

# *Third* quarter 2011 results

October 25, 2011



# Cautionary statement regarding forward-looking statements

---

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 third quarter 2011 and 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

---

## **CHF 1.0 billion net profit in a very challenging quarter for both the industry and the bank**

- Positive net new money in our wealth management businesses
- Our FX business in the Investment Bank performed well

## **The implementation of our cost reduction program is on track**

- We remain vigilant on costs

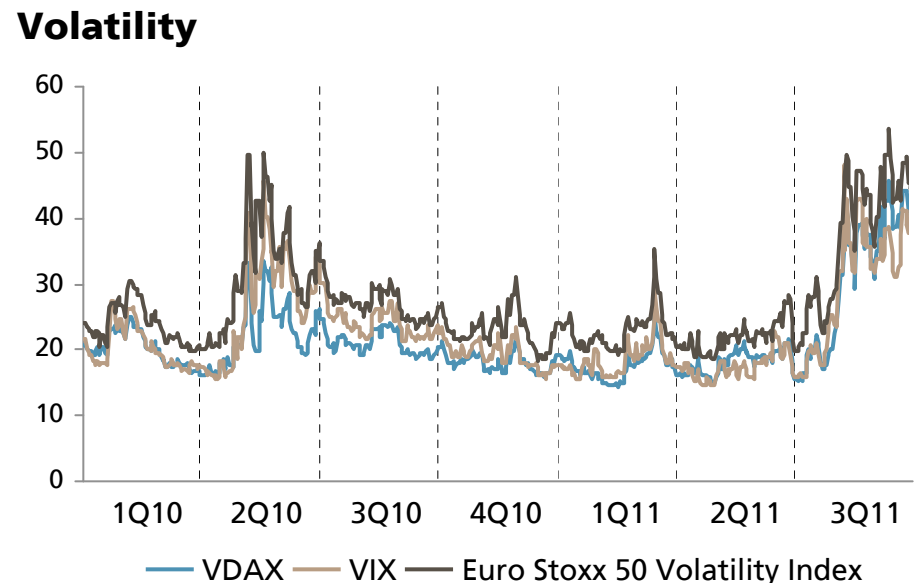
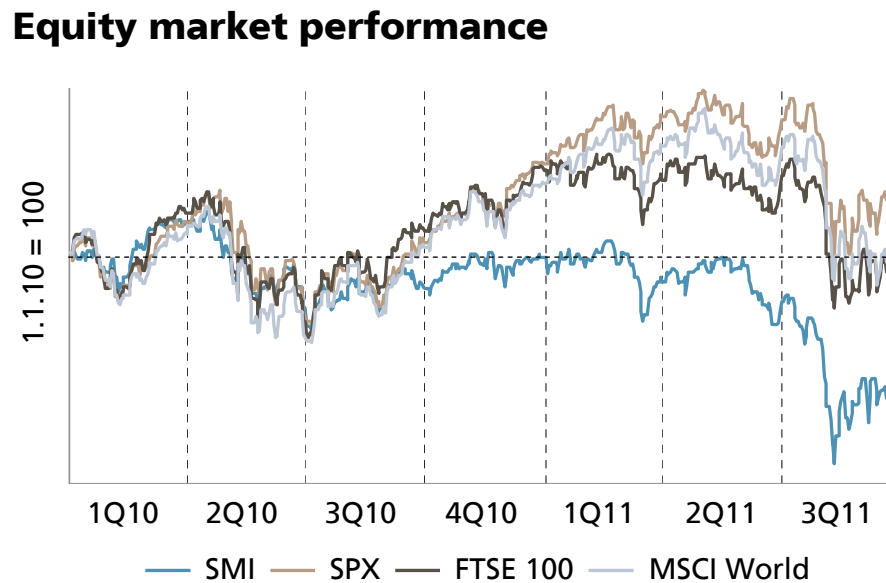
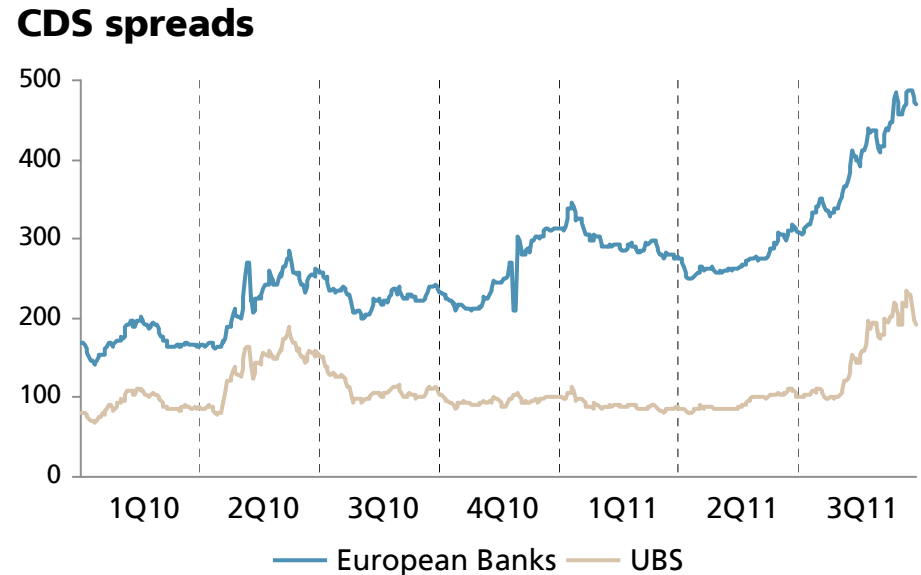
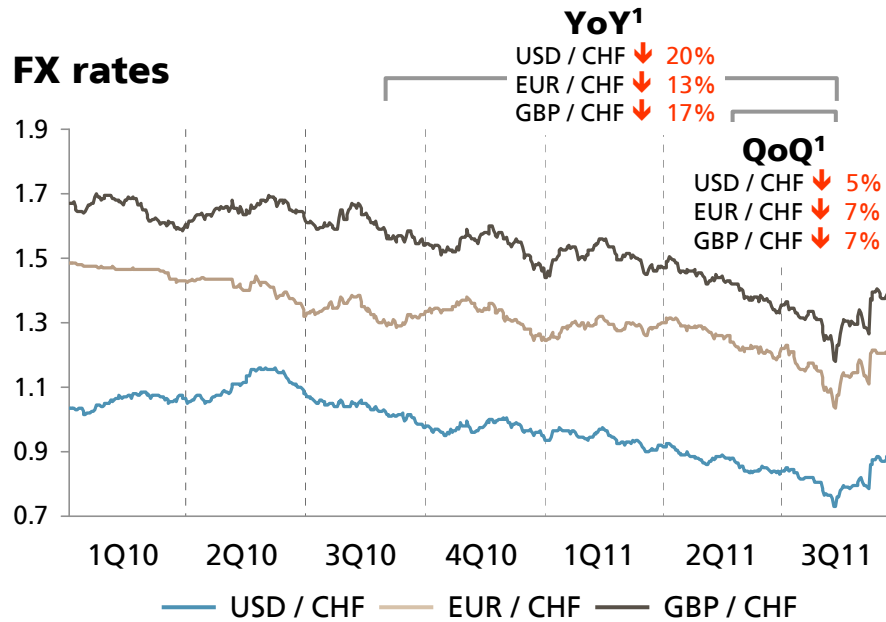
## **Our capital, liquidity and funding positions are sound**

- Basel 2 tier 1 ratio improved to 18.4%, stable risk-weighted assets
- Tangible book value up 11% quarter-on quarter

## **We are preparing for the future**

- Significant reduction in residual risk exposures

# Market environment

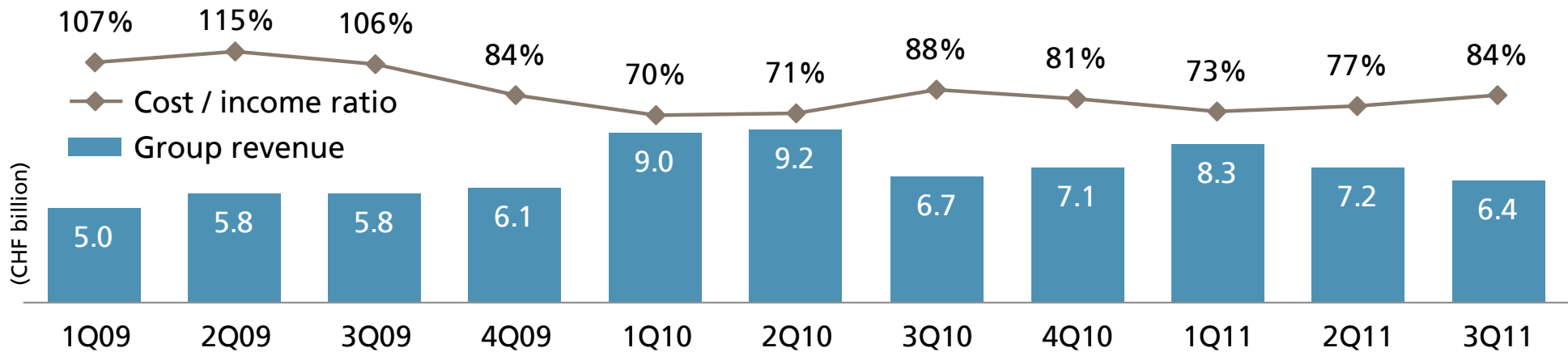


<sup>1</sup> Source: Bloomberg. Based on average FX rates for the quarter

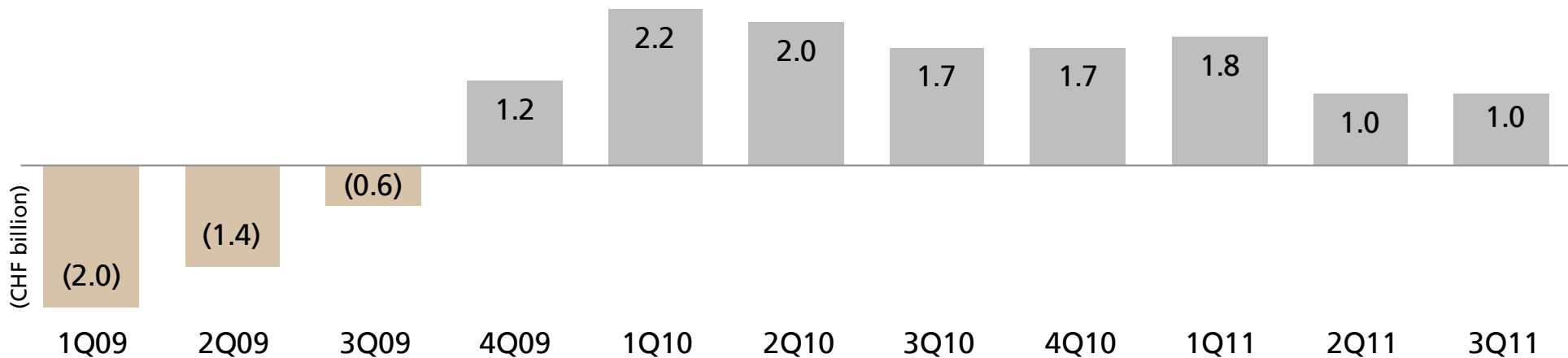
# Group revenues and net profit

## Eight consecutive quarters of net profit

### Group revenue and cost / income ratio



### Net profit attributable to shareholders



# 3Q11 results

## Gains on own credit and the sale of the strategic investment portfolio more than offset losses from the unauthorized trading incident and restructuring charges

(CHF million)	<b>3Q11 as reported</b>	Unauthorized trading incident <b>(1,849)</b> <sup>1</sup>	Restructuring charges <b>(387)</b> <sup>2</sup>	Own credit <b>1,765</b>	Sale of strategic investment portfolio <b>722</b>	<b>3Q11 adjusted</b>
Wealth Management	888		(85)		433	540
Retail & Corporate	683		(24)		289	418
Wealth Management Americas	139		(13)			152
Global Asset Management	79		(12)			91
Investment Bank	(650)	(1,849)	(238)	1,765		(328)
Corporate Center	(160)		(16)			(144)
<b>Pre-tax profit</b>	<b>980</b>		<b>(250)</b>			<b>730</b>
Tax expense / (benefit)	(40)					
Net profit attr. to non-controlling interests	2					
<b>Net profit attr. to shareholders</b>	<b>1,018</b>					



<sup>1</sup> Total loss of CHF 1,951 million (USD 2,229 million) due to unauthorized trading activity (CHF 1,849 million P&L and CHF 102 million foreign currency translation loss recognized directly in equity). The partial reflection of economic losses directly in equity is required under applicable accounting standards

<sup>2</sup> Restructuring charges for the cost reduction program announced in July 2011 totaled CHF 394 million in 3Q11. 3Q11 also included the reversal of prior restructuring related provisions of CHF 6 million in Wealth Management Americas

# Impact of currency movements on UBS results

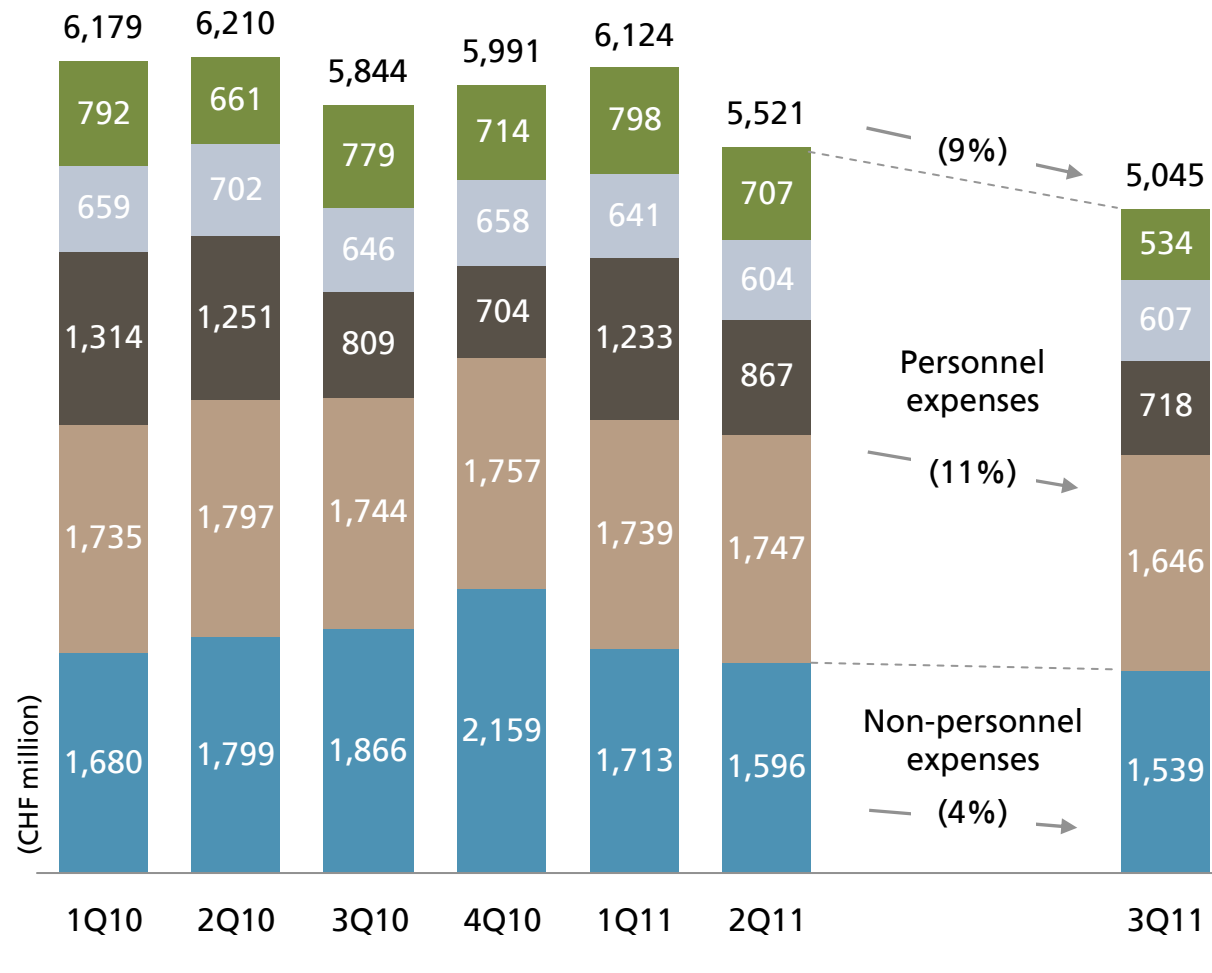
The strengthening of the Swiss franc over the last year has significantly affected our revenues and profits

