

# UBS Investor Day

Sergio Ermotti

*Group Chief Executive Officer*

November 17, 2011



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# Key messages

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Our strategy is centered on our pre-eminent wealth management businesses and our universal bank in Switzerland. It builds on the strengths of all of our businesses, supported by our industry-leading capital position

We continue to grow our wealth management businesses and in key geographies and products across the Group

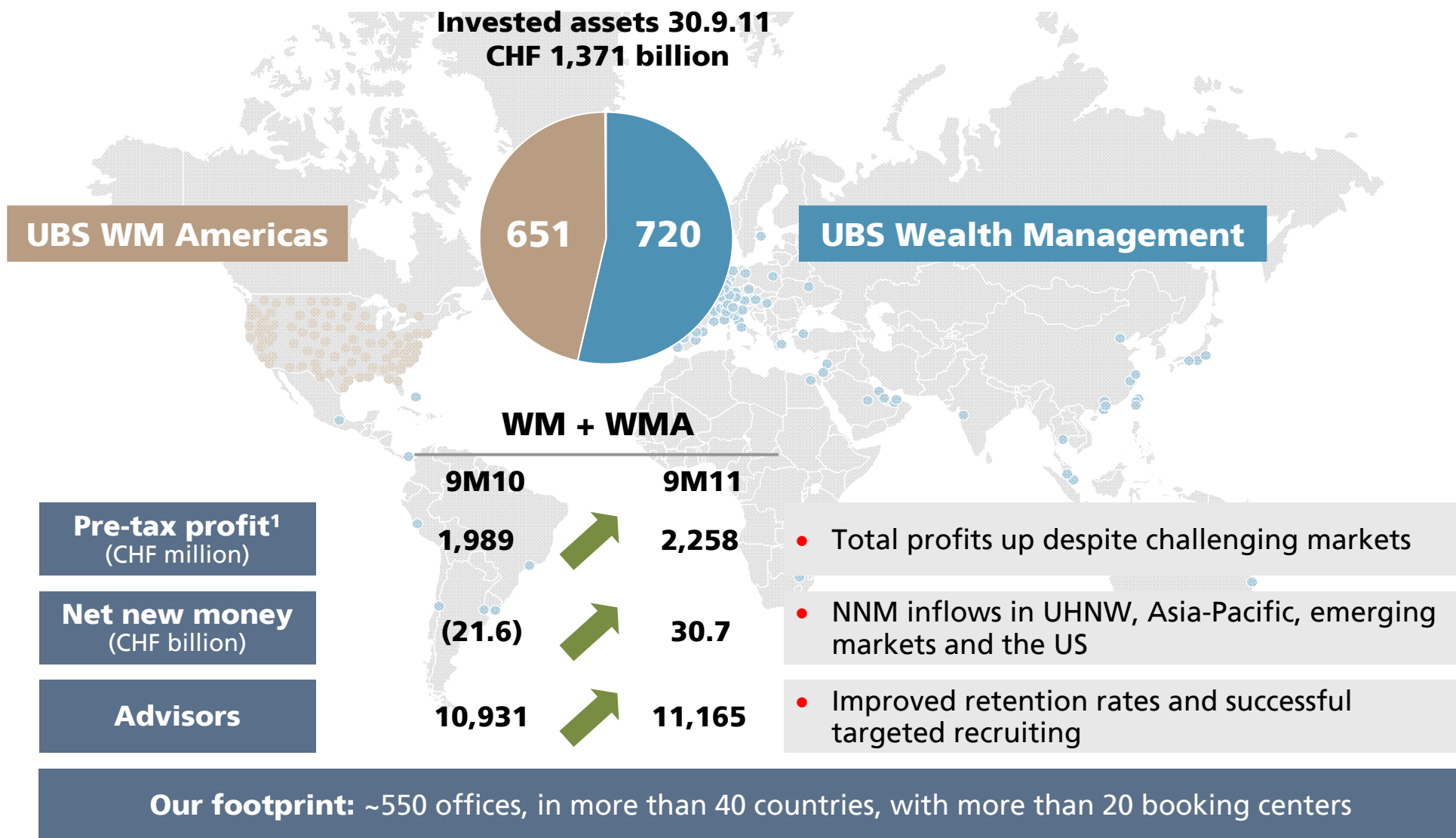
We are targeting Basel 3 risk-weighted assets of no more than CHF 150 billion in our core Investment Bank

