UBS

Citigroup Global Financial Conference 2012

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Cautionary statement regarding forward-looking statements

This presentation contains statements that constitute "forward-looking statements", including statements relating to UBS's financial performance and to the anticipated effect of strategic initiatives on UBS's business and future development. Factors that could cause actual developments and results to differ materially from UBS's expectations and objectives include, but are not limited to: whether UBS will be successful in effecting its announced plans to transform its Investment Bank, its efficiency initiatives and its planned reductions in Basel III risk-weighted assets; whether its efforts to implement these changes will have the effects anticipated; developments in the markets in which UBS operates or to which it is exposed, and the effect of economic conditions and market developments on UBS and its clients and counterparties; changes in financial legislation and regulation that may constrain or necessitate changes in UBS's business activities and in its legal and booking structures; the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, regulatory investigations and contractual claims; the effect on UBS's cross-border banking business of tax treaties negotiated or under discussion between Switzerland and other countries; the occurrence of operational failures; and factors affecting UBS's competitive position, including its ability to retain and attract the employees necessary to manage, support and control its businesses. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS's Annual Report on Form 20-F for the year ended 31 December 2011. 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.

Important information related to numbers shown in this presentation

Use of adjusted numbers

Throughout this presentation, unless otherwise indicated, “adjusted” figures exclude each of the following items, to the extent applicable, on a Group and business division level:

- Own credit loss on financial liabilities designated at fair value for the Group CHF 863 million in 3Q12 (CHF 239 million gain in 2Q12, CHF 1,765 million gain 3Q11)
- Net restructuring provision release CHF 22 million for the Group in 3Q12 (net charge of CHF 9 million in 2Q12, net charge of CHF 387 million in 3Q11)
- CHF 3,064 million charge related to impairment testing of goodwill and other assets in 3Q12 in the Investment Bank
- Credit to personnel expenses related to changes to a US retiree medical and life insurance benefit plan (CHF 84 million for the Group in 2Q12)
- Gain on the sale of strategic investment portfolio (SIPF) of CHF 433 million in Wealth Management and CHF 289 million in Retail & Corporate in 3Q11
- Unauthorized trading incident loss of CHF 1,849 million in equities in the Investment Bank in 3Q11

Pro-forma Basel III RWAs, Basel III capital ratios and Basel III liquidity ratios

The calculation of our pro-forma Basel III risk-weighted assets combines existing Basel 2.5 risk-weighted assets, a revised treatment for low-rated securitization exposures which are no longer deducted from capital but are risk-weighted at 1250%, and new model-based capital charges. Some of these new models still require regulatory approval and therefore our pro-forma calculations include estimates (discussed with our primary regulator) of the effect of these new capital charges which will be refined as models and the associated systems are enhanced. Our pro-forma Basel III liquidity ratios include estimates of the impact of the rules and interpretation and will be refined as regulatory interpretations evolve and as new models and the associated systems are enhanced.

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 20 Currency translation rates” in UBS’s 3Q12 report for more information.

UBS's leading franchises in APAC

Cross-divisional collaboration key to our success

Unrivaled WM business in APAC

- **Market leadership** in our target segments, supported by a **strong footprint**
- Our **client offering** is second to none in terms of breath and depth
- **Strong financial results** – and we have further **growth ambitions**

Specialized Investment Bank

- **Best Investment Bank in Asia** (Euromoney 2012)
- Build on **strengths in Equities, FX, advisory and solutions capabilities**
- A **source of competitive advantage** for our **wealth management** business

Leading equities franchise	#1 in APAC (ex-Japan) cash equities/equity derivatives[2]
Top FX house	Currency derivatives house of the year, 2012[3]
Strong advisory and solutions capabilities	Consistently leading in APAC (ex-Japan)[4]

Well-diversified Global AM

- **5th largest international asset manager** servicing APAC (up from 6th last year)[1]
- Continue to **build 3rd party business**, notably in wholesale channels…
- … while also providing **attractive products for WM clients**

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1 Institutional Investor (as of 31.3.12), 2 Leading private surveys for 1H12, 3 Asia Risk, 4 Dealogic (as of 30.9.12), based on core IB fees

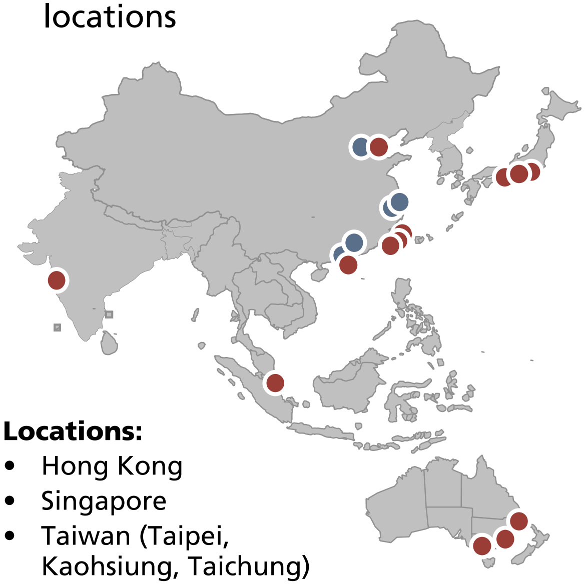
UBS Wealth Management – Recognized leader in APAC

UBS is well positioned to continue to grow profitably in APAC

Long-standing presence

UBS WM APAC footprint

- 13 UBS WM domestic locations
- 5 UBS Securities China locations

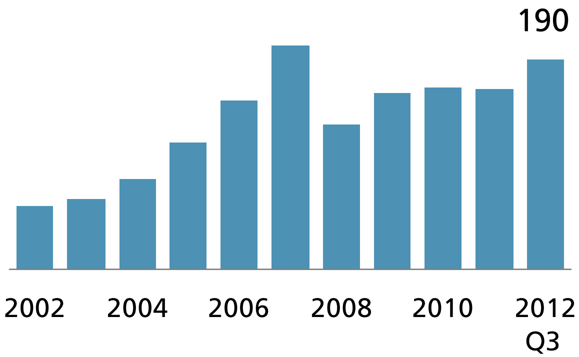


Locations:

- Hong Kong
- Singapore
- Taiwan (Taipei, Kaohsiung, Taichung)
- Japan (Tokyo, Osaka, Nagoya)
- China (Beijing, and UBSS in: Beijing, Guangzhou, Shanghai, Shenzhen, Hangzhou)
- Australia (Sydney, Melbourne, Brisbane)
- India (Mumbai)

Loyal client base

Invested assets (CHF billion)



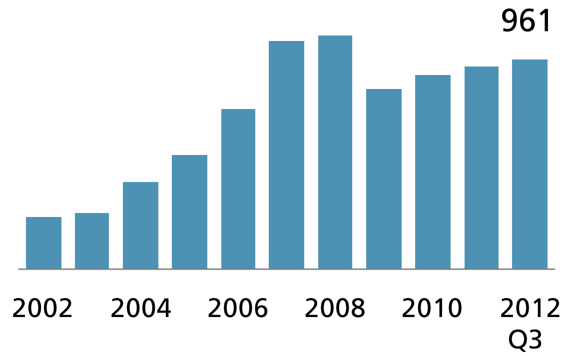
Demonstrated client confidence

2012 awards as **best private bank in Asia**:

- Asiamoney (for >USD 5m)
- Asian Private Banker
- FinanceAsia[1]
- Financial Times Private Wealth Management

Attractive place for talent

Number of front staff (FTE)



Strong training culture

UBS Business University Campus at Command House in Singapore

1 Refers to 2011; the 2012 award will only be handed out at the end of the year

UBS—The bank of the future

An unrivaled franchise with compelling growth prospects

WM businesses	Retail & Corporate	Investment Bank	Global AM
World's leading HNW and UHNW wealth manager; unrivaled scope and scale	Leading universal bank in Switzerland	Leading Equities franchise, Top FX house, strong advisory and solutions capabilities	Well-diversified across investment capabilities, regions and distribution channels
Wealth generation growth rates 2x GDP	New client assets growth faster than Swiss GDP	Attractive opportunities in capital-light businesses	Savings / pensions growth faster than GDP

Prepared for the future

- Clear strategy
- Solid financial foundation
- Long term efficiency measures
- Track record of execution

