



Bank of America Merrill Lynch Banking & Insurance Conference

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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. These factors include, but are not limited to: (i) the degree to which UBS is successful in executing its announced strategic plans, including its efficiency initiatives and its planned further reduction in its Basel III risk-weighted assets (RWA) and leverage ratio denominator; (ii) developments in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, currency exchange rates and interest rates and the effect of economic conditions and market developments on the financial position or creditworthiness of UBS’s clients and counterparties; (iii) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, or arising from requirements for bail-in debt or loss-absorbing capital; (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK and other financial centers that may impose more stringent capital (including leverage ratio), liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration or other measures; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve reductions to the incremental RWA resulting from the supplemental operational risk-capital analysis mutually agreed to by UBS and FINMA, or will approve a limited reduction of capital requirements due to measures to reduce resolvability risk; (vi) the degree to which UBS is successful in executing the announced creation of a new Swiss banking subsidiary, a holding company for the UBS Group (including the offer to exchange UBS shares for UBS Group shares), a US intermediate holding company, changes in the operating model of UBS Limited and other changes which UBS may make in its legal entity structure and operating model, including, the possible consequences of such changes, and the potential need to make other changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, including capital requirements, resolvability requirements and the pending Swiss parliamentary proposals and proposals in other countries for mandatory structural reform of banks; (vii) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (viii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations; (ix) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (x) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors including differences in compensation practices; (xi) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xii) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xiii) whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; (xiv) the occurrence of operational failures, such as fraud, unauthorized trading and systems failures; and (xv) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. 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 2013. 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.

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Key messages

We have adapted our strategy to the new regulatory environment

- Transformed our business model and exited high capital intensity activities under Basel III
- Continue successful RWA and balance sheet reduction in Non-core and Legacy Portfolio

We are well ahead of existing regulatory requirements

- Met our current estimated 2019 requirements for Swiss SRB capital and leverage ratios
- Very strong funding position, with LCR and NSFR well above 2019 regulatory requirements
- Adapting to future TBTF requirements by establishing a Group Holding Company

Cost efficiency and pricing discipline are supporting profitability

- Mitigating higher capital requirements, costs of regulation and low interest rates

We are well-positioned to benefit from rising interest rates

- Positive rates exposure in wealth management, retail and commercial banking activities

We adapted our strategy and business mix to the new regulatory environment

Our businesses

Our objectives

Wealth management businesses

World's leader in HNW and UHNW banking with unrivaled scope and scale

- Remain leading large-scale wealth manager in the world
- Gain market share in established markets, and capture wealth creation in APAC and EM
- Achieve superior pre-tax profit growth vs. peers

Retail & Corporate

Leading position across retail, corporate and institutional client segments in Switzerland

- Continue providing a full suite of banking products to clients
- Maintain leading position and stable profit contribution
- Factor in the costs of regulation in our pricing

Global Asset Management

Well diversified and strongly positioned in key growth areas

- Strengthen investment performance culture
- Focus product offering and strengthen distribution around growth areas
- Achieve profit before tax target of CHF 1 billion

Investment Bank

Capital-efficient, client-focused with attractive risk-adjusted returns

- Deliver attractive returns with allocated resources
- Strengthen our position in our targeted businesses
- Grow contribution to the rest of UBS's businesses

Leveraging the Group's capabilities to serve our clients

Retail & Corporate

- Leading Swiss product offering; award-winning e-banking platform
- Full-service coverage for SMEs of wealth management clients
- Local service with over 300 branches across Switzerland

Global Asset Management

- Wide range of investment products
- Strength in high-alpha, smart-beta capabilities and multi-asset solutions
- Tailored solutions

Investment Bank

- Access to capital markets, product development and superior execution
- Leading equities platform with top-tier research offering
- Foreign exchange, rates and credit business focused on client flow
- M&A advisory and other Corporate Finance services
- Joint venture with wealth management businesses: Global Family Office