We are targeting a Group return on equity of 12-17% and a Basel 3 common equity tier 1 ratio of 13%

We intend to propose a dividend of CHF 0.10 per share for FY11 and to implement a progressive capital return program thereafter

# The pre-eminent wealth management franchise worldwide

Our wealth management businesses are unrivaled in terms of scope, reach and client mix



# We are building on the strengths of all of our businesses

## Investment Bank

- Consistently top-ranked research house<sup>1</sup>
- Top 3 Global Equities House<sup>2</sup>
- Top 3 overall FX market share<sup>3</sup> consistently since 2005, #1 FX House 2011<sup>4</sup>
- #6 in Global M&A and #4 in Global ECM in 3Q11<sup>5</sup>
- Top 3 in Structured Credit in 1H11<sup>6</sup>
- Strong global footprint: consistently top 3 in APAC IBD, #1 Pan-European brokerage firm and leading Australian franchise

## Wealth Management

### Wealth Management Americas

- World's leading HNW and UHNW wealth manager: CHF 1.4 trillion of invested assets
- Unrivalled in scope, reach and client mix
- Strong footprint in all major financial centers
- WM: #1 Europe, APAC, EM, CH, UNHW by invested assets
- WM: Industry-leading C/I ratio, 6bps increase in RoA since 2009
- WMA: #1 revenue per FA, #1 invested assets per FA

## Retail & Corporate

- Leading retail and corporate bank in Switzerland
- Driver of growth in Wealth Management, Global Asset Management and the Investment Bank
- Continued to attract deposit inflows
- Inherently stable business with strong cash flow generation
- 9M11 pre-tax profit CHF 1.5 billion

## Global Asset Management

- Invested assets: CHF 524 billion, of which 64% from third-party channels
- 9M11 third-party net new money inflows of ~CHF 11 billion
- Well-diversified across investment capabilities, regions and distribution channels
- Successful alternatives platform, including our real estate and fund of hedge funds businesses both ranked #2 globally



1 Institutional Investor 2011

2 UBS estimates based on companies reporting of 30 9 11 YTD revenues

3 Euromoney FX Poll (2005 – 2011)

4 Risk Magazine, September 2011

5 Dealogic as of 6 October 2011

6 Coalition, November 2011

# Our capital, funding and liquidity positions are strong

## Capital strength is the foundation for our success

### Capital position<sup>1</sup>

- Industry-leading Basel 2 tier 1 capital ratio: 18.4%; Basel 2.5: 13.2%
- 43% increase in tangible book value per share to CHF 11.34 since 31.12.09<sup>5</sup> through earnings accretion

### Liquidity & funding<sup>1</sup>

- Substantial excess liquidity: Basel 3 liquidity coverage ratio<sup>2</sup> >100%
- Sound funding sources: diversified by market, product and currency
- Customer deposits and long-term debt > 50% of funded balance sheet

### Balance sheet<sup>1</sup>

- Funded balance sheet reduced by 60% to CHF 910 billion from peak<sup>3</sup>
- Liquidity substantially improved: ~80% decrease in the trading portfolio and increase of highly liquid assets<sup>3,4</sup>



<sup>1</sup> On 30.9.11

<sup>2</sup> Estimated on 30.9.11

<sup>3</sup> Refers to 30.6.07 balance sheet (excluding positive replacement values)

