



Morgan Stanley European Financials Conference 2019

Sergio P. Ermotti
Group Chief Executive Officer

March 20, 2019



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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 4Q18 report for more information. Currency translation Monthly income statement items of operations with a functional currency other than the US dollar are translated with month-end rates into US dollar.

Definitions: “Litigation” refers to net additions/releases to provisions for litigation regulatory and similar matters reflected in the income statement for the relevant period.
“Net profit” refers to net profit attributable to shareholders.

Rounding: Numbers presented throughout this presentation may not add up precisely to the totals provided in the tables and text. Percentages, percent changes, and adjusted results are calculated on the basis of unrounded figures. Information on absolute changes between reporting periods, which is provided in text that can be derived from figures displayed in the tables, is calculated on a rounded basis.

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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Uniquely positioned with leading franchise

Working in partnership to grow and deliver attractive returns



Global Wealth Management

Preeminent global wealth manager to high net worth and ultra high net worth clients



Personal & Corporate Banking

Cornerstone of Swiss universal bank; #1 in an attractive market



Asset Management

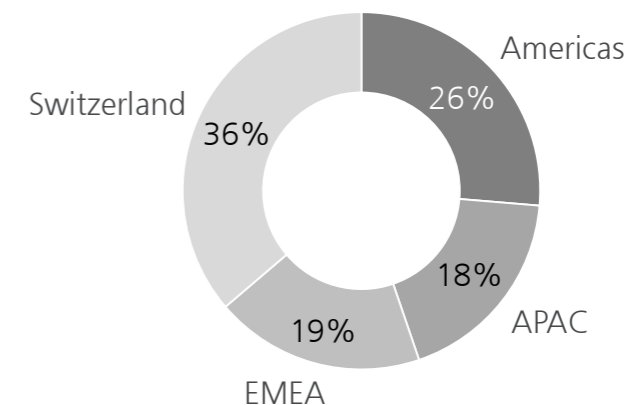
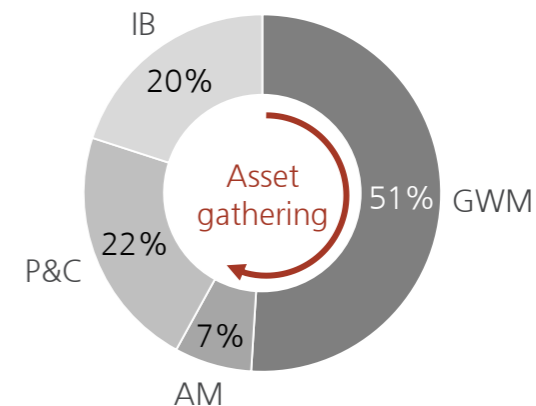
~800bn invested assets and well positioned in key growth areas



