



# Investor Day 2005 Investment Bank

New York, 13<sup>th</sup> May 2005  
John P. Costas, Chairman and CEO



You & Us



## Investment Bank's Position in 2000

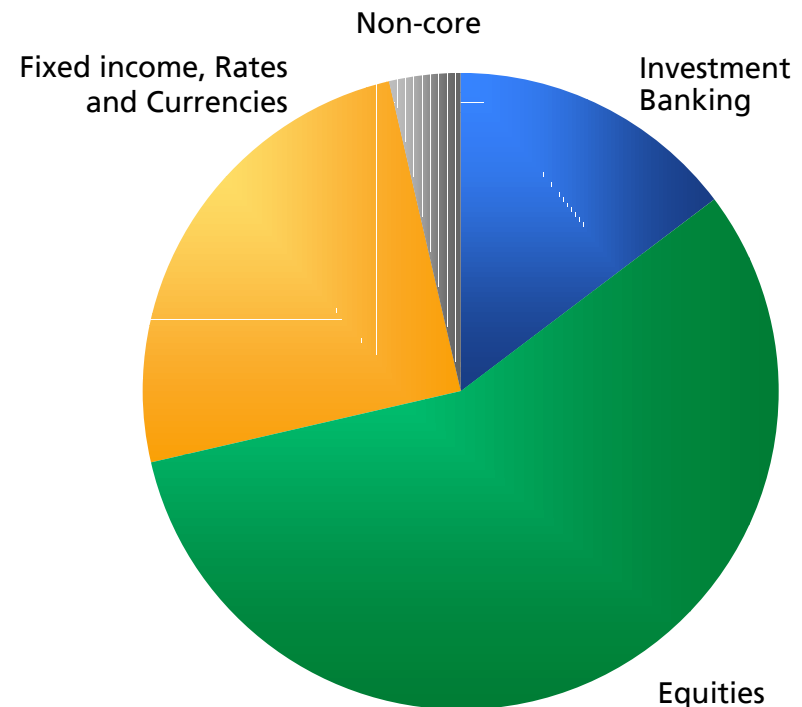
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# UBS Investment Bank's position in 2000

## A growing franchise among corporate and institutional clients

- ◆ Third largest secondary equities firm in the world
- ◆ Top 9 Investment Banking business globally, 3.8% market share<sup>1</sup>
- ◆ Bulk of revenues from European business
- ◆ Established leading issuer of corporate, institutional, sovereign and supranational bonds
- ◆ Multiple brands with limited advertising awareness

### UBS-IB Revenue (2000)



<sup>1</sup> Dealogic analysis



Source: Management accounting



# Key Developments and Accomplishments (2000-2004)

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# The PaineWebber acquisition

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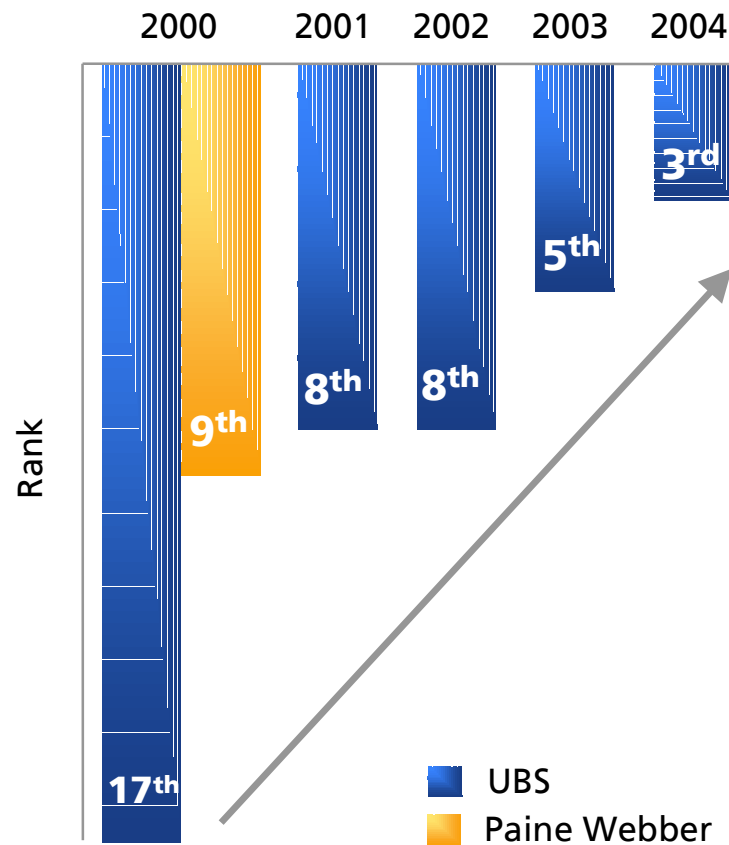
## **Success based upon a powerful strategic fit and a shared business philosophy**

- ◆ Enhanced service of institutional and private clients
  - Powerful US equity distribution franchise
  - Leading global investment product platform
  - Significant US institutional equities and fixed income franchises
  - Top ranking mortgage-backed securities business
- ◆ Powerful and complementary brand name with “household name” recognition across the US
- ◆ Enhanced the IB’s status as a more attractive employer for key talent

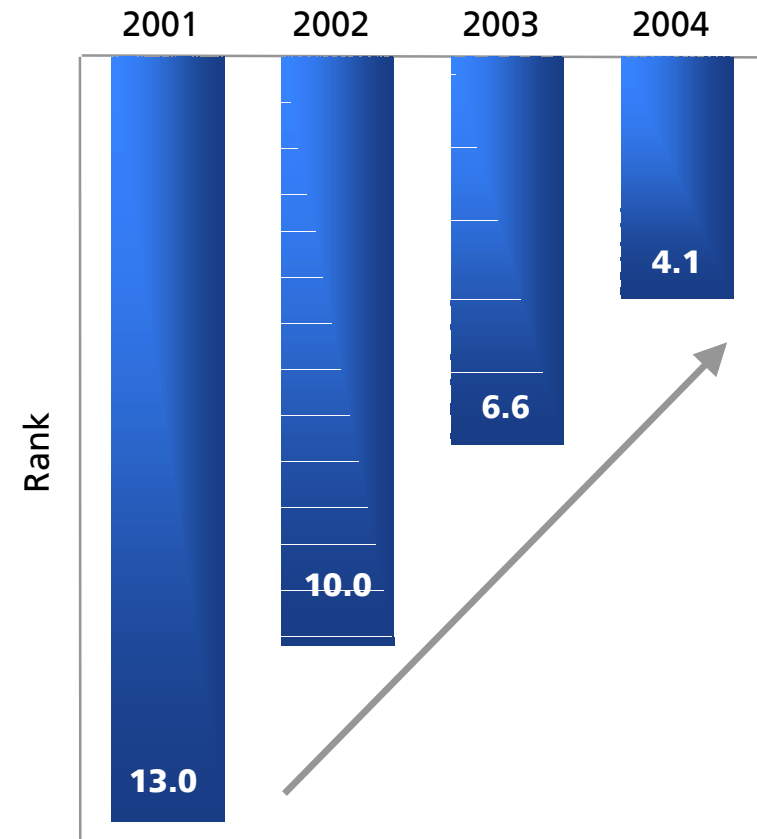
# Commitment to Equities

Winning in a challenging environment through strategic investment in people and technology to close remaining gaps