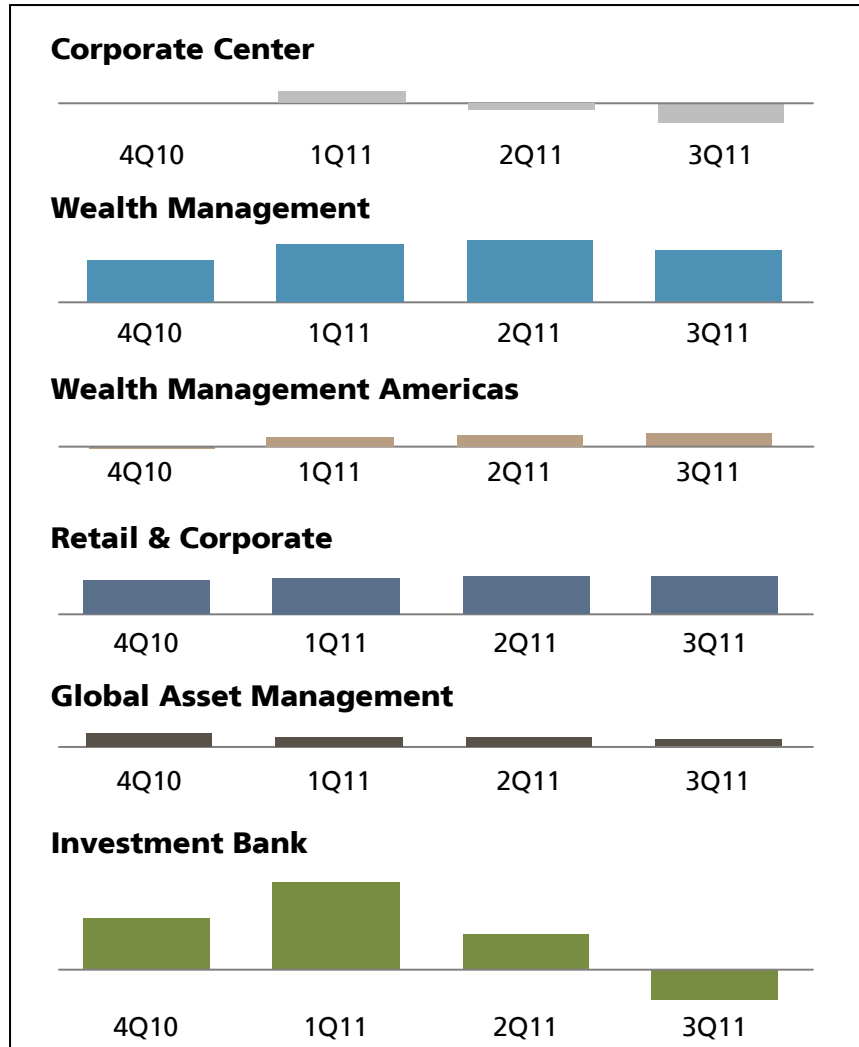
<sup>4</sup> Refers to cash and balances with central banks and financial investments available-for-sale

<sup>5</sup> For 2009 and earlier, calculation adjusted to include shares related to mandatory convertible notes

