



# Investment Bank

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Co-CEOs UBS Investment Bank*

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# Key messages

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1. Resized, more stable and re-organized around strengths

2. Client-centric business model based on flow and advice

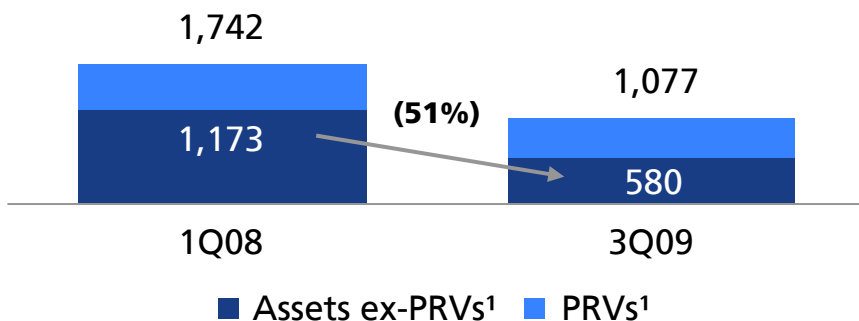
3. Rebuild selected businesses, enhance strengths and increase integration

4. Achievable medium-term goals

# Resized, de-risked and more stable

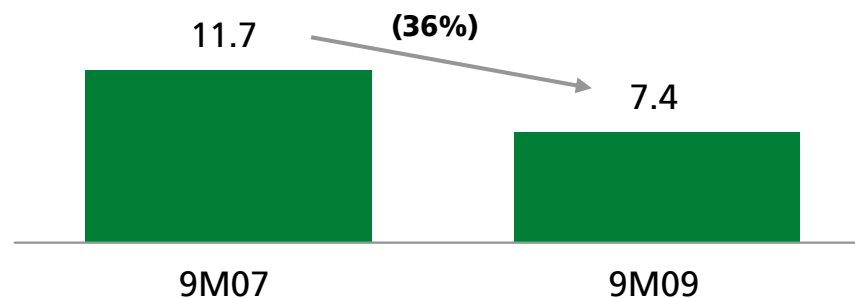
## Balance sheet control

**Assets<sup>1</sup>**  
(CHF billion)

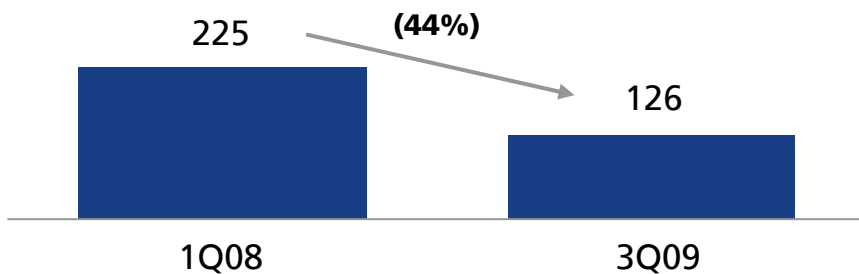


## Operating cost control

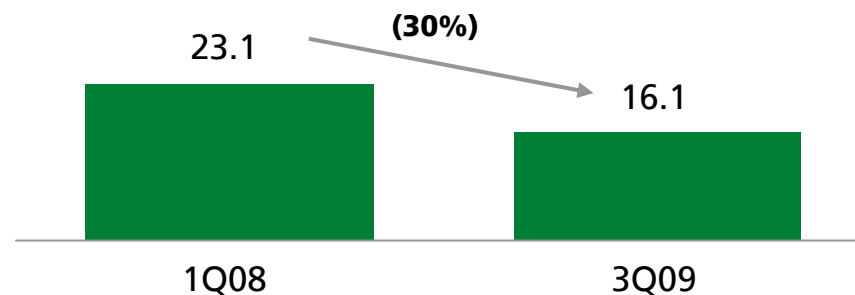
**Operating costs**  
(CHF billion)



**Risk-weighted assets**  
(CHF billion)



**Personnel**  
(FTE, 000's)



<sup>1</sup> Total assets excludes CHF 149 billion in 1Q08 and CHF 42 billion in 3Q09 of Group-related items

