

UBS Switzerland

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Key messages

We will leverage UBS's leading franchise position in Switzerland and enhance our ability to deliver exceptional value to clients

Our Retail & Corporate businesses are stable with a high-quality lending portfolio and demonstrated cost discipline

We reconfirm our medium-term targets

UBS Switzerland: Selected accomplishments

Strategy

- Developed strategy for an integrated UBS Switzerland
 - Defined portfolio of strategic initiatives for the next 2-3 years
-

Integration

- Established integrated national and regional management teams
 - Introduced cross-selling KPIs and corresponding targets
-

Regional organization

- Aligned regional structure within the different business segments
 - Restructured corporate banking business in the regions
-

Clients

- Introduced integrated coverage model for top clients
 - Strengthened sponsoring and marketing activities
-

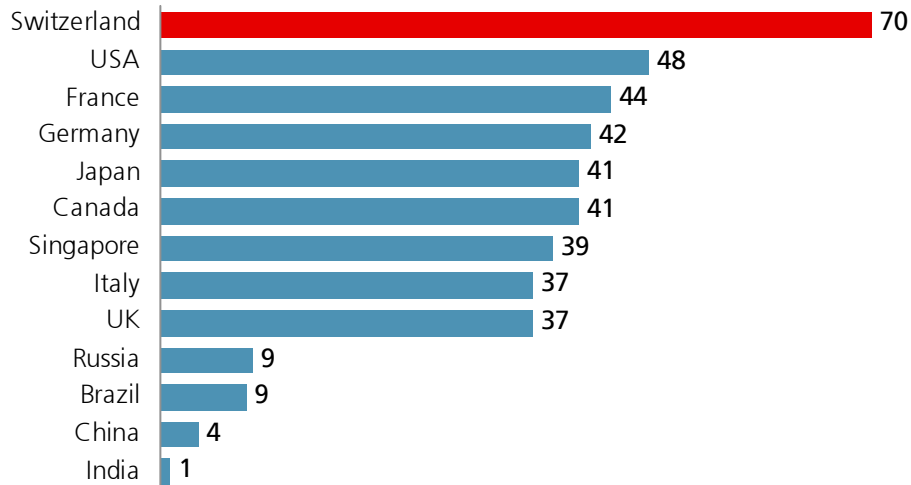
Channels

- Defined new branch format, first pilot branches to open in December
- Ramped up call-center activities

Switzerland: An attractive home market

High levels of value creation in Switzerland

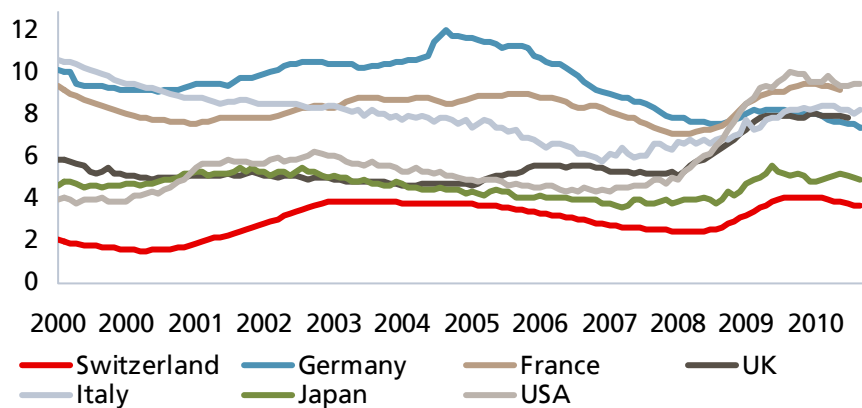
Per capita GDP in CHF thousands (2009)



Source: IMF, UBS Wealth Management Research (WMR)

