# Second Quarter 2010 Results

July 27, 2010

# Cautionary statement regarding forward-looking statements

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 and filings made by UBS with the US Securities and Exchange Commission, including UBS's financial report for second quarter 2010 and UBS's Annual Report on Form 20-F for the year ended 31 December 2009. 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.

# 2Q10 highlights

## Good performance in volatile market conditions

- Pre-tax profit CHF 2.6 billion
- Net profit attributable to shareholders CHF 2.0 billion
- Diluted EPS CHF 0.52
- Return on equity 19.5%[1]

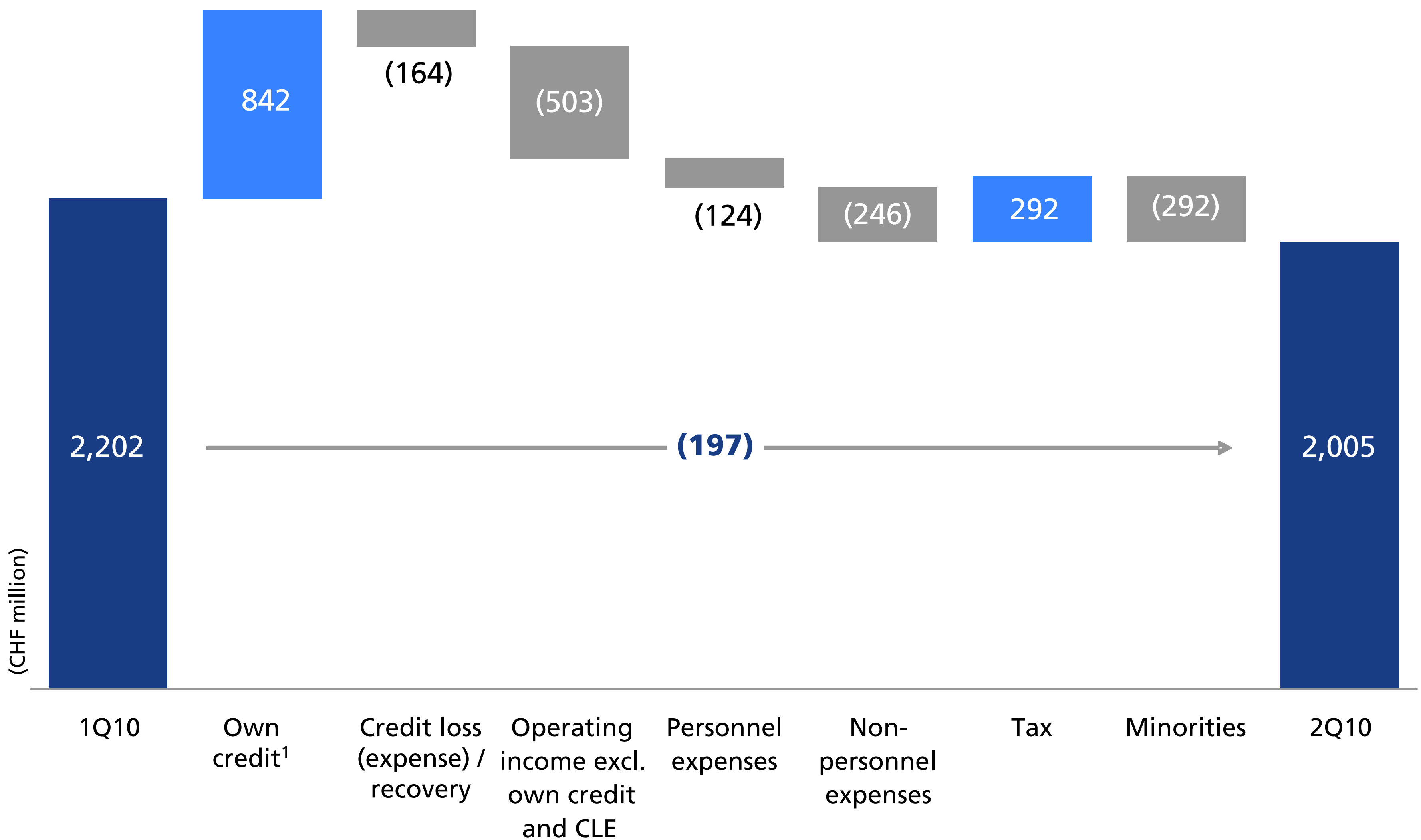
- Net new money improved in all business divisions
- Wealth Management & Swiss Bank's CHF 1.1 billion pre-tax profit consistent with 1Q10

- Investment Bank's results resilient with a CHF 1.3 billion pre-tax profit
- Equities and FX, our largest flow businesses, performed above 1Q10 levels
- CHF 1.7 billion revenues generated in FICC

- Tier 1 capital ratio 16.4% and core tier 1 capital ratio 13.0%
- FINMA leverage ratio 4.1%

1 Annualized year-to-date

# Net profit attributable to UBS shareholders




1 Own credit on financial liabilities designated at fair value through profit or loss

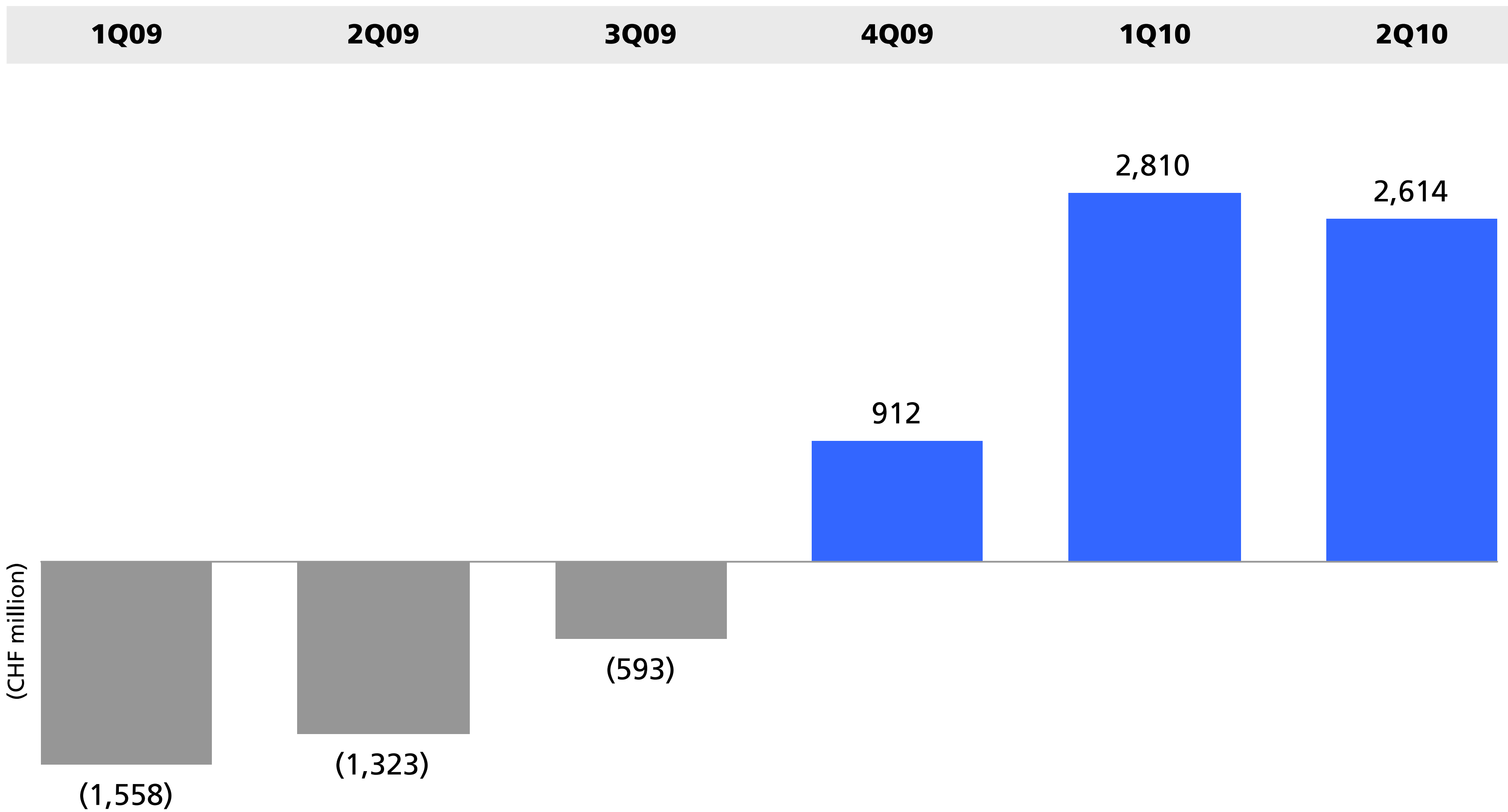
# 2Q10 – performance by business division

| (CHF m) | WM&SB | WMA | Global AM | IB | CC[1] | UBS |
|---|---|---|---|---|---|---|
| Income | 2,893 | 1,486 | 522 | 3,546 | 191 | 8,638 |
| Credit loss (expense) / recovery | (8) | (1) | | (39) | | (48) |
| Own credit[2] | | | | 595 | | 595 |
| Total operating income | 2,886 | 1,485 | 522 | 4,101 | 191 | 9,185 |
| Personnel expenses | 1,201 | 1,123 | 297 | 2,000 | 25 | 4,645 |
| *of which: UK Bank Payroll Tax* | *15* | | | *228* | | *242* |
| *of which: restructuring charges* | | *19* | | *(25)* | *(2)* | *(8)* |
| Non-personnel expenses | 554 | 429 | 108 | 788 | 47 | 1,926 |
| *of which: restructuring charges* | | *127* | | | | *127* |
| Total operating expenses | 1,754 | 1,552 | 405 | 2,788 | 72 | 6,571 |
| **Pre-tax profit / (loss)** | **1,131** | **(67)** | **117** | **1,314** | **119** | **2,614** |
| Tax | | | | | | 311 |
| Minorities | | | | | | 298 |
| Discontinued operations | | | | | | 0 |
| **Net profit attributable to UBS shareholders** | | | | | | **2,005** |
| Diluted EPS (CHF) | | | | | | 0.52 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Headcount (FTE) | 27,341 | 16,341 | 3,454 | 16,552 | 188 | 63,876 |

1 Treasury activities and other corporate items
2 Own credit on financial liabilities designated at fair value through profit or loss

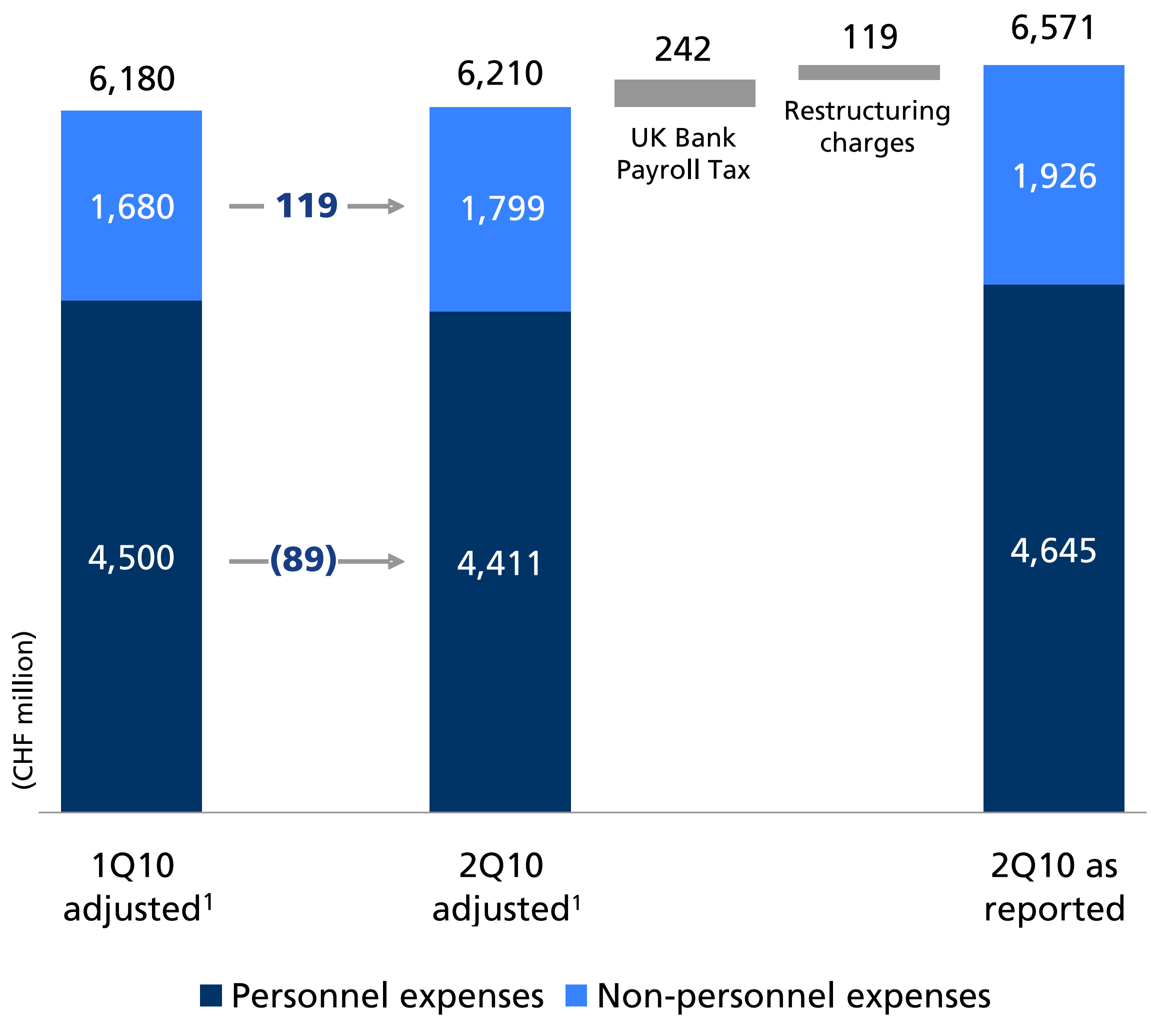
# Group pre-tax profit[1]