# Franchise strengths

## Attracting talent to the IB ...

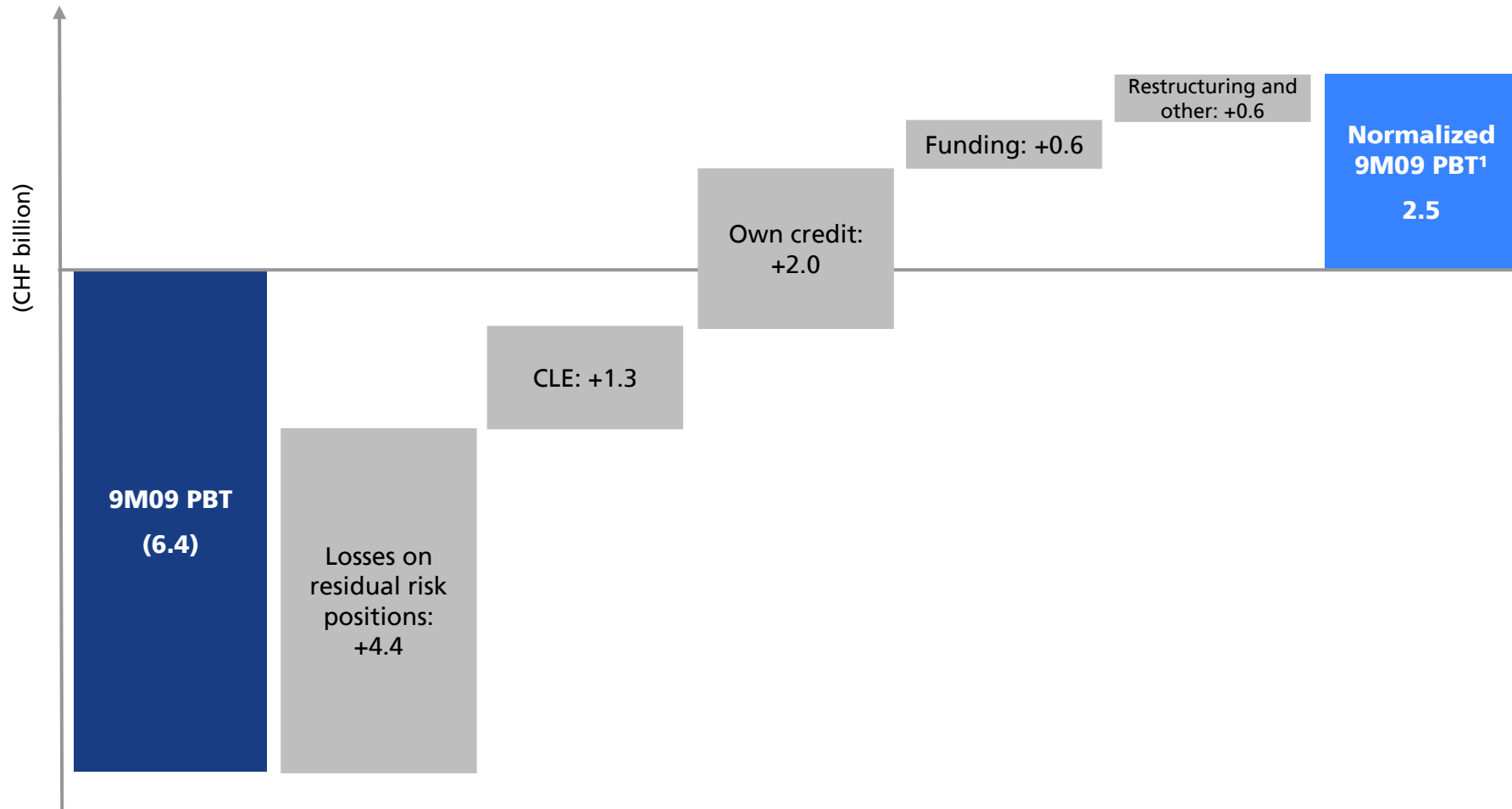
	FICC	Equities	IBD
Key hires <sup>1</sup>	<p><b>200 FICC hires YTD</b></p> <p>115 new MDs and EDs</p> <p>64% joined in last 3 months</p>	<p><b>167 Equities hires YTD</b></p> <p>76 new MDs and EDs</p> <p>58% joined in last 3 months</p>	<p><b>67 IBD hires YTD</b></p> <p>31 new MDs and EDs</p> <p>87% joined in last 3 months</p>
Resilient positioning	<p><b>FX</b></p> <p>#2 globally</p> <p>15% market share<sup>2</sup></p>	<p><b>Cash Equities</b></p> <p>Top 3 globally</p> <p>11% market share<sup>3</sup></p>	<p><b>Advisory</b></p> <p>Top 4 globally</p> <p>6.5% market share in 2009<sup>4</sup></p> <p><b>ECM</b></p> <p>Top 3 global firm in 2009<sup>5</sup></p>

... which has a strong underlying business and franchise potential

- 1 Excludes Non Officers
- 2 Based on 2009 Euromoney poll results
- 3 Based on UBS management assessment
- 4 Based on 9M 2009 Dealogic data
- 5 Based on company and peer reported data

