

Second quarter 2011 results

July 26, 2011



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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. Additional information about those factors is set forth in documents furnished or filed by UBS with the US Securities and Exchange Commission, including UBS’s financial report for second quarter 2011 and UBS’s Annual Report on Form 20-F for the year ended 31 December 2010. 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.

2Q11 highlights

CHF 1.7 billion pre-tax profit as revenues decreased on lower client activity

CHF 1.0 billion net profit attributable to shareholders

Profit attributable to non-controlling interests totaled CHF 0.3 billion

Diluted EPS CHF 0.26, year-to-date return on equity 12.0%

Tangible book value per share increased to CHF 10.19

Continued improvement and increased profits for wealth management businesses despite lower client activity

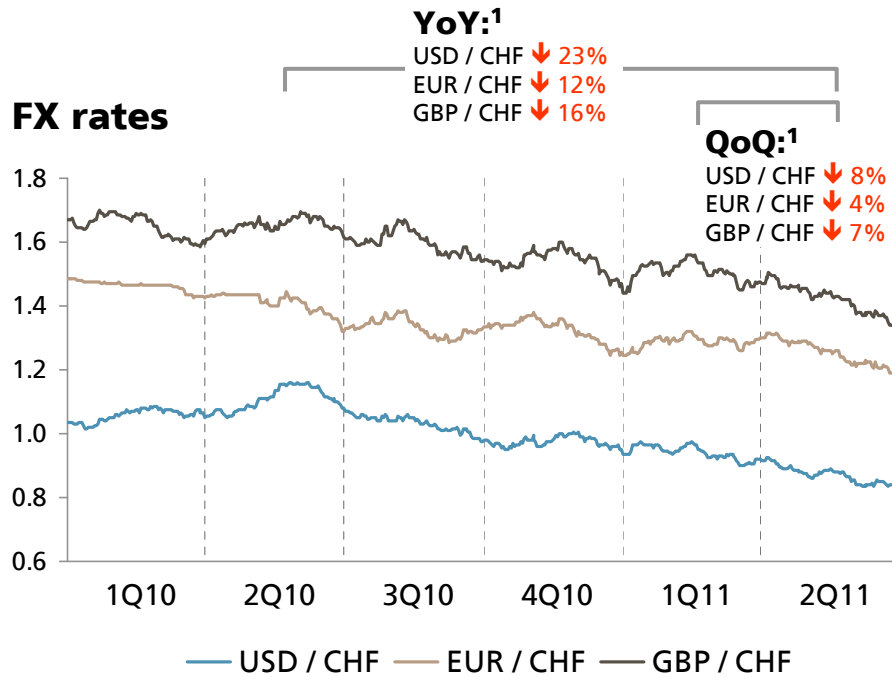
Positive net new money in all wealth and asset management businesses

Lower profit for the Investment Bank on reduced client activity

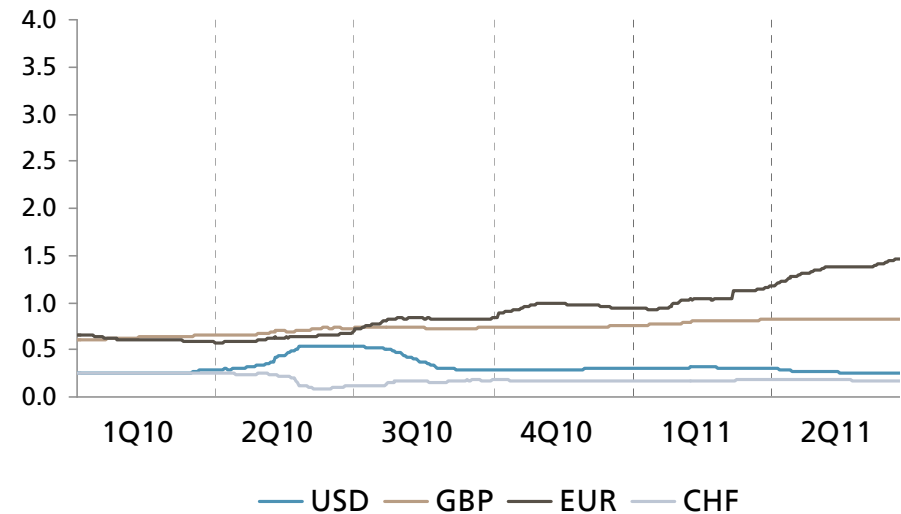
Tier 1 capital ratio of 18.1% and core tier 1 capital ratio of 16.1% (Basel 2)

Balance sheet decreased 4%; Basel 2 risk-weighted assets increased 1% to CHF 206 billion

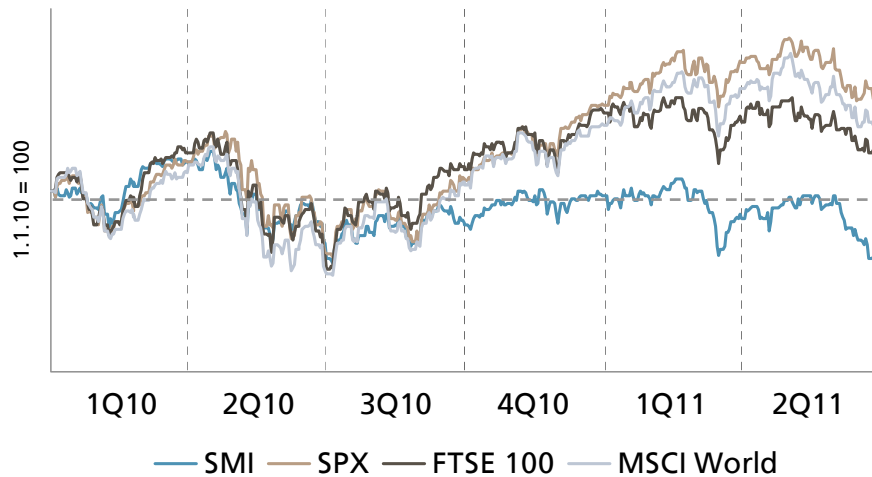
Market environment



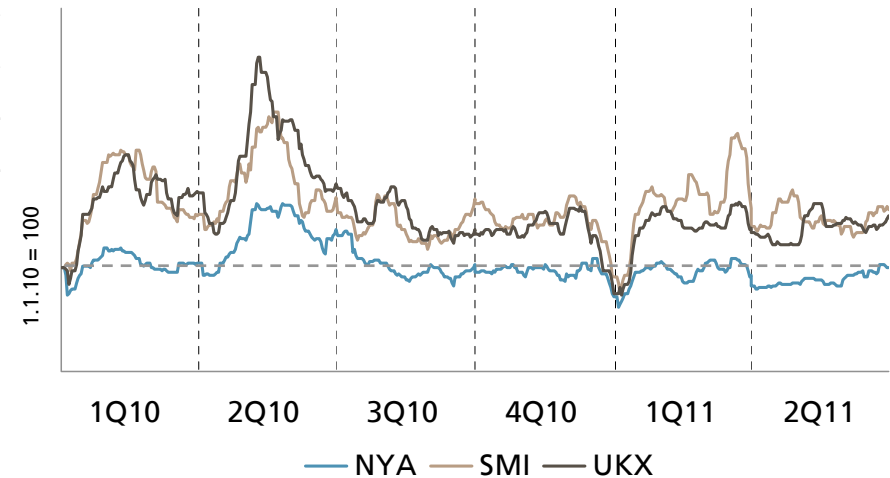
3m LIBOR



Equity market performance



Equity trading volumes



Source: Bloomberg

¹ Based on average FX rates for the quarter

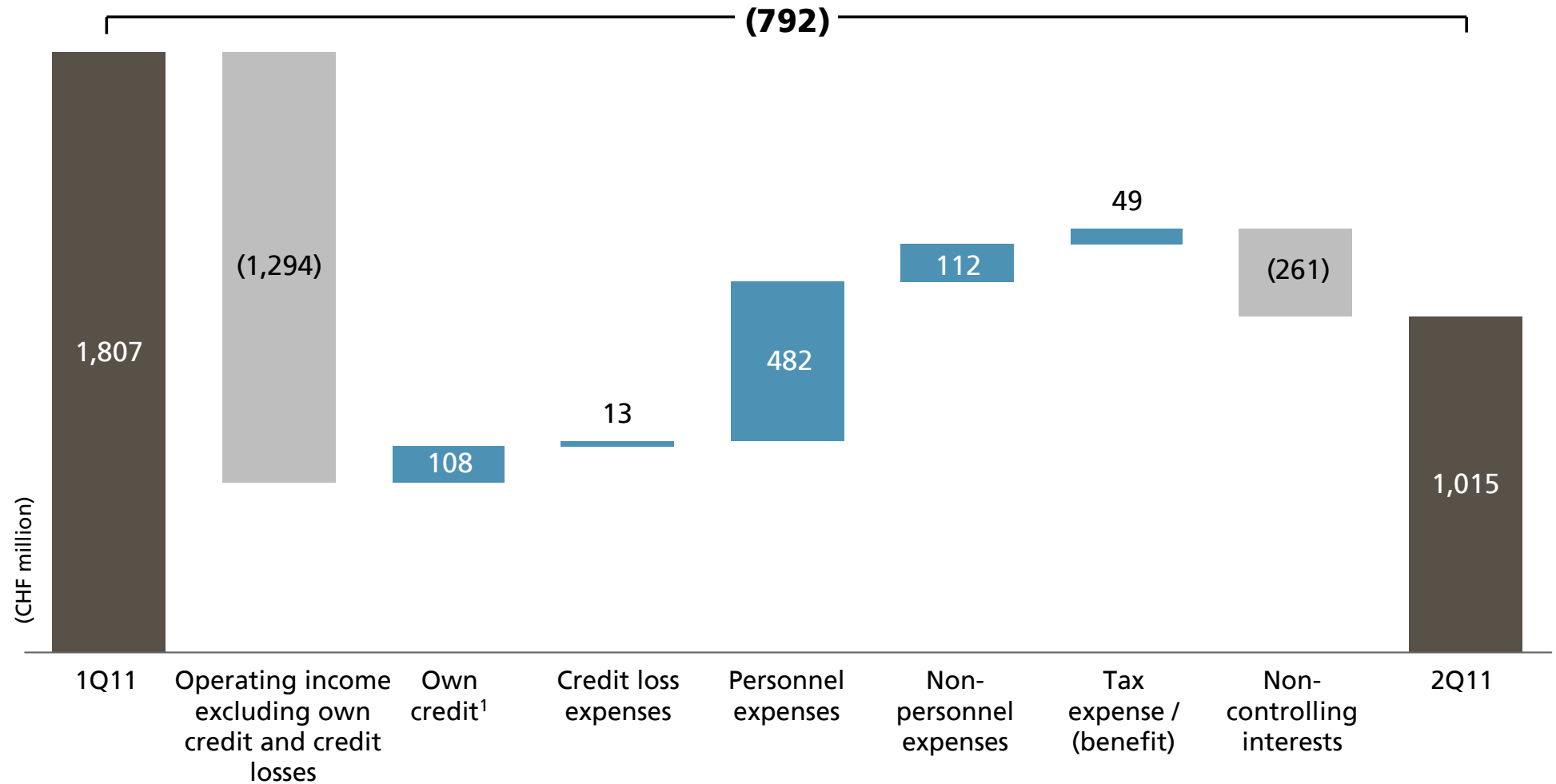
2Q11 – performance by business division

(CHF million)	WM&SB	WMA	Global AM	IB	CC	UBS
Income	2,838	1,285	444	2,615	(2)	7,180
Credit loss (expense) / recovery	2	(1)		15		16
Own credit ¹				(25)		(25)
Total operating income	2,840	1,284	444	2,604	(2)	7,171
Personnel expenses	1,217	928	236	1,517	28	3,925
Non-personnel expenses	530	216	101	712	33	1,591
Total operating expenses	1,747	1,144	337	2,229	61	5,516
Pre-tax profit / (loss)²	1,094	140	108	376	(63)	1,654
Tax expense / (benefit)						377
Net profit from continuing operations						1,277
Net profit from discontinued operations						0
Net profit attributable to non-controlling interests						263
Net profit attributable to UBS shareholders						1,015
Diluted EPS (CHF)						0.26
Headcount (FTE)	27,696	16,240	3,789	17,776	206	65,707



1 Own credit on financial liabilities designated at fair value
2 Operating profit from continuing operations before tax

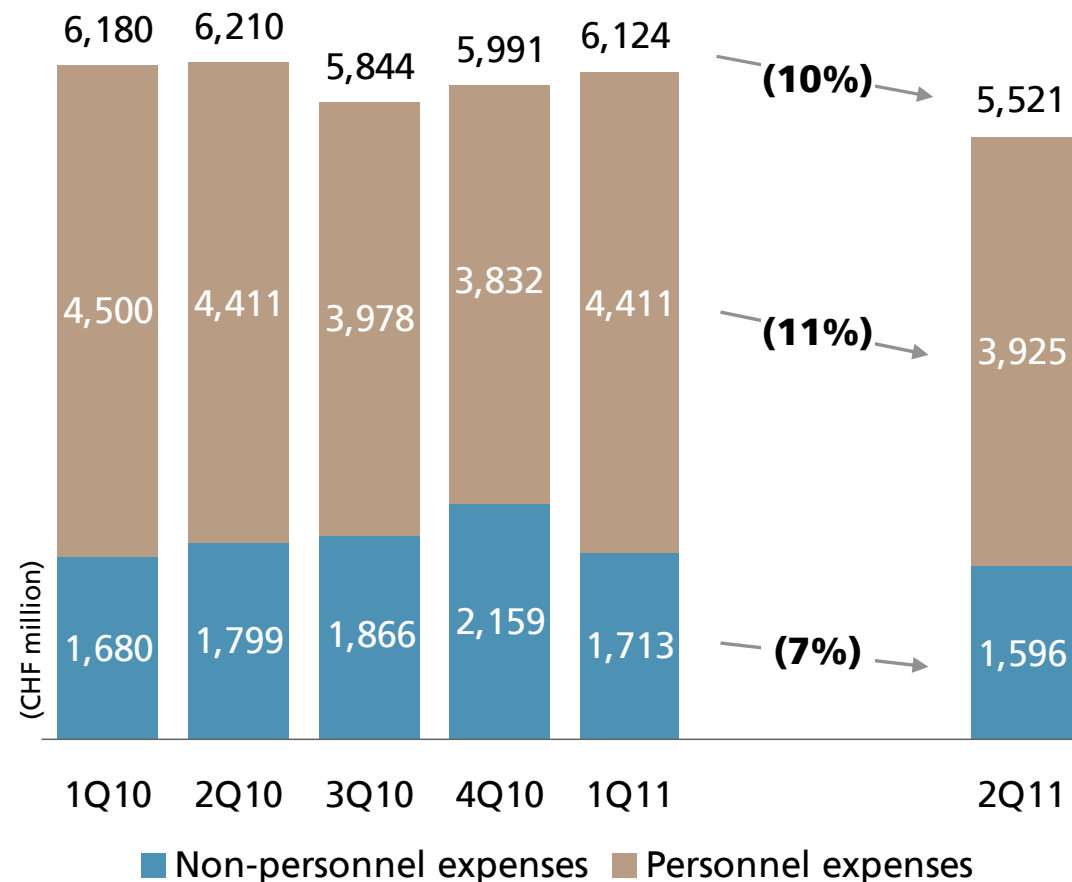
Net profit attributable to shareholders – changes 2Q11 vs. 1Q11