## US - II ranking improvement



## US - Broker review average ranking improvement<sup>1</sup>

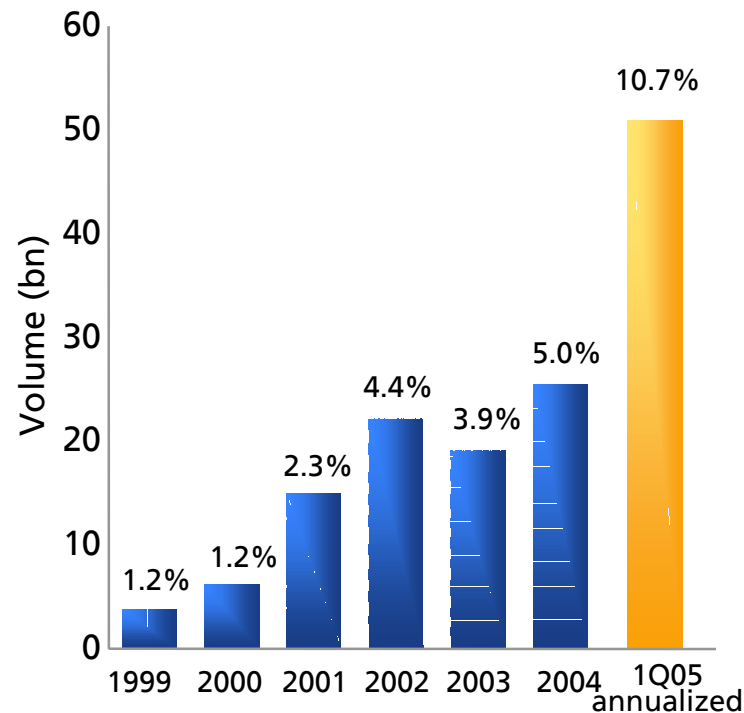


<sup>1</sup> USEPC Historical Rank – Broker Reviews

# Filling in the remaining gaps in Equities

## UBS enhanced its Prime Brokerage and US equities capabilities with strategic acquisitions

### Schwab Capital Markets - development of OTC market share



### ABN AMRO Prime Brokerage Group

- ◆ Added the #1 ranked Prime Brokerage for funds <\$100MM
- ◆ Increased our market share, ranking us among the top 5 PBs in the world
- ◆ Doubled client base
  - Largely start-up and small hedge funds
- ◆ Filled product gaps

Notes:  
AutEx rankings, Investment Banks & Trading Firms  
Schwab Capital Markets became effective on 1 November 2004

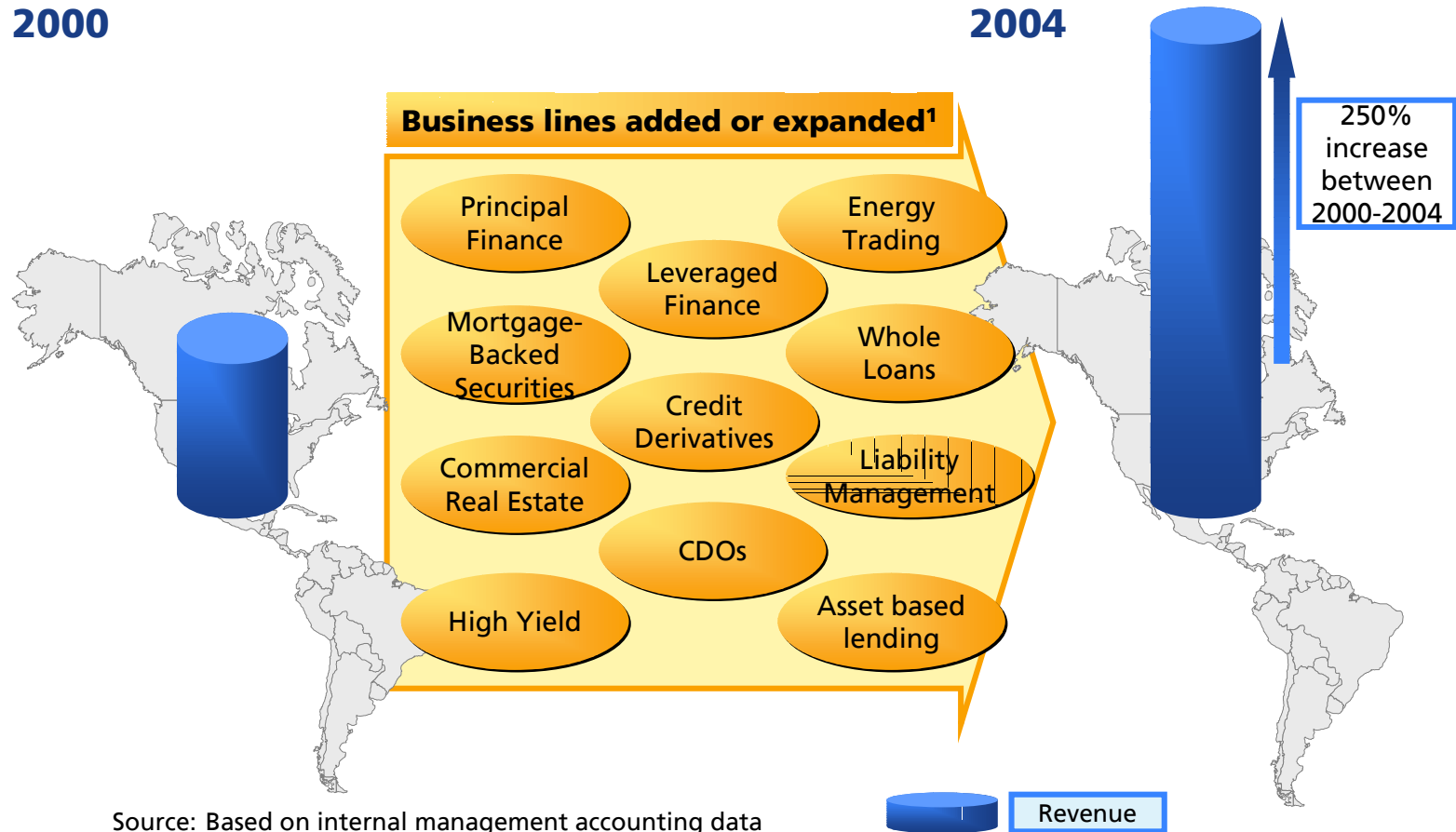


# Capturing the US FIRC market

**Dramatic increase in results from broad business expansion ...**

**2000**

**2004**



Source: Based on internal management accounting data  
1 Selected business lines – not all inclusive

