



UBS Investor Update

Investment Bank

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25 October 2018



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. These factors include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA), including to counteract regulatory-driven increases, leverage ratio denominator, liquidity coverage ratio and other financial resources, and the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (ii) continuing low or negative interest rate environment, developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions on the financial position or creditworthiness of UBS’s clients and counterparties as well as on client sentiment and levels of activity; (iii) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS’s business activities; (v) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, to proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments, and the extent to which such changes will have the intended effects; (vi) uncertainty as to the extent to which the Swiss Financial Market Supervisory Authority (FINMA) will confirm limited reductions of gone concern requirements due to measures to reduce resolvability risk; (vii) the uncertainty arising from the timing and nature of the UK exit from the EU and the potential need to make changes in UBS’s legal structure and operations as a result of it; (viii) 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; (ix) changes in the standards of conduct applicable to our businesses that may result from new regulation or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (x) 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, including the potential for disqualification from certain businesses or loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA; (xi) 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; (xii) 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; (xiii) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters, including from changes to US taxation under the Tax Cuts and Jobs Act; (xiv) UBS’s ability to implement new technologies and business methods, including digital services and technologies and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xv) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xvi) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks, and systems failures; (xvii) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS’s operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xviii) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS’s ability to maintain its stated capital return objective; and (xix) 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. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. 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 2017. 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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Key messages



Committed to our unique model



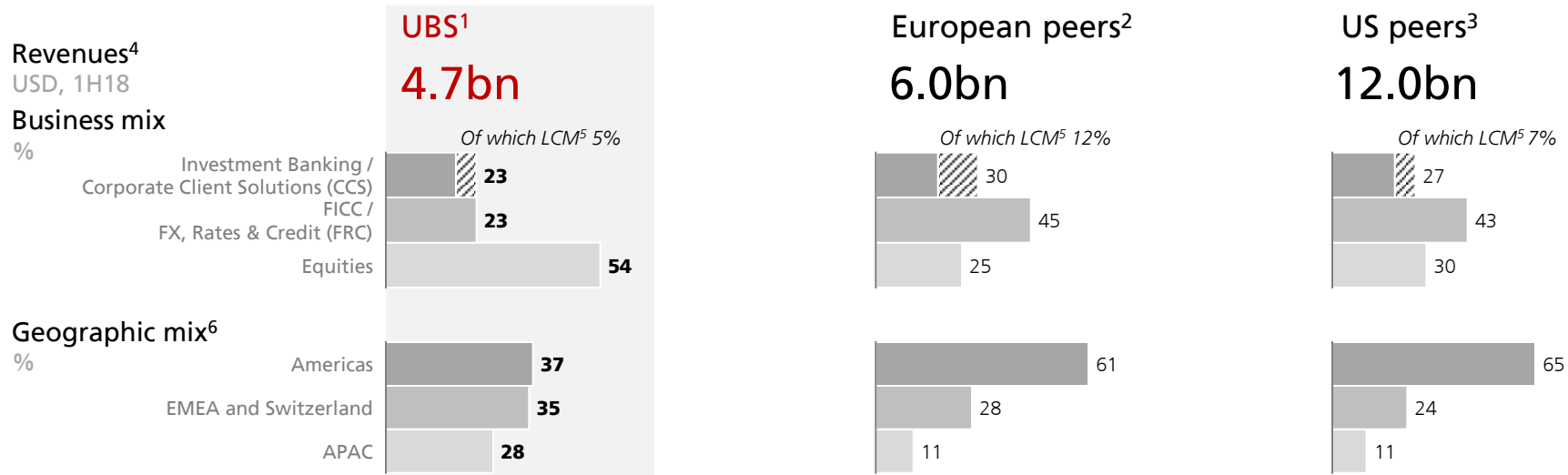
Excellent performance with institutional and corporate clients driving ability to add value across the Group



Disciplined growth in capital-light Advisory & Execution businesses, which require only limited incremental resources to grow, and accelerating digital transformation