2Q11 operating expenses

Decrease in expenses driven by currency effects and lower personnel costs

Operating expenses (adjusted)¹



- 11% decrease in personnel costs due to lower revenues and strengthening of the Swiss franc
- 7% decrease in non-personnel costs
 - Strengthening of the Swiss franc
 - CHF 71 million decrease in administrative costs, partly due to the release of accruals for value added tax
 - Depreciation of property and equipment decreased by CHF 30 million, primarily due to the partial reversal of an impairment loss
- We expect to eliminate CHF 1.5 to 2 billion from our expense base over the next 2 to 3 years
 - Remain committed to investing in growth areas

¹ Adjustment items excluded from expenses as reported:

1Q10: personnel restructuring charges CHF 21 million

2Q10: personnel restructuring charges CHF 8 million credit, non-personnel restructuring charges CHF 127 million, UK Bank Payroll Tax CHF 242 million

3Q10: personnel restructuring charges CHF 1 million credit, non-personnel restructuring charges CHF 3 million credit

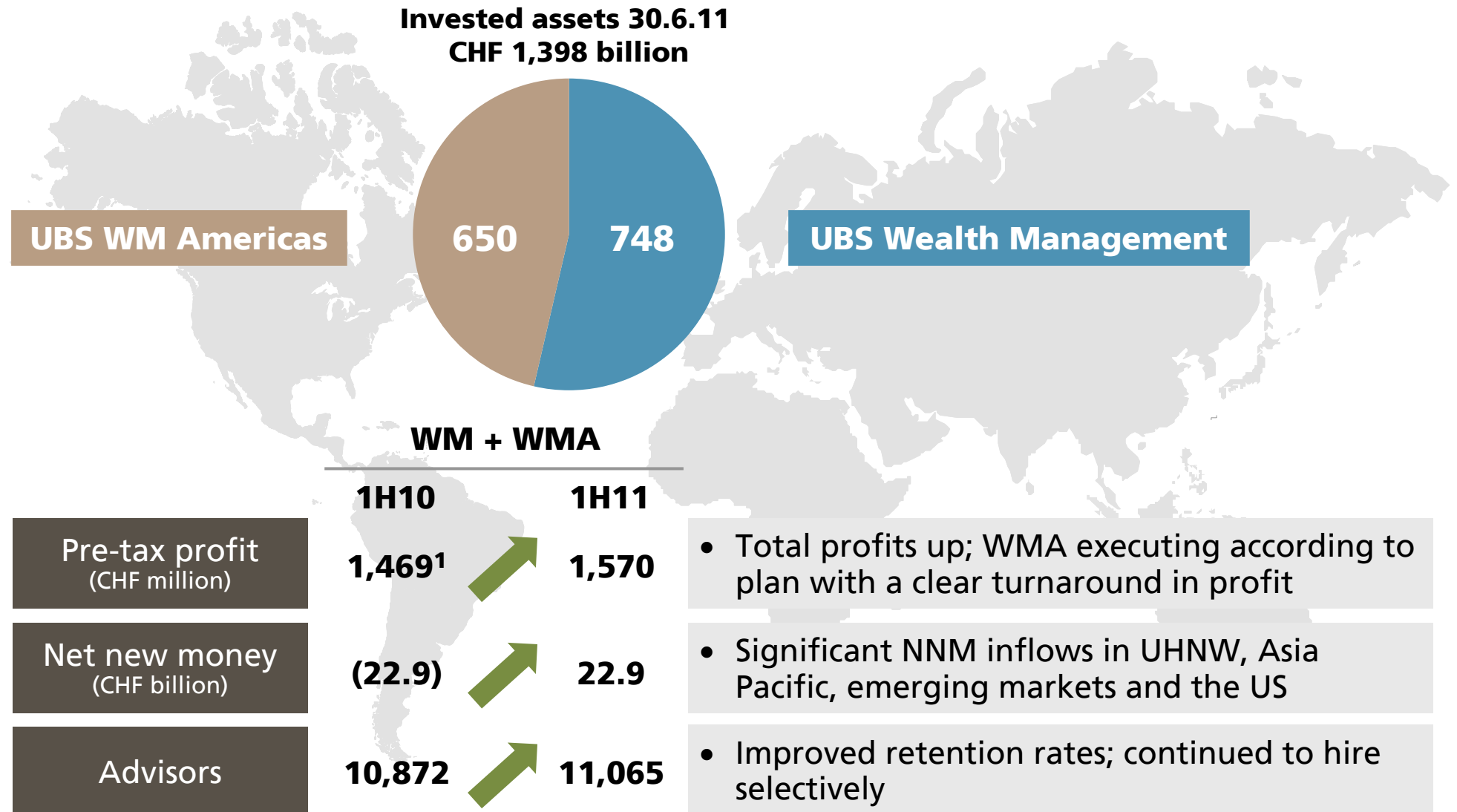
4Q10: personnel restructuring charges CHF 13 million credit, non-personnel restructuring charges CHF 8 million credit, UK Bank Payroll Tax CHF 42 million credit

1Q11: personnel restructuring charges CHF 4 million credit, non-personnel restructuring charges CHF 10 million credit

2Q11: non-personnel restructuring charges CHF 5 million credit

Wealth management businesses: recovered and ready for growth

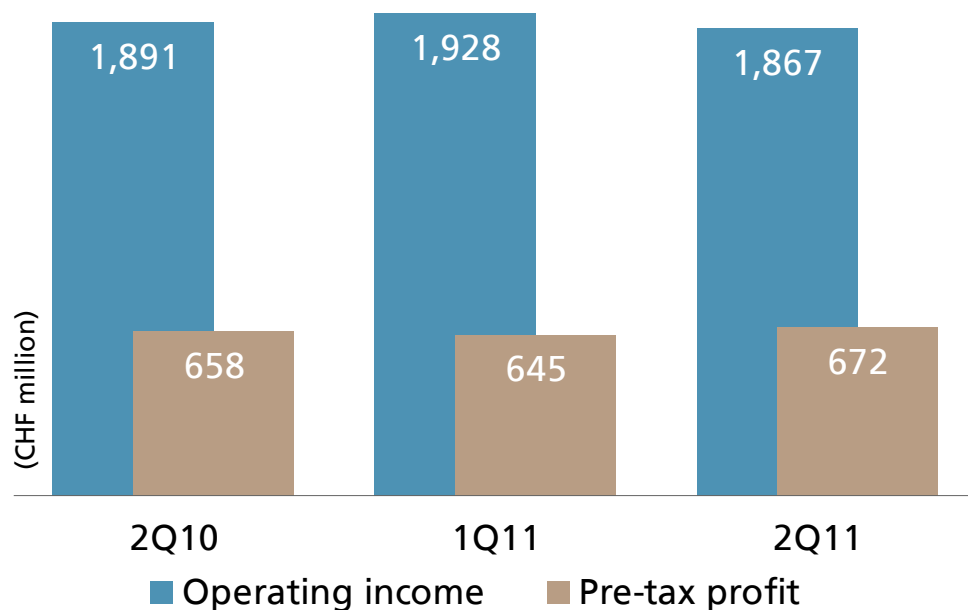
Management has steered the businesses well in turbulent conditions



Wealth Management

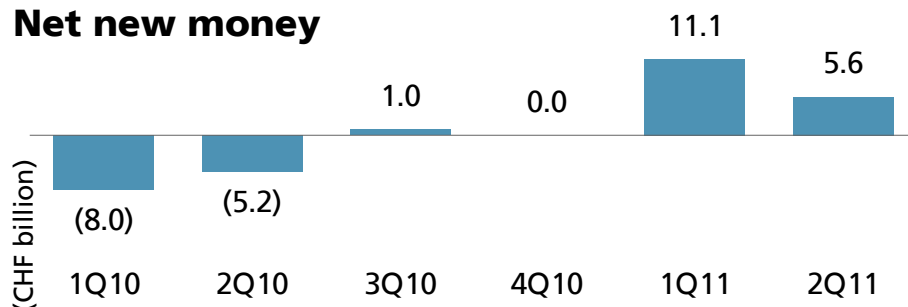
Improved performance despite adverse market conditions

Operating income and pre-tax profit



- Operating income down slightly reflecting lower client activity and strengthening of the Swiss franc
 - Further allocations of treasury income contributed CHF 21 million to 2Q11 trading revenues
- Costs decreased 7% mainly due to lower personnel expenses
- Selectively hired client advisors, primarily in strategic growth regions

Net new money



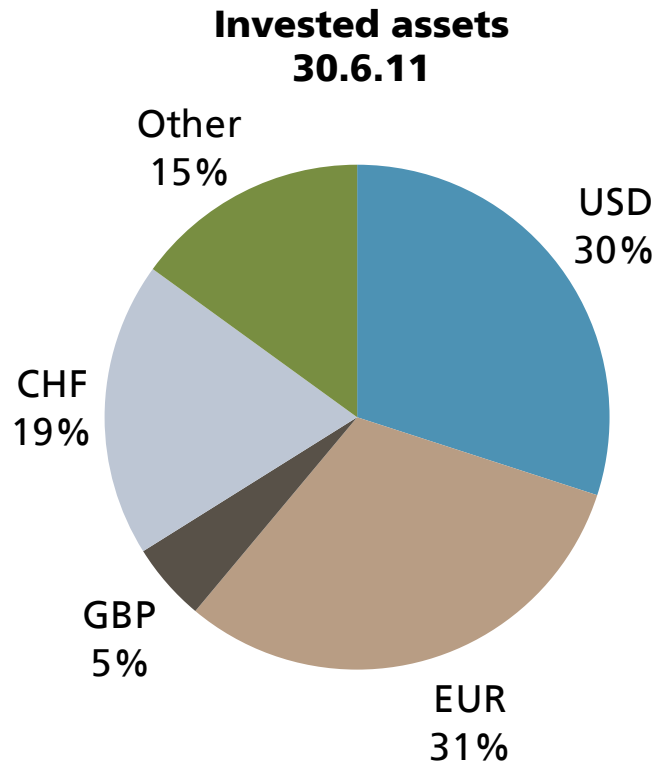
- CHF 5.6 billion net new money
 - Continued strong net inflows in Asia Pacific, emerging markets and UHNW globally
 - Continued net inflows in European onshore business. Outflows in the European cross-border business mainly from countries neighboring Switzerland¹



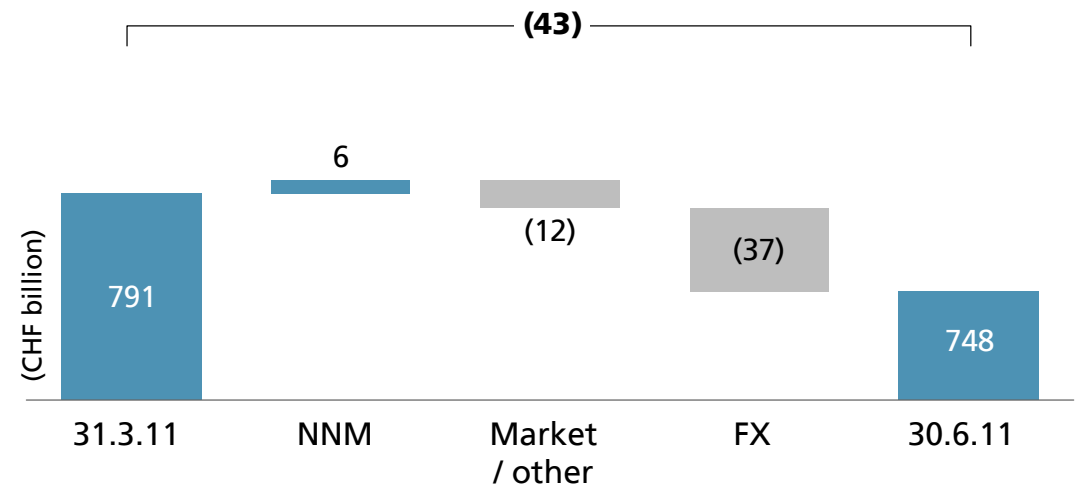
¹ Neighboring countries refers to clients with domicile UK, Germany, France, Italy and Austria, booked in Switzerland excluding financial intermediaries

Wealth Management – invested assets

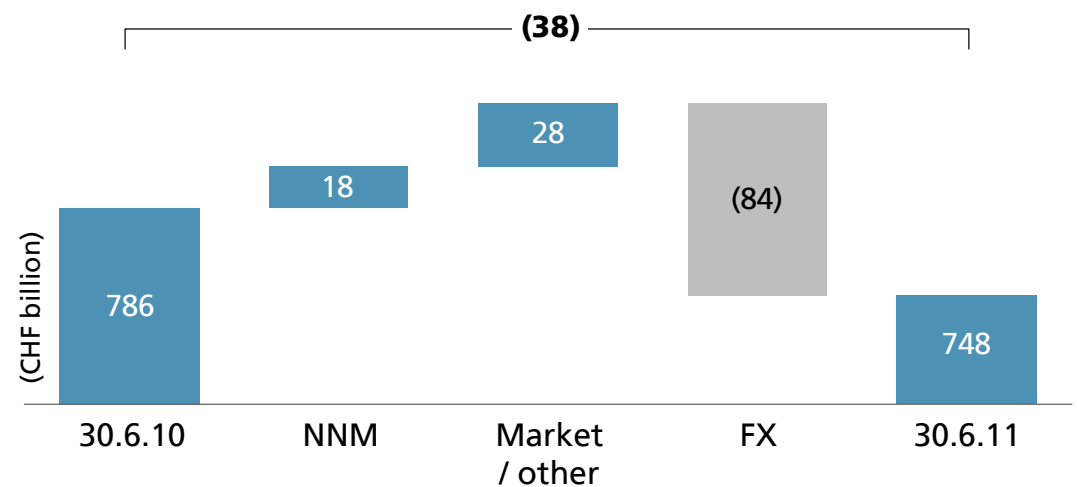
Currency movements had a material impact on invested assets