# CHF 2.5 billion – normalized 9M09 profitability<sup>1</sup>

On a normalized basis, the underlying IB business is profitable

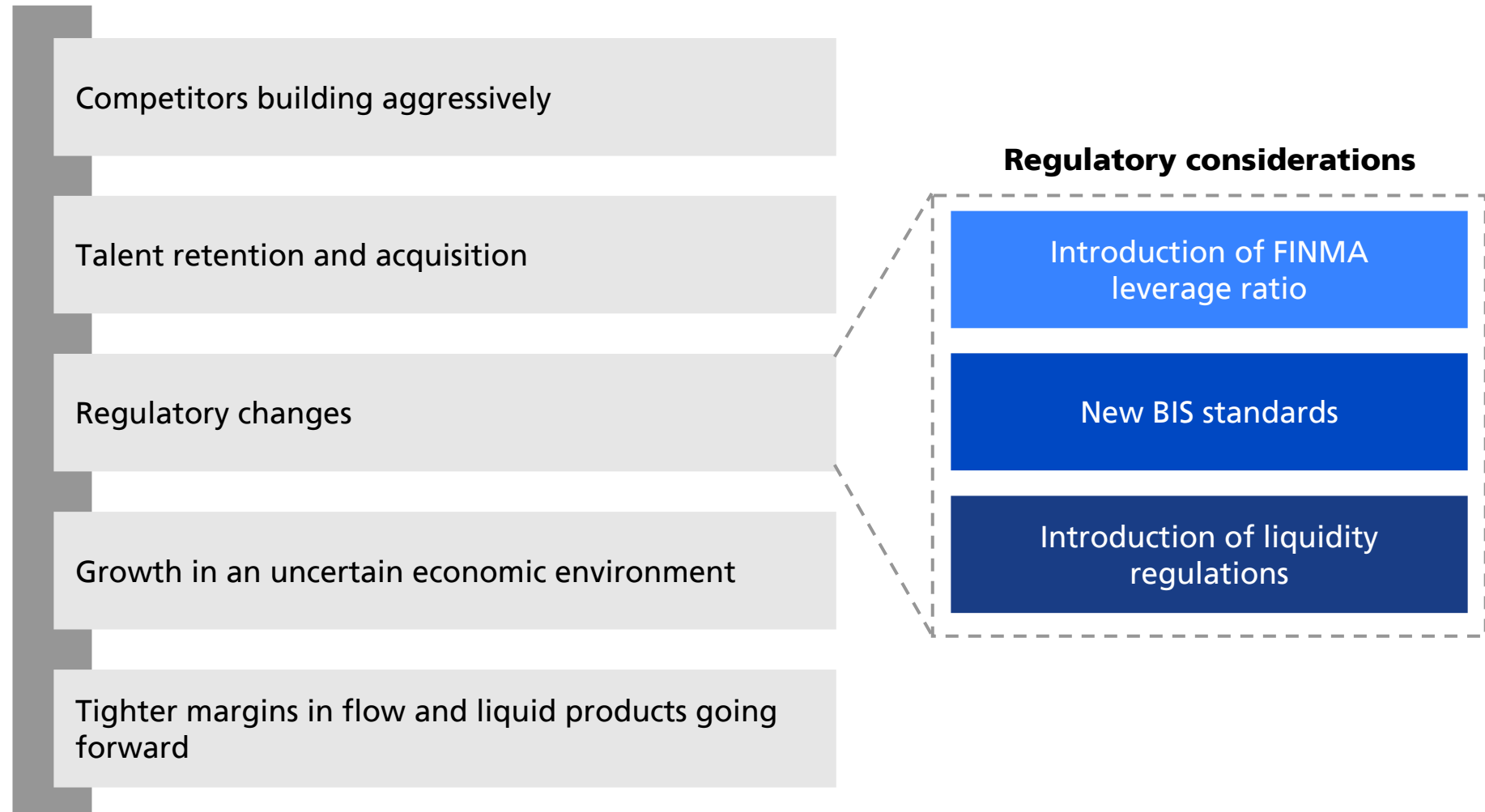


**Able to generate sustainable returns with less volatility**

<sup>1</sup> Normalization details: Losses on residual risk positions based on previous disclosure. CLE adjustments based on 2004-2009 average excluding reclassified securities. Funding assumes adjustments based on 3Q09 funding. Restructuring and other adjustments based on previous disclosure

