



Morgan Stanley 2014 European Financials Conference

Tom Naratil
Group CFO & COO

March 26, 2014



Cautionary statement regarding forward-looking statements

This report 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. These factors include, but are not limited to: (i) the degree to which UBS is successful in executing its announced strategic plans, including its efficiency initiatives and its planned further reduction in Basel III risk-weighted assets (RWA); (ii) developments in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, currency exchange rates and interest rates, and the effect of economic conditions and market developments on the financial position or creditworthiness of UBS’s clients and counterparties; (iii) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, or arising from requirements for bail-in debt or loss-absorbing capital; (iv) changes in, or the implementation of, financial legislation and regulation in Switzerland, the US, the UK, and other financial centers that may impose more stringent capital and liquidity requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration or other measures; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve reductions to the incremental RWA resulting from the supplemental operational risk-capital analysis mutually agreed to by UBS and FINMA effective 31 December 2013, or will approve a limited reduction of capital requirements due to measures to reduce resolvability risk; (vi) possible changes to the legal entity structure or booking model of UBS Group in response to enacted, proposed, or future legal and regulatory requirements, including capital requirements, the proposal to require non-US banks to establish intermediate holding companies for their US operations, resolvability requirements and the pending Swiss parliamentary proposals, and proposals in other countries for mandatory structural reform of banks; (vii) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (viii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims, and regulatory investigations; (ix) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (x) UBS’s ability to retain and attract the employees necessary to generate revenues, and to manage, support and control its businesses, which may be affected by competitive factors, including differences in compensation practices; (xi) changes in accounting standards or policies, and accounting determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, and other matters; (xii) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xiii) whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; (xiv) the occurrence of operational failures, such as fraud, unauthorized trading, and systems failures; and (xv) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. 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 2013. 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.

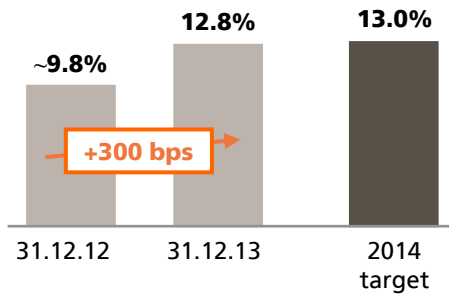
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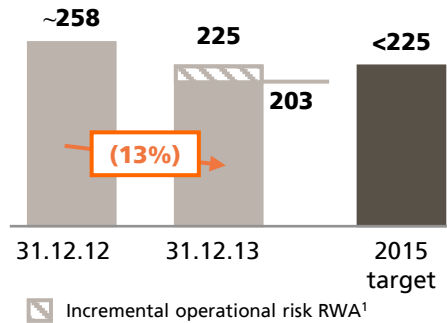
Successfully executing our strategy

Financial strength is the foundation of our success

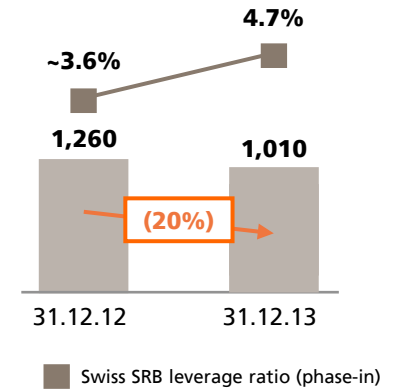
Basel III CET1 ratio
fully applied



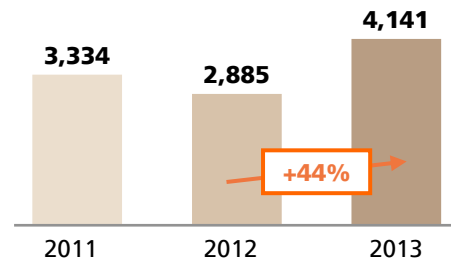
Basel III RWA
fully applied, CHF billion



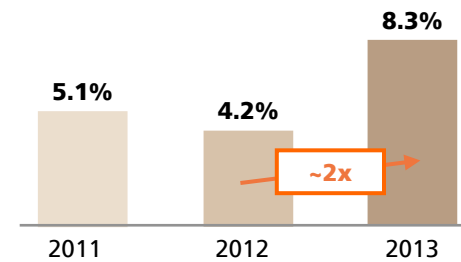
Balance sheet and leverage ratio
CHF billion