Investment Bank

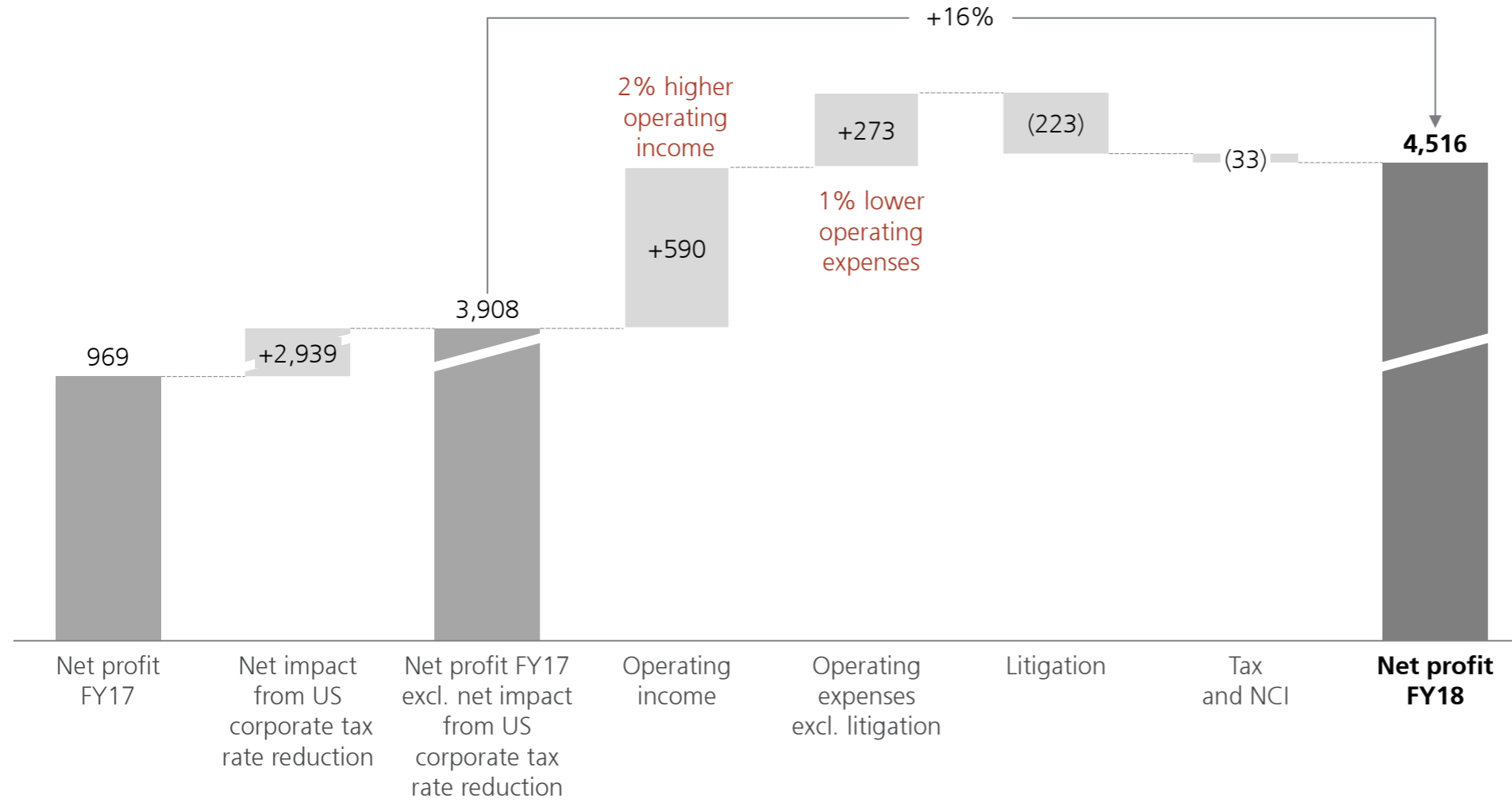
Top-5 globally in areas of focus; capital-light model with attractive risk-adjusted returns

