



Morgan Stanley Financials Conference

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Group Chief Financial Officer



March 29, 2012

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Key messages

Our strategy is centered on our pre-eminent wealth management businesses and our universal bank in Switzerland. It builds on the strengths of all of our businesses, supported by our industry-leading capital position

We continue to grow our wealth management businesses and see strength in key geographies and business lines elsewhere across the Group

We remain vigilant on costs as we strive to improve returns to our shareholders

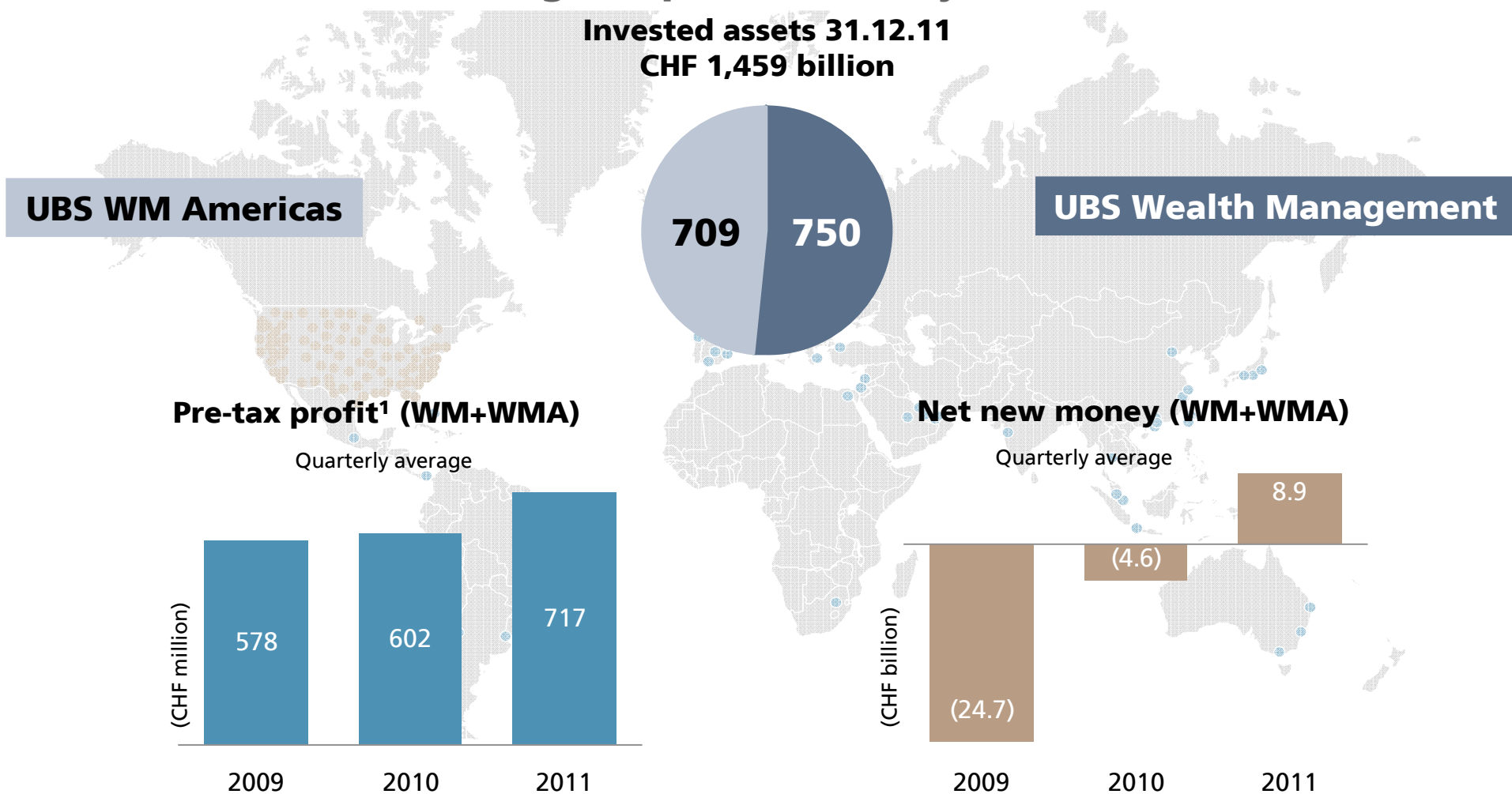
We are on track to achieve the targeted Basel 3 risk-weighted assets of no more than CHF 150 billion in our core Investment Bank

Capital strength is the foundation of our success and we are targeting a common equity tier 1 ratio of 13% under Basel 3