Low relative unemployment rate

Unemployment rate in %

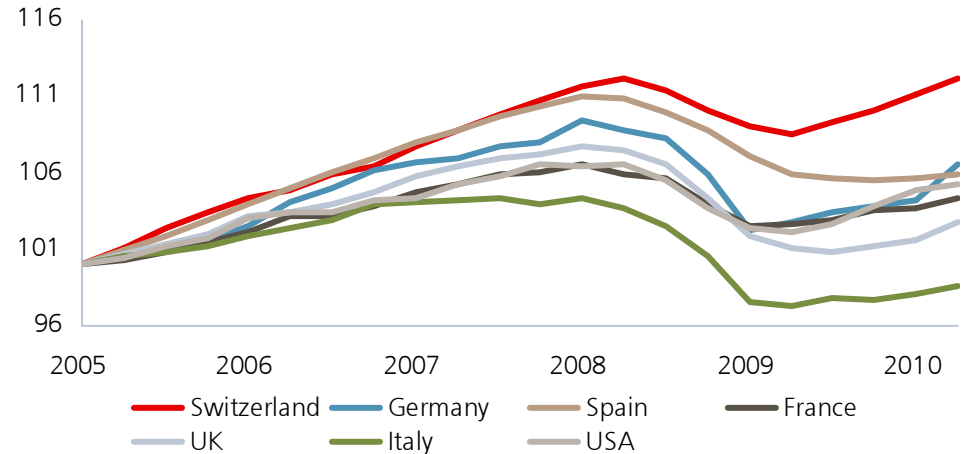


Source: Reuters EcoWin, UBS WMR



Strong growth performance during crisis and beyond

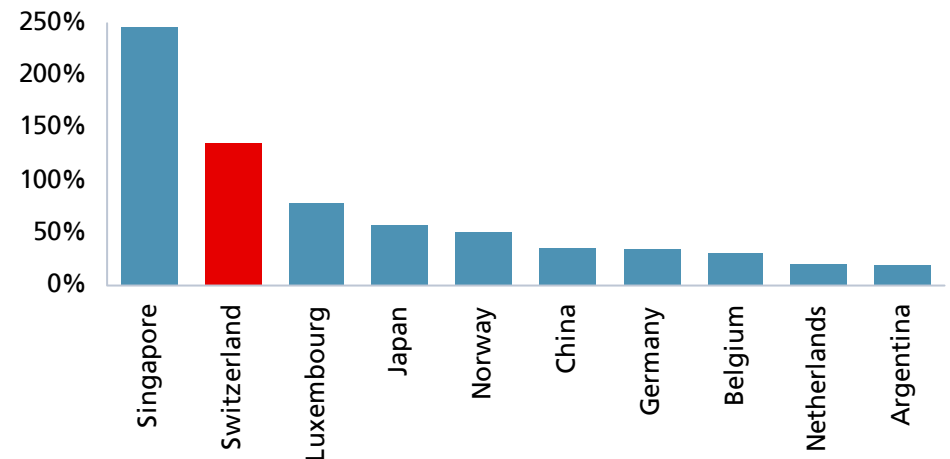
Real GDP (indexed, 2005 = 100)



Source: Reuters EcoWin, WMR

Strong international balance sheet position

Net international investment position (assets minus liabilities) in % of GDP



Source: IMF, UBS WMR

UBS Switzerland: Well positioned in our home market

- Every third household
- Every third wealthy individual
- Every second lawyer and fiduciary
- Two out of three family offices
- Almost every second SME
- >85% of the 1,000 largest corporates
- >85% of the 325 Swiss-domiciled banks
- Every third pension fund, thereof 75% of the top 100

Leading franchise in Switzerland - critical mass in all businesses, many top in their field

Access to expertise and reach of UBS's global asset gathering and investment banking franchise

Large network of ~300 branches with ~4,700 front staff reaching 80% of Swiss wealth

Integrated approach to a coordinated delivery of the whole bank

Clear differentiation

UBS Switzerland: Competitive landscape

Deposit-rich banks

- Investing excess customer deposits through aggressive growth in mortgages

Pure retail banks

- Attacking on price, partially piggybacking on existing large distribution networks

Private banks

- Rediscovering Swiss onshore banking, moving into lower wealth bands

Niche players

- Offering expertise and attractive pricing on narrow product range

Asset managers

- Leveraging global large-scale operations or taking advantage of focus on services/products

Subsidiaries of foreign banks

- (Re-)entering the corporate banking market to selectively attack attractive niches

Highly competitive environment for large universal banks due to strategic changes of specialized competitors

UBS Switzerland: Focusing on profitable growth

In an evolving competitive landscape...

Attractive home market with stable economic/ political environment

UBS with vast client base, not fully tapped

Revenues and margins under pressure from competition, regulation and financial markets

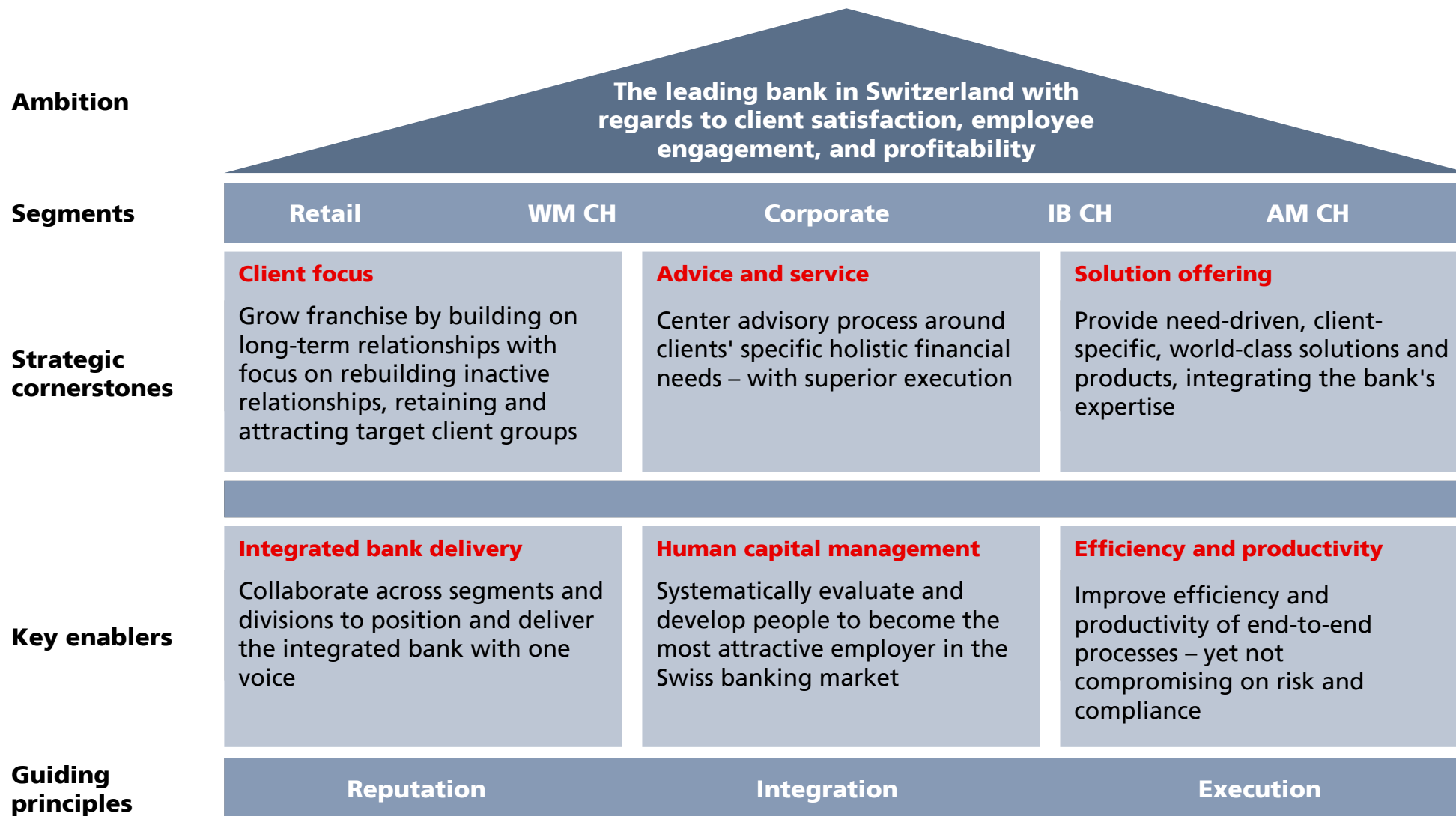
... achieving profitable growth through

Leverage existing relationships to increase share of wallet and referrals through integrated bank approach