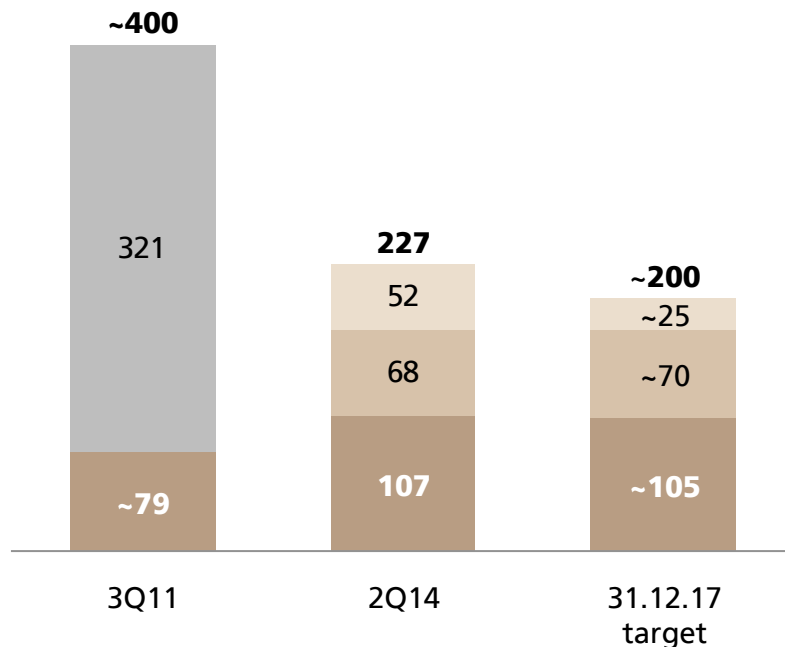
**Our wealth
management
clients**

Driving capital efficient growth in our highly cash-flow generative businesses

Group RWA targets will be met by reduction of Non-core and Legacy Portfolio

Swiss SRB RWA

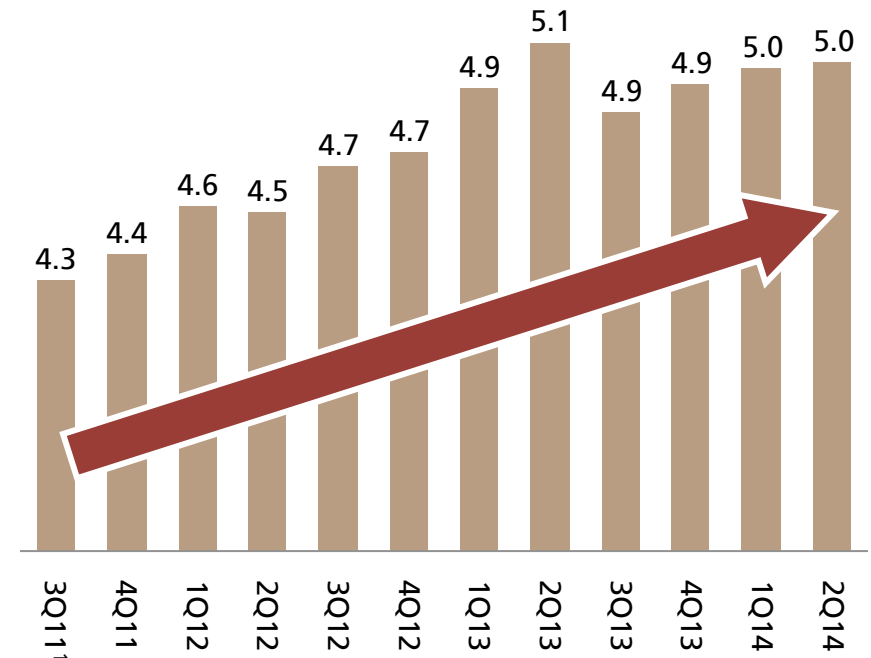
CHF billion



- Non-core and Legacy Portfolio
- Investment Bank
- WM, WMA, R&C, Global AM and Corporate Center – Core Functions