Committed to deliver highly attractive returns

- Return on equity of at least 15% from 2015
- Attractive capital return policy

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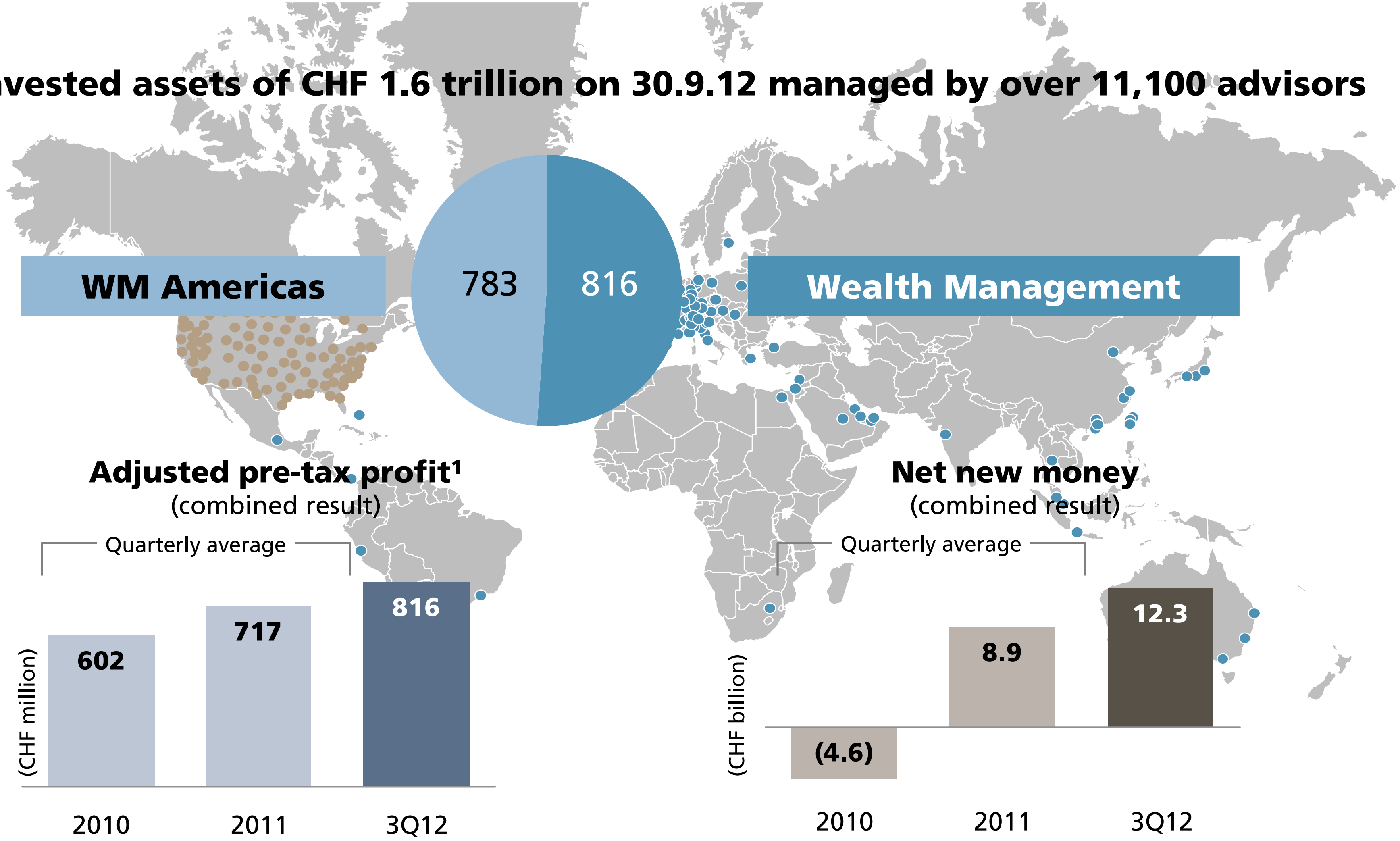
Refer to slide "Group targets" for more details about targets

Our wealth management businesses are unrivaled

We are well positioned for growth in the most attractive markets



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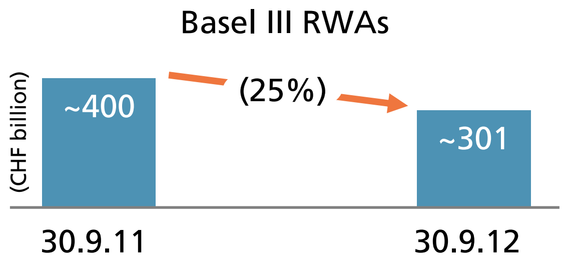
1 Excluding restructuring charges and provision releases, reduction in personnel expenses related to changes to UBS's Swiss pension plan in 2012 (WM), gains from the sale of the strategic investment portfolio in 2011 (WM) and a provision related to an arbitration matter in 2010 (WMA)

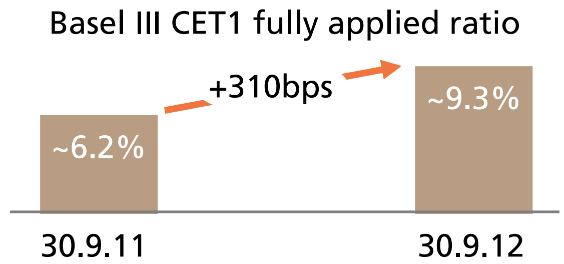
Successful execution of our key strategic priorities over the last 12 months

Reduce RWAs



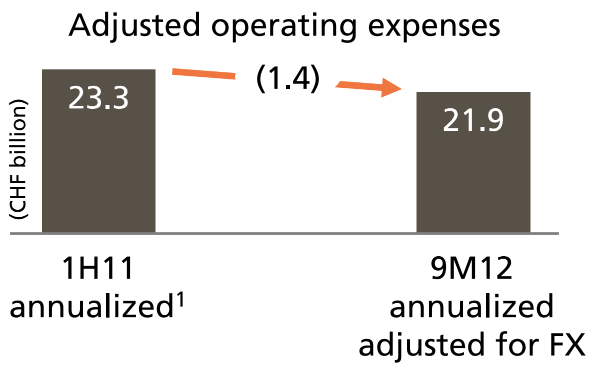
- Focused and disciplined execution of Basel III RWA reduction
- 2012 RWA targets achieved ahead of schedule

Build capital strength



- Consistent execution against our non-dilutive capital objectives
- Basel III fully applied CET1 ratio 9.3% up 310 bps since 30.9.11; phase-in Basel III CET1 ratio 13.6%

Reduce costs



- Execution of CHF 2 billion cost elimination program on track
- Adjusted annualized cost reduction of CHF 1.4 billion compared to 1H11 excluding adverse currency movements of ~CHF 0.6 billion

Refer to slide 2 for details about adjusted numbers, pro-forma Basel III estimates and FX rates in this presentation

1 1H11 costs run rate represents the starting point for CHF 2 billion cost elimination program announced in 3Q11

Creating a profitable and competitive Investment Bank

	Corporate Client Solutions	Investor Client Services
Our businesses	**Advisory and solutions, origination and structuring, IBD, Leveraged Finance, Special Solutions Group**	**Distribution, sales and trading** **Equities, FX, Precious Metals, flow rates**
Our clients	**Corporate, FIG, sponsor clients**	**WM and Prime brokerage clients, market counterparties**

Our relationships

- Professionals with extensive experience in advisory/capital markets providing unbiased advice
- Patient cultivation of long-term advisory relationships and high quality client coverage
- Thought leadership with deep insights into markets and governments

Our platform

- High speed trade execution and robust clearing platform
- Provider of liquidity and financing
- Leading low latency execution platforms for equities and FX
- Leading portfolio management and risk assessment tools

Our culture

- Client-centric and solutions oriented
- Talent rich, team-based, diverse people
- Clear accountability for results

Financials

	Corporate Client Solutions	Investor Client Services
Expected:	**~1/3 of total revenues** **~15% of Basel III RWAs**	**~2/3 of total revenues** **~85% of Basel III RWAs**

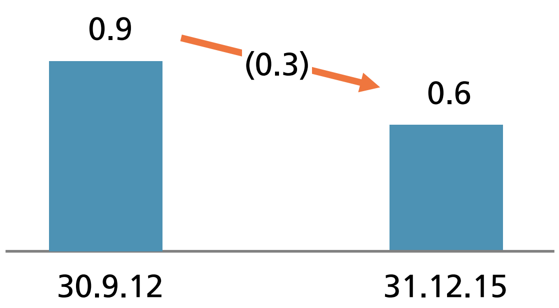
Targeting a pre-tax return on attributed equity of more than 15%, cost / income ratio of 65-85% and overall Basel III RWAs of less than CHF 70 billion

Refer to slide 2 for details about adjusted numbers, pro-forma Basel III estimates and FX rates in this presentation

Group targets[1]

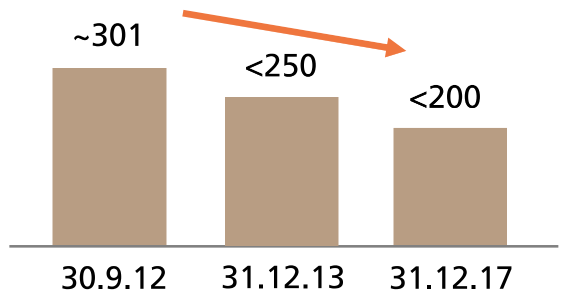
Balance sheet excl. PRVs

(CHF trillion)



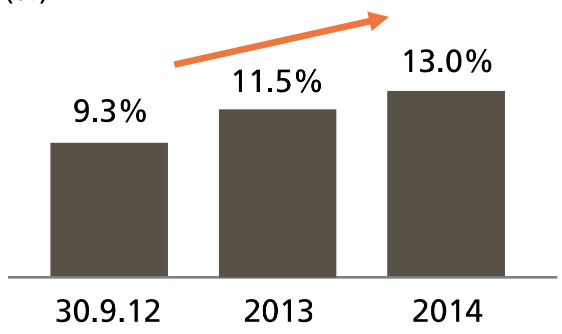
Basel III RWAs fully applied

(CHF billion)



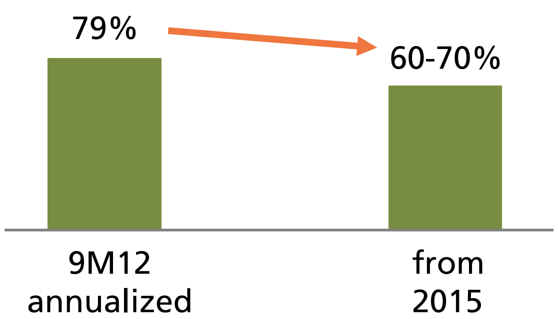
Basel III CET1 ratio fully applied

(%)



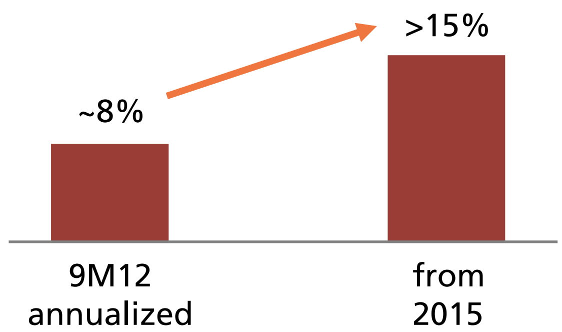
Cost / income ratio

(%)