**... while sustaining momentum in the rest of the world**

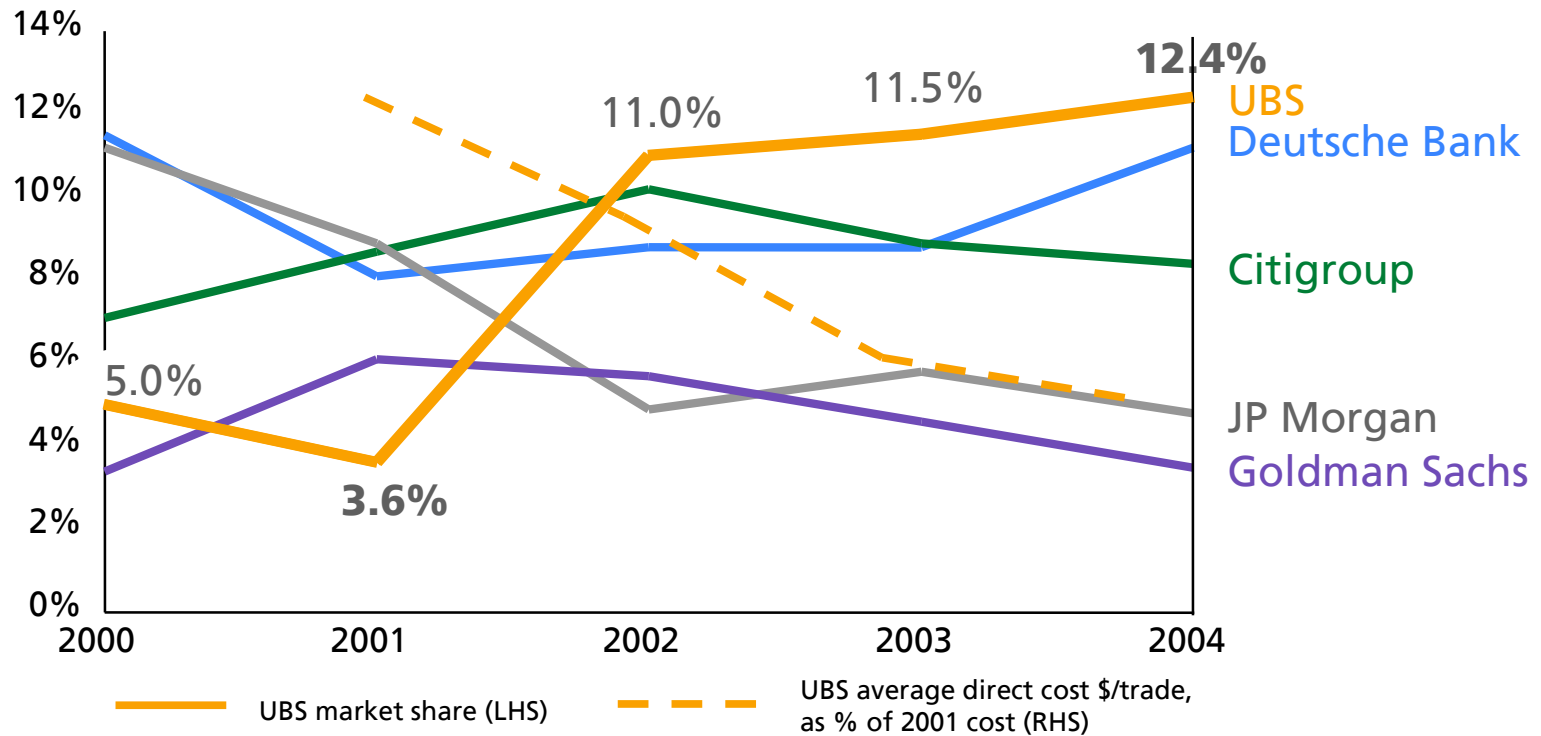




# Transformation in FX globally

**From market laggard to dominant player in 3 years ...**

## FX market share and average direct cost per trade



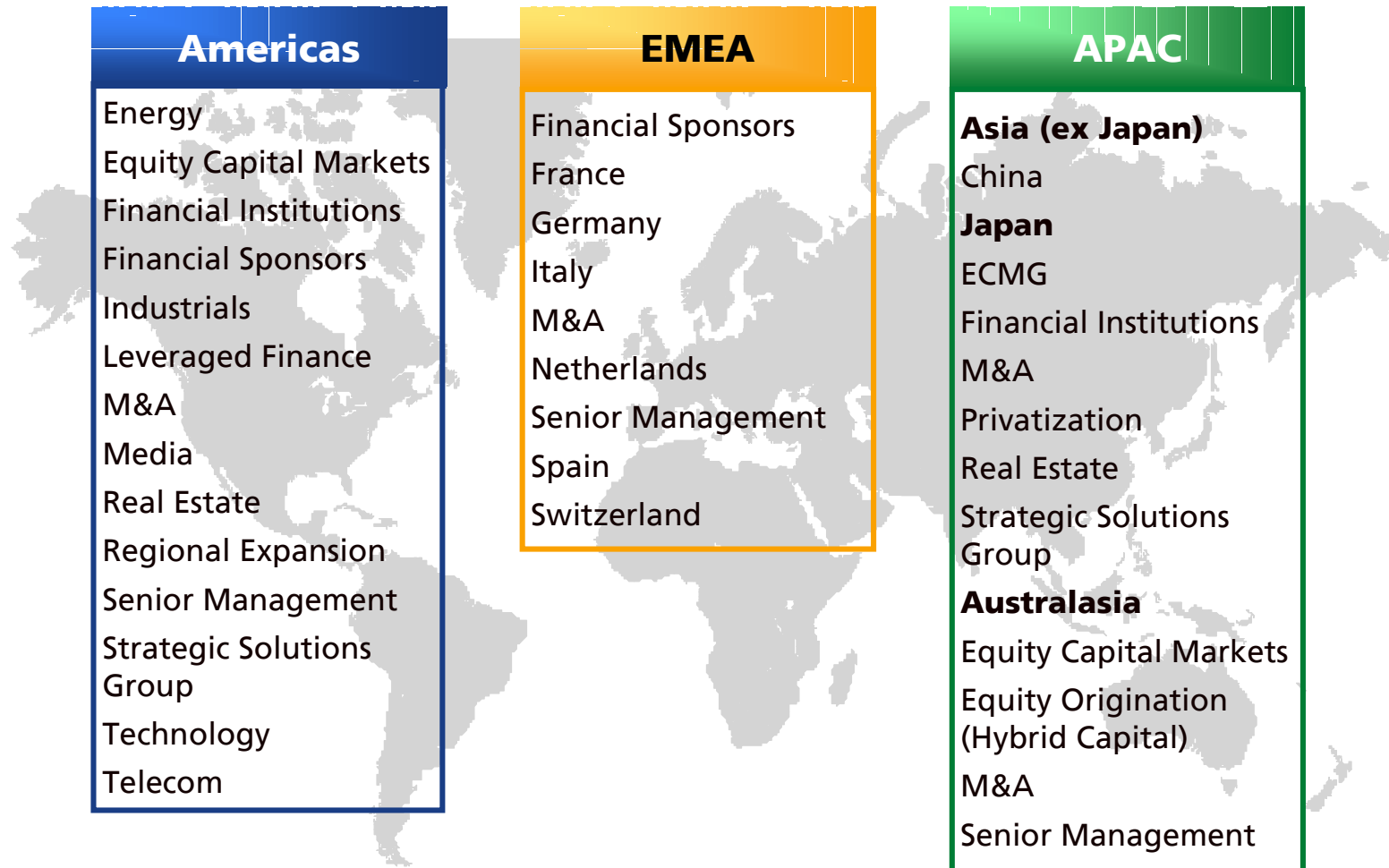
Source: Euromoney, UBS analysis

**... with the ability to fully leverage our platform with growing volumes**



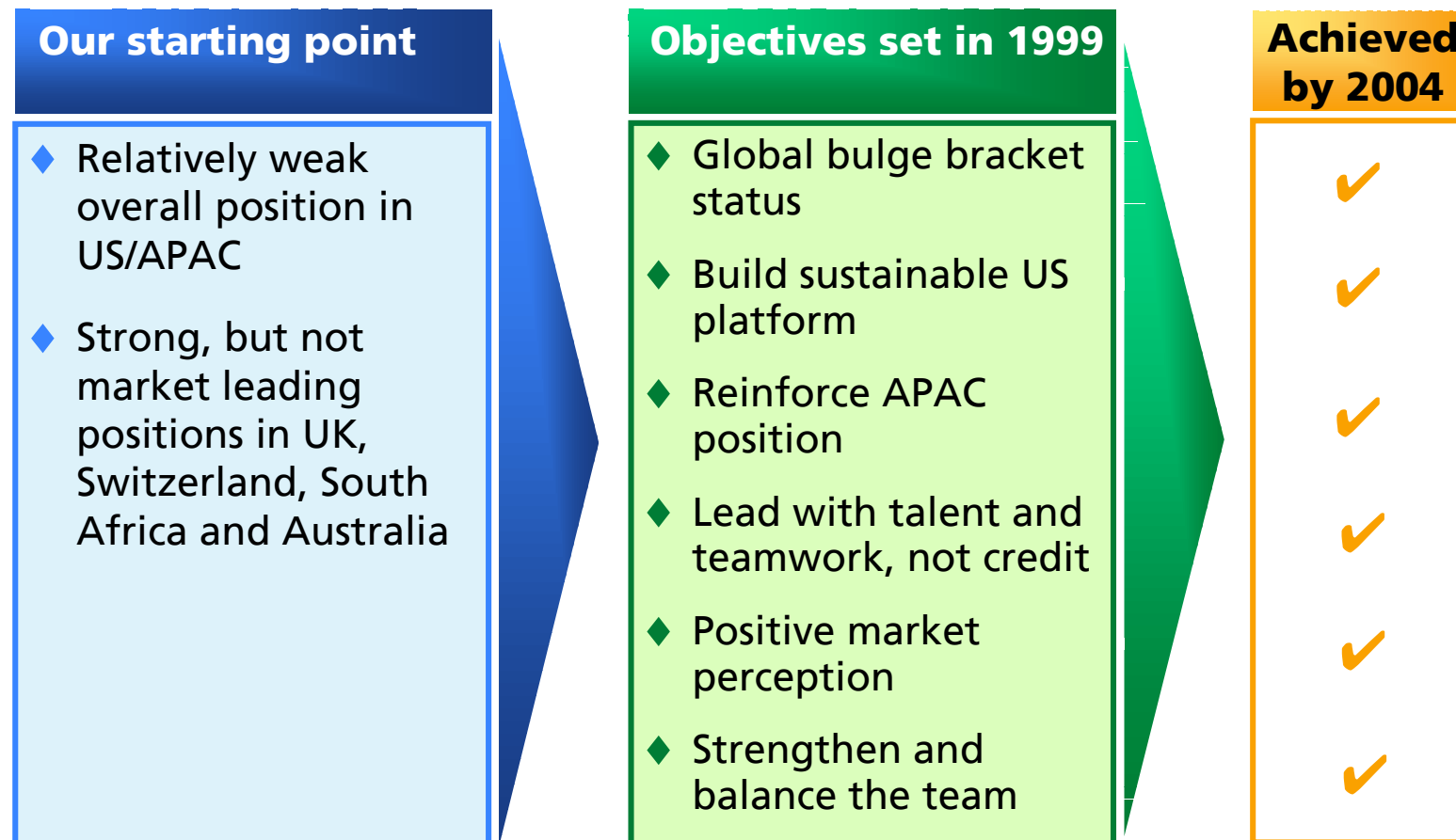
# Strategic hiring in IBD

**Aggressive strategic hiring across regions, sectors and products has expanded our footprint and capabilities**



# Building a global bulge bracket investment banking team

**This continued investment in our business has led to the achievement of all objectives identified in 1999**

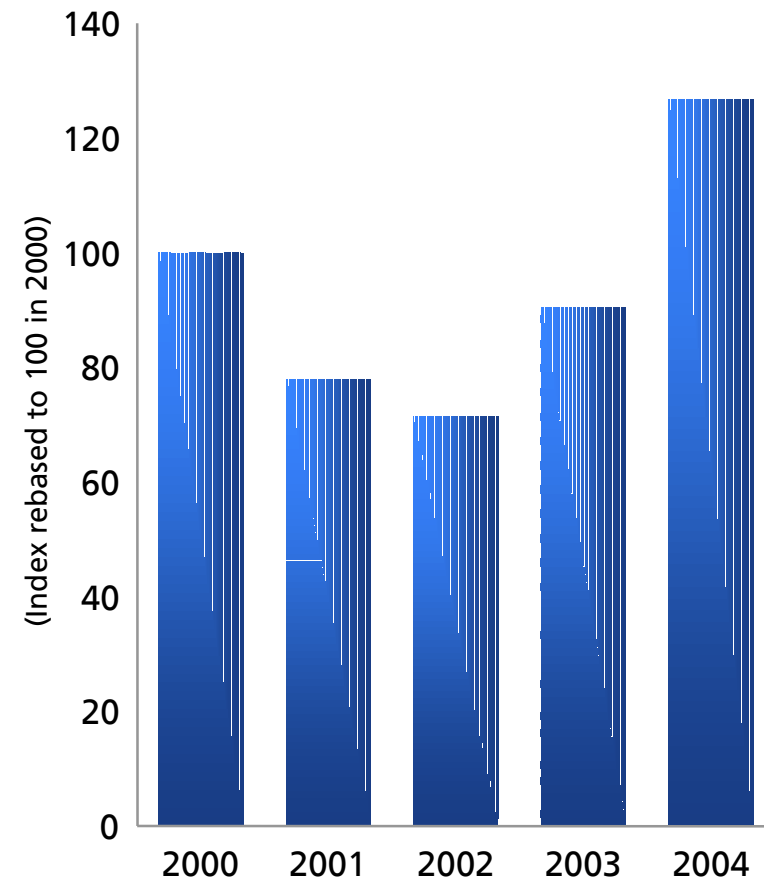