We have every reason to be confident in our future

Our wealth management businesses are unrivaled

World leading HNW and UHNW wealth manager, unrivaled in scope, reach and client mix with a strong footprint in all major financial centers



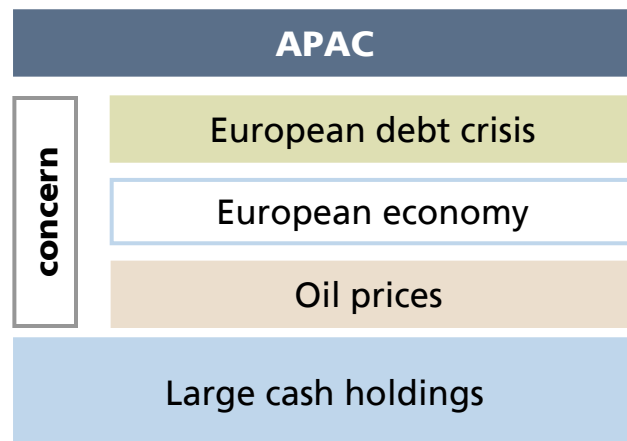
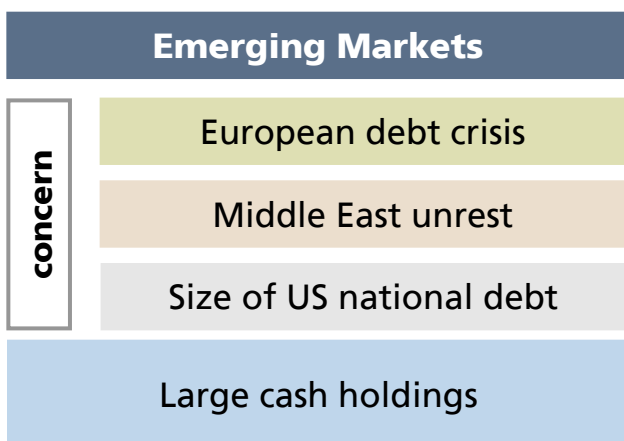
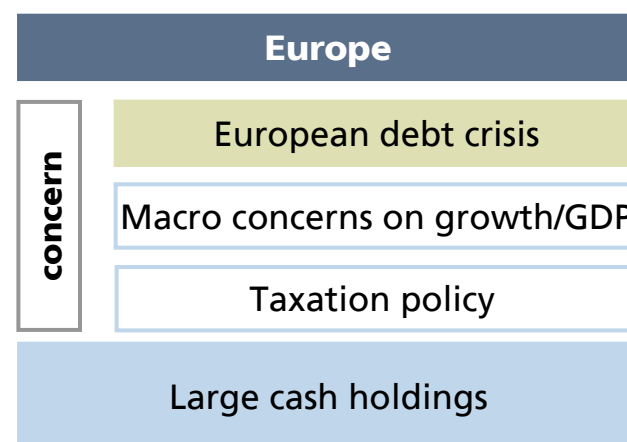
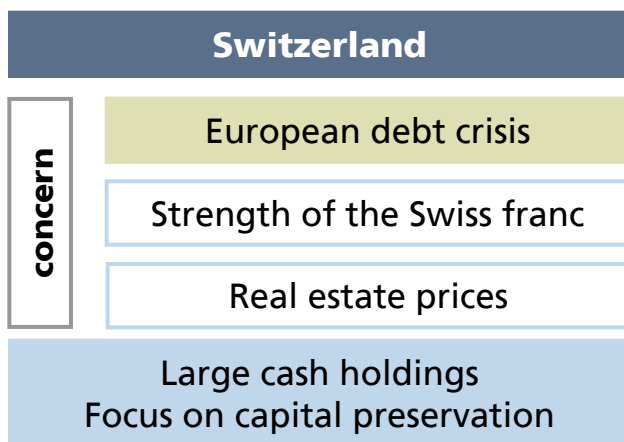
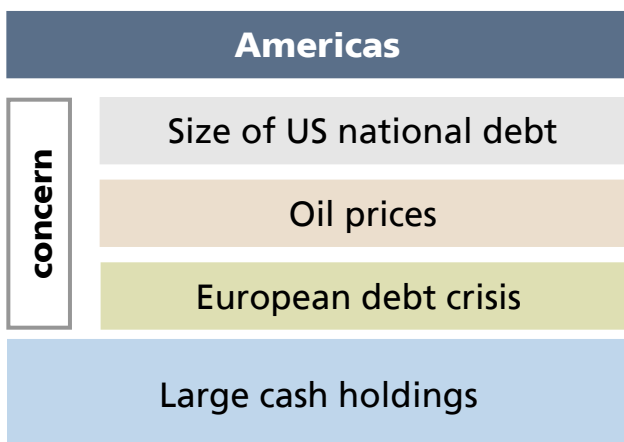
Our footprint: >11,000 advisors in ~550 offices in more than 40 countries