Group pre-tax profit
adjusted, CHF million



Group RoE
adjusted



Refer to slide 11 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

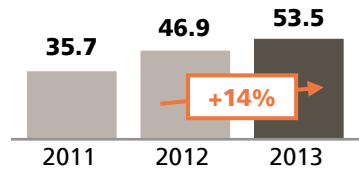
¹ Derived from supplemental analysis mutually agreed with FINMA that will be used to calculate the incremental operational risk capital required to be held for litigation, regulatory and similar matters and other contingent liabilities, effective on 31 December 2013

Increased profits and well diversified business mix

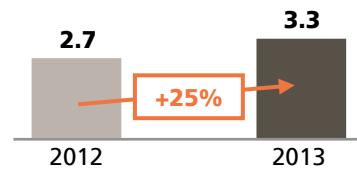
Wealth Management and Wealth Management Americas

Largest and fastest growing large-scale wealth manager in the world¹

Net new money
CHF billion



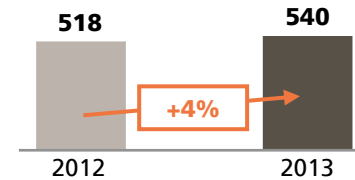
Pre-tax profit
adjusted, CHF billion



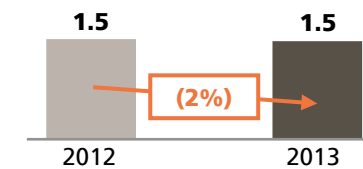
Retail & Corporate

Leading universal bank in Switzerland with stable pre-tax profit contribution

Business volume
CHF billion



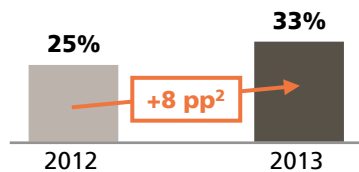
Pre-tax profit
adjusted, CHF billion



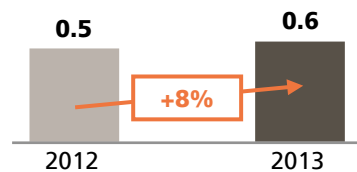
Global Asset Management

Diversified across investment capabilities, regions and distribution channels

RoarE
adjusted



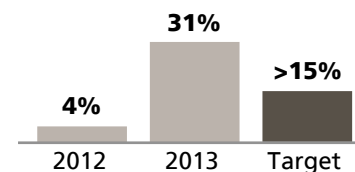
Pre-tax profit
adjusted, CHF billion



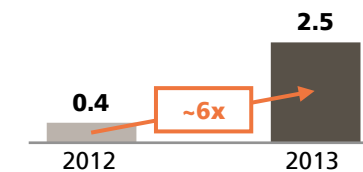
Investment Bank

Highly efficient, client-focused Investment Bank excelling in targeted segments with high risk-adjusted returns