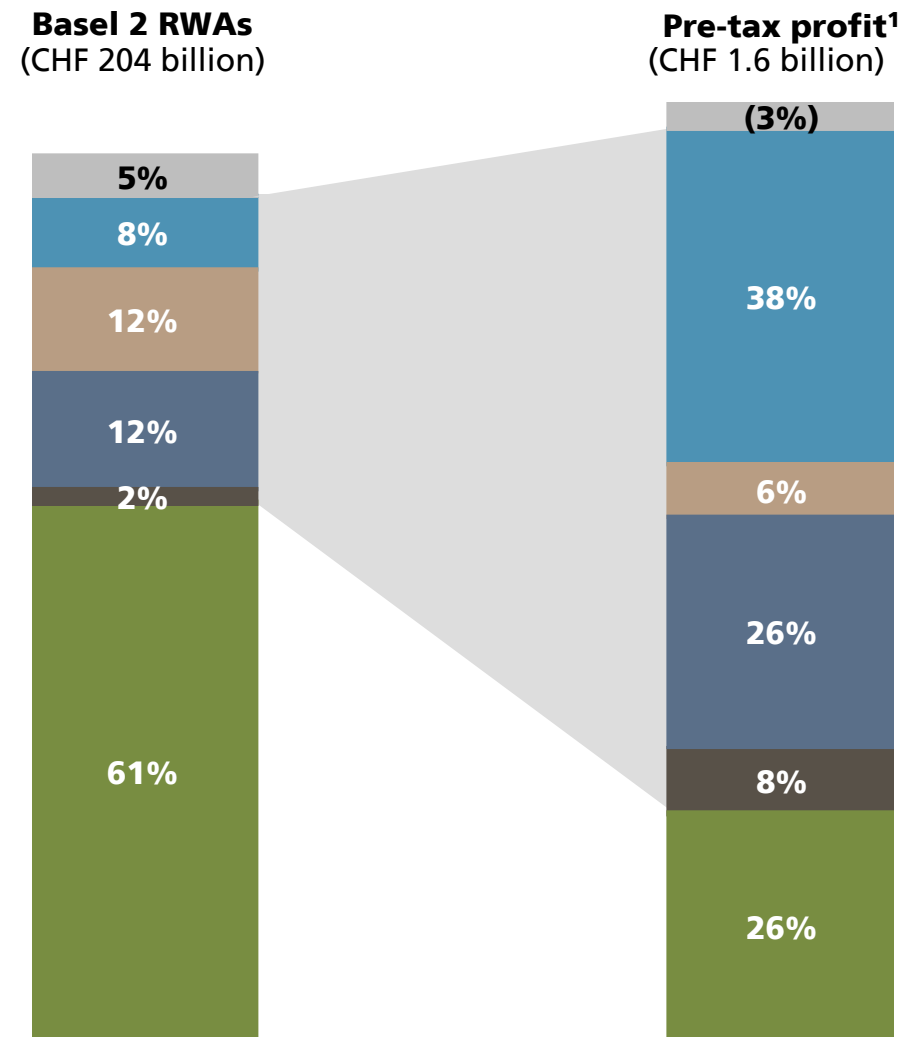
# Return on risk-weighted assets highlights the need for change

**Our wealth management, asset management and R&C businesses generated three quarters of pre-tax profit over the last year**

## Pre-tax profit<sup>1</sup>



## Quarterly average (4Q10-3Q11)



<sup>1</sup> Adjusted for own credit, restructuring charges, unauthorized trading incident, UK Bank Payroll Tax, gains on the sale of WM&SB's strategic investment portfolio, gains on the sale of property

# We plan to reduce Investment Bank RWAs by CHF 145 billion

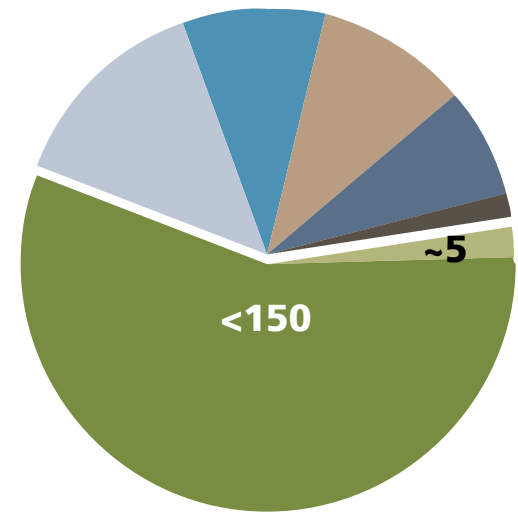
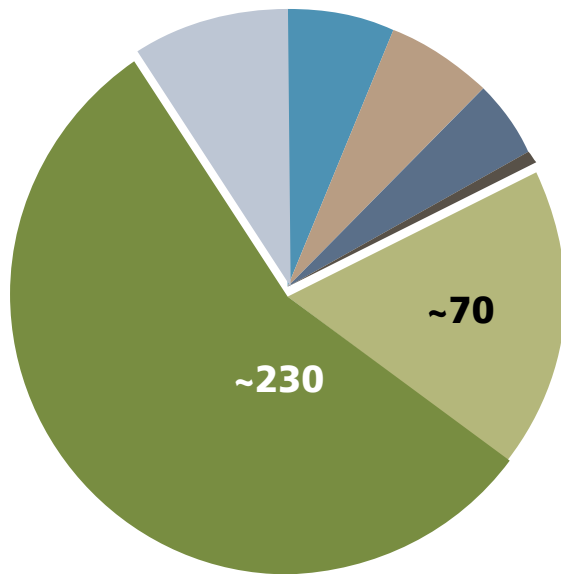
Targeting a ~50%<sup>1</sup> reduction in the total Investment Bank RWAs