¹ Excluding restructuring charges, gains from the sale of the strategic investment portfolio in 3Q11 (WM) and 3Q10 provision related to an arbitration matter (WMA); 2009 includes restructuring charges for WM&SB of CHF 322 million

Our clients turn to us for advice to address their concerns

Our clients' positioning is a reflection of market uncertainties



Why clients value UBS Investment Bank

	What clients need from our Investment Bank	
	Sovereigns, institutional and corporate clients	Wealth management clients
Geographic footprint	<ul style="list-style-type: none"> Strength and presence in each region and particular strength in APAC 	<ul style="list-style-type: none"> Dedicated Investment Bank coverage for UHNW and onshore presence in wealth management growth markets
Product development	<ul style="list-style-type: none"> Leading structuring capabilities across asset classes, products and markets Thought-leading, customised development 	<ul style="list-style-type: none"> Creative, innovative products suitable to WM investors Bespoke solutions for top tier clients
Execution / risk capabilities	<ul style="list-style-type: none"> Global market reach Leading low latency execution platforms Top 3 Futures Clearing platform Market maker/major liquidity provider 	<ul style="list-style-type: none"> Impeccable and cost effective execution and market making for listed and OTC products Access to Prime Brokerage platform for semi-institutional clients
Research	<ul style="list-style-type: none"> Deep insights into economic, market and geopolitical environments through presence and relationships throughout the globe Strong equities presence in all major markets 	<ul style="list-style-type: none"> Top tier research offering: single stock, sector and macroeconomic Effective aggregation of research content into actionable ideas
M&A / Corporate Finance	<ul style="list-style-type: none"> Thought leadership and insights provided by global advisory coverage teams Efficient access to large institutional and private investor base as well as other service offerings 	<ul style="list-style-type: none"> Access to advisory skills, and ECM / DCM platform for entrepreneur clients Access to capital markets and institutional investor base

Our strategy builds on the strengths of all of our businesses

We are centered on our pre-eminent wealth management businesses and our Swiss universal bank, building on the strengths of all of our businesses

WM

- Delivered stronger FY11 profits
- #1 in Europe, APAC, EM, CH and UNHW by invested assets
- Access to growth through unique client base and global footprint

WMA

- Industry-leading productivity per FA: #1 vs. US peers¹ in invested assets, revenue and NNM
- Cost / income ratio in line with our largest scale peer¹
- Focus on HNW & UHNW segments has resulted in significant increases in credit line balances and NNM since 2009

R&C

- Leading retail and corporate business in Switzerland – inherently stable
- Contributes to growth in Wealth Management, Global Asset Management and the Investment Bank
- Continued to attract deposit inflows

Global AM

- Well-diversified across investment capabilities, regions and distribution channels
- Very successful alternatives platform, including our real estate and fund of hedge funds businesses both ranked top 3 globally²

IB

- Consistently top-ranked research house³, top 3 Global Equities House⁴
- Top 3 overall FX market share⁵ consistently since 2005, #1 FX House 2011⁶
- Strong global footprint: consistently top 3 in APAC IBD⁷, #1 Pan-European brokerage firm⁸ and leading Australian franchise



1 Based on public sources of BoA, MSSB, WFC
2 InvestHedge March 2012, Pensions & Investments October 2011
3 Institutional Investor 2011
4 UBS estimates based on companies reporting FY2011 revenues

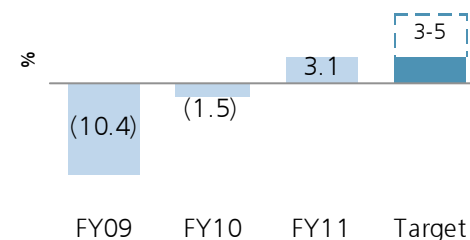
5 Euromoney FX Poll (2005 – 2011)
6 Risk Magazine, September 2011
7 Dealogic
8 Thomson Extel surveys 2011

Wealth Management

We have a strong presence in APAC and in the highest growth markets.....