Well-defined strategy to deliver custom-tailored banking solutions with an emphasis on cross-selling

High discipline in cost management, effectiveness, and quality of credit portfolio

UBS Switzerland: Well-defined, integrated strategy with focus on where and how to compete



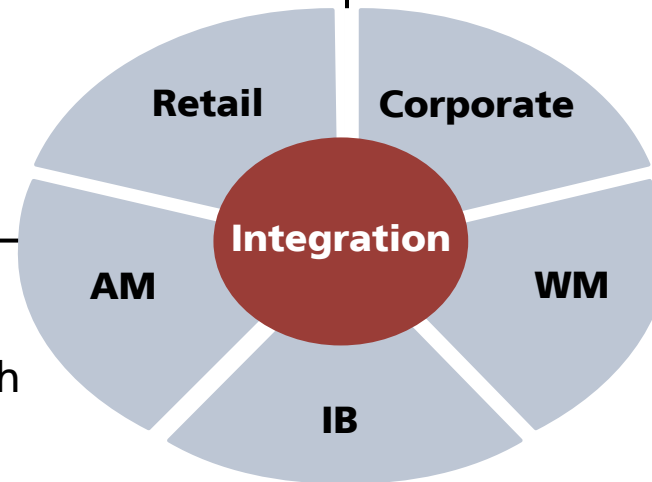
Integrated bank model successfully established within UBS Switzerland

Cross organizational client coverage

- Comprehensive client understanding
- Deep expertise across divisions
- Coordinated client coverage

Referrals and cross-selling

- Clear accountability for regional collaboration
- Referral targets for origination units
- Management Information System for referrals



- Systematic lifecycle approach
- Focus on cross-selling and increasing share of wallet
- Systematic approach to client transfers

- One management team for UBS Switzerland
- Integrated management in Swiss regions with aligned regional structures

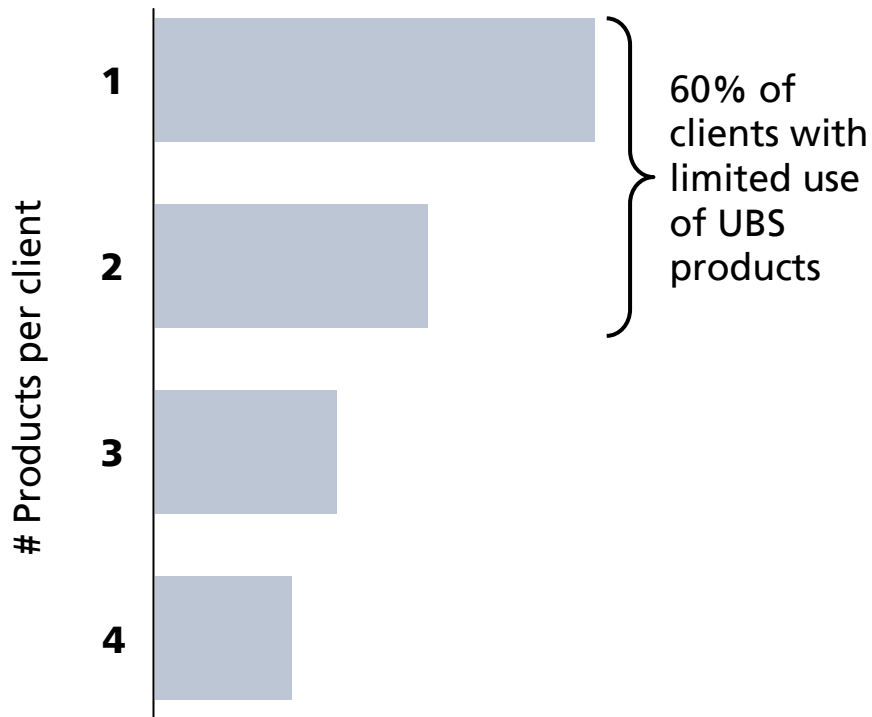
Systematic client development

Integrated management

Leveraging our vast retail client base to capture growth opportunities

Improving share of wallet is a large opportunity for UBS Switzerland

Retail clients



Systematic approach to increase contacts with clients

- Standards and procedures for identification of client opportunities
- Systematic enhancement of lead management (targets, monitoring, coaching)
- Intensification of outbound calling activities
- Execution of sales/advisory campaigns
- Further development of e-/m-channels

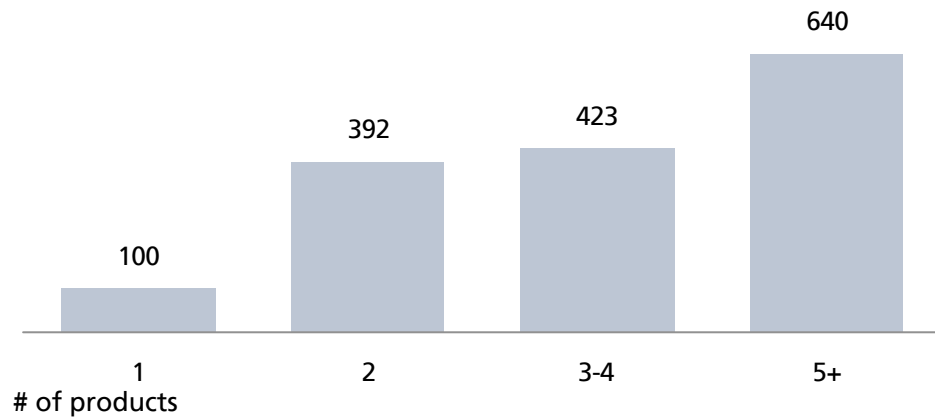
Focus branches to convert client visits into contacts