1 Pre-tax profit from continuing operations

# Operating expenses – 2Q10 versus 1Q10

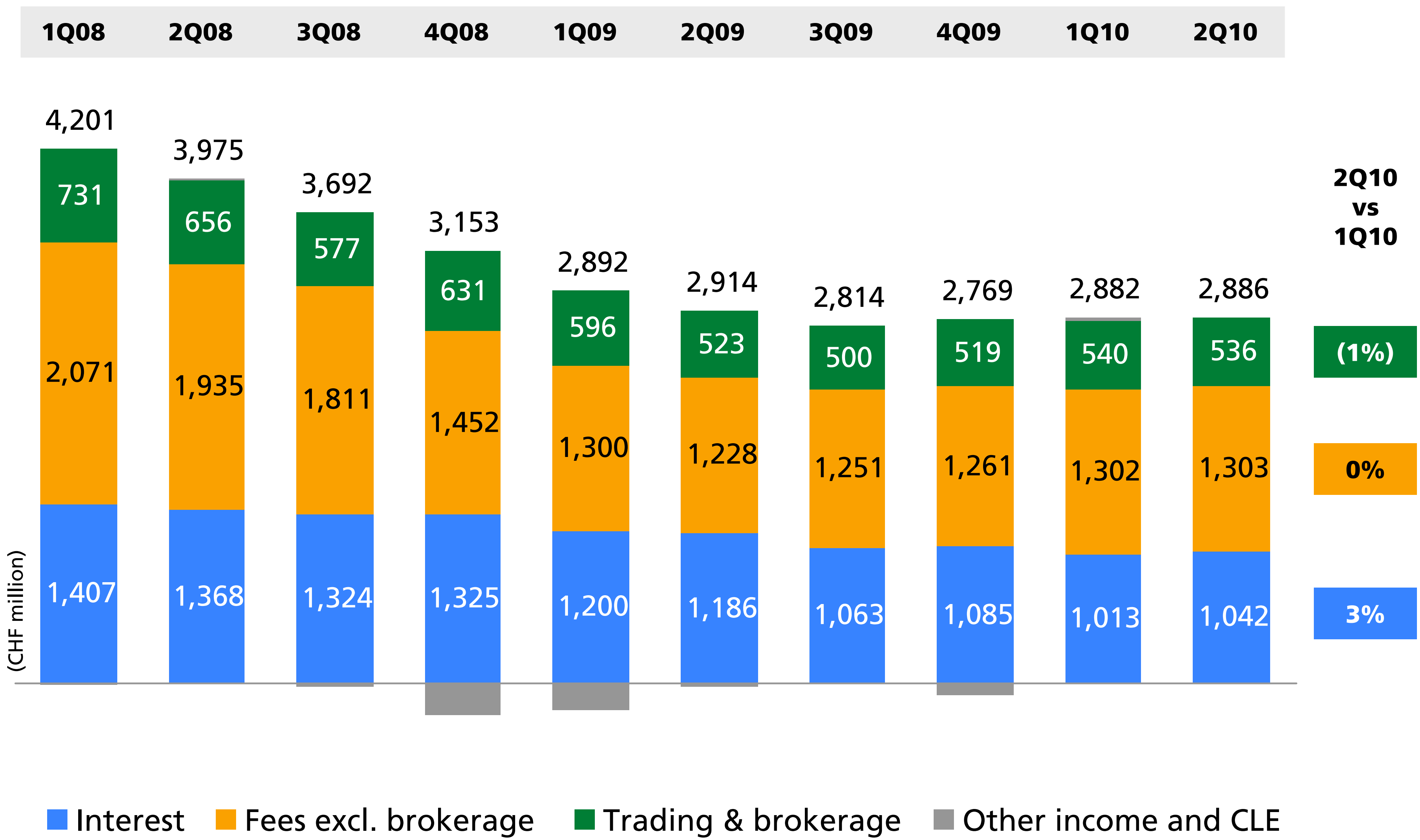
## Maintained our cost discipline




- Accruals for variable compensation decreased on lower revenues
- 2Q10 expenses include:
  - CHF 242 million for the UK Bank Payroll Tax
  - CHF 119 million net restructuring charges
- Fixed costs remained in line with annual target of CHF 20 billion[2]
  - Includes revenue-based compensation for Wealth Management Americas financial advisors

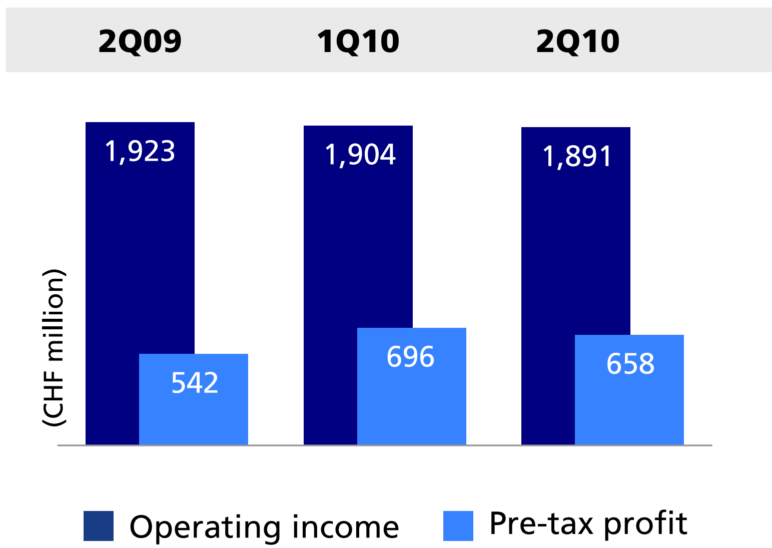
1 Adjusted for UK Bank Payroll Tax (CHF 242 million in 2Q10) and net restructuring charges (CHF 21 million in 1Q10 and CHF 119 million in 2Q10)
2 Bank Payroll Tax and restructuring charges not included in fixed costs target

# WM&SB revenues stable



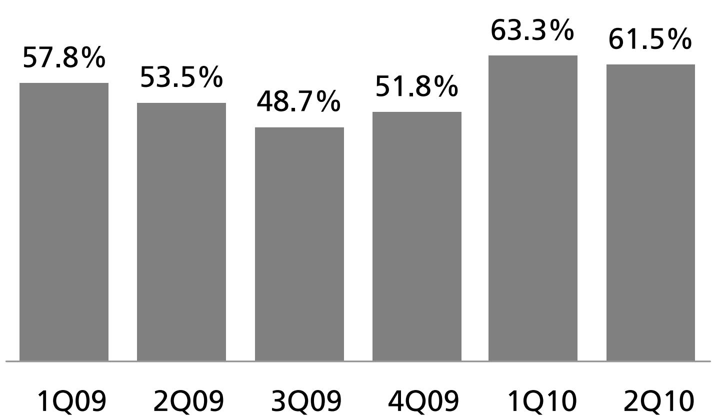
# Wealth Management

## Resilient profitability and margin improvement

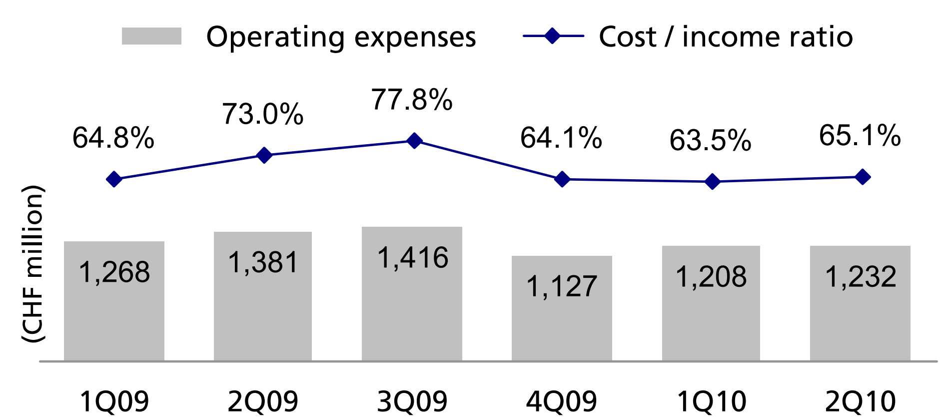



- Stable revenues with higher gross margins
  - Increased risk aversion by clients reflected in asset allocation and lower trading activity
- Costs up 2% due to UK Bank Payroll Tax and higher salary costs

### Return on attributed equity[1]

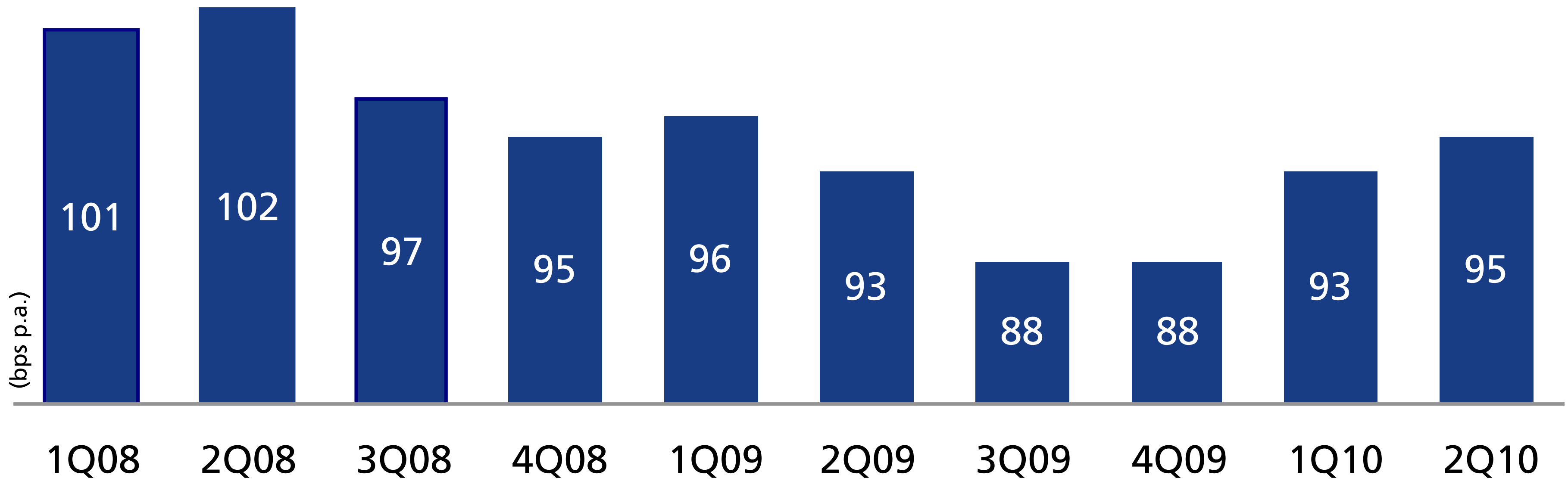



### Operating expenses and C/I ratio




1 Annualized year-to-date

# Wealth Management – gross margins[1]




**Pricing**
Pricing discipline was the main driver of the gross margin improvement

**Lending**
Higher lombard lending contributed to increased net interest income

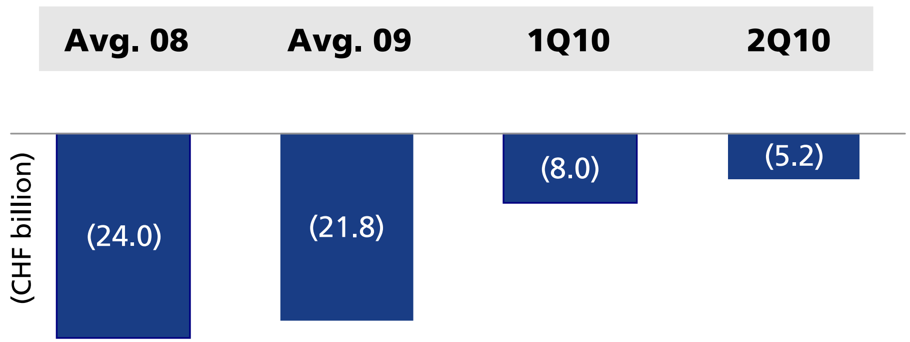
**Brokerage**
Brokerage revenues were affected by lower client activity