# Developing a significant footprint in APAC

## Substantial expansion of local market business to fully capitalize on growth in APAC

- ◆ No.1 for Equities with strength in structured products (consistently, and including Japan)
- ◆ Consistently top 3 for IBD across Australasia and Asia (ECM, DCM, M&A)
- ◆ A leading diversified and fast-growing FIRC business

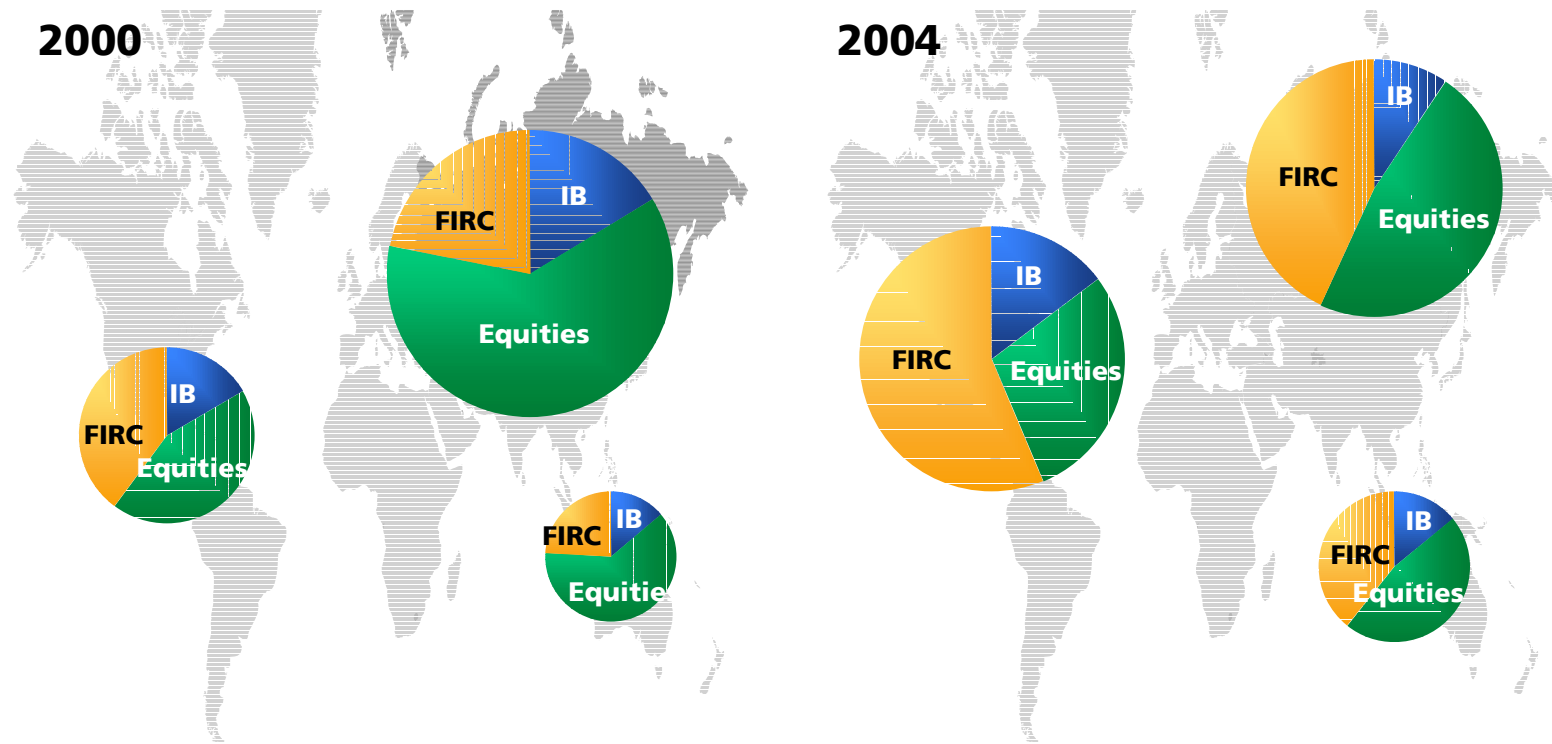
### UBS-IB APAC Revenue



Source: Management Accounting

# Global bulge bracket bank

**We have a much stronger, and better positioned IB today than ever before**



Source: UBS IB disclosed financials, 2000 (full year), 2004 (full year)

