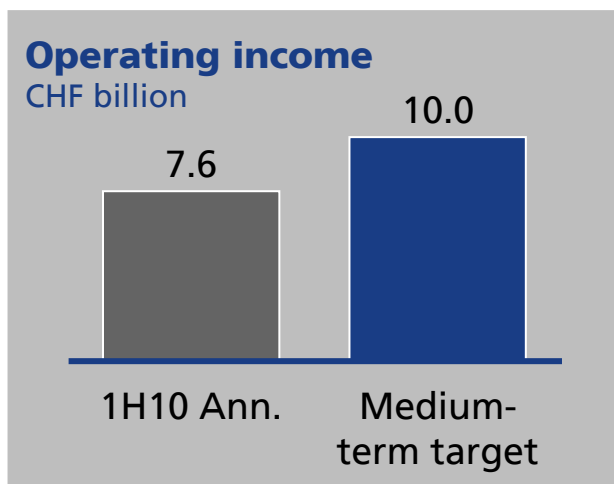
## Starting Point

- ◆ Global leader in UHNW:
  - Largest book, CHF 300bn
  - 6% global market share
  - Over 1/3rd of WM assets
  
- ◆ Leading positions in chosen markets:
  - Market shares of 20-33% in international locations: CH, HK, SG
  - Top-5 positions, though lower shares in domestic businesses (3-13%)
  
- ◆ Four strategic issues:
  - Managed as segment across the markets
  - Converting HNW culture and processes to meet UHNW requirements
  - Strengthen one-firm delivery
  - Consistent quality of talent and retention

## Strategic Priorities

1. Complete set-up as global business
2. Systematic client development
  - Enhanced sales process
  - Very close NNM pipeline tracking and follow-ups
3. Improve UHNW offering and delivery
  - European lending initiative
  - Pricing review
4. Family office / 'institutional' business initiative
5. Selective hiring and talent upgrade

# WM—Very attractive economics in the years to come



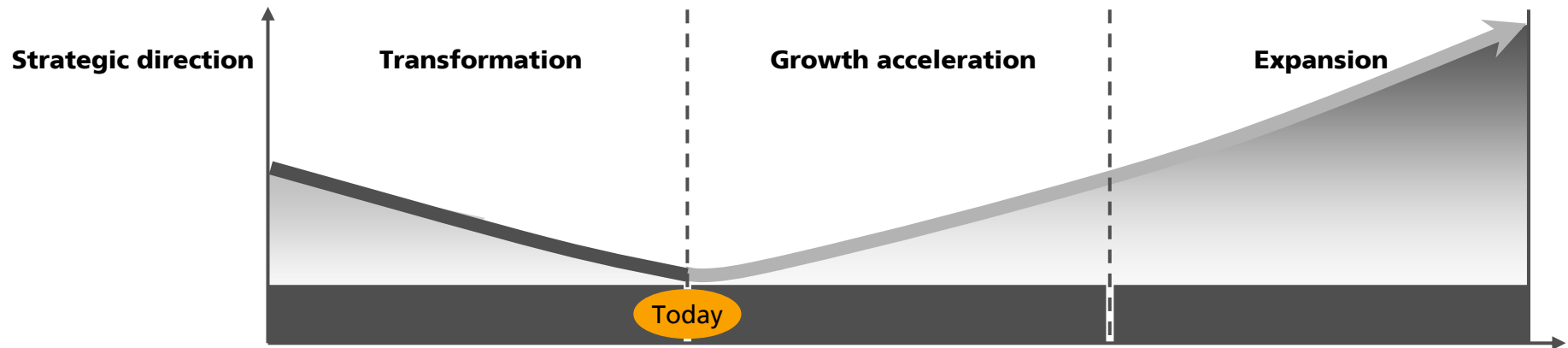
	1H10	Medium-term target
<b>Invested assets</b> CHF billion	786	>1,000
<b>Net new money</b> CHF billion	(13)	+5% p.a.
<b>Gross margin<sup>1</sup></b> bps	94	>100
<b>Cost/income ratio</b> In %	64	<55
<b>Client advisors</b> FTE	4,112	~4,700



# We focus on accelerating growth

## WM Vision:

Be the bank of choice for wealthy individuals. We relentlessly strive for quality advice, service, execution and performance



## Tactical measures

- ◆ Cross-border issues under control and new service model in place
- ◆ Risk and control framework implemented
- ◆ IPS implementation on plan
- ◆ Sales effectiveness increased
- ◆ 70% of management team changed
- ◆ Franchise protected

- ◆ Focus on qualitative NNM growth
- ◆ Grow revenues and margins sustainably
- ◆ Accelerate qualitative CA hiring
- ◆ Increase investments in growth markets

- ◆ Enter new markets
- ◆ Non-organic strategic investments
- ◆ Top 3 position in all relevant markets

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