



Best of Switzerland

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Key messages

Capital strength is the foundation of our success and we continue to execute our plans to further unlock UBS's potential for our shareholders

UBS's unique business mix is focused on cash flow generative businesses with attractive risk/reward profiles to deliver high quality earnings

Our Investment Bank is focused on competing successfully in the areas in which we choose to be and collaboration across our business divisions

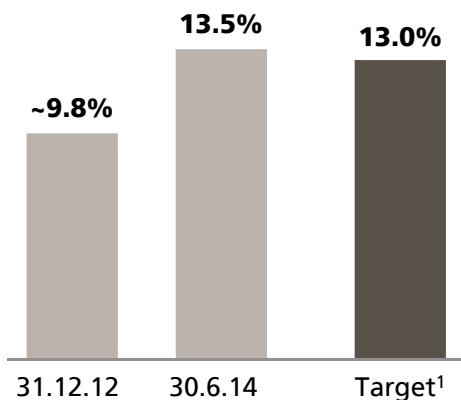
Equities – We will leverage our strengths and maintain our commitment to clients through close partnership and superior service

Capital strength is the foundation of our success

Group targets

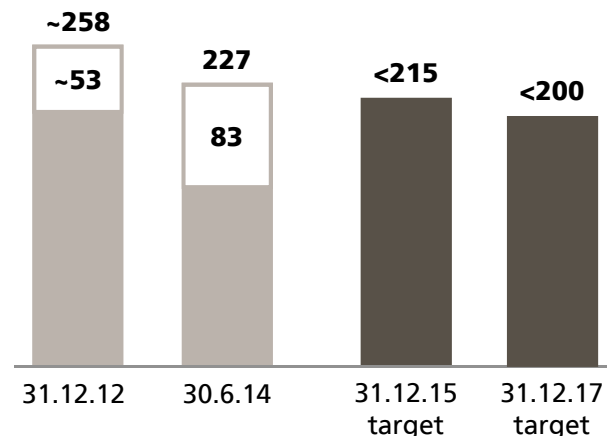
Basel III CET1 ratio

fully applied



Basel III RWA

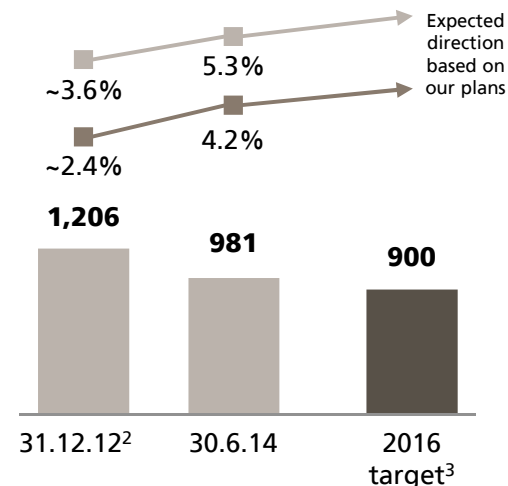
fully applied, CHF billion



Operational risk RWA

Swiss SRB leverage ratio

CHF billion

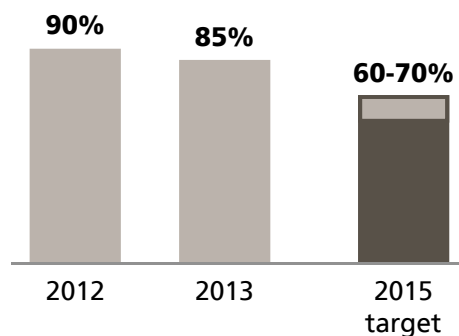


Phase in Fully applied

Expected direction based on our plans

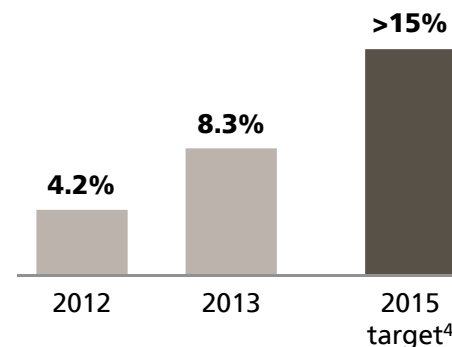
Cost/income ratio

adjusted, annual



Return on equity

adjusted, annual



Refer to slide 23 for details about adjusted numbers, Basel III numbers, rounding and FX rates in this presentation

1 ≥10% post-stress objective in addition to the 13% CET1 ratio target; 2 Pro forma; 3 Based on the rules applicable today; 4 While we continue to target a Group return on equity of greater than 15% in 2015, given elevated operational risk RWA, we may not achieve that until 2016

Firmly committed to returning capital to shareholders

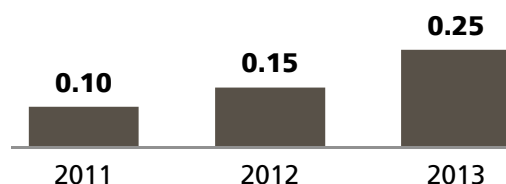
Our strategy supports an attractive capital returns program

Progressive capital returns

- CHF 0.25 per share dividend for 2013, an increase of 67% from 2012 and 150% from 2011

Dividend per share

CHF



Future dividend policy

- Subject to maintaining Basel III fully applied CET1 ratio of 13% and CET1 ratio of a 10% minimum post-stress