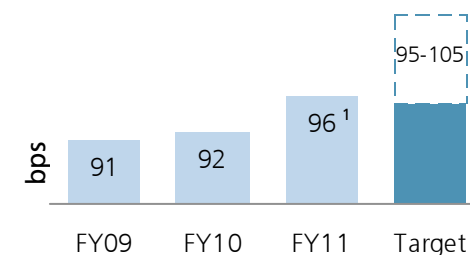
Net new money growth

- FY11 inflows of CHF 23.5 billion (3.1% NNM growth)
- Our focus is attracting quality invested assets; our strong liquidity position means we do not need to compete aggressively for deposits
- Benefits from a positive capital markets cycle



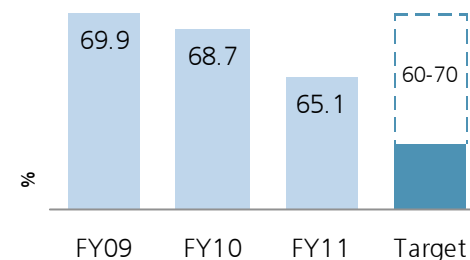
Gross margin

- Continued progress: FY11 96bps¹ up from 92bps in FY10
- Growth drivers: Lombard lending, brokerage, pricing and mandates
- Clients held ~27% of invested assets in cash and cash equivalents at the end of 4Q11



Cost / income ratio

- Disciplined approach to investment in growth areas
- Benefit from 20% of the CHF 2 billion cost reduction program announced in July 2011 by the end of 2013
- Strong positive operating leverage from strengthening revenue



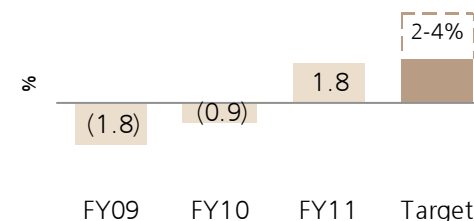
... and should see improvements as client confidence increases

Wealth Management Americas

Strong profit performance for FY11 and ...

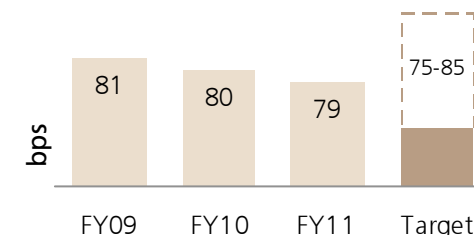
Net new money growth

- Net inflows of CHF 12.1 billion after outflows of CHF 6.1 billion in FY10
- Industry-leading net new money growth rates; NNM including dividends and interest were CHF 30.4 billion in FY11
- Future growth driven by same store advisors



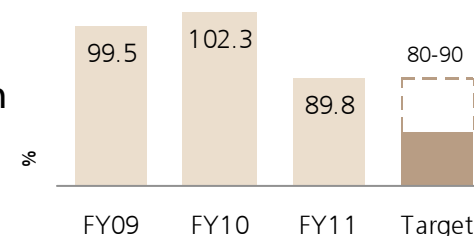
Gross margin

- Gross margin was within our target range of 75-85 basis points
- Continuous pressure from low interest rate environment partially offset by pricing initiatives
- Capturing banking and lending opportunities with clients will support our margins



Cost / income ratio

- Improved cost / income ratio ~90% for FY11 and narrowed the gap with our largest peers
- Retaining high-performing FAs is key; attrition rates remain at all time lows
- Drive advisor productivity through increased training, teaming and platform enhancements



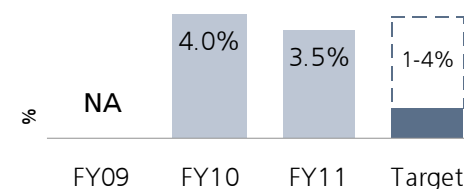
...we are confident we can deliver USD 1 billion pre-tax profit in the future

Retail and Corporate

Leading retail and corporate business in Switzerland...

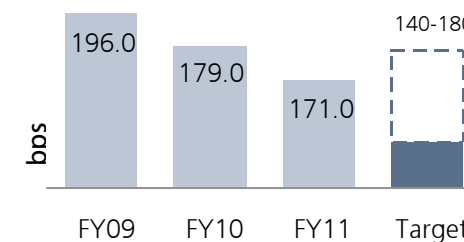
Net new business volume growth

- Volume growth in client deposits of 6% in 2011
- Seizing growth opportunities in advisory and execution services
- Targeting growth in mature markets by capitalizing on our universal business model



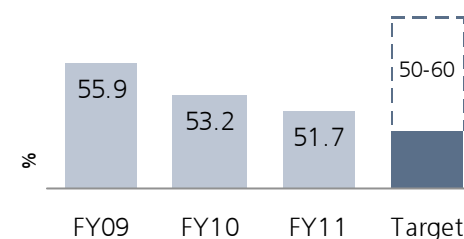
Net interest margin

- Disciplined interest rates on deposits
- Interest on loans: enforcing risk adjusted pricing
- Significant upside potential in a normalized interest rate environment



