



UBS Investor Relations

# UBS European Equities Conference

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# Cautionary statement regarding forward-looking statements

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This presentation contains statements that constitute "forward-looking statements", including statements relating to UBS's financial performance and to the anticipated effect of strategic initiatives on UBS's business and future development. Factors that could cause actual developments and results to differ materially from UBS's expectations and objectives include, but are not limited to: whether UBS will be successful in effecting its announced plans to transform its Investment Bank, its efficiency initiatives and its planned reductions in Basel III risk-weighted assets; whether its efforts to implement these changes will have the effects anticipated; developments in the markets in which UBS operates or to which it is exposed, and the effect of economic conditions and market developments on UBS and its clients and counterparties; changes in financial legislation and regulation that may impose more stringent capital, liquidity or tax requirements, additional levies or constraints on remuneration; uncertainty as to when and to what degree FINMA will approve reductions to the temporary add-on to UBS's operational risk-related RWA effective from the fourth quarter of 2013 or approve a limited reduction of capital requirements due to measures to reduce resolvability risk; possible changes to the legal entity structure or booking model of UBS Group in response to enacted, proposed or future legal and regulatory requirements; the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, regulatory investigations and contractual claims; the effect on UBS's cross-border banking business of tax or regulatory developments; the occurrence of operational failures; and factors affecting UBS's competitive position, including its ability to retain and attract the employees necessary to manage, support and control its businesses. 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 2012. 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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# UBS - A unique value proposition

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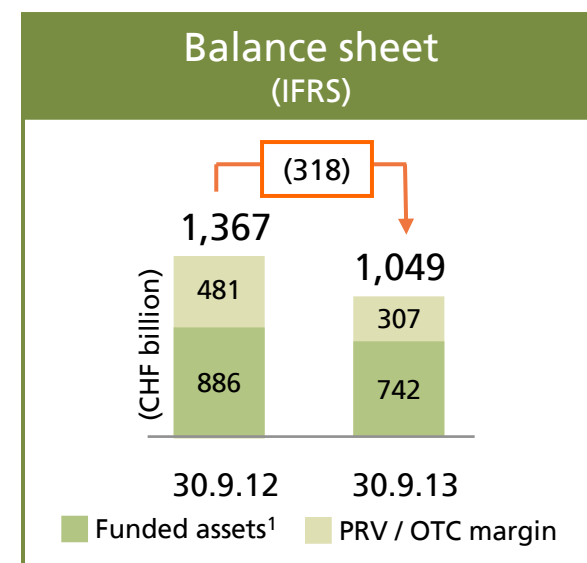
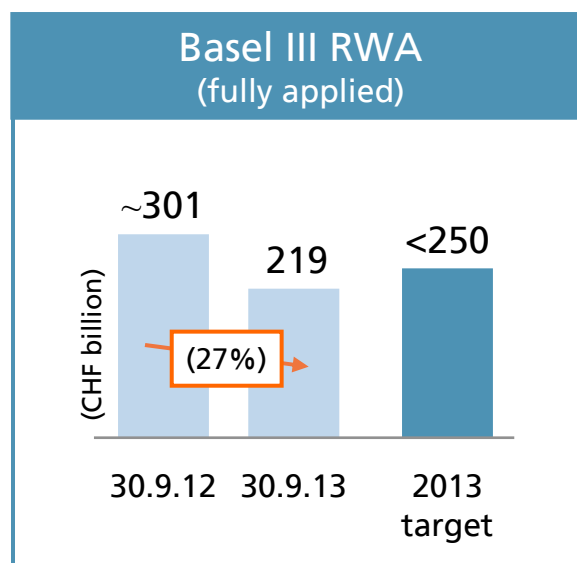
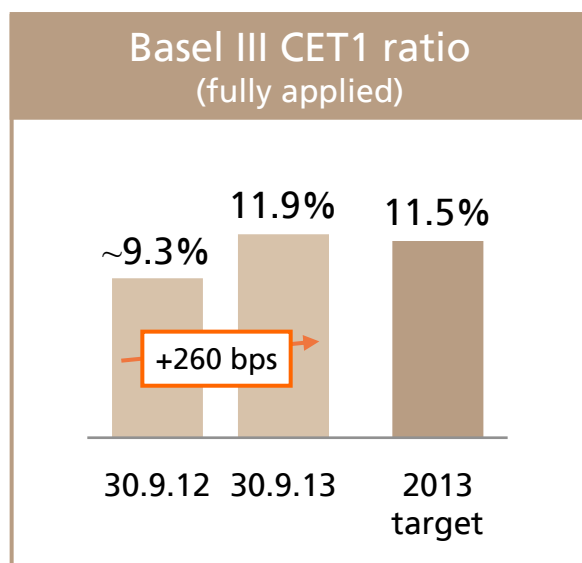
UBS has clear strategic direction and a strong track record on execution

