UBS

2014 Investor Update

Capital Strength and Cost Efficiency

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May 6, 2014

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Key messages

Capital strength is the foundation of our success

- Maintaining our Basel III fully applied CET1 ratio of 13%, committed to 10% post-stress in 2014
- Targeting a Swiss SRB leverage ratio denominator of CHF 900 billion by 2016[1]
- We can achieve our growth objectives with limited retention of earnings

We target CHF 2.1 billion cost reduction versus FY13[2]

- CHF 1.4 billion annual net cost savings in Corporate Center by 2015[3,4,5]
- CHF 0.7 billion annual net cost savings after 2015 as we complete the exit of the Non-core and Legacy Portfolio[6]
- Targeting additional cost efficiency in front office functions; lowering cost/income ratio targets for Wealth Management, Wealth Management Americas and narrowing the range for the Investment Bank

Utilization of past net operating losses could increase earnings and excess capital

- Additional tax loss DTA recognition would increase tangible equity at the point of recognition
- Utilization of historical net operating losses against taxable income would lead to additional cash being retained by UBS which would increase the CET1 capital base and our excess capital position

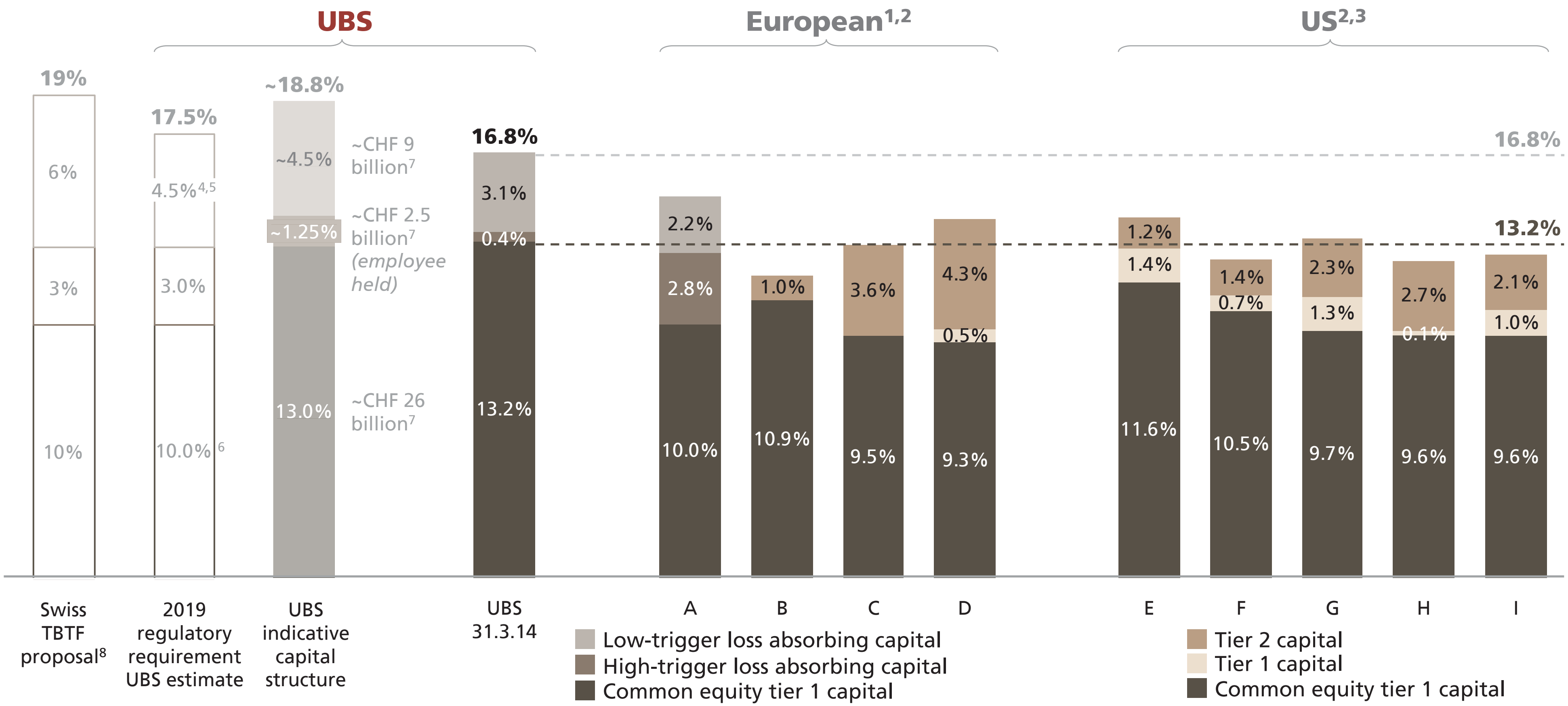
Refer to slide 18 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Based on the rules applicable today; 2 CHF 3.9 billion net cost reduction as communicated 30.10.12 (CHF 5.4 billion gross cost reductions net of CHF 1.5 billion investment for growth, based on 1H11 annualized adjusted operating expenses); 3 Measured by 2015 year-end exit rate versus FY13 adjusted operating expenses; 4 Measured net of changes in charges for provisions for litigation, regulatory and similar matters; 5 In Corporate Center – Core Functions, measured net of FX movements and changes in regulatory demand of temporary nature; 6 Reduction in annual adjusted operating expenses versus FY13