Our mix differs to peers

Unique model and footprint drive differentiated performance



1 UBS overweight Equities and FX; a more balanced geographic mix; selective focus in Rates & Credit

2 Right size and shape for our clients and shareholders



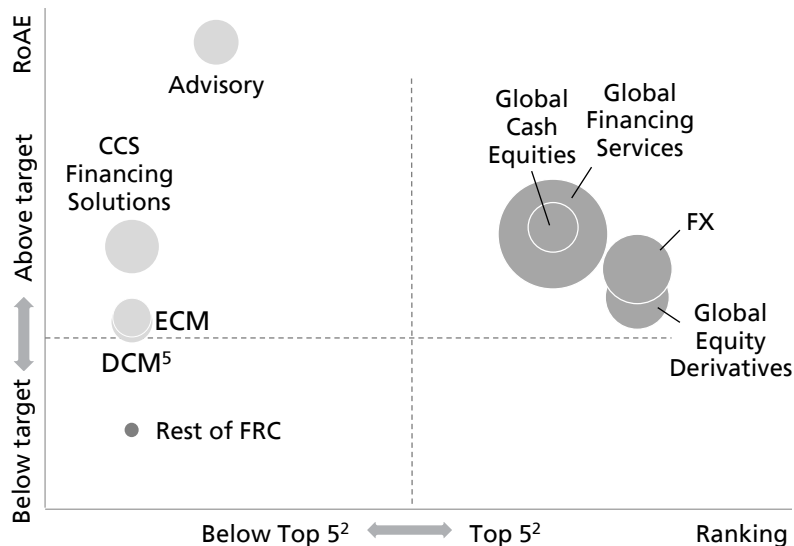
1 UBS adjusted for comparability with peers (Corporate Derivatives moved from CCS to Equities, CCS Financing Solutions moved from CCS to FRC); 2 average of CS, BARC, DB; 3 average of BAML, MS, Citi, GS, JPM; 4 Equities, Fixed Income, Investment Banking revenues before CLE in USD, not adjusted for accounting differences; 5 Leveraged Capital Markets (LCM) share vs. total revenues for peers derived from Dealogic data for peers and based on internal figures for UBS; 6 Regional financials for UBS and excludes region other, proxy for peers based on Dealogic total Investment Banking fees for 1H18

Scale and profitability in targeted areas

Scale where it matters; ~70% of businesses in Top 5^{1,2}, >90% of our portfolio delivers returns above target³

Profitability and ranking by business area

FY14-1H18⁴



Scale and excellence enable us to provide **best-in-class services** to internal and external clients



"Earn-to-Play"
Lead with intellectual capital and client relationships as opposed to balance sheet deployment

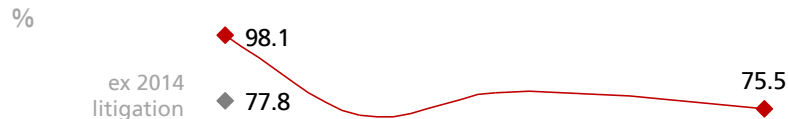
Defended or gained market share versus peers across all businesses where we choose to compete

Numbers adjusted unless otherwise indicated; refer to slide 18 for details on adjusted numbers and FX rates in this presentation. Source: Coalition, Dealogic, Euromoney, Greenwich; 1 Percentage of all businesses that can be ranked vs peers; 2 Equities and rest of FRC: Coalition; 1H18 Rank analysis is based upon the following peer group: BAML, BARC, CITI, CS, DB, GS, JPM and MS. 1H18 Rank analysis is according to UBS business taxonomy; CCS: Dealogic versus peer group; CCS Financing Solutions positioning based on UBS estimate; FX: Euromoney/Greenwich; 3 2014-1H18 as measured by revenues; 4 Bubble size indicates PBT contribution with minimum size applied for negative PBT; 5 Includes LCM