**Mandate**
The proportion of assets invested in mandates was down slightly

1 Operating income before credit loss (expense) or recovery (annualized) / average invested assets. Gross margin excludes negative valuation adjustments on a property fund of CHF 17 million in 2Q10, CHF 28 million in 1Q10, CHF 88 million in 4Q09, CHF 31 million in 3Q09, CHF 13 million in 2Q09, CHF 23 million in 1Q09 and CHF 9 million in 4Q08

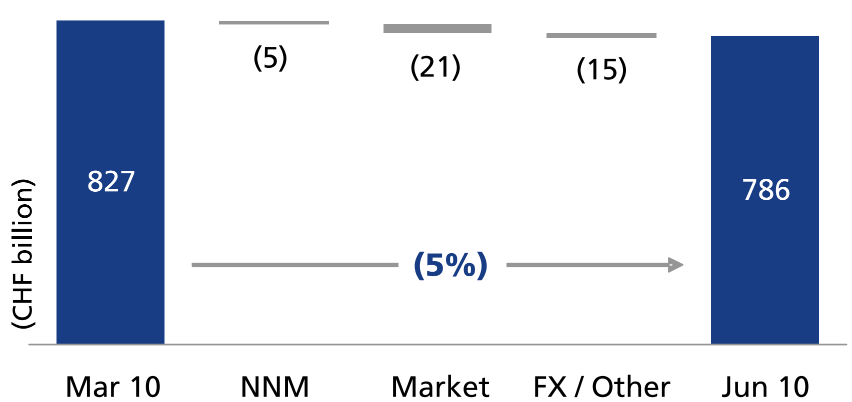
# Wealth Management – net new money and invested assets

## Net new money




- Continued net inflows in Asia Pacific region
- Positive NNM from UHNW clients for second consecutive quarter
- Outflows related to client advisor attrition had a diminishing impact
- Most of the net outflows continued to be in the cross-border segment
- Continued focus on attracting profitable NNM

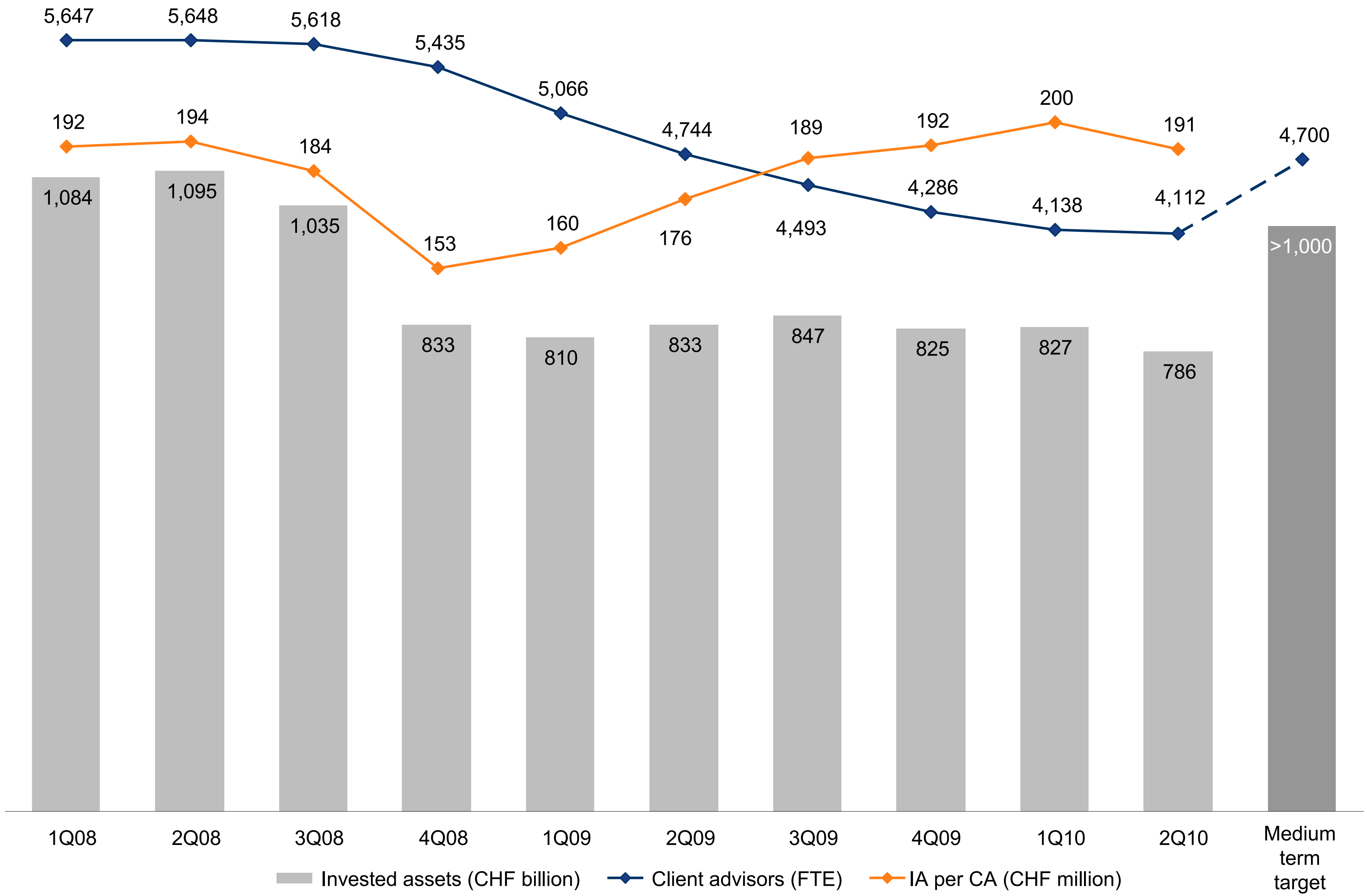
## Invested assets




- Decrease in invested assets mainly due to market and FX movements
- Portfolio management fee income generally calculated based on quarter-end balances

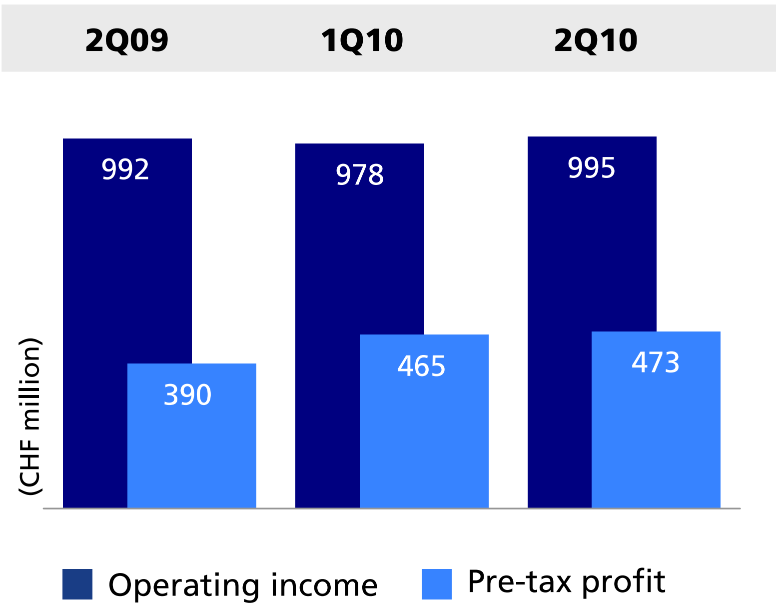
# Wealth Management – client advisors and invested assets

## Client advisor attrition slowing, continued to actively hire in 2Q10



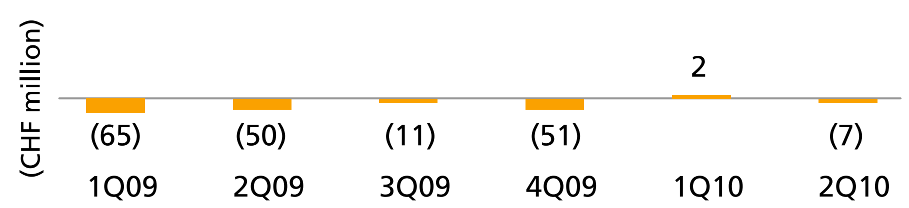
# Retail & Corporate

## Stable performance quarter-on-quarter

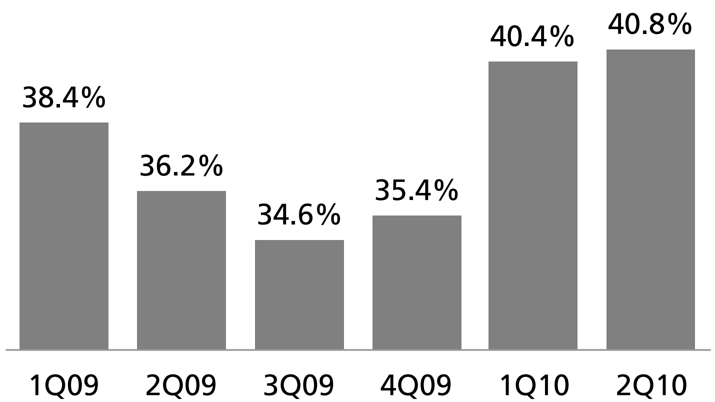



- Increase in revenues and resilient business volumes with continued low levels of credit loss