Cumulative PBT contribution¹
2014-2018



Strong FY18 results

Diversified business model delivered strong profit growth



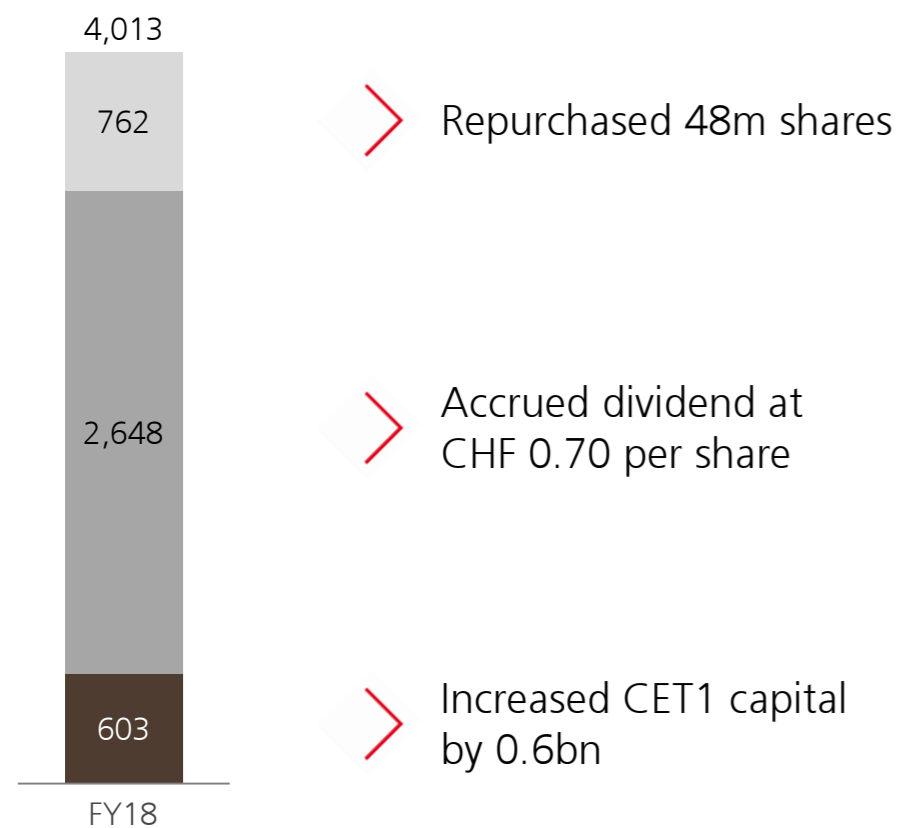
12.9%
adj. RoTE excl. DTAs

13.1%
reported RoCET1

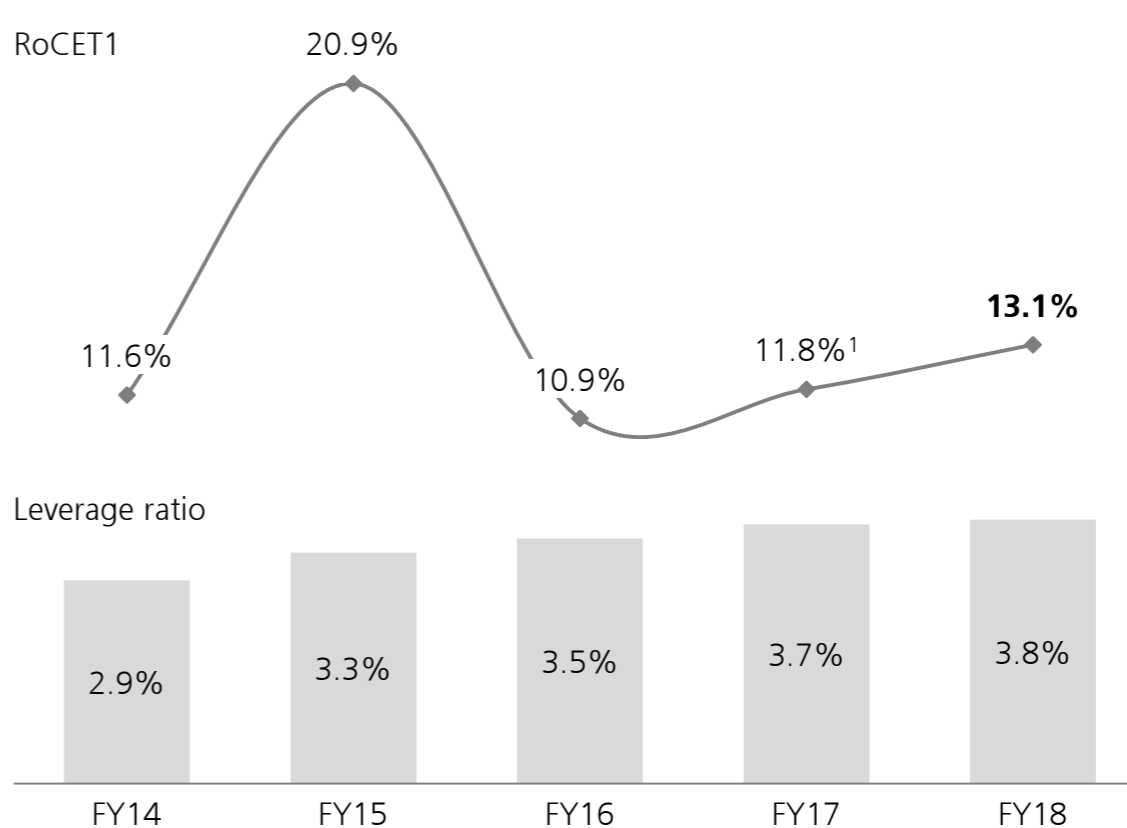
FY18 capital generation of 4bn

Highly capital-generative business model

Strong capital generation