Disciplined management of resources, costs and risk

Carefully managed capital and cost efficiency

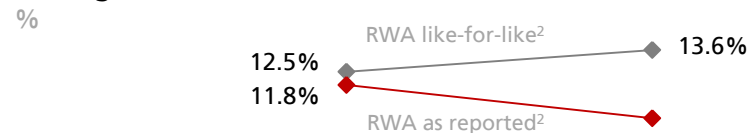
Cost/income ratio



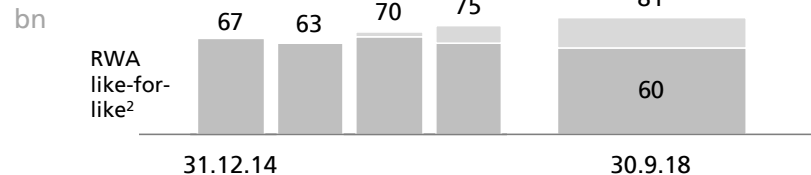
Adj. PBT



Average RoRWA¹



RWA



Strong operating leverage

- › Driving positive operating leverage by growing revenues and diligently controlling costs
- › 0.3bn cost reduction 2014 to 2017 due to relentless focus on controllable costs

Robust returns on RWA

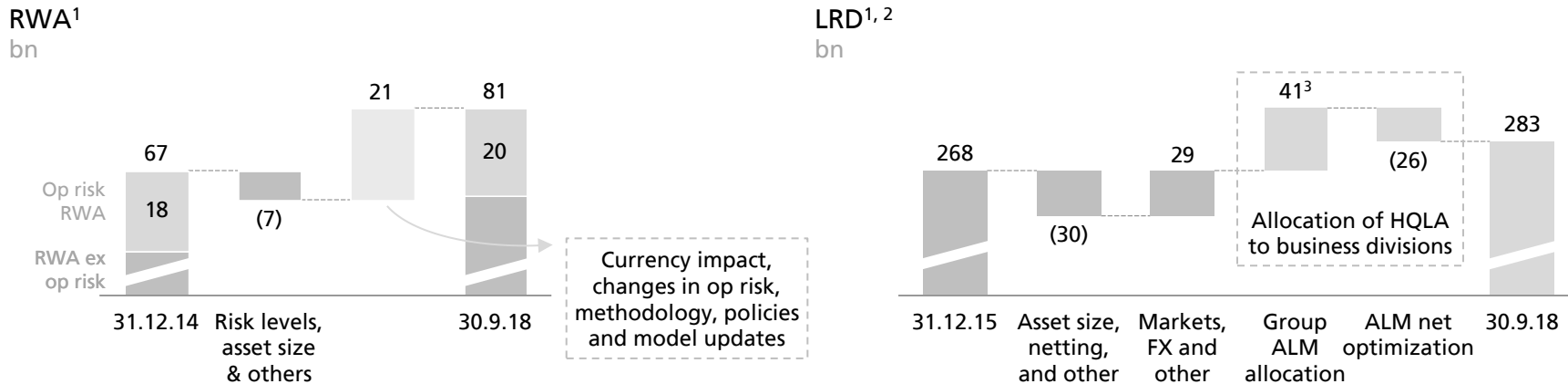
- › Best-in-class returns on an increasing denominator
- › Improved RoRWA when normalized for currency impact, changes in operational risk, methodology, policies and model updates



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 18 for details on adjusted numbers and FX rates in this presentation; period end figures for RWA; average returns over the period; 1 3Q18 LTM revenues on RWA incl. HQLA; 2 Refer to slide 6 of this presentation for more detail; like-for-like excludes currency impact, changes in operational risk, methodology, policies and model updates

Disciplined management of resources, costs and risk

We have controlled and optimized resource usage



Delivering profitable growth...