Illustrative example

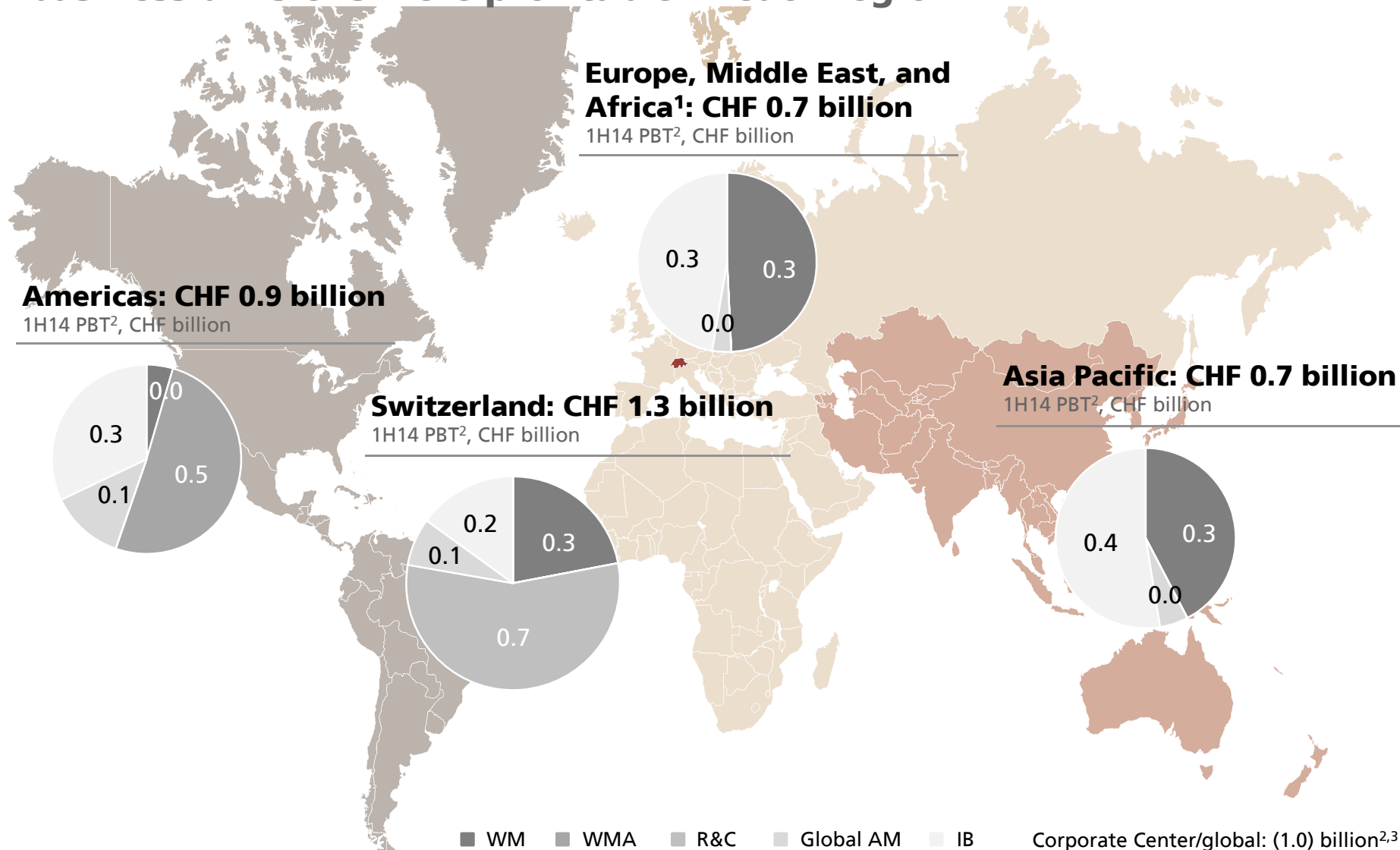
Payout ratio



Payout ratio	9%	N/M	30%	≥ 50%
CET1 ratio fully applied	~6.7%	~9.8%	12.8%	>13.0%¹

Regional and business division performance

All business divisions were profitable in each region in 1H14



1 Europe, Middle East, and Africa excl. Switzerland; 2 Numbers are not comparable to the disclosed financial statements of our main local subsidiaries; revenues are allocated in general following a client domicile view, which is supplemented by overlays to capture cross-country sales; this 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; 3 Includes Corporate Center profit before tax, and global operating income, expenses, and profit before tax that are not attributed to regions and are managed using a global view (CHF (192) million)