Proven Investment Bank model positioned to unlock further potential

UBS is an unrivaled franchise with compelling growth prospects, strong capital and an attractive capital return policy

# Successfully executing our strategy

## Capital strength is the foundation of our success



- ➔ Industry-leading capital ratios, strong funding and liquidity, LCR / NSFR >100%
- ➔ Phase-in Swiss SRB Basel III leverage ratio 4.2%, above minimum requirements
- ➔ SNB StabFund option to be exercised in 4Q13 adding CHF 2.5 billion to our Basel III CET1 capital equivalent to an additional ~100 bps to our CET1 ratio<sup>2</sup>

**Attractive payout ratio of >50% once fully applied 13% CET1 target is achieved**



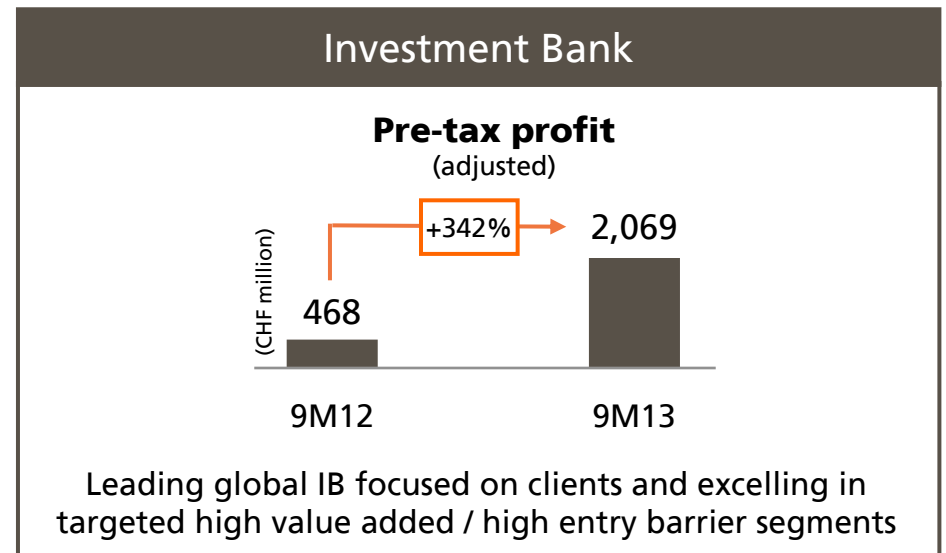
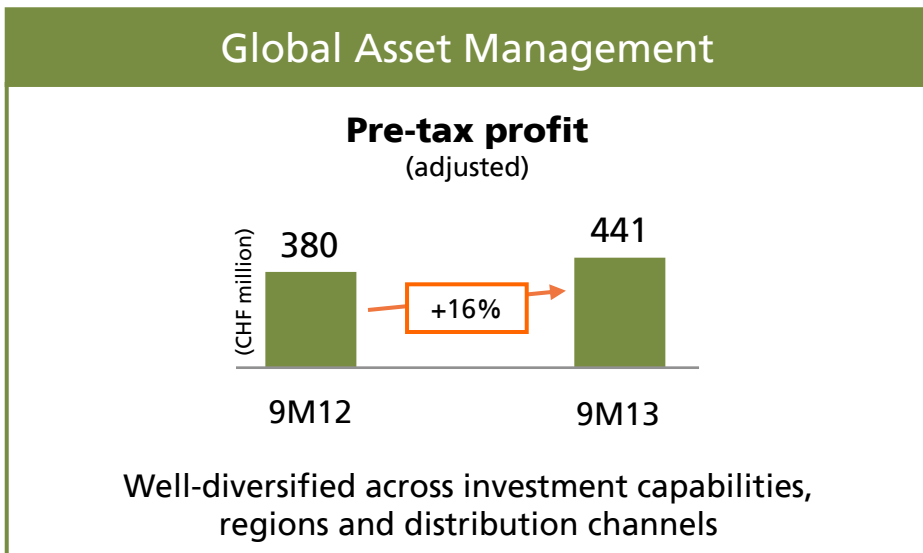
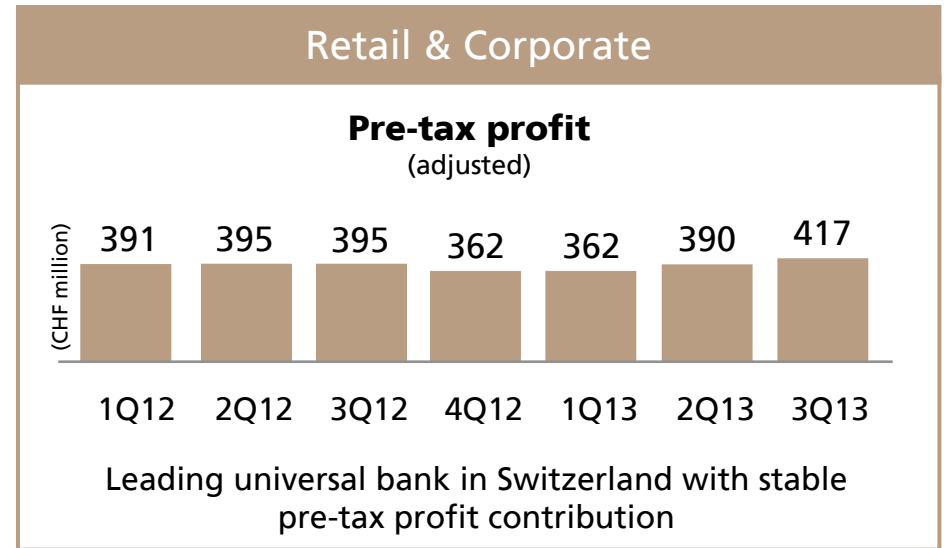