Note: Bubble size shows relative size of revenue in USD. The figures exclude revenues booked to Central Office and all Internal Management Accounting adjustments (including risk free income, NPV adjustments)





# Investment Bank's Position Today

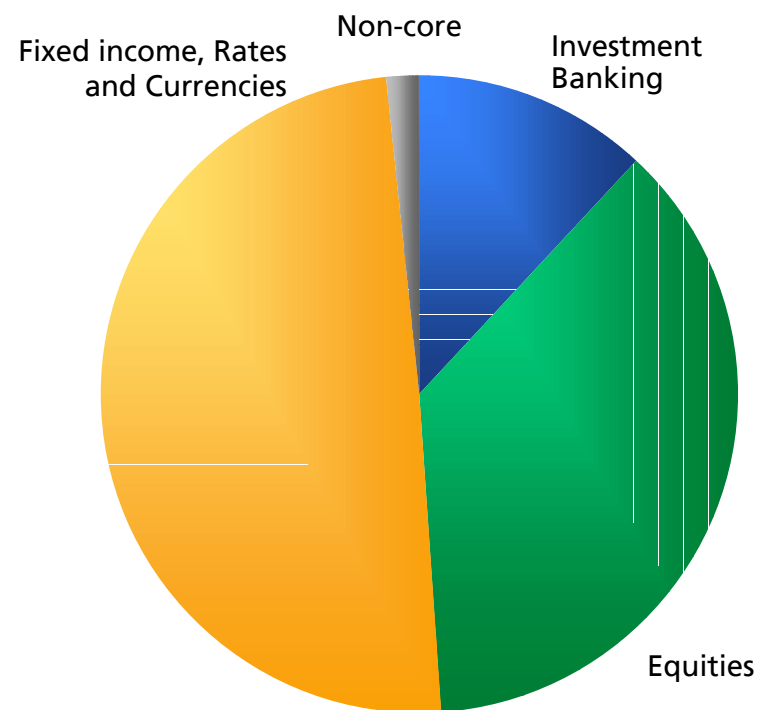
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# UBS Investment Bank's position today

## UBS is one of the world's leading firms in the investment banking and securities business

- ◆ World's largest equity trading house
- ◆ Top 5 Investment Banking business globally, 5.4%<sup>1</sup> market share
  - 91% penetration of Fortune 500 companies
- ◆ Diverse portfolio of FIRC businesses with excellence across the board
- ◆ Integrated business with a strong single brand

### UBS-IB Revenue (2004)



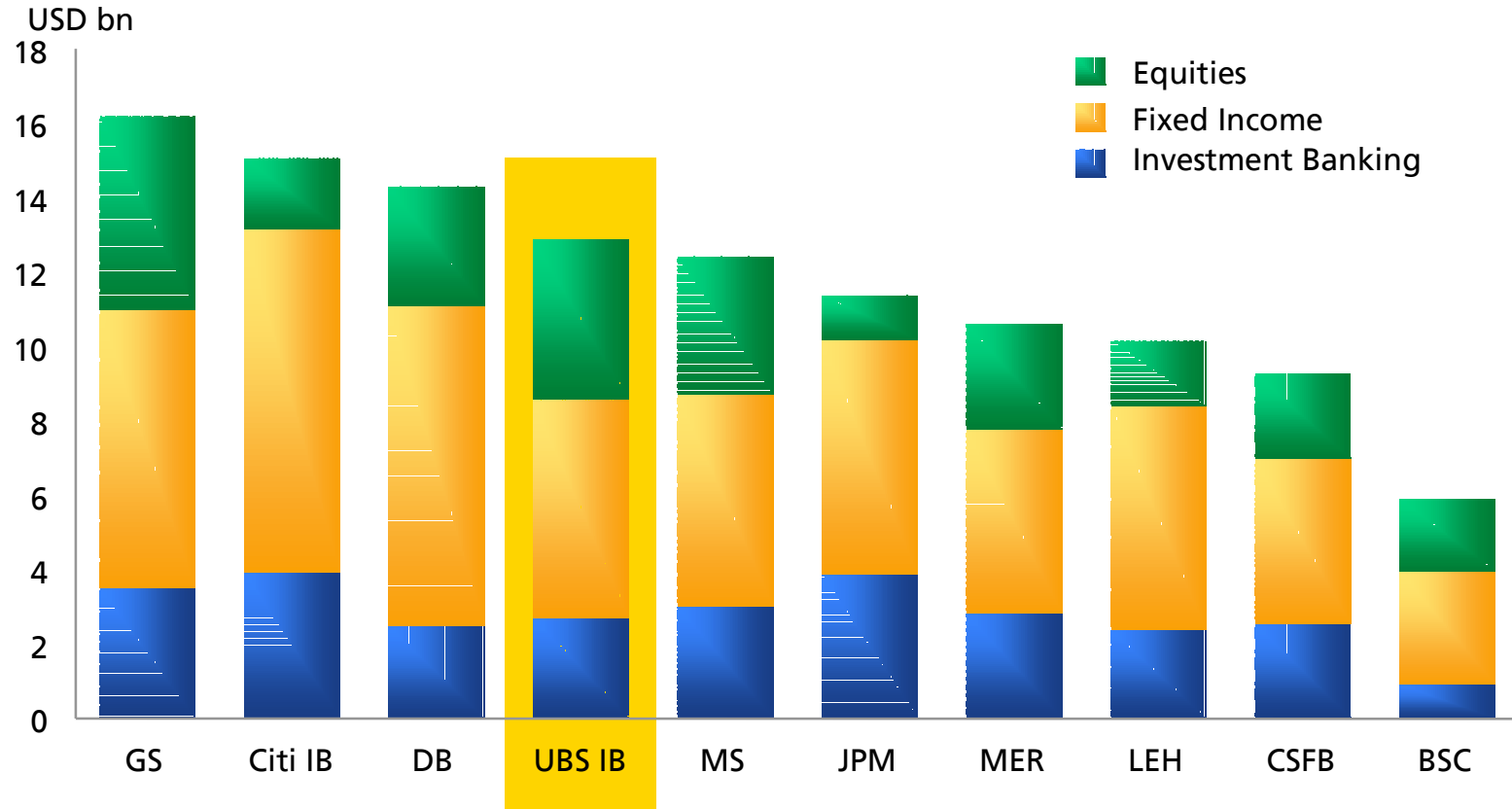
<sup>1</sup> Dealogic, 1Q05

Source: Management accounting

# Strong Competitive Performance

The UBS IB portfolio is one of the most balanced of our peers

## Last 12 months revenue split<sup>1</sup>



Source: Quarterly reports, UBS IB Analysis, Management accounting

<sup>1</sup> Equities and Fixed Income include institutional revenues only, Investment Banking includes gross corporate revenues only