Our franchise is unrivaled with compelling growth prospects

Collaboration gives the Group the potential to be more than the sum of the parts

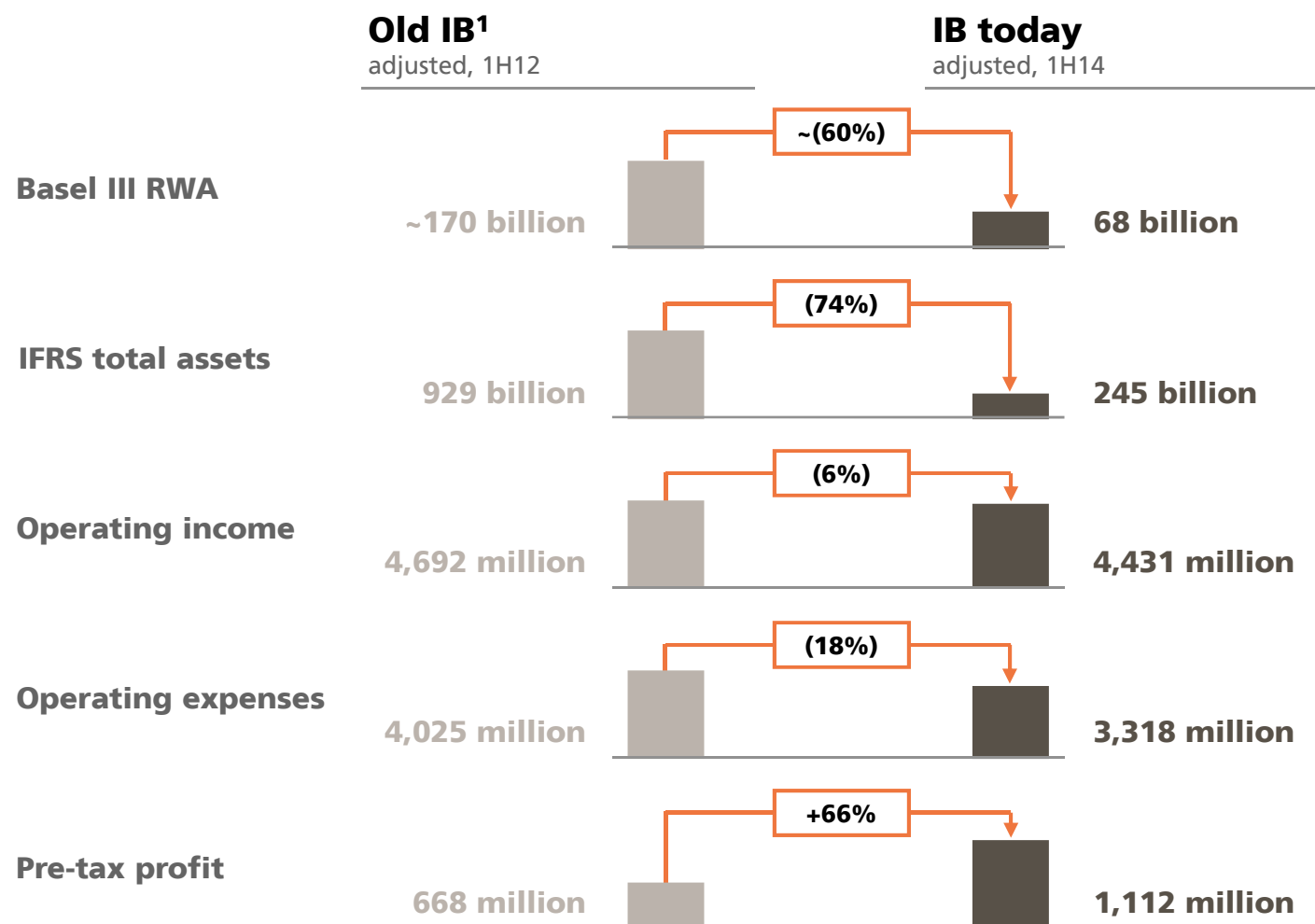
Our businesses

Our objectives

Wealth management businesses	World's leader in HNW and UHNW banking with unrivaled scope and scale	<ul style="list-style-type: none">→ Remain leading large-scale wealth manager in the world→ Gain market share in established markets, and capture wealth creation in APAC and EM→ Achieve superior pre-tax profit growth vs. peers
Retail & Corporate	Leading position across retail, corporate and institutional client segments in Switzerland	<ul style="list-style-type: none">→ Continue providing a full suite of banking products to clients→ Maintain leading position and stable profit contribution→ Fully factor in the costs of regulation in our pricing
Global Asset Management	Well diversified and strongly positioned in key growth areas	<ul style="list-style-type: none">→ Strengthen investment performance culture→ Focus product offering and strengthen distribution around growth areas→ Achieve profit before tax target of CHF 1 billion
Investment Bank	Capital-light, client-focused with attractive risk-adjusted returns	<ul style="list-style-type: none">→ Deliver attractive returns with allocated resources→ Strengthen our position in our targeted businesses→ Grow contribution to the rest of UBS's businesses

An Investment Bank like no other

A model based on UBS's DNA as a wealth manager, thriving on relationships, quality advice, and bespoke solutions



Client-centric,
capital-light, with
risk-adjusted returns

Leadership in the areas in
which we choose to be

"Winning" culture
of integrity,
quality, ownership,
and determination



Refer to slide 23 for details about adjusted numbers, Basel III numbers, rounding and FX rates in this presentation
1 Including the Non-core portfolio, as was the structure at the time