## Current and indicative future Basel 3 RWA breakdown (%)

**30.9.11 pro forma**  
~CHF 400 billion

**33% RWA reduction for the Group**

**2016 pro forma**  
~CHF 270 billion



- Wealth Management
- Wealth Management Americas
- Retail & Corporate
- Global Asset Management
- Legacy<sup>2</sup>
- Investment Bank (core)
- Corporate Center

**We will reduce complexity and drive higher quality risk-adjusted returns**

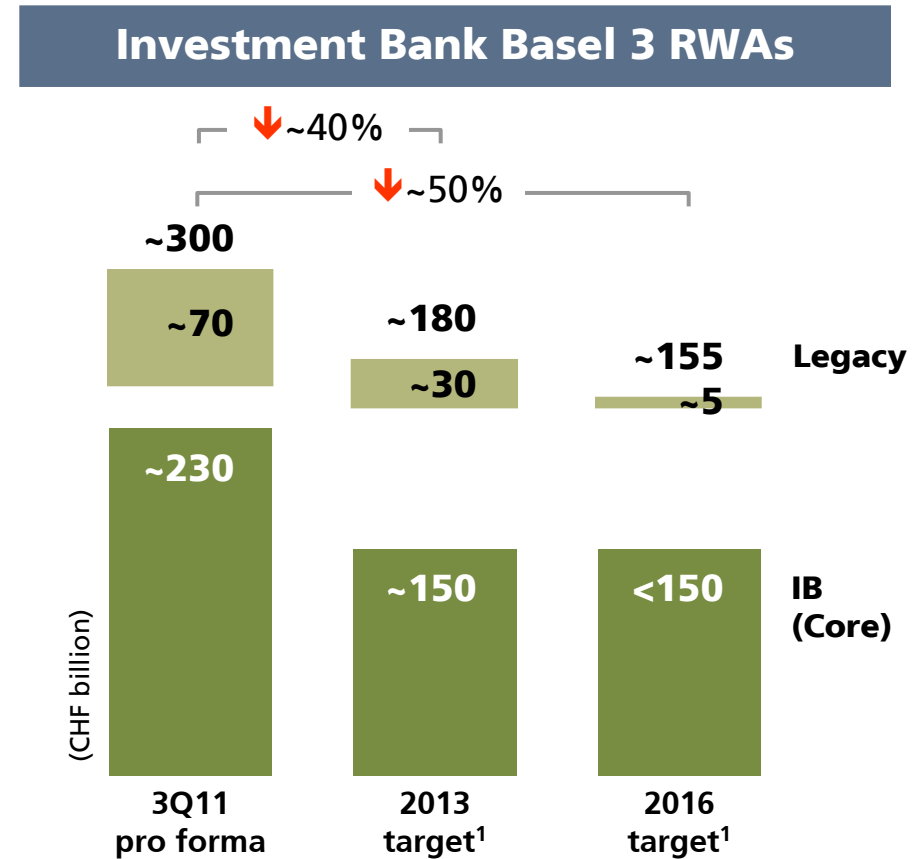
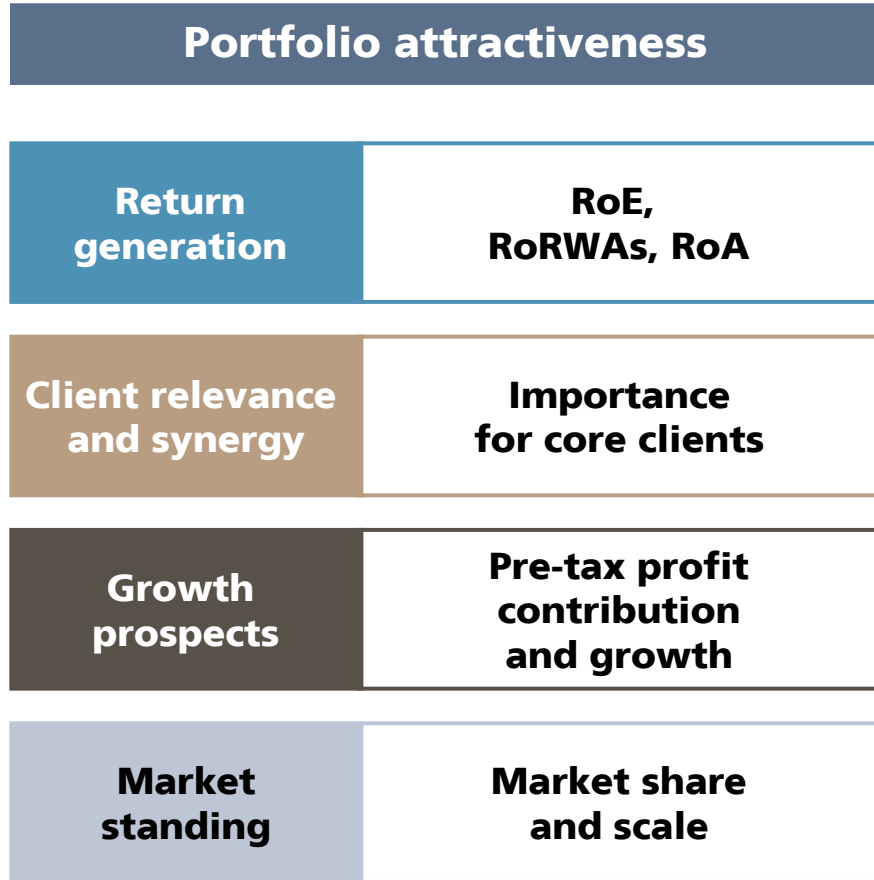