# Key market challenges

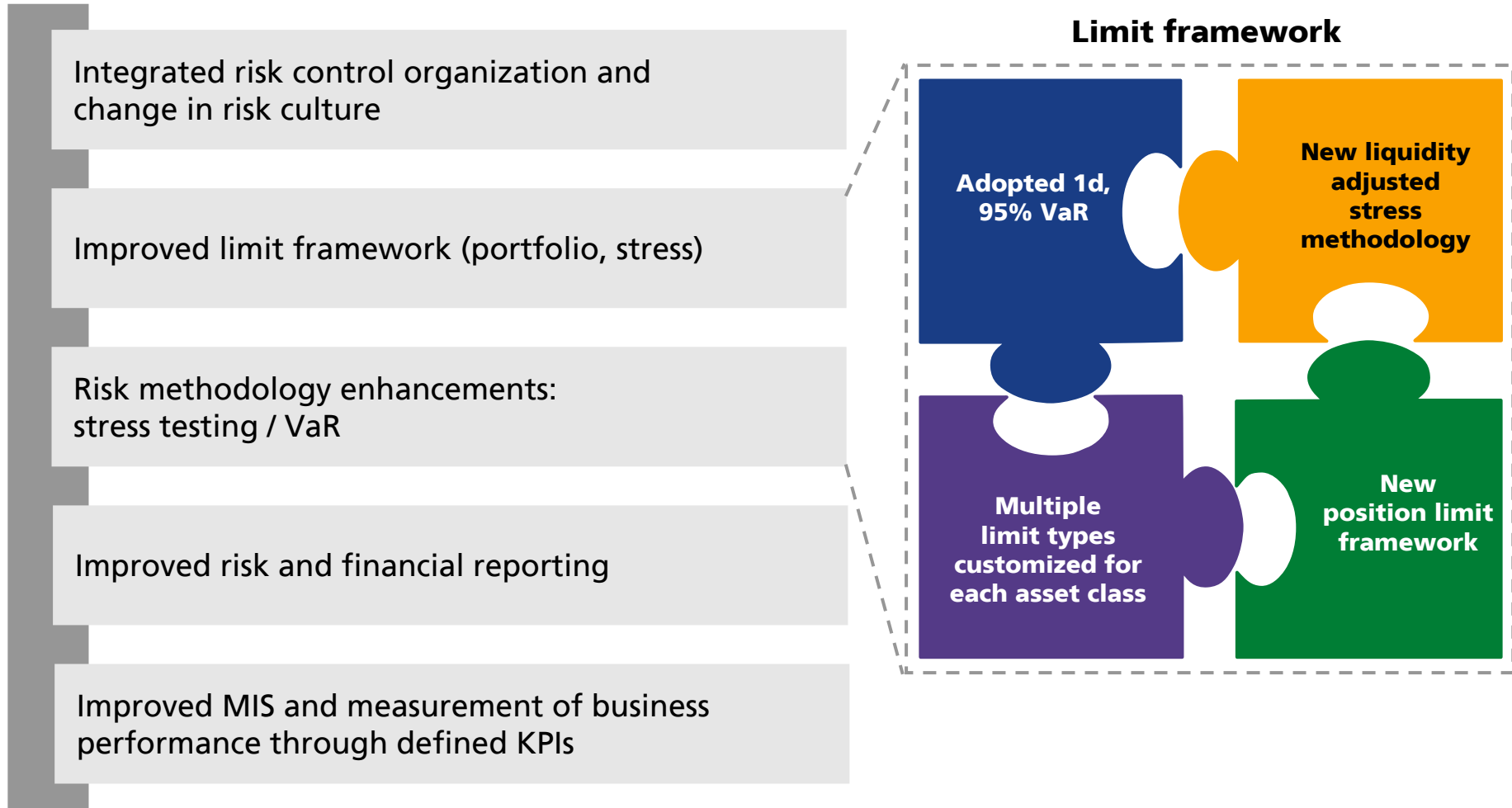
While market challenges persist...



... the Investment Bank is now well positioned

# Rigorous, disciplined risk management and control

## Strengthened management and control framework ...



... the cornerstone of the strategic plan



# Key messages

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1. Resized, more stable and re-organized around strengths

2. Client-centric business model based on flow and advice

3. Rebuild selected businesses, enhance strengths and increase integration

4. Achievable medium-term goals

# A differentiated business model ...

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## **Focused client service provider**

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Client-centric business based on flow and advice

Provider of integrated IB/WM/AM client solutions

Infrastructure / execution excellence with disciplined risk controls

Sustainably profitable in all chosen markets and products



## **Everything to everybody, everywhere**

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Large-scale proprietary risk-taker

Market share through the balance sheet

A warehouse for securities or derivatives positions

Provider of all products, in all markets, chasing market share

**... that is focused and disciplined**

# Balance sheet efficiency and turnover

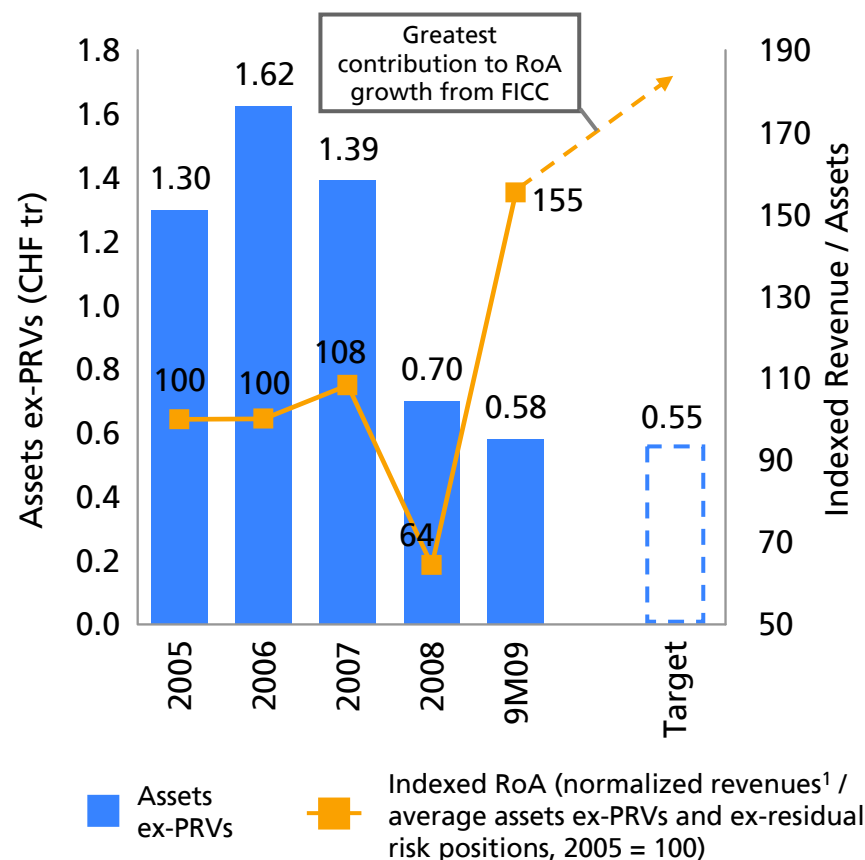
## Improving return on balance sheet assets through increased velocity