Capital strength is the foundation of our success

We have met our 13% Basel III fully applied CET1 ratio target

Swiss SRB Basel III fully applied capital
31.3.14

Basel III fully applied capital Large global banks
31.3.14

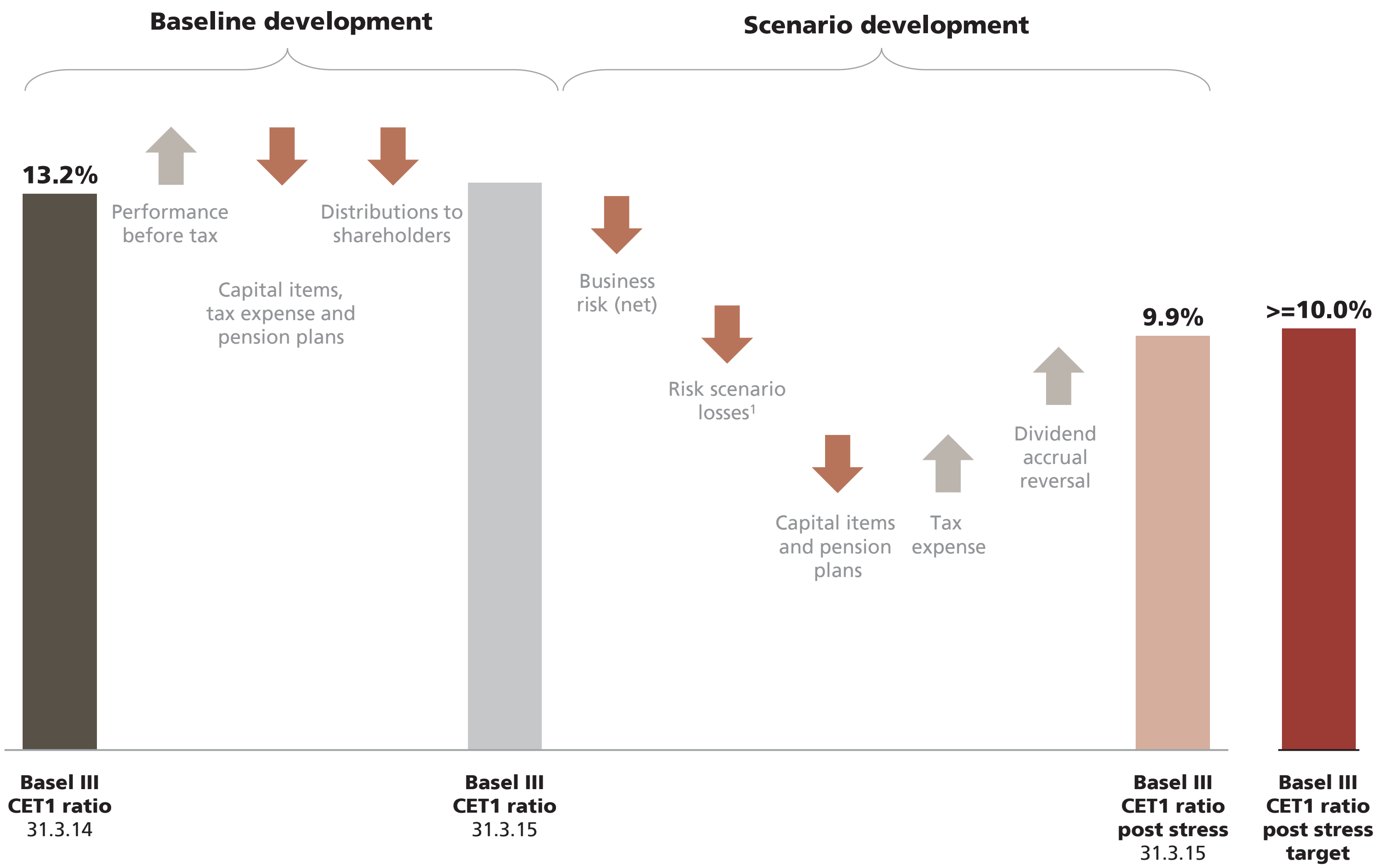


Refer to slide 18 for details about adjusted numbers, Basel III numbers and FX rates in this presentation; 1 Basel III Common Equity Tier 1 capital ratios (fully applied) as per CRD IV; 2 Based on latest available data from company reports; 3 Basel III Common Equity Tier 1 capital ratios fully applied under advanced approach; 4 Our requirement for the progressive buffer capital is dynamic and depends on our Group total LRD, as well as our market share in the systemically relevant loans and deposits business in Switzerland. We expect our 2019 requirement to be ~4.5%, due to our planned balance sheet reduction and the resulting reduction of our LRD; 5 Estimate does not include any potential capital rebate from improved Group resolvability resulting from actions such as the successful creation of a Group holding company; 6 Capital requirements for 2019 do not include a countercyclical buffer requirement, as potential future developments cannot be accurately predicted and may vary from period to period; 7 Based on RWA target of CHF 200 billion; 8 Based on estimated market share and total exposure as of 31.12.09