Quarterly operating income

CHF billion



- WM, WMA, R&C and Global AM



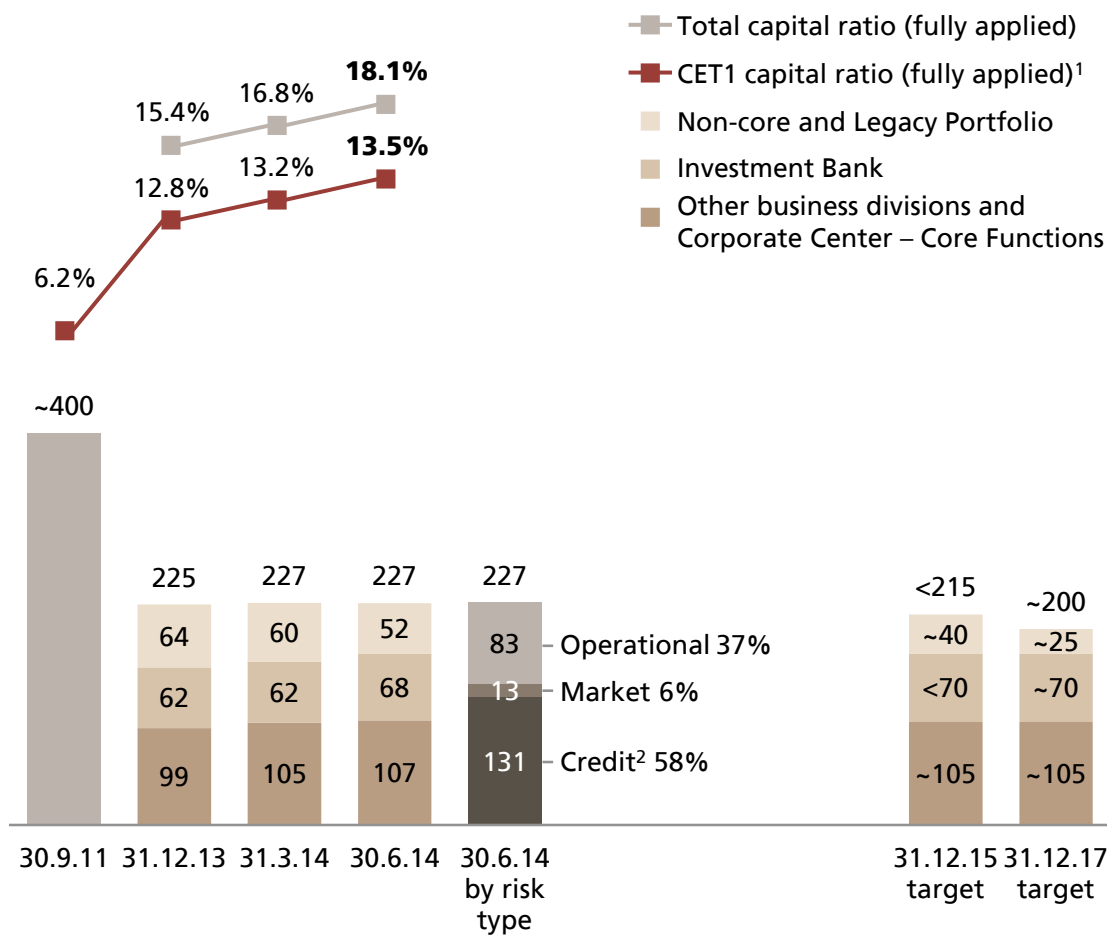
Refer to slide 13 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
 1 Excludes gain of CHF 0.7 billion on the sale of our strategic investment portfolio, refer to the 3Q11 financial report for more detail