Cost / income ratio

- Cost/income ratio of ~52% well within its target range
- Continued tight cost discipline
- Strong revenue generator, providing opportunities and revenues to other business divisions



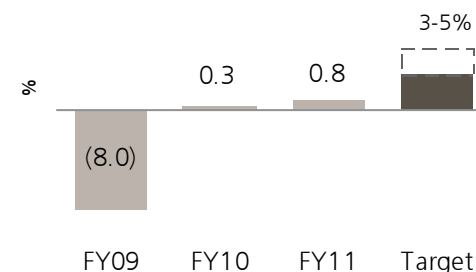
... with resilient underlying performance

Global Asset Management

Well-diversified across business lines, regions and distribution channels ...

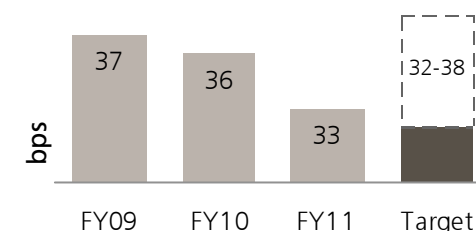
Net new money growth

- Third party inflows of CHF 12.2 billion excluding money market for FY11
- Grow third-party wholesale by building on our strengths in APAC and Switzerland
- Expand our leading alternative asset management capabilities and continue to grow passive capabilities



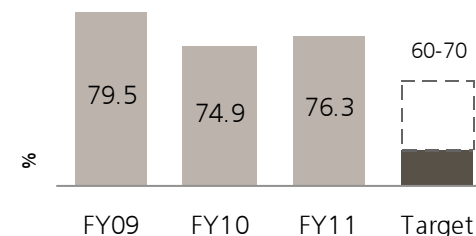
Gross margin

- Focus on growth in high margin alternatives businesses offsetting lower-margin passive expansion
- Attractive margins in third party wholesale business
- Recovery of performance fees as markets normalize; > CHF 18 billion of A&Q invested assets were within 5% of their high water mark at the end of 4Q11



Cost / income ratio

- Continued tight cost control
- Highly scalable platform – ability to significantly expand AuM without material additional cost



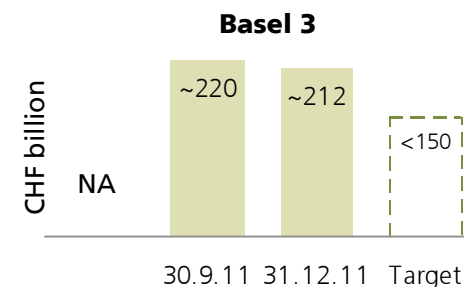
... with growth initiatives focused on alternatives, passive and third party wholesale

Investment Bank

Our efforts are focused on prudent risk reduction

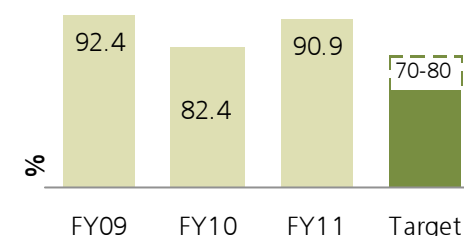
Risk-weighted assets reduction (Basel 3)

- Targeting CHF 190 billion RWAs by 31.12.12; good progress in market risk RWA reduction in 4Q11
- Optimize capital allocation while actively reducing risk
- Substantial RWA reduction through business realignment and right-sizing, particularly in FICC



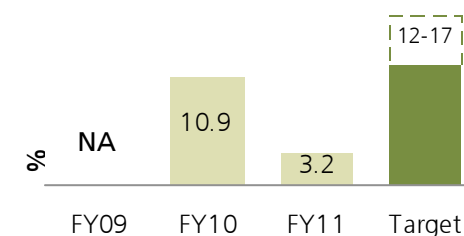
Cost / income ratio

- Balanced business mix will support lower and less volatile cost / income ratios
- Discretionary spending focused on client revenue generating activities
- CHF 1 billion benefit of the CHF 2 billion cost reduction program announced in July 2011 by the end of 2013



Pre-tax return on attributed equity

- Expected reduction of attributed equity in future from CHF 27.5 billion at 31.12.11 to closer to CHF 20 billion in future
- Attributed equity reflects the size of the business in terms of RWAs, risks, assets and full allocation of goodwill
- Focusing on businesses which are relevant to our clients, maximize our market standing, have attractive growth prospects and together meet our RoE requirements



... as we strive to achieve attractive returns in the future

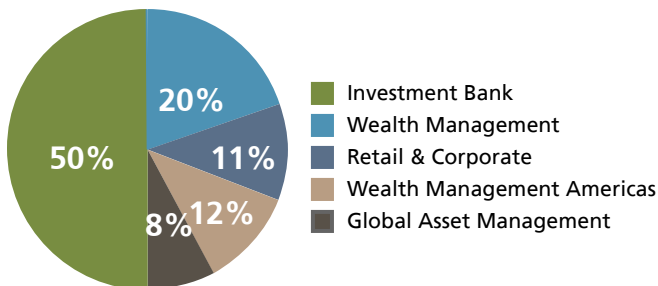
We remain vigilant on costs

We are managing scarce resources by driving tactical and strategic efficiency initiatives ...