Continue to manage the levers with discipline

Cost/income ratio
%



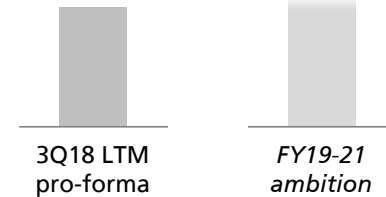
PBT
bn



Return on attributed equity



Attributed equity
bn



Efficient PBT growth

- › Gaining profitable market share
- › Deploying technology
- › Target cost/income ratio for 2019: ~78%

Aim to deliver returns above cost of equity

- › Plan to exceed cost of equity through the cycle while absorbing incremental equity allocation

RoAE target of ~15% by gaining profitable market share, controlling costs and resources

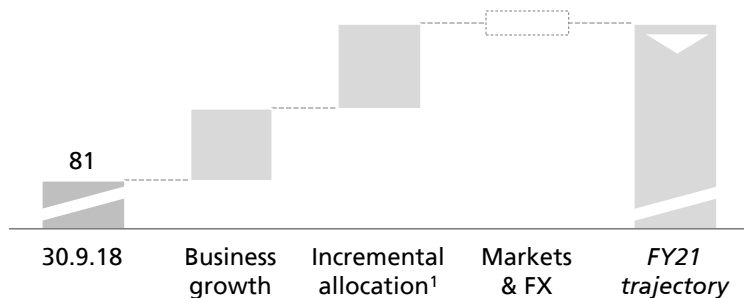


Numbers in CHF and adjusted unless otherwise indicated; refer to slide 18 for details on adjusted numbers and FX rates in this presentation; average figures for attributed equity; average returns over the period

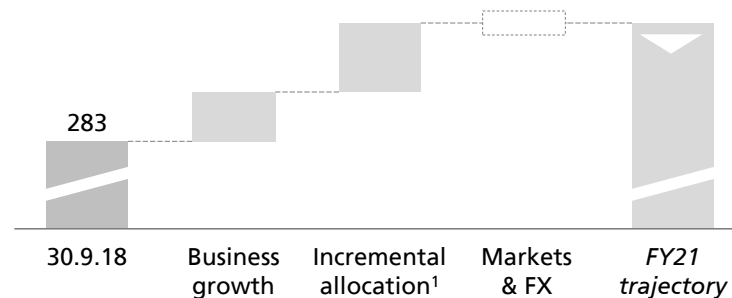
..within a defined resource allocation framework

We will continue to control and optimize resource usage

RWA¹
bn



LRD¹
bn



RWA expected to grow

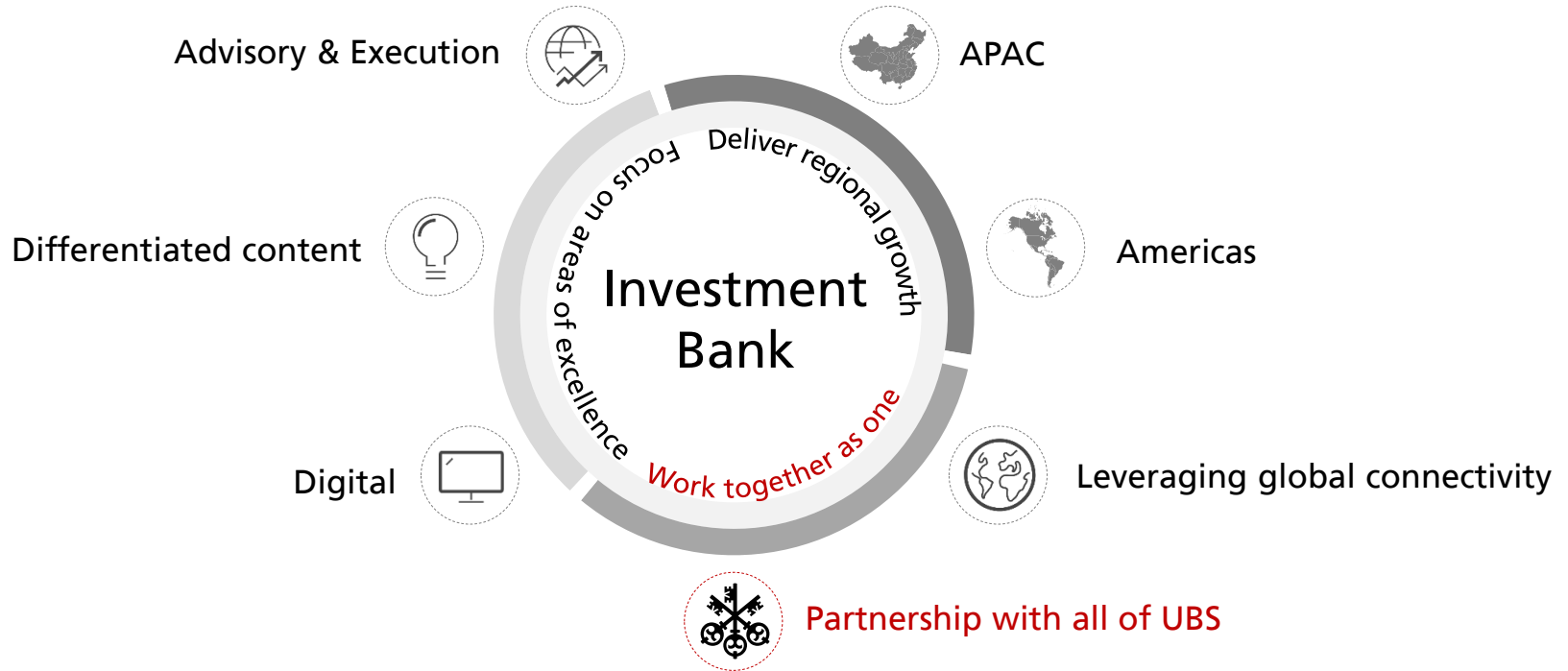
- › Driven by disciplined business growth
- › Limited incremental increase from items previously held centrally of ~7bn