Committed to a 10% Basel III fully applied CET1 ratio post-stress

We expect to achieve our post-stress target of 10% in 2014

Basel III fully applied CET1 ratio – Stress testing



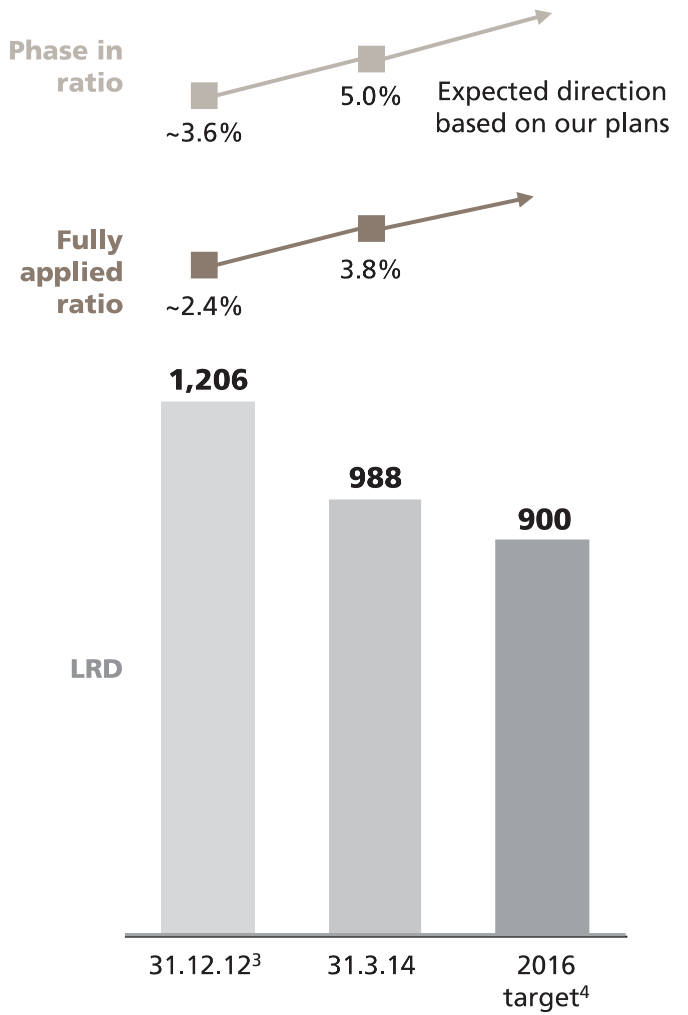
- **Combined stress test scenarios** encompass macro-economic and geopolitical stress events over a one-year horizon
- **Effects measured across all material risk types and all businesses**
  – Accounting for projected development of capital deduction items, e.g., pension fund assets

Refer to slide 18 for details about adjusted numbers, Basel III numbers and FX rates in this presentation; 1 Comprising credit, market, country, operational, investment, funding & liquidity and structural FX risk losses (excludes estimated operational risk capital losses as per page 79 of the 1Q14 quarterly report)

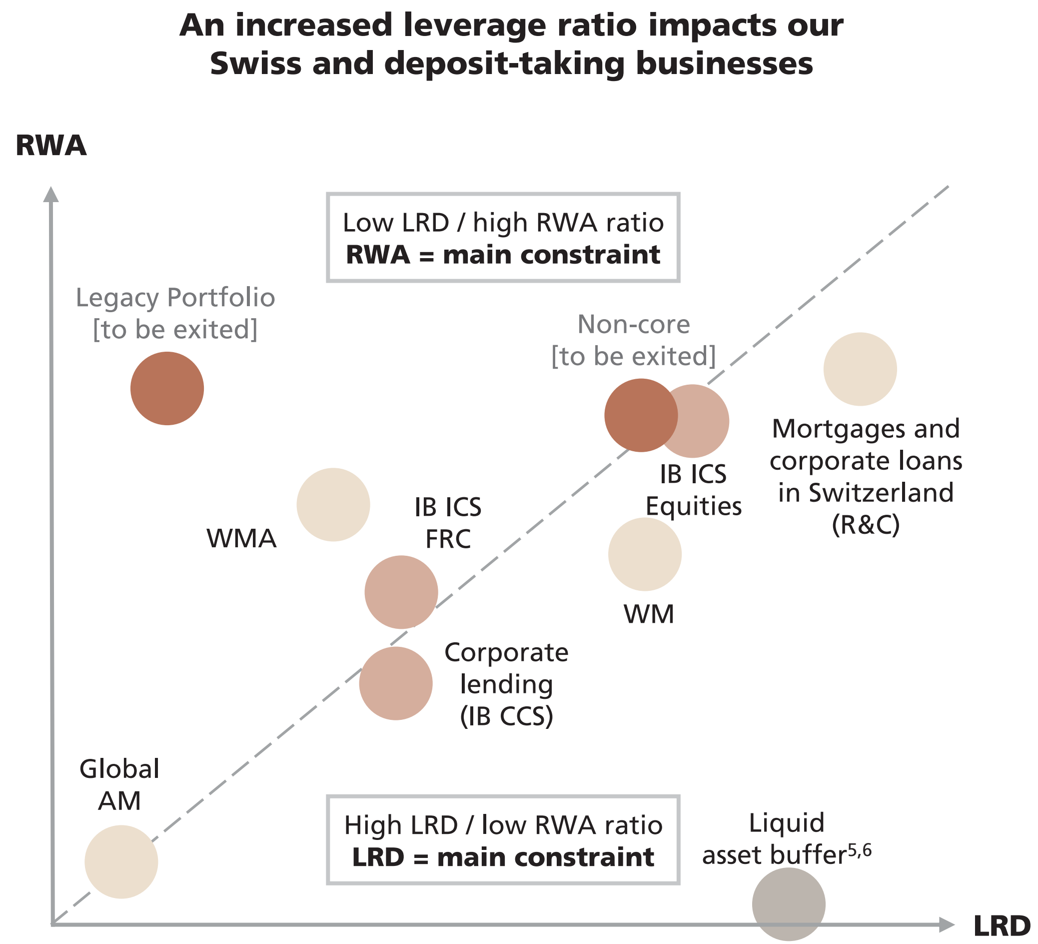
Swiss SRB leverage ratio

Targeting a Swiss SRB LRD[1] of CHF 900 billion by 2016

Swiss SRB leverage ratio and LRD
CHF billion



Swiss SRB LRD and RWA
31.3.14 for selected businesses (illustrative example)[2]