Return on equity[2]

(%)



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Refer to slide 2 for details about adjusted numbers, pro-forma Basel III estimates and FX rates in this presentation

1 Excluding own credit and significant non-recurring items (e.g., restructuring costs) unless otherwise stated; targets assume constant FX rates

2 RoE as reported is expected to average in the mid-single digits in 2013-2014

Businesses and positions to be exited (30.9.12)

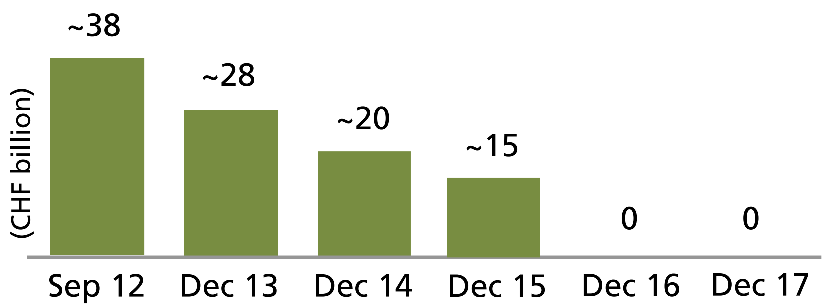
Total Basel III RWAs ~CHF 90 billion

(CHF billion)	Basel III RWAs	B/S excl. PRVs	B/S incl. PRVs
Businesses within Credit	~30	~20	
Businesses within Rates	~40	~120	
Other	~10	~120	
Subtotal	~80	~260	
Operational risk	~10	–	
Total	~90	~260	~560

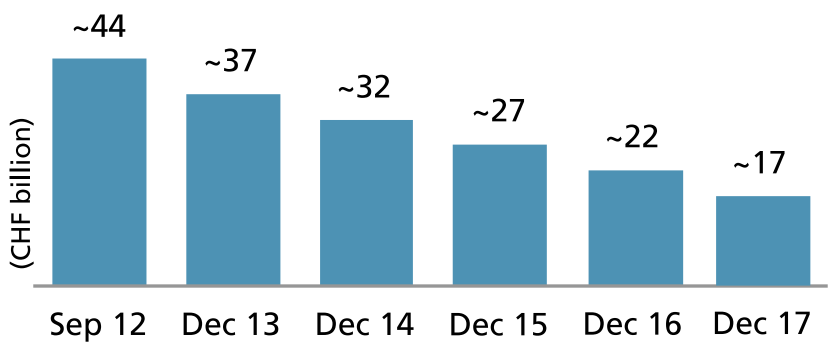
Level 3 assets are less than 3% of total assets

Basel III RWAs
(excluding operational risk)

Cash positions – expected exit schedule



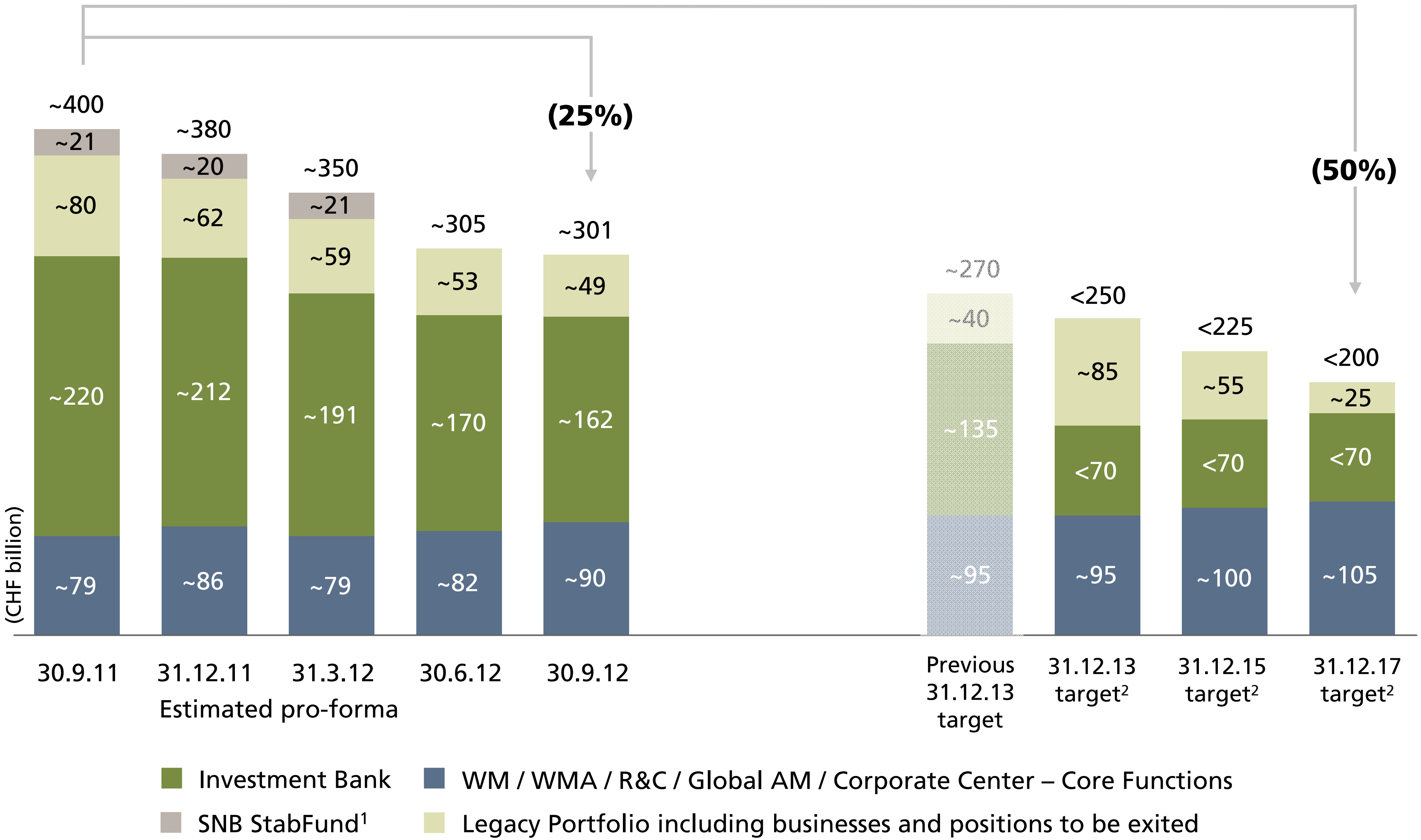
OTC positions – natural decay



We will manage businesses and positions to be exited in the most value accretive way

Basel III—Risk-weighted assets

We aim to reduce Group RWAs to below CHF 200 billion by 2017



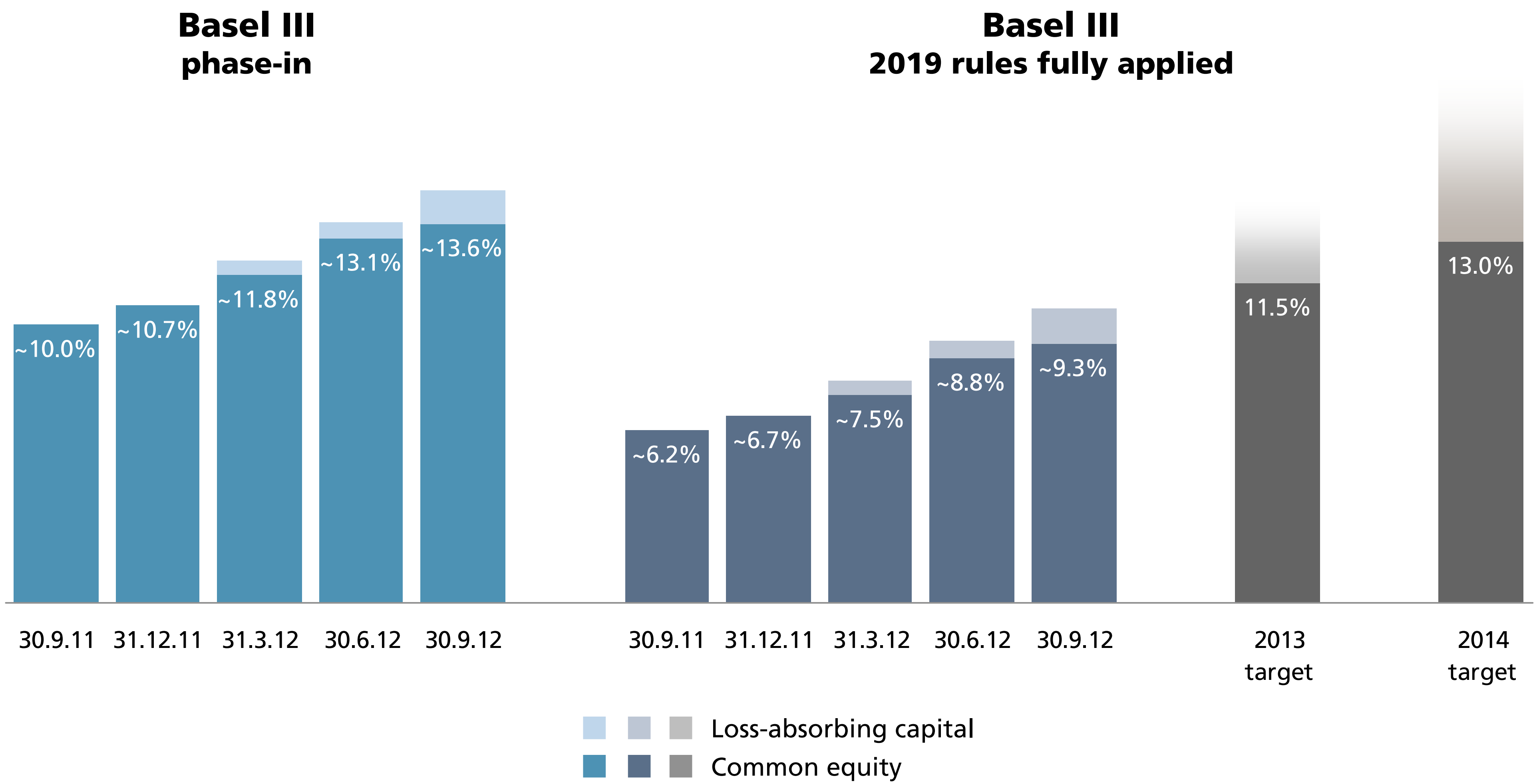
Refer to slide 2 for details about adjusted numbers, pro-forma Basel III estimates and FX rates in this presentation