LRD expected to grow

- › Driven by disciplined business growth
- › Incremental increase from items previously held centrally of ~28bn

Retain expectation of around 1/3 of Group resources

Our strategic priorities and growth drivers



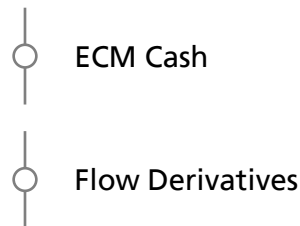
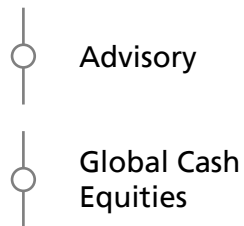
Growth plan requires limited incremental resources

Focus on Advisory & Execution businesses, which do not require significant balance sheet to grow

2014-1H18 average



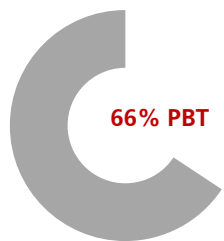

Advisory &
Execution



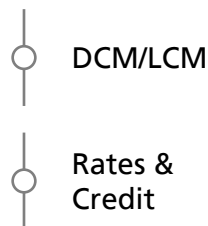
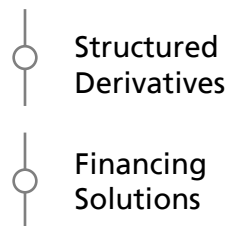
Ambition



Ambition of higher overall
PBT on broadly constant
share of attributed equity




Financing &
Structured Derivatives



Taking market share profitably by delivering excellence...

Disciplined growth initiatives for each product to achieve our ambitions



Advisory & Execution

Deepen selected CCS industry verticals and geographies to benefit from cross-regional network effects

Increase senior-level client interactions and develop talent

Invest to remain a top global liquidity provider for our clients

Benefit from investments in electronic execution and MiFID II preparation



Differentiated content

Top **Institutional Investor** ranked **Global Equity Research**

Further **develop** Evidence Lab: Data-driven research

Superior market intelligence to clients through **Knowledge Network** in FRC, **One Source** in Equities

Provide seamless consistent client service across ICS through our distinct, innovative coverage model

Ambitions

CCS¹

Grow Advisory top line

Become Top 5 ECM globally

ICS²

Equities **top global liquidity provider** and **profitability focused leadership**