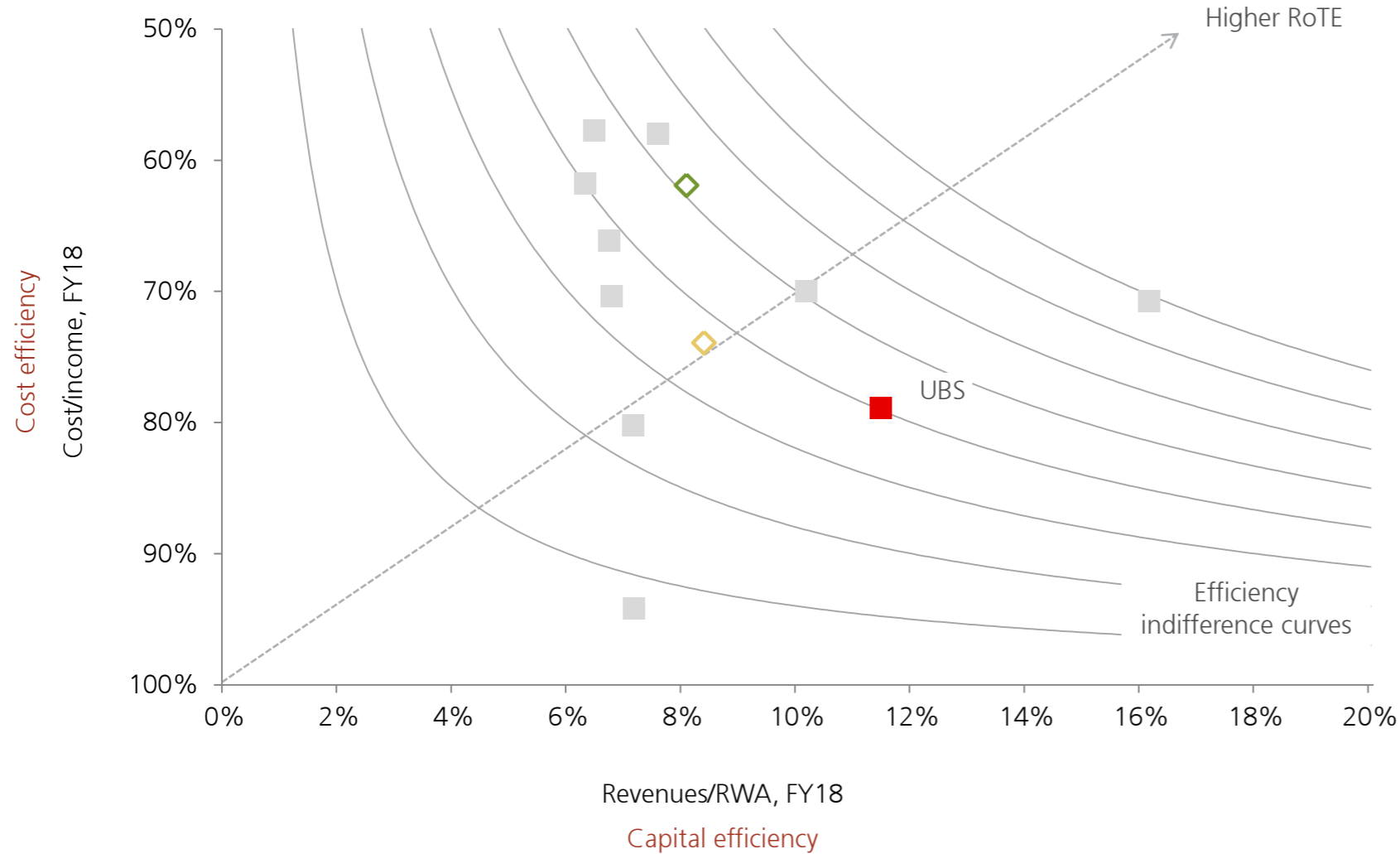


Return on CET1 and leverage ratio



Balancing revenue, cost and capital efficiency

Focused on sustainable performance



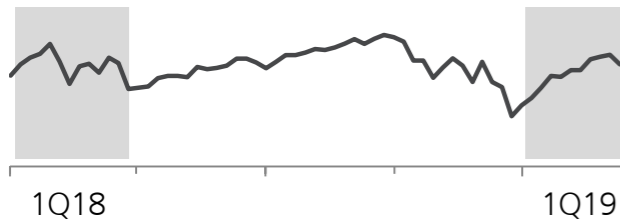
Business mix and geographic footprint drive comparatively high capital efficiency and structurally higher cost/income ratio