RoarE
adjusted



Pre-tax profit
adjusted, CHF billion

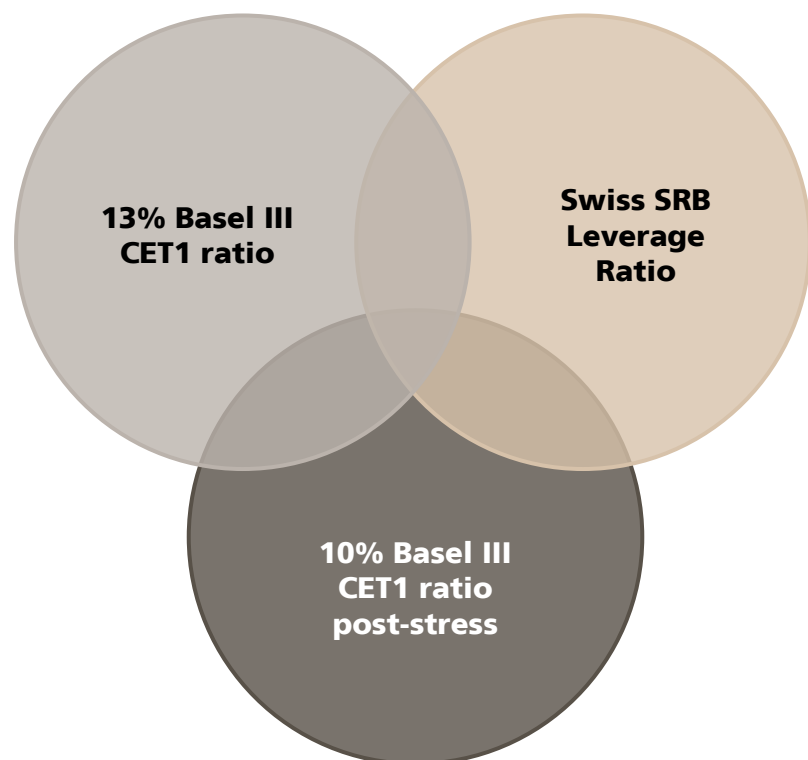


Refer to slide 11 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

¹ Scorpio Partnership Private Banking Benchmark 2013 (2012 results) - banks with assets under management of >USD 500 billion; ² Percentage points

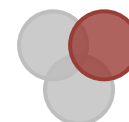
Approach to capital and balance sheet

Underpinning our management approach...



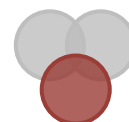
13% Basel III CET1 ratio

- Industry-leading capital position is key to supporting long-term success and is a major source of competitive advantage
- True loss-absorbing capital



Swiss SRB Leverage Ratio

- Leverage ratio requirements were a key factor in shaping UBS's strategy
- Effectively functions as a backstop to our approach



10% Basel III CET1 ratio post-stress

- Capital managed to maintain a fully applied CET1 ratio at or above the regulatory requirement under a stressed scenario
- Integral part of capital returns philosophy

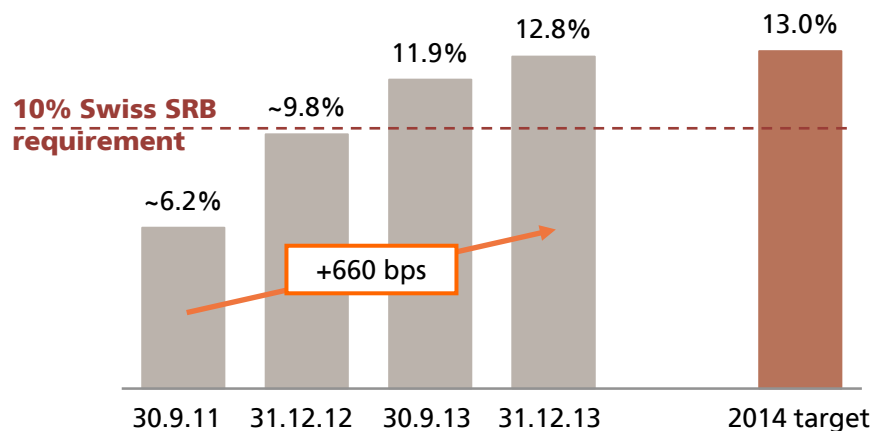
...is the quality of capital and balance sheet

Consistency in building capital strength

Successful execution on capital and balance-sheet KPIs

Swiss SRB Basel III CET1 ratio

fully applied

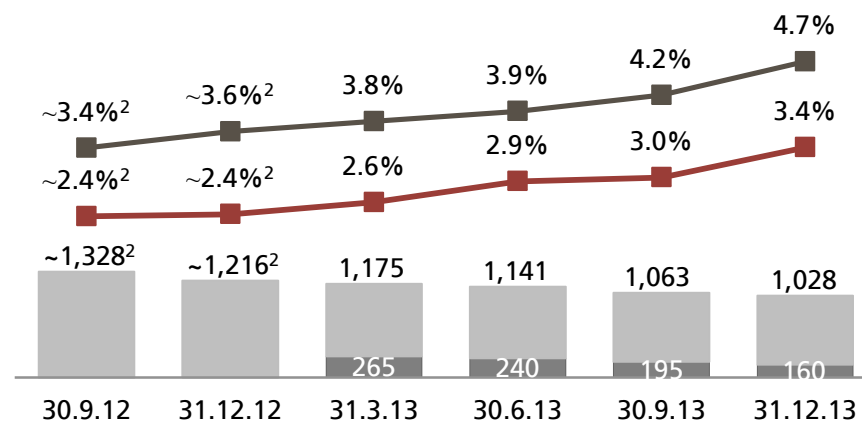


Significant progress already made on Basel III CET1 ratio

- 44% reduction in RWA since 2011 Investor Day, fully-applied Basel III CET1 ratio up >2x
- Operational risk RWA now make up 35% of the total for the group