### Risk-weighted assets (30 Sept 2009)

	% of total
FICC <sup>1</sup>	40
Equities	11
IBD	7
Residual risk positions	25
Operational risk	15
Other	1

<sup>1</sup> Excluding residual risk positions

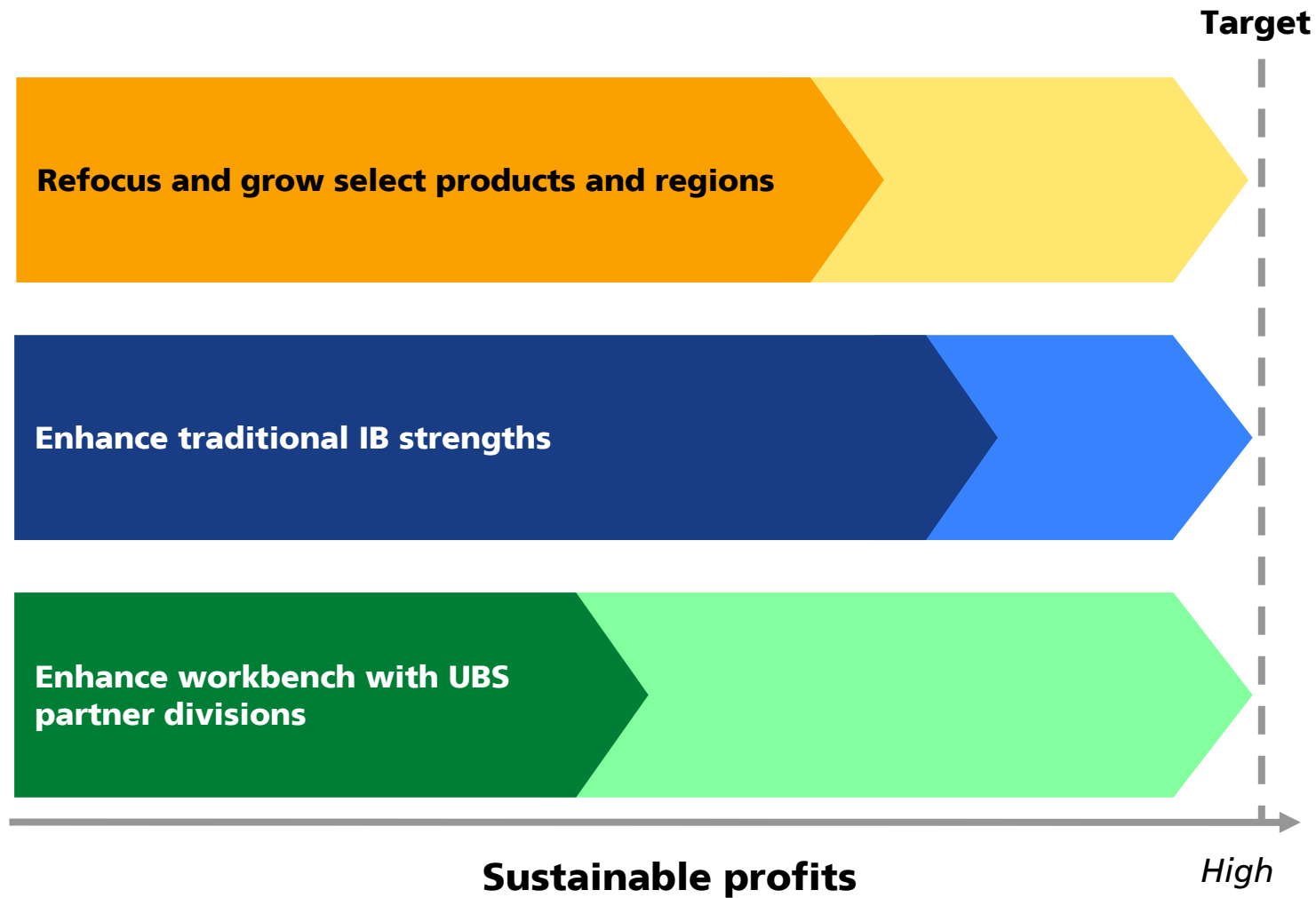
### Historical evolution of asset utilization: normalized revenues / assets



<sup>1</sup> 2007 to 2009 total IB income normalized for losses. 2009 normalized for funding. Refer to slide 5 for details on normalization