FRC³ selective leadership, maintaining a top-3 position in FX; **returns exceeding cost of equity**

Research

Profitable, Self-standing

Remain **leading** provider globally

...propelled by continued innovation in Digital

We have a strong track record of excellence in electronic execution, UBS Research and UBS Neo

Equities Electronic Trading

Long tradition of excellence - our first VWAP algorithm developed in 1997

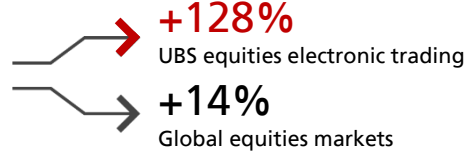


Sellside electronic execution department of the year¹



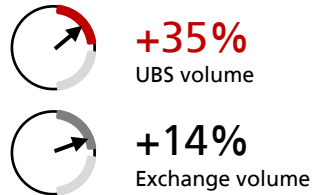
>80 Trading systems
>200 Offered algos

Equities trading turnover August 2018 vs. January 2014²



UBS has grown faster than the market

eFX spot volumes 9M18 YoY³



eFX

Best bank algorithmic trading technology provider⁴



#3 globally⁵



Ultra-low latency pricing and hedging
>700 currency pairs
Machine learning smart order routing

UBS NEO

Multi-channel platform with 30+ awards



63+
Applications available



3.1m
Transactions YTD



880k
Client interactions YTD



1 Trading & Technology Awards Europe 2018, Financial News; 2 UBS, CBOE Global Markets, Bloomberg, World Bank, 2018 (proxy given no electronic trading available for total market); 3 UBS electronic FX Spot volumes vs monthly average daily volumes of four lit FX Spot markets (Reuters, EBS, CBOE FX and Fastmatch); 4 FX Week; 5 Euromoney FX survey 2018: Electronic Trading

Build a Digital Investment Bank

Launched IB Innovation Lab and defined clear objectives for each business

Businesses' digital transformation



ICS

AI combined with electronic execution to target the right clients

Data-driven and technology-enabled salesforce

Data Solutions delivering UBS data via the Cloud



CCS

Leverage technology to offer differentiated advice



Research

Strategic moat through Evidence Lab



Digital Footprint Analysis



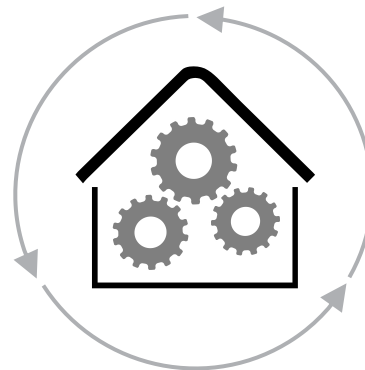
Quantitative Market Research



Geospatial Analysis



Data Science

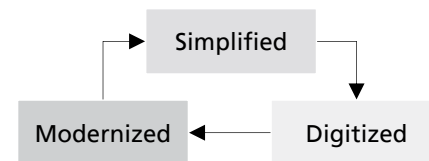


IB Innovation Lab



Idea incubator
Proof-of-Concept enabler

Backbone for the future
**One Front-to-Back team,
united by a common goal**
of excellence and ownership



Deliver regional growth and work together globally

Capitalise on core competency of global reach



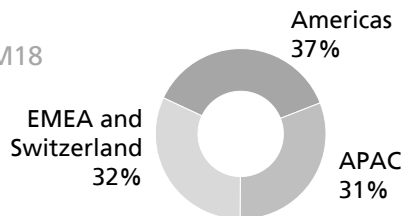
APAC

CCS: Further strengthen China
onshore and offshore capabilities

Equities: Retain #1¹; capitalize on China internationalization and leverage leading position in Australia

FRC: Maintain top 3 position² in FX
with product enhancements, improved analytics and hedging models

PBT³
FY14-9M18



Leverage global connectivity

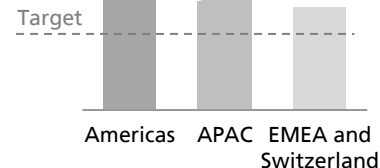
Deliver the global product to each region