Invested assets 30.6.11 vs. 31.3.11

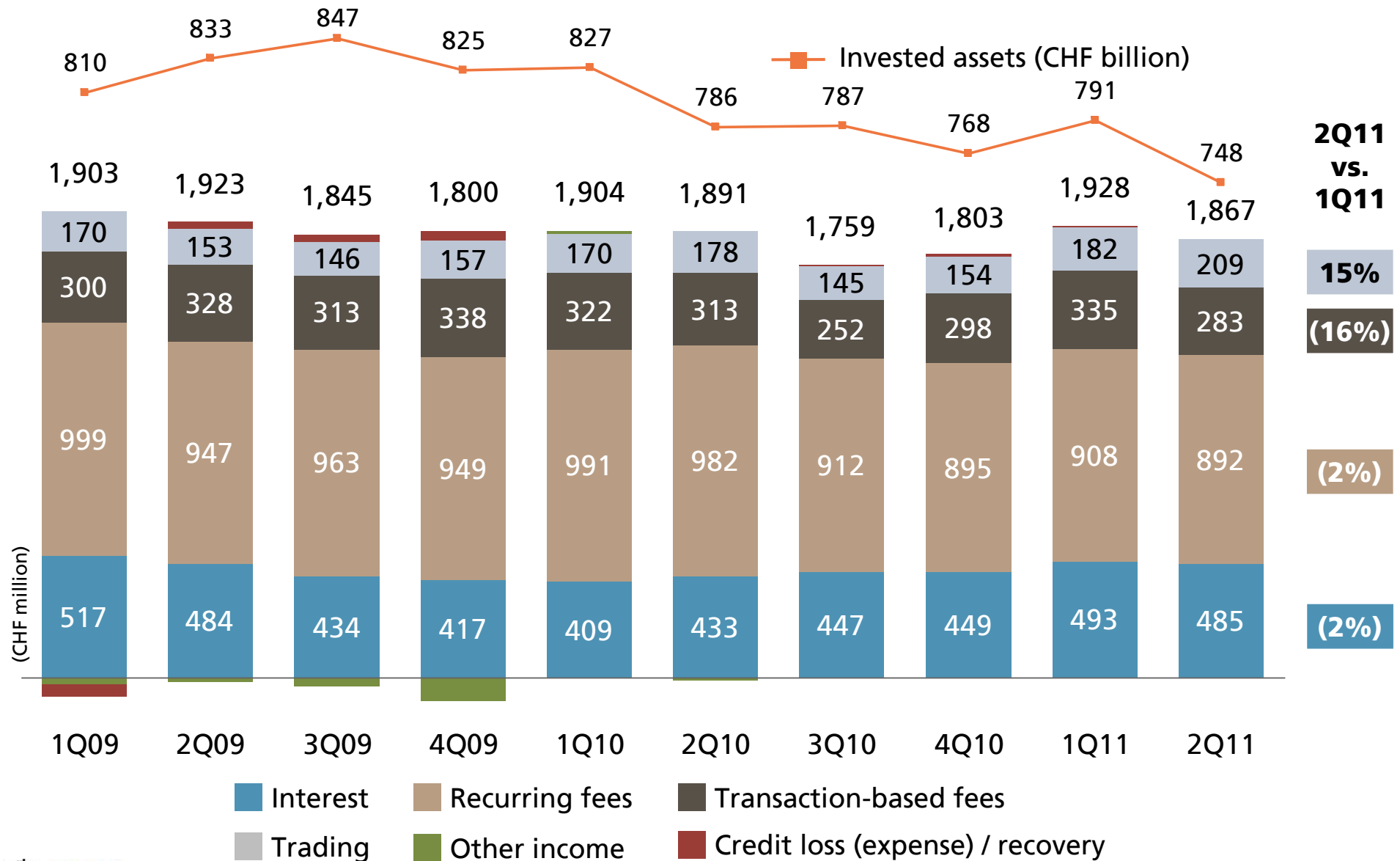


Invested assets 30.6.11 vs. 30.6.10



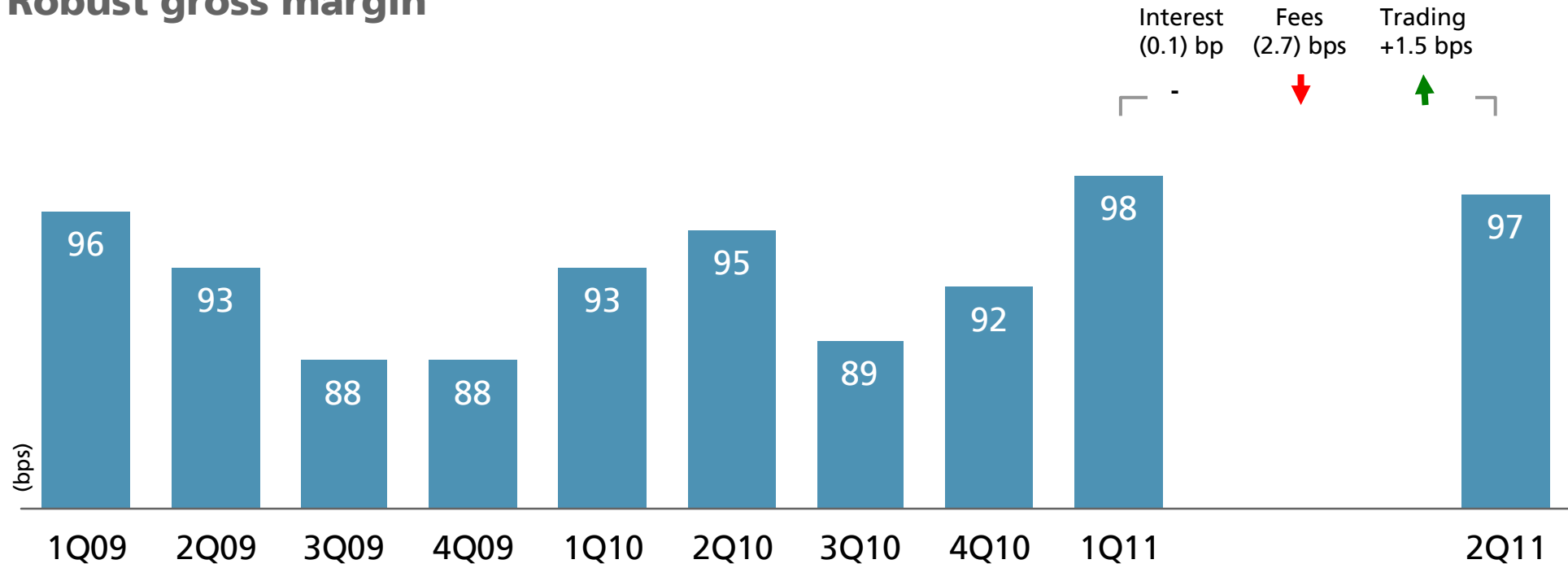
Wealth Management – operating income

2Q11 income impacted by negative FX development and lower client activity



Wealth Management – gross margin¹

Robust gross margin



Pricing

Ongoing pricing realization and price grid realignment efforts

Lending

Lending volume increased slightly in the quarter

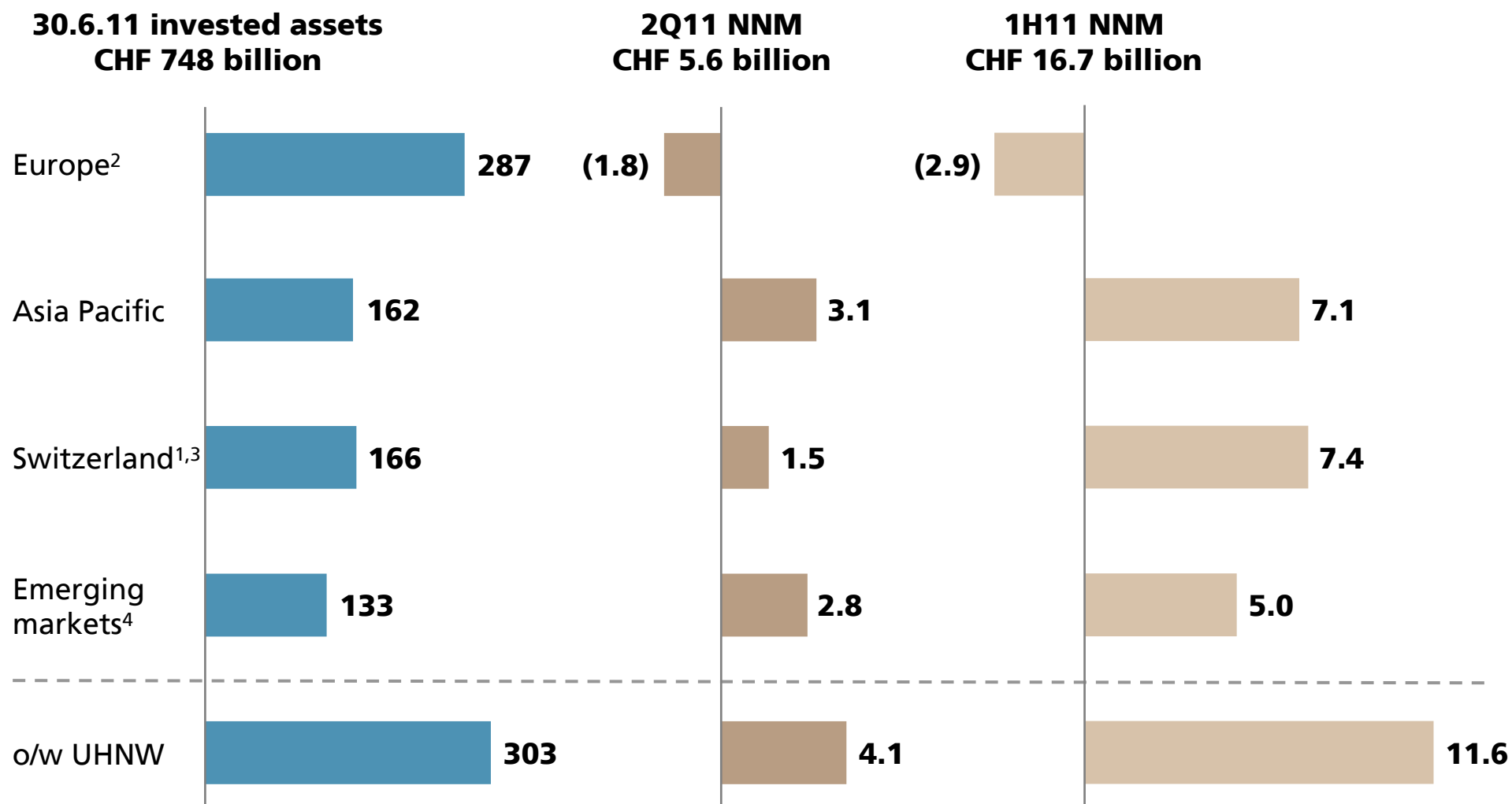
Brokerage

Brokerage revenues impacted by lower client activity

Mandates

The proportion of assets invested in mandates was stable

Wealth Management – invested assets and NNM by region¹



¹ Invested assets and net new money based on client domicile. Invested assets and net new money for "Swiss wealth management" and "International wealth management" as shown in UBS's quarterly report are based on an organizational view. Net new money and invested assets for certain clients domiciled in Switzerland but served by businesses such as Financial Intermediaries or Global Family Office are reported under "International wealth management" in UBS's quarterly report

² Includes Western Europe and all other countries not covered elsewhere

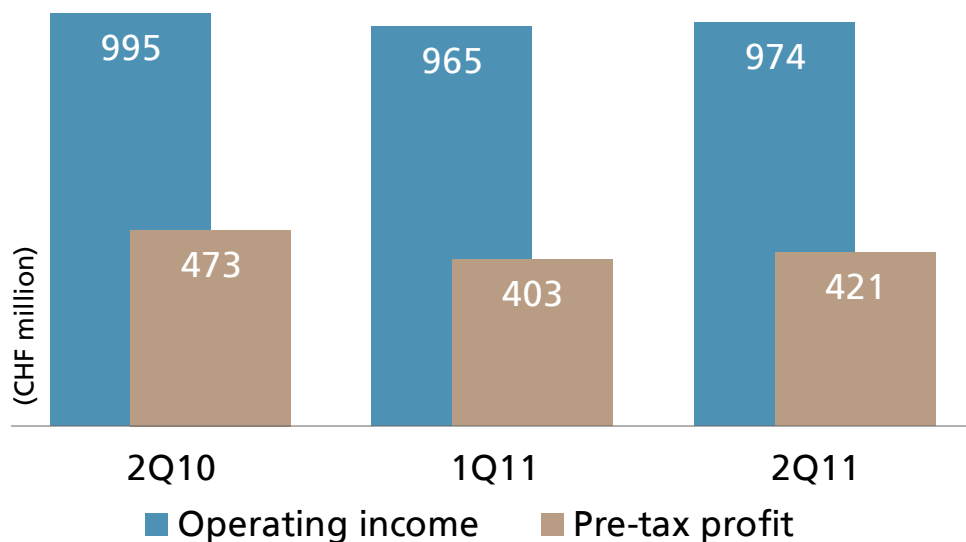
³ Net new money for "Swiss wealth management" as reported in the 2Q11 report was CHF 0.1 in 2Q11 and CHF 2.3 billion in 1H11

⁴ LatAm, Middle East & Africa and Central & Eastern Europe & Turkey

Retail & Corporate

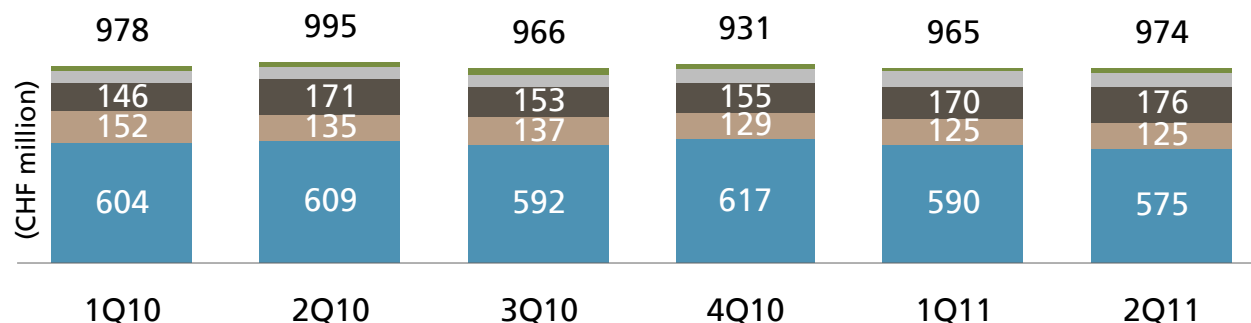
Steady performance, no credit loss expenses

Operating income and pre-tax profit



- Operating income up 1%
 - Higher fees and other income more than offset lower interest income
 - Income from a divestment and dividends from equity participations contributed CHF 14 million to other income
 - Continued interest margin pressure
 - Credit loss expenses declined by CHF 7 million to zero in the second quarter
- Costs decreased 2% on lower personnel expenses and lower allocated costs