Investment Bank businesses

Client-focused Investment Bank excelling in targeted segments

Investor Client Services

Leading Equities franchise

Voted "Top European Equity House" for the 11th consecutive year²

#1 in Asia Services in Prime Broking³

#1 Derivatives and #4 in Equities overall⁴

Structured Products House of the year⁵

Focused FRC¹ franchise

Top FX and Precious Metals House^{6,7}

#1 tied in FX globally, in Europe, and in the US⁶

#1 in Precious Metals, #1 Precious Metals Research⁷

Corporate Client Solutions

Strong solutions and advisory businesses

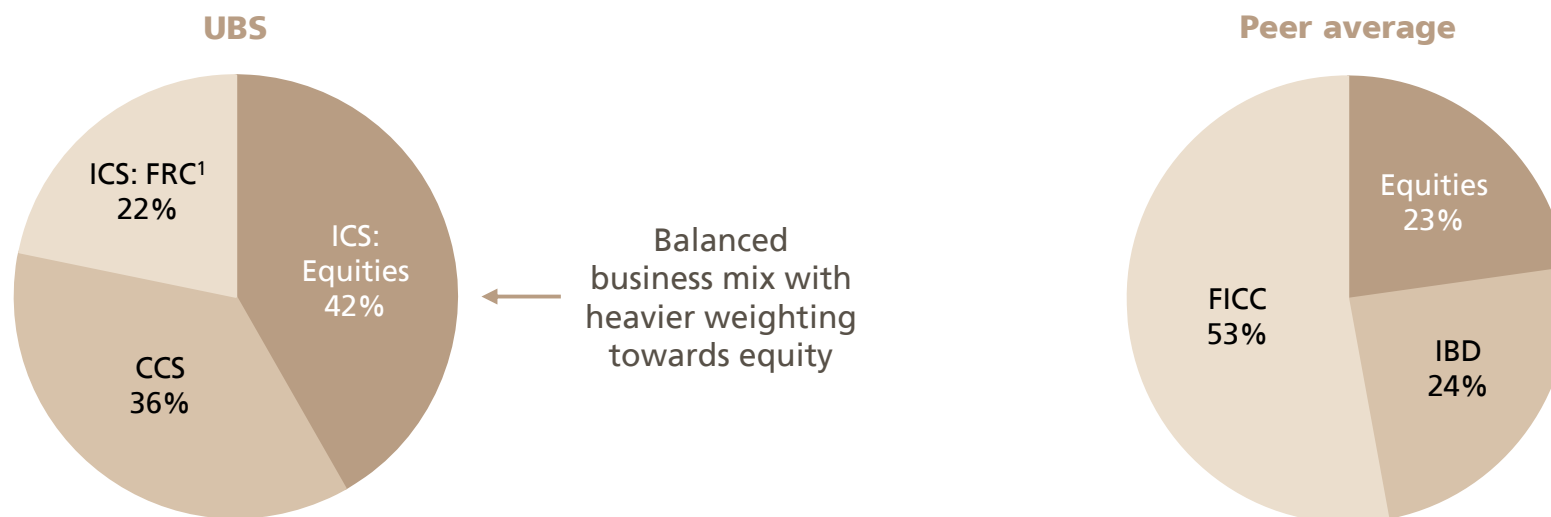
Financial Advisor of the Year⁸

Developed Markets ECM Deal of the Year⁹

#6 in ECM, #6 in M&A globally by volumes¹⁰

Revenue mix

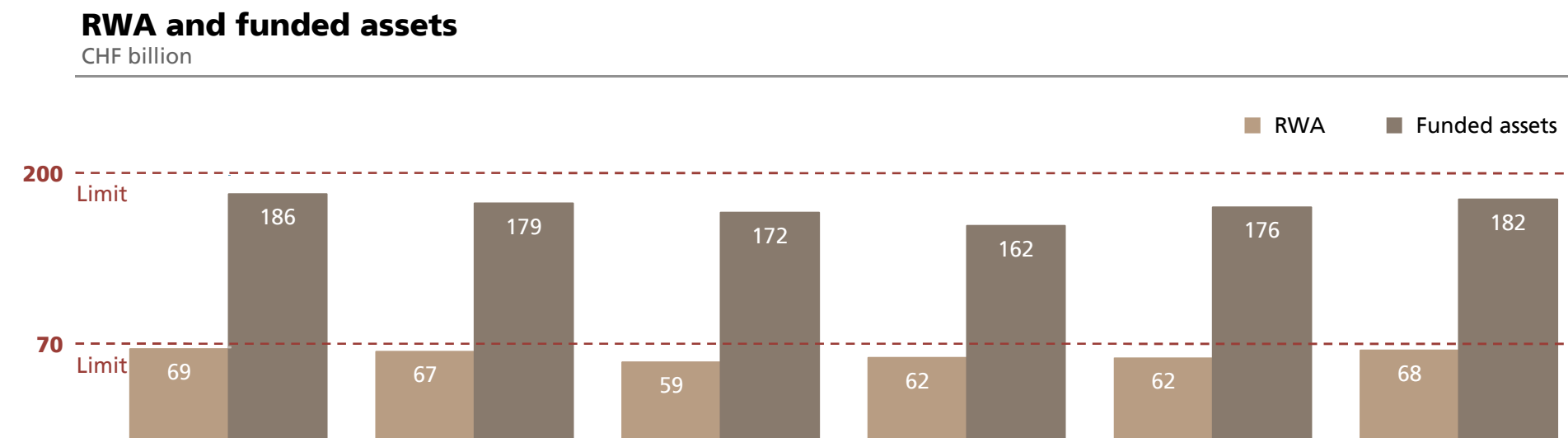
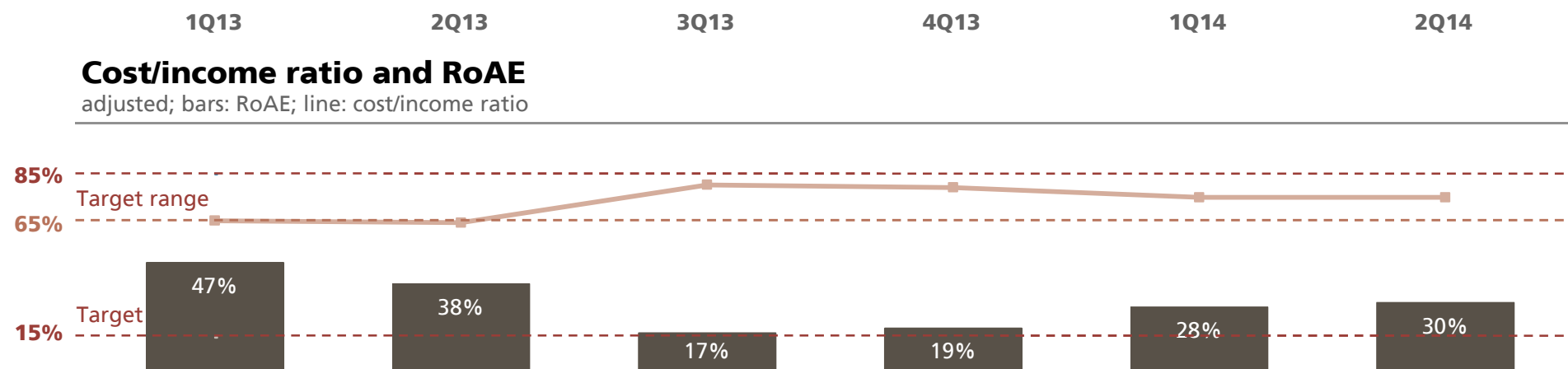
quarterly average 2012-2013¹¹