We have adapted to increasing capital requirements

Met our estimated 2019 requirements for Swiss SRB capital and leverage ratios

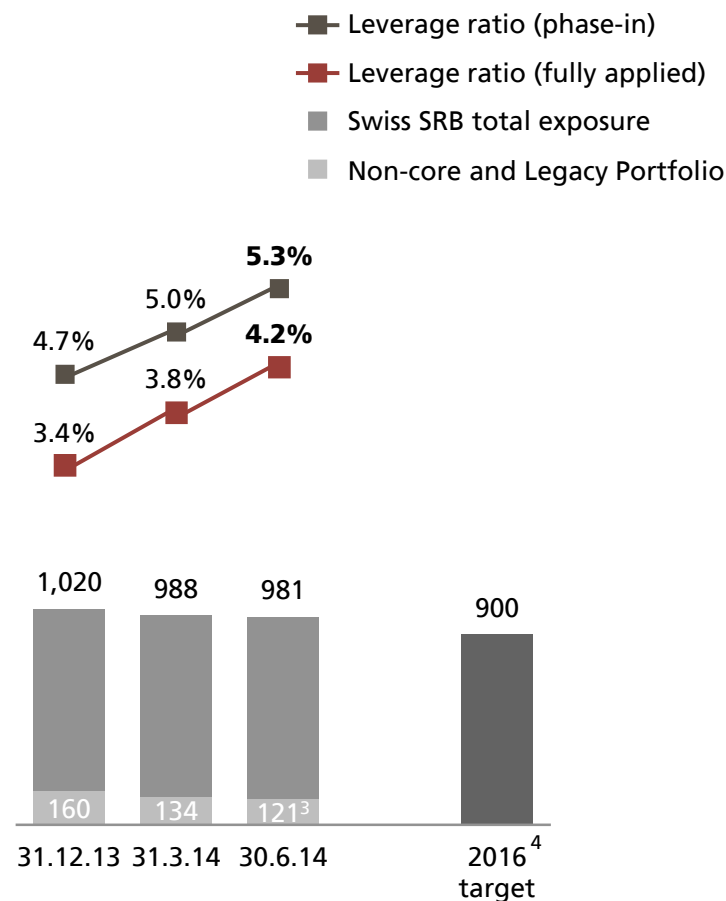
Swiss SRB RWA and capital ratios

CHF billion



Swiss SRB LRD and leverage ratio

CHF billion



Refer to slide 13 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

¹ At the end of the second quarter, our post-stress CET1 capital ratio exceeded our objective of achieving and maintaining a post-stress CET1 capital ratio of at least 10% on a fully applied basis, refer to the "Capital management" section of the 2Q14 financial report for more detail; ² Includes CHF 13 billion for non-counterparty-related risk; ³ Full exit of Non-core and Legacy Portfolio equivalent to ~50-60 bps increase in fully applied Swiss SRB leverage ratio based on current fully applied Swiss SRB leverage ratio numerator and denominator; ⁴ Based on the rules applicable as of the announcement of the target (6.5.14)



Capital strength is the foundation of our success

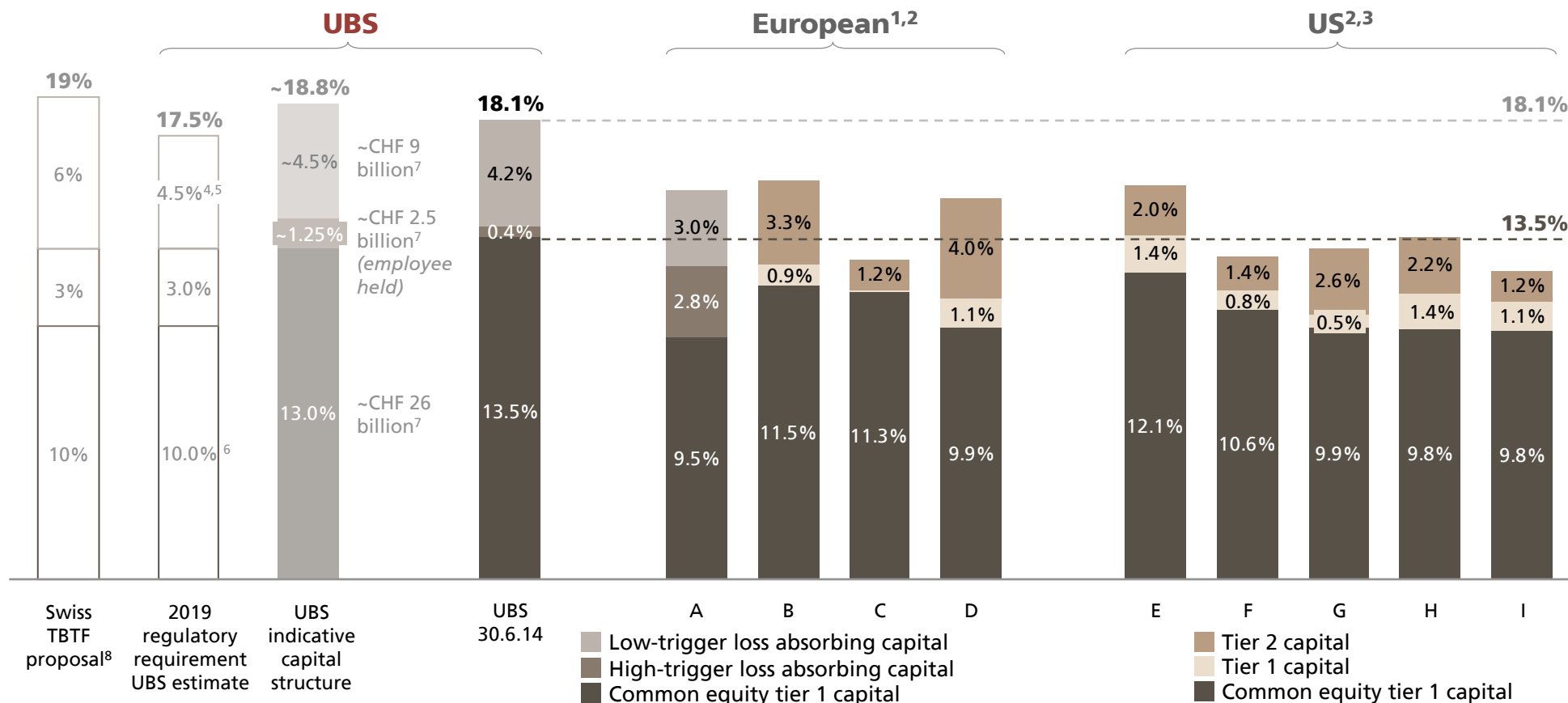
We have the highest Basel III CET1 capital ratio amongst large global banks