Focus on **cross-border M&A and IPOs**

Retain leading position in EMEA and Switzerland by delivering our global distribution capabilities and product expertise

RoAE³

FY14-9M18



Americas

Grow ECM & Advisory: focus on increasing wallet share and achieving house bank status with key franchise clients

Grow Cash and Flow Derivatives by leveraging global Equities franchise

Gain profitable share in Credit Flow by capitalizing on recent investments in people and technology



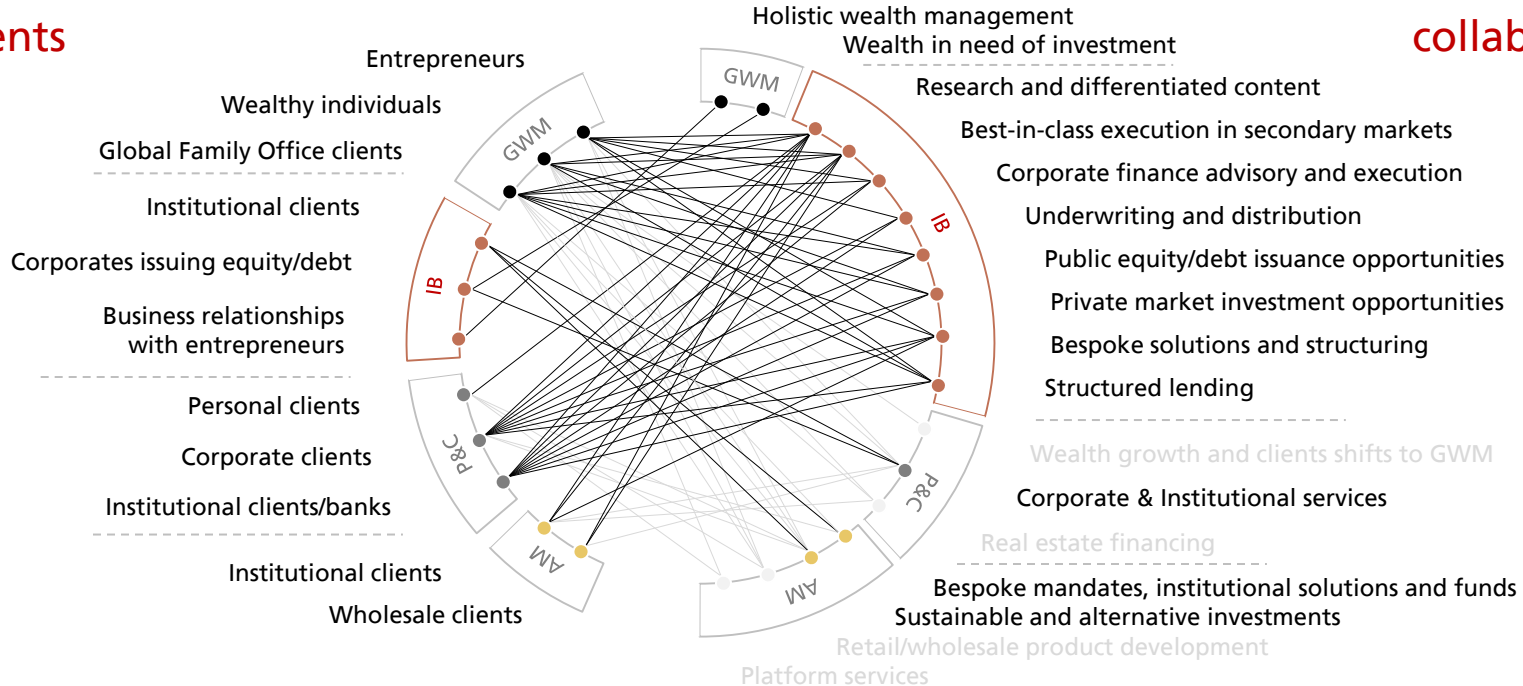
Numbers in CHF and adjusted unless otherwise indicated; refer to slide 18 for details on adjusted numbers and FX rates in this presentation;
1 Coalition. 1H18 Rank analysis according to UBS business taxonomy based on BAML, BARC, CITI, CS, DB, GS, JPM and MS; 2 Greenwich survey 2018, APAC includes Japan; 3 Excludes region other