Refer to slide 23 for details about adjusted numbers, Basel III numbers, rounding and FX rates in this presentation

1 FX, Rates & Credit; 2 Extel(June 2014); 3 AsiaMoney (2013); 4 Coalition per UBS-Coalition agreed taxonomy (2013, issued April 2014); 5 Derivatives Intelligence (2013); 6 Greenwich Associates (March 2014); 7 Risk & Energy Risk Commodity Rankings (2014); 8 Infrastructure Journal Awards (2013); 9 Euromoney (2013); 10 Dealogic (FY13, as of 17.3.14); 11 UBS's analysis based on reported figures, where the peers are BofA ML, Barc, Citi, CS, DB, GS, JPM, MS; CS, GS and MS Equities adjusted for estimated contra-revenues (private survey); UBS figures in USD and adjusted for DVA

Capital and balance-sheet efficiency driving strong returns



Investment Bank in Switzerland

Unique local presence combined with direct access to the global Investment Bank platform

Joint management of Investment Bank Switzerland and UBS Corporate & Institutional Clients to support even closer cross-divisional collaboration

Exceptional distribution platform through tight cooperation with Wealth Management and corporate and institutional clients in Retail & Corporate

Leading positions in Switzerland

- ✓ #1 provider of listed securitized derivatives on SIX structured products exchange, with 36.8% market share¹
- ✓ #1 in 7 out of 9 categories for Swiss clients in an independent survey for Cash Equities²
- ✓ #1 secondary fixed-income flow house in Swiss banking, market leadership in CHF bonds with an annualized market share of 22.5%³
- ✓ #1 in the domestic DCM business with a market share of 42% in Switzerland in 2013⁴
- ✓ #1 Dealer and #1 Research House in Precious Metals in 2013⁵

Equities—Our strategic priorities

Expand collaboration with WM, WMA, Global AM and other UBS IB businesses, to grow UBS's share of wallet and drive shareholder returns

Maintain our client focus through close partnerships, innovative products & solutions, and consistently superior service

Deliver targeted and profitable growth in the Americas by leveraging our global capabilities and re-allocating existing resources

Exercise cost and resource discipline, to increase profitability and improve returns; utilize technology and scale to drive savings

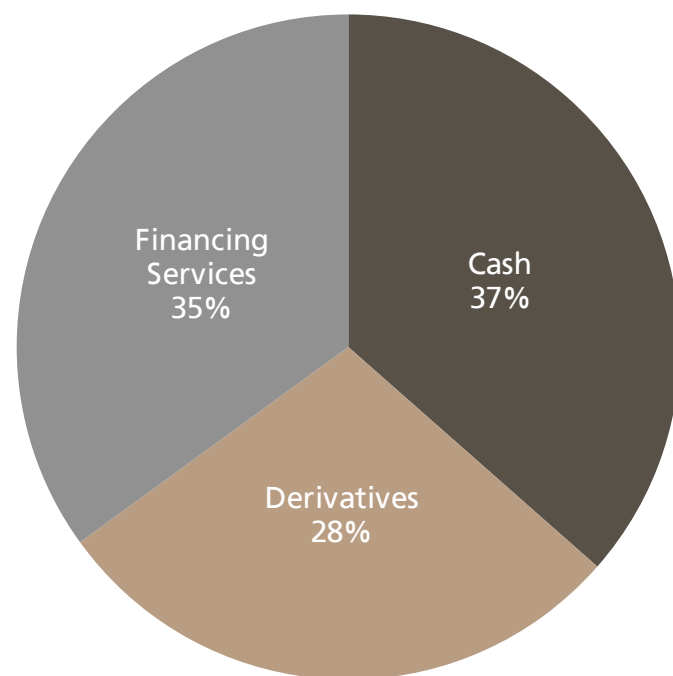
Ensure compliance with evolving global requirements, by working with regulators, investing in infrastructure and implementing best practices

Equities—A well-balanced platform

Broad capabilities across our core businesses

Equities revenue¹

reported, 1H14



Our product offering – A full-service Equities house

Cash

- Block trading
- Electronic execution
- Program trading
- Bank for banks

Derivatives

- Structured products
- Public distribution
- Global Investor Solutions
- Institutional flow
- Corporate derivatives
- Convertible bonds

Financing Services

- Prime Brokerage
- Equity Finance
 - Synthetic prime brokerage
 - Portfolio and index swaps
 - Securities lending
 - Corporate events
 - ETF trading
- Clearing & Execution

Equities—A strong partner internally

We provide many solutions for UBS's WM and AM franchises and partner with the entire IB to serve clients across all asset classes

Partnership with Wealth & Asset Management



- ✓ Global Family Office initiative
- ✓ Advisory and execution for Cash and Derivatives
- ✓ Retail structured products, incl. bespoke solutions
- ✓ Hedging and monetization for UHNW clients
- ✓ ETNs and warrants
- ✓ Securities lending
- ✓ Listed futures and options and clearinghouse access

Partnership with the rest of the Investment Bank



- ✓ Distributes primary and secondary offerings
- ✓ Prices and executes block trades
- ✓ Risk manages corporate derivatives transactions
- ✓ Distributes and monetizes Global Research
- ✓ Provides hedging services
- ✓ Creates bespoke structured products
- ✓ Develops electronic tools used for agency execution