Sensitivity to currency movements on reported results in Swiss francs			Effect on reported results	
			QoQ <sup>1</sup>	YoY <sup>1</sup>
Wealth Management	Revenues	~80% of invested assets in non-CHF	-	-
	Costs	Majority of costs in CHF	+	+
	<b>Pre-tax profit</b>	<b>Significant impact</b>	-	-
Wealth Management Americas	Revenues	Almost all revenues in USD	-	-
	Costs	Vast majority of costs in USD	+	+
	<b>Pre-tax profit</b>	<b>Mainly translation effect</b>	-	-
Global Asset Management	Revenues	~75% of invested assets in non-CHF	-	-
	Costs	Costs broadly match revenue currencies	+	+
	<b>Pre-tax profit</b>	<b>Limited impact</b>	-	-
Investment Bank	Revenues	Vast majority of revenues in USD /EUR / GBP	-	-
	Costs	Costs broadly matching revenue currencies	+	+
	<b>Pre-tax profit</b>	<b>Limited impact</b>	-	-
Capital and balance sheet	B/S & RWAs	Majority of assets in USD	-	+
	Capital	Partially hedged to mitigate currency impact	+	-

# 3Q11 operating expenses

## Expenses were reduced significantly

### Operating expenses (adjusted)<sup>1</sup>



- Personnel costs excluding restructuring charges decreased by CHF 420 million
  - Lower salary costs and reduced variable compensation
  - Majority of variable compensation costs related to the amortization of prior years' awards
- Non-personnel costs excluding restructuring charges decreased by CHF 57 million
  - Lower litigation provisions
  - Lower IT costs
  - Lower travel & entertainment expenses

- Other personnel expenses
- Financial advisor compensation (WMA)
- Variable compensation<sup>2</sup>
- Salaries
- Non-personnel costs



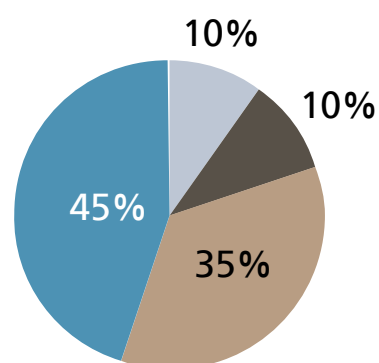
<sup>1</sup> Adjusted for restructuring charges and UK Bank Payroll Tax  
<sup>2</sup> Includes the amortization of prior years' awards



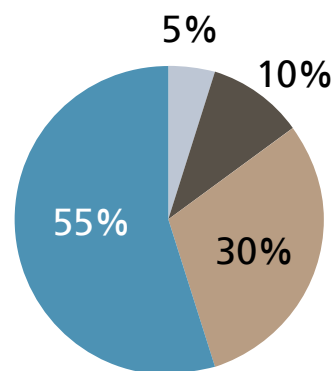
# Cost reduction program – update

## The implementation of our cost reduction program is on track

**Staff reductions  
(~3,500 FTE)**



**Restructuring charges  
(~CHF 550 million)**



■ Investment Bank ■ WM&SB ■ Global AM ■ WMA

- Largest share of staff reductions in the Investment Bank
- Approximately 45% of staff reductions related to the Corporate Center functions allocated to the business divisions
- Financial / client advisors are not affected
- Total expected restructuring charges still estimated at ~CHF 550 million
  - Personnel ~CHF 400 million
  - Real estate ~CHF 150 million

### 3Q11 restructuring charges<sup>1</sup>

(CHF million)	WM	R&C	WMA	Global AM	IB	CC	Total
Personnel	65	20	7	6	154	2	253
Non-personnel	20	4	6	6	85	15	135
<b>Total</b>	<b>85</b>	<b>24</b>	<b>13</b>	<b>12</b>	<b>238</b>	<b>16</b>	<b>387</b>

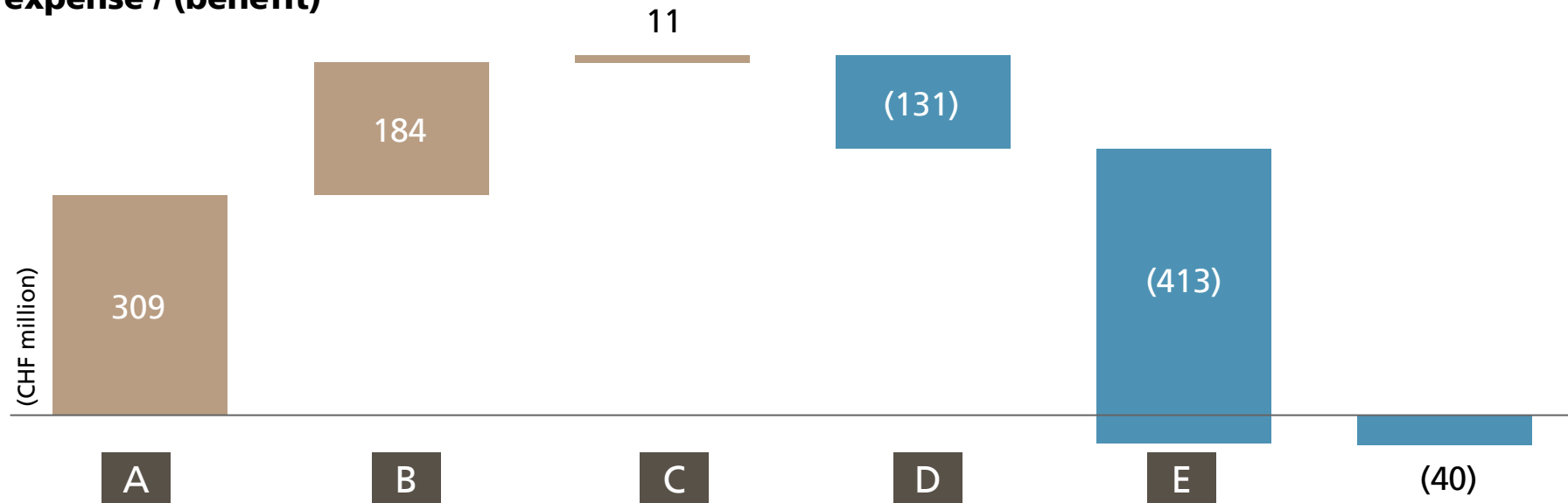


<sup>1</sup> Restructuring charges for the cost reduction program announced in July 2011 totaled CHF 394 million in 3Q11. 3Q11 also included the reversal of prior restructuring related provisions of CHF 6 million in Wealth Management Americas

# 3Q11 tax

**Net tax benefit of CHF 40 million, mainly as a result of the recognition of additional deferred tax assets**

**Tax expense / (benefit)**



**A** Swiss deferred tax expenses with respect to the amortization of previously recognized DTA

**B** Tax charge relating to re-measurement of the value of Swiss DTA

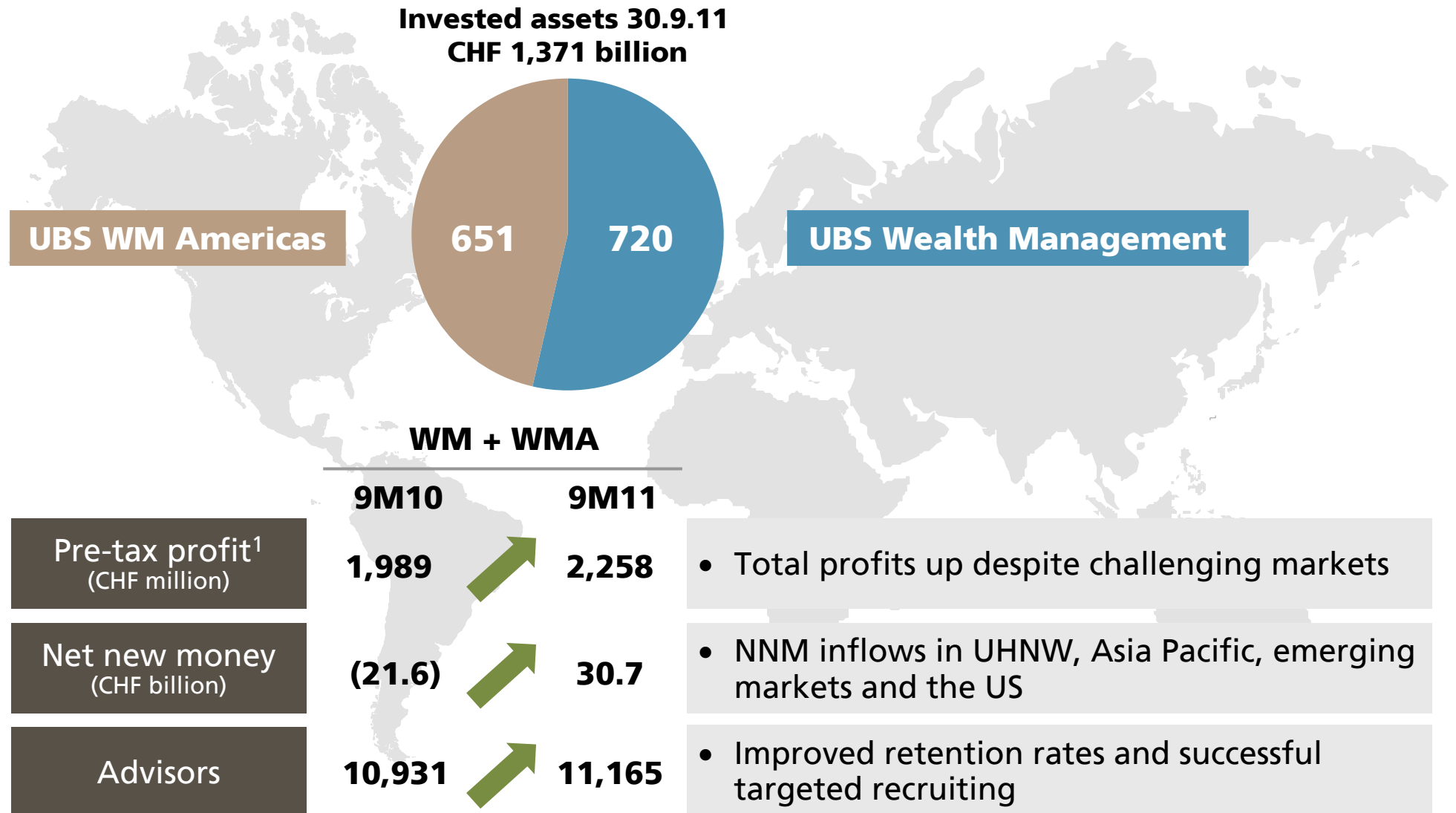
**C** Other current net tax expenses in respect of 3Q11 taxable profits

**D** Tax benefit arising from the unauthorized trading incident

**E** Tax benefits arising from the write-up of DTA for US tax losses incurred in previous years

# Our global wealth management business is unrivaled

## Continued progress despite market uncertainty

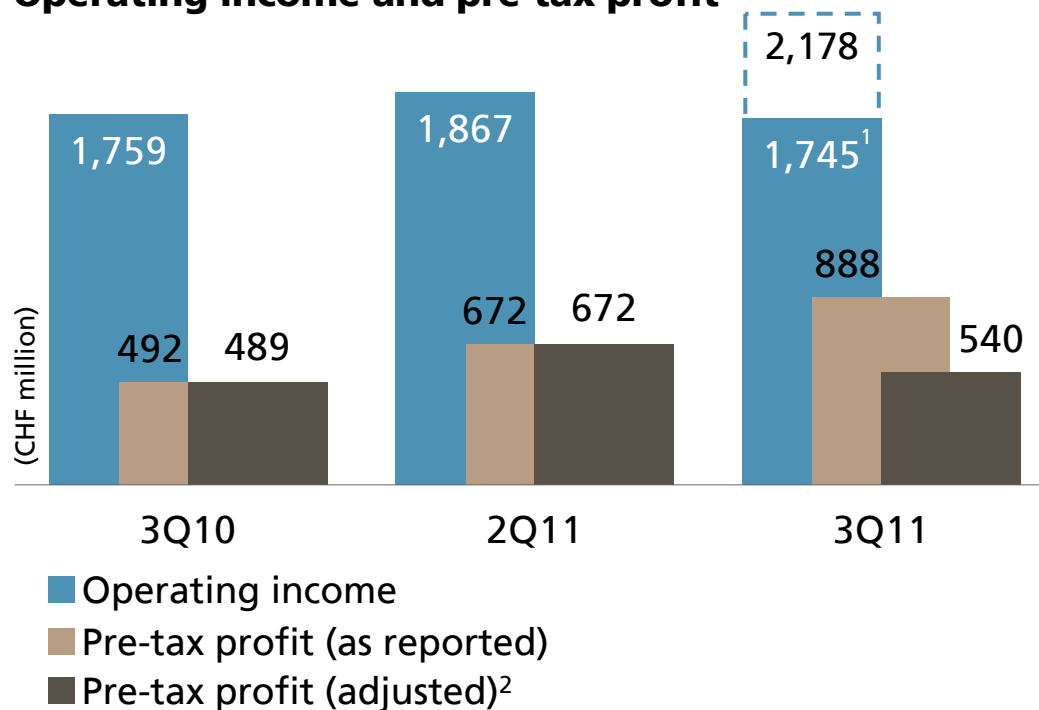


<sup>1</sup> Excluding restructuring charges, gains from the sale of the strategic investment portfolio in 3Q11 (WM) and 3Q10 provision related to an arbitration matter (WMA)

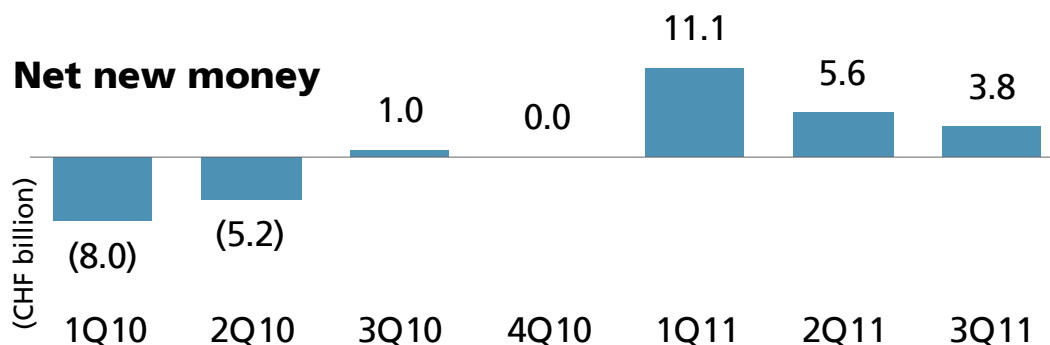
# Wealth Management

## Positive net new money for the fifth consecutive quarter

### Operating income and pre-tax profit



### Net new money



- Revenues included CHF 433 million of gains on the sale of the strategic investment portfolio and were affected by seasonally lower client activity and adverse market conditions
- Costs broadly unchanged when adjusted for restructuring charges of CHF 85 million
- Selectively hired client advisors, primarily in strategic growth regions
- CHF 3.8 billion net new money
  - Continued strong net inflows in Asia Pacific, emerging markets and UHNW globally
  - Net outflows in European onshore business, mainly reflecting outflows of CHF 1.5 billion related to a past acquisition in Germany