- Peers¹
- ◇ Avg. European peers
- ◇ Avg. US peers

Market beta factor development

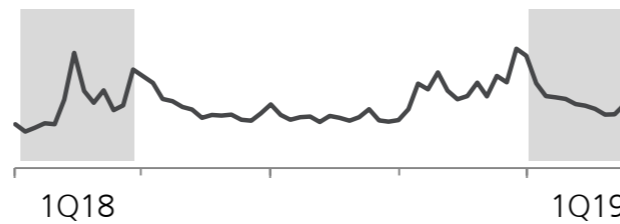
Equity indices

United States – S&P 500



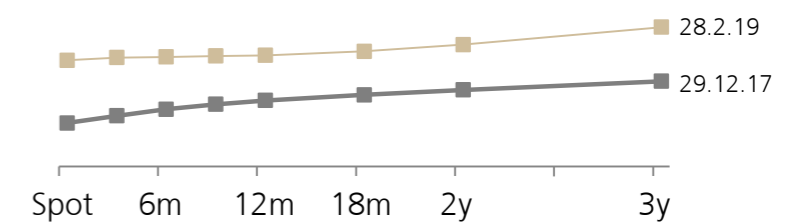
Volatility

VIX

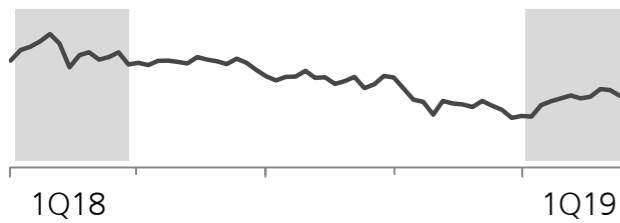


Interest rates

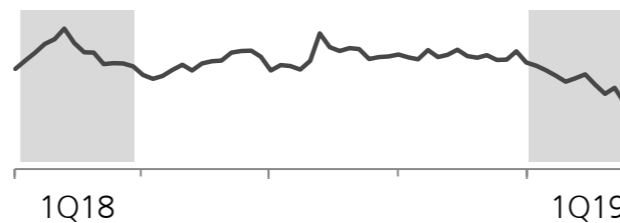
5y USD



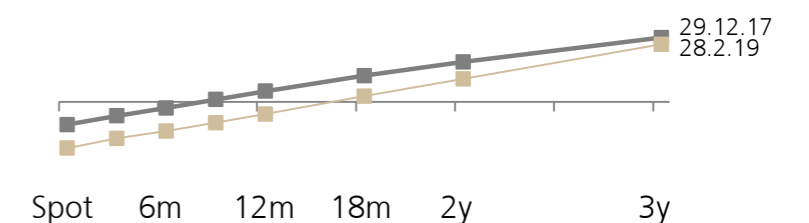
APAC – MSCI Asia Pacific



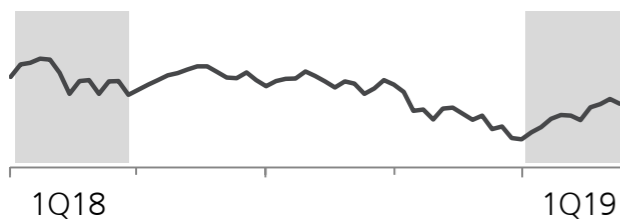
EURUSD



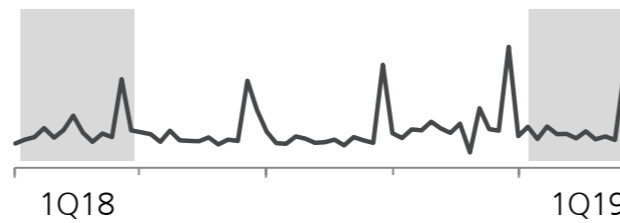
5y CHF



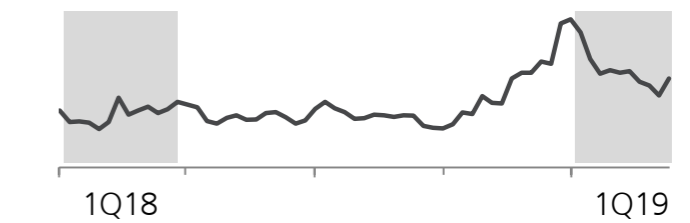
Europe – Eurostoxx



Volumes, S&P 500



US High Yield spread



1Q19 business environment

Client sentiment and transaction volumes remain muted



Global Wealth Management



Personal & Corporate Banking



Asset Management



Investment Bank

α
Alpha



Clients



Markets

- › Continuous cost discipline