Equities—A market-leading franchise

We are highly-ranked in each product

Cash



Cash Equities – Q1 2014¹
Leading private survey, July 2014



European Trading
Greenwich Associates, Oct. 2013



European Research & Advisory
Greenwich Associates, Oct. 2013



**Broker of the Year
Trading & Execution**
AsianInvestor, Nov. 2013



Australia Research & Sales
AsiaMoney, Nov. 2013

Derivatives



Equity Derivatives & Convertibles – 2013
Coalition League Table, March 2014



**Structured Products
House of the Year**
Global Capital, Sept. 2013



**Electronic Structured
Platform of the Year**
Global Capital, Sept. 2013



**EMEA Structured Equity
House of the Year**
IFR, Dec. 2013



**Structured Products
House of the Year – Americas**
Global Capital, May 2014

Financing Services



Best in Securities Finance
AsianInvestor, Oct. 2013



European Prime Brokerage
EuroHedge, May 2014



Overall Lender & Borrower
Global Investor / ISF, Sept. 2013



Futures & Options – 2013
Coalition League Table, March 2014



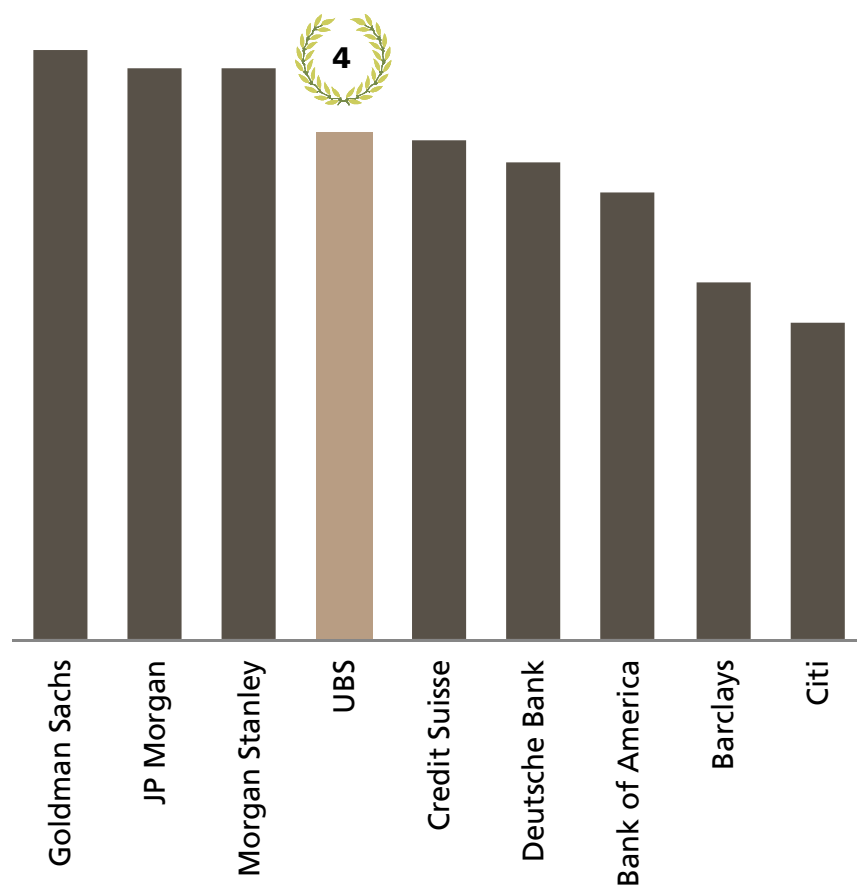
Asian Prime Brokerage
AsiaHedge, May 2014

