



# Morgan Stanley European Financials Conference 2018

Sergio P. Ermotti  
Group Chief Executive Officer

March 22, 2018



# Cautionary statement regarding forward-looking statements

This presentations 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, including changes in legal structure and reporting required to implement US enhanced prudential standards, 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.

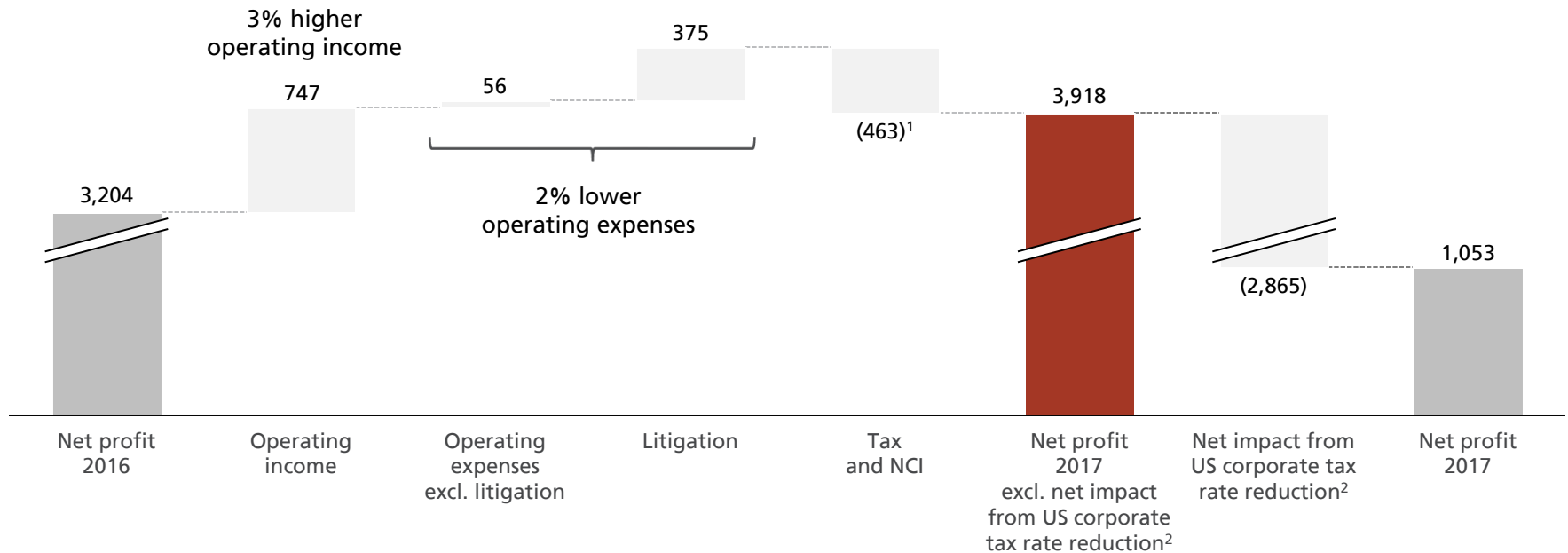
**Disclaimer:** This presentation and the information contained herein are provided solely for information purposes, and are not to be construed as a solicitation of an offer to buy or sell any securities or other financial instruments in Switzerland, the United States or any other jurisdiction. No investment decision relating to securities of or relating to UBS Group AG, UBS AG or their affiliates should be made on the basis of this document. Refer to UBS’s Annual Report on Form 20-F for the year ended 31 December 2017. No representation or warranty is made or implied concerning, and UBS assumes no responsibility for, the accuracy, completeness, reliability or comparability of the information contained herein relating to third parties, which is based solely on publicly available information. UBS undertakes no obligation to update the information contained herein.