Operating income

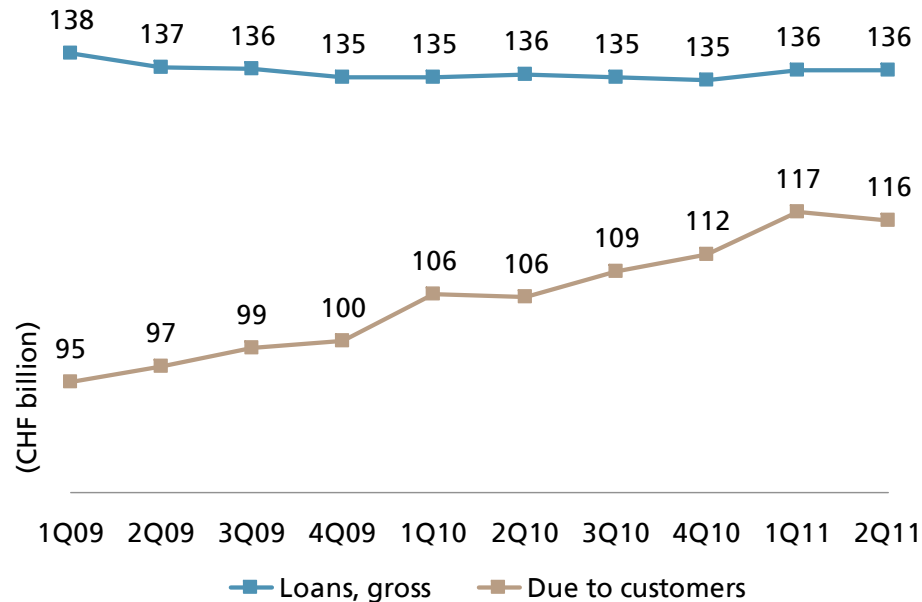


- Credit loss (expense) / recovery
- Other income
- Trading
- Transaction-based fees
- Recurring fees
- Interest

Retail & Corporate

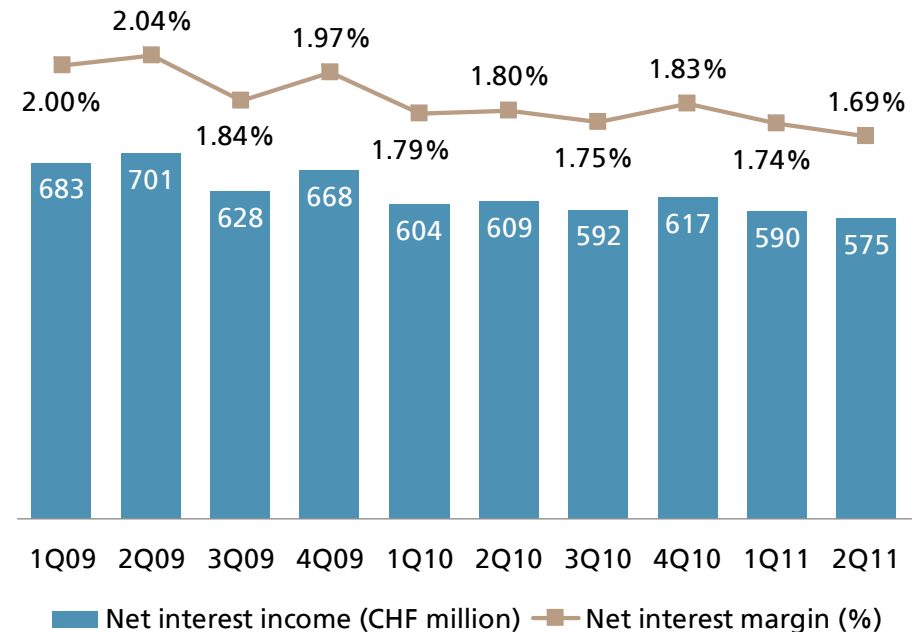
Positive trends in deposits; net interest margin remains under pressure

Loans and deposits



- Growth in client deposits offset by lower income from replication portfolio
 - Continued discipline on deposit interest rates
- Deposits exceed loans by CHF 65 billion for WM&SB overall

Net interest margin¹

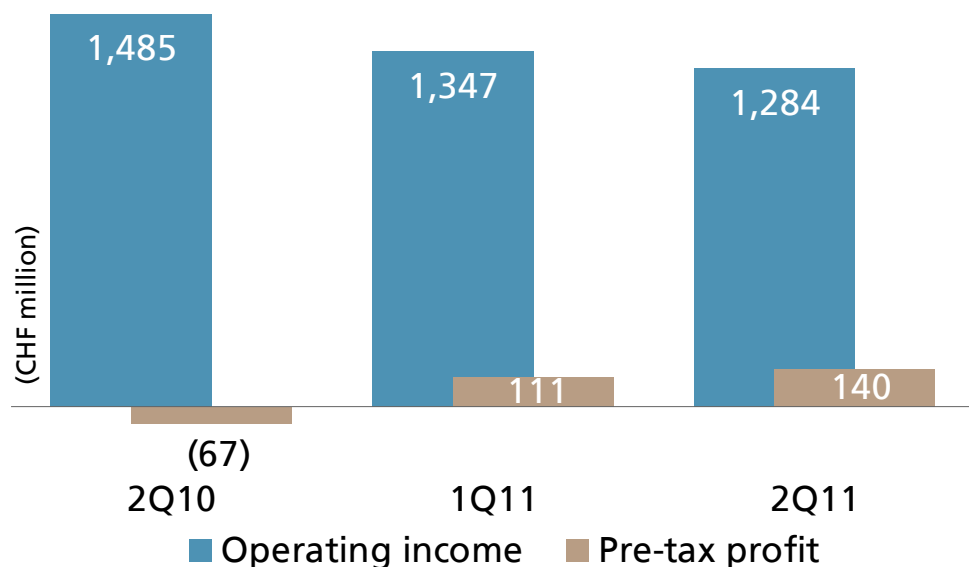


- Pressure on net interest margin driven by the low interest rate environment and competitive pricing pressure

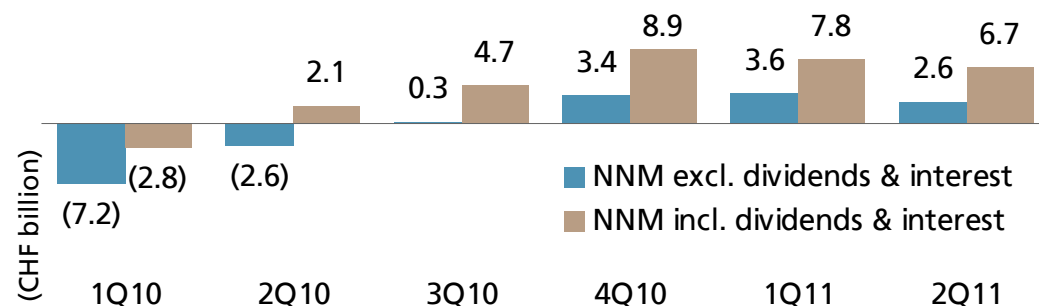
Wealth Management Americas

Pre-tax profit improved to CHF 140 million, up 39% in USD

Operating income and pre-tax profit



Net new money



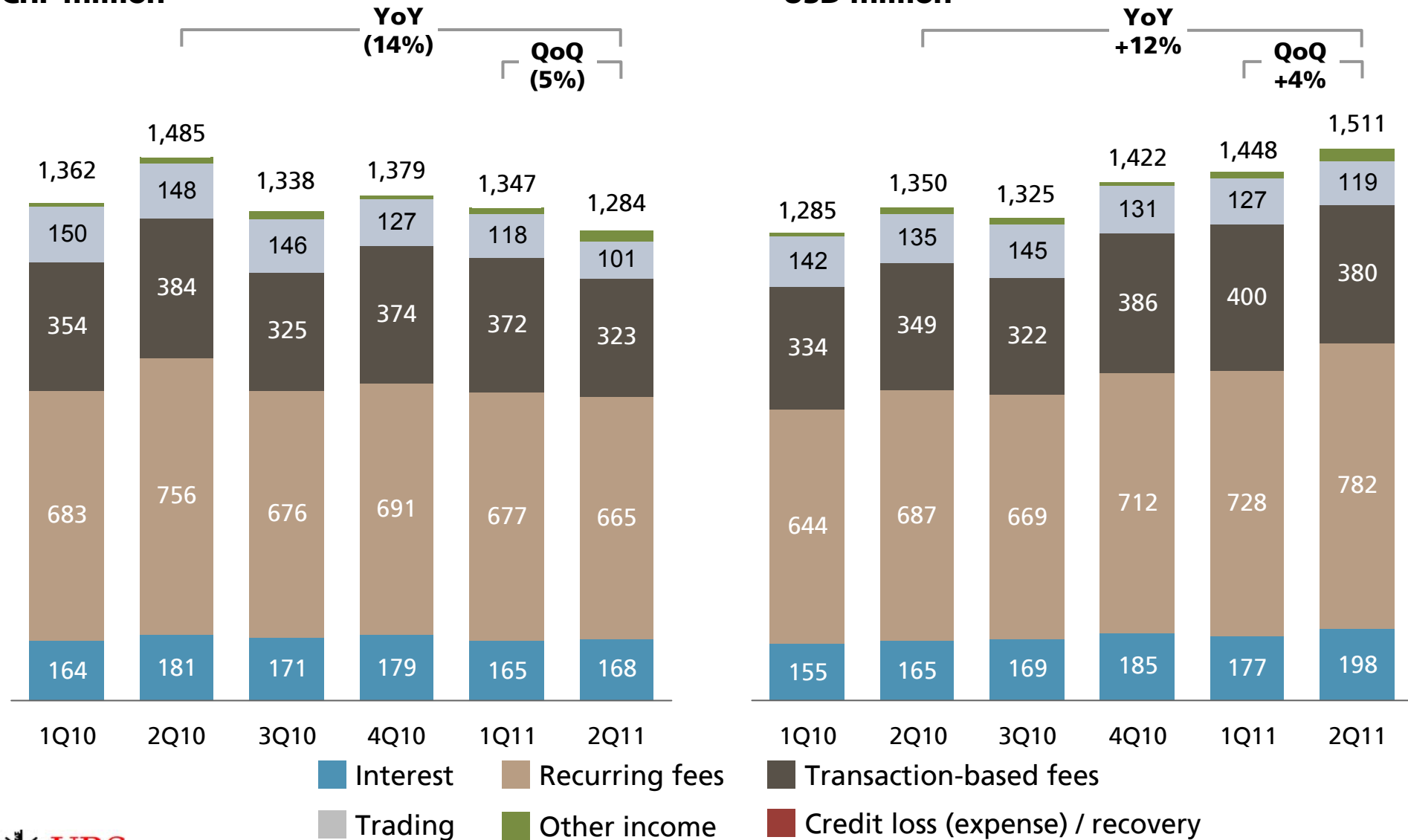
- Reported revenues decreased as strength of the Swiss franc masked underlying improvement
 - USD revenues grew 4% driven by higher recurring fees and interest income
 - Realized gains on available-for-sale portfolio of CHF 25 million in 2Q11 compared with CHF 7 million in 1Q11
- Cost / income ratio improved to 89%
- Financial advisor attrition levels improved to historical lows
- CHF 2.6 billion net new money
 - CHF 6.7 billion NNM including dividends and interest
 - “Same store”¹ NNM positive for the sixth consecutive quarter
 - First 2Q with positive NNM since 2Q07; 2Q usually impacted by tax-related outflows

Wealth Management Americas – operating income

Currency effects offset increase in underlying USD fee & commission income

CHF million

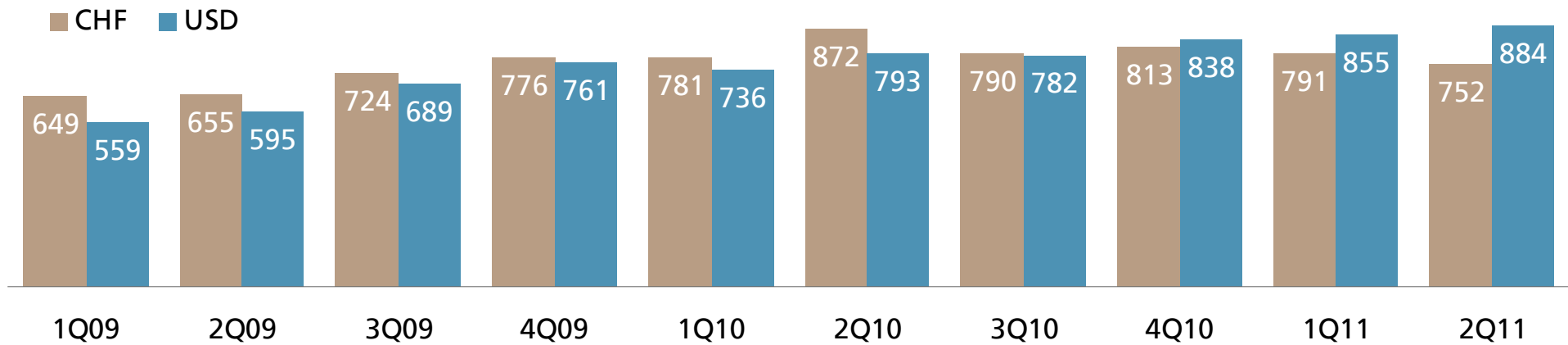
USD million



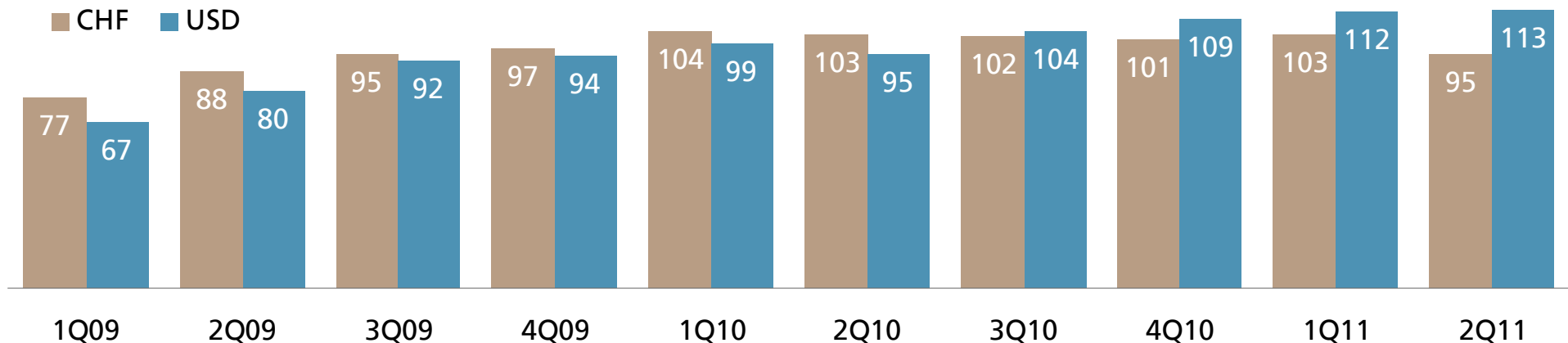
Wealth Management Americas – financial advisor productivity

USD revenue and invested assets per financial advisor at record levels

Revenue per FA, annualized (thousand)