Equities—A top-5 Equities house

We hold a strong position and captured the largest share gains in 2013

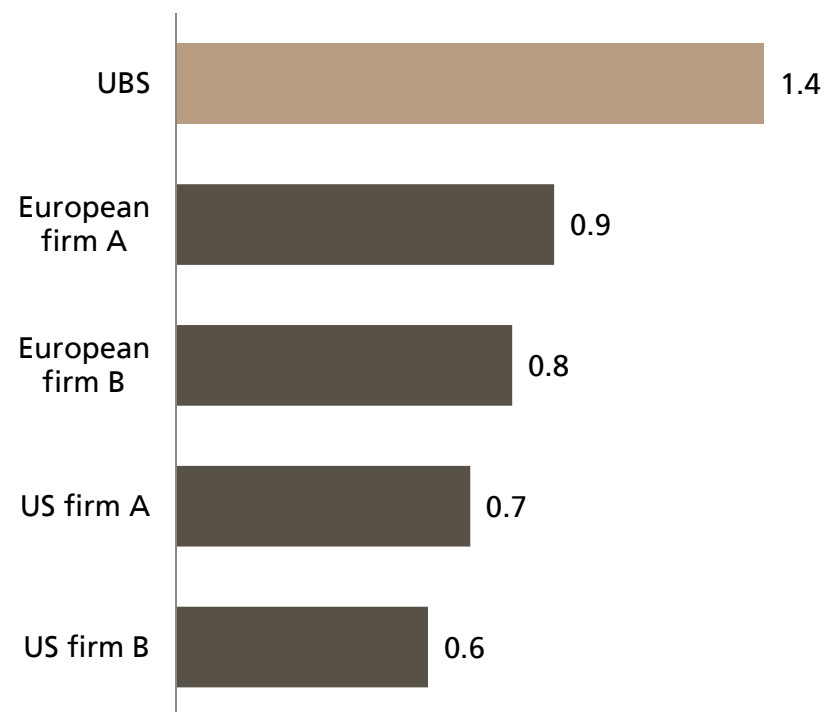
Equities revenue¹

2013



Equities market share gain²

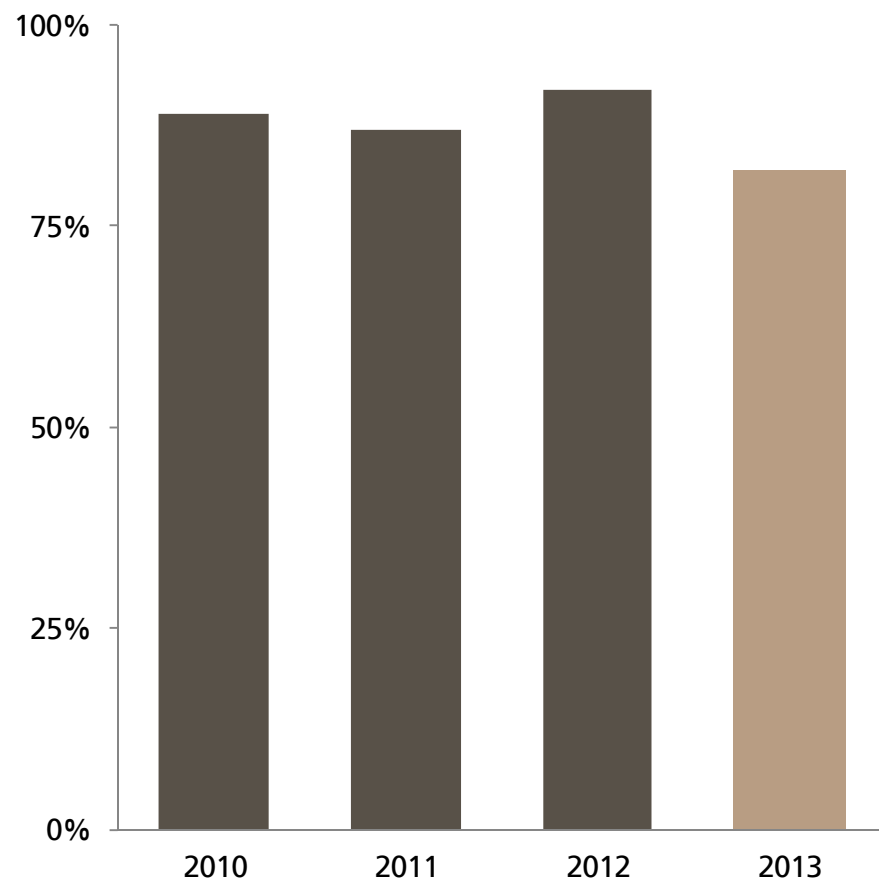
2013 vs. 2012, percentage points



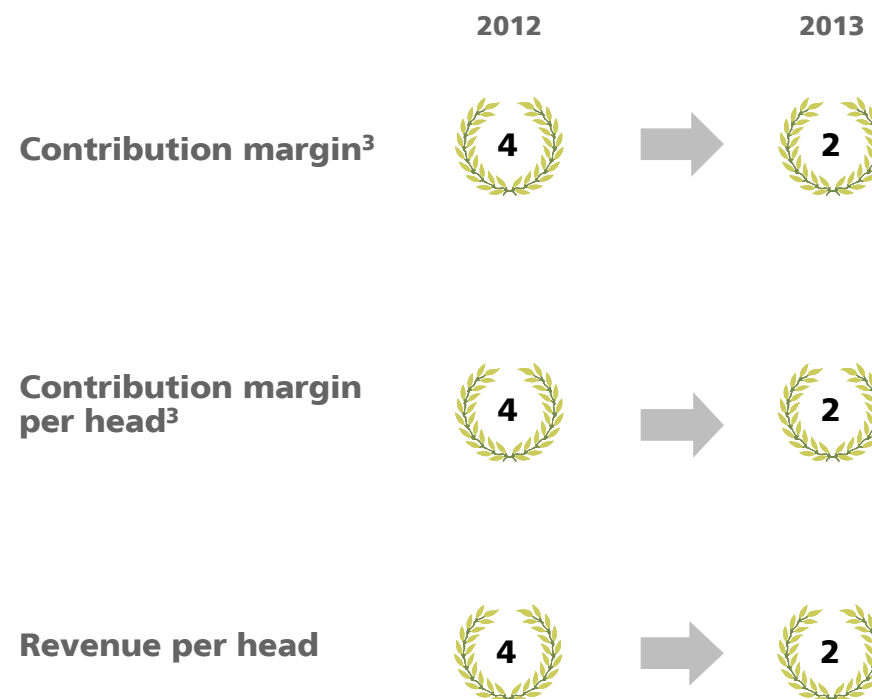
Equities—Our profitability is among the best in the industry

The industry has a high cost structure, but UBS's profitability surpasses peers

Industry cost/income ratio¹



UBS profitability rank²

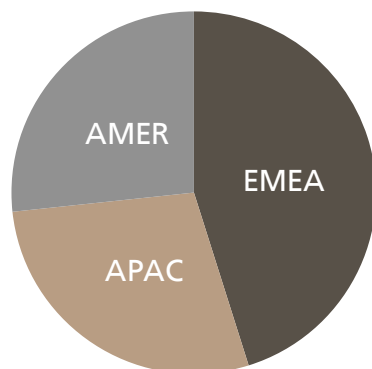


Equities—Focused on increasing profits in the Americas

Equities is profitable and growing in the region and we are committed to driving further gains