Tactical actions

- CHF 2 billion cost elimination program announced in July 2011

Cost savings distribution pro-forma 2013



> CHF 1 billion cost savings expected to be achieved in 2012

Optimization

- Embed cost discipline in the culture of the bank
- Pre tax profit targets and cost / income targets rather than revenue as primary bonus relevant KPIs

Process industrialization

- Continuously increasing efficiency by reducing unit cost year on year
- These measures should increase adaptability in changing market conditions

... while continuing to invest in key growth areas

Our capital, liquidity and funding positions are strong

Capital strength is the foundation for our success

Capital position¹

- Industry-leading Basel 2.5 tier 1 capital ratio: 15.9%, core tier 1 ratio 14.1%
- 48% increase in tangible book value per share (TBVPS) to CHF 11.68 since 31.12.09⁵ through earnings accretion
- Highest TBVPS CAGR-growth among our peers since 2009 at 17%

Liquidity & funding¹

- Provisional Basel 3 liquidity coverage ratio² in line with Basel 3 requirements
- With 23% available liquidity of funded assets among the industry-leading banks
- Sound funding sources: diversified by market, product, tenor and currency
- Customer deposits and long-term debt > 50% of funded balance sheet

Balance sheet¹

- Funded balance sheet reduced by 58% to CHF 932 billion from peak³
- Liquidity substantially improved: ~81% decrease in the trading portfolio from peak³ and a relative increase of highly liquid assets⁴

¹ On 31.12.11

² Estimated on 31.12.11

³ Refers to 30.6.07 balance sheet (excluding positive replacement values)

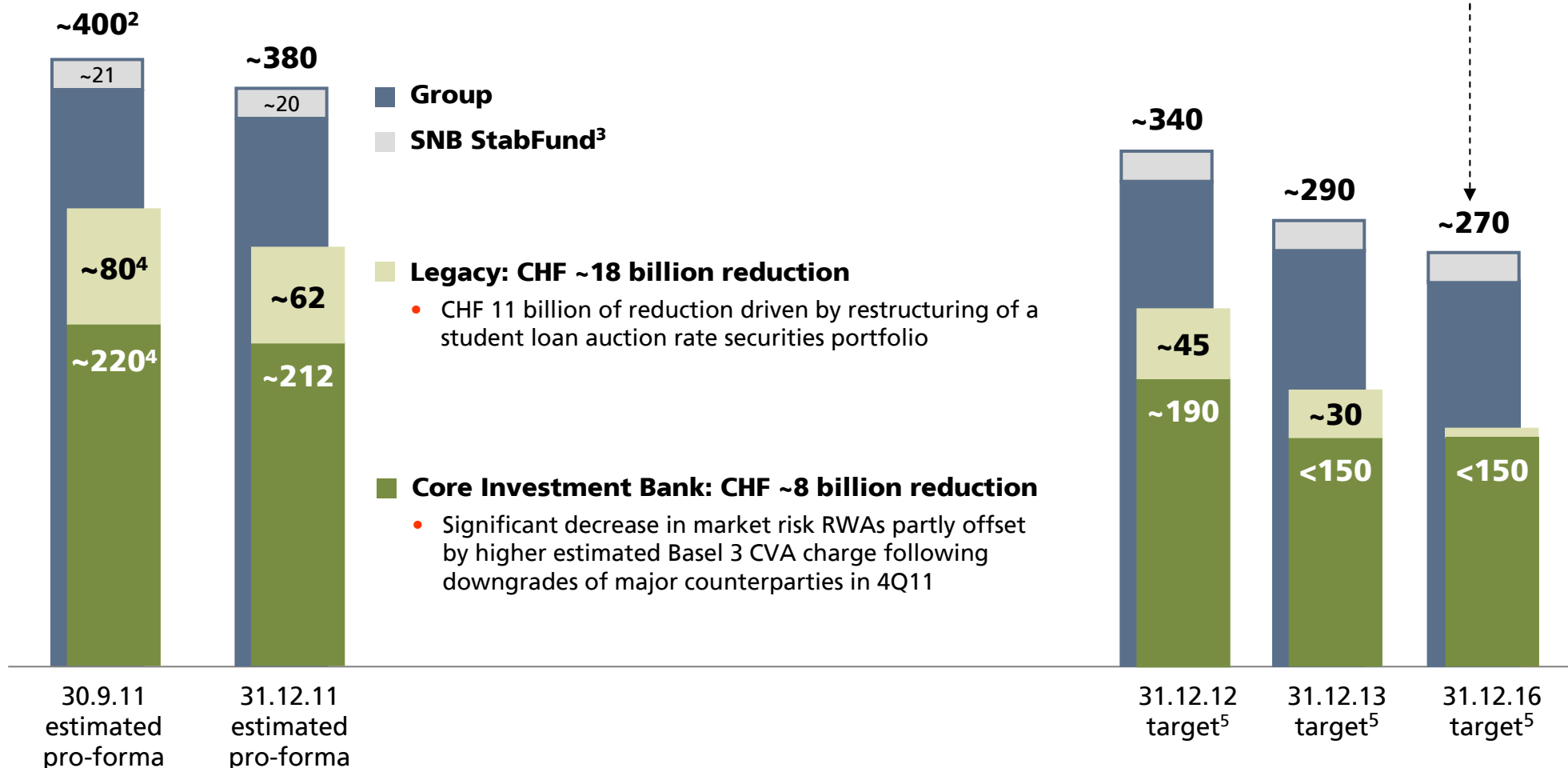
⁴ Refers to cash and balances with central banks and financial investments available-for-sale