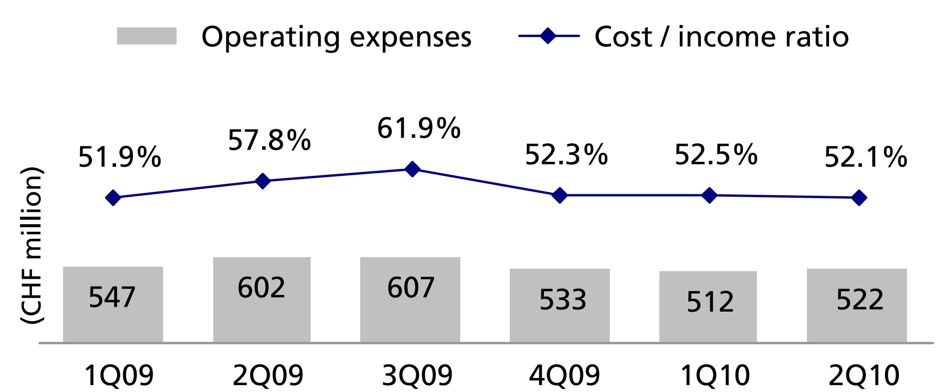
### Credit loss (expense) / recovery




### Return on attributed equity[1]




### Operating expenses and C/I ratio

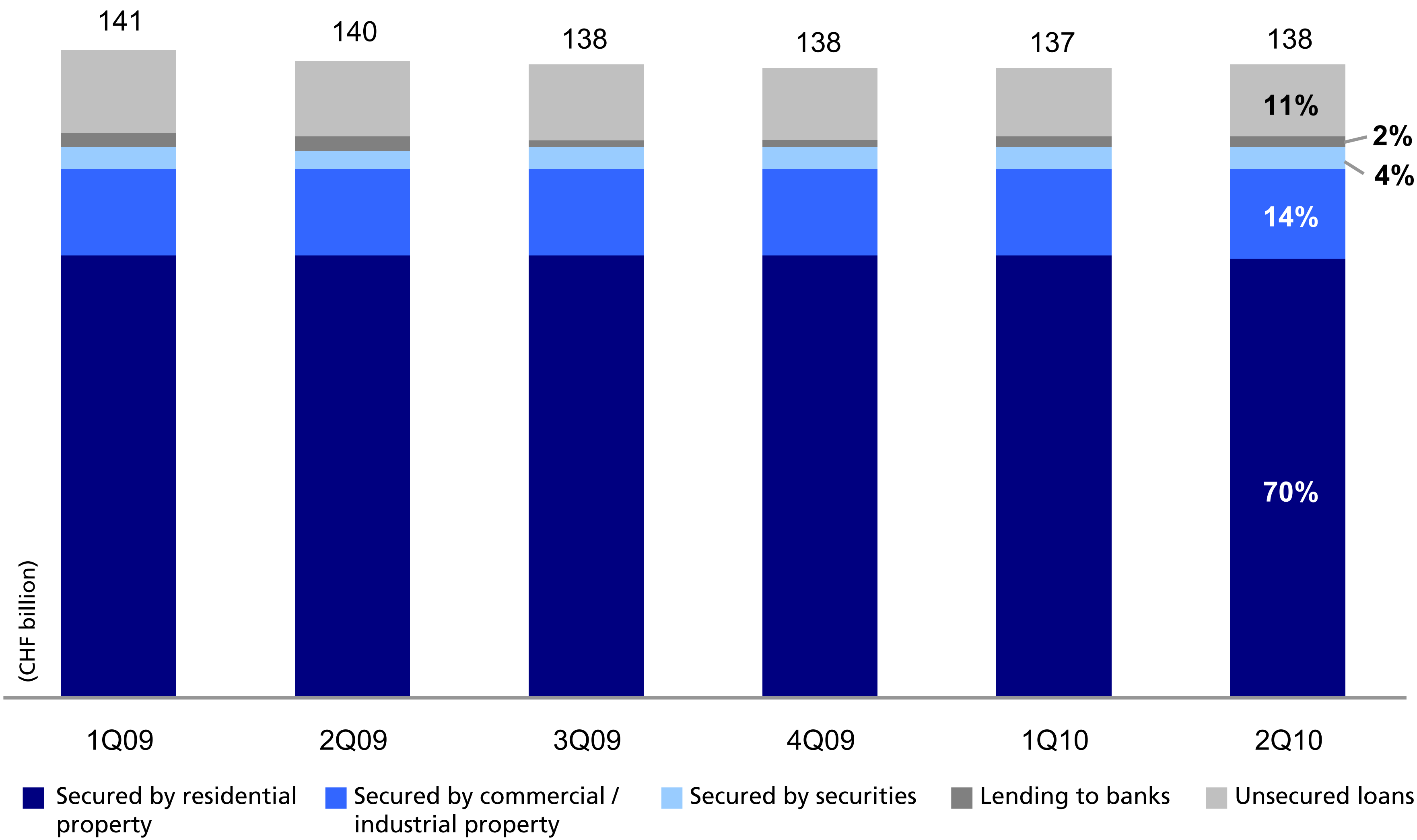



1 Annualized year-to-date

# Retail & Corporate

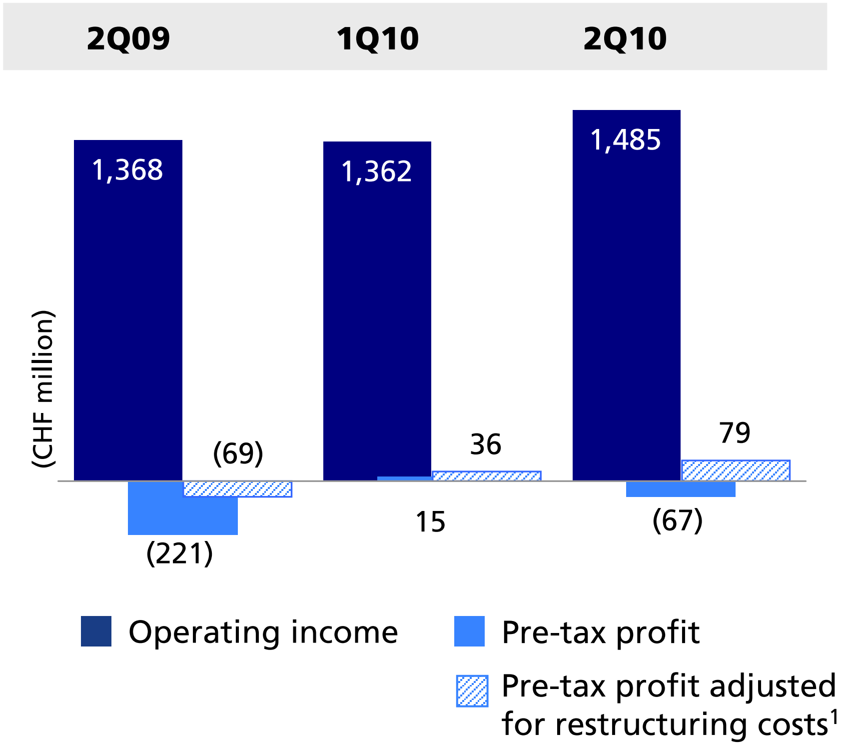
## Stable lending portfolio

**Lending portfolio, gross**



# Wealth Management Americas

## Continued progress against strategic plan

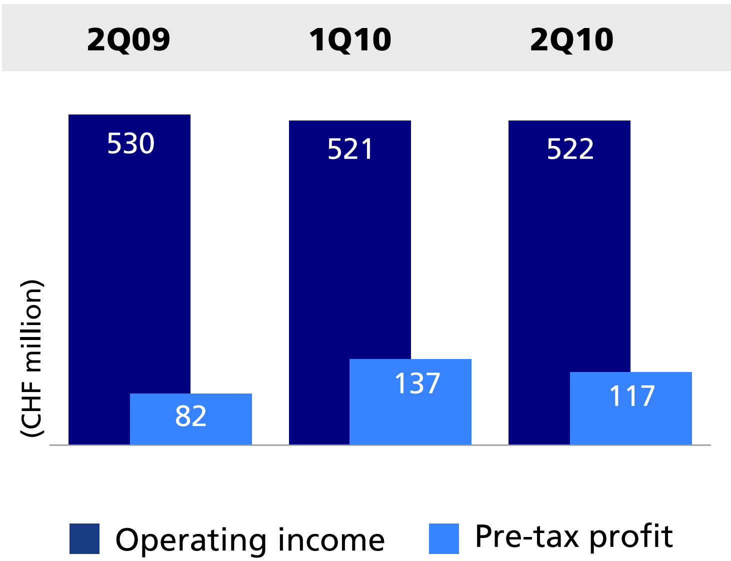



- Pre-tax profitability improved to CHF 79 million excluding restructuring charges, from CHF 36 million in 1Q10
  - Higher managed account fees and net interest income drove 9% increase in revenues
  - 2Q10 restructuring charges of CHF 146 million, primarily real estate-related
- NNM outflows decreased further to CHF 2.6 billion from CHF 7.2 billion
  - Second consecutive quarter with positive 'same store'[2] NNM
  - Outflows related to FA attrition decreased
- Positive NNM including interest and dividend income[3]
- Financial advisors at 6,760 down 2% from 1Q10

1 Restructuring charges of CHF 146 million in 2Q10 (CHF 19 million personnel expenses and CHF 127 million real estate-related), CHF 21 million in 1Q10 and CHF 152 million in 2Q09
2 Financial advisors with UBS for more than 12 months
3 NNM as disclosed by certain US peers includes interest and dividend income

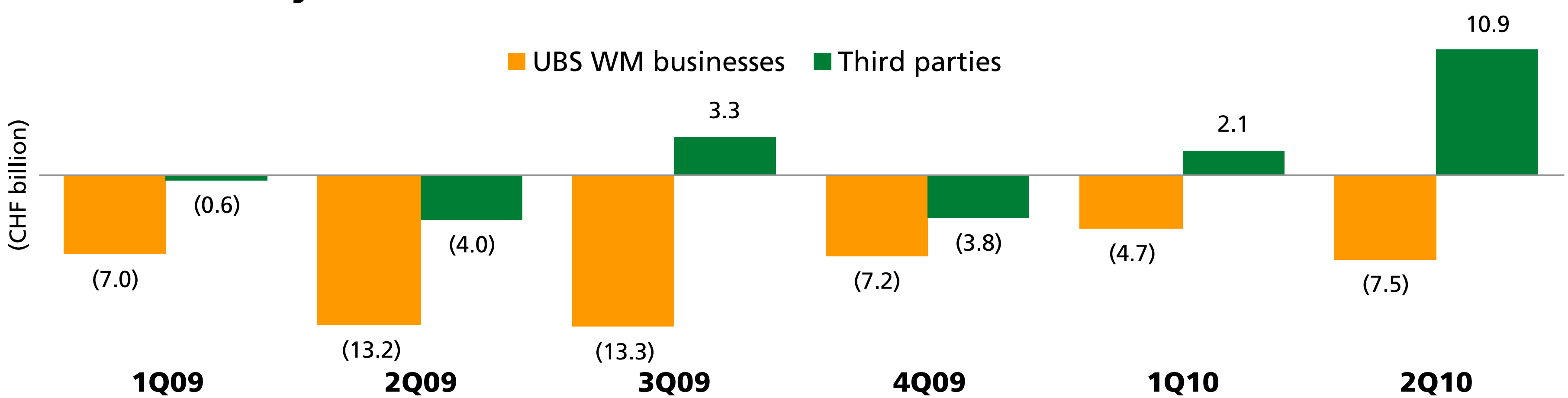
# Global Asset Management

## Steady revenues and positive net new money

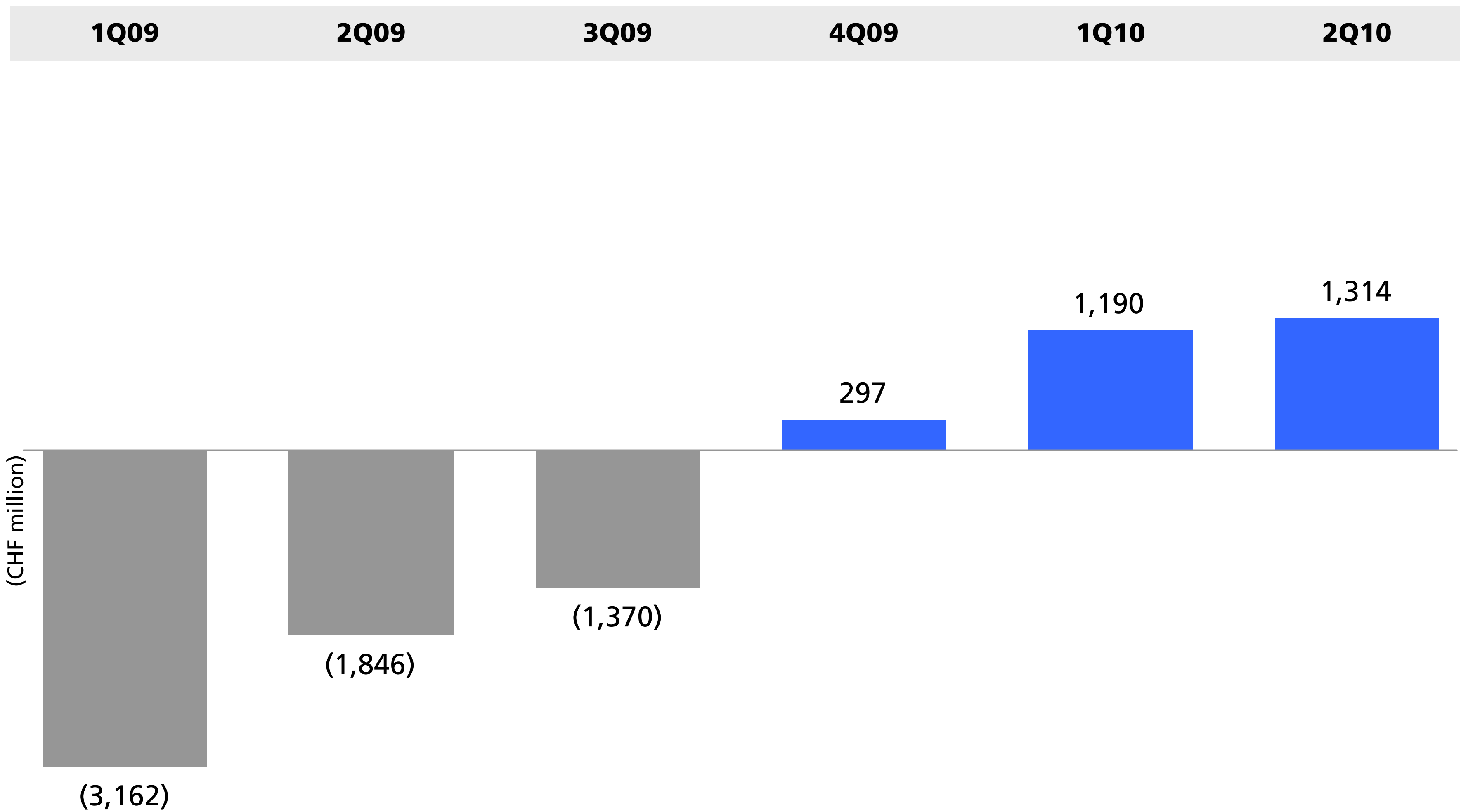



- Higher management fees offset lower performance fees
- Costs affected by higher amortization charges for compensation awards granted in prior periods
- Positive NNM inflows of CHF 3.4 billion driven by CHF 10.9 billion from third parties
  - Net inflows from third parties were partly offset by CHF 7.5 billion net outflows from UBS's wealth management businesses