- New client welcoming concept
- Fresh and inviting appearance

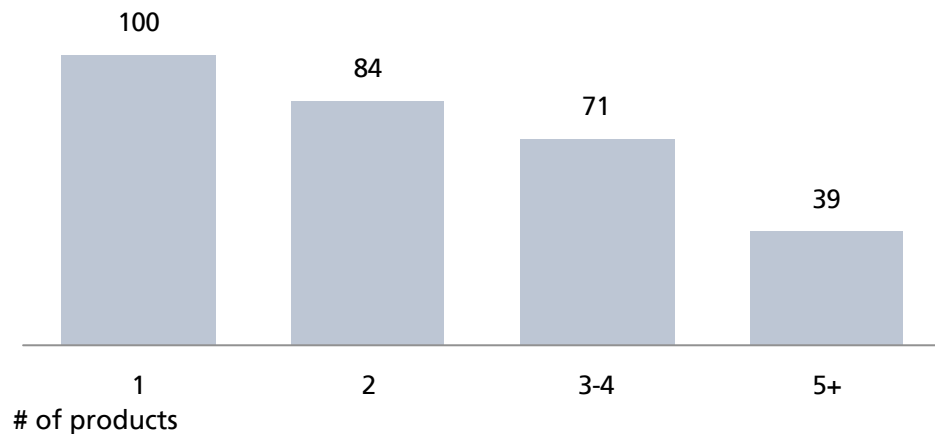
Focus on cross-selling, not just growth of market share

Clients with high cross-selling rate (CSR) generate higher revenues and have significantly lower defection rates...

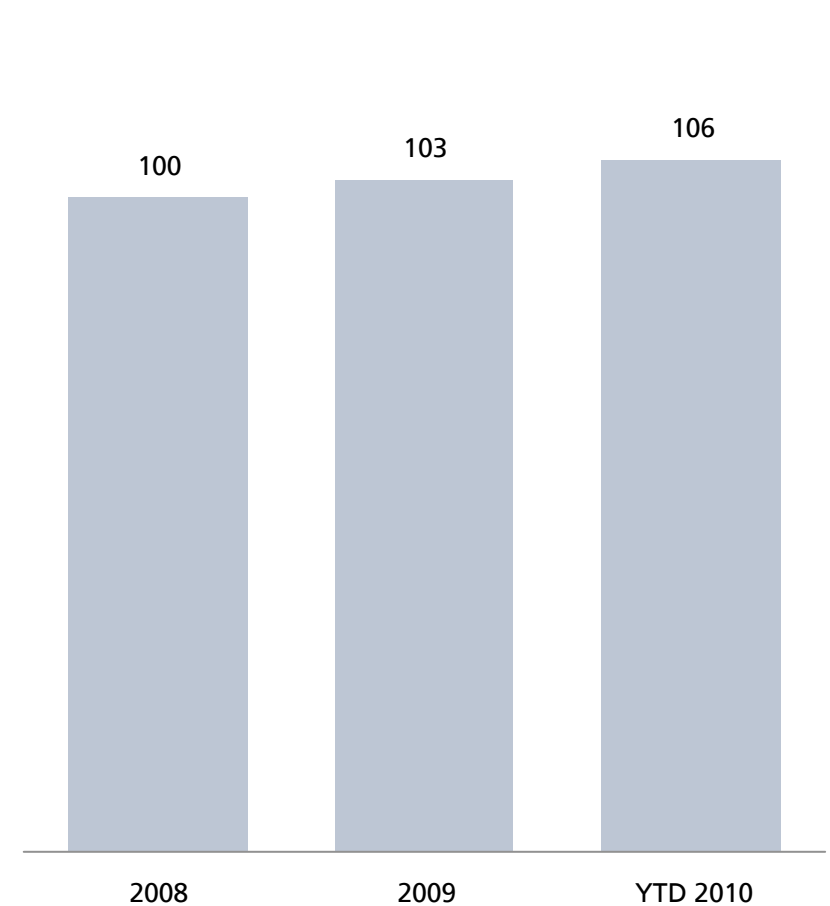
Net revenues per retail client
(2009, indexed, 1 product = 100)



Rate of closed retail client relationships¹
(2009, indexed, 1 product = 100)

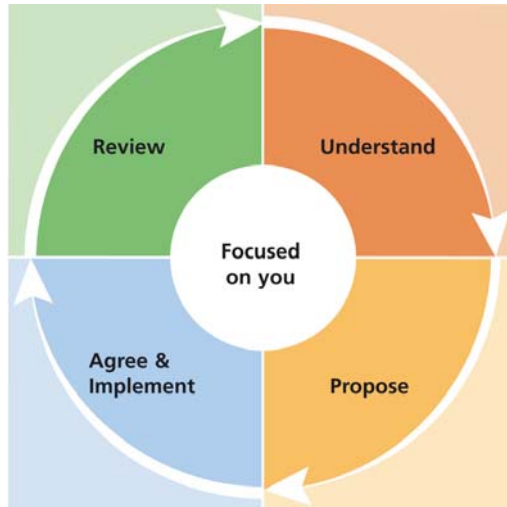


Cross-selling rate
(indexed)



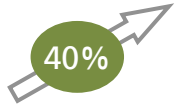
...cross-selling rate has increased 6% since 2008

Advisory process as key enabler for loyalty and share of wallet

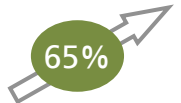


Clients who are taken through advisory process display a higher propensity to...