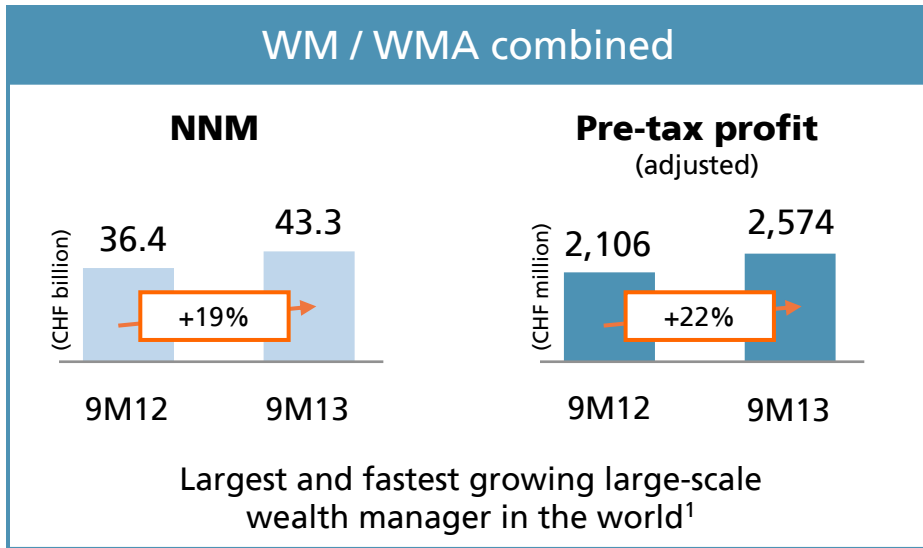
UBS

Refer to slide 8 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

<sup>1</sup> Funded assets defined as total IFRS balance sheet assets less positive replacement values (PRV) and collateral delivered against over-the-counter (OTC) derivatives

<sup>2</sup> Net negative 30 bps effect on fully applied Basel III CET1 ratio when including the operational risk RWA add-on effective 1 October 2013

# Increased profits and well diversified business mix



Refer to slide 8 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Scorpio Partnership Private Banking Benchmark 2013 - banks with assets under management of >USD 1 trillion; 2 Annualized, reported RoaE 33.0% for 9M13 and 5.7% for 9M12

# Transforming our Investment Bank

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## Proving the model works .....