- › Disciplined resource deployment

- › Client sentiment
- › Client activity levels

- › Market levels
- › Volatility

Incremental measures to lower cost and improve capital efficiency in 2019

Tactical cost actions and further optimization of our balance sheet

Tactical measures to deliver at least 300m additional cost savings in 2019 vs. our original FY19 plan

Examples

Pace tech investment without compromising growth opportunities and strategy

Slow down hiring and pace re-hiring

Reduce contractor spending, consulting costs and T&E

LRD optimization opportunities of ~20bn by end-2019

Examples

Optimizing intraday liquidity management leveraging technology

Improving asset and liability balance at legal entity level

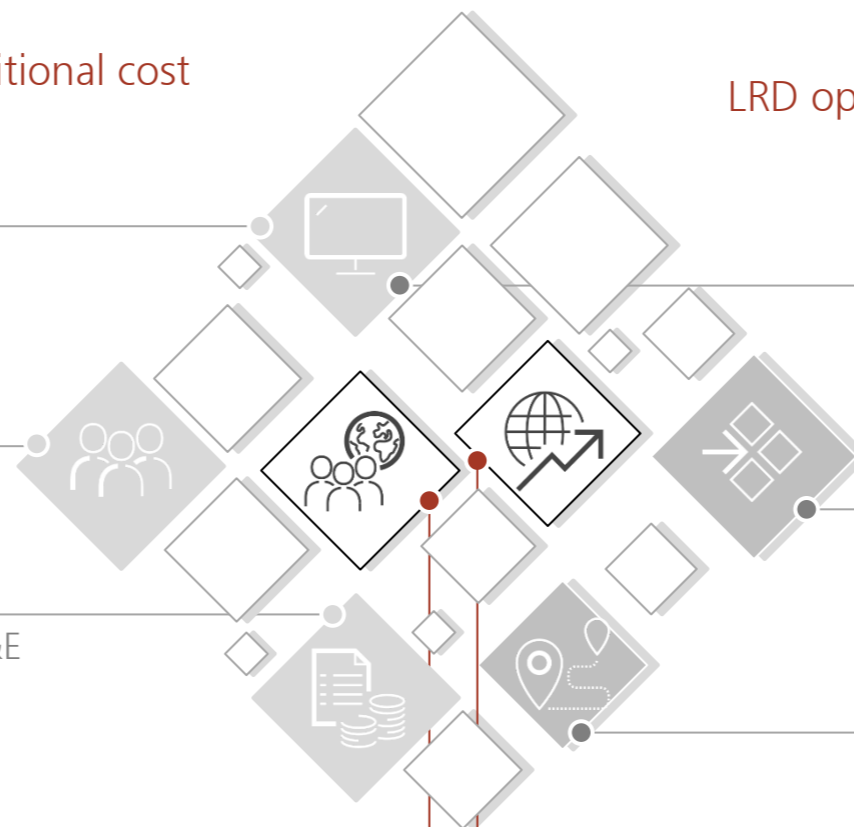
Improving forecasting of financial resource consumption