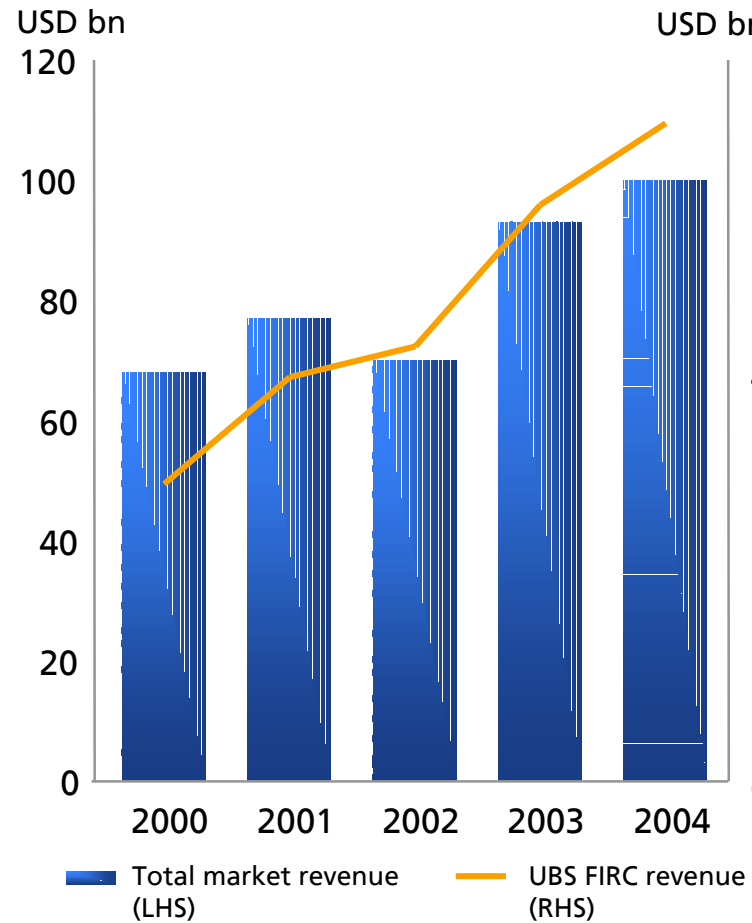




# Market share development

**Strong momentum in market share across all businesses ...**

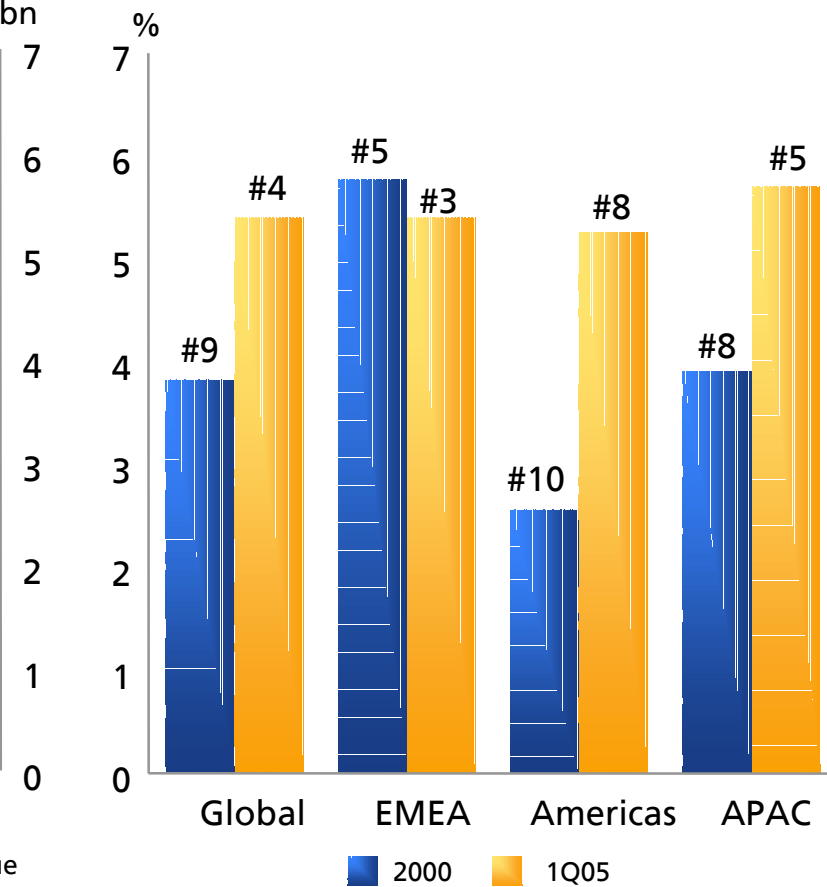
**FIRC – UBS IB vs. the market**



Source: Mercer Oliver Wyman, UBS



**IBD – Market share and ranking**



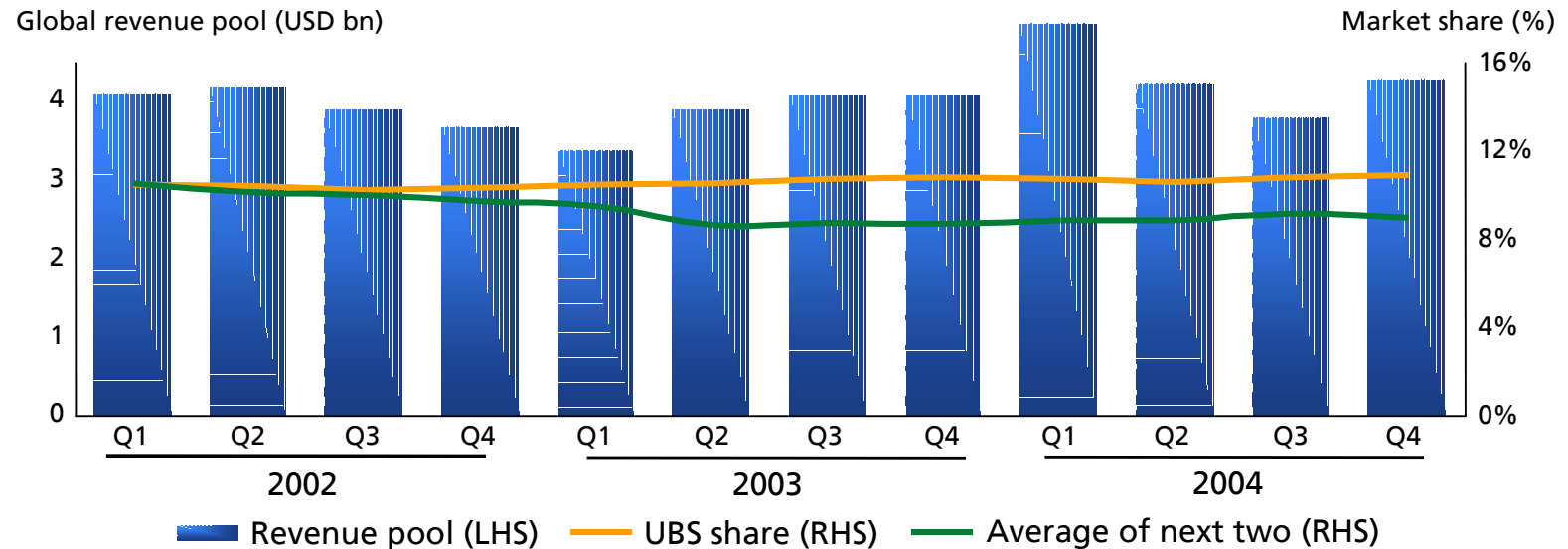
Note: Net revenues, includes loans   
 Source: Dealogic

# Market share development

## .... fully leveraging our scale advantage in commoditizing businesses

- ◆ Investment in technology to increase efficiencies
  - Direct Market Access
- ◆ Liquidity pool – streamlining cash equities IT and operations e.g. trading confirmations