1 RWAs associated with UBS's option to purchase the SNB StabFund's equity. Treated as a participation with full deduction to CET1 capital from 2Q12

2 Targets assume constant FX rates

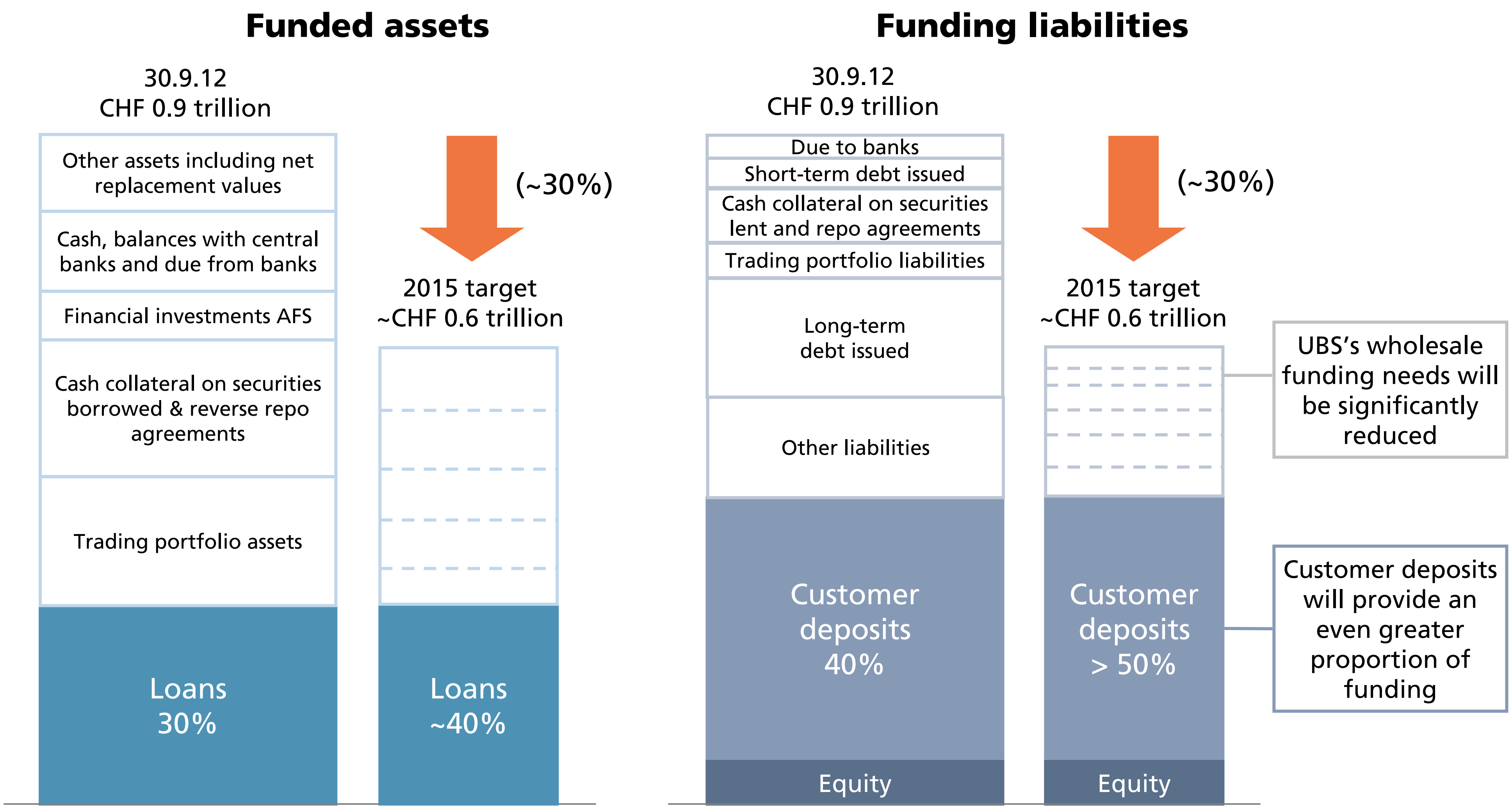
Basel III—Capital ratios

Targeting a 13% fully-applied CET1 ratio in 2014



Refer to slide 2 for details about adjusted numbers, pro-forma Basel III estimates and FX rates in this presentation

Our funded balance sheet[1] will be reduced by a further ~30%



Lower funding requirements will allow us to buy back debt

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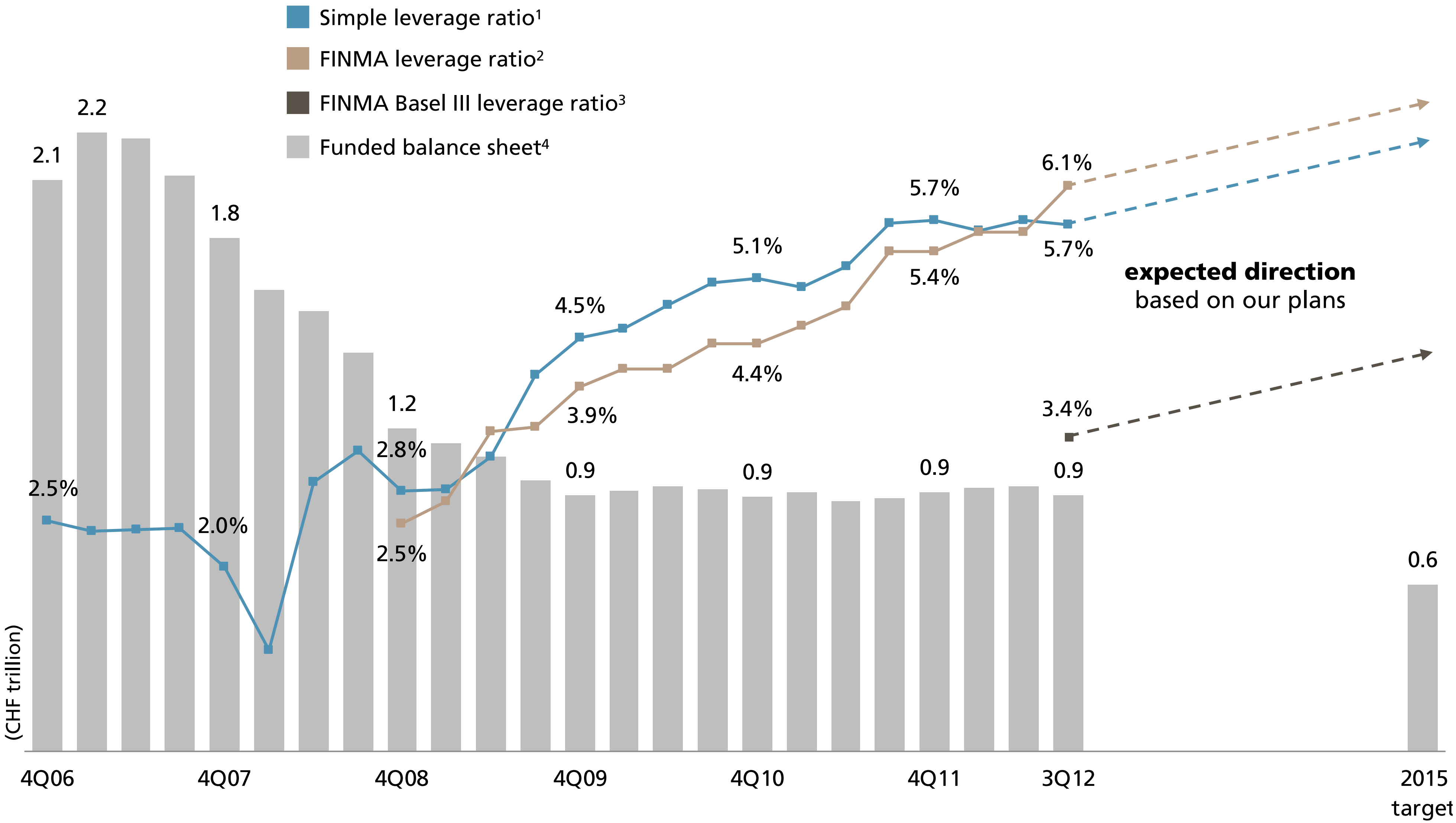
1 Funded balance sheet defined as total assets minus replacement values