### Net new money

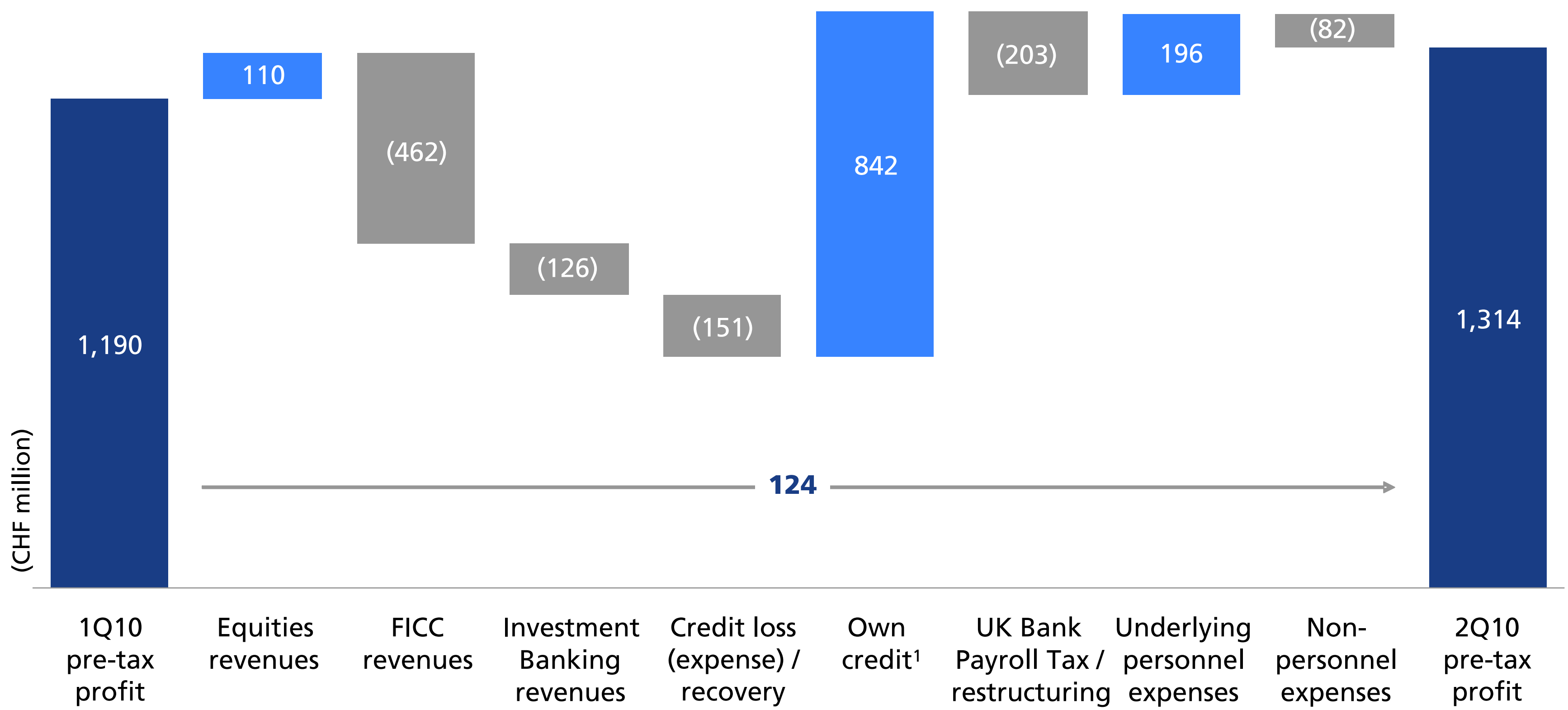


# Investment Bank – pre-tax profit



# Investment Bank – pre-tax profit

## Higher profits in challenging markets

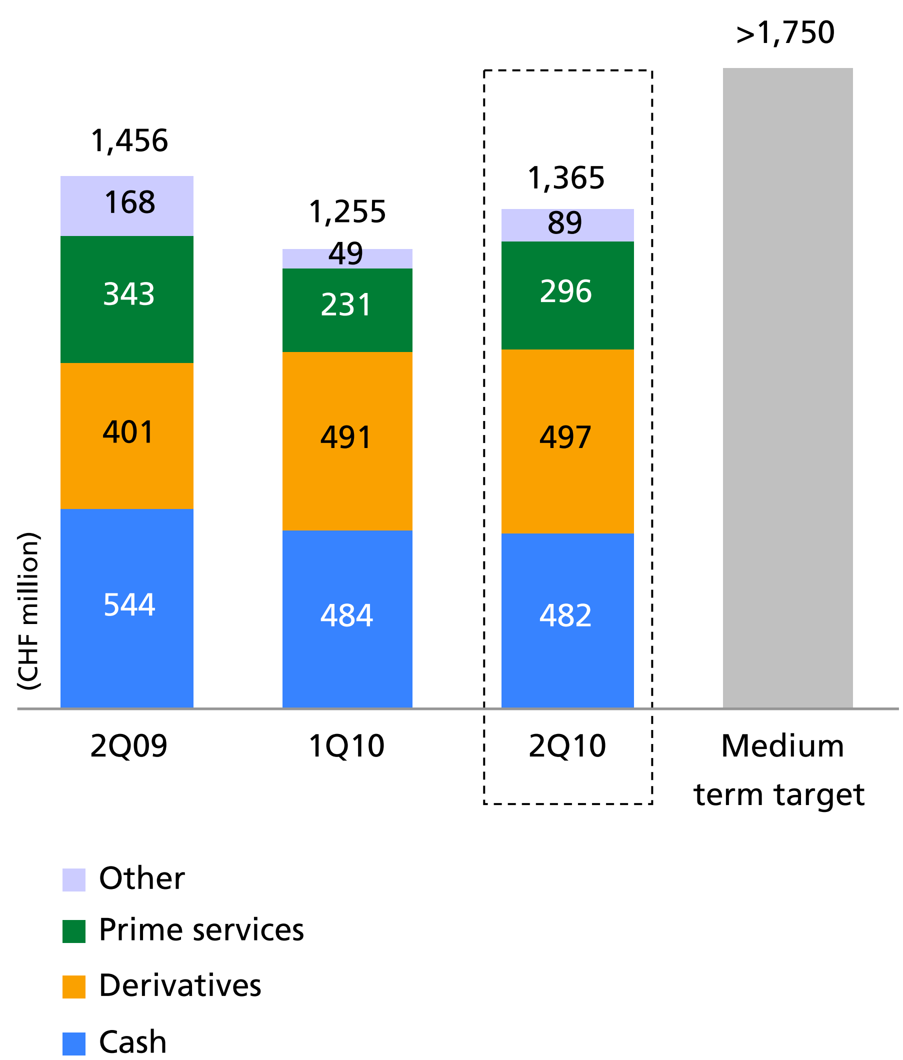



- Well positioned and risk managed during market turbulence
- Equities and FX performed above 1Q10 levels
- FICC and IBD impacted by adverse market conditions
- Own credit gains of CHF 595 million in 2Q10 vs CHF 247 million loss in 1Q10[1]

1 Own credit on financial liabilities designated at fair value through profit or loss

# Equities revenues

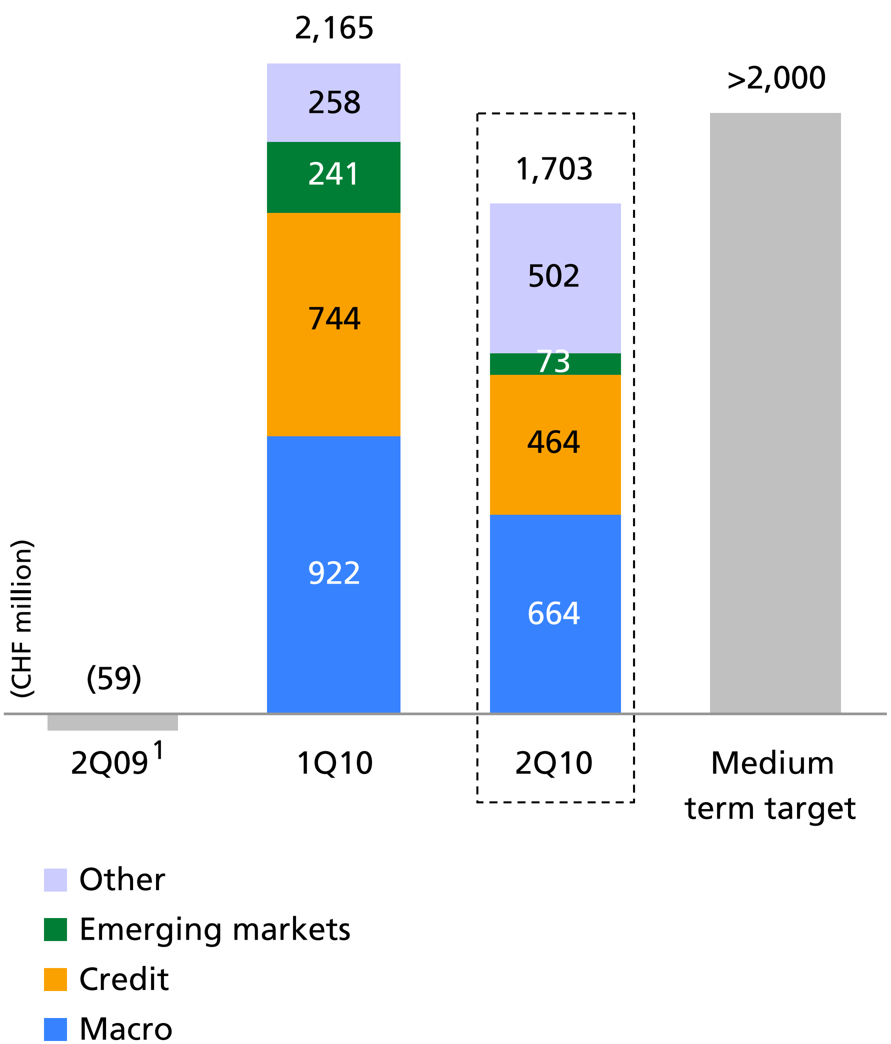
## Delivered 9% revenue growth in volatile markets




- **Cash:** our largest flow business delivered revenues consistent with 1Q10
- **Derivatives**: increased revenues despite volatile trading conditions and reduced liquidity, partly as a result of effective risk management
- **Prime services:** revenues increased 28%
  - Prime brokerage up 42% due to strong securities financing results
  - ETD revenues increased 13% on higher volumes
- **Other:** includes CHF 47 million gains on the CBOE demutualization (total CHF 61 million for equities)

# FICC revenues

## CHF 1.7 billion revenues

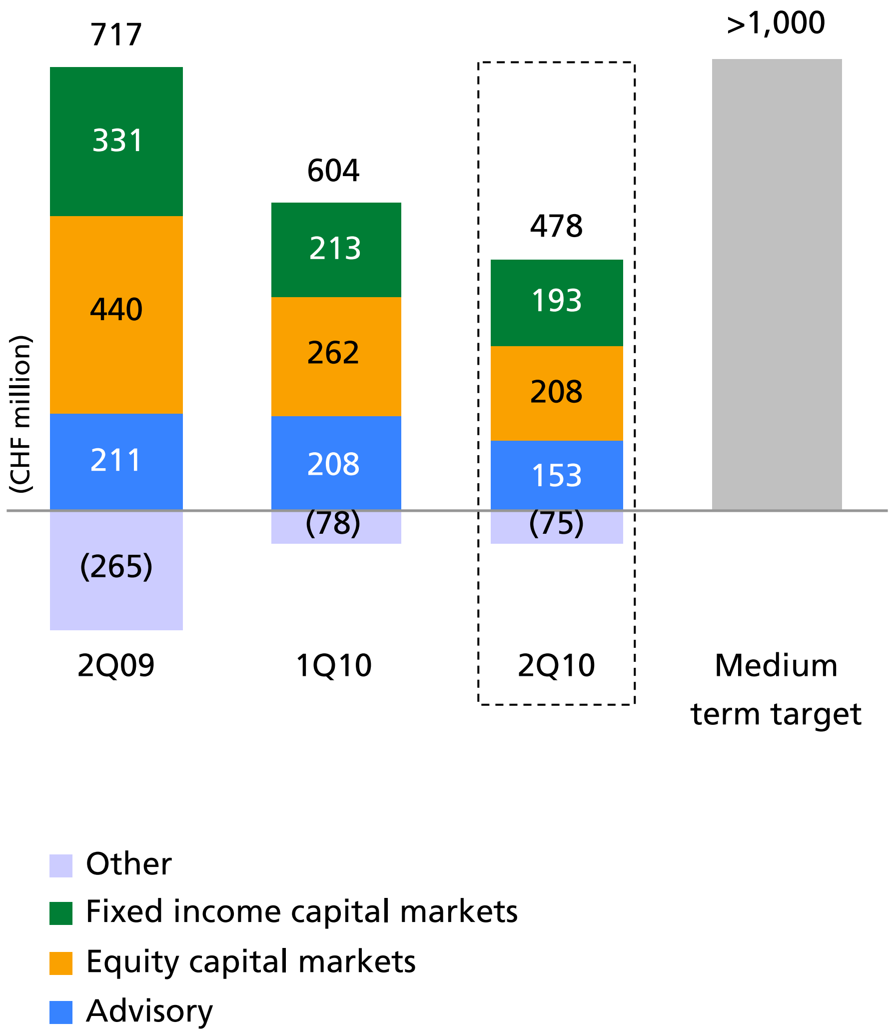



- **Macro**: higher FX revenues driven by high market volatility were offset by lower revenues in Rates due to de-risking and lower client demand
- **Credit:** revenues down from a strong first quarter as the Eurozone crisis drove overall de-risking, decreased liquidity, and a decline in client activity
- **Emerging markets:** lower revenues reflect risk aversion and concerns about the impact of sovereign debt and increased market volatility
- **Other:**
  - Residual risk positions continued to be reduced and contributed gains of ~ CHF 0.2 billion
  - Debit valuation adjustments on derivatives resulted in gains of CHF 280 million

1 Revenues on a sector split basis in 2Q09 were not meaningful

# Investment banking revenues

## Global fee pool down 15% in uncertain markets




- **Capital markets:**
  - **Equities:** revenues down 21% mainly due to slowdown in May, stable market share
  - **FICC:** revenues decreased primarily due to market volatility, market fee pool down 41% from 1Q10
- **Advisory:** revenues down 26% from the first quarter[1]
- Global fee pool down 15% on 1Q10 and 20% on 2Q09, lowest 2Q since 2003
- Overall UBS fee based market share[2] decreased from 1Q10 (3.6% from 4.3%)
  - M&A: 3.8% (5.6%)[1]
  - ECM: 4.1% (4.1%)
  - DCM: 3.8% (4.9%)