© UBS 2018. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved



# Delivered positive operating leverage in 2017

Net profit up 22% excluding net DTA write-down

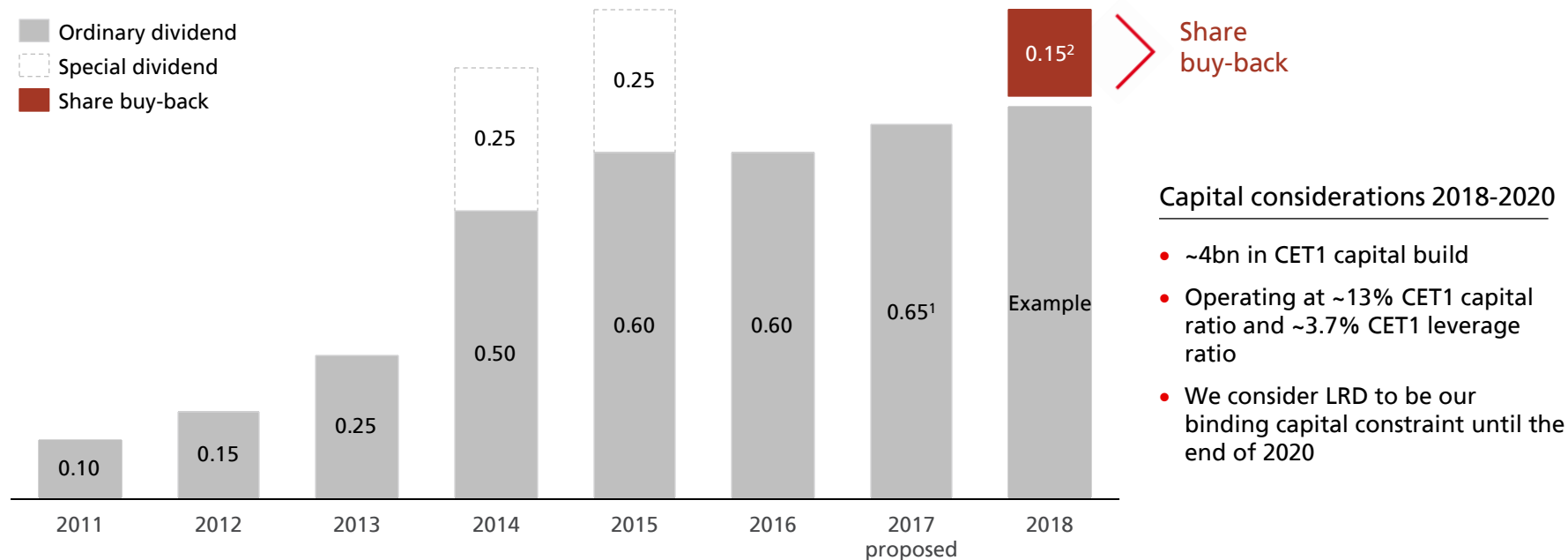


Numbers in CHFm unless otherwise indicated; refer to slide 9 for details on adjusted numbers, Basel III numbers and FX rates in this presentation

<sup>1</sup> Of which +6m due to profits attributed to non-controlling interests; <sup>2</sup> Net DTA write-down due to the enactment of the Tax Cuts and Jobs Act (TCJA) in 4Q17

# Attractive capital returns policy

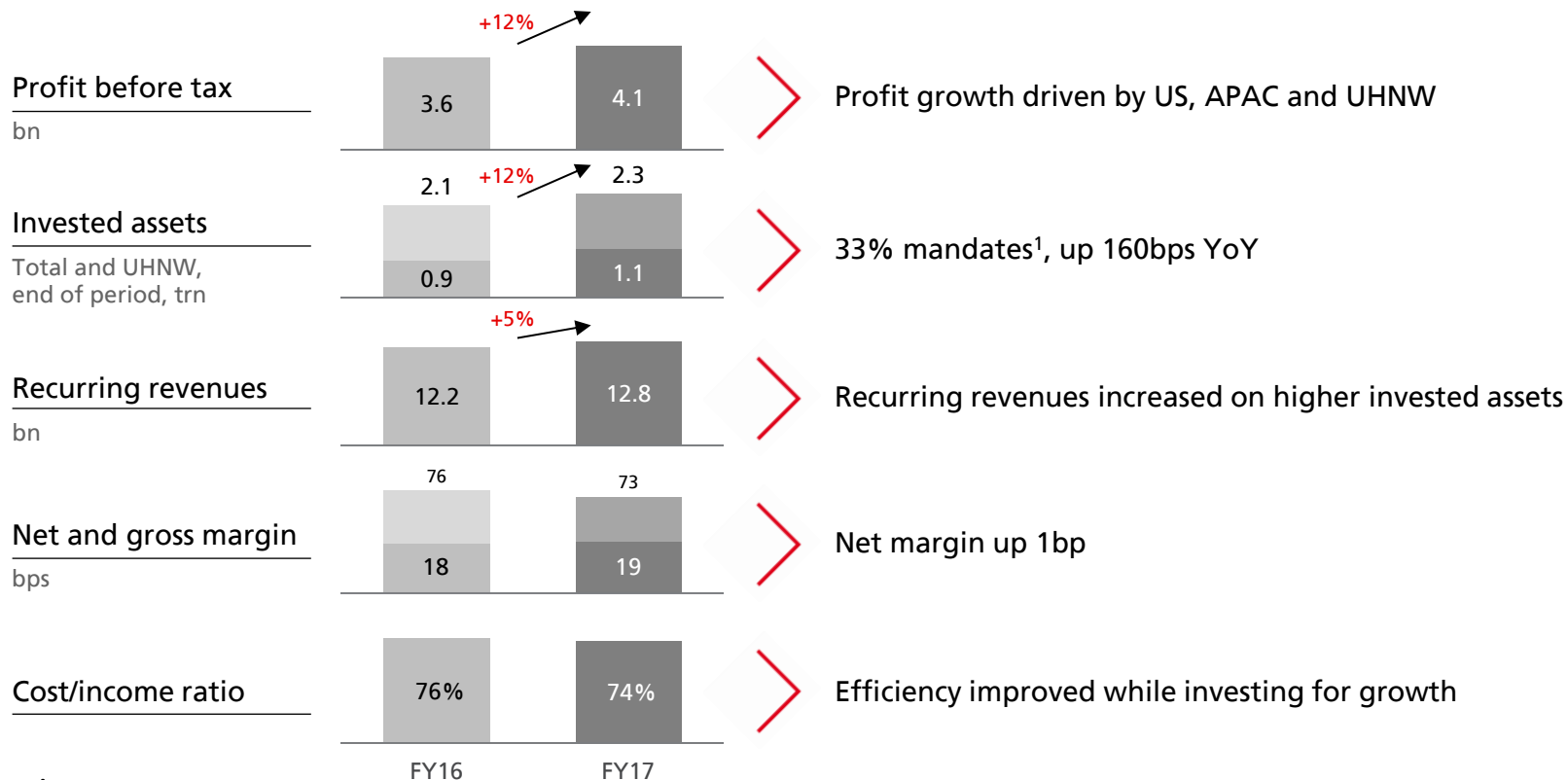
Initiating 3-year buy-back program of up to CHF 2bn, targeting up to CHF 550m in 2018