Leverage ratios

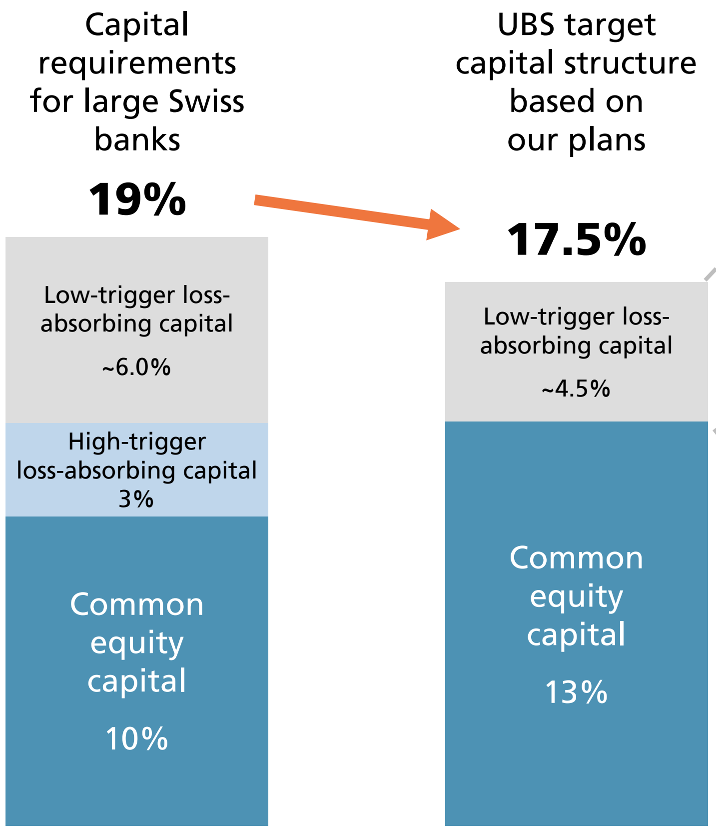
Our leverage ratios will improve substantially as we reduce our balance sheet



1 IFRS equity attributable to UBS shareholders / (total IFRS assets - positive replacement values)
2 FINMA tier 1 capital / total adjusted assets; refer to page 63 of UBS's 3Q12 report for more information on UBS's FINMA leverage ratio
3 (Basel III phase-in CET1 capital + loss absorbing capital) / (total IFRS assets + adjustments); refer to slide 52 for more information about UBS's FINMA Basel III leverage ratio
4 Total IFRS assets - positive replacement values

FINMA Basel III total capital requirements for large Swiss banks[1]

UBS's total capital requirement will be a function of total exposure, market share in Switzerland and a possible capital rebate



A. Total exposure: assuming ~1.5% add-on

- Based on size of balance sheet + adjustments[2]

B. Market share in Switzerland: assuming ~3% add-on

- Based on higher of (i) market share of domestic lending and (ii) market share of domestic deposit-taking
- 3% base case assumes 20% market share

C. Capital rebate: assuming no rebate

- Capital rebate is possible subject to measures taken to improve resolvability

Our total capital requirements are expected to fall to 17.5% reflecting the planned decrease in RWAs and balance sheet

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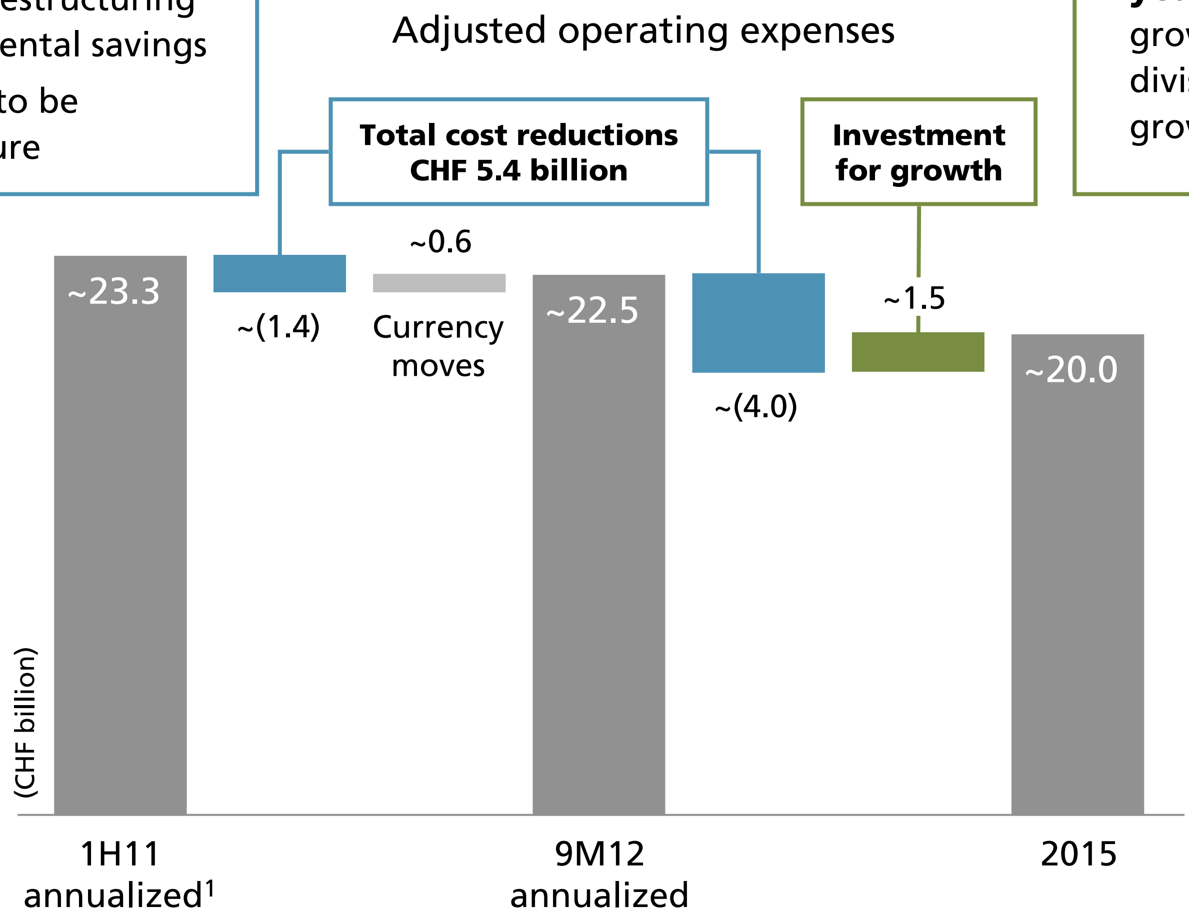
1 Based on Swiss capital adequacy ordinance
2 Balance sheet exposures net of specific provisions, derivative exposure netting and repurchase agreements; adjustments for OTC derivatives, off-balance sheet commitments and contingent liabilities

Investing in businesses with more attractive returns

Our operational efficiency plans will free up more resources to support growth in areas with the most attractive returns

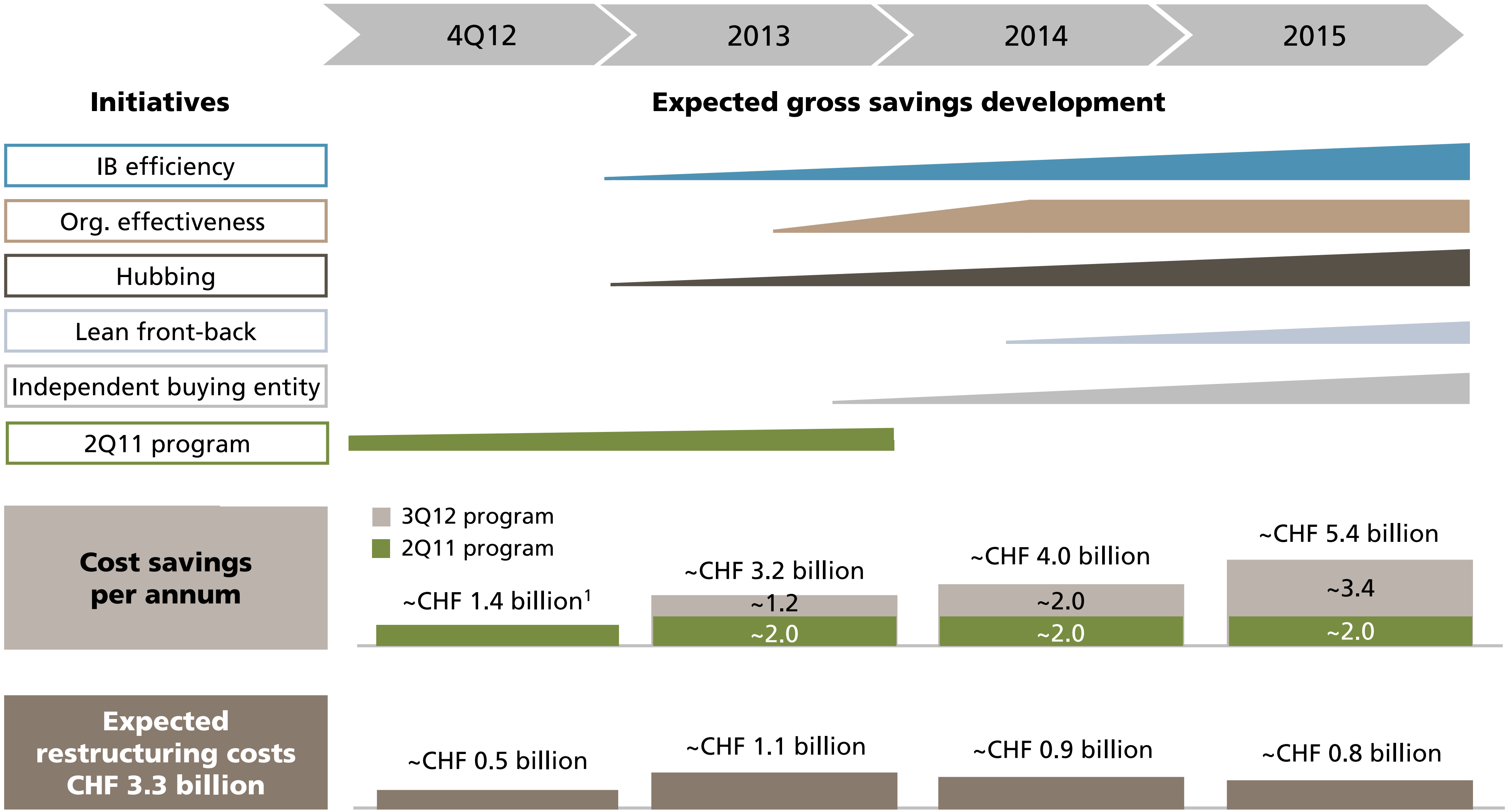
- **Total gross <u>cost reductions</u> of CHF 5.4 billion p.a. by 2015**
- CHF 3.3 billion of restructuring charges for incremental savings
- Group headcount to be ~54,000 in the future