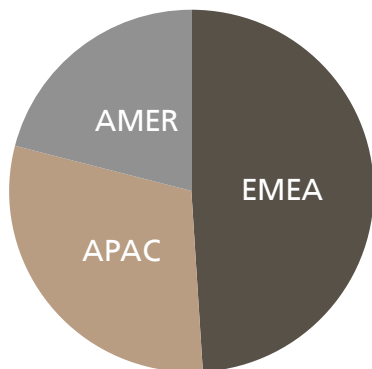
% of Equities revenue

1H14



% of Equities profit¹

1H14



Equities rank among Americas clients²

Based on underlying product traded

Australia & New Zealand



Asia, ex. Japan



Pan European



Strategic initiatives

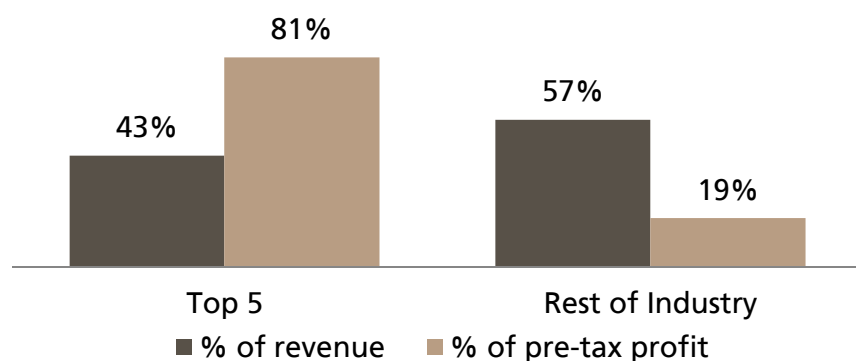
- Leverage global content into domestic clients
- Realize investments made in Global Research
- Target cross-border relationships in prime brokerage
- Continue to strengthen partnership with UBS WMA
- Increased focus on ETFs, flow derivatives & synthetics
- Opportunistically re-allocate resources to region

Equities—Competition is intense and increasing among the largest firms

The top-5 generate over 80% of industry profits, and the gap between the firms decreased by 60% in 2 years

Competitive landscape¹

revenue and pre-tax profit for top-5 as %



Revenue gap between the top 5²

USD



Competitor outlook

- Resources to be re-allocated to Equities from FICC, as competitors de-emphasize the business
- Greater focus on collaboration to drive value for clients and profitability grow revenue
- Increased investment in technology, as successful firms leverage scale and efficiency in flow products
- Robust competition for senior talent with relationships
- Pressure on balance sheet and LRD may drive peers to tighten access to financing, revisit client economics
- Firms to review Research strategy, in light of unbundling requirements in EMEA
- Expenses to remain tight, given challenging market

Equities—Clients' needs are evolving in response to the market

The demand for cross-product, global execution is growing

Increased interest in outcomes

- More demand for execution advisory input
 - Market structure
 - Transaction cost analysis
 - Alternative execution methods
- Greater appetite for ETFs, Derivatives and Synthetics

Improved coordination & consistency sought

- Execution is viewed on a cross-product, global basis
- Best practices are being implemented globally
- Favor long-term relationships and consistent coverage

Liquidity remains a primary concern

- Strong appetite for solutions-based products
 - Block trades, natural liquidity, stock-broking
- Greater interest in
 - Conditional orders, smarter IOIs¹
 - Customized block flow
- IOIs¹ and mid-cap flow are particularly valuable

Greater focus on pricing

- Tighter pricing on options, blocks and program trading
- Greater pressure on execution margins
- Clients are keen to understand the cost of facilitation

Equities—Regulatory compliance is resource-intensive and complex

Requirements are increasing across all regions

Industry regulators

- Commodity Futures Trading Commission
- Federal Reserve
- Financial Conduct Authority
- FINMA
- Financial Industry Regulatory Authority
- Internal Revenue Service
- Monetary Authority of Singapore
- Prudential Regulatory Authority
- Securities Exchange Commission
- Securities and Futures Commission

New regulations

- Basel III
- Capital Requirement Directive IV
- Dodd – Frank
- European Market Infrastructure Regulation
- Foreign Tax Compliance Act
- Independent Holding Company
- Market Access Phase 2
- Mutual Market Access
- Swap Execution Facility Rules
- Volcker Rule

Equities – Strategy

Focus	Context	Objectives
Collaboration	Many opportunities exist to deliver the firm and drive shareholder returns	<ul style="list-style-type: none">→ Expand relationship with WM, WMA and Global AM→ Broaden multi-asset solutions offered with FRC→ Closer alignment with Global Research and CCS
Client Focus	Clients needs are changing, but long-term relationships are always valued	<ul style="list-style-type: none">→ Increase focus on ETFs, alternatives and solutions products→ Create partnerships and provide superior service consistently→ Leverage global reach, share and breadth of products
Cost & Resource Discipline	Costs are material, but returns can be high for efficient firms	<ul style="list-style-type: none">→ Maintain strict control on discretionary expenses→ Ensure returns exceed hurdle rates for scarce resources→ Leverage technology and scale to drive savings
Targeted & Profitable Growth	The Americas is profitable, but we are committed to driving further gains	<ul style="list-style-type: none">→ Leverage global content into domestic clients→ Opportunistically re-allocate resources into region→ Increased focus on ETFs, Flow Derivatives and Synthetics
Compliance	Meeting new requirements is resource-intensive and complex	<ul style="list-style-type: none">→ Work with regulators and UBS's control functions→ Implement best practices globally→ Invest in infrastructure to implement required changes

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Equities – We will leverage our strengths and maintain our commitment to clients through close partnership and superior service

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 13-14 of the 2Q14 report and pages 76-77 of our 2013 annual report for an overview of adjusted numbers.

For 1H12, the adjusting items in the Investment Bank (including Non-core portfolio, as was the structure at the time) are: CHF (124) million in restructuring charges; CHF 71 million US retiree benefit plan credit; CHF 38 million Swiss pension fund credit; CHF (1,103) million own credit held in the Investment Bank; debit valuation adjustments of CHF (53) million.

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 2Q14 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 17 Currency translation" in the 2Q14 report, and "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.