Swiss SRB Leverage Ratio¹

■ Swiss SRB total exposure ■ Leverage ratio (phase-in)
■ Non-core and Legacy Portfolio ■ Leverage ratio (fully applied)



Phase-in Swiss SRB Basel III leverage ratio already ahead of regulatory requirement

- Positive impacts of 100-140bp expected from planned future actions, excluding retained earnings
- CHF 153 billion of leverage ratio denominator represented by our liquidity asset buffer, derived from High Quality Liquid Assets



UBS

Refer to slide 11 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

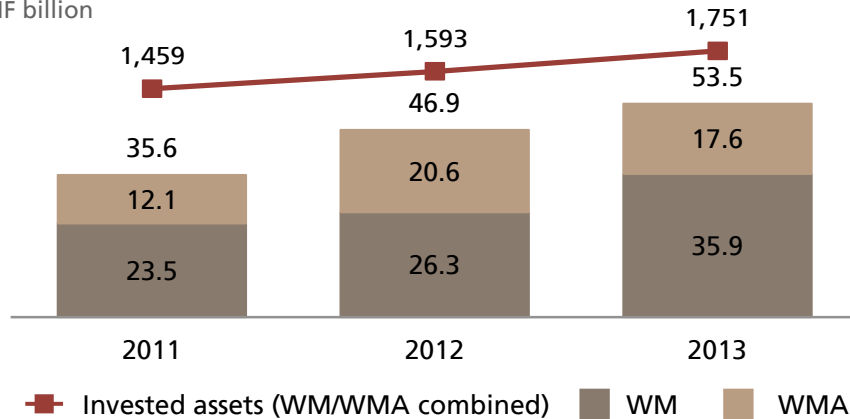
1 For additional information refer to pages 244-246 of the 2013 Annual Report; 2 Pro-forma number

Operating leverage in Wealth Management

Successfully building the base for our future profitability

NNM / invested assets

CHF billion

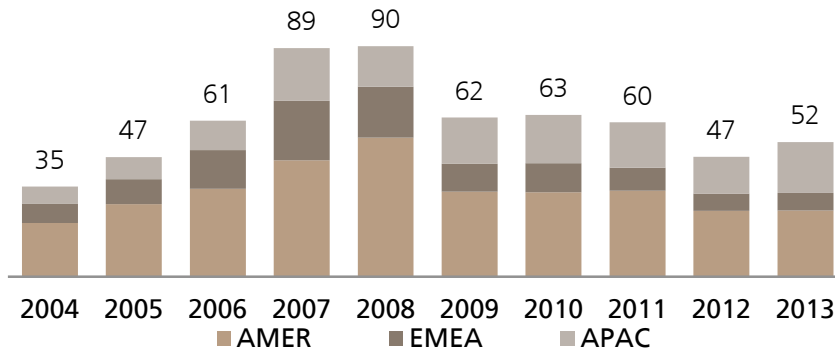


Strong NNM and increasing invested asset base provides significant operating leverage

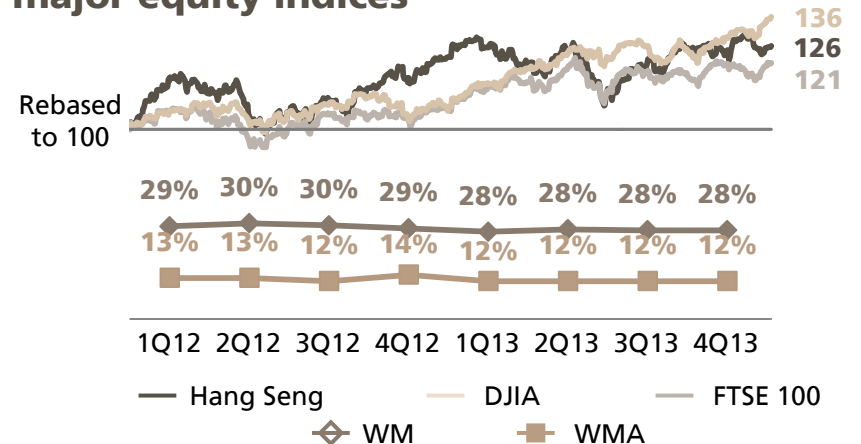
- Positioned to gain from rising rates and increased market activity
- Revenue upside from a 1% increase in invested assets is CHF ~100-125 million per annum in WM and WMA combined
- Client cash allocation remains historically high; dependent on improvements to underlying fiscal, monetary, and economic challenges, and geopolitical issues