- **<u>Investments</u> of CHF 1.5 billion over the next 3 years** to support organic growth across all business divisions and strategic growth initiatives



1 1H11 costs run rate represents the starting point for CHF 2 billion cost elimination program announced in 3Q11

Implementing long-term efficiency measures and reducing costs



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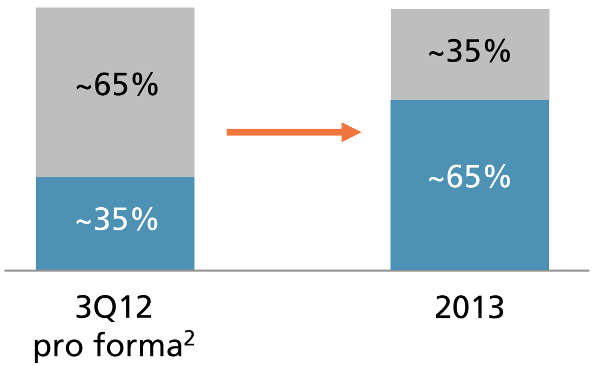
1 Based on 9M12 annualized we have materialized ~CHF 1.4 billion out of ~CHF 2.0 billion cost reduction program

Reducing capital needs, while strengthening the business mix

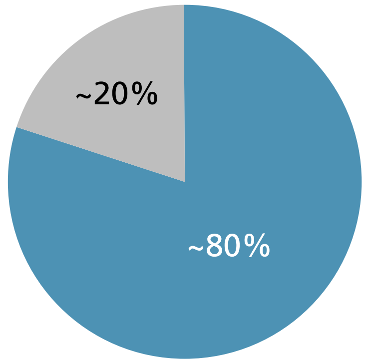
We will improve the quality and consistency of our earnings

Attributed equity to business divisions[1]

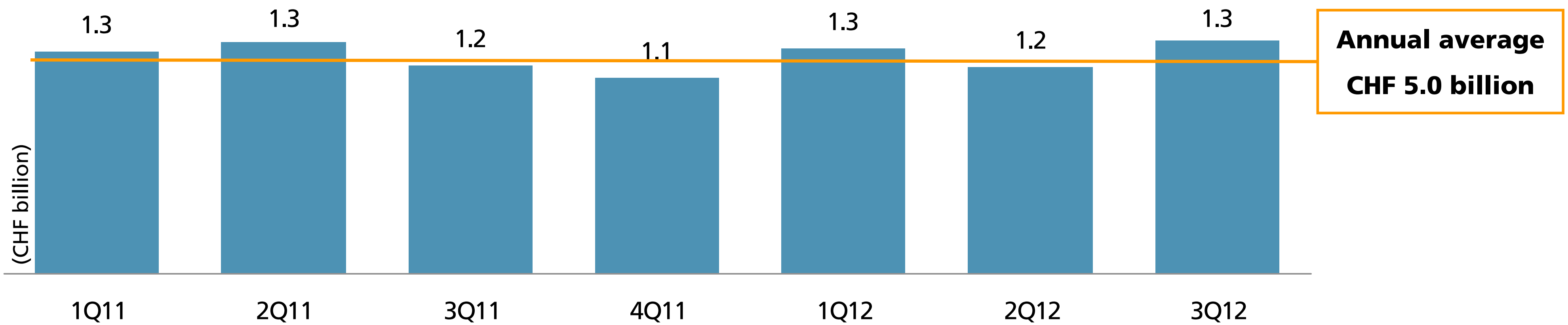


- WM businesses, R&C, Global AM
- Investment Bank

Expected pre-tax profit contribution[1]



Adjusted pre-tax profit WM businesses, R&C, Global AM



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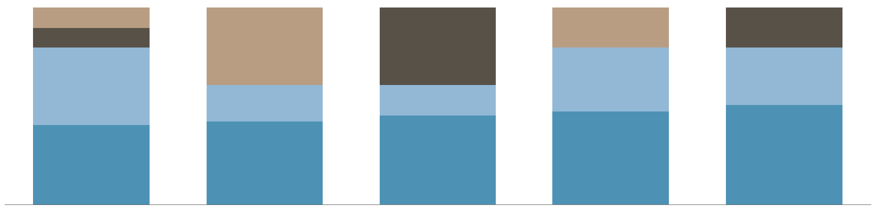
Refer to slide 2 for details about adjusted numbers, Basel III pro-forma estimates and FX rates in this presentation
1 Excluding Corporate Center
2 Pro-forma for shift of attributed equity related to Paine Webber goodwill and intangible assets to the Corporate Center

We are firmly committed to return capital to shareholders

Our business mix supports an attractive capital returns program

➔ Progressive capital returns as we work towards our capital targets; thereafter attractive capital returns

Future dividend policy – illustrative example (% of profits)



Baseline dividend: sustainable payment that is affordable with respect to UBS's long-term profitability

Supplementary returns: special capital return (e.g., dividends above the baseline, buybacks)

Reinvestments: in existing businesses or strategic investments from time to time, but only when clearly accretive

Management countercyclical capital buffer: consideration of other factors, i.e., economic environment, outlook

We are targeting a total payout ratio of more than 50% which combines a baseline dividend and flexible supplementary returns

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UBS—A unique and attractive investment proposition

Unrivaled franchise with clear strategic direction and strong track record on execution	**Solid financial foundation** which will be strengthened further as UBS accelerates its transformation

Unrivaled franchise with clear strategic direction and strong track record on execution

- **UBS's franchise is unrivaled**
  - Compelling industry growth prospects
  - Prepared for the future and committed to deliver highly attractive returns
- **Clear strategy** and well diversified business profile – both by business and geography
- **Decisive action** to further transform the Investment Bank and improve long-term efficiency
- **Proven track record** of focused and disciplined execution of strategic priorities
- **Firmly committed to return capital to shareholders**
  - Our business mix supports **attractive capital return program** after we reach our capital targets

Solid financial foundation which will be strengthened further as UBS accelerates its transformation

- **Industry-leading capital ratios** and consistent non-dilutive capital objectives
  - Basel III fully applied CET1 ratio of 9.3%, up 310 bps YoY
  - 13% fully applied CET1 ratio target, highest in the industry
- **Substantial excess liquidity**
  - Large multi-currency portfolio of unencumbered high-quality assets
  - Basel III Liquidity Coverage Ratio of 113%
- **Solid funding structure**
  - Broadly diversified funding portfolio by product, currency and geography
  - Significant deposit / loan overhang at 133%
  - Significant customer deposit base represents a cost-efficient and reliable funding source
  - Basel III Net Stable Funding Ratio of 107%

Appendix

Business division targets[1]

Ranges of sustainable performance in our businesses

Wealth Management

NNM growth rate	**3-5%**
Gross margin	**95-105 bps**
Cost / income ratio	**60-70%**

Wealth Management Americas

NNM growth rate	**2-4%**
Gross margin	**75-85 bps**
Cost / income ratio	**80-90%**

Retail & Corporate

NNBV growth[2]	**1-4%**
Net interest margin	**140-180 bps**
Cost / income ratio	**50-60%**

Global Asset Management

NNM growth rate	**3-5%**
Gross margin	**32-38 bps**
Cost / income ratio	**60-70%**

Investment Bank

effective from 1.1.2013

Pre-tax RoAE[2]	**>15%**
Basel III RWAs	**< CHF 70 billion**
Cost / income ratio	**65-85%**

Legacy Portfolio

including businesses and positions to be exited - Basel III RWA

31.12.13	**~CHF 85 billion**
31.12.15	**~CHF 55 billion**
31.12.17	**~CHF 25 billion**

Group RoE expected to average in the mid-single digits in 2013-2014[3], with a target of at least 15% from 2015[1]

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Refer to slide 2 for details about adjusted numbers, pro-forma Basel III estimates and FX rates in this presentation