Swiss SRB Basel III fully applied capital

30.6.14

Basel III fully applied capital Large global banks

30.6.14

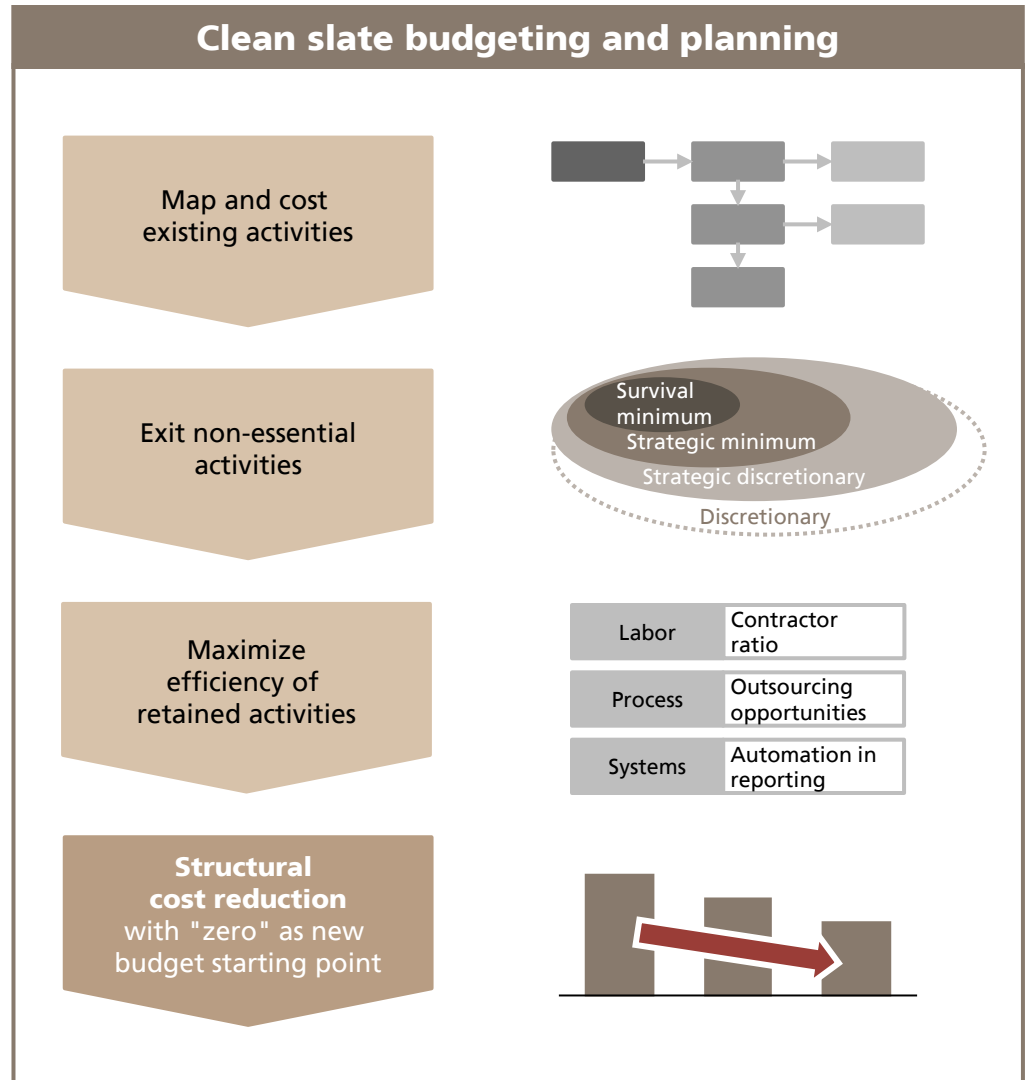
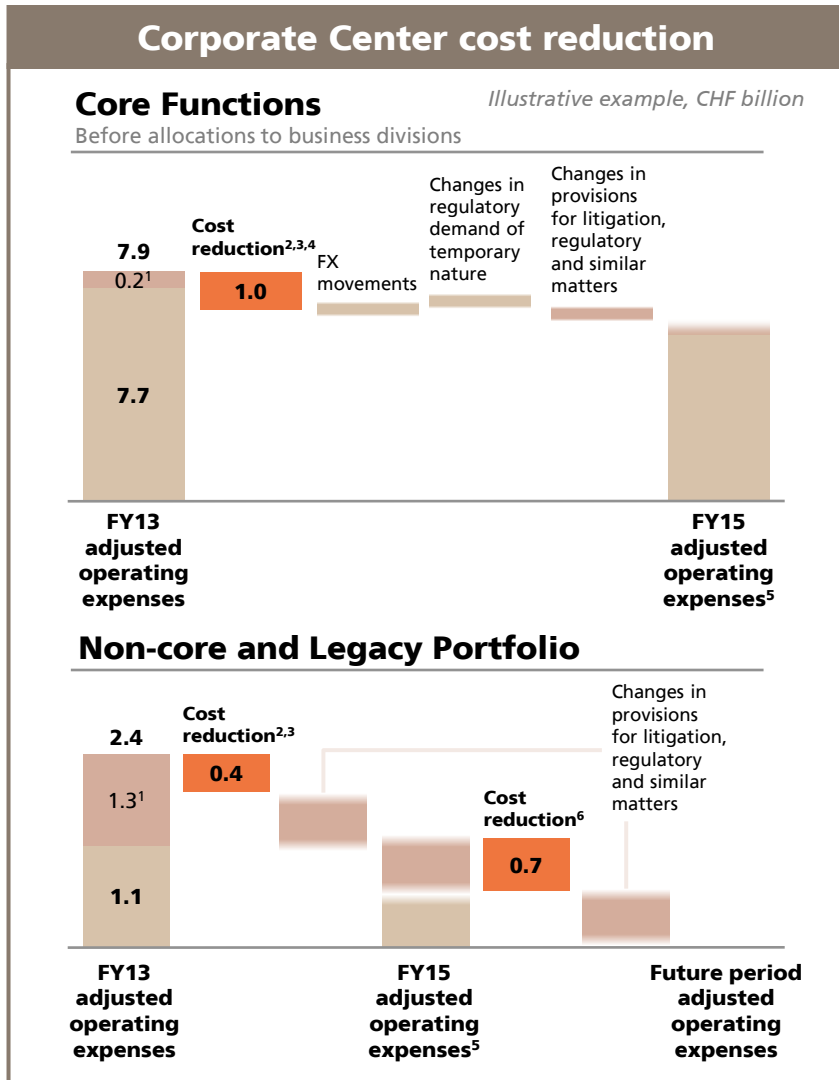