⁵ For 2009 and earlier, calculation adjusted to include shares related to mandatory convertible notes

Risk-weighted assets – Basel 3¹

We have reduced RWAs swiftly and we are ahead of our plan

- CHF (145) billion net reduction of IB RWAs
- CHF 15 billion RWA growth in other businesses



We will continue our disciplined approach to RWA reduction



1 Our pro-forma Basel 3 RWA are based on estimates and will be refined as we progress with our implementation of new models and associated systems

2 30.9.11 pro-forma RWAs of CHF ~400 billion already factored in the 4Q11 reversal of CHF 17 billion of stress VaR related to the unauthorized trading incident

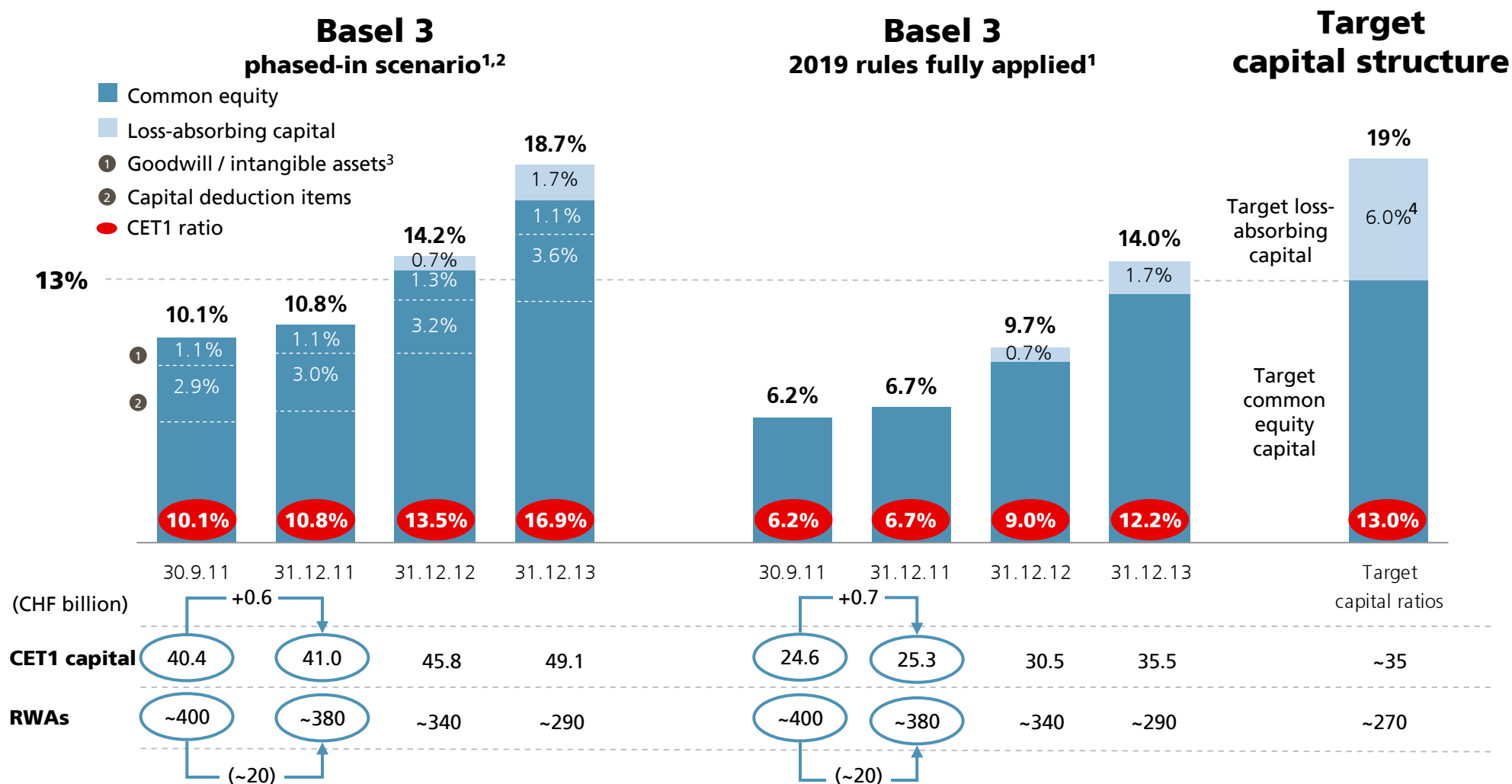
3 SNB StabFund option or underlying assets; assumed constant for future periods (CHF ~20 billion)