... stay with UBS



...refer UBS to new clients



...increase UBS share of wallet



...delegate management



Application of tool-based **Dynamic Wealth Structuring** to support the advisory process empowers UBS to develop superior advisory offerings and deliver unique, state-of-the-art wealth planning solutions



New initiatives will increase the value of corporate clients for other businesses

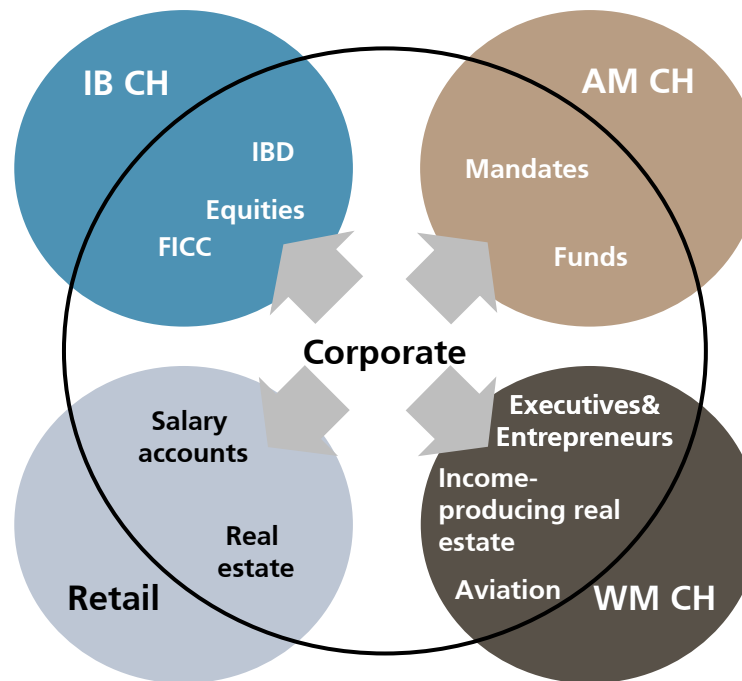
Investment Banking (IB) CH

- Leverage better existing client base for corporate finance products (ECM, DCM, M&A)
- Introduce new asset/liability-management solutions (e.g., interest rate or foreign exchange derivatives)

Retail

- Leverage real estate financing competence centers
- Develop product packages dedicated for employees of corporate clients

Examples



Asset Management (AM) CH

- Leverage existing client relationships to allow AM better access to corporate pension funds
- Offer solutions allowing individual employee pension solution plans for corporates

Wealth Management (WM) CH

- Leverage corporate lending capabilities to provide innovative solutions to entrepreneurs
- Support corporate succession planning with transaction capabilities and access to potential buyers

Key messages

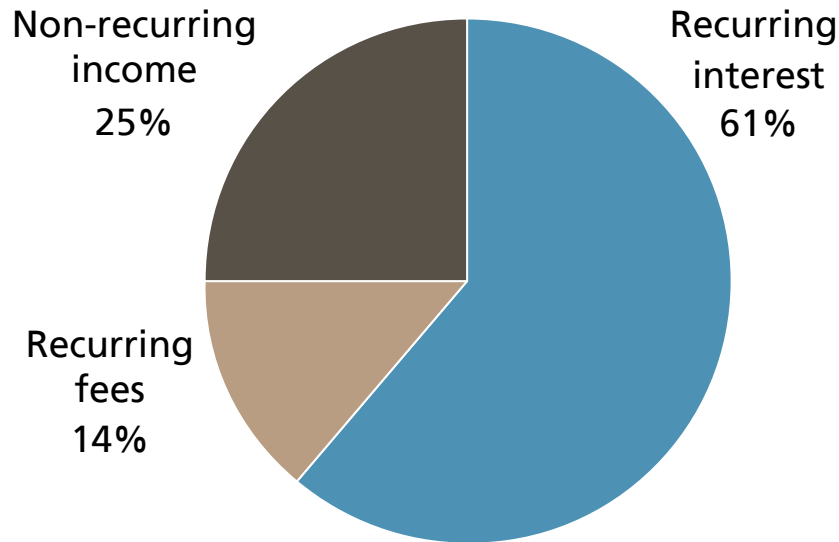
We will leverage UBS's leading franchise position in Switzerland and enhance our ability to deliver exceptional value to clients

Our Retail & Corporate businesses are stable with a high-quality lending portfolio and demonstrated cost discipline

We reconfirm our medium-term targets

Inherent stability of our Retail & Corporate businesses

Retail & Corporate business mix (9M10)



Industry characteristics

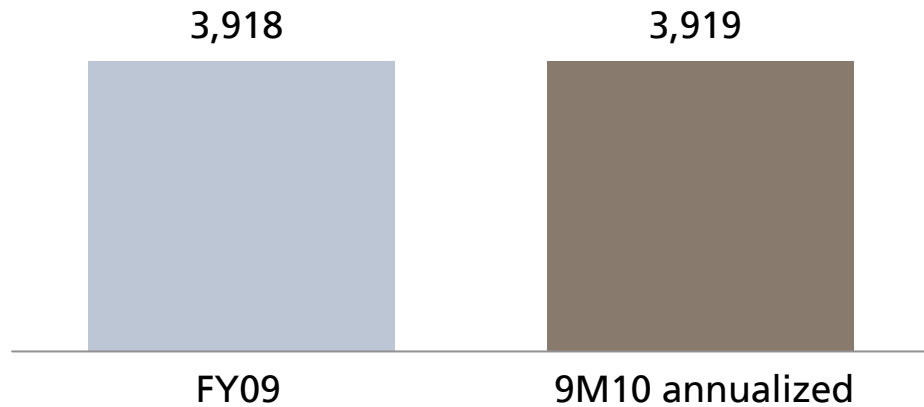
- **The business is inherently stable**
 - High share (75%) of **recurring revenues**
 - **Stable businesses**, e.g., average duration of fixed-term mortgages >6 years, renewal rate >80%