### Our Model

- Centred on our traditional strengths in Equities, FX, precious metals and advisory and solutions capabilities, with a focused presence in rates and credit
- Client advice and execution centric, not proprietary risk taking
- Low capital intensity, high productivity model

### Unlocking our potential

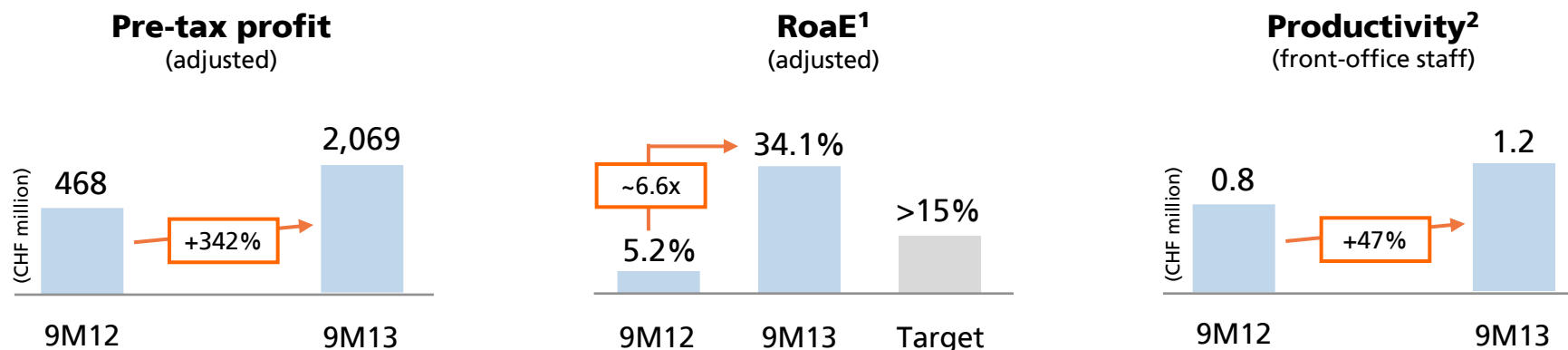
- Lead and excel in targeted businesses and segments
- Enhance front office productivity, infrastructure efficiency and invest in IT
- Drive synergies by collaborating across the Group
- Attractive returns in a tight risk framework

**... and maximising value for our clients, employees and shareholders**

# Our Investment Bank business model works

## Delivering RoE > 15% in challenging markets and within strict limits

Positive economic profit in CCS and ICS in first nine months of the year



Successfully managing scarce resources



# UBS - A unique value proposition

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# Important information related to numbers shown in this presentation

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## Use of adjusted numbers

Unless otherwise indicated, “adjusted” figures exclude each of the following items, to the extent applicable, on a Group and business division level:

- Own credit loss on financial liabilities designated at fair value for the Group of CHF 147 million in 3Q13 (CHF 138 million gain in 2Q13, CHF 863 million loss in 3Q12)
- Gains on sales of real estate of CHF 207 million in 3Q13 for the Group (CHF 19 million gain in 2Q13, CHF 1 million gain in 3Q12)
- Net restructuring charges of CHF 188 million for the Group in 3Q13 (net charges of CHF 140 million in 2Q13, net releases of CHF 22 million in 3Q12)
- Impairment of goodwill and other non-financial assets of CHF 3,064 million for the Group in 3Q12

Refer to page 13 of the 3Q13 financial report for an overview of adjusted numbers.

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

Basel III numbers in the presentation are BIS Basel III numbers unless otherwise stated. In addition, systemically relevant banks (SRB) in Switzerland (currently UBS and Credit Suisse) are required to comply with specific Swiss SRB rules. Our fully applied and phase-in Swiss SRB Basel III capital components and our respective BIS Basel III capital components have the same basis of calculation, except for differences relating to the amortization of deferred contingent capital plan instruments (representing high-trigger loss-absorbing capital) and the recognition of a portion of the unrealized gains on financial investments available-for-sale (representing other tier 2 capital under BIS Basel III).

Basel III risk-weighted assets in the presentation are calculated on the basis of Basel III fully applied 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. These estimates were refined with prospective effect during 2013, as models and associated systems were enhanced.

The pro-forma information in 3Q13 is a voluntary disclosure as the exercise of the SNB StabFund option is expected to occur only in the fourth quarter and the temporary operational risk RWA add-on imposed by FINMA will be effective only starting in the fourth quarter. Such disclosures are non-GAAP financial measures as defined by SEC regulations. We nevertheless include this information on the basis of the expected effect they will have on our fourth quarter RWA and capital ratios.

Refer to the “Capital Management” section in the 3Q13 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 20 Currency translation rates” in the 3Q13 financial report for more information.