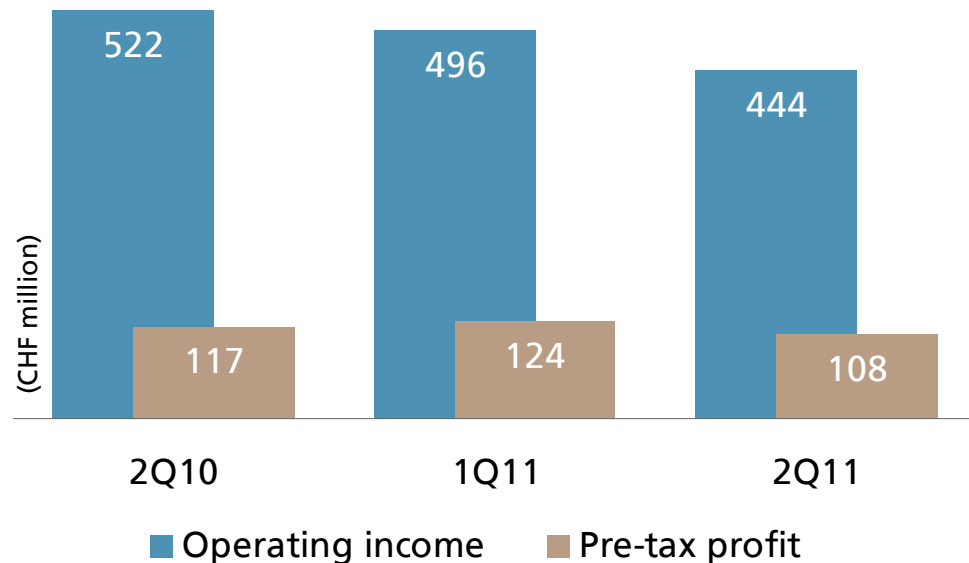
Invested assets per FA (million)



Global Asset Management

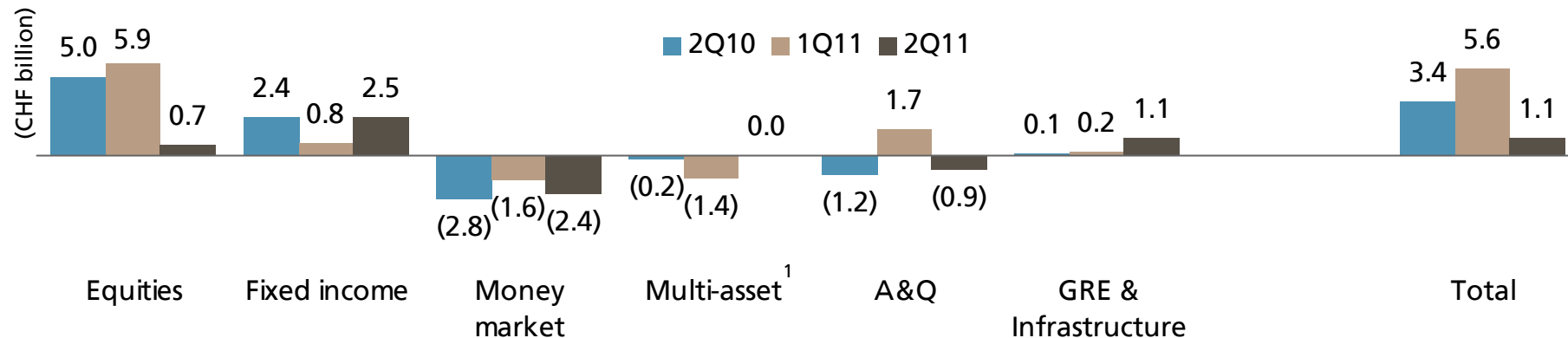
CHF 108 million pre-tax profit

Operating income and pre-tax profit



- Decrease in operating income
 - Lower performance fees in A&Q
 - Decrease in net management fees driven by the strengthening of the Swiss franc
- Operating expenses reduced in line with revenues
 - Lower personnel costs
 - Decrease in premises costs
 - Strengthening of the Swiss franc also contributed
- Continued strong net new money inflows from third parties

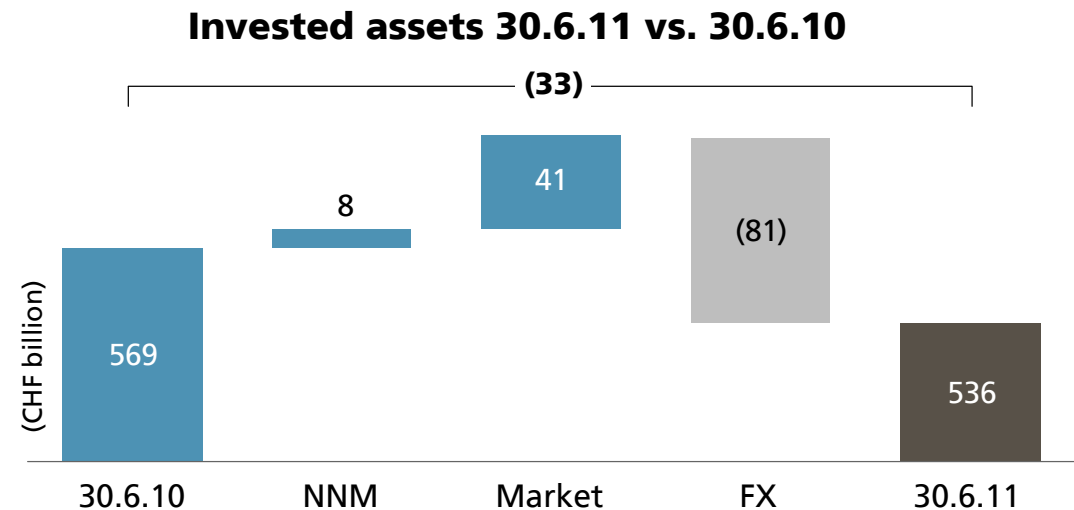
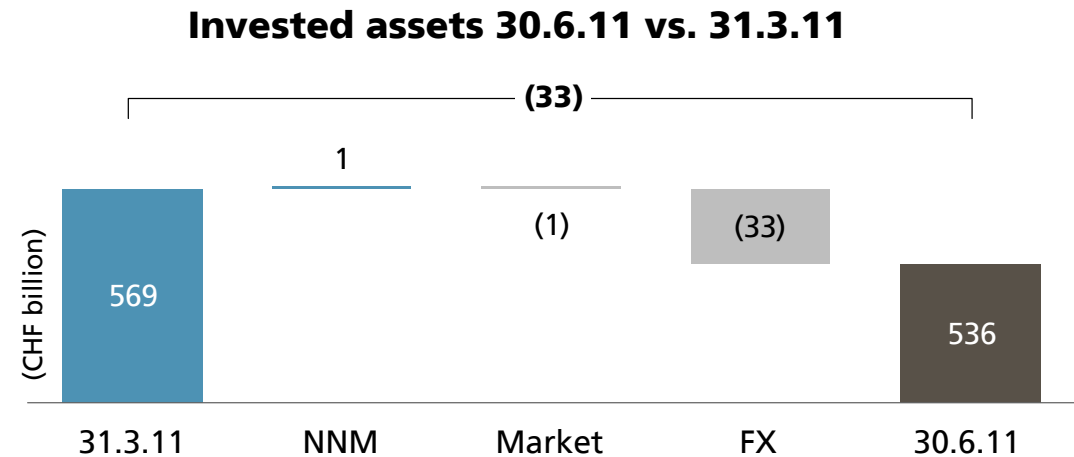
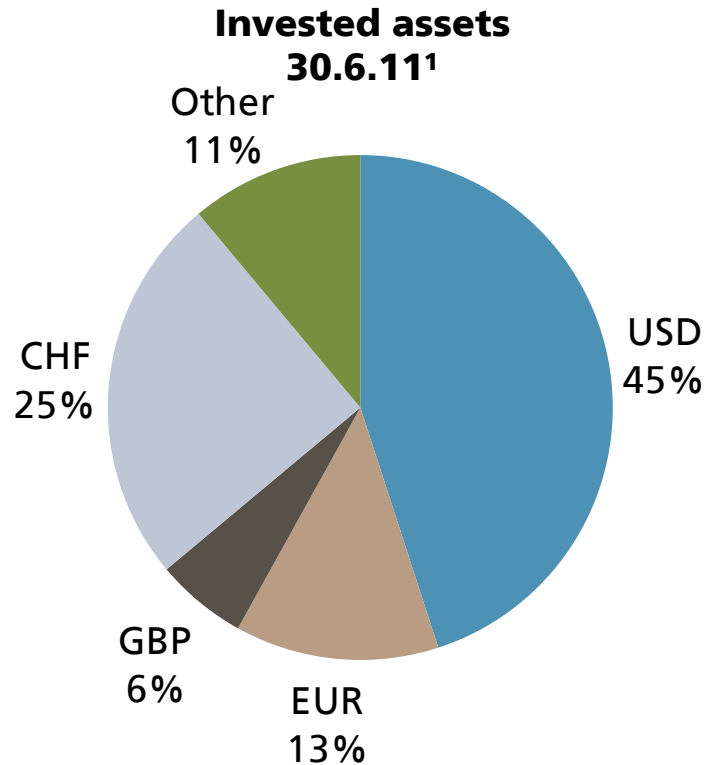
Net new money (all channels)



¹ Includes alternative assets managed by Global Investment Solutions

Global Asset Management – invested assets

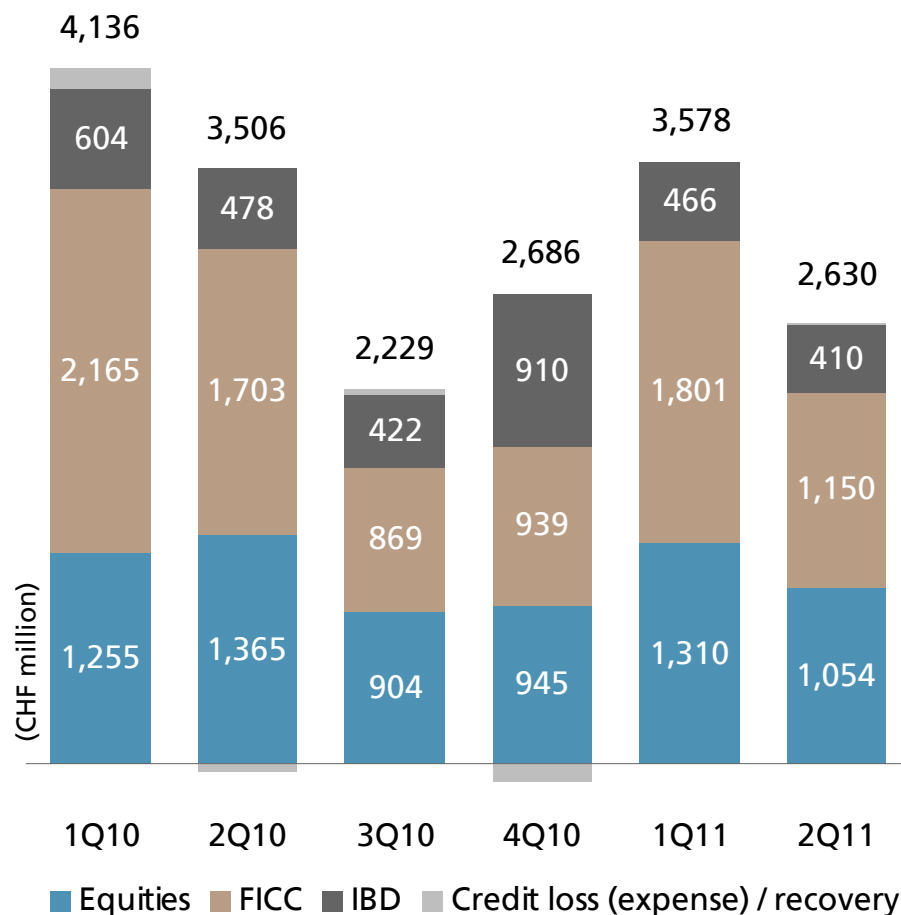
Currency movements had a material impact on invested assets