Refer to slide 13 for details about adjusted numbers, Basel III numbers and FX rates in this presentation; 1 Basel III Common Equity Tier 1 capital ratios (fully applied) as per CRD IV; 2 Based on latest available data from company reports; 3 Basel III Common Equity Tier 1 capital ratios fully applied under advanced approach; 4 Our requirement for the progressive buffer capital is dynamic and depends on our Group total LRD, as well as our market share in the systemically relevant loans and deposits business in Switzerland. We expect our 2019 requirement to be ~4.5%, due to our planned balance sheet reduction and the resulting reduction of our LRD; 5 Estimate does not include any potential capital rebate from improved Group resolvability resulting from actions such as the successful creation of a Group holding company; 6 Capital requirements for 2019 do not include a countercyclical buffer requirement, as potential future developments cannot be accurately predicted and may vary from period to period; 7 Based on RWA target of CHF 200 billion; 8 Based on estimated market share and total exposure as of 31.12.09



Cost efficiency is a key lever to support profitability

We are on track to deliver targeted cost reductions in the Corporate Center



Refer to slide 13 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Provisions for litigation, regulatory and similar matters; 2 Measured by 2015 year-end exit rate versus FY13 adjusted operating expenses; 3 Measured net of changes in charges for provisions for litigation, regulatory and similar matters; 4 Measured net of FX movements and changes in regulatory demand of temporary nature; 5 2015 year-end exit rate adjusted operating expenses; 6 Reduction in annual adjusted operating expenses versus FY13