1 1Q10 advisory revenues included fee income from the completion of two significant transactions
2 Source: Dealogic as of 6 July 2010

# Risk update

## More cautious approach to risk-taking in 2Q10 in light of volatile markets

- Average VaR down 8%, total RWAs down 2% to CHF 205 billion on 30.6.10
- One backtesting exception on 10 May 2010 (our first since 2Q09); extreme market moves following the ECB's financial aid package announcement

## Further significant reductions in residual risk exposures

- Several trade commutations completed with a monoline insurer
  - Net exposure after CVAs of USD 1.7 billion on 30.6.10 (USD 2.2 billion on 31.3.10)
- Student loan ARS exposure substantially reduced as a result of redemptions and sales
  - Inventory was USD 8.1 billion on 30.6.10 (USD 9.3 billion on 31.3.10)
  - Buyback commitment was USD 3.2 billion on 30.6.10 (USD 6.9 billion on 31.3.10)

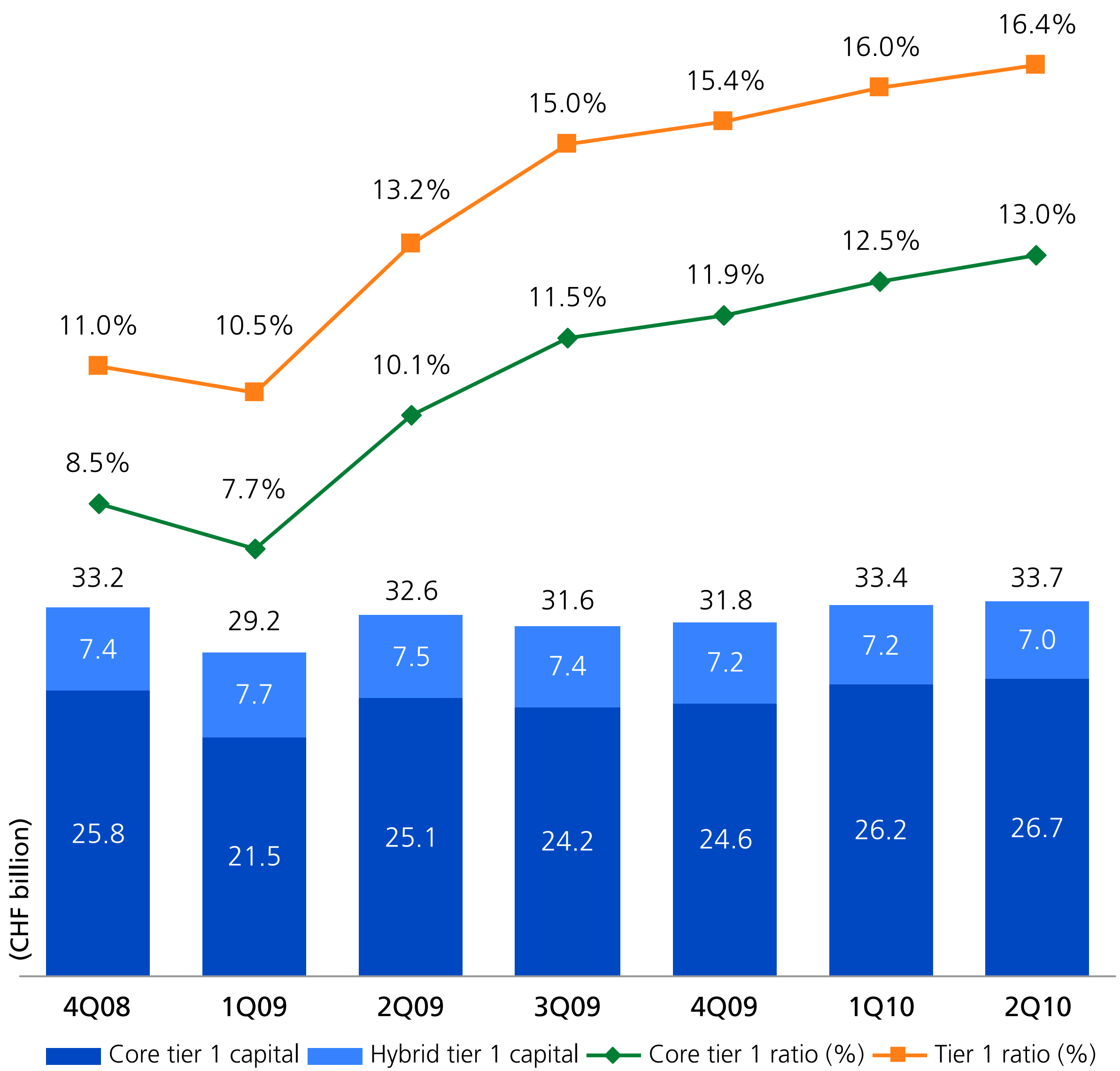
## Lending portfolio remained stable

- Impaired lending portfolio decreased 17% in the quarter, primarily due to the sale of a legacy restructured leveraged finance position
- Credit loss expense of CHF 48 million in 2Q10, net recoveries of CHF 68 million YTD

## Sovereign exposures to selected European countries

- Our gross sovereign exposures to Greece, Ireland, Portugal and Spain are immaterial, and our gross sovereign exposure to Italy, while larger, is commensurate with its rating and the size of its economy
- On a net basis, our sovereign exposures to these countries are insignificant individually and in aggregate

# Capital position




- Tier 1 capital ratio increased to 16.4%
- Core tier 1 capital ratio improved to 13.0%
- Risk-weighted assets down CHF 4 billion to CHF 205 billion
- FINMA leverage ratio 4.1%
- USD 1.5 billion hybrid tier 1 instrument callable in October 2010 (subject to FINMA approval)
  - CHF 1.0 billion reserved for redemption

# Funding

## We continue to benefit from ready access to diversified funding sources

- Customer deposits of CHF 414 billion
  - Contributing 43% of total liabilities excluding negative replacement values
  - Coverage ratio of customer deposits to loans at 138%
- Total outstanding long-term debt[1] stood at CHF 184 billion
  - Contributing 19% of total liabilities excluding negative replacement values
- Of the approx. CHF 11 billion equivalent of long-term straight debt due to mature within 2010, around CHF 10 billion has been replenished through public issuances year-to-date

| | |
|---|---|
| **EUR 2.75 billion**<br>covered bonds (Jan / Mar 2010) | **CHF 0.45 billion**<br>senior unsecured notes (June 2010) |
| **USD 3.5 billion**<br>senior unsecured public bonds (Jan / Feb 2010) | **EUR 1.75 billion**<br>senior unsecured notes (July 2010) |

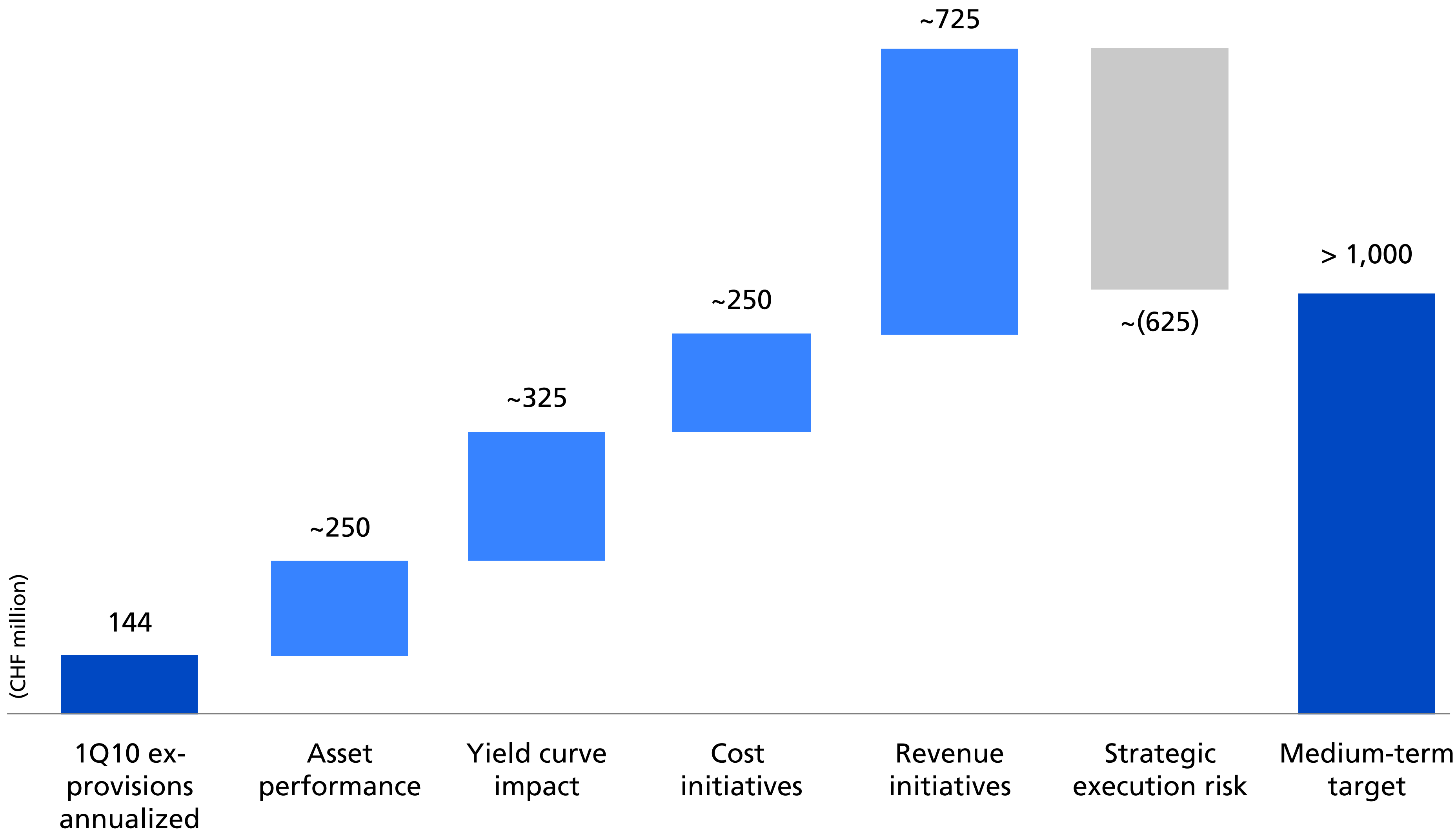
- In addition to public debt markets, we have continued access to medium- to long-term funds via MTNs, Swiss Pfandbriefe, Swiss Kassenobligationen