# IB strategy – simple but effective

Leveraging our strengths and building selected areas



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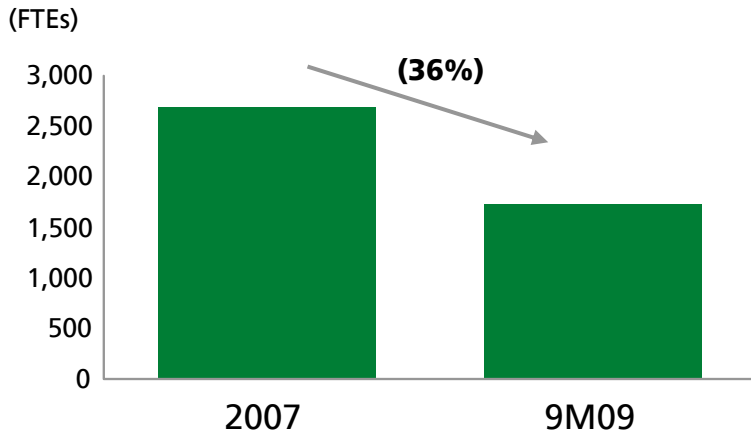
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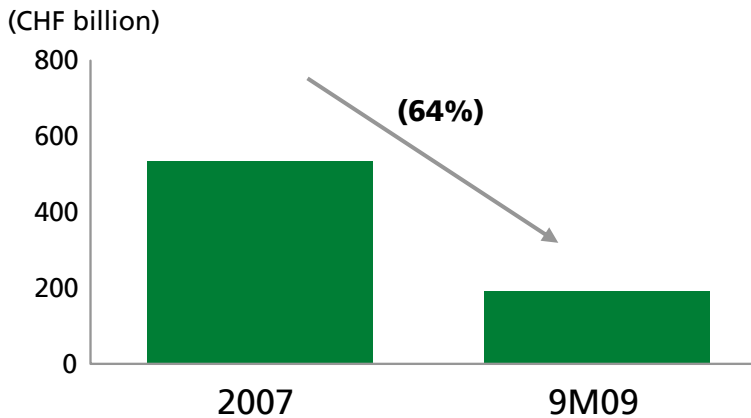
# Restructured FICC

Restructured, refocused and delivering better performance with fewer resources

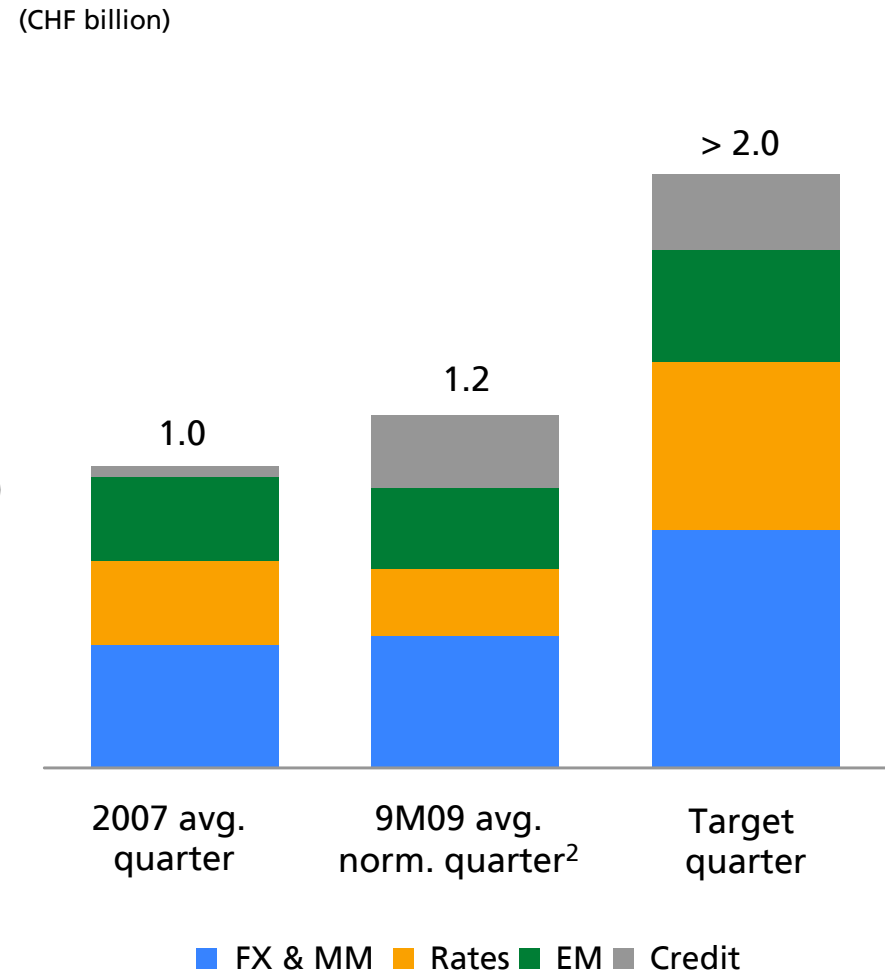
## FICC permanent personnel<sup>1</sup>



## FICC assets ex-PRVs<sup>1</sup>



## FICC excluding P&L from residual risk assets<sup>1</sup>



<sup>1</sup> Excludes residual risk positions and the assets and personnel related to them  
<sup>2</sup> Refer to slide 5 for details on normalization

# FICC – achievable strategy

Focused on sustainable, scalable and high quality earnings...

## Key areas

Refocus and grow select products & regions

Credit  
Rates  
EM

Enhance traditional IB strengths

FX&MM

Enhance workbench with UBS partner divisions

Across products

FICC-driven securities alignment initiatives

## Execution

- ◆ Agency and flow-based trading
- ◆ Add sales capabilities
- ◆ Rebuild client coverage
- ◆ Onshore emerging markets platforms
  
- ◆ Agency, flow-based and selected proprietary trading
- ◆ Add sales capabilities
  
- ◆ Expand bespoke product offering
- ◆ Leverage WM flow across products
- ◆ Enhance current direct execution platforms to broader products set
  
- ◆ Unified Quants team
- ◆ Structured product offering and solutions
- ◆ Increase automation of execution platforms

... with a target quarterly run rate of > CHF 2 billion over the medium term

# Growing the Macro business

Enhance leading FX flow business and grow the Rates business...