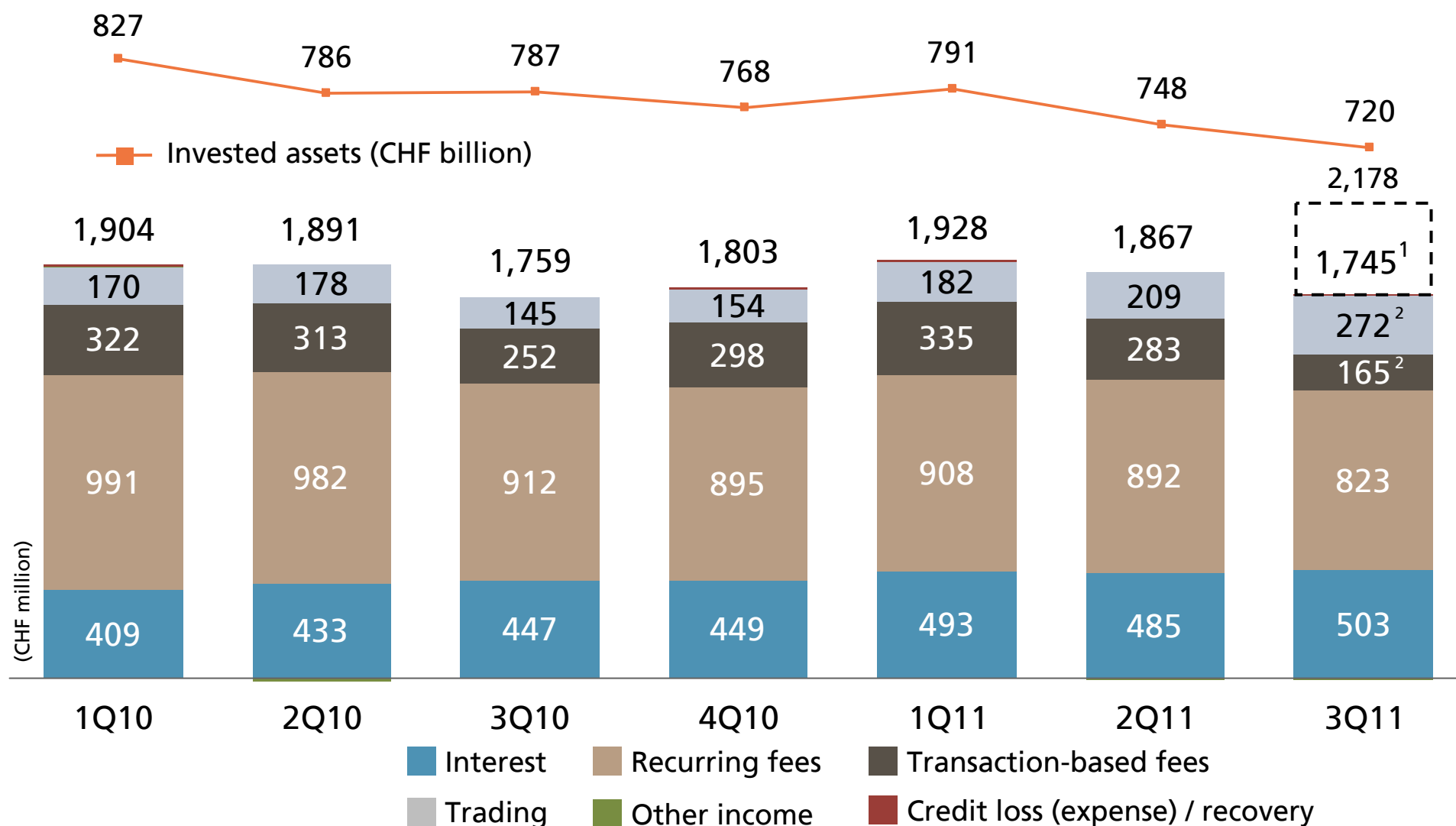


<sup>1</sup> Adjusted for the gain on the sale of the strategic investment portfolio (CHF 433 million)

<sup>2</sup> Adjusted for the gain on the sale of the strategic investment portfolio (CHF 433 million) and restructuring charges

# Wealth Management – operating income

## Revenues benefited from gains on the sale of the strategic investment portfolio

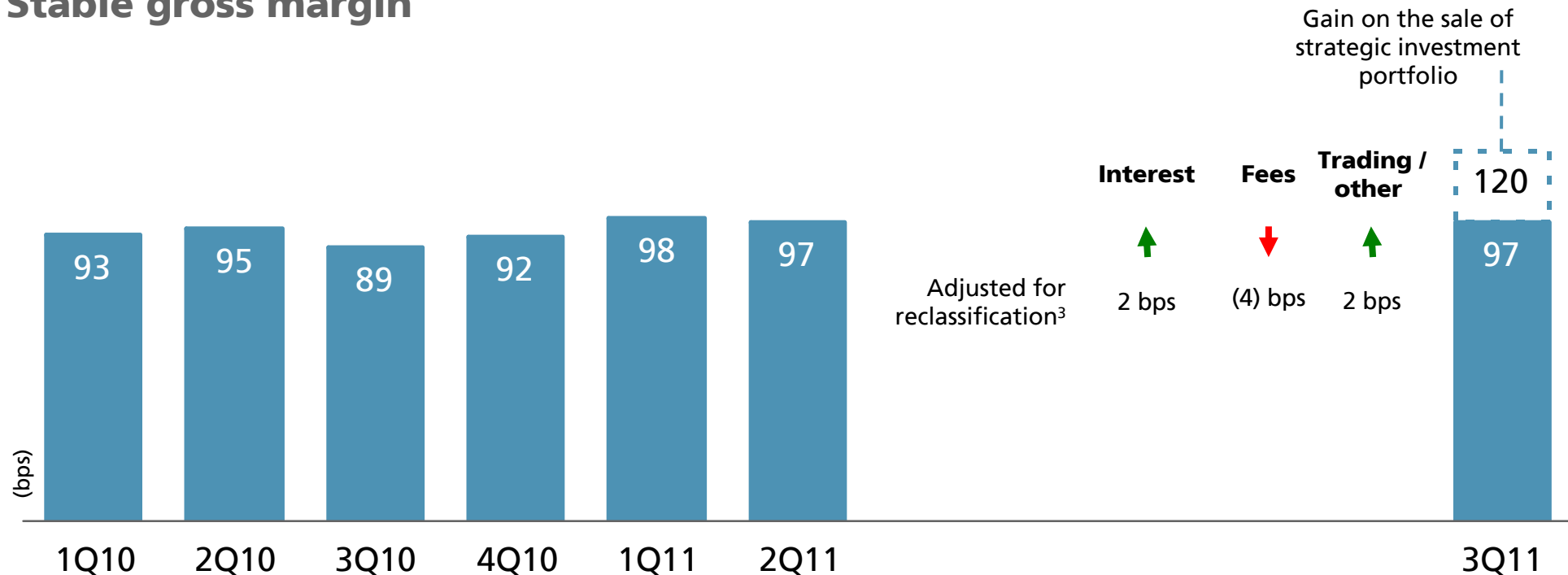


<sup>1</sup> Adjusted for the gain on the sale of the strategic investment portfolio (CHF 433 million)

<sup>2</sup> Net fee and commission income was reduced by the reclassification of CHF 51 million from revenues related to the Investment Products & Services unit to net trading income

# Wealth Management – gross margin<sup>1</sup>

## Stable gross margin



### Pricing

Ongoing pricing realization and price grid realignment efforts

### Lending

Lending balances increased quarter-on-quarter, mainly due to currency

### Brokerage

Strong client activity in the first half of August but slower thereafter

### Mandates

The proportion of assets invested in mandates decreased slightly

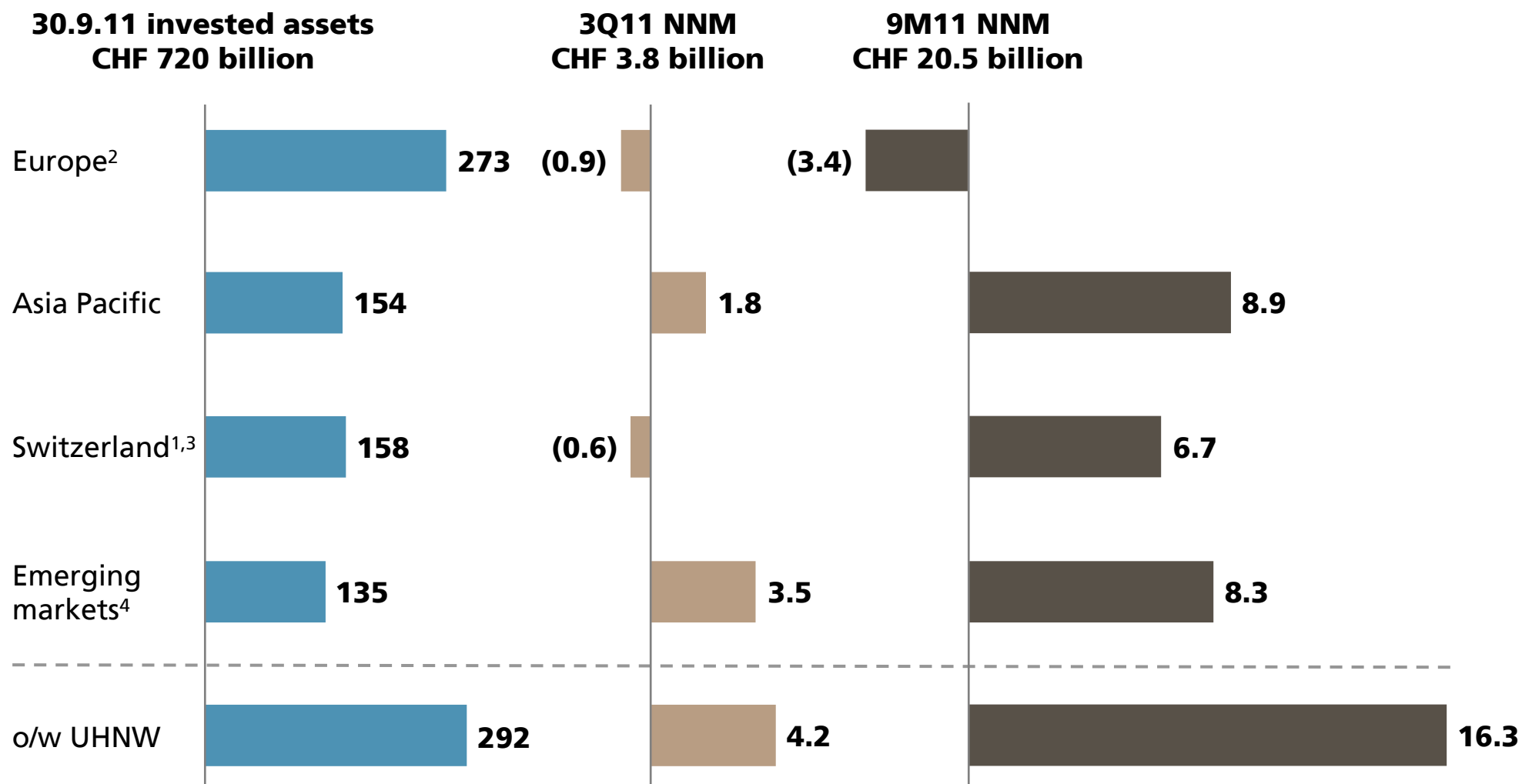


<sup>1</sup> Operating income before credit loss (expense) or recovery (annualized) / average invested assets; gross margin excludes valuation adjustments on a property fund of CHF 27 million in 3Q11, CHF 17 million in 2Q10 and CHF 28 million in 1Q10

<sup>2</sup> Adjusted for gain on the sale of strategic investment portfolio (CHF 433 million)

<sup>3</sup> Net fee and commission income was reduced by the reclassification of CHF 51 million from revenues related to the Investment Products & Services unit to net trading income

# Wealth Management – invested assets and NNM by region<sup>1</sup>



<sup>1</sup> Invested assets and net new money based on client domicile. Invested assets and net new money for “Swiss wealth management” and “International wealth management” as shown in UBS’s quarterly report are based on an organizational view. Net new money and invested assets for certain clients domiciled in Switzerland but served by businesses such as Financial Intermediaries or Global Family Office are reported under “International wealth management” in UBS’s quarterly report

<sup>2</sup> Includes Western Europe and all other countries not covered elsewhere

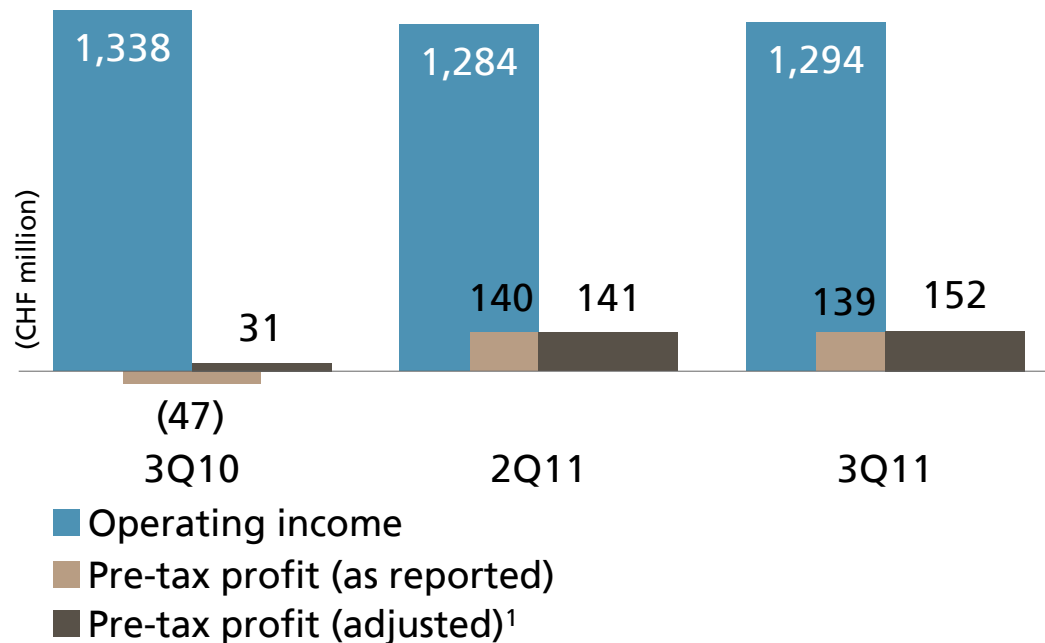
<sup>3</sup> Net new money for “Swiss wealth management” as reported in the 3Q11 report was CHF (0.1) billion in 3Q11 and CHF 2.3 billion in 9M11

<sup>4</sup> LatAm, Middle East & Africa and Central & Eastern Europe & Turkey

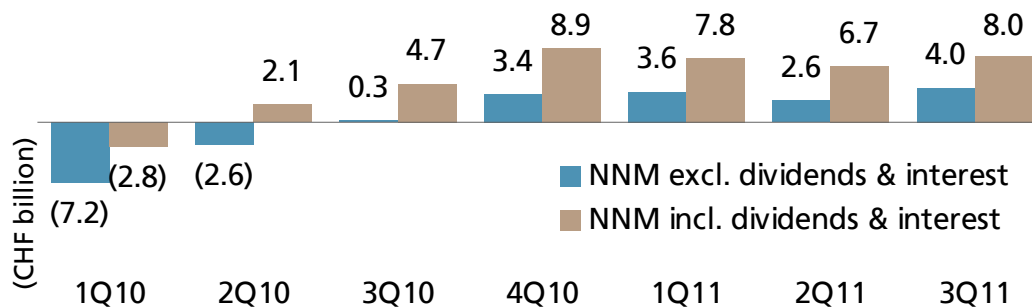
# Wealth Management Americas

## Continued to build on a successful track record

### Operating income and pre-tax profit



### Net new money



- Reported revenues increased 1%
  - USD revenues grew 2% on higher net interest and trading income
  - Realized gains on available-for-sale portfolio of CHF 31 million in 3Q11 compared with CHF 25 million in 2Q11
- Cost / income ratio stable at 89%
  - CHF 13 million net restructuring costs
- Financial advisor attrition levels improved to new lows
- CHF 4.0 billion net new money
  - CHF 8.0 billion NNM including dividends and interest
  - “Same store”<sup>2</sup> NNM positive for the seventh consecutive quarter