Working in partnership

Delivering the whole firm to our clients

Our clients

Areas of collaboration



List is not exhaustive

Financial targets

		Current performance		Annual targets		Ambitions	Capital/resource guidelines
		3Q18 LTM	Pro-forma ¹	FY19	FY19-21	FY21	FY19-21
Group	Reported return on CET1 capital	13.7% ²		~15%		~17%	
	Adjusted cost/income ratio	77.5%		~77%		~72%	
	CET1 capital ratio	13.5% ³					~13%
	CET1 leverage ratio	3.80% ³					~3.7%
Global Wealth Management	Adjusted pre-tax profit growth	5%			10-15% ⁴		
	Adjusted cost/income ratio	76.5%	✓	~75%		~70%	
	Net new money growth	2%			2-4%		
Personal & Corporate Banking	Adjusted pre-tax profit growth	(2%)			3-5% ⁴		
	Adjusted cost/income ratio	59.4%	✓	~59%		~56%	
	Net interest margin	152	✓		145-155bps		
Asset Management	Adjusted pre-tax profit growth	(10%) ⁵			~10% ⁴		
	Adjusted cost/income ratio	75.1%	✓	~72%		~68%	
	Net new money growth (excl. money markets)	6%			3-5%		
Investment Bank	Adjusted return on attributed equity	13.6%	✓		~15% ^{4,6}		
	Adjusted cost/income ratio	77.3%	✓	~78%		~75%	
	RWA and LRD in relation to Group	32%/32%					~1/3



Numbers in CHF unless otherwise indicated; refer to slide 18 for details on adjusted numbers, Basel III numbers and FX rates in this presentation;
 1 Pro-forma adjusted for announced Corporate Center allocation changes; 2 Adjusted for the impact from the US tax reform in 4Q17; 3 As of 30.9.18;
 4 Over the cycle; 5 Normalized for the sale of our fund administration business in 4Q17; 6 Repositioned from a minimum return to a performance target

Key messages



Committed to our unique model



Excellent performance with institutional and corporate clients driving ability to add value across the Group



Disciplined growth in capital-light Advisory & Execution businesses, which require only limited incremental resources to grow, and accelerating digital transformation

Important information related to this presentation

Use of adjusted numbers

Adjusted results are a non-GAAP financial measure as defined by SEC regulations. Refer to pages 9-11 of the 3Q18 report which is available in the section "Quarterly reporting" at www.ubs.com/investors for an overview of adjusted numbers.

If applicable for a given adjusted KPI (i.e., adjusted return on tangible equity), adjustment items are calculated on an after-tax basis by applying an indicative tax rate. Refer to page 18 of the 3Q18 report for more information.

Basel III RWA, LRD and capital

Basel III numbers are based on the BIS Basel III framework, as applicable for Swiss Systemically relevant banks (SRB). Numbers in the presentation are based on the revised Swiss SRB rules as of 1.1.20 that became effective on 1.7.16, unless otherwise stated.

Basel III risk-weighted assets in this presentation are calculated on the basis of Swiss SRB rules as of 1.1.20 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 Swiss SRB rules as of 1.1.20, unless otherwise stated. Refer to the "Capital management" section in the 3Q18 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.

Rounding

Numbers presented throughout this presentation may not add up precisely to the totals provided in the tables and text. Starting in 2018, percentages, absolute and percent changes, and adjusted results are calculated on the basis of unrounded figures, with the exception of movement information provided in text that can be derived from figures displayed in the tables, which is calculated on a rounded basis. For prior periods, these values are calculated on the basis of rounded figures displayed in the tables and text.

Tables

Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Percentage changes are presented as a mathematical calculation of the change between periods.

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