<sup>1</sup> Based on Basel 3 pro forma risk-weighted assets (RWAs); target assumes constant FX rates  
<sup>2</sup> Investment Bank legacy as announced in the UBS media release on 17.11.11



# Optimizing risk-adjusted returns in the Investment Bank

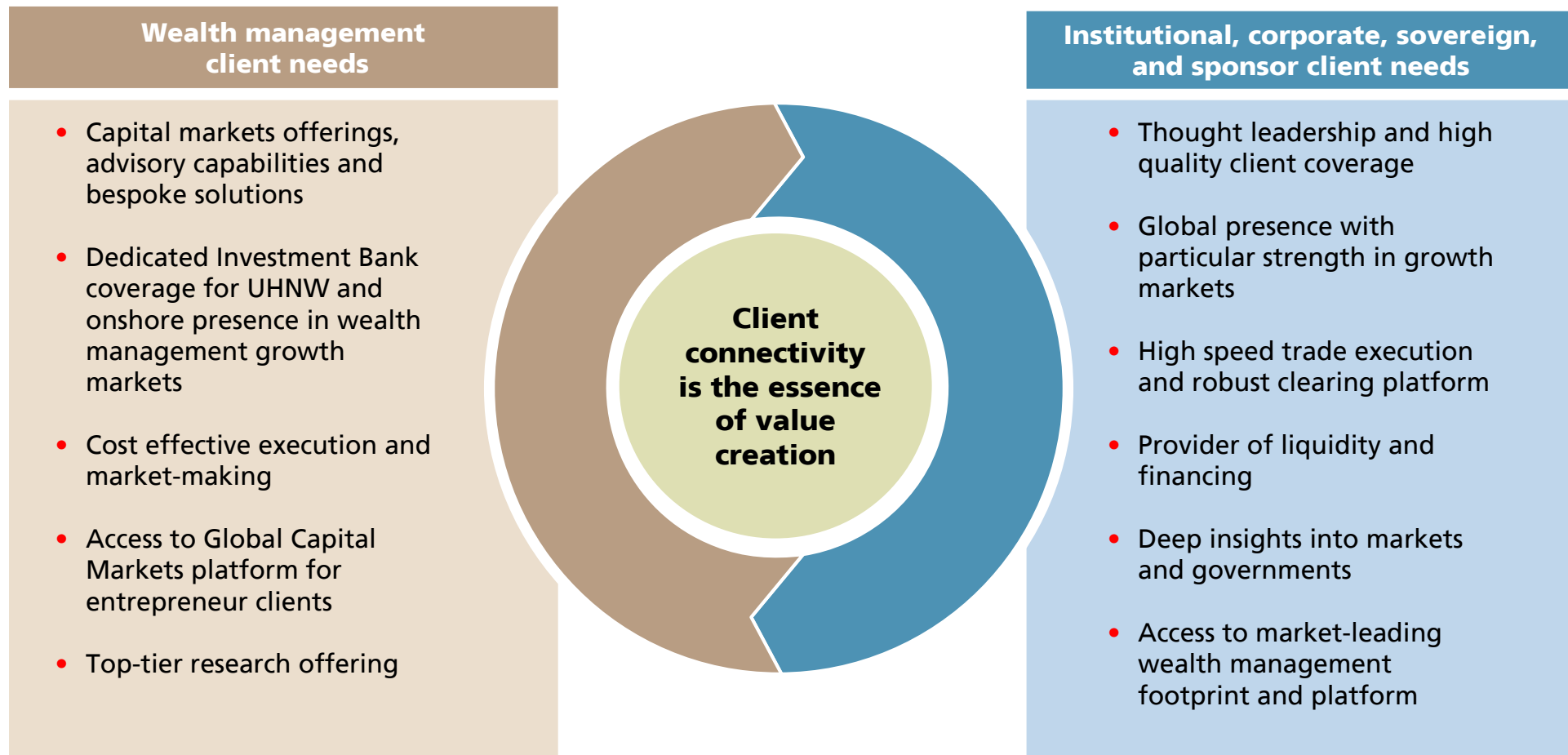
We reviewed all business activities and made decisions ...