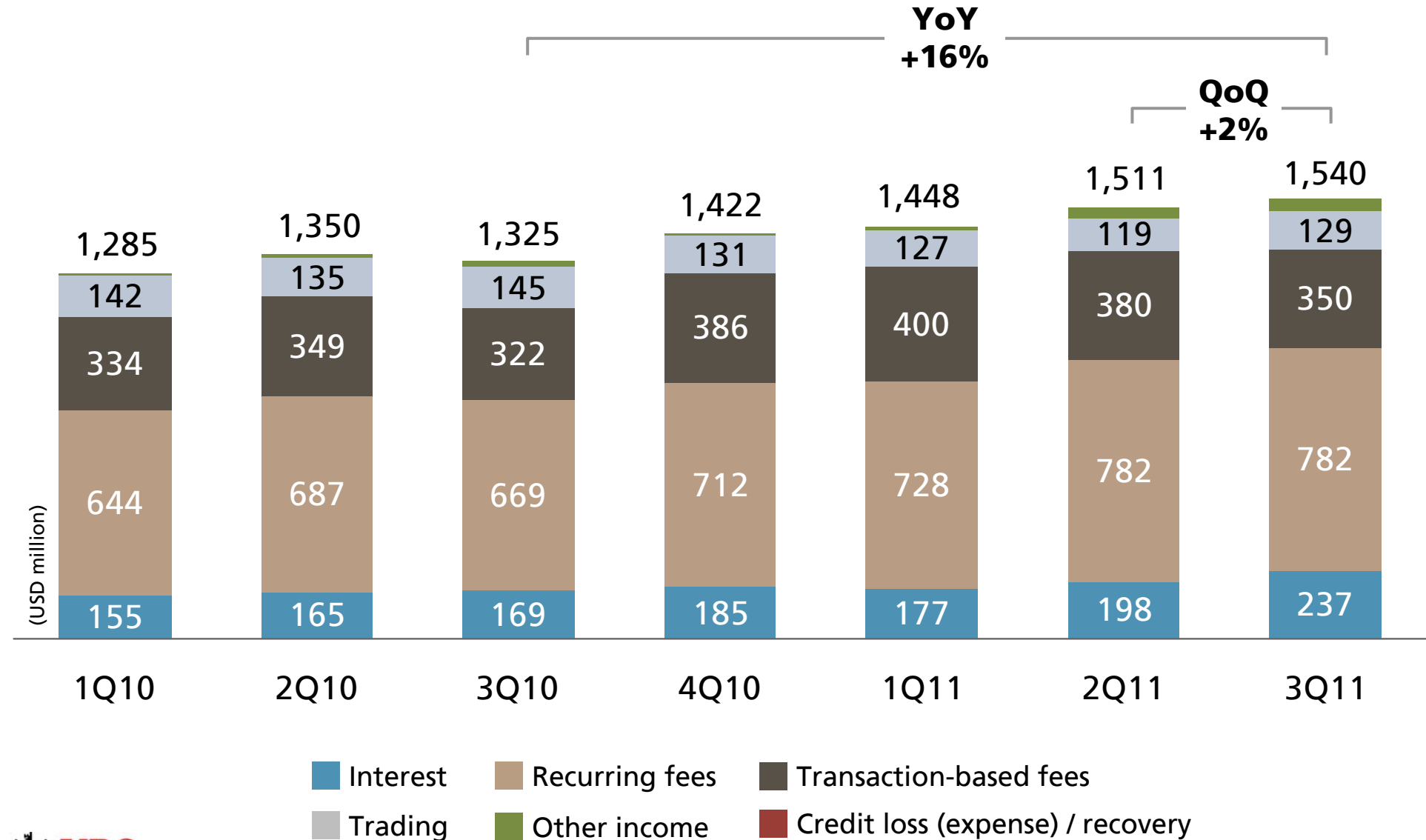


<sup>1</sup> Adjusted for restructuring charges and 3Q10 provision related to an arbitration matter  
<sup>2</sup> Financial advisors with UBS for more than 12 months



# Wealth Management Americas – operating income (USD)

## Increased net interest and trading income



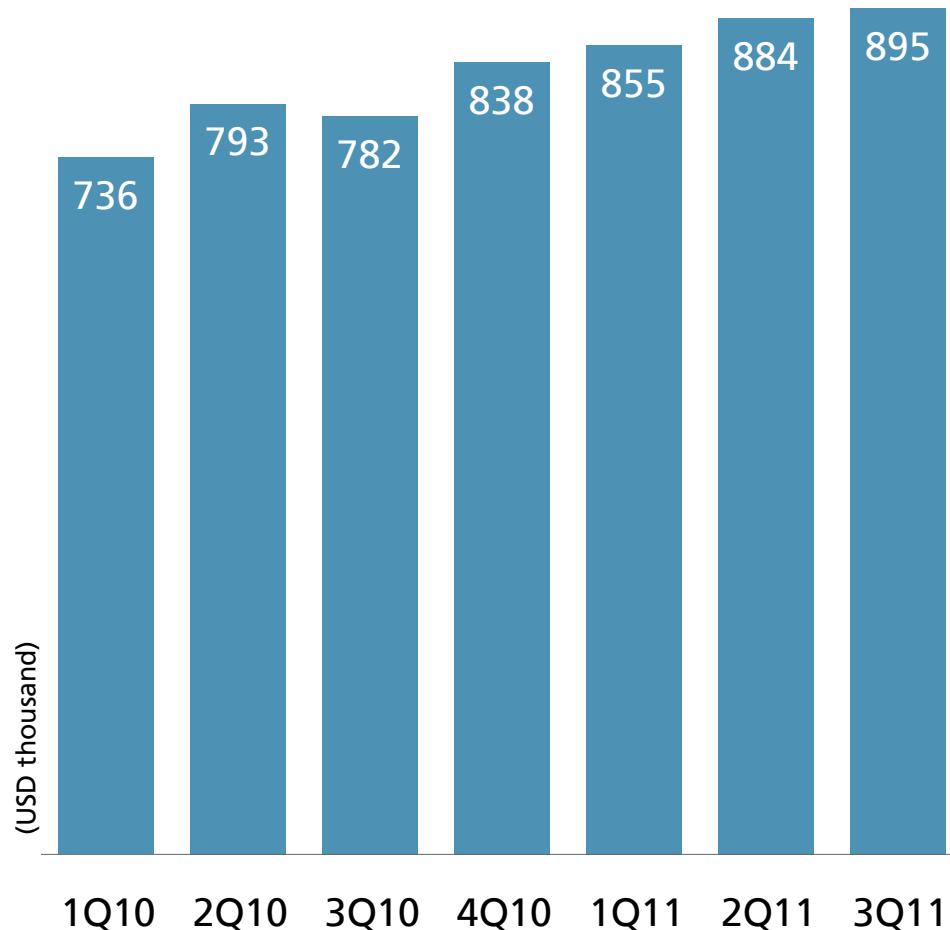
# Wealth Management Americas – FA productivity (USD)

Continuing to execute our focused strategy

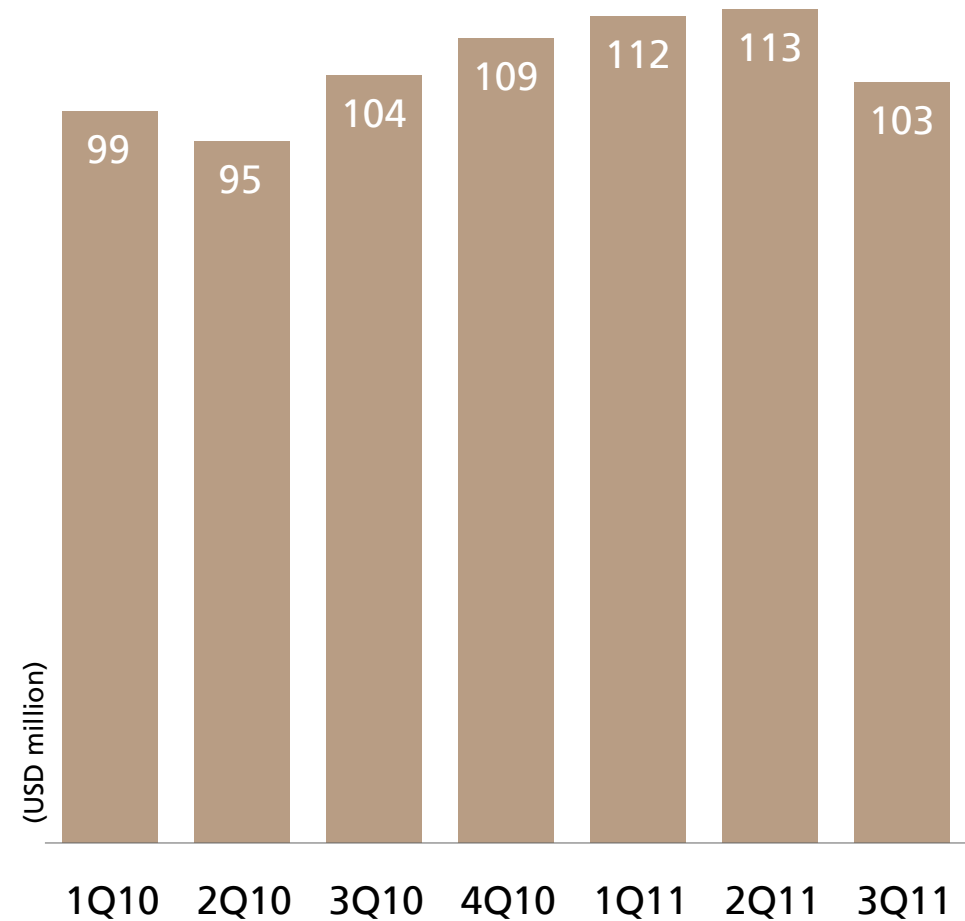
**Achieved #1 position  
in revenue per FA vs. US peers**

**#1 in invested assets  
per FA vs. US peers**

Revenue per FA, annualized



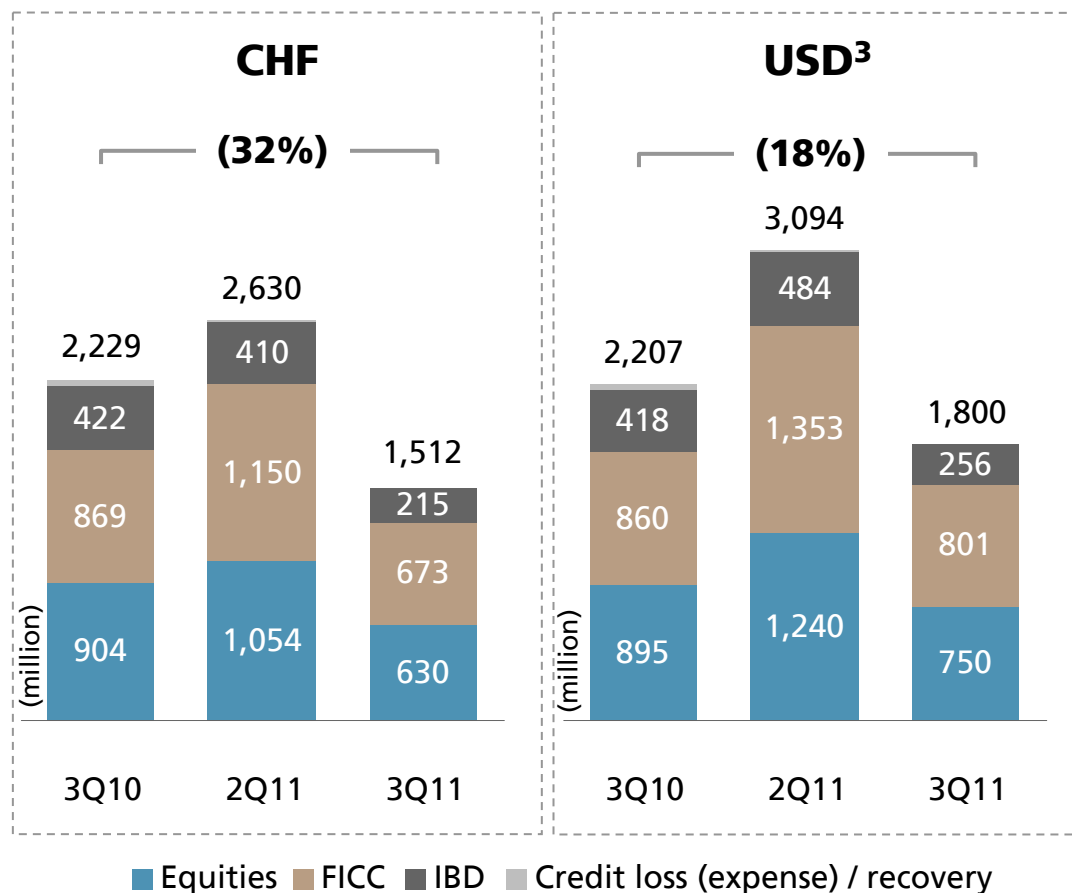
Invested assets per FA



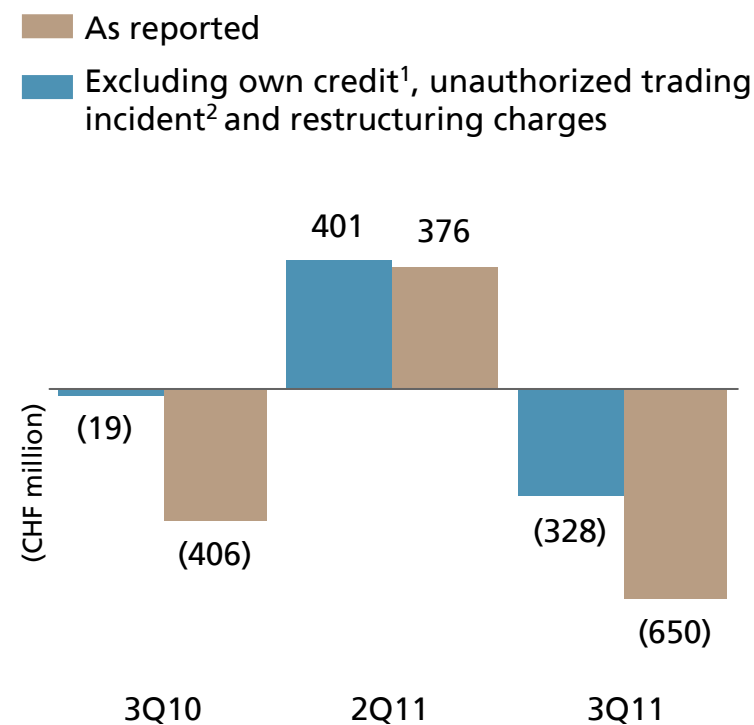
# Investment Bank

## Unauthorized trading incident and restructuring charges contributed to a loss

### Operating income excluding own credit<sup>1</sup> and unauthorized trading incident<sup>2</sup>



### Pre-tax profit



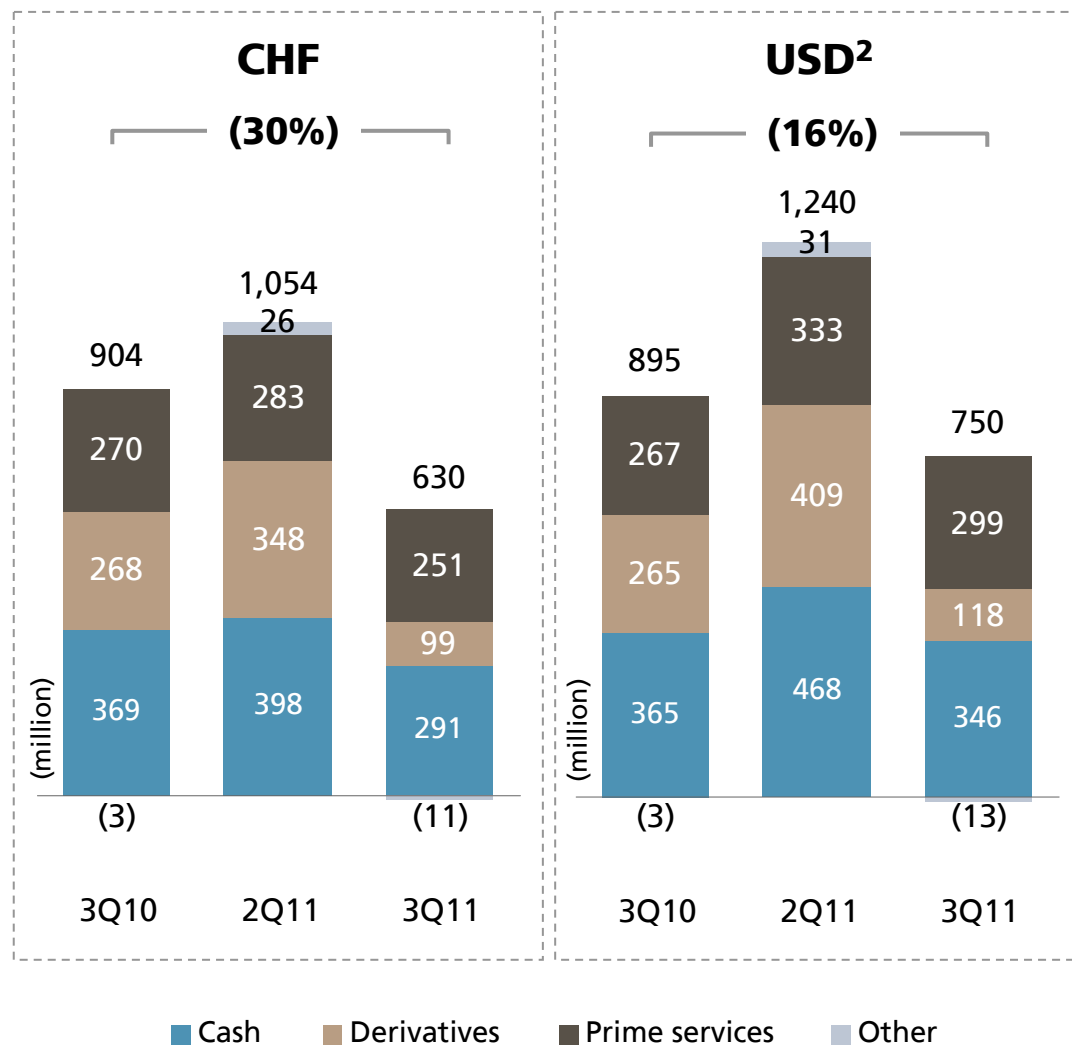
<sup>1</sup> Own credit on financial liabilities designated at fair value (CHF 1,765 million gain in 3Q11)