### Global secondary equity commission pool and UBS IB market share



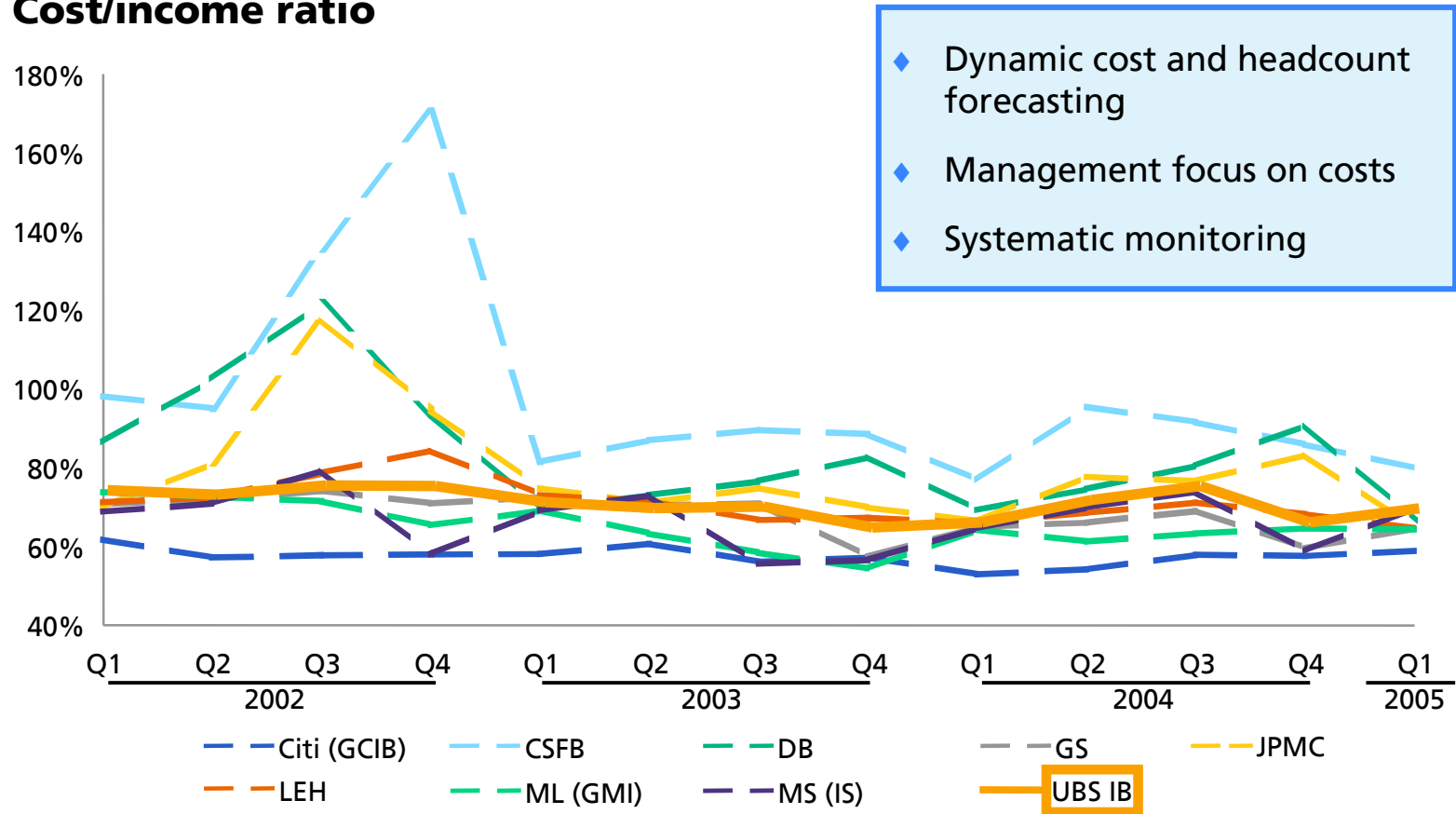
Source: Independent survey



# Best-in-class resource management

**UBS Investment Bank has one of the most consistent cost / income ratios amongst its peers**

## Cost/income ratio



Source: Quarterly reports, UBS IB Analysis.

Note: UBS IB ratio is based on Total Operating Income before expected credit loss. \*UBS IB figures exclude Private Equity.





## Goals to 2010

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# Our key goals to 2010

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**We want to be the world's most profitable investment bank**

Delivering success via organic growth

Focusing on key geographic regions

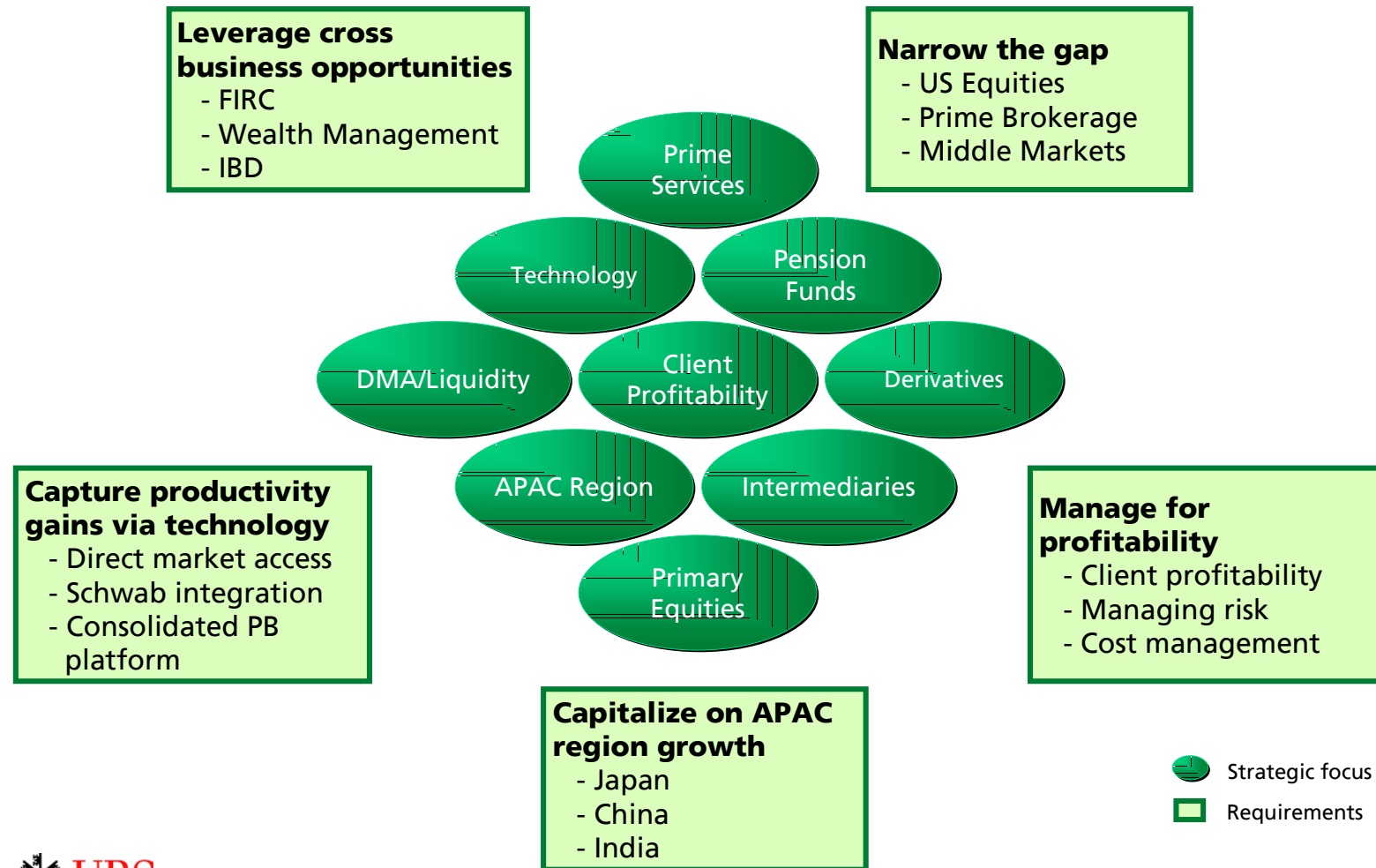
Delivering world class resource management