Annual equity turnover¹

USD trillion



% of cash in client portfolios² compared to major equity indices



¹ World Federation of Exchanges ; ² Period-end balances; WM shows advisory-only cash divided by advisory assets; WMA is the percentage of cash and similar products in client portfolios excluding discretionary mandates we manage on behalf of our clients, WMA historical figures have been restated, self-declared cash levels from the January 2014 WMA client survey were ~23%

Driving profitability in Wealth Management

Alpha-driven profit growth potential

Wealth Management

Lending

CIO impact on mandates

UHNW / GFO

Pricing

Cost efficiency

Similar initiatives to drive returns on our CHF ~1.8 trillion invested asset base

Wealth Management Americas

Banking products

Wealth Management Transformation

UHNW / GFO

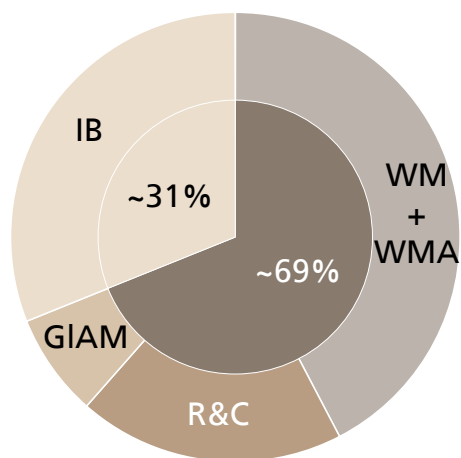
Pricing

Cost efficiency

Powerful business combination

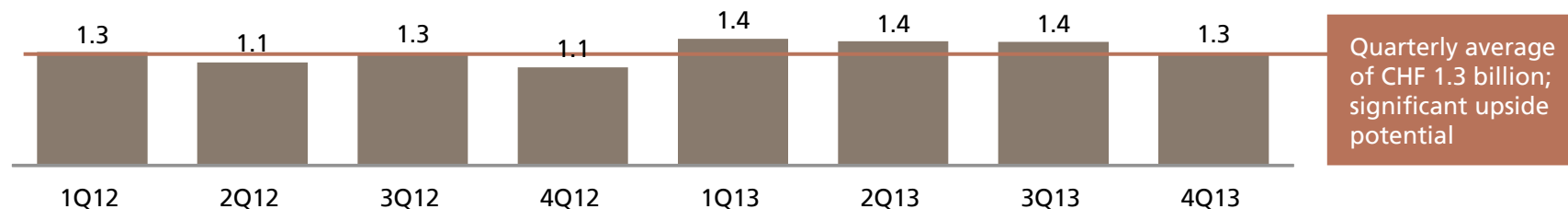
Significant contribution from our asset-gathering businesses...