<sup>2</sup> Unauthorized trading incident in 3Q11 (CHF 1,849 million negative revenues)

<sup>3</sup> USD revenues based on CHF revenues and quarterly average FX rates for the respective quarters

# Equities revenues (vs. 3Q10)<sup>1</sup>

## Resilient performances in cash and prime services in highly volatile markets



### YoY comparison in USD terms<sup>2</sup>

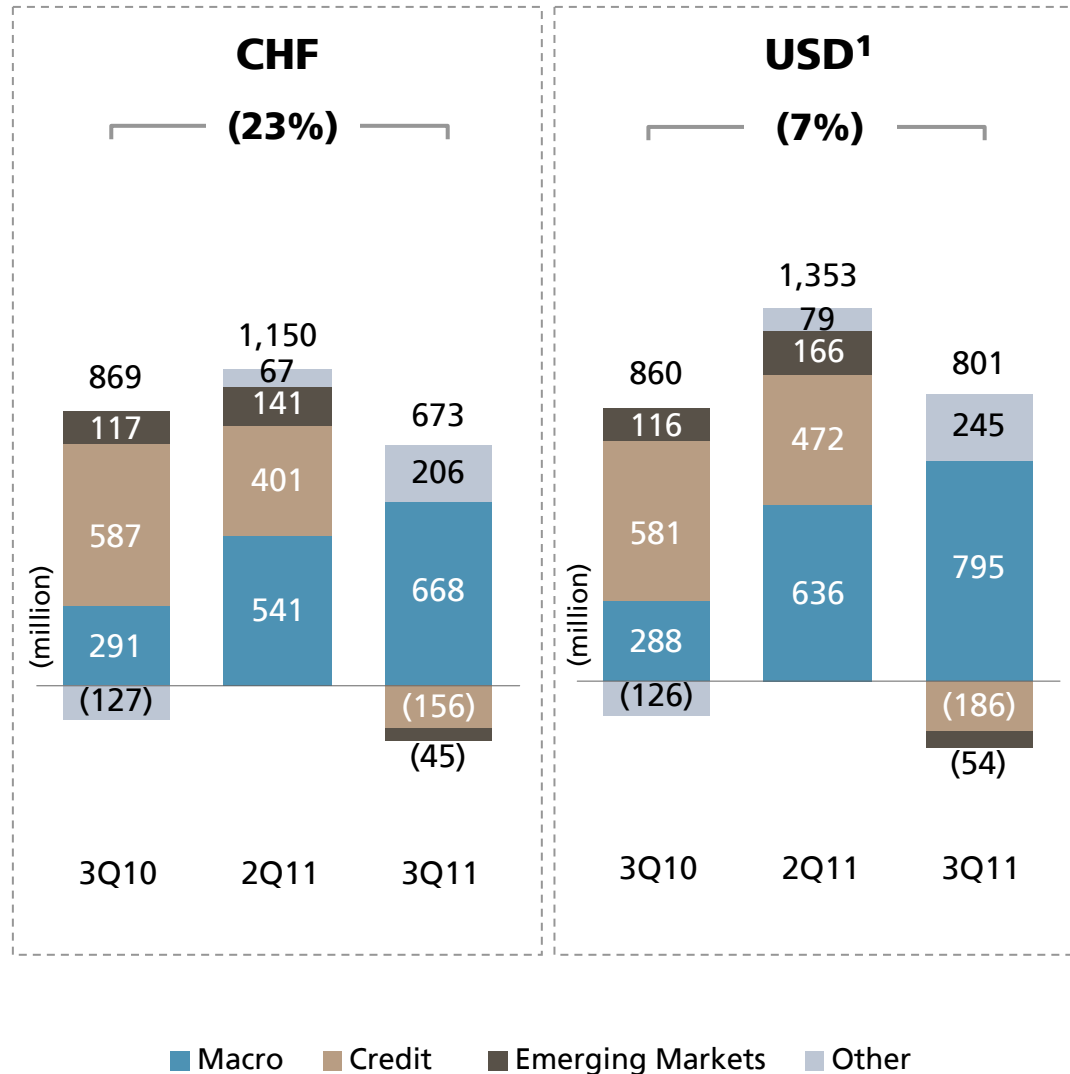
- **Cash, (5%)**
  - Stable market share
  - Similar levels of commission revenues
  - Weaker trading revenues in difficult environment
- **Derivatives, (55%)**
  - Trading losses in volatile market conditions
- **Prime services, +12%**
  - Improvement across most product lines



<sup>1</sup> Excluding the impact of the unauthorized trading incident in 3Q11 (CHF 1,849 million negative revenues)  
<sup>2</sup> USD revenues based on CHF revenues and quarterly average FX rates for the respective quarters

# FICC revenues (vs. 3Q10)

## Strong performance in Macro

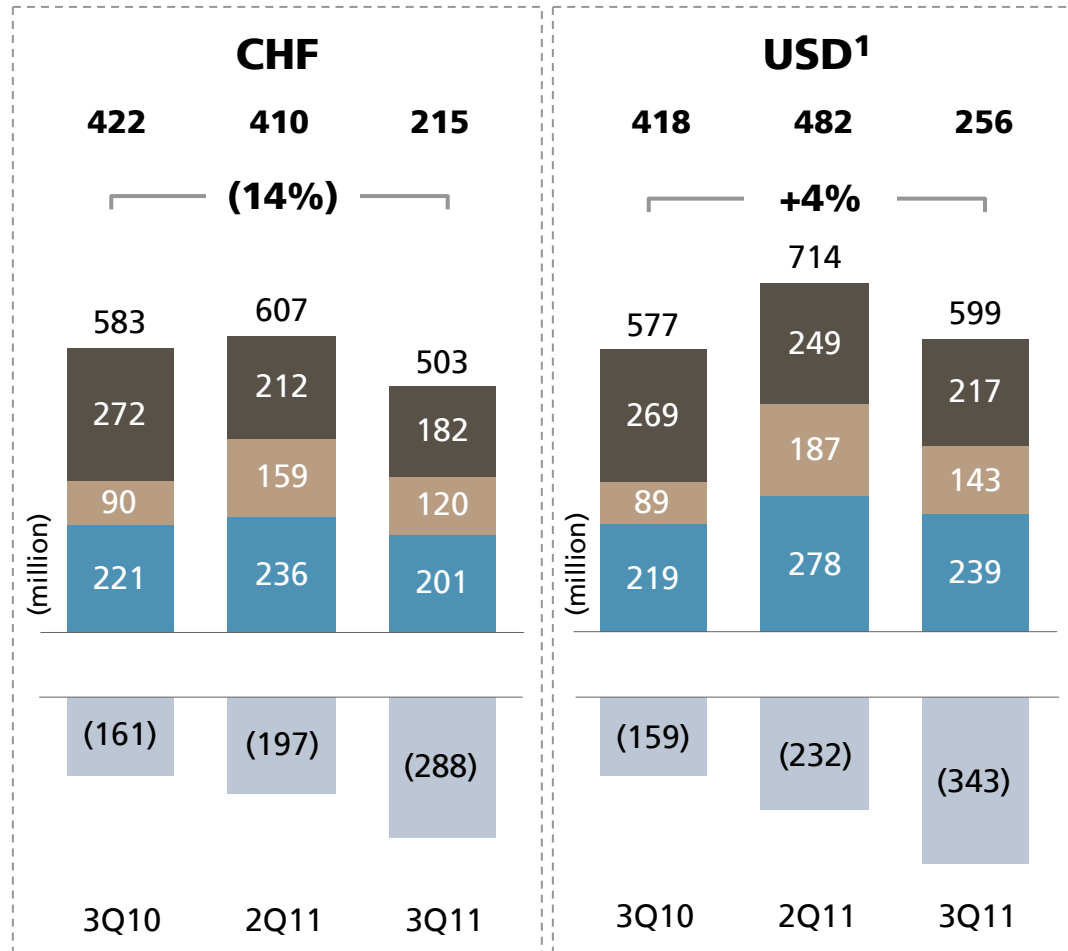


### YoY comparison in USD terms<sup>1</sup>

- **Macro, +176%**
  - FX: revenues more than doubled on high volatility and good client flows
  - Rates: improved revenues, particularly in derivatives and short-term interest rates
- **Credit, (N/M)**
  - Mark-to-market losses on trading positions in difficult environment
  - Positive contribution from corporate lending and structured credit
- **Emerging markets, (N/M)**
  - Lower client activity and market driven trading losses
- **Other, N/M**
  - DVA gains of CHF 0.4 billion
  - CVA losses of CHF 0.2 billion net of hedges
  - Positive contribution from commodities

# Investment banking revenues (vs. 3Q10)

## Combined advisory and capital market revenues up 4% in USD terms



### YoY comparison in USD terms<sup>1</sup>

- **Advisory, +9%**
  - Market share gains on subdued market activity
- **Equities capital markets, +61%**
  - Market share gains
- **Fixed income capital markets, (19%)**
  - Reduced revenues in leveraged finance
- **Other, (N/M)**
  - Increased risk management charges reflects full allocation of costs to IBD since 1Q11
- **Overall UBS fee-based market share<sup>2</sup> broadly unchanged at 3.6% vs. 3Q10**
  - M&A 4.4% vs. 4.1%
  - ECM 4.8% vs. 3.9%
  - DCM 3.8% vs. 3.8%
  - GSF 2.0% vs. 3.0%

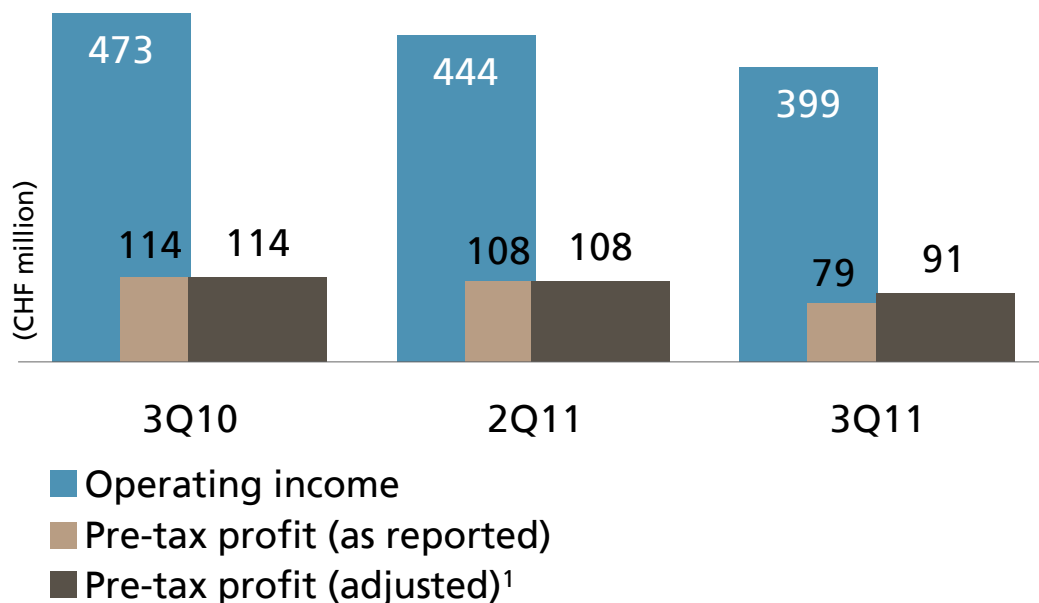


<sup>1</sup> USD revenues based on CHF revenues and quarterly average FX rates for the respective quarters  
<sup>2</sup> Source: Dealogic as of 6 October 2011

# Global Asset Management

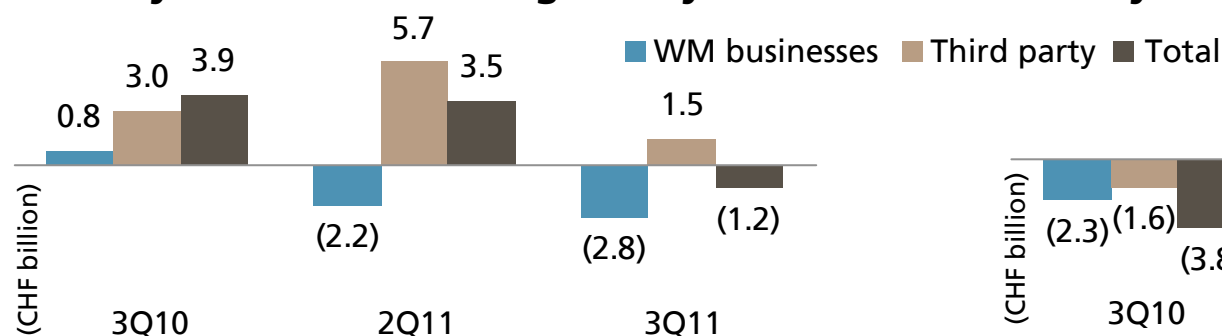
## CHF 79 million pre-tax profit

### Operating income and pre-tax profit

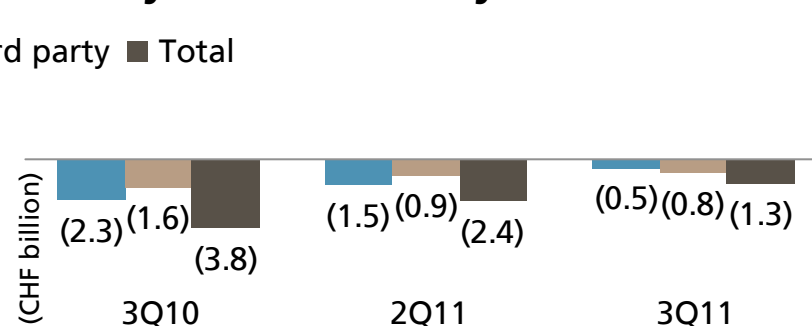


- Lower operating income
  - Decrease in net management fees driven by currency and market valuations
  - Lower performance fees
- Operating expenses decreased CHF 16 million despite CHF 12 million restructuring charges
  - Personnel costs reduced by CHF 18 million
  - Non-personnel expenses stable
- Net new money inflows from third parties for the seventh consecutive quarter