Business drivers

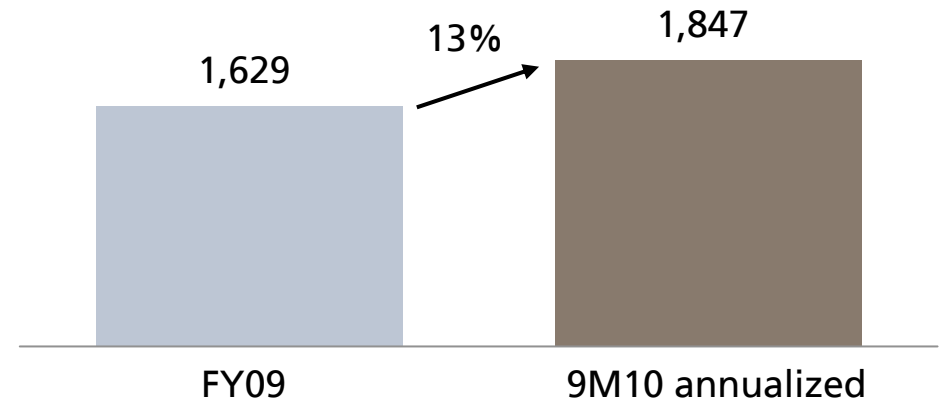
- **Dependency on exogenous factors**
 - **Yield curve** biggest driver for margin on deposits
 - **Overall economic environment** (partially driven by CHF exchange rates) biggest driver for credit losses

Retail and Corporate – profit before tax has improved through disciplined cost control and risk management

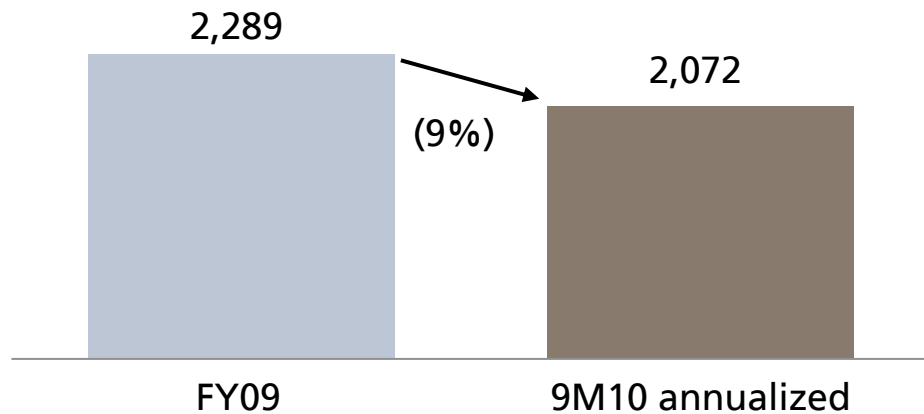
Operating income (CHF million)



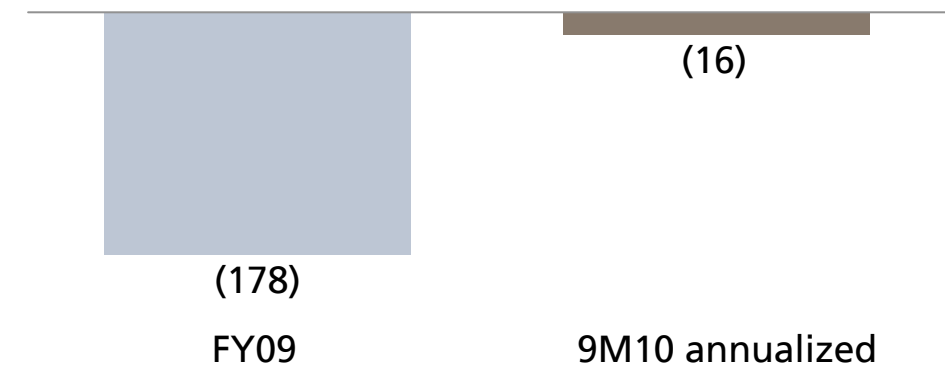
Profit before tax (CHF million)



Operating expenses (CHF million)



Credit loss (expense) / recovery (CHF million)