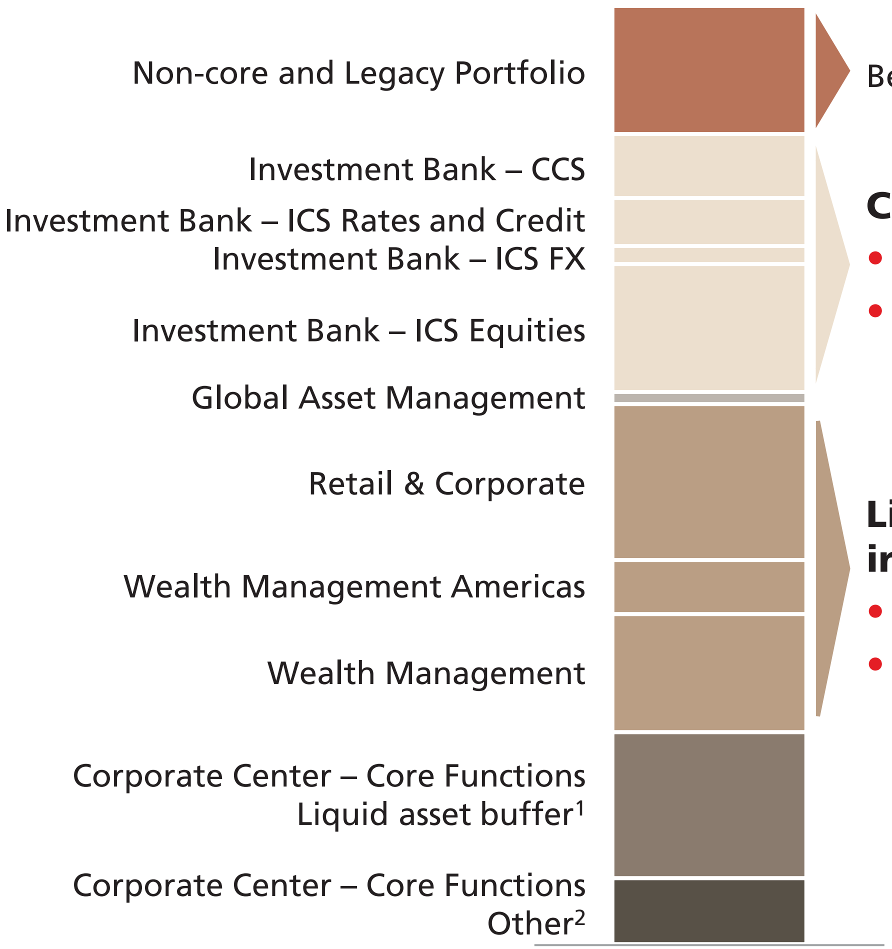


1 Fully applied leverage ratio denominator; 2 The placement of the bubbles is indicative only; 3 Pro-forma; 4 Based on the rules applicable today;
5 Dominated by LCR requirements for WM, WMA and R&C client deposits; 6 Assets eligible in Basel III LCR framework

We can achieve our growth objectives with limited retention of earnings

Rates and Credit business utilizes only ~ 5% of Group LRD

Swiss SRB leverage ratio denominator (LRD)
31.3.14



Being exited

Capital allocated to the Investment Bank is limited

- Source of ~20% of pre-tax profits[3] over the long-term
- CHF 70 billion RWA and CHF 200 billion funded assets limits

Limited proportion of earnings required to fund growth in our wealth management and Swiss businesses

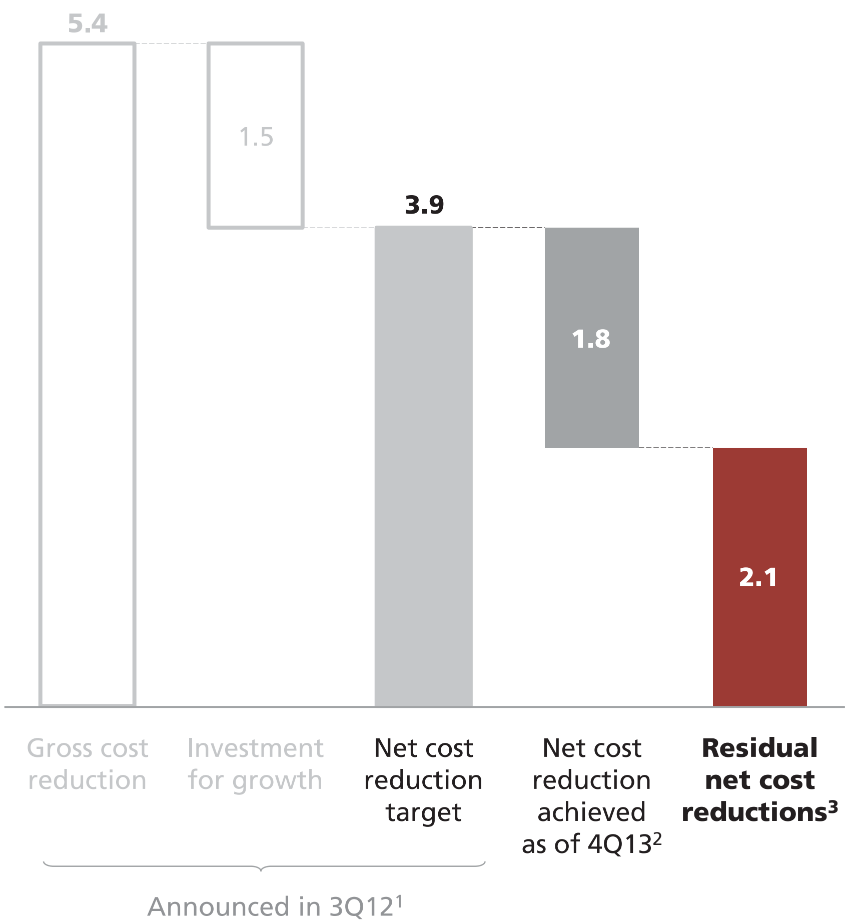
- Source of ~80% of pre-tax profits[3] over the long-term
- Increase in LRD requirements would mostly impact our mortgage and corporate lending businesses in Switzerland and lending in our wealth management businesses globally