1 Including financial liabilities designated at fair value

UBS

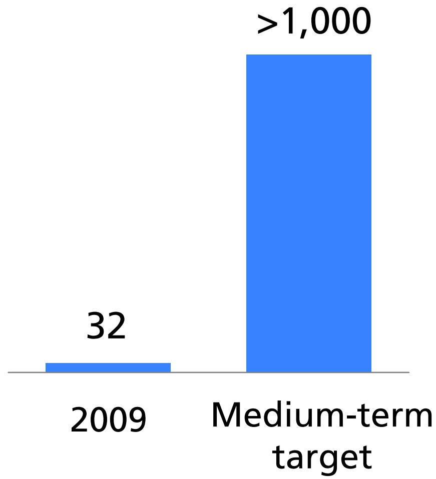
# Appendix

# Wealth Management Americas – medium term targets

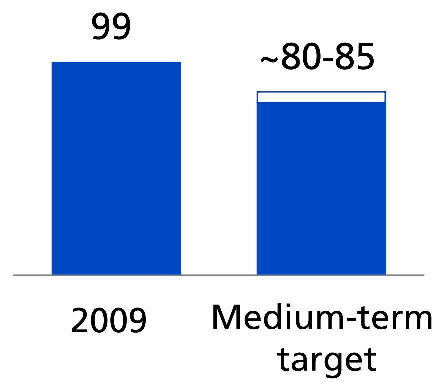


# Wealth Management Americas – medium term targets

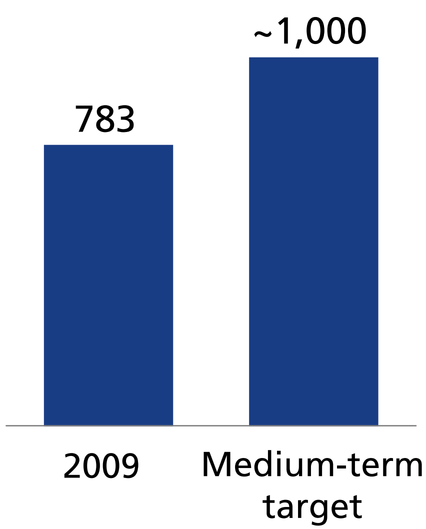
**Profit before tax (CHF million)**



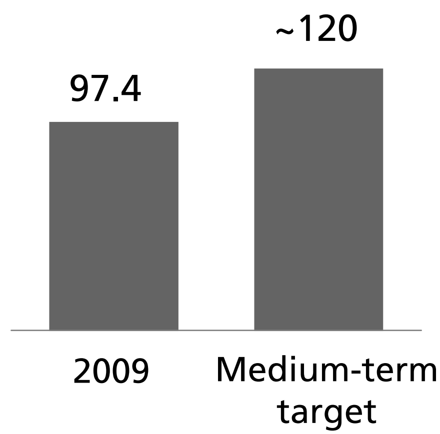

**Cost/income ratio (%)**



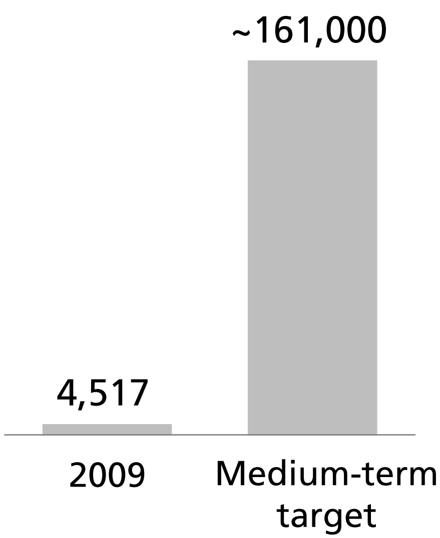

**Revenue / FA (CHF k)**




**Invested assets / FA (CHF million)**

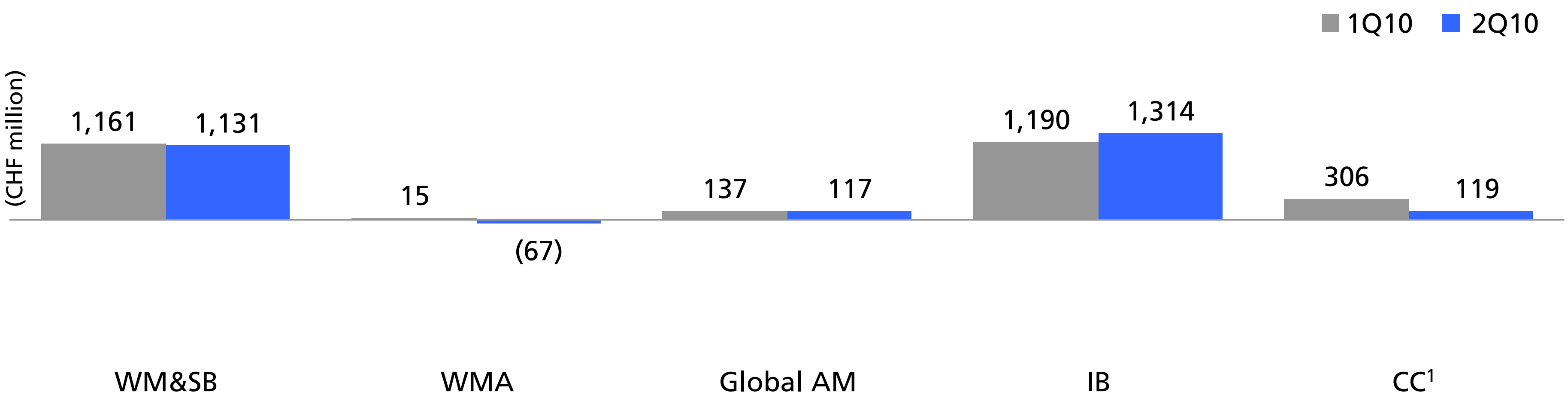



**Pre-tax profit / FA (CHF)**

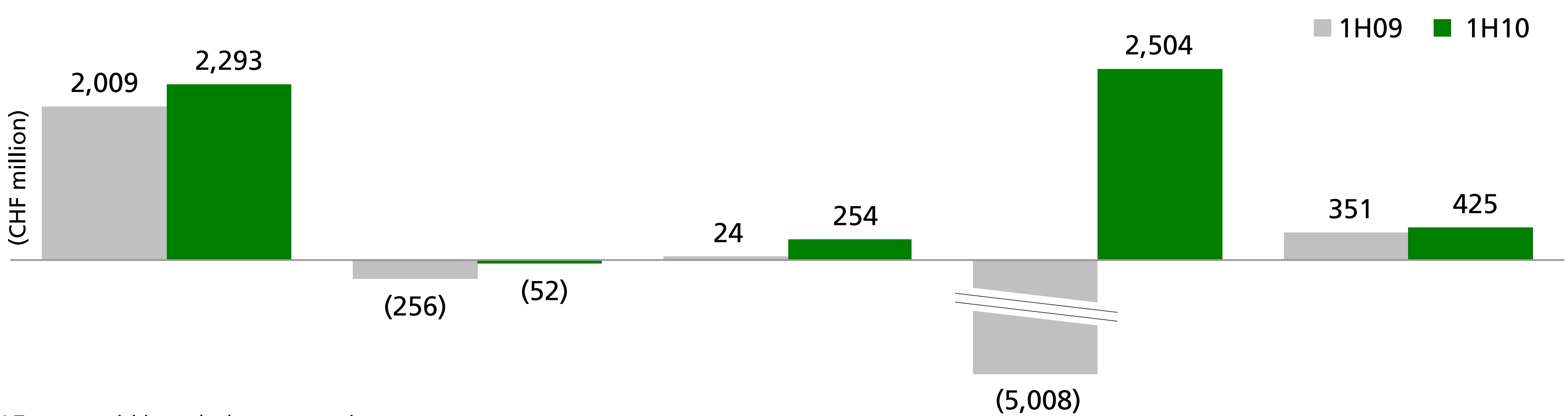


# Pre-tax profit – business divisions

**1Q10 vs 2Q10**



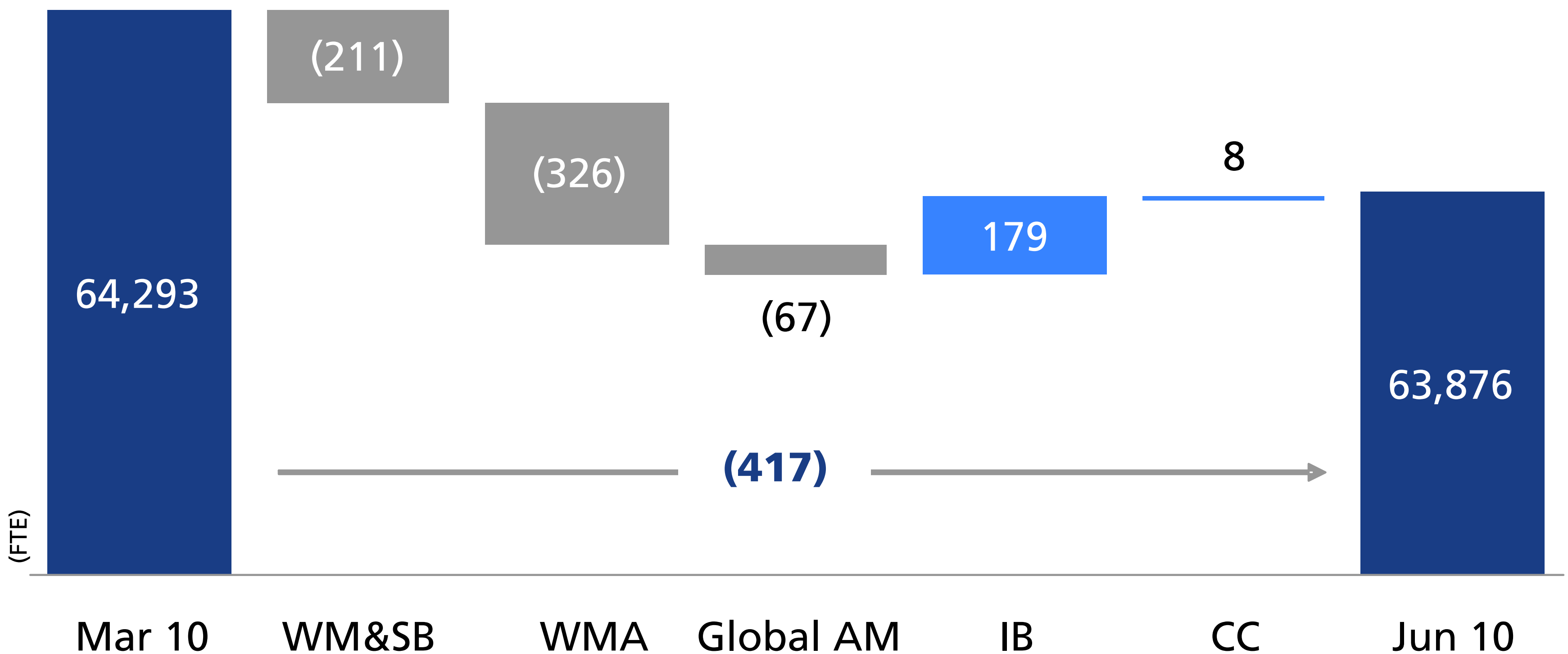

**1H09 vs 1H10**




1 Treasury activities and other corporate items

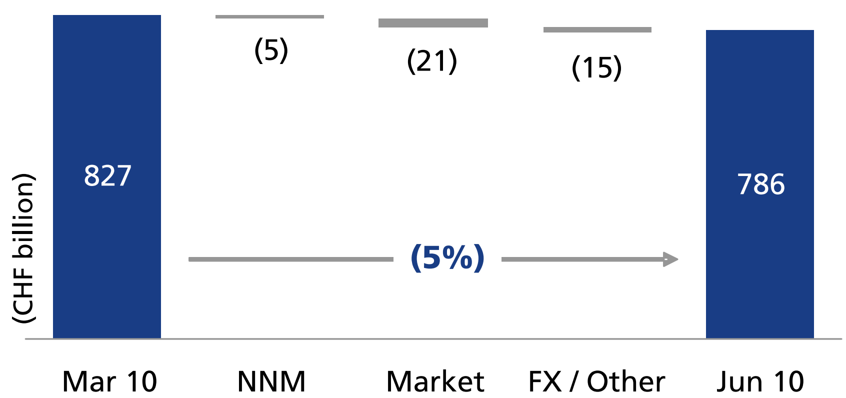
# Headcount

- Headcount reduced by a further 417 during 2Q10
- Overall headcount expected to remain broadly stable in 2010

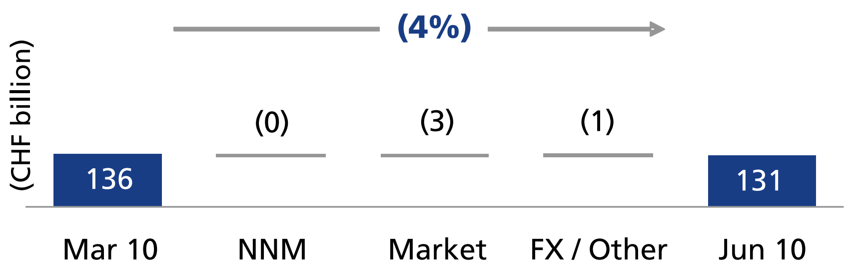


# Invested assets

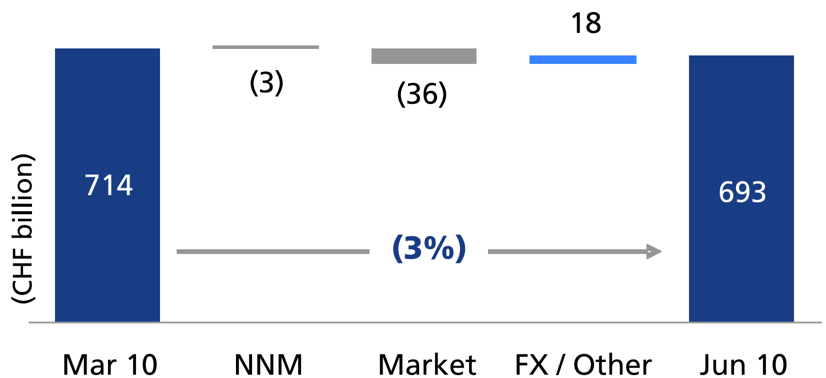
## Wealth Management



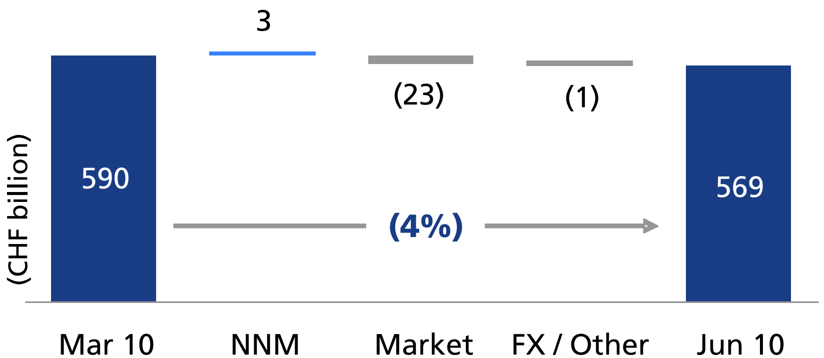

## Retail & Corporate




## Wealth Management Americas




## Global Asset Management



# Regulatory capital

| CHF billion | Tier 1 capital | BIS RWA | Tier 1 ratio | Total capital | Total ratio |
|---|---|---|---|---|---|
| 31.3.10 | 33.4 | 209.1 | 16.0% | 41.8 | 20.0% |
| Net P&L attributable to shareholders | 2.0 | | | 2.0 | |
| FX & other | 0.1 | | | 0.1 | |
| Own credit (not eligible for capital) | (0.6) | | | (0.6) | |
| Tier 1 hybrid reserve[1] | (1.0) | | | (1.0) | |
| Tier 1 deductions | (0.2) | | | (0.2) | |
| RWA reduction | | (4.3) | | | |
| Tier 2 deductions | | | | (0.2) | |
| 30.6.10 | 33.7 | 204.8 | 16.4% | 41.9 | 20.4% |