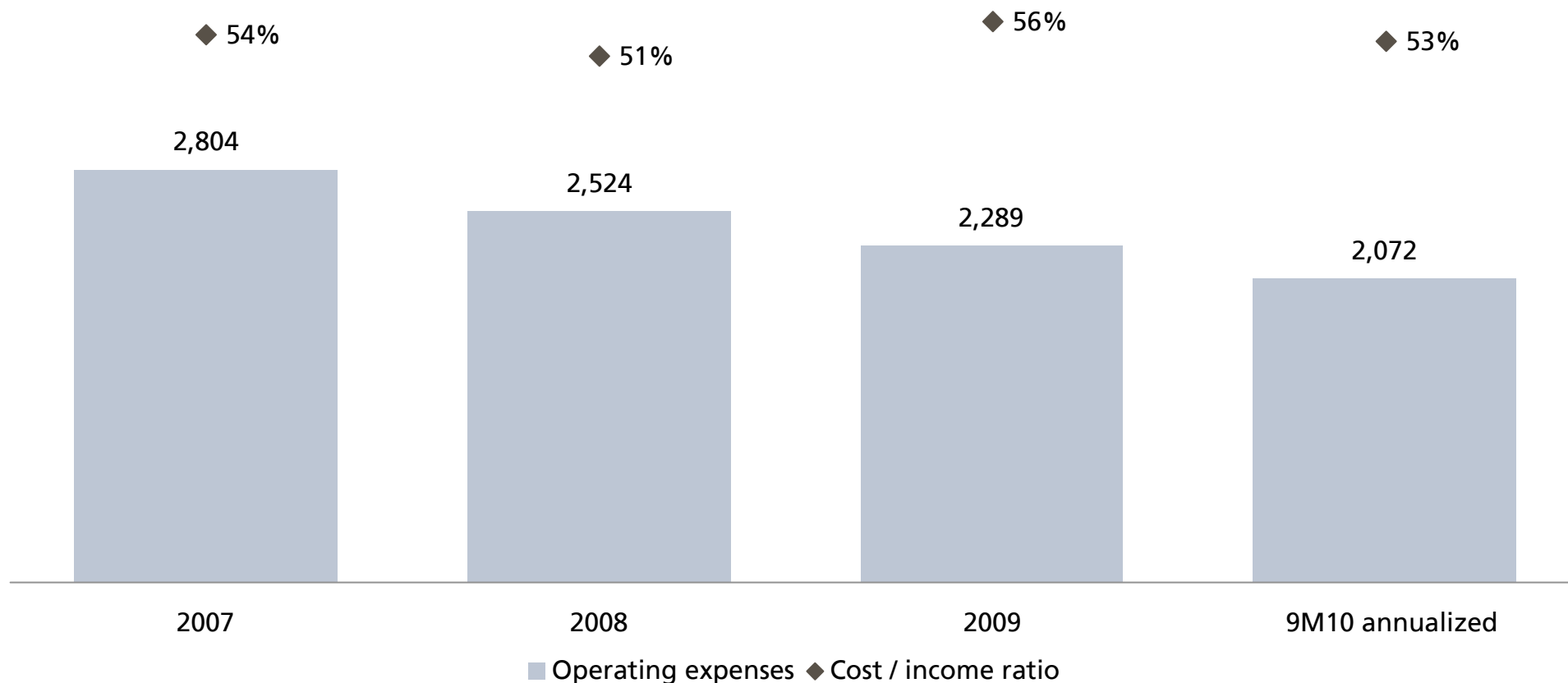


Costs remain under control

The benefits of cost measures initiated in 2009 have materialized...

Retail & Corporate operating expenses

(CHF million)



...and we have launched additional efficiency programs

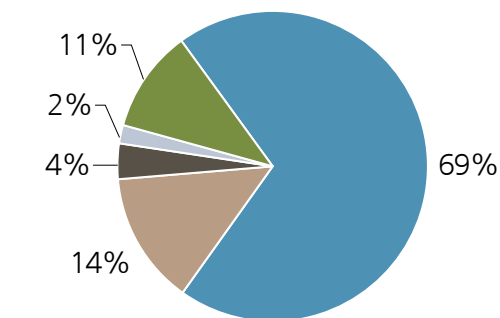
Retail and Corporate lending portfolio

High underwriting standards...

Lending portfolio, gross

30.9.10

100% = CHF 138 billion



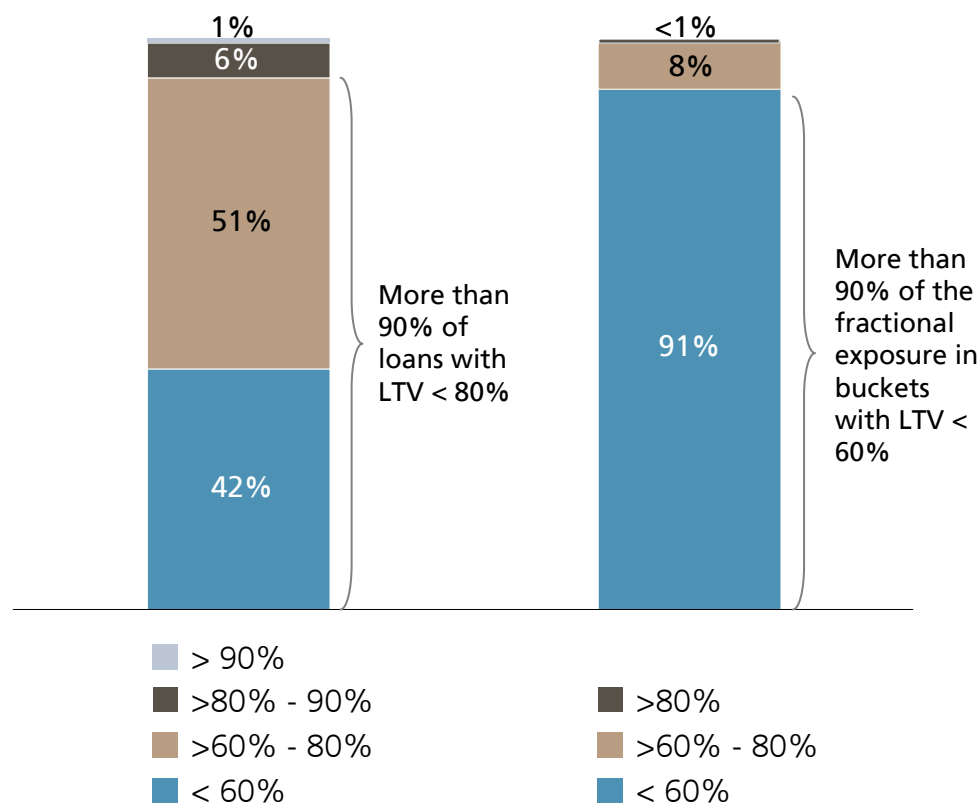
- Secured by residential property
- Secured by commercial / industrial property
- Secured by securities
- Lending to banks
- Unsecured loans

Residential property

30.9.10

Distribution of loans along LTV ¹

Distribution of exposure fraction² along LTV



...and a high-quality mortgage lending portfolio across Switzerland



¹ This distribution shows the loans in the respective LTV buckets. For example, a CHF 1 million mortgage with LTV = 80% is fully allocated to the "LTV >60-80%" bucket
² This distribution shows the exposure along the LTV buckets. For example, a CHF 1 million mortgage with LTV= 80% will have its exposure proportionally allocated to respective buckets, e.g. CHF 0.75 million to the "<60%" bucket and CHF 0.25 million to the ">60-80%" bucket