1 Driven by LCR requirements for WM, WMA and R&C client deposits; 2 Includes e.g. financial investments available-for-sale, cash collateral on securities borrowed, deferred tax assets as well as property and equipment; 3 Percentage of business divisions total pre-tax profit

We have strengthened our cost management and will further reduce costs

CHF 2.1 billion net cost reduction target

As of 31.12.13, adjusted operating expenses, CHF billion



Strengthened cost management, increasing cost accountability and discipline

Corporate center

- **Net cost reduction target** to directly drive maximum cost efficiency
  - Increase effectiveness and efficiency in delivering services to business divisions

Business divisions

- **Cost/income target ranges** to allow investments for growth while maximizing cost efficiency
  - Manage direct costs
  - Manage demand of services delivered by the Corporate Center
  - Improve front office efficiency

Refer to slide 18 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 As communicated on 30.10.12, based on 1H11 annualized adjusted operating expenses; 2 As communicated on 4.2.14; 3 Refer to slide 11 for details on definition and timing of targeted cost reductions

Reducing Corporate Center—Core Functions costs

Framework

- **Promote cost accountability**
- **Incentivize long term efficiency**
- **Full end-to-end approach**
- **Clean slate budgeting and planning**

Function specific measures

~2/3 of expected cost savings

Group Technology

Examples

- Application reduction and elimination of outdated infrastructure
- Infrastructure standardization and harmonization
- Process automation
- Significant increase in transformational investment
- Continued optimization of our footprint

Group Operations

- Reorganization and alignment to newly implemented service units
- Drive end-to-end process streamlining and simplification
- Continued optimization of our footprint

Group Corporate Services

- Vendor consolidation and rationalization
- Procurement outsourcing
- Consolidation and reduction of global real estate footprint
- Expansion of our Nashville and Krakow hubs

~1/3 of expected cost savings

Other functions

Examples

- **Leaner Finance end-to-end operating model** that leverages new technologies and service delivery utilities from cost efficient locations
- **Implement new business intelligence data sets** that enhance user self service functionality across the Finance financial planning and analysis suite, resulting in better financial information availability that requires fewer resources
- **Consolidation of Risk transaction decision functions** into a center of excellence, e.g., Traded Market Risks, Corporates/Structured and Leveraged Finance etc.
- **Identify and implement cross functional synergies in the control functions** including e.g., combining disparate reporting units, data validation teams and valuation model quants
- **Optimize law firm management framework**, outsourcing of legal work for specialist areas
- **Human Resources** IT platform consolidation, creation of HR Shared Service Utility and low-cost offshore service hubs as well as transformation of training and recruitment operating models

Cross-functional measures

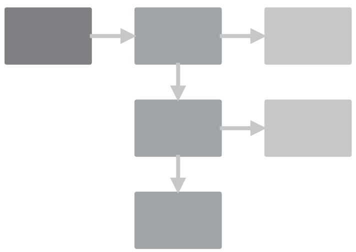
- **Pro-active internal demand management**
- **Process excellence programs**
- **Delayer organizational setup and optimize management span of control**
- **Outsourcing, hubbing and offshoring**
- **Optimize real estate usage with "UBS Workplace Now"**

Clean slate budgeting and planning for the Group

We are increasing efficiency – with a "zero" cost base as the new starting point

Map and cost existing activities → Exit non-essential activities → Maximize efficiency of retained activities → **Structural cost reduction** with "zero" as new budget starting point

Activity map

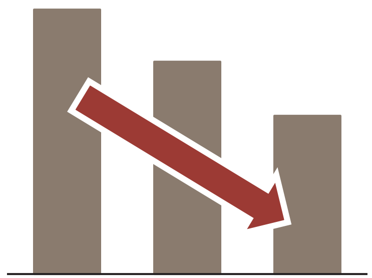


Activity prioritization

Efficiency levers and cost driver examples

Organization	Degree of centralization
Labor	Contractor ratio
Process	Outsourcing opportunities
Systems	Automation in reporting
Demand	Ad-hoc requests versus planning

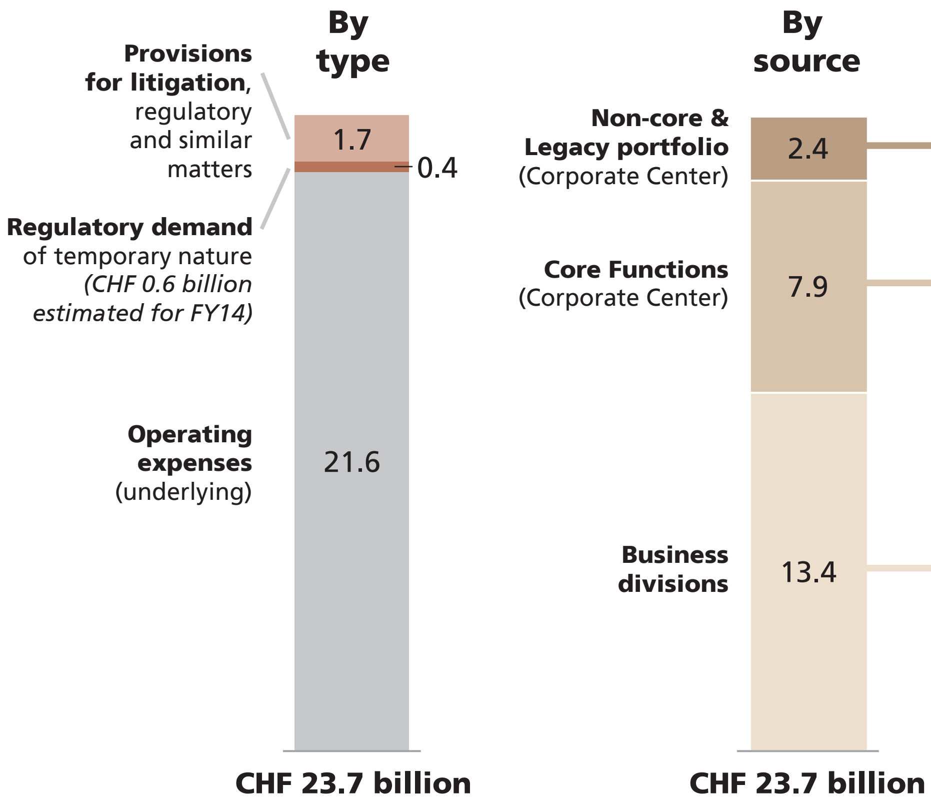
Clean slate budget for operating expenses