**... to reduce risk and complexity and improve client focus and capital efficiency**

# Providing services to a broad spectrum of clients

**Global presence and relationships puts UBS IB at the nexus of private wealth management and wholesale financial markets**



**Complementary client needs maximize value**

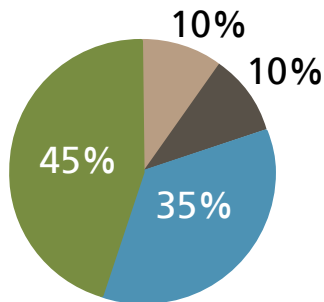
# We remain vigilant on costs

We are managing scarce resources by driving tactical and strategic efficiency initiatives ...

## Tactical cost reduction

CHF 2 billion cost elimination program announced in July 2011

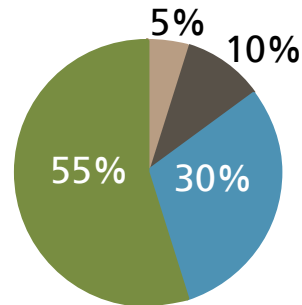
### Staff reductions<sup>1</sup> (~3,500 FTE)



■ Wealth Management & Swiss Bank

■ Investment Bank

### Restructuring charges<sup>1</sup> (~CHF 550 million)

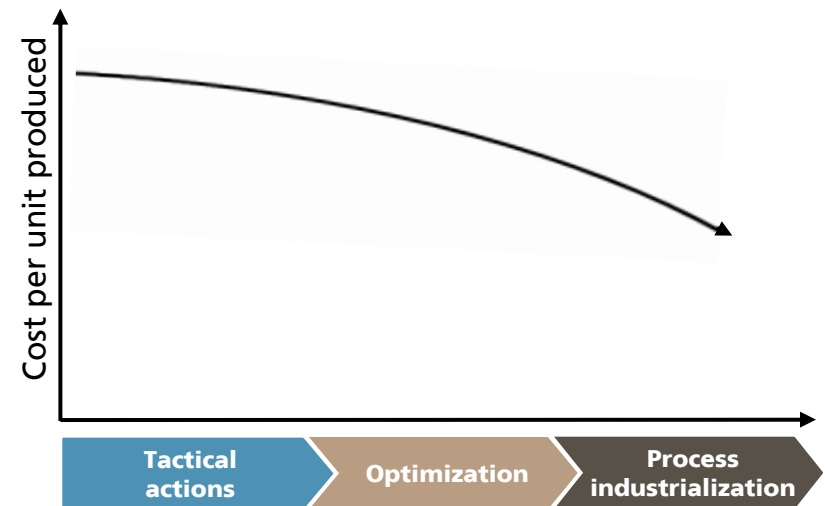


■ Wealth Management Americas

■ Global Asset Management

## Strategic cost reduction

Further measures to increase agility in changing market conditions



... while investing in key growth areas

# Our strategic priorities

## Wealth Management

- Strengthen industry-leading positioning: C/I, profit contribution and growth momentum
- Consolidate European onshore and cross-border businesses due to converging client needs
- Accelerate development within growth markets (Asia Pacific, Emerging Markets)
- Drive investment management and advisory throughout the whole organization