### NNM by channel - excluding money market



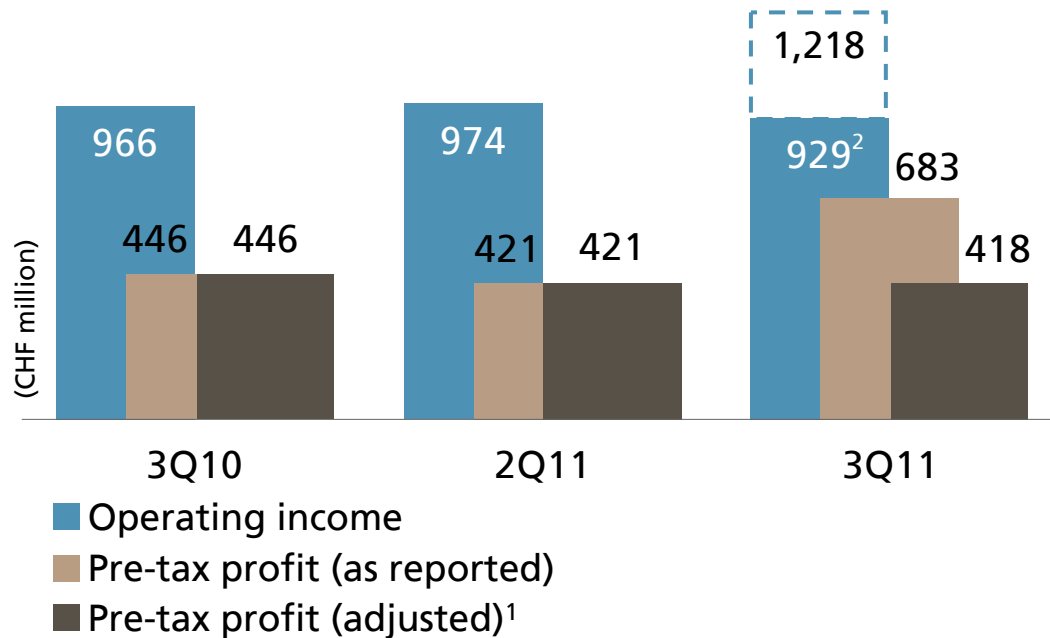
### NNM by channel - money market



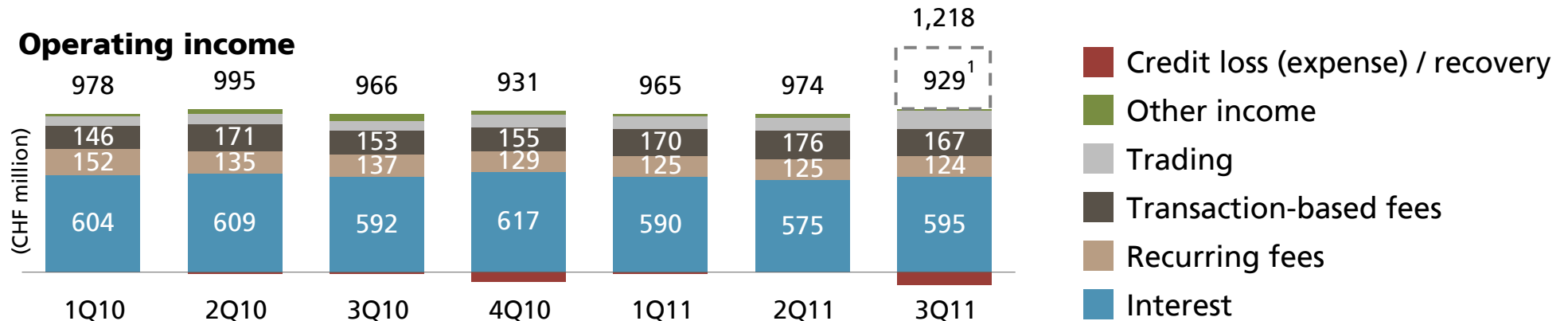
# Retail & Corporate

## Progress in cost control contributed to stable pre-tax result<sup>1</sup>

### Operating income and pre-tax profit



- Operating income included:
  - Gains on the sale of the strategic investment portfolio contributed CHF 289 million
  - Credit loss expenses of CHF 81 million including a CHF 73 million collective loan loss provision booked in relation to the Swiss corporates clients' exposures to the strong Swiss franc
- Progress in cost control masked by restructuring charges of CHF 24 million

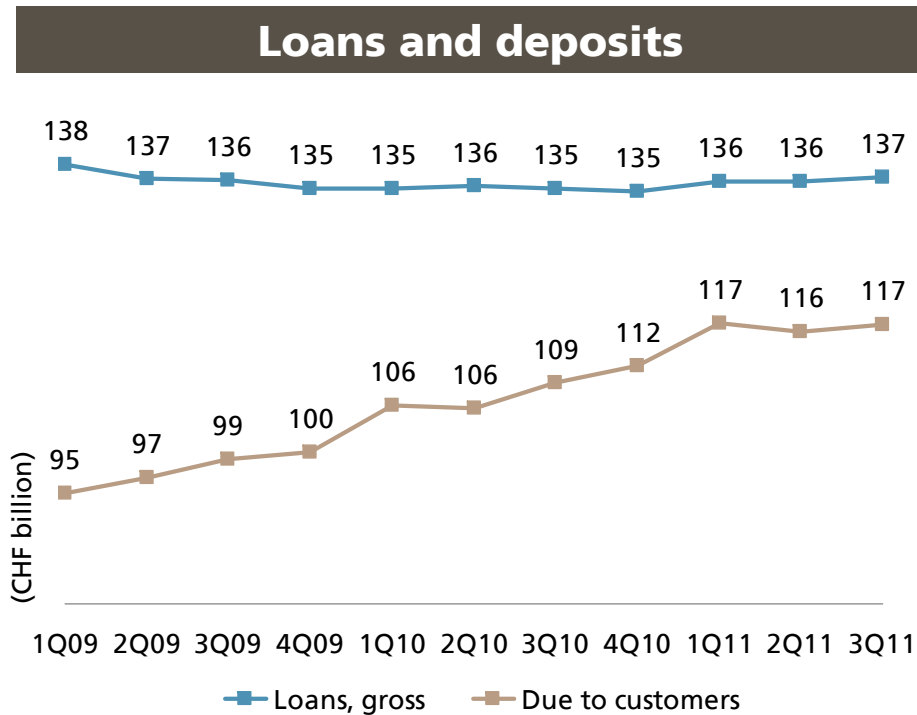


<sup>1</sup> Adjusted for the gain on sale of the strategic investment portfolio (CHF 289 million / 3Q11) and restructuring charges  
<sup>2</sup> Adjusted for the gain on sale of the strategic investment portfolio (CHF 289 million)

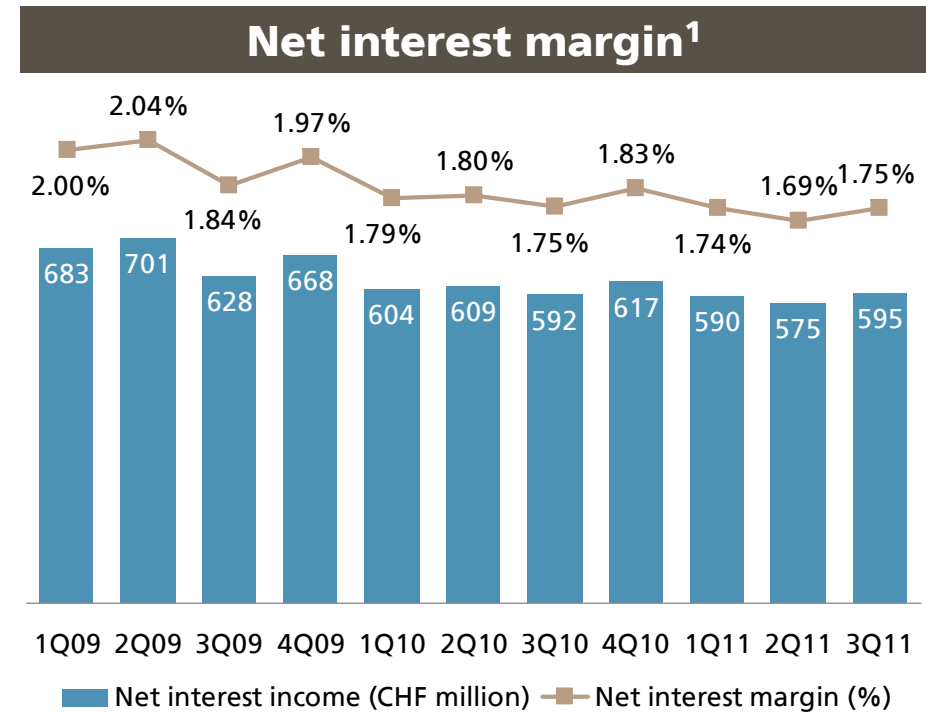


# Retail & Corporate

## Continued positive trend in deposits



- Growth in client deposits; maintained discipline on deposit interest rates
- Deposits exceed loans by CHF 70 billion for WM&SB overall



- Structural pressure on net interest margin remains (low interest rate environment, competitive pricing pressure)

# Retail & Corporate – loan portfolio

Well diversified across regions and counterparties in Switzerland; 88% of loans granted on a secured basis

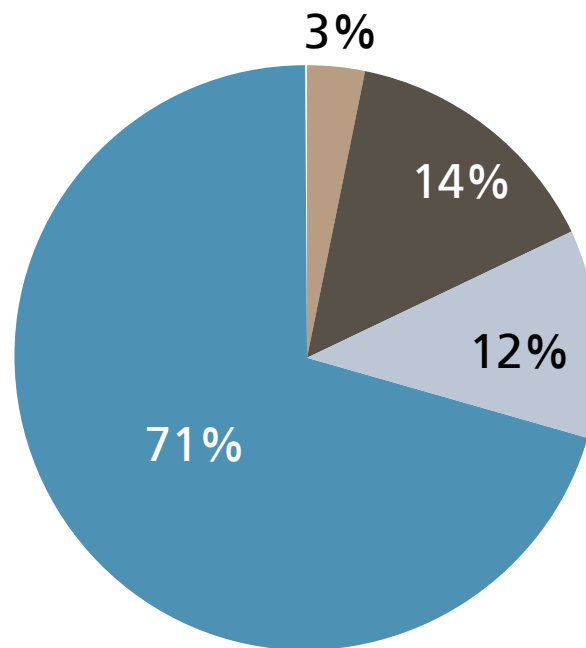
## Secured by residential property

- > 99% of loans with LTV<sup>1</sup> lower or equal to 80%
- Average LTV<sup>1</sup> of 60%
- 99% covered by Swiss properties

## Secured by securities

- 80% collateralized by deposits, lombard collateral, guarantees and insurance policies with surrender value
- Lombard loans: average LTV<sup>1</sup> of 52%, daily monitoring and margin calls

Loans, gross (30.9.11)  
100% = CHF 137 billion



## Secured by commercial / industrial property

- > 98% of loans with LTV<sup>1</sup> below or equal to 80%
- Average LTV<sup>1</sup> of 55%
- 100% covered by Swiss properties

## Unsecured

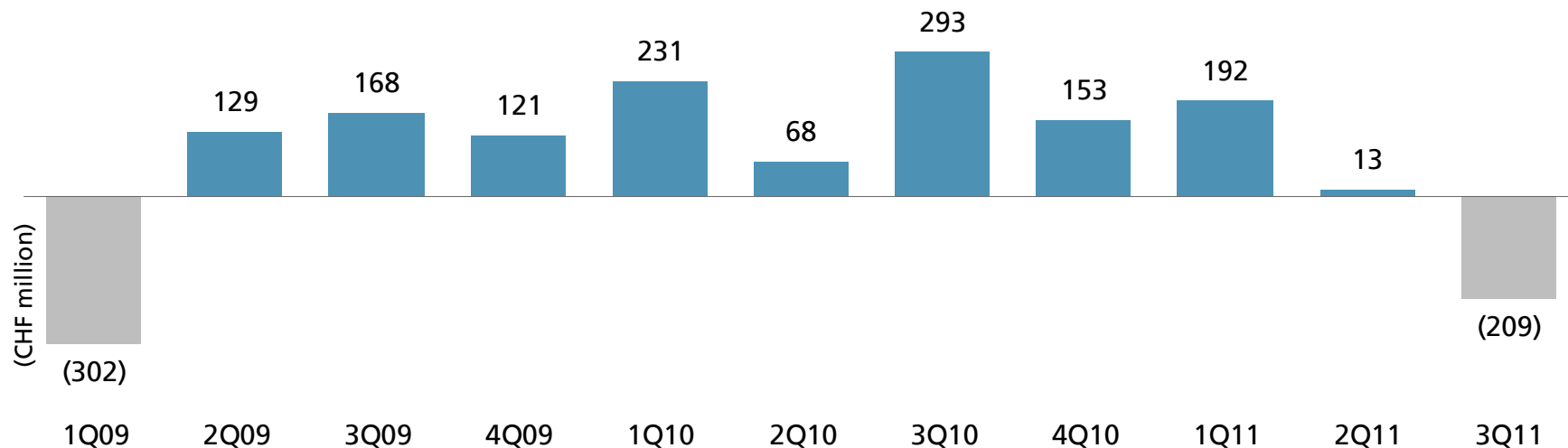
- Nearly 30% of loans to public authorities
- Leasing business represents 15% of exposures

# Corporate Center

## Pre-tax loss of CHF 160 million

- CHF 209 million loss from the revaluation of UBS's option to acquire the SNB StabFund's equity
  - Option fair value CHF 1.7 billion (USD 1.9 billion) on 30.9.11

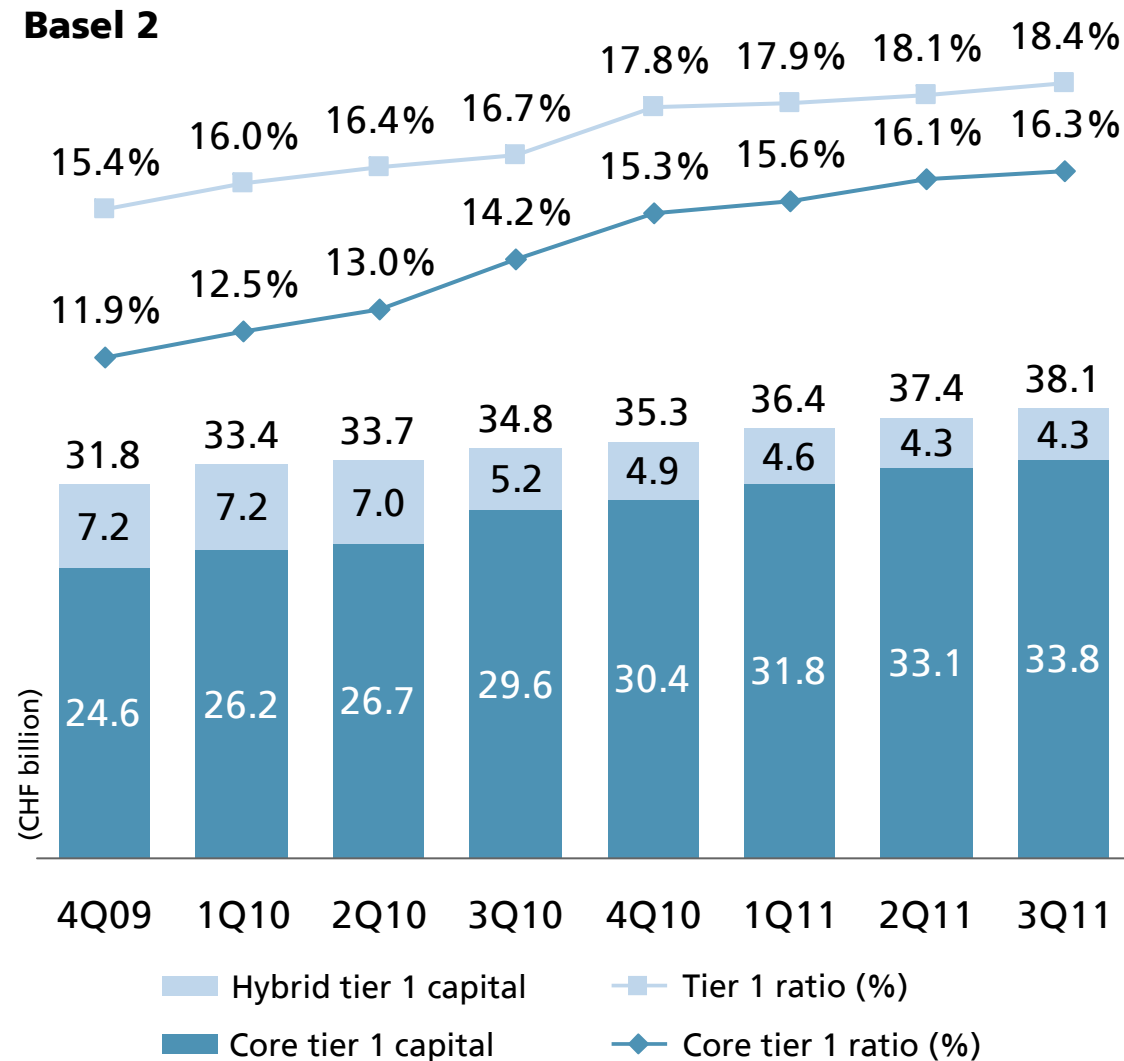
### Revaluation of UBS's option to acquire the SNB StabFund's equity: contribution to UBS results



- CHF 78 million gain from the sale of property in Switzerland
- Treasury income after allocations to the business divisions was CHF 35 million
- Operating expenses not allocated to the business divisions totaled CHF 55 million