2013 adjusted pre-tax profit mix



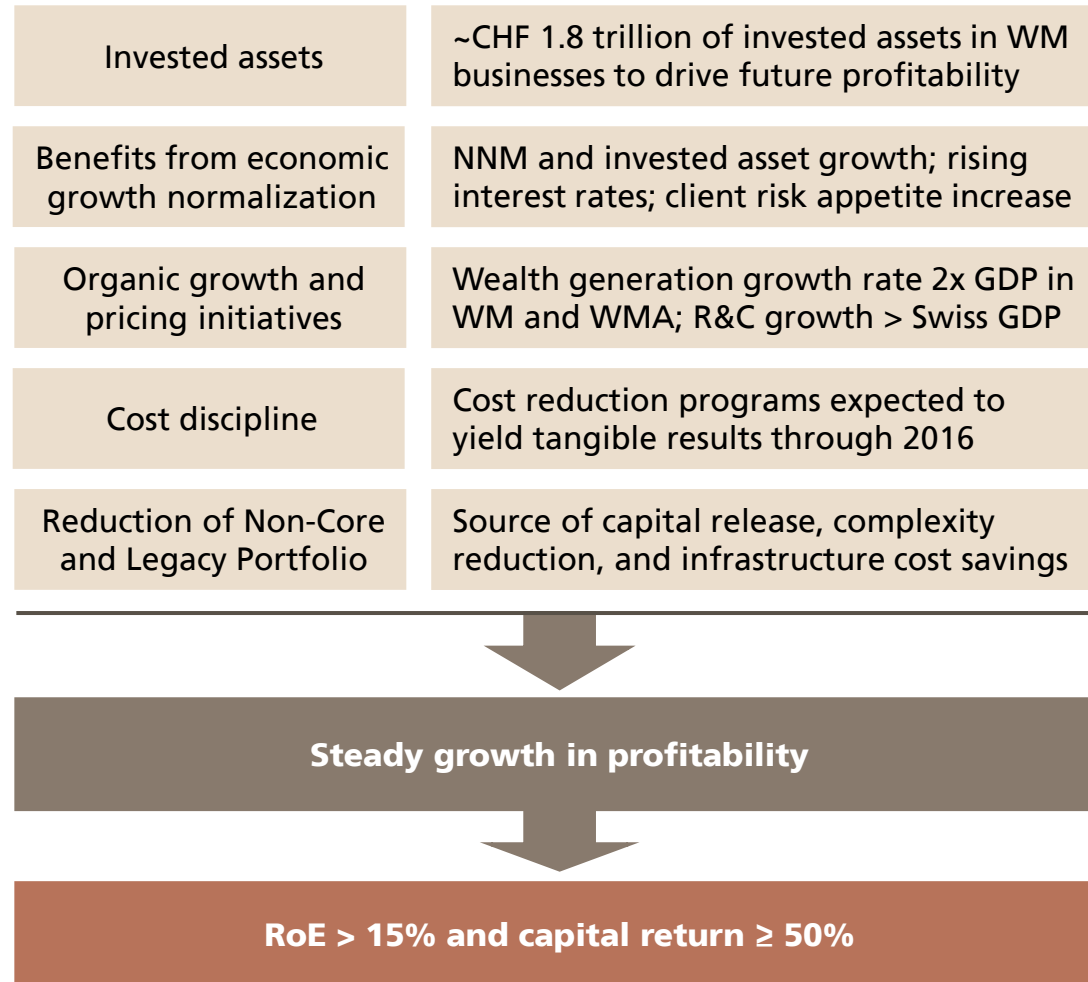
	FY13 AE (CHF billion)	FY13 RoAE (%)	
Wealth management businesses	6.3	53%	} ~45%
Retail & Corporate	4.1	37%	
Global Asset Management	1.8	33%	
Investment Bank	8.0	31%	→ Target of >15%

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



...delivering more stable profitability and solid risk-adjusted returns, leading to expected lower cost of equity

A compelling value proposition



Important information related to numbers shown in this presentation

Use of adjusted numbers

Unless otherwise indicated, “adjusted” figures exclude each of the following items, to the extent applicable, on a Group and business division level for 2013: own credit loss on financial liabilities designated at fair value for the Group of CHF 283 million, gains on sales of real estate for the Group of CHF 288 million, net loss related to the buyback of debt in a public tender offer of CHF 167 million, gain on disposal of Global AM's Canadian domestic business of CHF 34 million, net gain on sale of remaining proprietary trading business of CHF 31 million, and net restructuring charges of CHF 772 million for the Group. Refer to pages 76-77 of the 2013 Annual Report for an overview of adjusted numbers.

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

Basel III numbers in the presentation are BIS Basel III numbers unless otherwise stated. In addition, systemically relevant banks (SRB) in Switzerland (currently UBS and Credit Suisse) are required to comply with specific Swiss SRB rules. Our fully applied and phase-in Swiss SRB Basel III capital components and our respective BIS Basel III capital components have the same basis of calculation, except for differences relating to the amortization of deferred contingent capital plan instruments (representing high-trigger loss-absorbing capital) and the recognition of a portion of the unrealized gains on financial investments available-for-sale (representing other tier 2 capital under BIS Basel III).

Basel III risk-weighted assets in the presentation are calculated on the basis of Basel III fully applied 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. These estimates were refined with prospective effect during 2013, as models and associated systems were enhanced.

Refer to the “Capital Management” section in the 2013 Annual 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.

Return on equity and dividend pay-out ratio

Return on equity target excludes own credit and significant non-recurring items (e.g., restructuring costs). We continue to target a Group return on equity of greater than 15% in 2015. However, given the elevated operational risk RWA, we may not achieve this until at least 2016 (see page 27 of our annual report 2013 for more information). The dividend pay-out ratio of at least 50% is conditional on both fully applied CET1 ratio of minimum 13%, and CET1 ratio of minimum 10% post-stress.