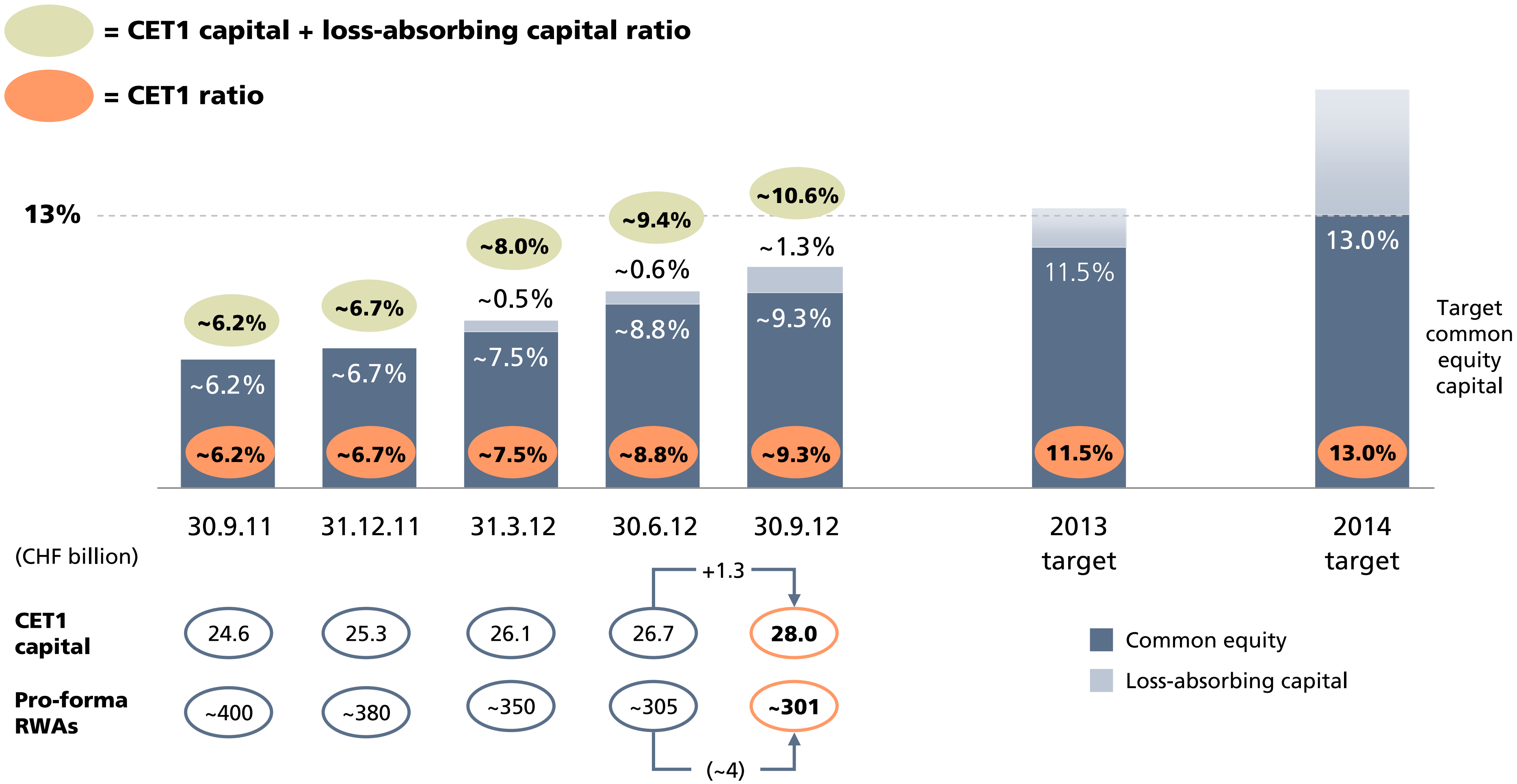
1 Excluding own credit and significant non-recurring items (e.g., restructuring costs) unless otherwise stated; target assumes constant FX rates

2 NNBV = net new business volume; RoAE=return on attributed equity

3 As reported

Basel III fully applied CET1 ratio

Fully applied CET1 Basel III ratio increased to ~9.3%

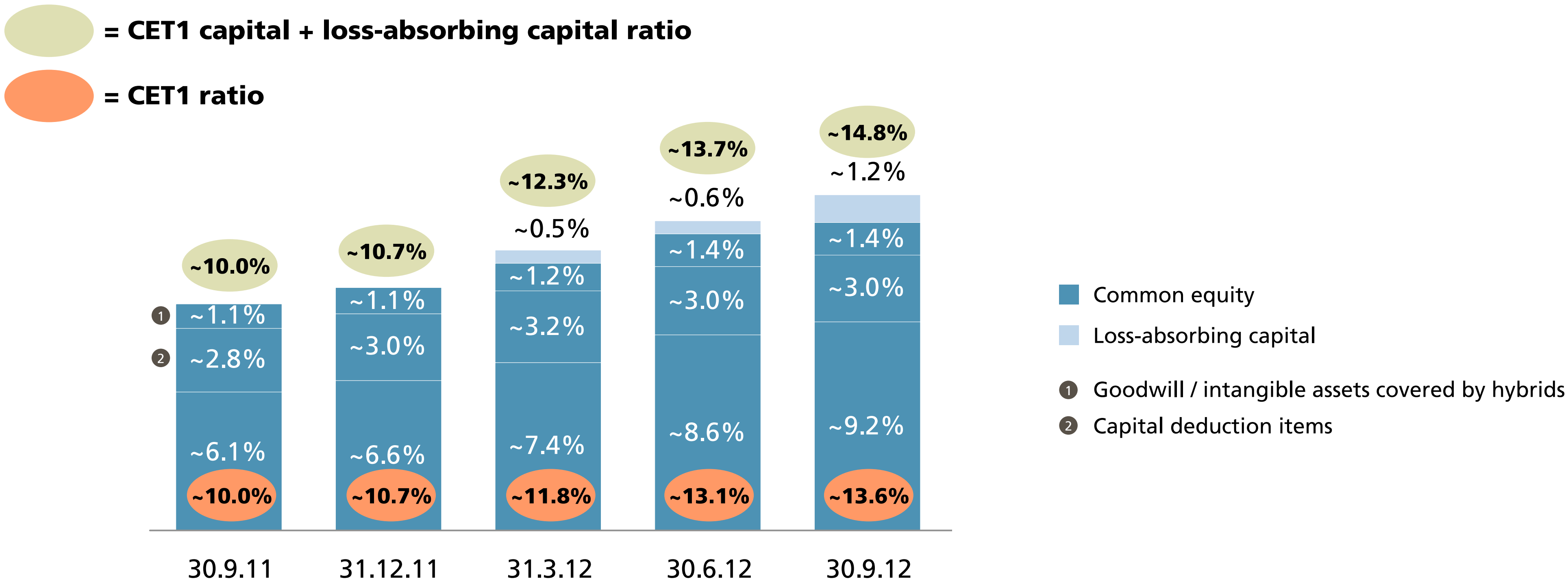


We expect a limited incremental impact from IAS 19R (~40 bps decrease to fully applied CET1 ratio)

Refer to slide 2 for details about adjusted numbers, pro-forma Basel III estimates and FX rates in this presentation

Basel III phase-in CET1 ratio

Phase-in CET1 Basel III ratio increased to ~13.6%



(CHF billion)

	30.9.11	31.12.11	31.3.12	30.6.12	30.9.12
CET1 capital	40.4	41.0	41.8	40.4	**41.5**
Pro-forma RWAs	~403	~383	~354	~309	**~305**

+0.9

(~4)

FINMA Basel III leverage ratio

UBS's current FINMA Basel III leverage ratio is above minimum requirements

- UBS's FINMA Basel III leverage ratio of 3.4% on 30.9.12

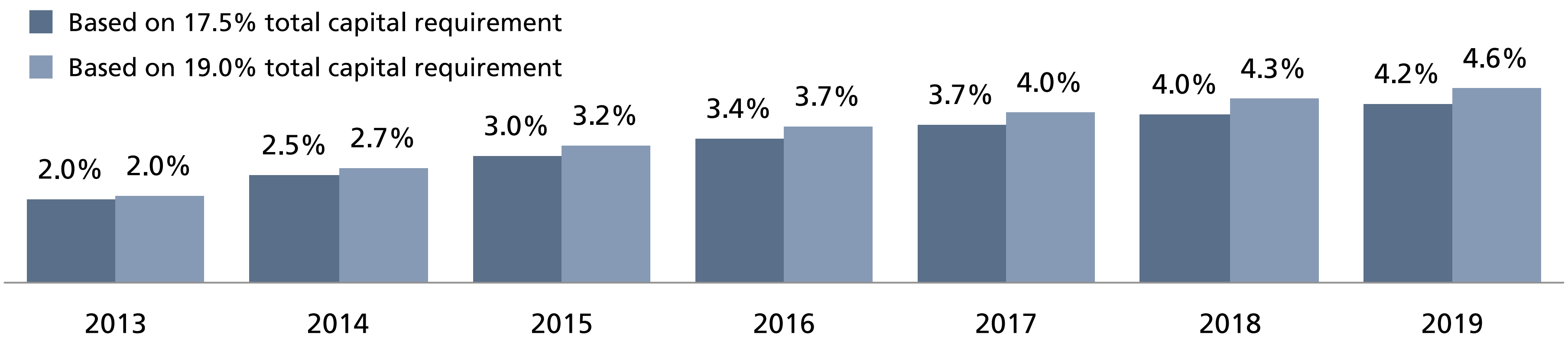
$$\frac{\text{Total capital (Phase-in CET1 + loss absorbing capital)}}{\text{Total exposure}^{1}\text{ (Total IFRS assets + adjustments)}} = \frac{\text{CHF 45.3 billion}}{\text{CHF 1,335 billion}} = 3.4\%$$

- The minimum leverage ratio is defined as the total capital requirements x 24%

Total capital requirement	16.0%	16.5%	17.0%	17.5%	18.0%	18.5%	19.0%
Minimum leverage ratio	3.84%	3.96%	4.08%	4.20%	4.32%	4.44%	4.56%

x 24%

FINMA Basel III minimum leverage ratio – illustrative examples



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1 3-month average. Total IFRS assets exclude derivatives, securities financing transactions and repurchase agreements covered by eligible netting agreements under the Basel II framework. Adjustments represent adjustments for OTC derivatives, off-balance sheet commitments and contingent liabilities. As agreed with FINMA, the FINMA Basel III leverage ratio denominator temporarily excludes forward starting repos, securities lending indemnifications and current exposure method (CEM) add-ons for ETDs (proprietary and agency transactions) until the Basel III definition will have been finalized

UBS's equity allocation framework

Attributed equity – business divisions

Tangible equity

- 50% RWAs -> Capitalize with 10% Basel III CET1 ratio
- 25% assets -> Capitalize with 3.5% Basel III leverage ratio
- 25% RBC[1] -> Internal measure of economic risk