## Wealth Management Americas

- Capture banking and lending opportunities with clients
- Drive advisor productivity through increased training, teaming and platform enhancements
- Differentiate WMA by providing holistic services through its partnership with the IB

## Retail & Corporate

- Provide consistent sales management with life-cycle specific services and efficient processes
- Capture growth opportunities in advisory and execution services

## Global Asset Management

- Expand the alternatives platform and invest in fast-growing passive capabilities
- Continue to grow third-party wholesale, building on established strengths in APAC and CH

## Investment Bank

- Competitively service our core clients
- Optimize capital allocation, reducing Basel 3 RWAs in core businesses to < CHF 150 billion
- Deliver sustainable risk-adjusted returns

## Group resources

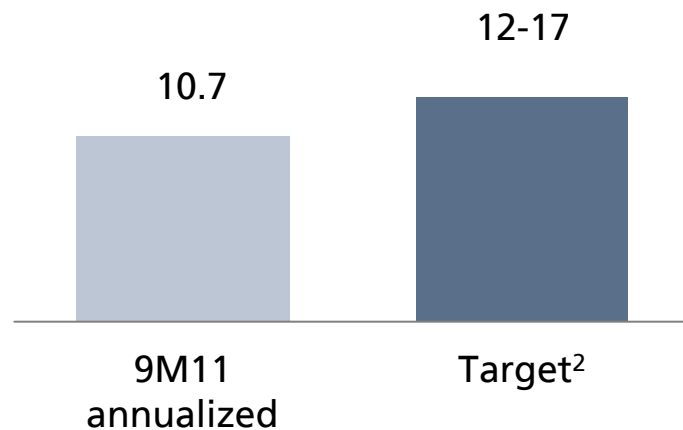
- Target Basel 3 CET1 ratio of 13% through earnings accretion / RWA mitigation
- Oversee the reduction in the legacy asset portfolio
- Complete implementation of CHF 2 billion tactical cost reduction program
- Reinforce the bank's operational risk framework

# Annual target performance ranges for the Group<sup>1</sup>

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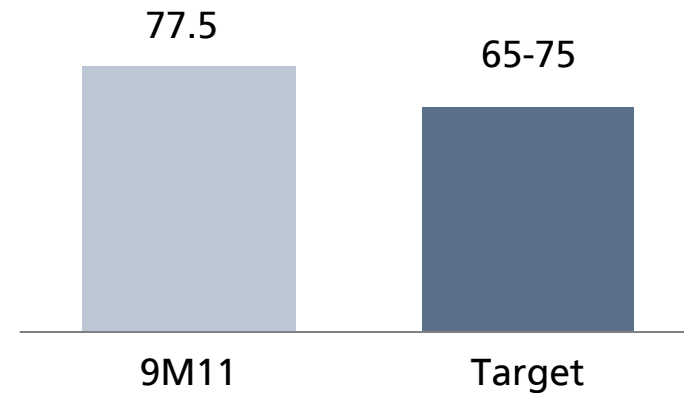
## Return on equity

(%)



## Cost / income ratio

(%)



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