Lending portfolio consequently managed for profitability – not for market share growth

UBS outgrown by the market

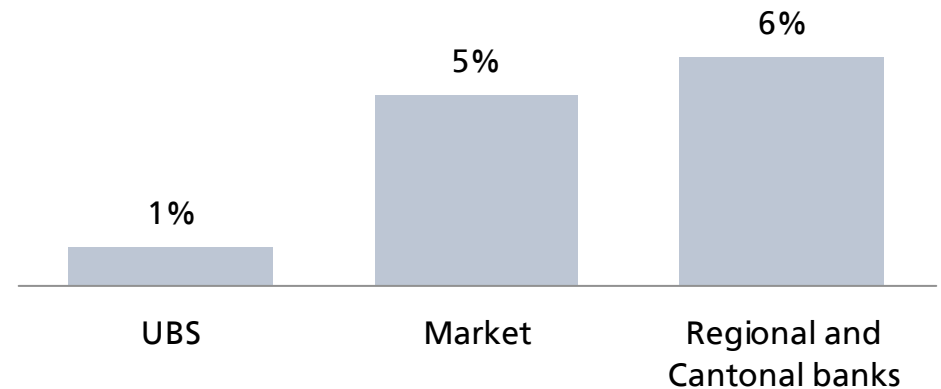
- Regional and Cantonal banks increased deposit volume by >CHF 50 billion (>40%) within the last 2.5 years
- Deposit volume leveraged to fund mortgage business

UBS focusing on quality for profitable growth

- In 2010, moved from product pricing to client relationship pricing, factoring in
 - Product type (fixed-term, libor-based, etc.)
 - Financing volume
 - Client assets with UBS
 - Local competitive situation

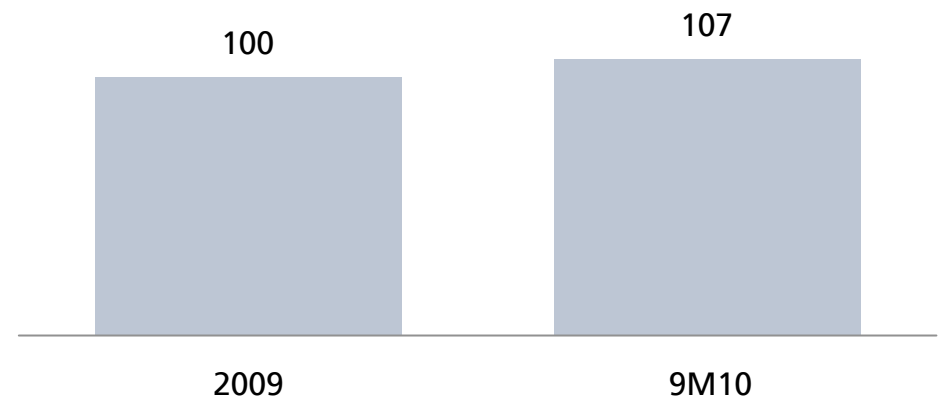
Growth in residential mortgages

(%Δ 2Q09-2Q10)



Gross margin new mortgages (retail)

(Indexed)



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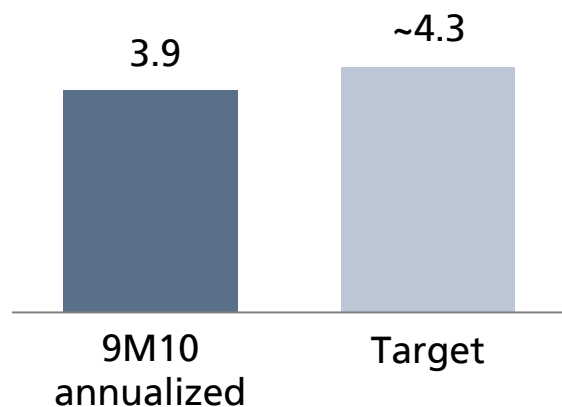
Our Retail & Corporate businesses are stable with a high-quality lending portfolio and demonstrated cost discipline

We reconfirm our medium-term targets

We reconfirm our medium-term targets for Retail and Corporate

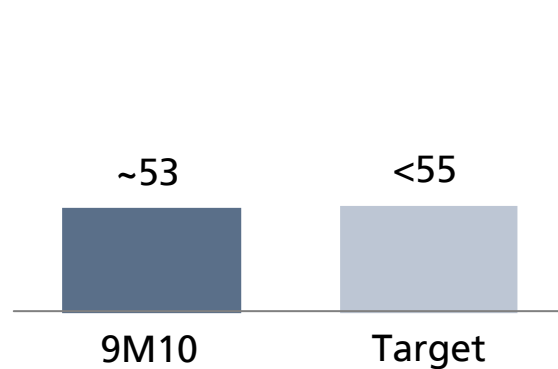
Operating income

CHF billion



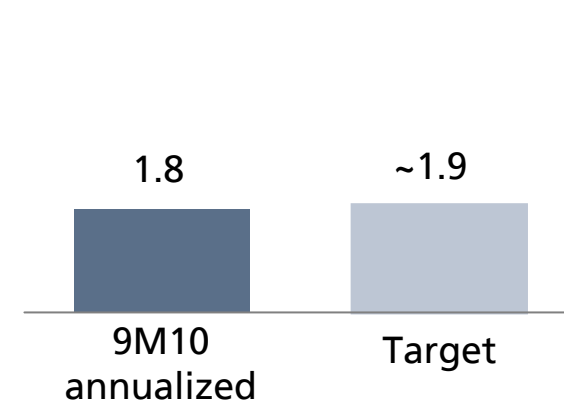
Cost / income ratio

%



Profit before tax

CHF billion



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