\+

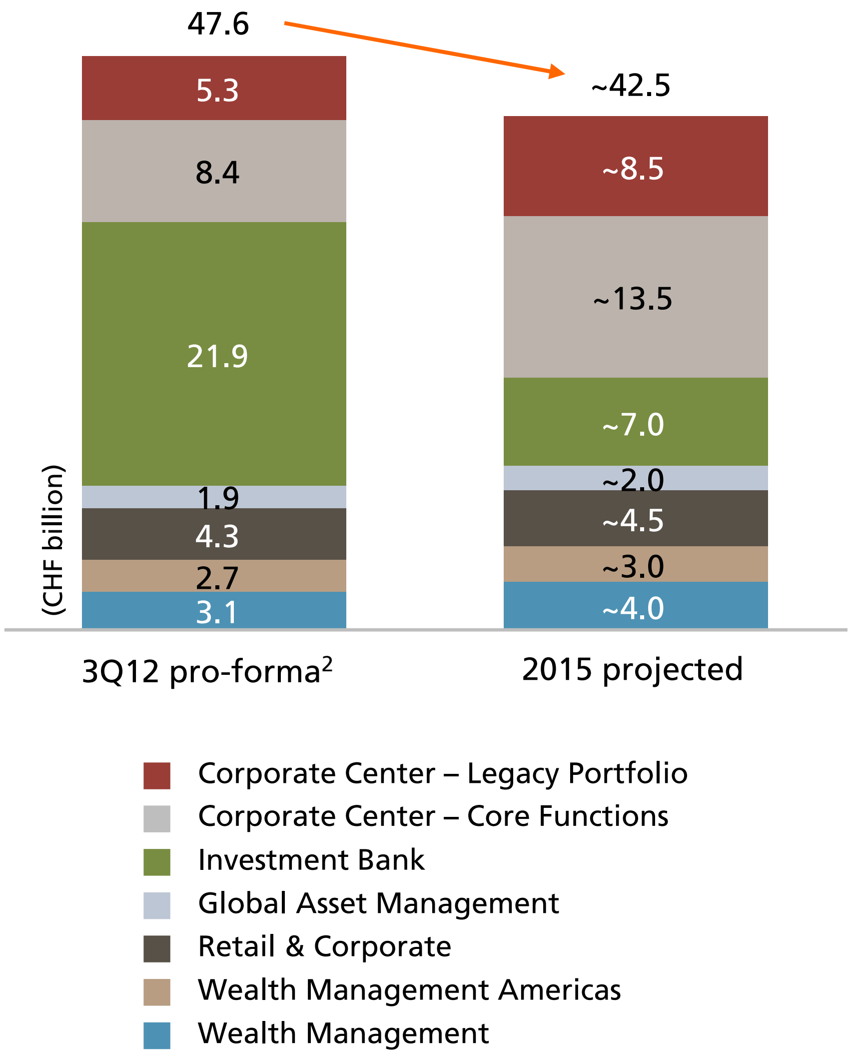
Goodwill and intangible assets

\+

Management adjustments

- Resources not under the direct control of the business divisions and allocated to the Corporate Center ("central items") include:
  - Equity in excess of 10% of Basel III CET1 capital with regard to RWA driver
  - Deferred tax assets
  - Prepaid pension expenses
- Effective 1.1.13, attributed equity related to CHF 3.9 billion of goodwill and intangible assets associated with the PaineWebber acquisition will be held in the Corporate Center

Average attributed equity



UBS

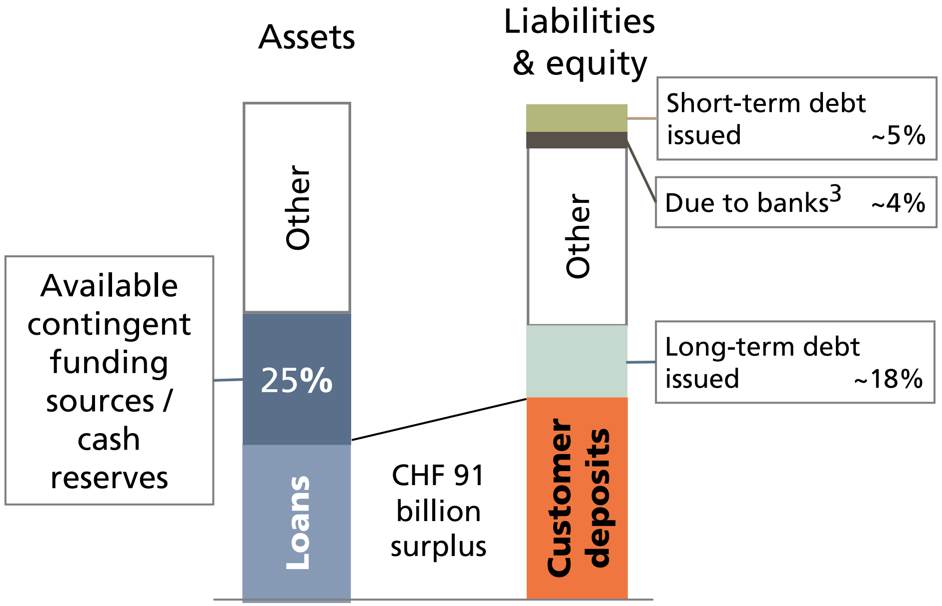
1 Risk-based capital
2 Pro-forma for shift of attributed equity related to Paine Webber goodwill and intangible assets to the Corporate Center

Strong liquidity and stable funding profile

UBS's Basel III Liquidity Coverage Ratio and Net Stable Funding Ratio in excess of 100%[1]

➔ 25% of our funded balance sheet assets are in the form of available liquidity[2]

Funded balance sheet (30.9.12)



Liquidity Coverage Ratio (LCR)

(CHF billion)		30.9.12
Cash outflows	under 30-day stress scenario[4]	282
Cash inflows		136
Net cash outflows		147
Liquidity asset buffer[5]		165
Regulatory LCR (= 165 / 147)		**113%**
Additional contingent funding sources[6]		69
Management LCR (= (165 + 69) / 147)		**160%**

Net Stable Funding Ratio (NSFR)

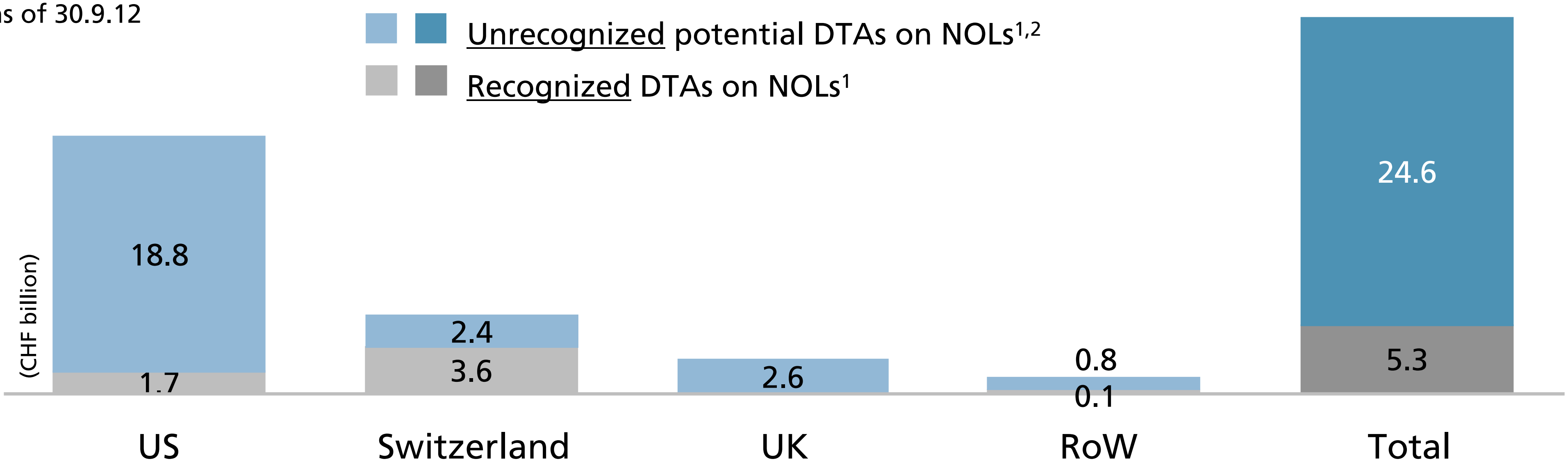
(CHF billion)	30.9.12
Available stable funding[7]	366
Required stable funding[8]	342
NSFR (= 366 / 342)	**107%**

Refer to slide 2 for details about adjusted numbers, Basel III pro-forma estimates and FX rates in this presentation
1 Pro-forma: Based on current regulatory guidance; 100% = future requirement under the Basel III Liquidity Framework
2 Dedicated liquidity reserves including excess cash at major central banks and unutilized collateralized borrowing capacity
3 Interbank liabilities only. Interbank liabilities net of interbank assets are ~0.1% of funded balance sheet as of 30.9.12
4 Out- and in-flows up to 30 days under severe general market and firm-specific stress
5 Assets eligible in Basel III LCR framework including dedicated group liquidity reserve, excess cash at major central banks, unencumbered collateral pledged to central banks
6 Additional contingent funding sources including dedicated local liquidity reserves and additional unutilized borrowing capacity
7 Consists mainly of client deposits from our wealth management businesses, long term debt issued and capital
8 Residential mortgages and other loans are the main consumers of stable funding

Deferred tax assets on net operating losses

The potential to recognize additional deferred tax assets remains significant

as of 30.9.12



- Unrecognized potential DTAs on NOLs[1,2] of CHF 24.6 billion on 30.9.12
  - Tax losses have a remaining average life of approximately 16 years in the US; indefinite life in the UK
  - Profitability assumptions over a 5-year time horizon form the basis of the recognition of DTAs
- DTAs have been remeasured in 3Q12 to reflect updated profitability assumptions, taking into account changes in the Investment Bank

UBS

1 Net operating losses. In addition, there are recognized deferred tax assets of CHF 2.1 billion for deductible temporary differences
2 Equals the potential tax savings associated with unrecognized tax loss carry forwards