# Capital position

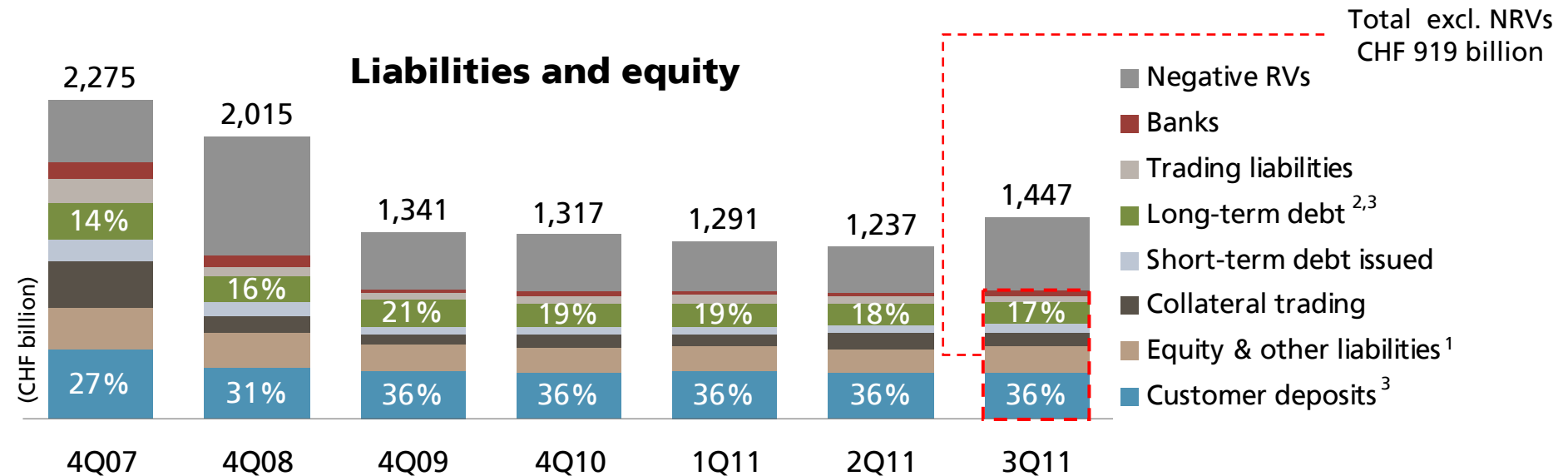
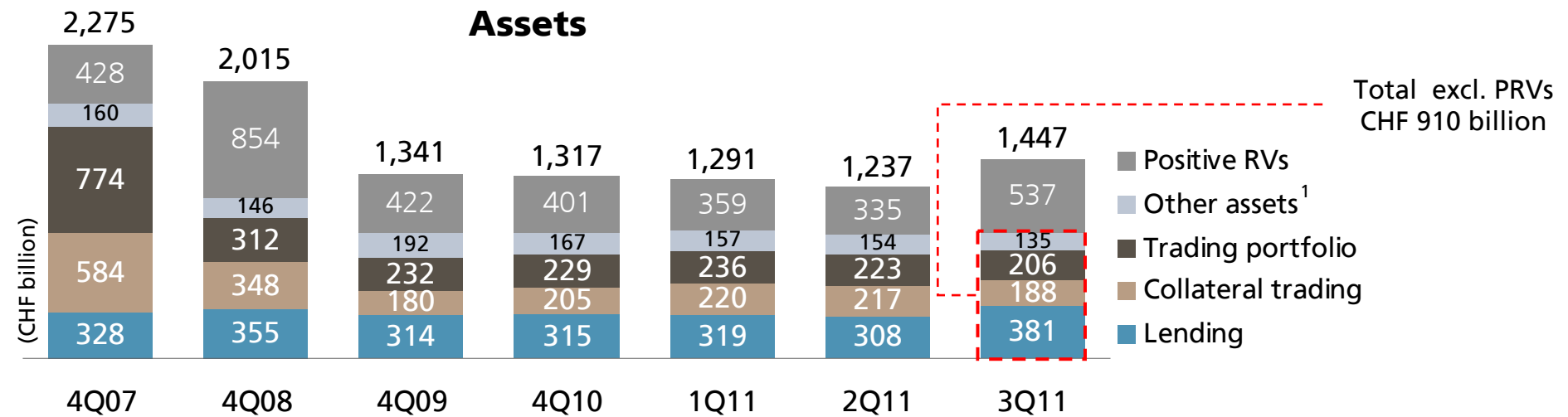
## Basel 2 tier 1 capital ratio increased to 18.4%, stable risk-weighted assets



- Basel 2 tier 1 capital increased to CHF 38.1 billion
- Basel 2 risk-weighted assets increased slightly to CHF 207 billion
  - RWAs would have decreased without the unauthorized trading incident
  - Unauthorized trading incident resulted in CHF 11.4 billion increase in market risk RWAs; this effect will reverse during 4Q11
  - Operational risk RWAs of CHF 49.3 billion will increase in 4Q11 due to the unauthorized trading incident
- Basel 2.5 tier 1 ratio of 13.2%

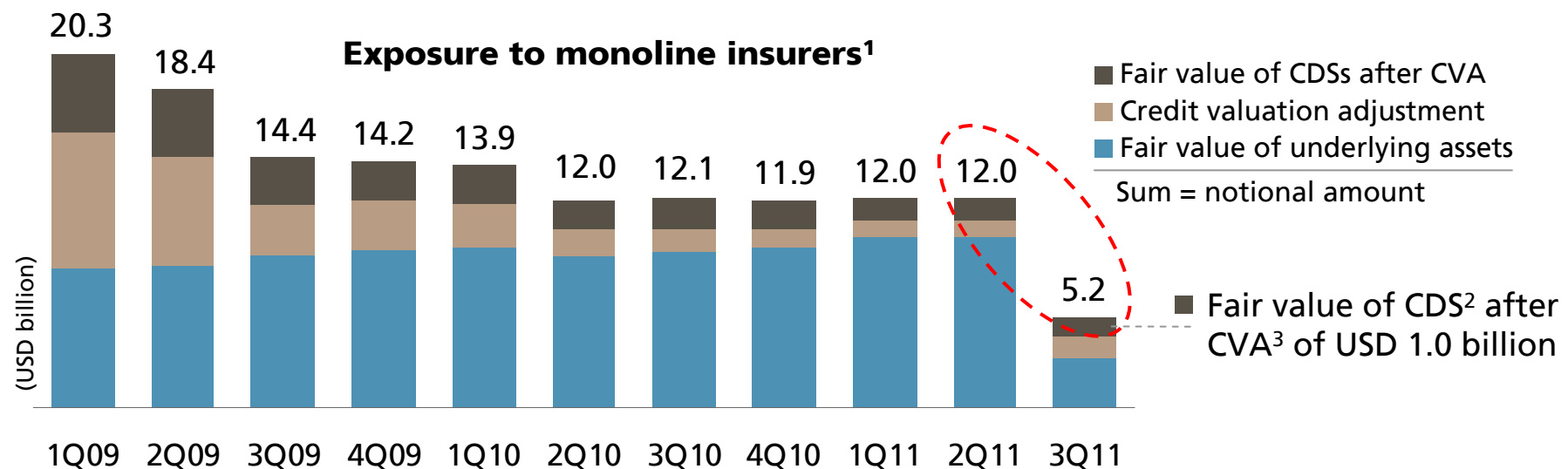
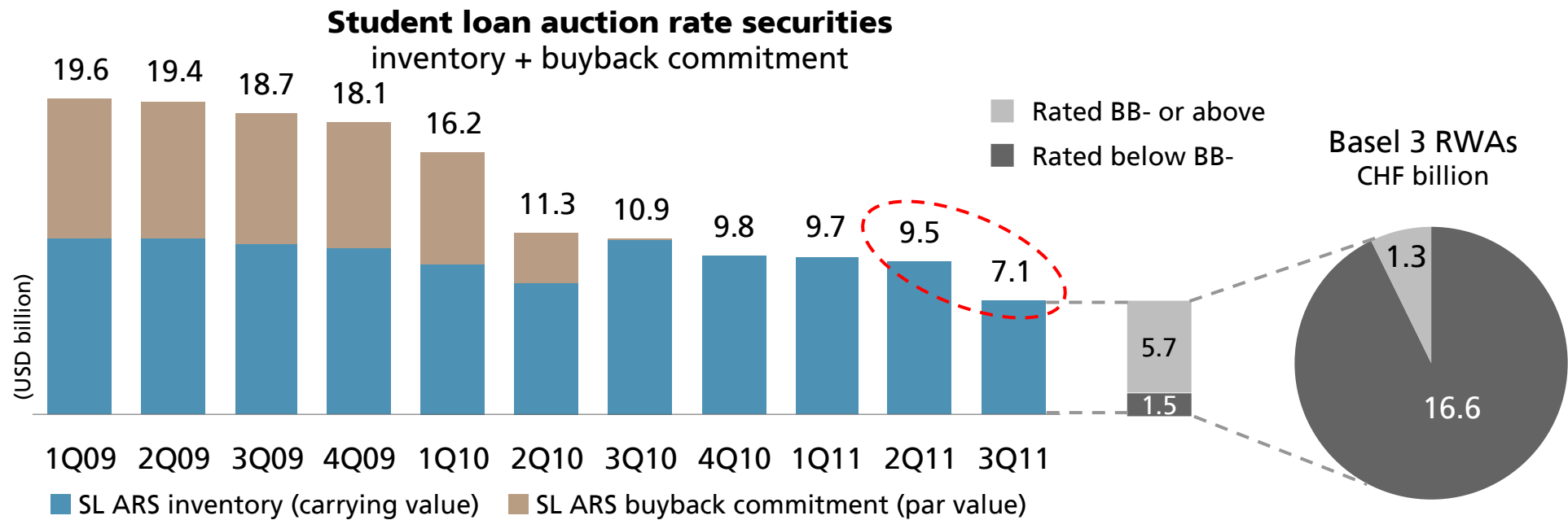
# Balance sheet development

Stable funded balance sheet as reduction in trading assets was offset by higher balances at central banks



1 Including cash collateral on derivative transactions  
 2 Including financial liabilities designated at fair value  
 3 Percentages based on total balance sheet size excluding negative replacement values

# Significant reduction in our risk exposures



<sup>1</sup> Excludes the benefit of credit protection purchased from unrelated third parties

<sup>2</sup> Credit default swaps

<sup>3</sup> Credit valuation adjustments

# Exposures to selected European countries not rated AAA / Aaa<sup>1</sup>

The majority of our net exposures relates to traded products and tradable assets

30.9.11 (CHF million)	Sovereigns <sup>2</sup>		Banks		Other		Total	
	Gross	Net <sup>3</sup>	Gross	Net <sup>3</sup>	Gross	Net <sup>3</sup>	Gross	Net <sup>3</sup>
Italy	4,087	826	687	678	1,756	1,299	6,531	2,802
Belgium	404	371	412	412	316	316	1,132	1,099
Greece	64	64	25	25	79	42	168	130
Iceland	64	64	8	8	3	3	75	75
Spain	8	8	1,978	1,978	1,715	771	3,700	2,757
Portugal	0	0	29	29	332	234	360	263
Ireland <sup>4</sup>	2	2	744	744	1,260	1,168	2,005	1,913
<b>Total</b>	<b>4,629</b>	<b>1,335</b>	<b>3,883</b>	<b>3,874</b>	<b>5,461</b>	<b>3,833</b>	<b>13,971</b>	<b>9,039</b>

30.9.11 (CHF million)	Banking products		Traded products		Tradable assets		Total	
	Gross	Net <sup>3</sup>	Gross	Net <sup>3</sup>	Net <sup>3</sup>		Gross	Net <sup>3</sup>
Italy	1,121	693	4,575	1,274	835		6,531	2,802
Belgium	410	410	433	400	289		1,132	1,099
Greece	61	23	10	10	97		168	130
Iceland	0	0	11	11	64		75	75
Spain	2,657	1,974	326	65	718		3,700	2,757
Portugal	111	14	10	10	239		360	263
Ireland <sup>4</sup>	748	656	476	476	781		2,005	1,913
<b>Total</b>	<b>5,108</b>	<b>3,770</b>	<b>5,841</b>	<b>2,246</b>	<b>3,023</b>		<b>13,971</b>	<b>9,039</b>



<sup>1</sup> Refer to pages 44-45 of UBS's 3Q11 report for more information

<sup>2</sup> Includes central governments, agencies and central banks

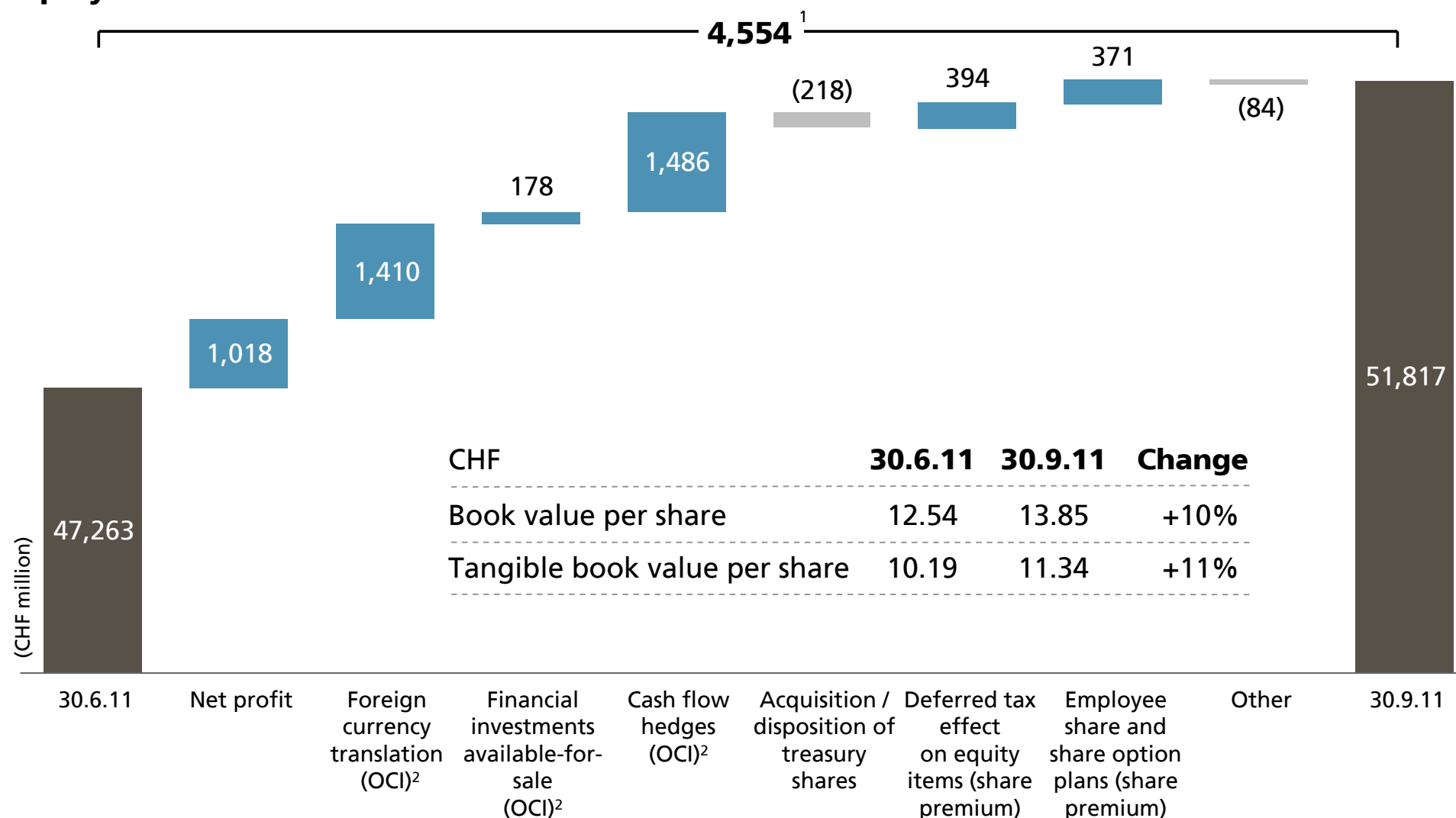
<sup>3</sup> Net of credit protection bought

<sup>4</sup> The majority of the Ireland exposures relates to funds and foreign bank subsidiaries