Targeting CHF 2.1 billion cost reductions in the Corporate Center (vs. FY13)

FY13 adjusted operating expenses

CHF billion



CHF 2.1 billion cost reduction target

versus FY13

CHF 0.4 billion reduction by year-end 2015[1,2]

CHF 0.7 billion additional reductions after 2015[3]

CHF 1.0 billion reduction by year-end 2015[1,2,4,5]

Before allocations to business divisions

Additional direct cost efficiency

Lower business division C/I ratio targets from 2015

supported by lower cost allocations from the Corporate Center and increased front-office efficiency

We continue to expect restructuring charges of up to CHF 0.9 billion in FY14 and CHF 0.8 billion in FY15[6]

Refer to slide 18 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

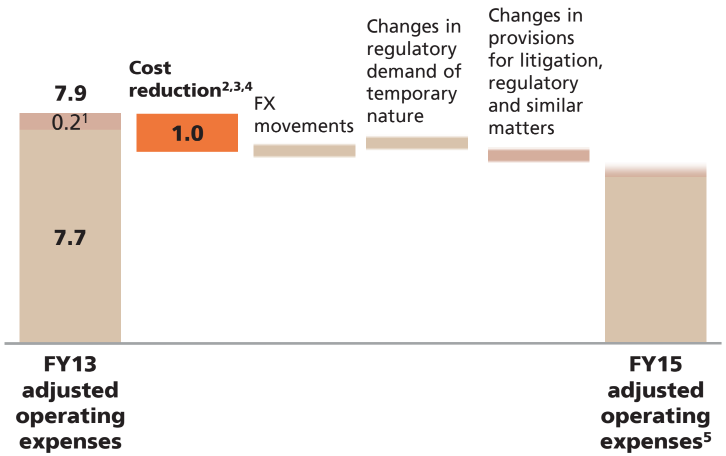
1 Measured by 2015 year-end exit rate versus FY13 adjusted operating expenses; 2 Measured net of changes in charges for provisions for litigation, regulatory and similar matters; 3 Reduction in annual adjusted operating expenses versus FY13; 4 Measured net of FX movements and changes in regulatory demand of temporary nature; 5 Estimated expected reduction in business division allocations of CHF 0.2-0.3 billion for WM, CHF 0.1-0.2 billion for WMA, CHF 0.3-0.4 billion for IB, CHF 0.1-0.2 billion for R&C and CHF ~0.1 billion for Global AM (based on current allocation keys); 6 As communicated on 30.10.12

Tracking our cost reduction progress

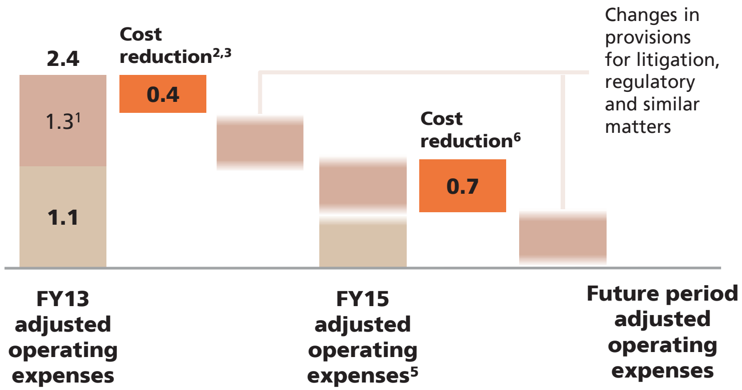
Corporate Center cost reduction

Core Functions

Before allocations to business divisions



Non-core and Legacy Portfolio



Illustrative example, CHF billion

Revised annual cost/income target ranges

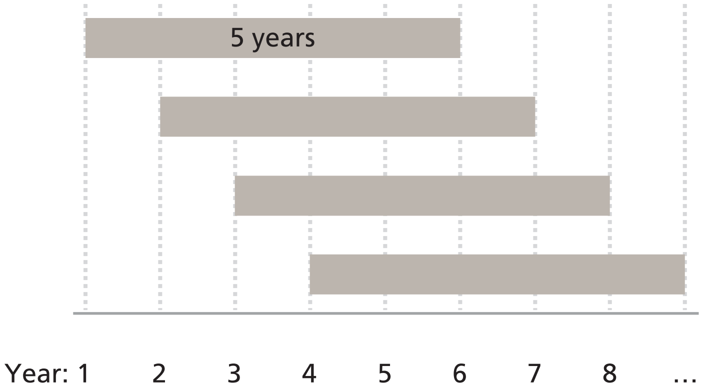
	Adjusted cost/income ratio FY12	Adjusted cost/income ratio FY13	Current targets[7]	Targets from 2015
Wealth Management	71%	68%	60-70%	55-65%
Wealth Management Americas	90%	86%	80-90%	75-85%
Retail & Corporate	59%	60%	50-60%	50-60%
Global Asset Management	71%	69%	60-70%	60-70%
Investment Bank	94%	71%	65-85%	70-80%
Group	90%	85%	60-70%	60-70%