Optimizing pricing today and geared for higher interest rates in the future

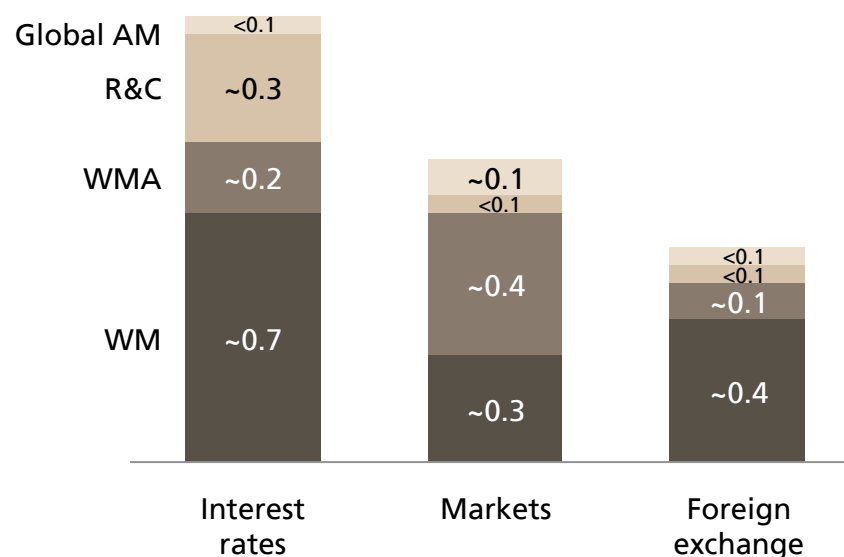
We are improving pricing and are positively geared to rising interest rates

Today: we are optimizing pricing

Wealth Management	<ul style="list-style-type: none"> • Pricing of retrocession free mandates • Lombard margins and custody fees • Minimum service fees
Wealth Management Americas	<ul style="list-style-type: none"> • Discount management • Relationship-based pricing management
Retail & Corporate	<ul style="list-style-type: none"> • Mortgage pricing • Client deposit pricing management • Product bundles
Investment Bank	<ul style="list-style-type: none"> • Strict monitoring and management of economic profit • Optimization of resource allocation to most profitable clients and activities

Future: geared to increasing interest rates

Estimated incremental revenues per year¹
CHF billion



Interest rates: 100 bps increase in interest rates
(parallel increase across all currencies)²

Markets: 10% rise in global security prices
(equities and bonds)³

Foreign exchange: 10% weakening of Swiss Franc
(against major global currencies, net)^{4,5}

Group holding company: further adapting to global regulatory changes

Modifying legal structure to enhance resolvability and to improve capital returns potential

Intention to establish UBS Group AG, a Group holding company

Measures announced previously

Switzerland

- Establish a Swiss banking subsidiary, UBS Switzerland AG, starting mid-2015
 - Full scope to include Retail & Corporate and Swiss-booked Wealth Management business
- UBS AG remains a Swiss domiciled company

UK

- Increased self-sufficiency of UBS Limited
- UBS AG increased capitalization of UBS Limited in 2Q14

US

- Required to establish an intermediate holding company (IHC) by 1 July 2016

Improving capital returns

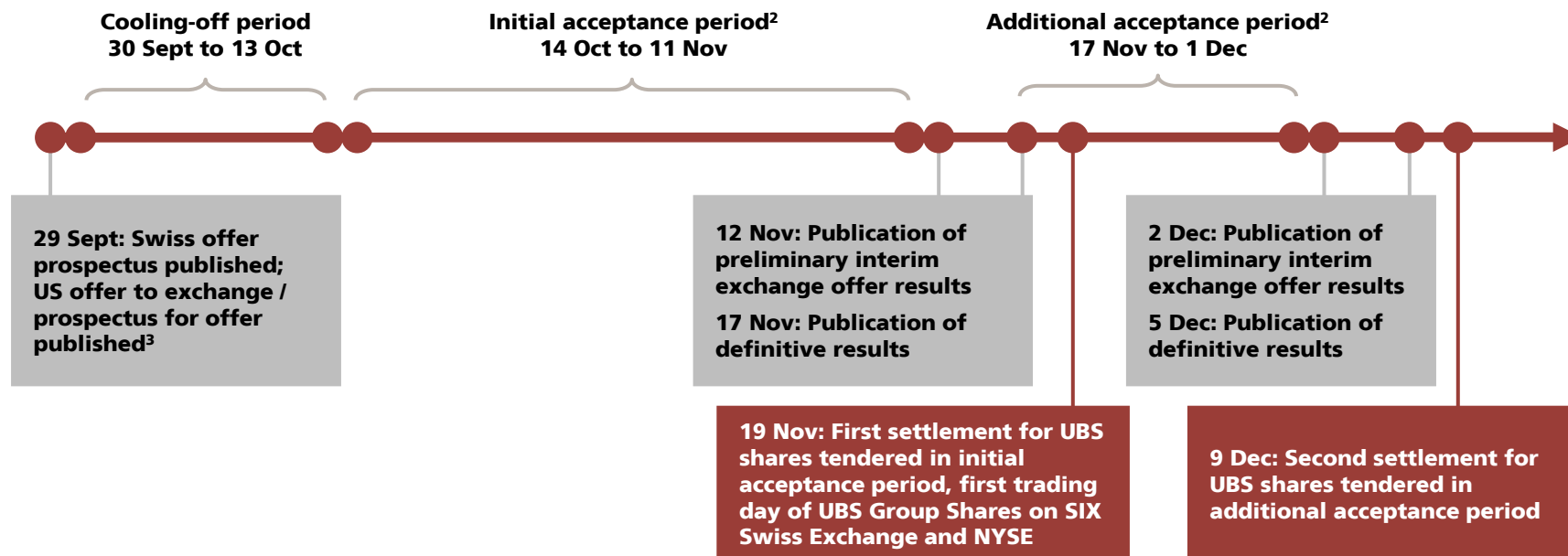
Anticipated supplementary capital return of at least CHF 0.25 per share from Group holding company after a successful share-for-share exchange...