## Where we stand

- ◆ Market-leading FX franchise
- ◆ Industry recognized platform
- ◆ Experienced and talented team
- ◆ Client strength and support

## Market opportunity

- ◆ Increased flow to WM, corporate and institutional clients
- ◆ Customized solutions

## What we are progressing and by when

*Timeline: Next 12 months*

Enhance WM&SB internalization

Expand trading capabilities and automated execution

Broaden flow-based activities

Integrate execution platforms between Rates & FX

Expand US Rates franchise

... which together are targeted to constitute over 50% of our FICC revenues



# Rebuilding the Credit business

## Increasing talent and refocused client coverage ...

### Where we stand

- ◆ Credit revenues in 2009 running higher than pre-crisis run rate
- ◆ Lean staff structure
- ◆ Existing platforms ready to be leveraged
- ◆ New management team in place

### Market opportunity

- ◆ Deep market for flow products
- ◆ Demand for tailored solutions
- ◆ Positioning for recovery in IG acquisition financing and refinancing in HY markets

### What we are progressing and by when

*Timeline: Next 18 months*

**Re-build Credit trading bench**

**Re-establish client coverage**

**Add & rebuild selected product capabilities**

**... targeting a modest revenue increase over 2009 run rate**

# Focus on select Emerging Markets

Leverage the existing EM platform and global footprint...

## Where we stand

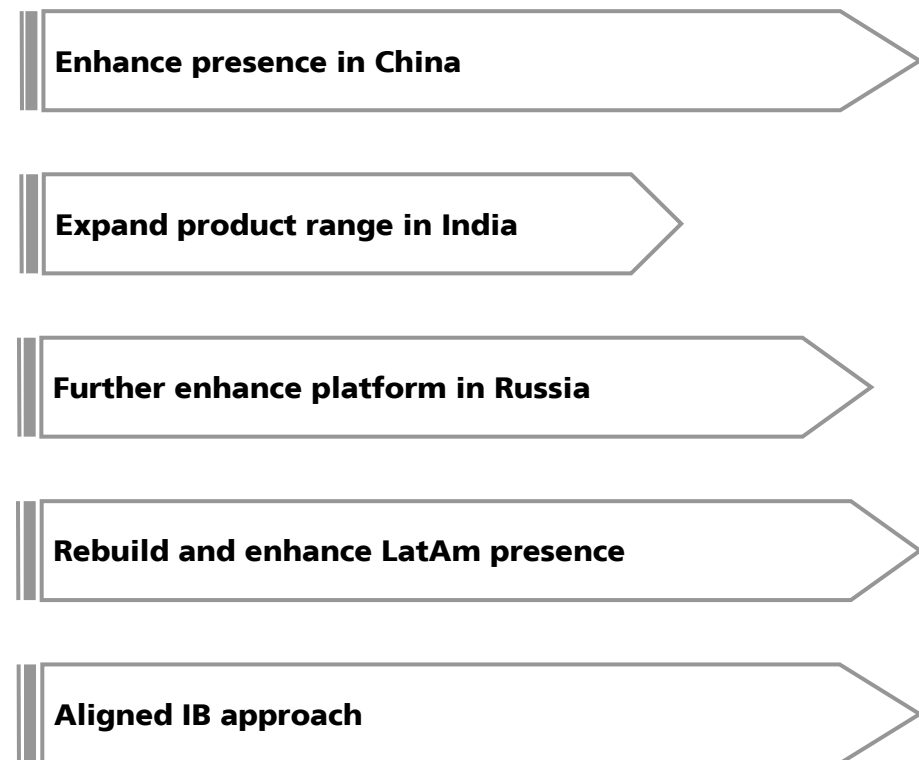
- ◆ Strong Wealth Management / IB onshore presence and brand to be leveraged
- ◆ Identified priority focus areas
- ◆ Group-wide focus
- ◆ Established, market-leading, local footprint in APAC

## Market opportunity

- ◆ Growth markets
- ◆ Onshore and offshore client demand

## What we are progressing and by when

*Timeline: Next 24 months*



... almost 20% of FICC revenues expected to come from EM

# Equities – leverage market position

Traditionally strong franchise to be further enhanced...