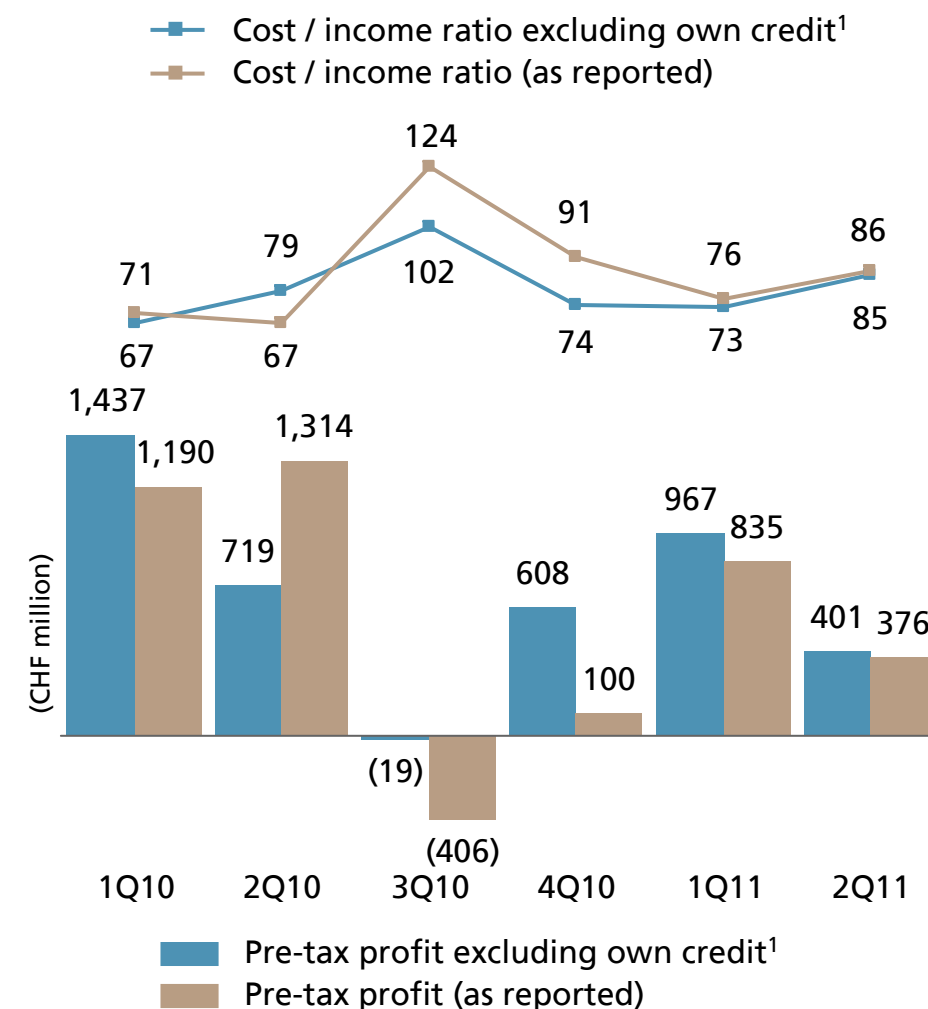
Investment Bank

CHF 401 million pre-tax profit excluding own credit

Operating income excluding own credit¹

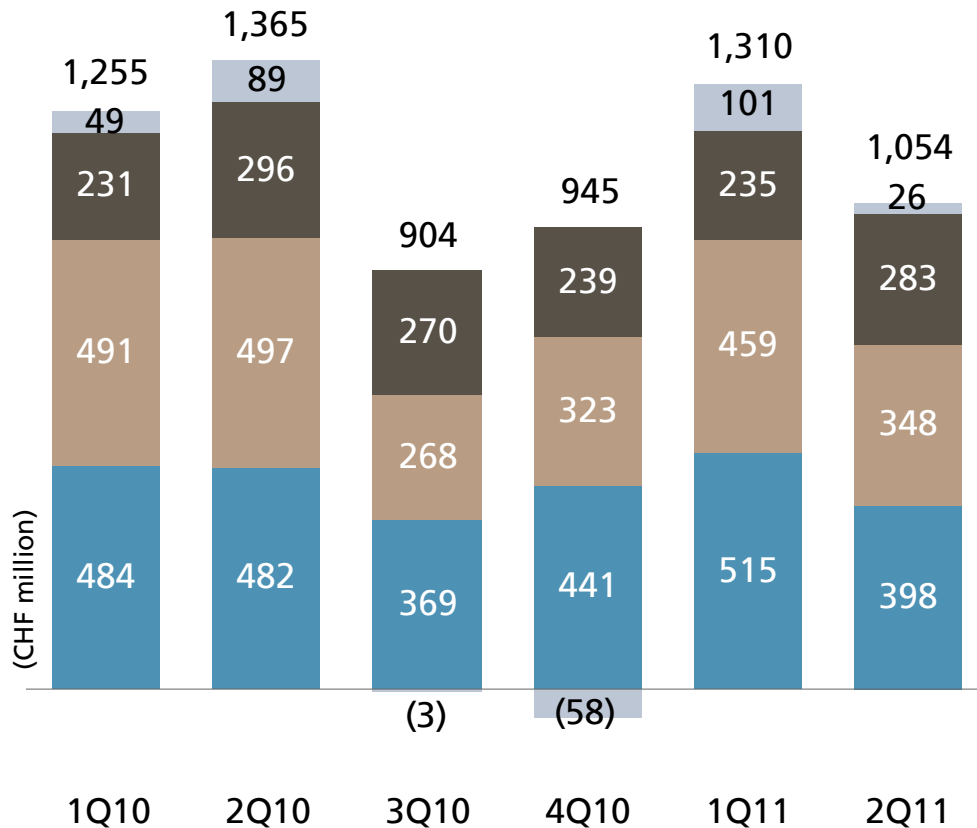


Pre-tax profit and cost / income ratio



¹ Own credit on financial liabilities designated at fair value (CHF 25 million charge in 2Q11)

Equities revenues (vs. 2Q10)



- Other
- Prime services
- Derivatives
- Cash

- **Cash**

- Market share grew globally
- Improved trading performance was more than offset by lower volumes

- **Derivatives**

- Derivatives revenues decreased in more challenging trading conditions
- Equity-linked revenues decreased due to lower client activity

- **Prime services**

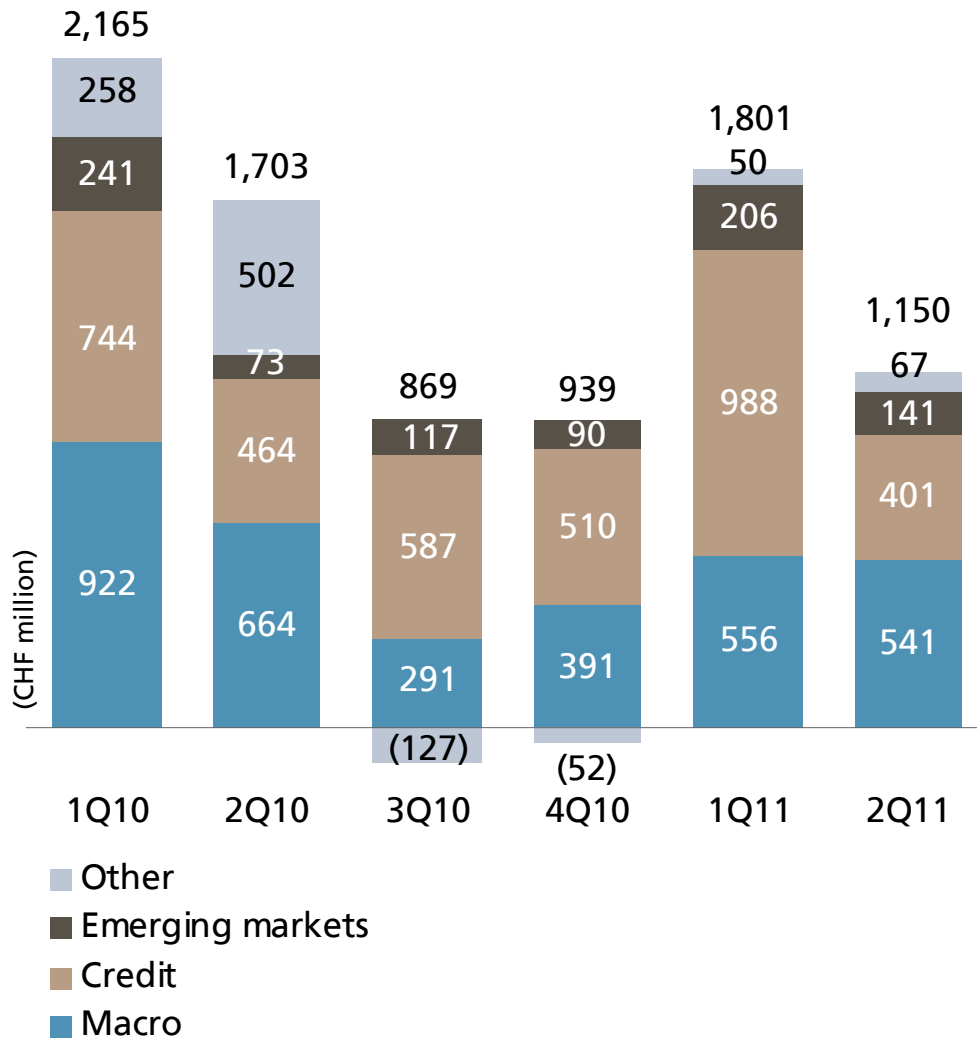
- Reported revenues were down as increased client balances and improved trading performance were offset by spread compression

- **Other**

- 2Q10 included a CHF 47 million gain on the CBOE demutualization

FICC revenues (vs. 2Q10)

Combined macro, credit and emerging markets revenues down 10%



- **Macro**

- Improved results in non-linear rates; declines in linear rates on lower client activity
- FX: exceptional market volatility of 2Q10 was not repeated

- **Credit**

- Strong results in structured credit offset by declines in European flow trading

- **Emerging markets**

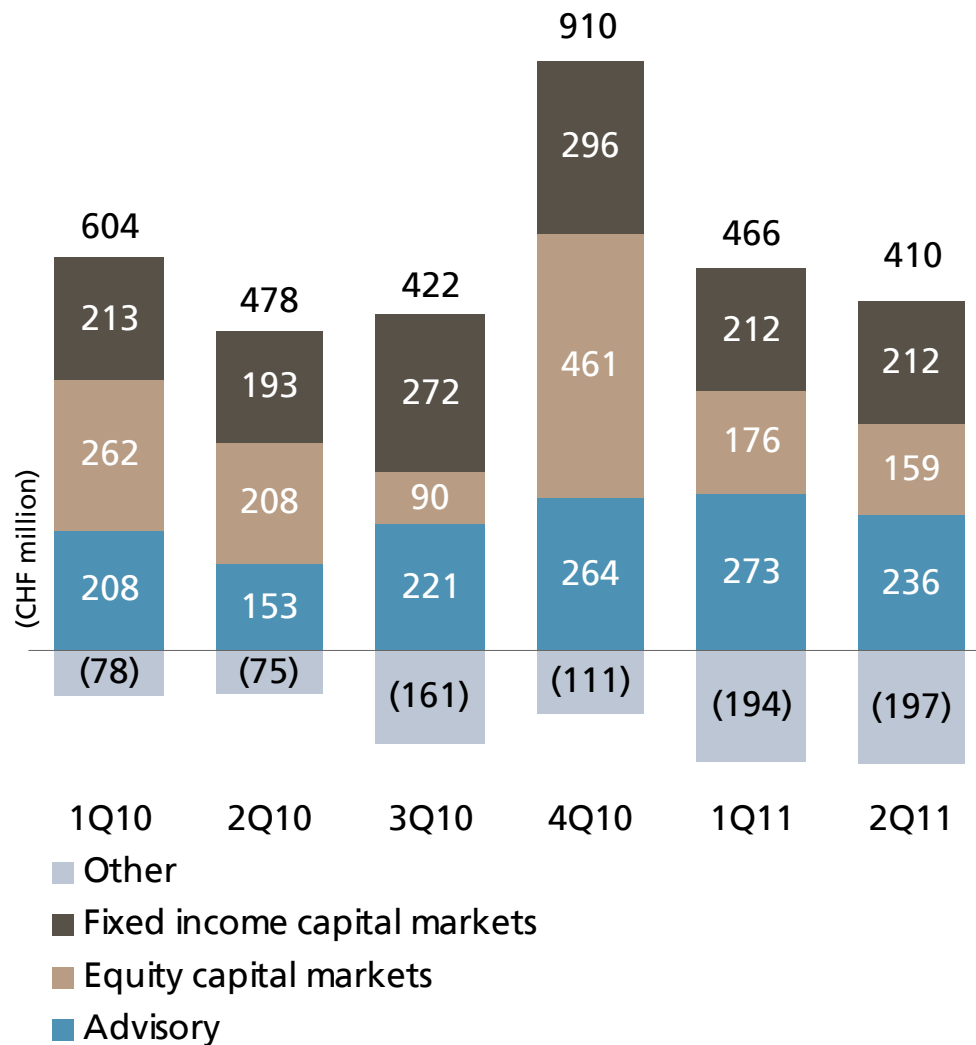
- Revenues nearly doubled with increases across all regions

- **Other**

- Significantly lower positive debit valuation adjustments on derivatives portfolio in 2Q11
- 2Q11 included positive contribution from commodities

Investment banking revenues (vs. 2Q10)

Combined advisory and capital markets revenues up 10%



- **Advisory**

- Revenues increased 54% on strong market share gains and improved M&A environment

- **Capital markets**

- **Fixed income:** 10% increase in revenues with improved leveraged finance results
- **Equities:** revenues decreased

- **Other**

- Increase in risk management charges partly reflects full allocation of costs to IBD starting 1Q11

- Overall UBS fee-based market share¹ declined to 3.3% (3.5% in 2Q10)

- M&A 4.5% (3.8%)
- ECM 4.0% (3.9%)
- DCM 3.4% (3.5%)

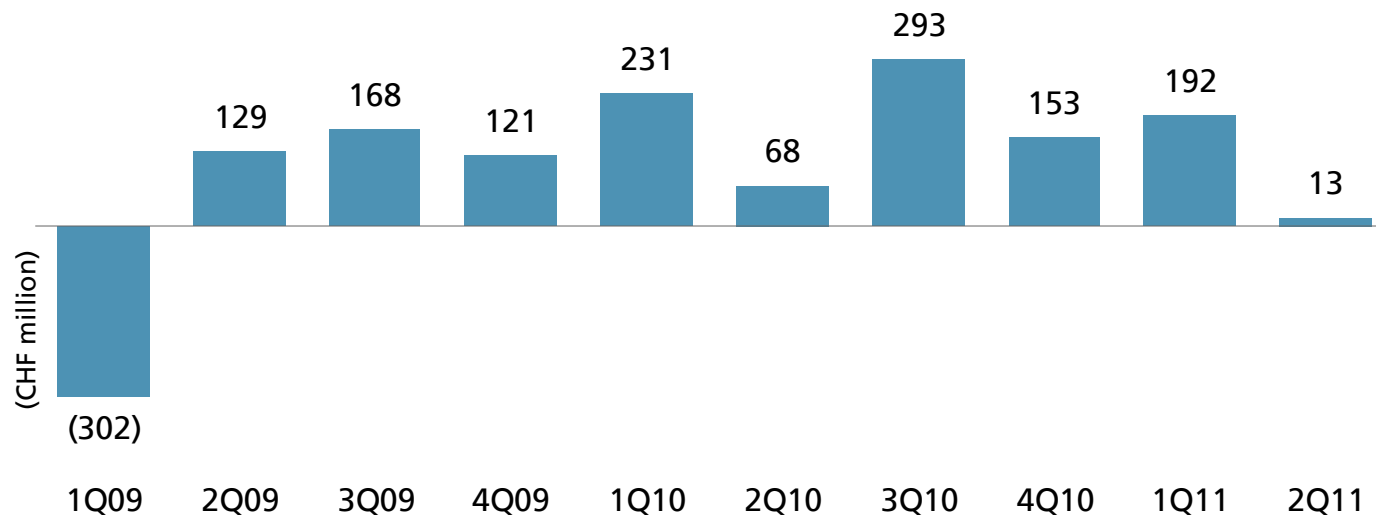
... the Americas is a key region for IBD

Corporate Center

Pre-tax loss of CHF 63 million

- The revaluation of UBS's option to buy the SNB StabFund contributed CHF 13 million in 2Q11
 - Option fair value CHF 1.8 billion (USD 2.1 billion) on 30.6.11

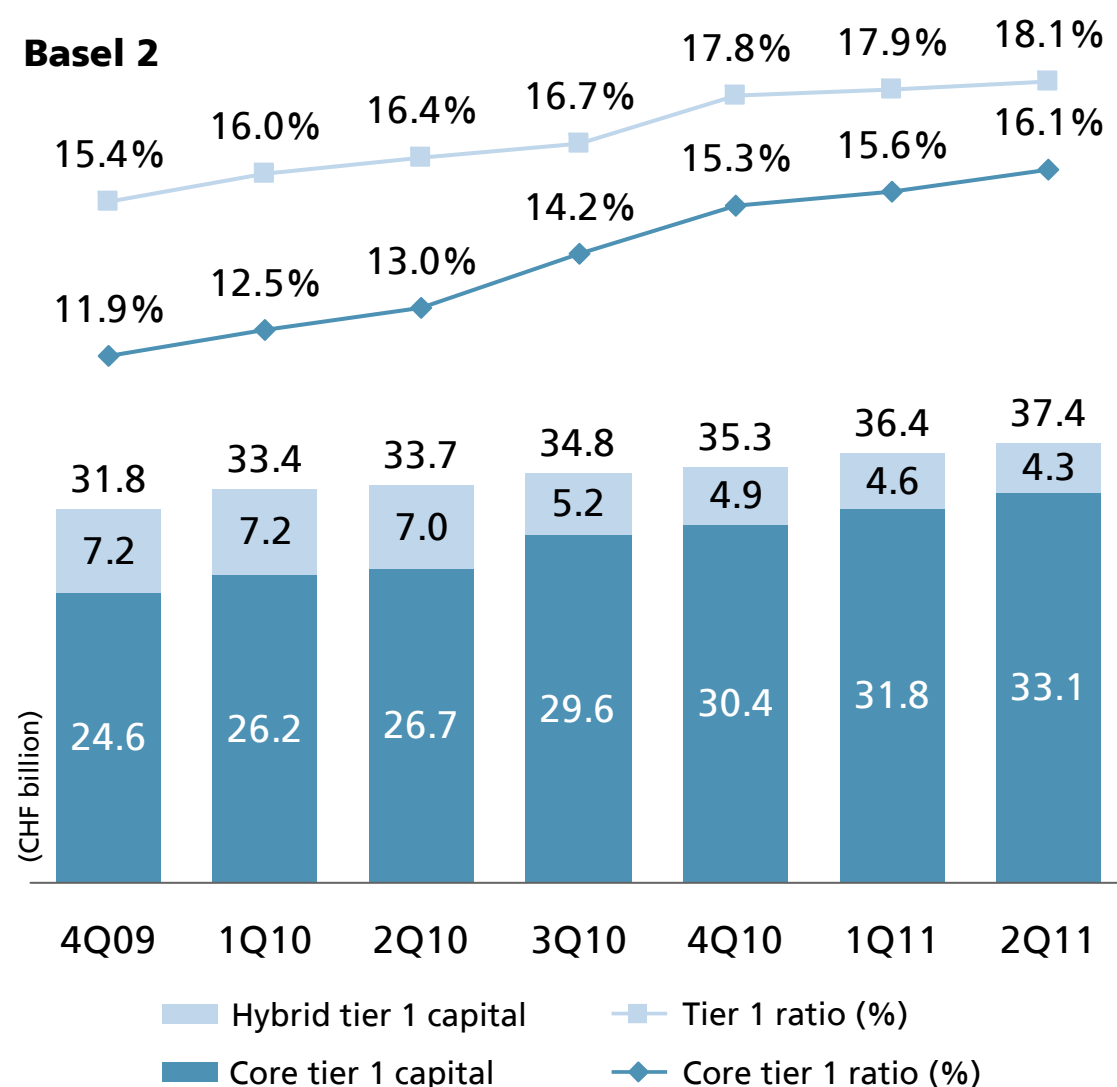
Revaluation of UBS's option to buy the SNB StabFund: contribution to UBS results