Establishing the IB as a talent creator

Attaining operational superiority

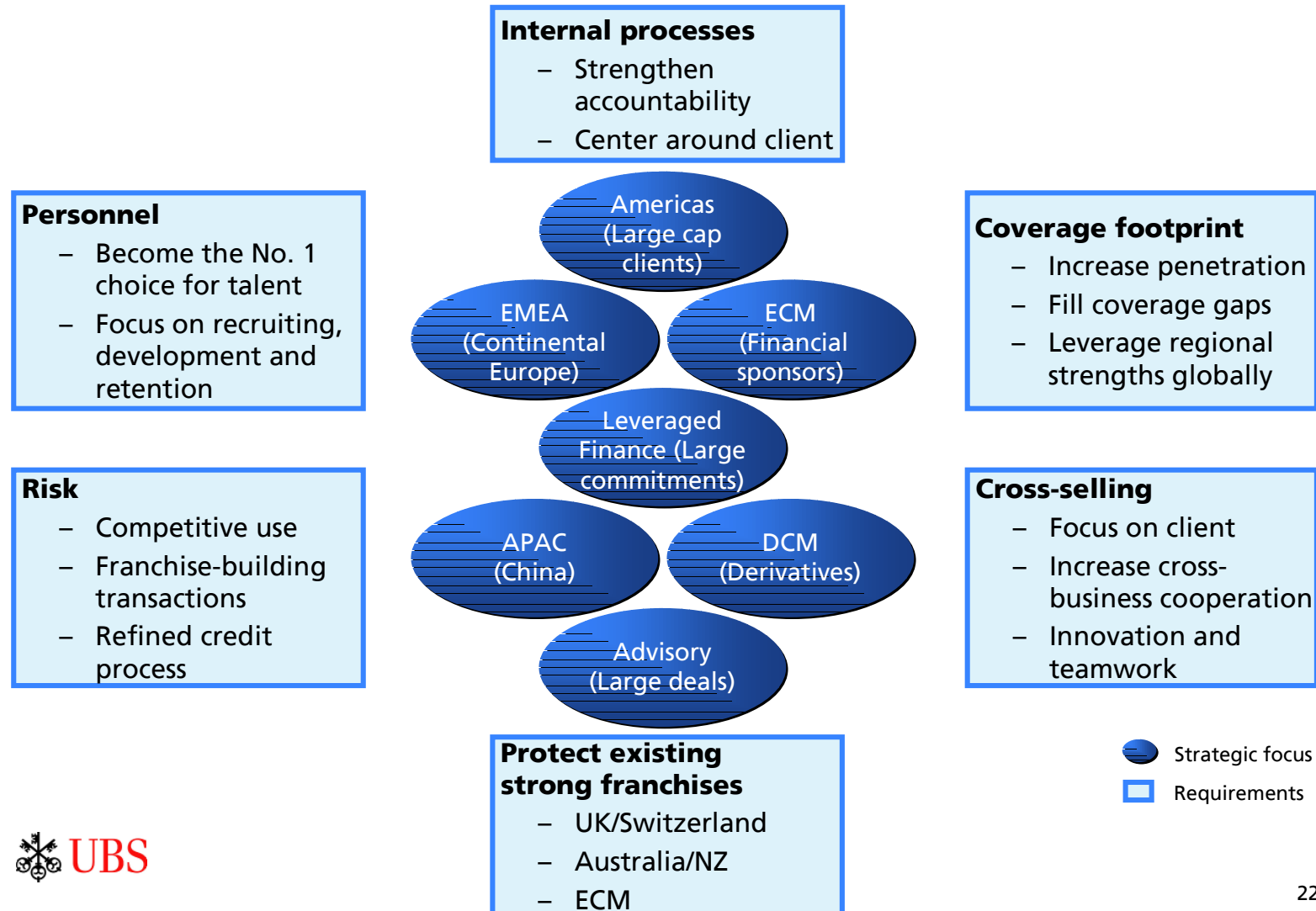
# Equities—strategic initiatives

**UBS Equities aims to be the top provider of total customer solutions to a global community of investors and issuers**



# IBD—strategic initiatives

**We are building a relationship-driven and profitable investment bank with a sustainable top 3 ranking in the global fee pool**



# FIRC—strategic initiatives

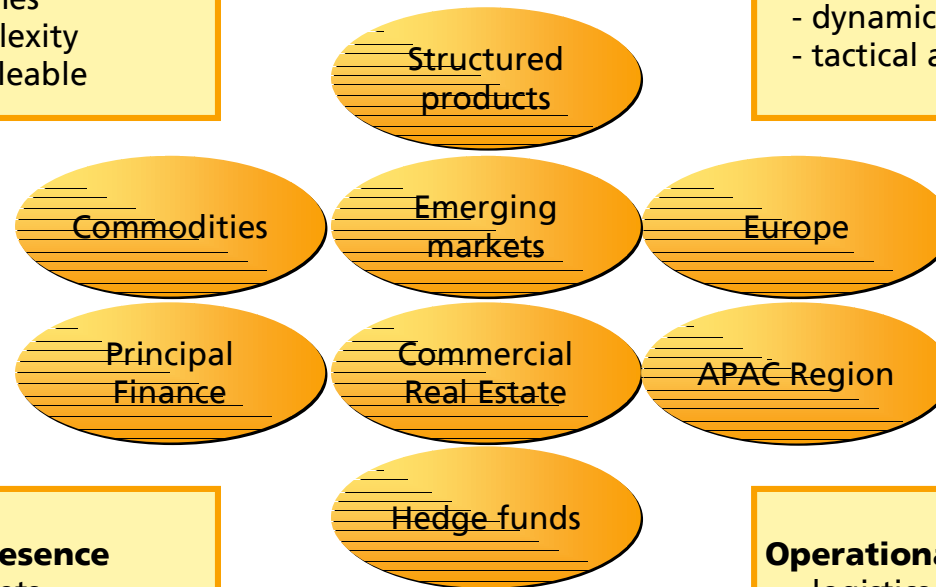
**We aim to achieve a dominant market position in our client-oriented businesses and a world class structured products capability**

## Infrastructure investment

- increased volumes
- increased complexity
- flexible and scaleable

## Time-to-market

- dynamic infrastructure
- tactical and strategic




## Local markets presence

- Emerging markets
- Continental Europe

## Operational excellence

- logistics support
- internal controls

 Strategic focus

 Requirements





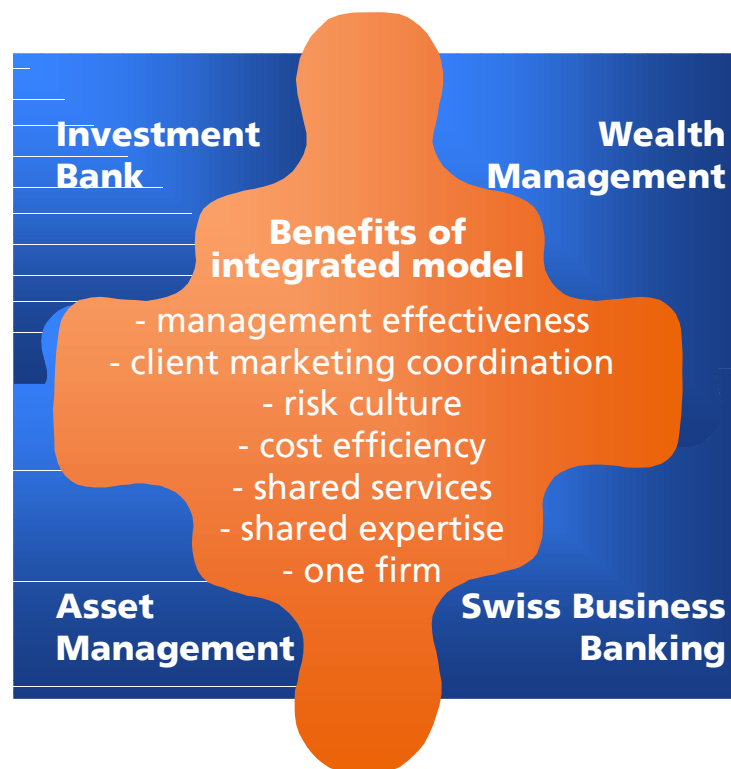
## Potential Challenges

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# Capturing the full benefit of integrated business model

**We will continue to deliver our full capabilities in an integrated manner across regions and business groups**

- ◆ Capture substantial value from building stronger networks and creating logistics efficiencies
- ◆ Create structured solutions and broaden services for private clients
- ◆ Help secure Asset Management mandates with key corporate clients



# Positioned to meet external challenges

## Competitive environment

- ◆ Equity margin compression
- ◆ Credit capacity

## UBS Strategy

- ◆ Leverage our scale and process efficiencies
- ◆ Align use of credit capacity to target sustainable growth

## Geographic diversity for growth

- ◆ Shifting growth by geography

## UBS Strategy

- ◆ Utilize strong global presence and flexible resource allocation to selectively expand local market opportunities

## Growing client expectations and sophistication

- ◆ Private clients
- ◆ Continued shift towards hedge funds
- ◆ Financial sponsors

## UBS Strategy

- ◆ Leverage UBS capabilities to create structured solutions for private clients
- ◆ Develop integrated, cross firm approach to relationships with Hedge Fund clients
- ◆ Increased intensity and coordination of global coverage



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