4 Final composition of the legacy portfolio as of 30.9.11. Original 30.9.11 disclosure was CHF ~70 billion in Legacy and ~CHF 230 billion in Core Investment Bank

5 Target assumes constant FX rates

We are targeting a common equity tier 1 ratio of 13%

We intend to issue loss-absorbing capital on a global basis



1 Our pro-forma Basel 3 RWA and CET1 capital are based on estimates as presented at the Investor Day 2011 and will be refined as we progress with our implementation of new models and associated systems
 2 Deferred tax assets on net operating losses of CHF 8.0 billion on 31.12.11: net decrease due to amortization of CHF 0.5 billion in 2012 and 2013. Deferred pension expenses of CHF 3.3 billion on 31.12.11 (current accounting rules applied). Other deduction items not taken into account. Deduction for exposures in financial industry excluded as rules need further clarification
 3 Goodwill and intangible assets will be deducted from CET1 capital under Basel 3. In the transition period, there will be a phase-in during which they will be deducted from tier 1 capital and not from CET1 capital up to the amount of outstanding phased-in hybrid tier 1 capital
 4 UBS is eligible for a capital rebate on a portion of the capital requirement subject to measures taken to improve resolvability



We are confident about our future

Our business	Our actions	Upside potential
<ul style="list-style-type: none"> • Unrivalled wealth management franchise <ul style="list-style-type: none"> - Well positioned in largest and fastest growth markets - CHF 1.5 trillion AuM; CHF 2.9 billion pre-tax profit¹ • Leading retail and corporate business <ul style="list-style-type: none"> - Inherently stable business with strong earnings generation - Pre-tax profit of CHF 1.9 billion • Focused Investment Bank <ul style="list-style-type: none"> - Top 3 position in equities and FX - Thought leadership by global advisory coverage teams • Well-diversified asset management business <ul style="list-style-type: none"> - Successful alternatives platform - Consistently profitable, low capital intensity business 	<ul style="list-style-type: none"> • Continue to strengthen our leading capital position and sound liquidity and funding • On track for the CHF 340 billion RWA target by end 2012 • Achievement of phased-in Basel 3 CET1 of 13% targeted by the end of 2012 • Cost savings of CHF 2 billion in progress <ul style="list-style-type: none"> - > CHF 1 billion to be achieved by end 2012 • Dividend of CHF 0.10 proposed <ul style="list-style-type: none"> - Progressive returns program to be implemented as we successfully execute on our strategy 	<ul style="list-style-type: none"> • 27% of WM clients AuM in cash earning very low margins • USD 28 billion of money market funds in WMA waiving > USD 100 million p.a. • Significant upside potential in WM, WMA and R&C from increased market rates • > CHF 18 billion of Global AM A&Q funds within 5% of high water marks • Cost industrialization process initiated <ul style="list-style-type: none"> - material savings expected from multi-year program • Strongly geared towards a more positive capital markets cycle in the medium and long term

Long term franchise value with Group return on equity of 12-17%

Our actions should enhance our ability to deliver a progressive capital return policy



¹ Excluding restructuring charges and the gain on the sale of the strategic investment portfolio

Key messages

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