1 Reserve for the USD 1.5 billion hybrid tier 1 instrument callable in October 2010 (subject to FINMA approval)

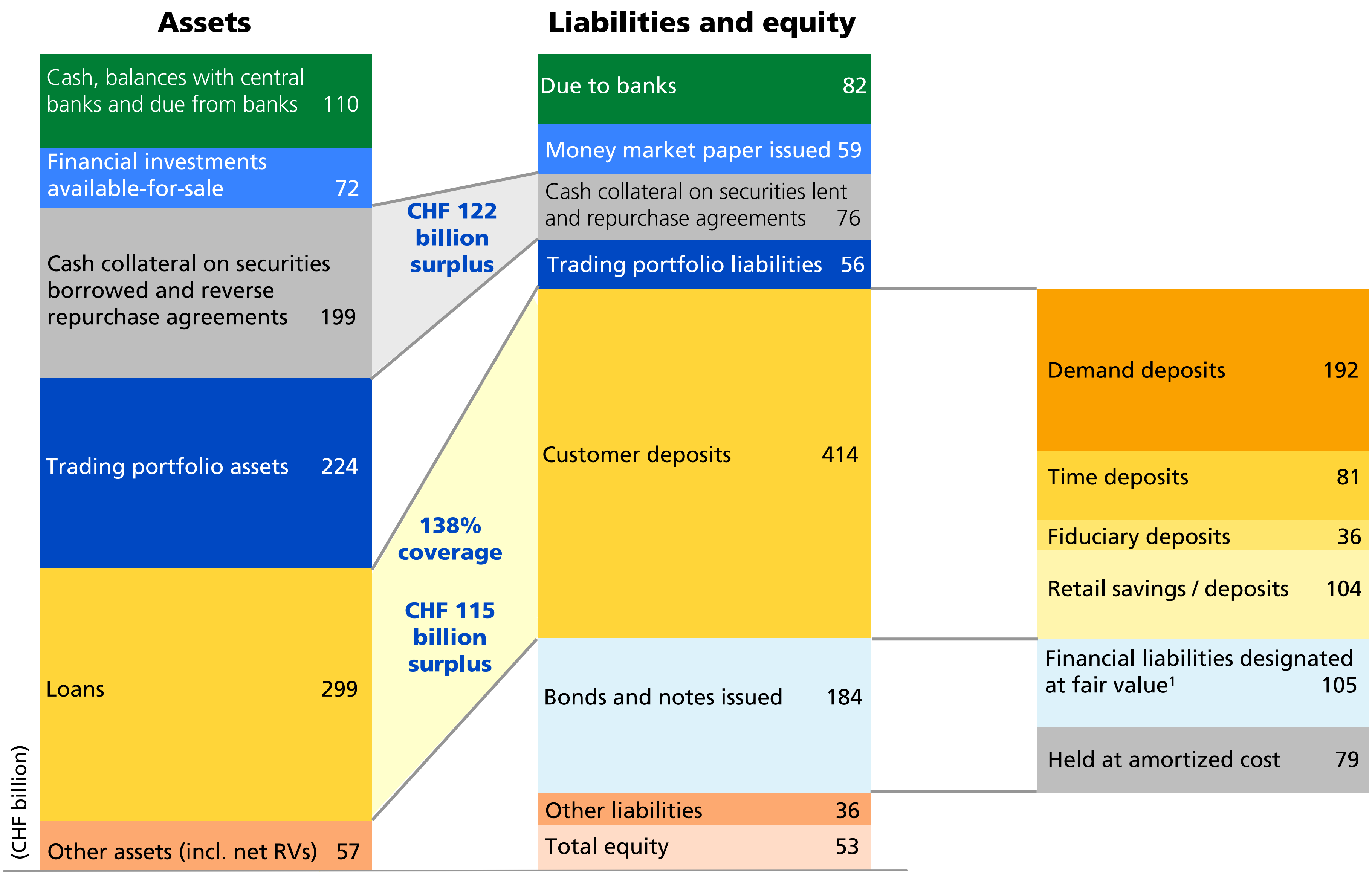
# Call of USD 1.5 billion hybrid tier 1 instrument[1]

## Impact of reserve and redemption on regulatory capital[2]

| CHF million | 30.6.10 before reserve | 2Q10 reserve | 30.6.10 as reported | Redemption impact | 30.6.10 post call pro forma |
|---|---|---|---|---|---|
| BIS tier 1 capital | 34,685 | (1,000) | 33,685 | (620) | 33,065 |
| *of which: hybrid tier 1 capital* | *6,964* | | *6,964* | *(1,620)* | *5,344* |
| *of which: core tier 1 capital* | *27,721* | *(1,000)* | *26,721* | *1,000* | *27,721* |
| **BIS tier 1 capital ratio** | **16.9%** | | **16.4%** | | **16.1%** |
| **BIS core tier 1 capital ratio** | **13.5%** | | **13.0%** | | **13.5%** |

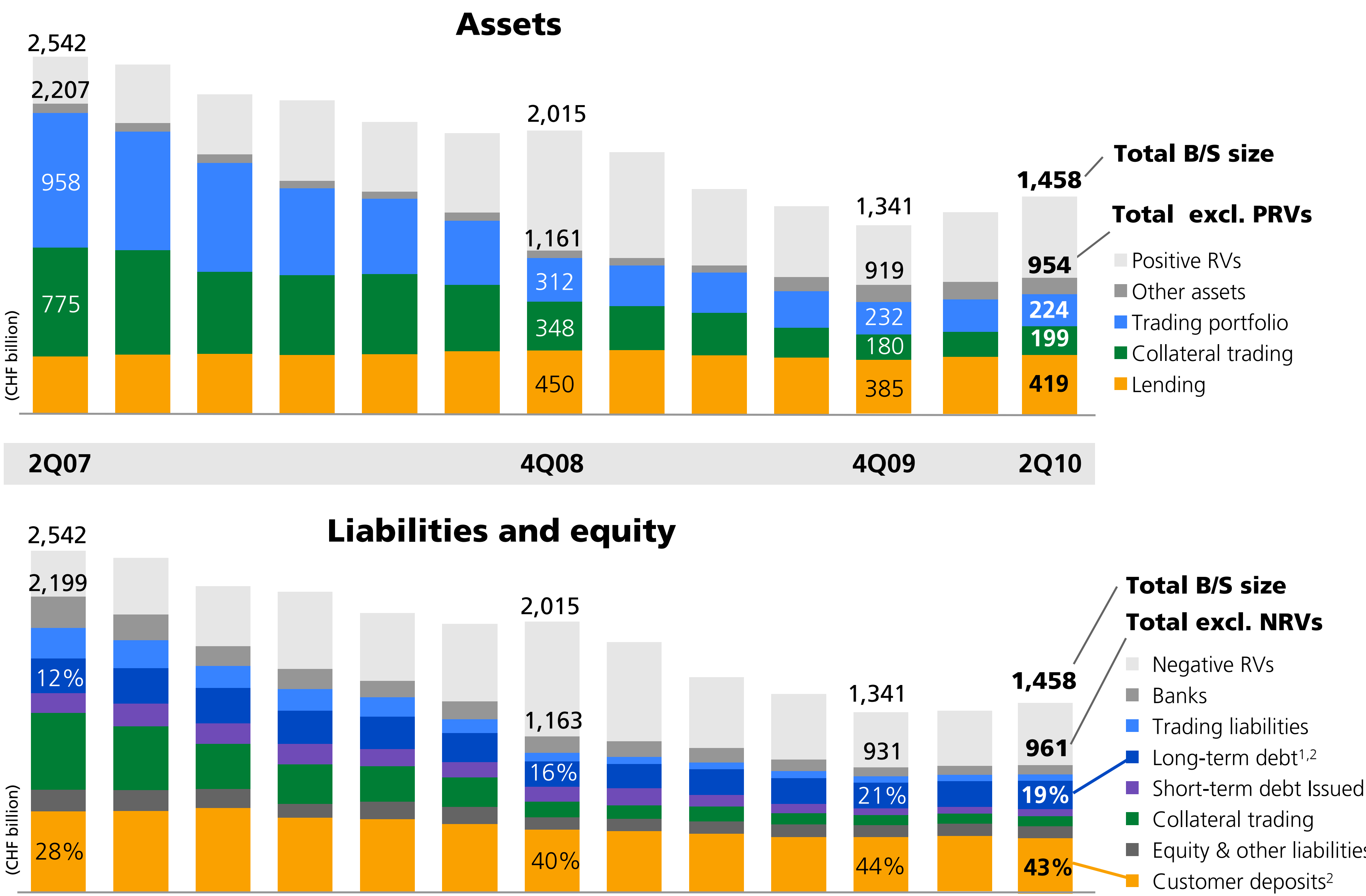
1 USD 1.5 billion hybrid tier 1 instrument callable in October 2010 (subject to FINMA approval)
2 Calculations based on CHF/USD exchange rate of 1.08

# Asset funding – 30 June 2010




1 Including compound debt instruments - OTC

# Balance sheet development: 2Q07 – 2Q10




1 Including financial liabilities designated at fair value

2 Percentages based on total balance sheet size excluding negative replacement values

# Exposure[1] to monoline insurers, by rating

| USD billion | Notional amount[3] | Fair value of underlying assets | Fair value of CDSs[4] prior to CVA | Credit valuation adjustment as of 30.6.10 | Fair value of CDSs after CVA |
|---|---|---|---|---|---|
| Credit protection on US sub-prime RMBS CDOs[2] | 0.8 | 0.2 | 0.6 | 0.4 | 0.2 |
| of which: from monolines rated investment grade (BBB and above) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| of which: from monolines rated sub-investment grade (BB and below) | 0.8 | 0.2 | 0.6 | 0.4 | 0.2 |
| Credit protection on other assets[2] | 11.2 | 8.5[5] | 2.7 | 1.2 | 1.5 |
| of which: from monolines rated investment grade (BBB and above) | 2.3 | 1.9 | 0.4 | 0.1 | 0.3 |
| of which: from monolines rated sub-investment grade (BB and below) | 8.9 | 6.6 | 2.3 | 1.1 | 1.2 |
| Total 30.6.10 | 12.0 | 8.7 | 3.3 | 1.6 | 1.7 |
| Total 31.3.10 | 13.9 | 9.2 | 4.7 | 2.5 | 2.2 |

- Based on fair values, 73% of the remaining assets were collateralized loan obligations, the vast majority of which were rated AA and above

1 Excludes the benefit of credit protection purchased from unrelated third parties
2 Categorization based on the lowest insurance financial strength rating assigned by external rating agencies
3 Represents gross notional amount of credit default swaps (CDSs) purchased as credit protection
4 Credit default swaps (CDSs)
5 Includes USD 5.5 billion (CHF 5.9 billion) at fair value / USD 5.6 billion (CHF 6.0 billion) at carrying value of assets that were reclassified to "Loans and receivables" from "Held for trading" in fourth quarter 2008. Refer to "Note 12 Reclassification of financial assets" in the "Financial information" section of the 2Q10 quarterly report for more information

# Student loan auction rate securities

## Inventory

| USD million | Carrying value as of 30.6.10 | Carrying value as of 31.3.10 |
|---|---|---|
| US student loan auction rate securities | 8,117[1] | 9,275 |

1 Includes USD 4.9 billion (CHF 5.2 billion) at carrying value of student loan ARS that were reclassified to "Loans and receivables" from "Held for trading" in fourth quarter 2008. Refer to "Note 12 Reclassification of financial assets" in the "Financial information" section of the 2Q10 quarterly report for more information

## Client holdings

| USD million | Par value of maximum required purchase as of 30.6.10 | Par value of maximum required purchase as of 31.3.10 |
|---|---|---|
| US student loan auction rate securities | 3,239 | 6,907 |

- As of 15 July 2010, UBS had received notification for the repurchase of approximately 90% of the remaining client holdings subject to the repurchase commitment[1]

1 The commitment is treated as a derivative and fair valued through profit and loss. Our determination of the fair value takes into account the difference between the par and market values of the securities and is based on the assumption that clients will exercise their right to exchange eligible securities at par on the first eligible day of the buyback period

# Reclassified assets

| 30.6.10, CHF billion | Notional value | Fair value | Carrying value | Ratio of carrying to notional value |
|---|---|---|---|---|
| US student loan and municipal auction rate securities | 6.4 | 5.4 | 5.6 | 88% |
| Monoline protected assets | 6.9 | 5.9 | 6.0 | 88% |
| Leveraged finance | 0.6 | 0.5 | 0.5 | 78% |
| CMBS/CRE (excl. interest-only strips) | 0.9 | 0.7 | 0.8 | 83% |
| US reference linked notes | 1.0 | 0.8 | 0.8 | 84% |
| Other assets | 1.1 | 0.9 | 0.9 | 82% |
| Total (excl. CMBS interest-only strips) | 16.9 | 14.2 | 14.6 | 87% |
| CMBS interest-only strips | | 0.5 | 0.5 | |
| Total reclassified assets | 16.9 | 14.7 | 15.1 | |