1 Provisions for litigation, regulatory and similar matters; 2 Measured by 2015 year-end exit rate versus FY13 adjusted operating expenses; 3 Measured net of changes in charges for provisions for litigation, regulatory and similar matters; 4 Measured net of FX movements and changes in regulatory demand of temporary nature; 5 2015 year-end exit rate adjusted operating expenses; 6 Reduction in annual adjusted operating expenses versus FY13; 7 Remain unchanged for 2014

Tax losses and deferred tax assets

We have the potential to recognize significant additional tax loss DTAs

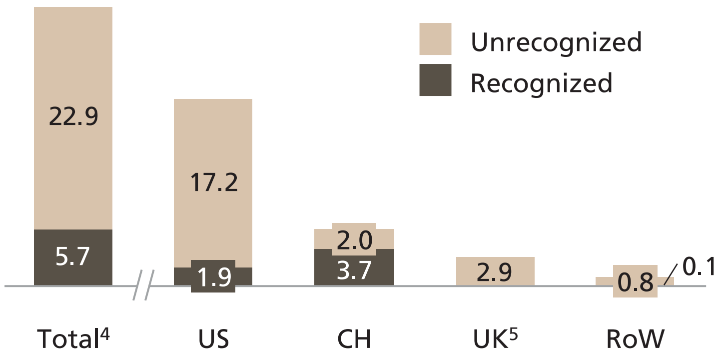
- Tax loss DTAs are recognized on the basis of a future profit recognition period (generally 5 years) multiplied by the applicable statutory tax rate[1]
- Changes in profit forecasts, other assumptions and business activities lead to changes in recognized tax loss DTA[2]



Potential CHF 28.6 billion tax loss DTA available to offset against future taxable income[3]

- CHF 17.2 billion unrecognized tax loss DTA in the US with a remaining life of ~16 years
- Potential in other regions is more limited; remaining average life of unrecognized Swiss DTA is ~2 years

Tax loss DTAs
CHF billion



The recognition of additional tax loss DTA would lead to increased earnings and tangible equity at the time of recognition

Utilization of historical net operating losses against taxable income would lead to additional cash being retained by UBS which would lead to an increase in retained earnings which would increase CET1 capital or could be used to return additional capital to shareholders

1 As disclosed in our 2013 Annual Report (p.69), UBS may, depending on our financial performance, increase the future profit recognition period which could materially increase the amount of recognized DTAs; 2 We expect that the next DTA revaluation will occur in 2H14 in conjunction with the release of new internal Group profit forecasts; 3 As of 31.3.14; 4 DTA recognized on UBS's balance sheet (CHF 8,370 million) includes tax loss DTA (CHF 5,687 million) and DTA for temporary differences (CHF 2,683 million); 5 Unrecognized tax losses have indefinite life in the UK

Business division and Corporate Center targets

Ranges for sustainable performance over the cycle

Business divisions

Wealth Management	Net new money growth rate Gross margin Adjusted cost/income ratio	3-5% 95-105bps 55-65% from 2015 *(remains 60-70% for 2014)*
Wealth Management Americas	Net new money growth rate Gross margin Adjusted cost/income ratio	2-4% 75-85bps 75-85% from 2015 *(remains 80-90% for 2014)*
Retail & Corporate	Net new business volume growth rate Net interest margin Adjusted cost/income ratio	1-4% (retail business) 140-180bps 50-60%
Global Asset Management	Net new money growth rate Gross margin Adjusted cost/income ratio Adjusted annual profit before tax	3-5% excluding money market *(previously including money market)* 32-38bps 60-70% CHF 1 billion in the medium term *(new target)*
Investment Bank	Adjusted annual pre-tax RoAE[1] Adjusted cost/income ratio Basel III RWA limit Funded assets limit	>15% 70-80% from 2015 *(remains 65-85% for 2014)* CHF 70 billion CHF 200 billion

Corporate Center

Core Functions	Net cost reduction	CHF 1.0 billion by year-end 2015[2]
Non-Core and Legacy Portfolio	Basel III RWA fully applied	~CHF 40 billion by 31.12.15 *(previously ~CHF 55 billion)* ~CHF 25 billion by 31.12.17
	Net cost reduction	CHF 0.4 billion by year-end 2015[3] additional CHF 0.7 billion[4] after 2015

Refer to slide 18 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Adjusted annual pre-tax return on attributed equity; 2 Measured by 2015 year-end exit rate versus FY13 adjusted operating expenses net of FX movements, changes in regulatory demand of temporary nature and changes in charges for provisions for litigation, regulatory and similar matters; 3 Measured by 2015 year-end exit rate versus FY13 adjusted operating expenses net of changes in charges for provisions for litigation, regulatory and similar matters; 4 Reduction in annual adjusted operating expenses versus FY13

Appendix

Revenue sensitivity to external factors

Factors and scenarios — Based on 31.3.14 data

Estimated incremental revenues per year[1] — CHF billion

Factor	Scenario (Illustrative)	WM	WMA	R&C	Global AM
Foreign exchange	**10% weakening of Swiss Franc** (against major global currencies)[2,3]	~0.5	~0.7	<0.1	~0.1
Markets	**10% rise in global security prices** (equities and bonds)[4]	~0.3	~0.4	<0.1	~0.1
Interest rates	**100 bps increase in interest rates** (parallel increase across all currencies)[5]	~0.7	~0.2	~0.3	<0.1

1 Scenarios are not entirely additive; 2 USD, GBP and EUR; 3 10% weakening of Swiss Franc would also result in incremental costs of approximately CHF 0.8 billion for WM, WMA, R&C and Global AM; 4 Recurring income; 5 Constant deposit and loan volumes