... in addition to at least 50% net profit attributable to shareholders

Group holding company: share for share exchange timeline

Share exchange timetable commenced 29 September

Indicative timetable of principal events¹



- The exchange offer may take up to three months from the publication of the Swiss and US prospectuses⁴ to final settlement of the offer, any squeeze-out required thereafter could take several additional months
- Shareholders will be able to tender their shares in an initial and additional acceptance period
- A key condition for the successful completion of the offer is achieving a 90% acceptance level by shareholders
- Enhanced resolvability is expected to result in UBS qualifying for a capital rebate under Swiss Too-Big-To-Fail legislation
- Following successful completion of the transaction, we expect to propose a supplementary capital return of at least CHF 0.25 per share⁵ from the Group holding company, which would be separate and in addition to our targeted capital return of at least 50% of net profit attributable to shareholders⁶

Key messages

We have adapted our strategy to the new regulatory environment

We are well ahead of existing regulatory requirements

Cost efficiency and pricing discipline are supporting profitability

We are well-positioned to benefit from rising interest rates

Important information related to numbers shown in this presentation

Use of adjusted numbers

Unless otherwise indicated, “adjusted” figures exclude the adjustment items listed on the previous slide, to the extent applicable, on a Group and business division level. Adjusted results are a non-GAAP financial measure as defined by SEC regulations. Refer to pages 13-14 of the 2Q14 financial report for an overview of adjusted numbers.

Basel III RWA, Basel III capital and Basel III liquidity ratios

Basel III numbers are based on the BIS Basel III framework, as applicable for Swiss Systemically relevant banks (SRB). In the presentation are SRB Basel III numbers unless otherwise stated. Our fully applied and phase-in Swiss SRB Basel III and BIS Basel III capital components have the same basis of calculation, except for differences disclosed on page 85 of the 2Q14 financial report.

Basel III risk-weighted assets in the presentation are calculated on the basis of Basel III fully applied unless otherwise stated. Our RWA under BIS Basel III are the same as under Swiss SRB Basel III.

Leverage ratio and leverage ratio denominator in this presentation are calculated on the basis of fully applied Swiss SRB Basel III, unless otherwise stated.

From 1Q13 Basel III requirements apply. All Basel III numbers prior to 1Q13 are on a pro-forma basis. Some of the models applied when calculating pro-forma information required regulatory approval and included estimates (discussed with our primary regulator) of the effect of these new capital charges.

Refer to the “Capital Management” section in the 2Q14 financial report for more information.

Currency translation

Monthly income statement items of foreign operations with a functional currency other than Swiss francs are translated with month-end rates into Swiss francs. Refer to “Note 17 Currency translation rates” in the 2Q14 financial report for more information.

Rounding

Numbers presented throughout this presentation may not add up precisely to the totals provided in the tables and text. Percentages, percent changes and absolute variances are calculated based on rounded figures displayed in the tables and text and may not precisely reflect the percentages, percent changes and absolute variances that would be derived based on figures that are not rounded.

Net profit attributable to preferred noteholders

Purchase of UBS AG shares by UBS Group AG pursuant to the exchange offer to create a group holding company is expected to cause a triggering event which results in accruals for future distributions to preferred noteholders. Assuming the acceptance date for the exchange offer is in the 4Q14, we expect to attribute further net profit to preferred noteholders of up to approximately CHF 80 million in that period. If we have attributed net profit to preferred noteholders of CHF 80 million in 4Q14, we would expect to attribute net profit to preferred noteholders of approximately CHF 30 million in 2015 and CHF 80 million in 2016.