- Treasury income after allocations to the business divisions was a CHF 12 million gain
- Operating expenses not allocated to the business divisions totaled CHF 61 million

Capital position

Our priority remains to further strengthen our capital base through earnings retention



- CHF 1.3 billion of core tier 1 capital accretion in 2Q11
- Basel 2 risk-weighted assets increased by CHF 2.9 billion to CHF 206.2 billion on 30.6.11
- Call of USD 500 million hybrid tier 1 instrument in June 2011 had no effect on tier 1 capital in 2Q11
 - Reserve for redemption was built in 1Q11 and already reflected in the 31.3.11 tier 1 capital and capital ratios
- Pro-forma Basel 2.5 tier 1 ratio of 13.2% on 30.6.11

Appendix

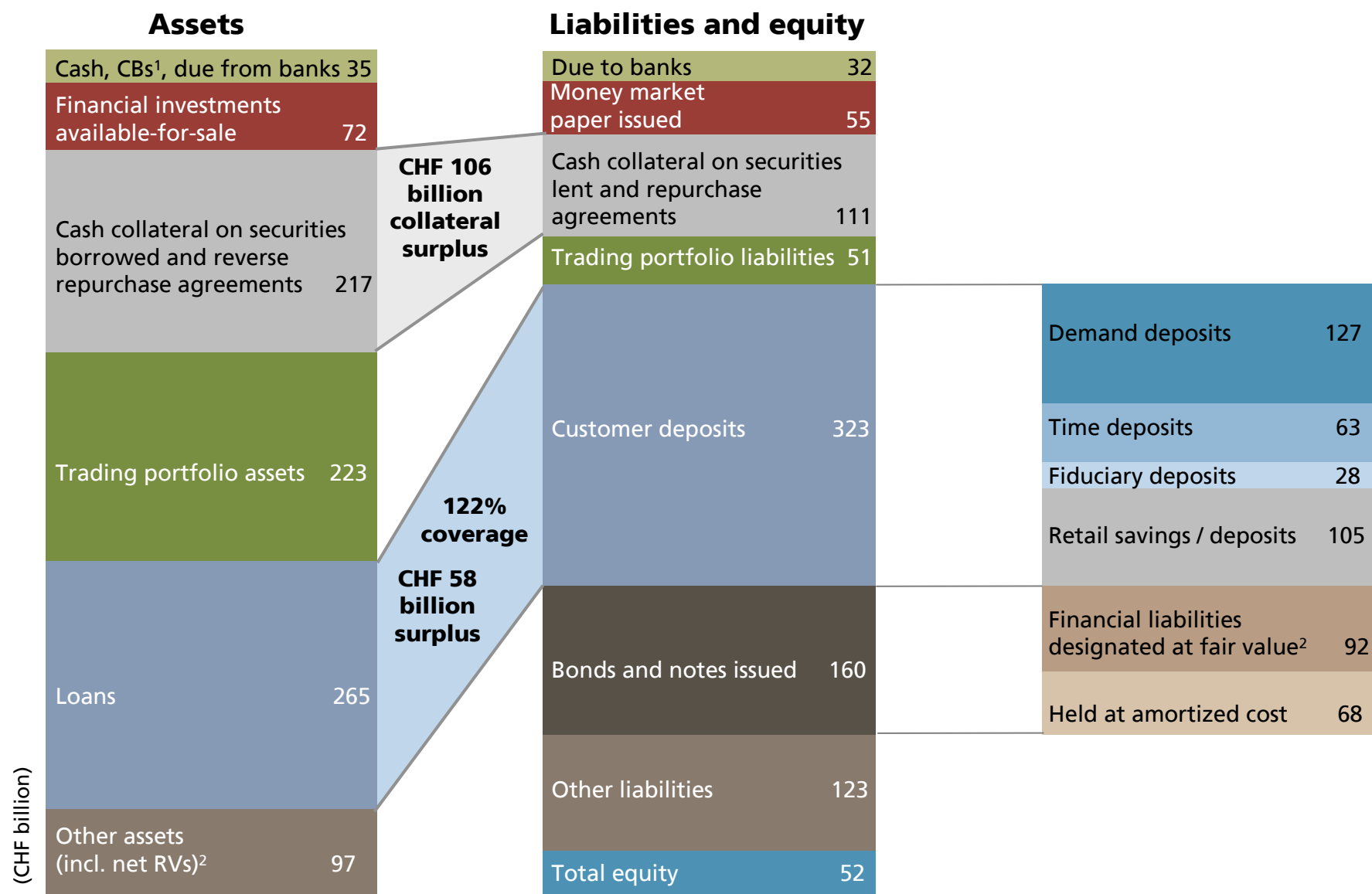
Net profit attributable to non-controlling interests

- CHF 263 million of net profits attributed to non-controlling interests in 2Q11
- No further attribution of profits to non-controlling interests for preferred securities expected in 2H11

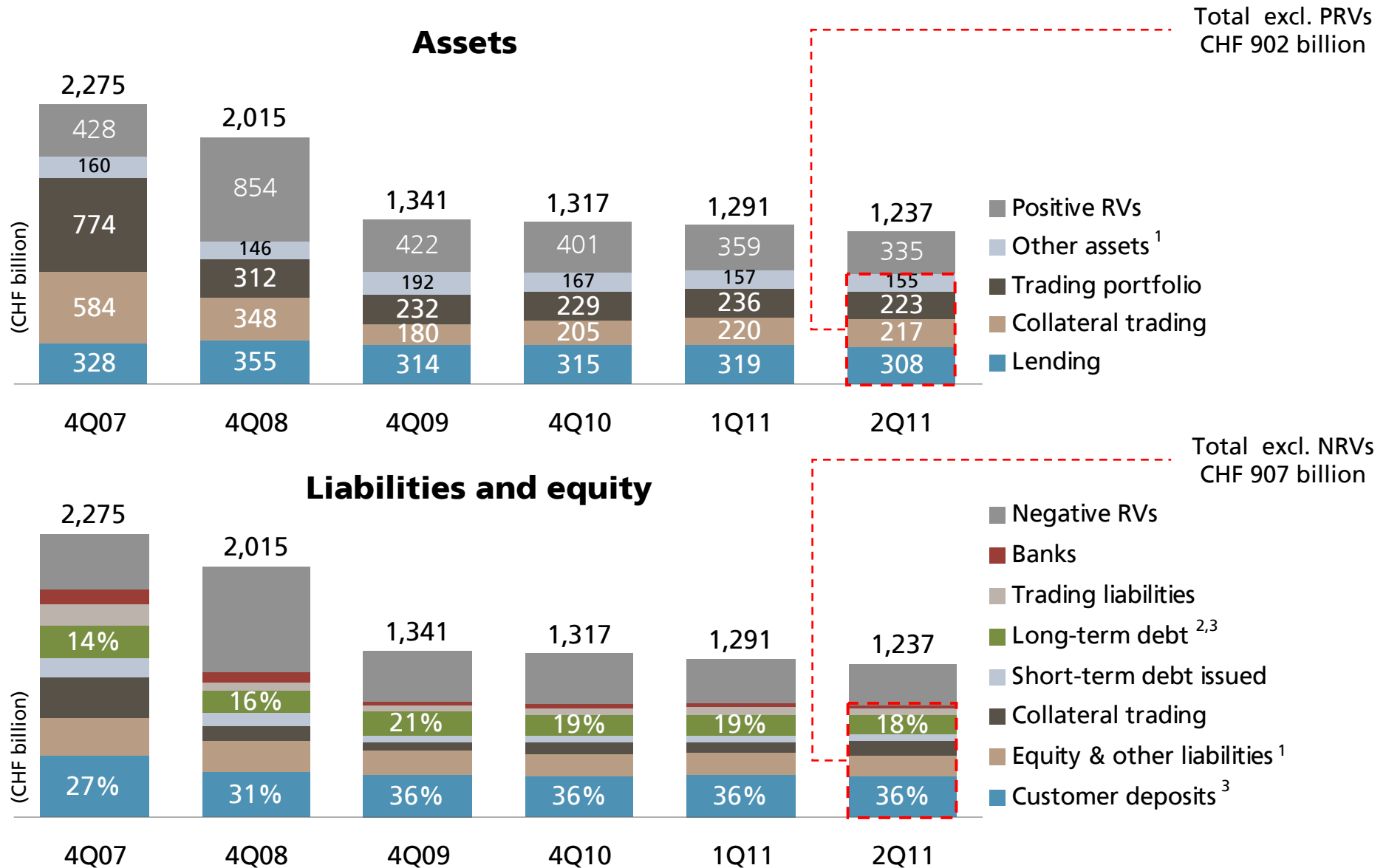
Hybrid tier 1 instruments outstanding

Amount	Issue date	Interest rate	First call date
EUR 1,000m	11.4.08	8.836% ¹	11.4.13
EUR 1,000m	15.4.05	4.28% ¹	15.4.15
USD 1,000m	12.5.06	6.243% ¹	12.5.16
EUR 600m	21.12.07	7.152% ¹	21.12.17
USD 300m	23.5.03	Libor + 70bps	²

Asset funding – 30 June 2011



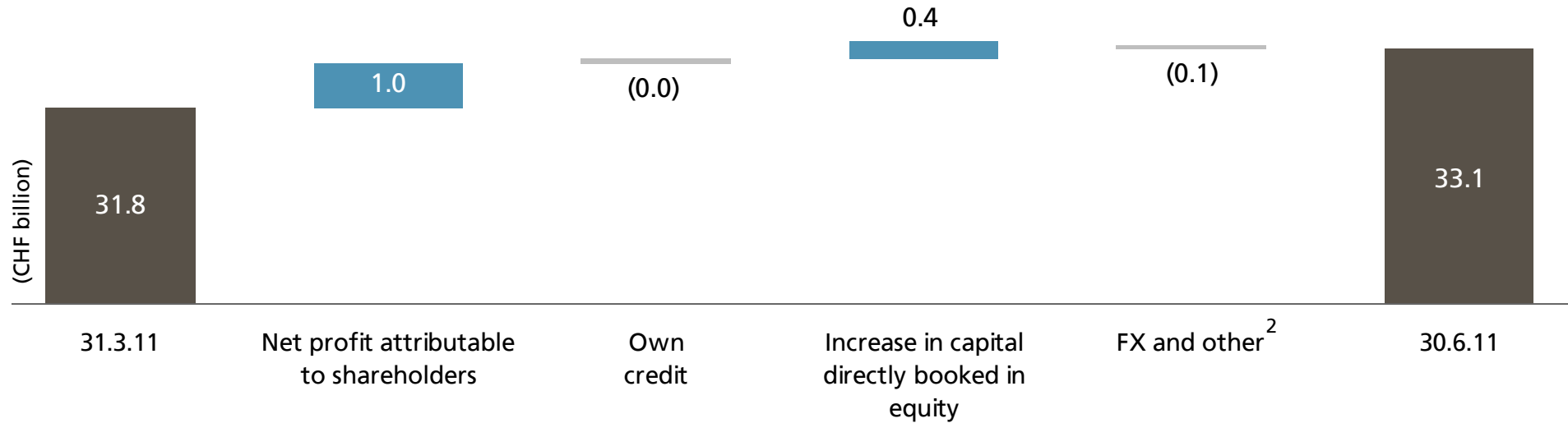
Balance sheet development



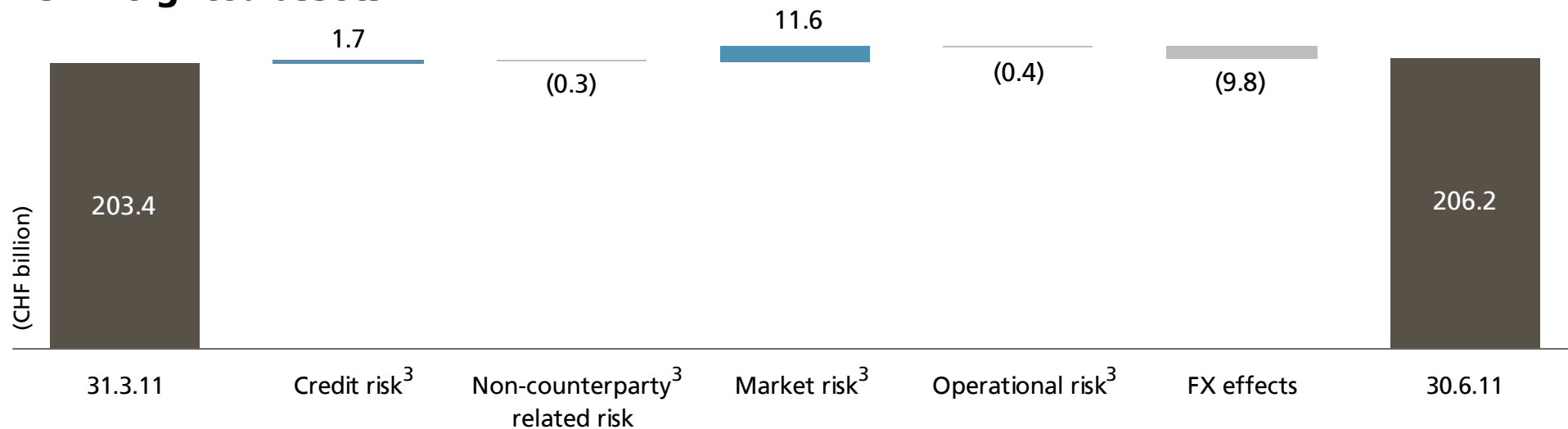
1 Including cash collateral on derivative transactions
 2 Including financial liabilities designated at fair value
 3 Percentages based on total balance sheet size excluding negative replacement values