# IFRS equity attributable to UBS shareholders

## Significant increase in book and tangible book value

### Equity attributable to UBS shareholders



<sup>1</sup> Tangible book value increased CHF 4,018 million from CHF 38,406 million on 30.6.11 to CHF 42,424 million on 30.9.11  
<sup>2</sup> Net of tax. Total income tax expense recognized in OCI was CHF 393 million in 3Q11



# Key messages

---

## **CHF 1.0 billion net profit in a very challenging quarter for both the industry and the bank**

- Positive net new money in our wealth management businesses
- Our FX business in the Investment Bank performed well

## **The implementation of our cost reduction program is on track**

- We remain vigilant on costs

## **Our capital, liquidity and funding positions are sound**

- Basel 2 tier 1 ratio improved to 18.4%, stable risk-weighted assets
- Tangible book value up 11% quarter-on quarter

## **We are preparing for the future**

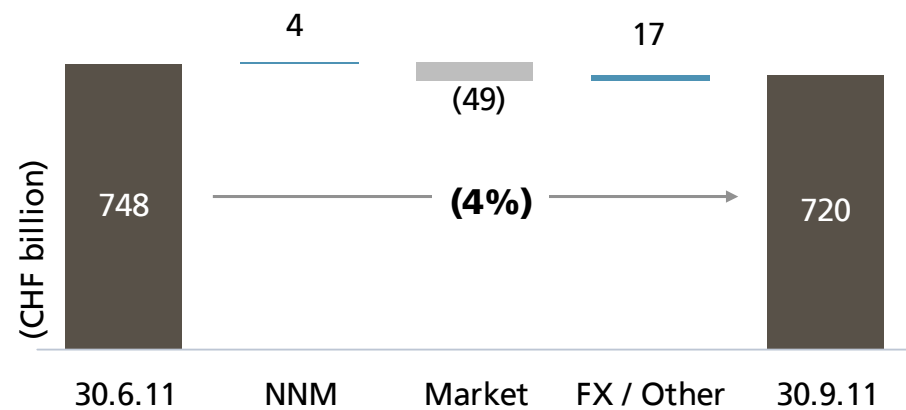
- Significant reduction in residual risk exposures

---

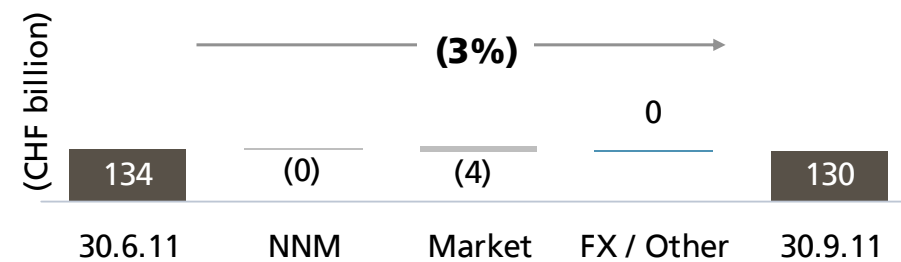
# Appendix

# Invested assets

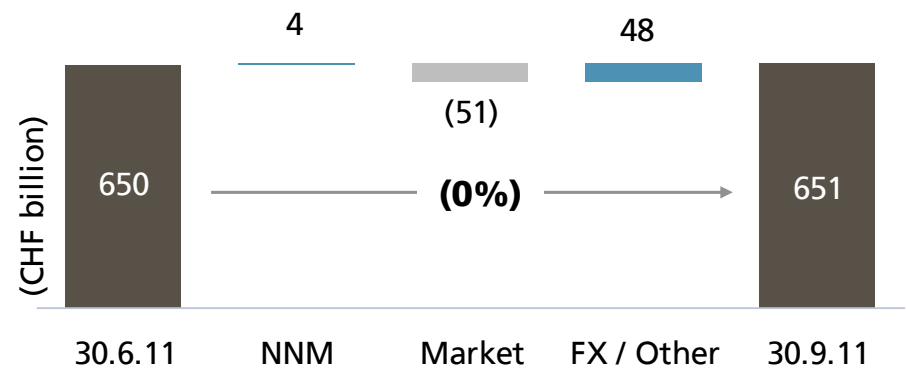
## Wealth Management



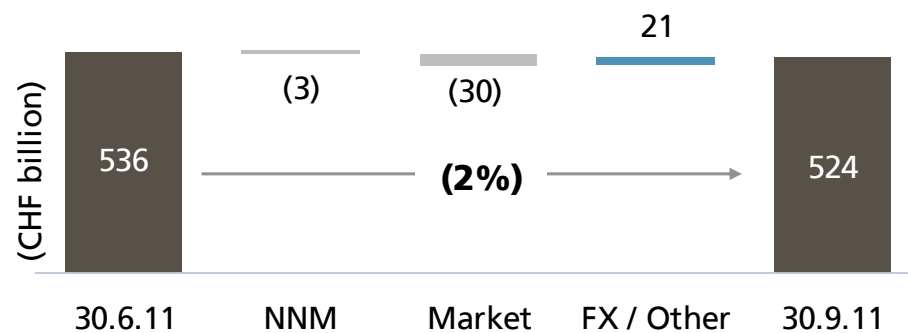
## Retail & Corporate



## Wealth Management Americas

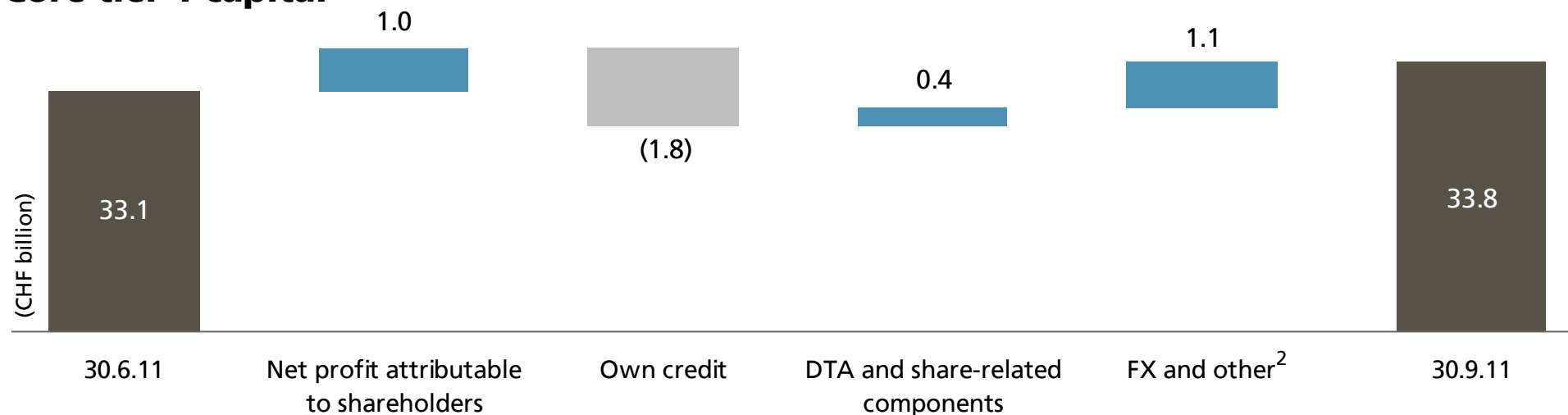


## Global Asset Management

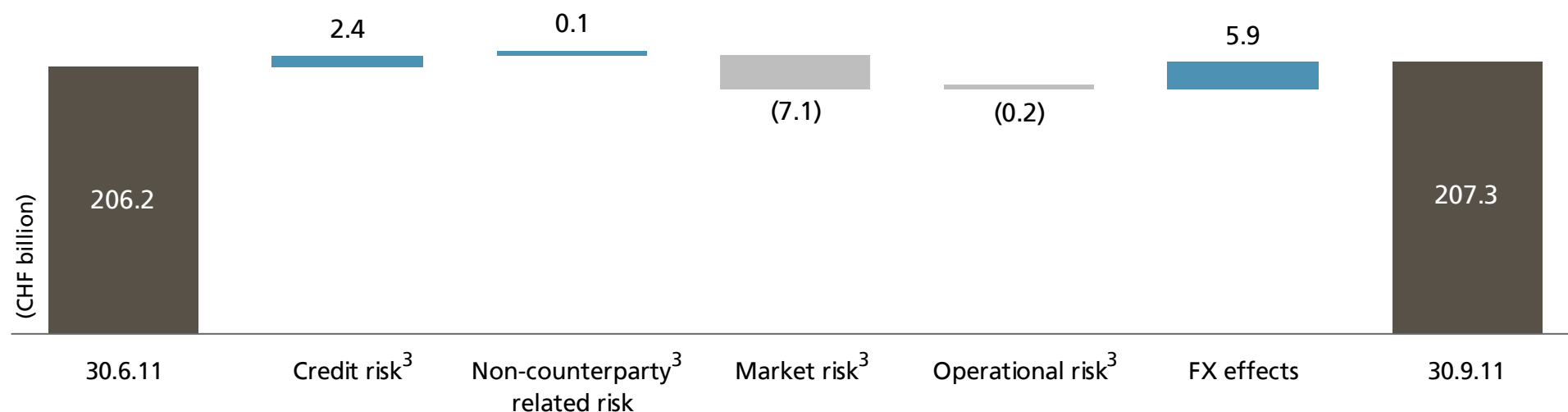


# Core tier 1 capital and RWAs (Basel 2)

## Core tier 1 capital<sup>1</sup>



## Risk-weighted assets



<sup>1</sup> 30.9.11 includes IFRS deferred tax assets on net operating losses of CHF 8,191 million; 30.9.11 deferred pension expenses CHF 3,279 million

<sup>2</sup> Includes changes in deduction items

<sup>3</sup> Adjusted for FX effect

# Capital position – Basel 2.5

## Pro-forma Basel 2.5 tier 1 ratio of 13.2% on 30.9.11

- Basel 2.5 RWAs of CHF 284 billion for the Group

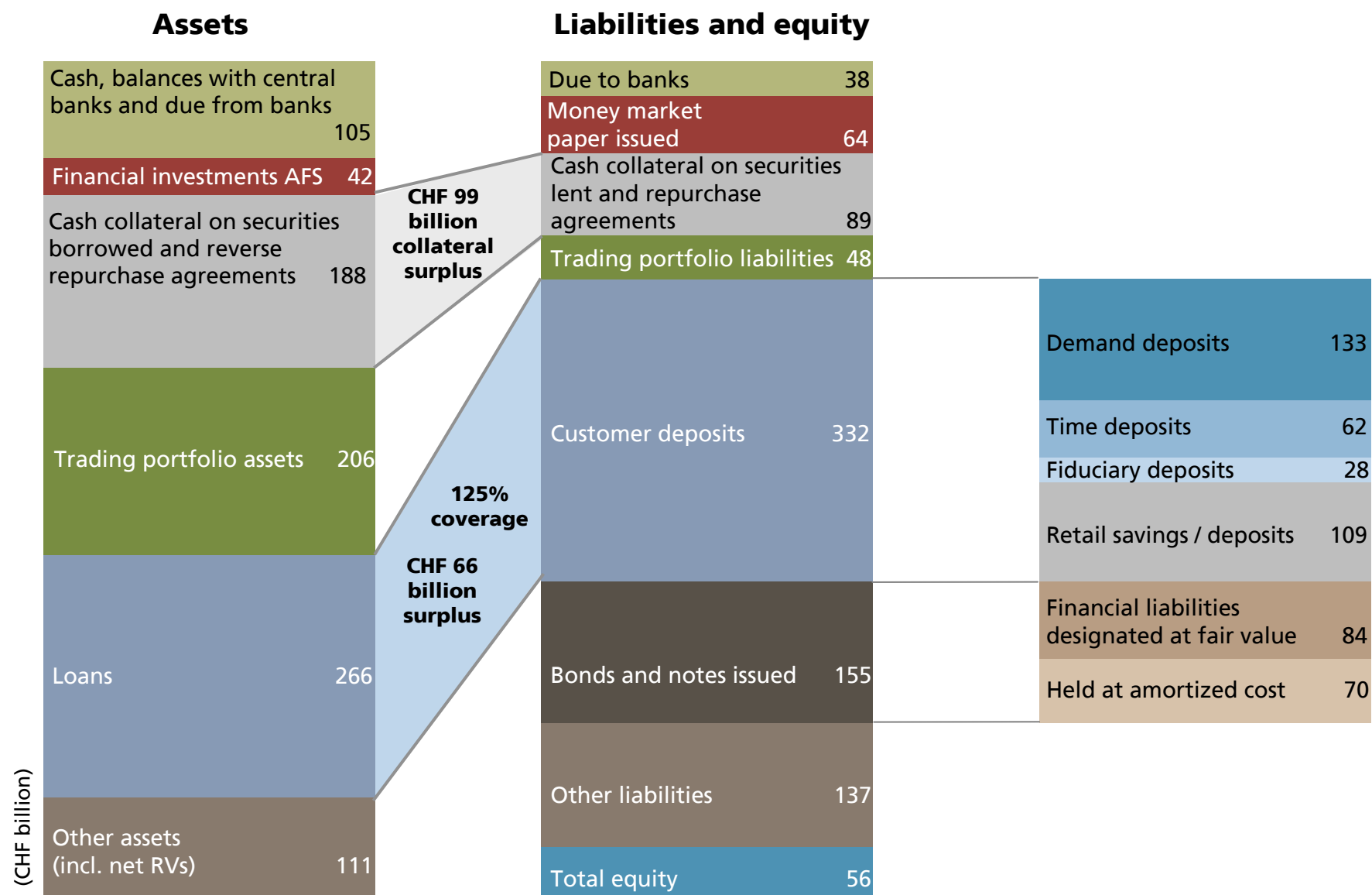
(CHF billion)	Basel 2 RWAs	Basel 2.5 RWAs	Change	
Wealth Management & Swiss Bank	42	42	0	
Wealth Management Americas	24	26	1	
Global Asset Management	4	4	0	
Investment Bank	127	198	70	
Corporate Center	11	16	5	
Group	207	284	77	

VaR	(4)
Stressed VaR	37
IRC <sup>1</sup>	26
CRM <sup>2</sup>	14
Securizations <sup>3</sup>	3

- Basel 2.5 tier 1 capital of CHF 37.5 billion
  - Tier 1 deduction of CHF 0.6 billion due to additional deduction for low-rated securitization exposures

# Asset funding – 30 September 2011

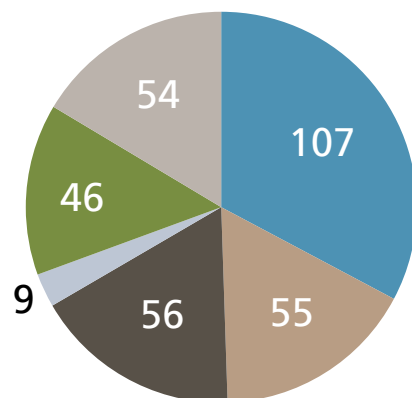


# Funding sources by currency – 30 September 2011

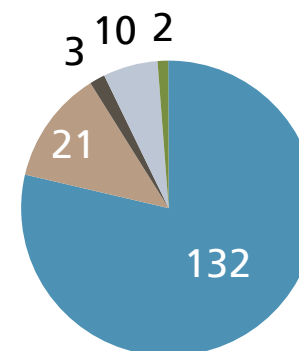
Customer deposits represent a significant source of funding in all major currencies

(CHF billion)

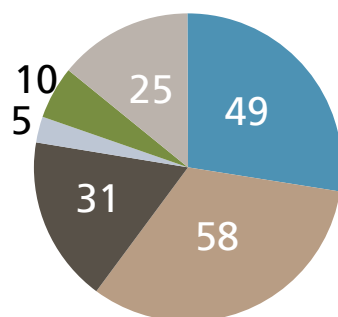
**42% USD<sup>1</sup>**  
CHF 326 billion



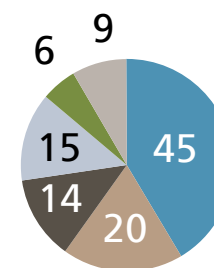
**22% CHF<sup>1</sup>**  
CHF 168 billion



**23% EUR<sup>1</sup>**  
CHF 178 billion



**14% other<sup>1</sup>**  
CHF 109 billion



■ Customer deposits 
 ■ Bonds and notes issued 
 ■ Cash margin<sup>2</sup>
■ Interbank 
 ■ Money market paper issued 
 ■ Repos



<sup>1</sup> In % of total funding on the balance sheet (CHF 781 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>2</sup> Comprises cash collateral payable on derivatives and prime brokerage payables