## Key areas

Refocus and grow select products & regions

Derivatives  
ETD  
Prime brokerage

Enhance traditional IB strengths

Cash  
Equities  
Research

Enhance workbench with UBS partner divisions

Derivatives  
Cash Equities

Equities-driven securities alignment initiatives

## Execution

- ◆ Enhance intermediaries platform
- ◆ Focus on efficient balance sheet usage
- ◆ Expand product solution capabilities for clients
  
- ◆ Return to full research coverage
- ◆ Expand and further automate direct execution
  
- ◆ Optimize current direct execution platforms to broaden product set
- ◆ Leverage WM flow including for derivatives
  
- ◆ OTC products moving on exchange
- ◆ Optimize securities financing
- ◆ Execution platform integration
- ◆ IB-wide research approach

... with a target quarterly run rate of > CHF 1.75 billion over the medium-term

# IBD – leverage existing strengths

## Lead UBS Group marketer

### Key areas

**Refocus and grow select products & regions**

**US  
DCM<sup>1</sup>**

**Enhance traditional IB strengths**

**Footprint  
ECM<sup>2</sup>  
Advisory**

**Enhance workbench with UBS partner divisions**

**Cross referrals  
GCM distribution**

### Execution

- ◆ Innovative and quick-to-market solutions
- ◆ Target capital raising, derivatives and securities products

- ◆ Lead UBS corporate marketing
- ◆ Expand cross-product advisory solutions

- ◆ Leverage existing senior IBD relationships
- ◆ Increase cross-product awareness / education
- ◆ Innovative and quick-to-market solutions

**Leverage strengths to deliver a target quarterly run rate > CHF 1 billion**



1 DCM – Debt Capital Markets  
2 ECM – Equity Capital Markets

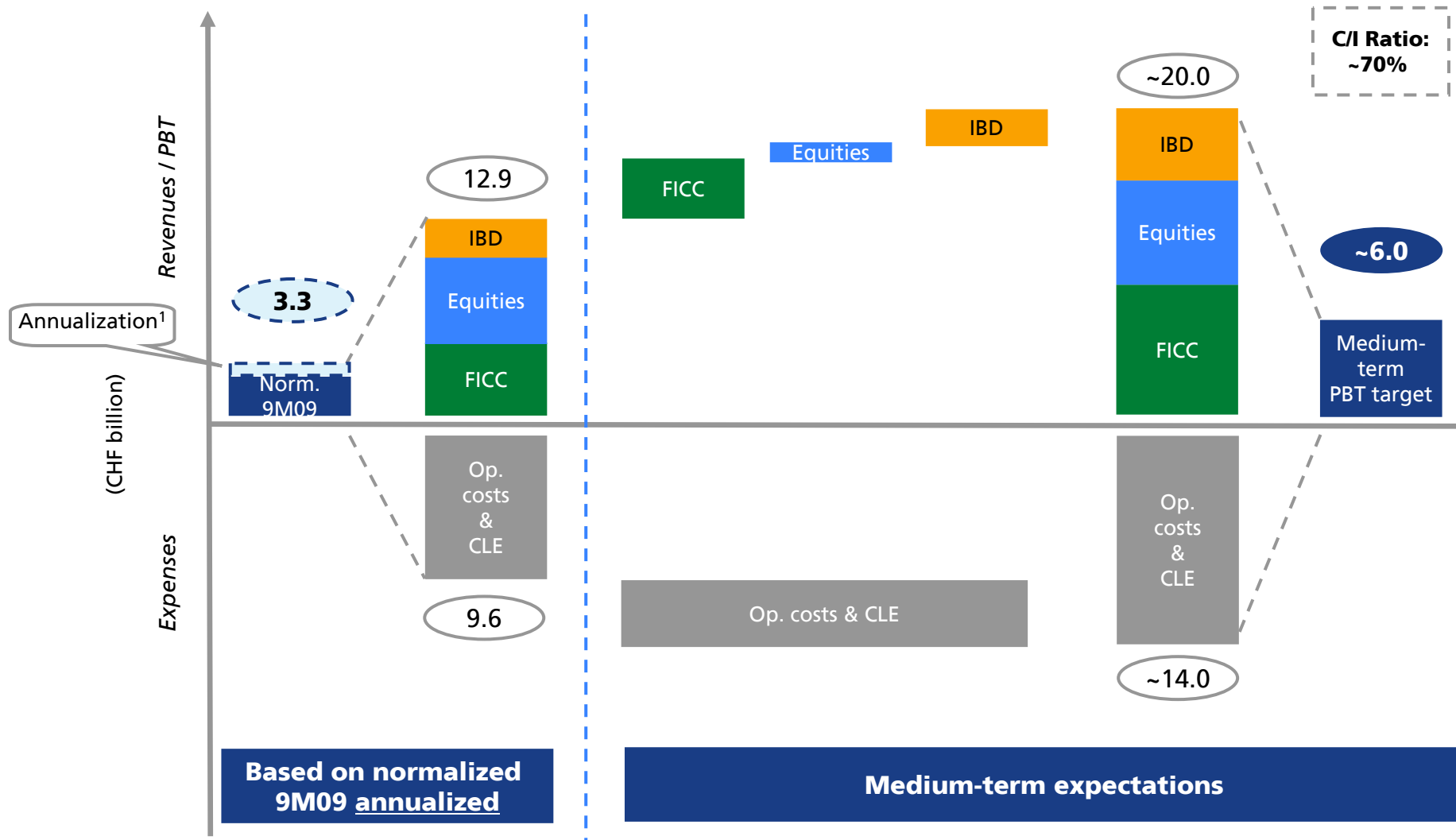
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# Double our normalized profits in the medium term

Only moderate revenue increase required to achieve target profitability



1 9M09 numbers annualized to show the bridge from an annual number to a full year medium-term goal. Annualized figures do not constitute estimates of the actual full-year results. Refer to slide 5 for details on normalization.

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