Regional and business division performance[1]—FY13

CHF billion

		EMEA[2]	Switzerland	Americas	Asia Pacific	Corporate Center and global[3]	Total
Operating income	WM	3.9	1.5	0.4	1.7	0.1	7.6
	WMA	0.0	0.0	6.5	0.0	0.0	6.5
	Investment Bank	2.2	1.1	2.5	2.6	0.2	8.6
	Global AM	0.4	0.5	0.7	0.3	0.0	1.9
	R&C	0.0	3.8	0.0	0.0	0.0	3.8
	Corporate Center	0.0	0.0	0.0	0.0	(0.7)	(0.7)
	Group	**6.6**	**6.8**	**10.2**	**4.5**	**(0.4)**	**27.7**
Operating expenses	WM	2.9	0.8	0.4	1.2	0.0	5.3
	WMA	0.0	0.0	5.7	0.0	0.0	5.7
	Investment Bank	1.8	0.7	2.0	1.6	0.3	6.3
	Global AM	0.4	0.3	0.5	0.2	0.0	1.4
	R&C	0.0	2.3	0.0	0.0	0.0	2.3
	Corporate Center	0.0	0.0	0.0	0.0	3.5	3.5
	Group	**5.0**	**4.1**	**8.5**	**3.0**	**3.8**	**24.5**
Profit before tax	WM	1.1	0.6	0.1	0.5	0.0	2.2
	WMA	0.0	0.0	0.9	0.0	0.0	0.9
	Investment Bank	0.4	0.4	0.6	1.0	(0.1)	2.3
	Global AM	0.0	0.2	0.2	0.1	0.0	0.6
	R&C	0.0	1.5	0.0	0.0	0.0	1.5
	Corporate Center	0.0	0.0	0.0	0.0	(4.2)	(4.2)
	Group	**1.5**	**2.7**	**1.7**	**1.5**	**(4.2)**	**3.3**

UBS

1 Numbers are not comparable to the disclosed financial statements of our main local subsidiaries; represents a functional view, represents a more complete view of global and local sales for management purposes, as opposed to the split according to the legal entity where the transaction is recorded; 2 Europe, Middle East, and Africa excluding Switzerland; 3 Refers to items managed globally

Regional and business division performance[1]—1Q14

CHF billion

		EMEA[2]	Switzerland	Americas	Asia Pacific	Corporate Center and global[3]	Total
Operating income	WM	1.0	0.4	0.1	0.5	0.0	1.9
	WMA	0.0	0.0	1.7	0.0	0.0	1.7
	Investment Bank	0.6	0.3	0.7	0.6	(0.0)	2.2
	Global AM	0.1	0.1	0.2	0.1	0.0	0.5
	R&C	0.0	0.9	0.0	0.0	0.0	0.9
	Corporate Center	0.0	0.0	0.0	0.0	0.1	0.1
	Group	**1.7**	**1.7**	**2.6**	**1.1**	**0.1**	**7.3**
Operating expenses	WM	0.7	0.2	0.1	0.3	0.0	1.3
	WMA	0.0	0.0	1.4	0.0	0.0	1.4
	Investment Bank	0.5	0.2	0.5	0.4	0.1	1.8
	Global AM	0.1	0.1	0.1	0.0	0.0	0.3
	R&C	0.0	0.5	0.0	0.0	0.0	0.5
	Corporate Center	0.0	0.0	0.0	0.0	0.5	0.5
	Group	**1.3**	**1.0**	**2.2**	**0.8**	**0.6**	**5.9**
Profit before tax	WM	0.3	0.2	0.0	0.2	0.0	0.6
	WMA	0.0	0.0	0.2	0.0	0.0	0.2
	Investment Bank	0.1	0.1	0.2	0.2	(0.2)	0.4
	Global AM	0.0	0.0	0.0	0.0	(0.0)	0.1
	R&C	0.0	0.4	0.0	0.0	0.0	0.4
	Corporate Center	0.0	0.0	0.0	0.0	(0.4)	(0.4)
	Group	**0.4**	**0.7**	**0.5**	**0.4**	**(0.6)**	**1.4**

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Important information related to numbers shown in this presentation

Use of adjusted numbers

Adjusted results are non-GAAP financial measures as defined by SEC regulations. Refer to page 12 of the first quarter 2014 report and pages 76-77 of our 2013 annual report for an overview of adjusted numbers.

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

Basel III numbers are based on the BIS Basel III framework, as applicable for Swiss Systemically relevant banks (SRB). In the presentation are SRB Basel III numbers unless otherwise stated. Our fully applied and phase-in Swiss SRB Basel III and BIS Basel III capital components have the same basis of calculation, except for differences disclosed on page 80 of the 1Q14 financial report.

Basel III risk-weighted assets in the presentation are calculated on the basis of Basel III fully applied unless otherwise stated. Our RWA under BIS Basel III are the same as under Swiss SRB Basel III.

Leverage ratio and leverage ratio denominator in this presentation are calculated on the basis of fully applied Swiss SRB Basel III, 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.

Refer to the “Capital Management” section in the 1Q14 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 36 Currency translation rates” in the 2013 Annual Report for more information.

Performance targets

Unless otherwise stated, performance targets exclude, where applicable, items considered non-recurring and certain other items that management believes are not representative of the underlying performance of our businesses, such as own credit gains and losses, restructuring-related charges and gain and losses on sales of businesses and real estate. Additionally, where applicable, performance targets assume constant foreign currency translation rates.

Rounding

Numbers presented throughout this presentation may not add up precisely to the totals provided in the tables and text. Percentages, percent changes and absolute variances are calculated based on rounded figures displayed in the tables and text and may not precisely reflect the percentages, percent changes and absolute variances that would be derived based on figures that are not rounded.