Core tier 1 capital and RWAs (Basel 2)

Core tier 1 capital¹



Risk-weighted assets



Capital position – Basel 2.5

Pro-forma Basel 2.5 tier 1 ratio of 13.2% on 30.6.11

- Basel 2.5 RWAs of CHF 278 billion for the Group

(CHF billion)	Basel 2 RWAs	Basel 2.5 RWAs	Change	
Wealth Management & Swiss Bank	41	41	0	
Wealth Management Americas	23	25	1	
Global Asset Management	3	4	0	
Investment Bank	130	194	65	
Corporate Center	9	15	6	
Group	206	278	72	

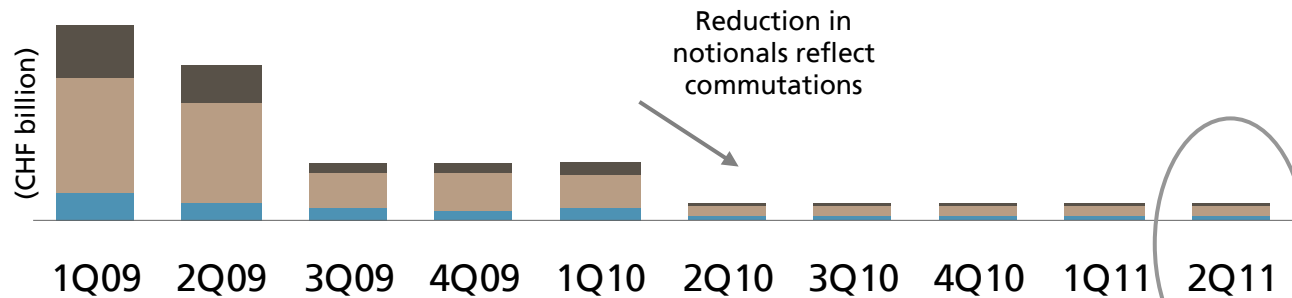
VaR	(13)
Stressed VaR	33
IRC ¹	35
CRM ²	10
Securitizations ³	6

- Basel 2.5 tier 1 capital of CHF 36.7 billion
 - Tier 1 deduction of CHF 0.7 billion due to additional deduction for low-rated securitization exposures

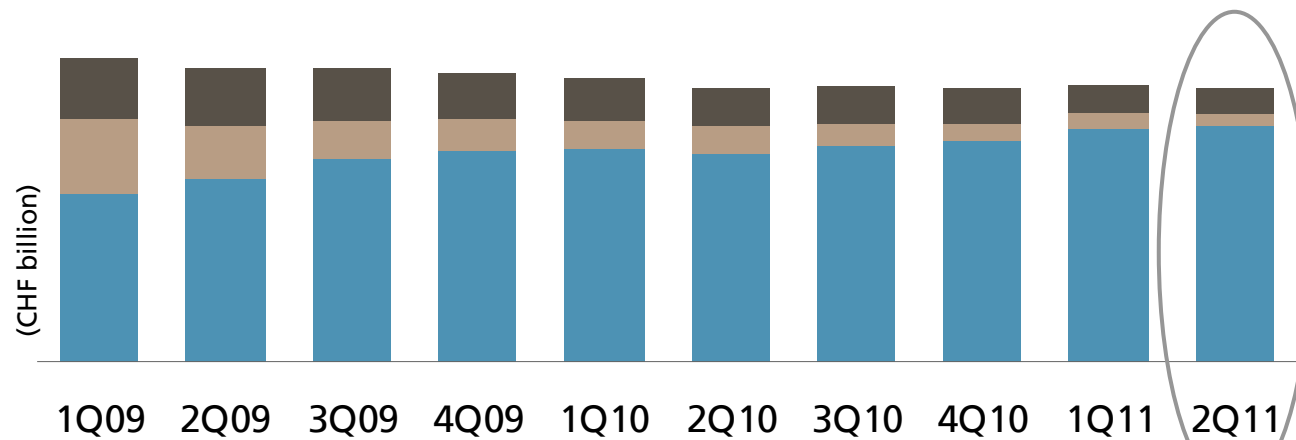
Exposure to monoline insurers¹

Fair value of CDS² after CVA³ of CHF 1.3 billion on 30.6.11

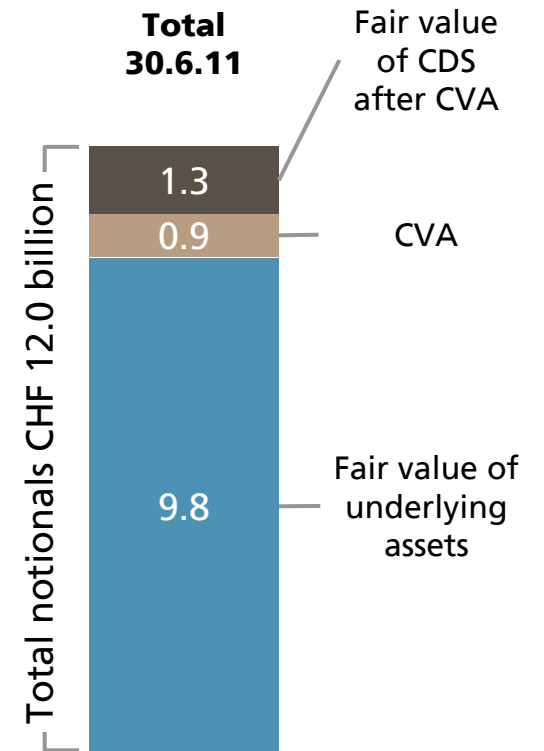
Credit protection on US sub-prime RMBS CDO



Credit protection on other assets



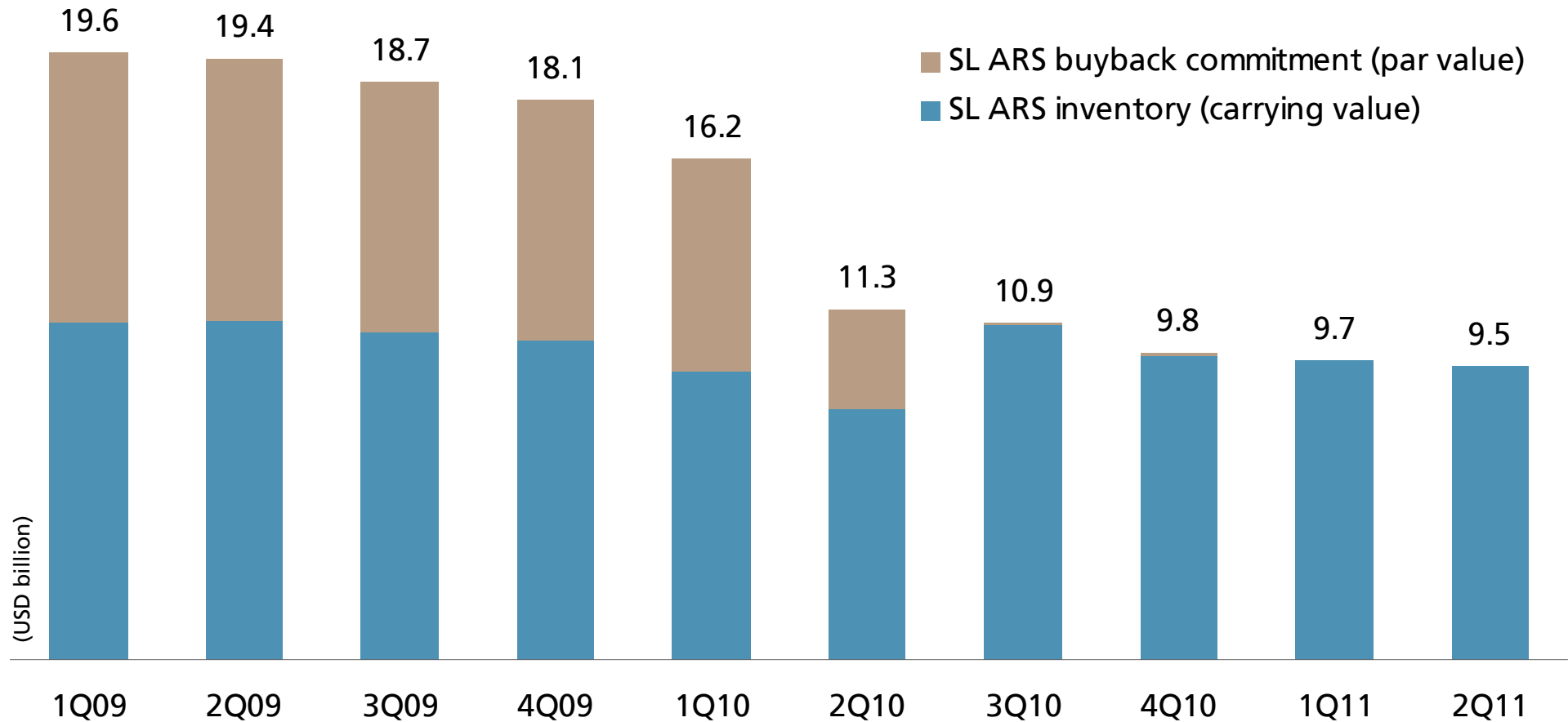
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1 Excludes the benefit of credit protection purchased from unrelated third parties
 2 Credit default swaps
 3 Credit valuation adjustments

Student loan auction rate securities

Inventory + buyback commitment 1Q09 – 2Q11

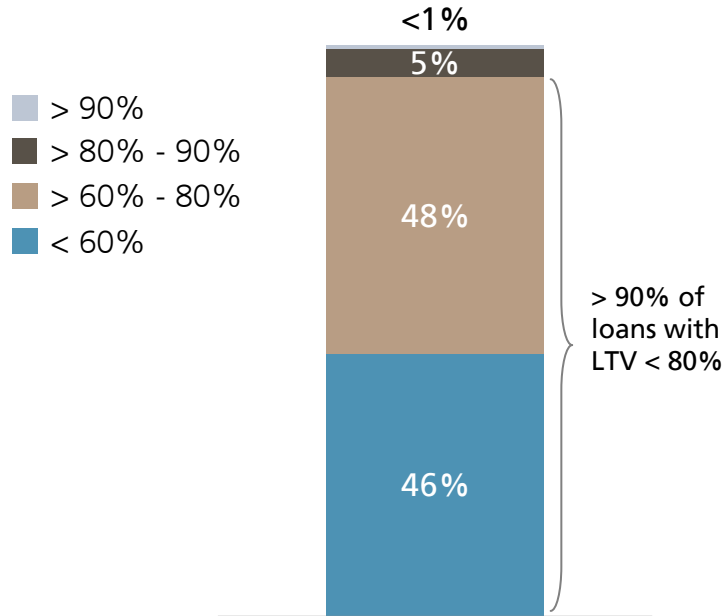


- The sale of a portfolio of student loan ARS was completed early July 2011, reducing student loan ARS exposure by an additional USD 1.3 billion that will be reflected in 30.9.11 exposures

WM&SB residential mortgage portfolio

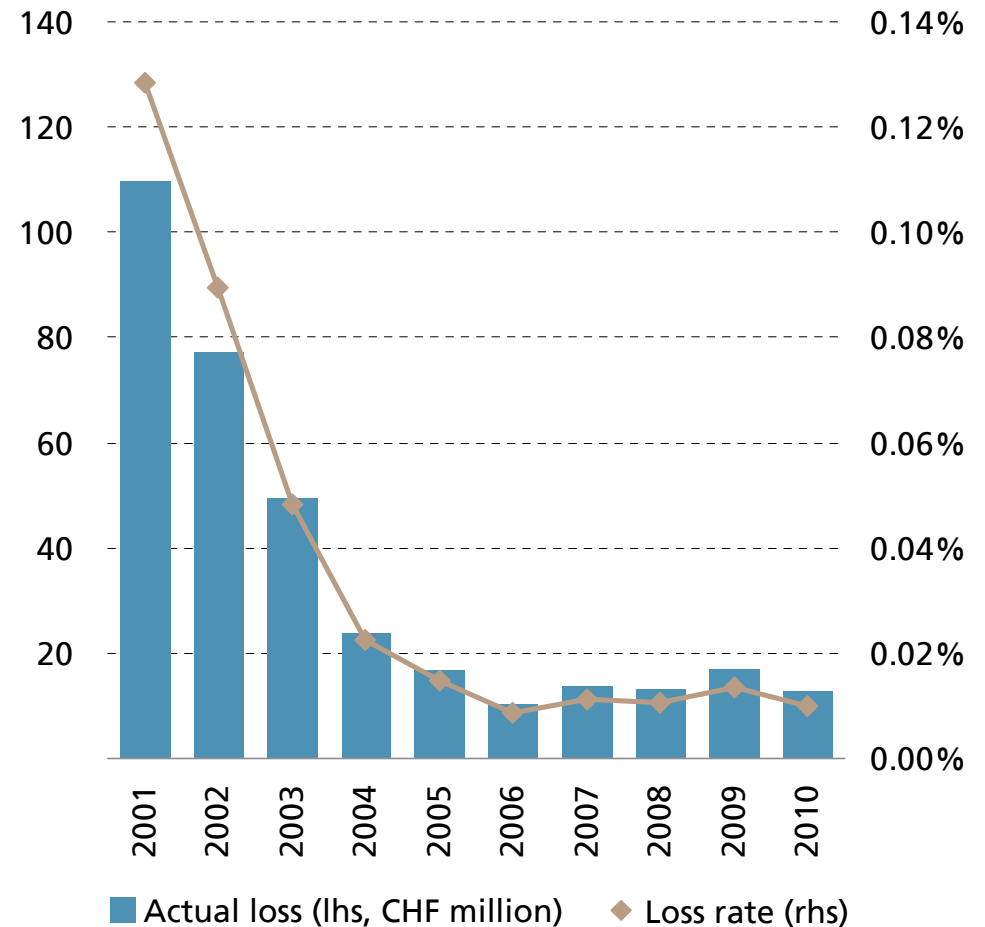
Loans secured by residential property (30.6.11)

Distribution of loans along LTV



- WM&SB residential mortgage portfolio CHF 124 billion
- Over 90% of loans with LTV below 80%

Actual loss by year of default¹



Reclassified assets

	Notional value	Fair value	Carrying value	Ratio of carrying to notional value
30.6.11 (CHF billion)				
US student loan and municipal auction rate securities	4.5	3.8	4.0	89%
Monoline protected assets	5.7	5.3	5.0	87%
Leveraged finance	0.5	0.4	0.4	76%
US reference linked notes	0.3	0.2	0.2	68%
Other assets	0.8	0.7	0.7	83%
Total (excluding CMBS interest-only strips)	11.7	10.4	10.2	87%
CMBS interest-only strips		0.2	0.2	
Total reclassified assets	11.7	10.6	10.4	