+ Beta factors leading to lower personnel costs directly linked to revenues

+ Muted client activity and client risk appetite contain LRD growth

Maintain capacity to grow our GWM business

Continued discipline in IB capital consumption



Executing on our alpha plans

Committed to our strategic growth agenda

Global Wealth Management



- › Mandate penetration
- › Lending and deposits
- › Net new money
- › US GFO and UHNW

Personal & Corporate Banking



- › Expand digital lead
- › Extend product offering

Asset Management



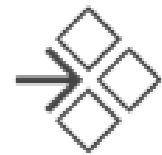
- › Wholesale & platform
- › Investment solutions
- › Sustainable investing
- › China
- › Indexed

Investment Bank



- › Advisory & execution
- › APAC and Americas
- › Digital innovation
- › Differentiated content

Corporate Center



- › Footprint optimization
- › Insourcing
- › Advance technology

Key messages



Strong FY18 results

Secular trends intact despite challenging environment in 1Q19

Continued improvement in cost management and capital optimization

Executing with discipline to deliver sustainable growth
and attractive capital returns

Appendix

Performance targets and ambitions 2019 – 2021

		Annual targets			Ambitions	Capital/resource guidelines
		FY18	FY19	FY19-21	FY21	FY19-21
Group	Reported return on CET1 capital	13.1%	~15%		~17%	
	Adjusted cost/income ratio	79.5%	~77%		~72%	
	CET1 capital ratio	12.9%				~13%
	CET1 leverage ratio	3.8%				~3.7%
Global Wealth Management	Adjusted pre-tax profit growth	(12.1%)		10-15% ¹		
	Adjusted cost/income ratio	79.9%	~75%		~70%	
	Net new money growth	1%		2-4%		
Personal & Corporate Banking (CHF)	Adjusted pre-tax profit growth	(8.8%)		3-5% ¹		
	Adjusted cost/income ratio	61.1%	~59%		~56%	
	Net interest margin	153		145-155bps		
Asset Management	Adjusted pre-tax profit growth ²	(0.8%)		~10% ¹		
	Adjusted cost/income ratio	74.0%	~72%		~68%	
	Net new money growth (excl. money markets)	3%		3-5%		
Investment Bank	Adjusted return on attributed equity	12.9%		~15% ^{1,3}		
	Adjusted cost/income ratio	78.8%	~78%		~75%	
	RWA and LRD in relation to Group	35%/1%				~1B



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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) and leverage ratio denominator (LRD), including to counteract regulatory-driven increases, 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) the continuing low or negative interest rate environment in Switzerland and other jurisdictions, 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, the European Union 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, 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) UBS’s ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (vii) the uncertainty arising from the timing and nature of the UK exit from the EU; (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, potentially large fines or monetary penalties, or the 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 as well as the amount of capital available for return to shareholders; (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; (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; (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. 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