Numbers in CHF unless otherwise indicated. Refer to slide 9 for details on Basel III numbers and FX rates in this presentation

<sup>1</sup> Subject to shareholder approval, dividends will be paid out of capital contribution reserves for the foreseeable future. Dividends paid out of capital contribution reserves are not subject to the deduction of Swiss withholding tax. For US federal income tax purposes, we expect that dividends will be paid out of current or accumulated profits. Expected key dates for the dividend for FY17: AGM 3.5.18, ex-dividend date 7.5.18, record date 8.5.18, payment date 9.5.18; <sup>2</sup> Implied per share value of CHF 550m divided by 3,721m shares outstanding on 31.12.17

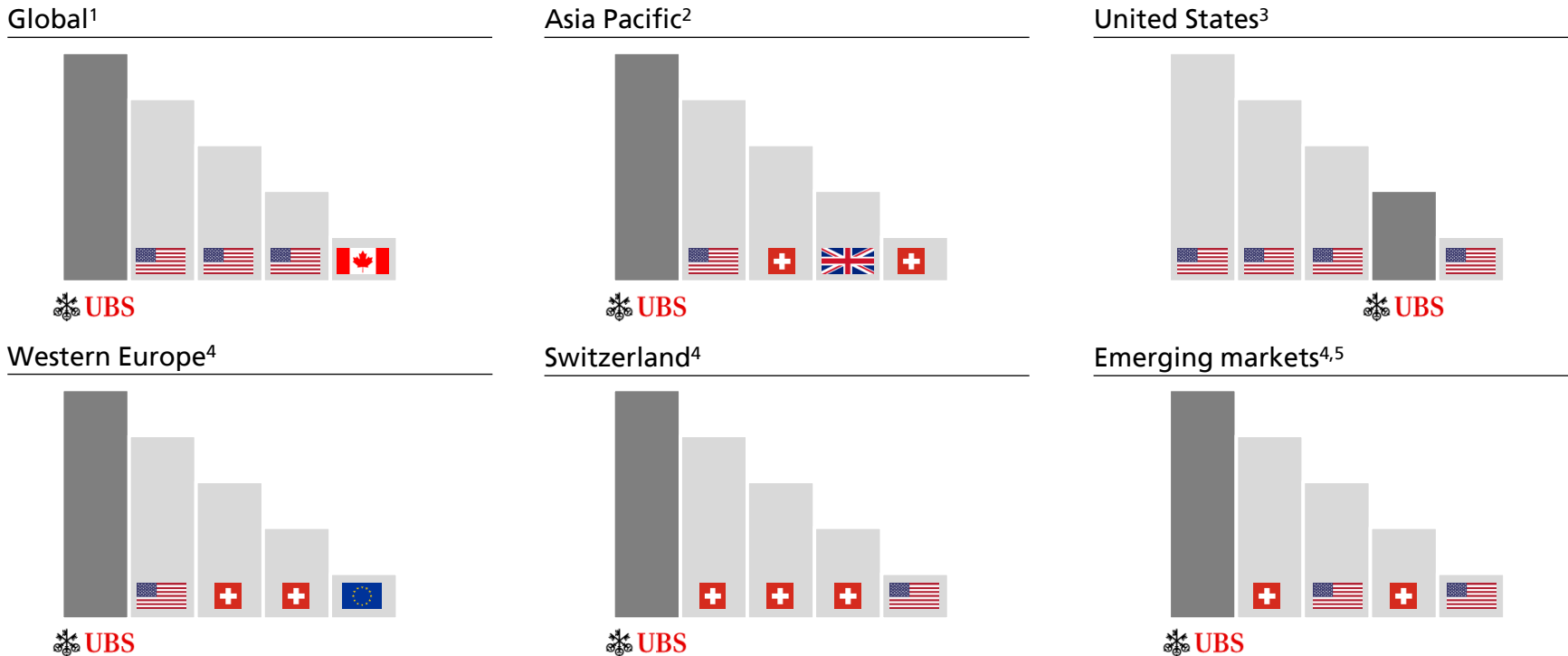
# Global Wealth Management – strong performance



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 9 for details on adjusted numbers, Basel III numbers and FX rates in this presentation  
<sup>1</sup> Mandate and managed account penetration

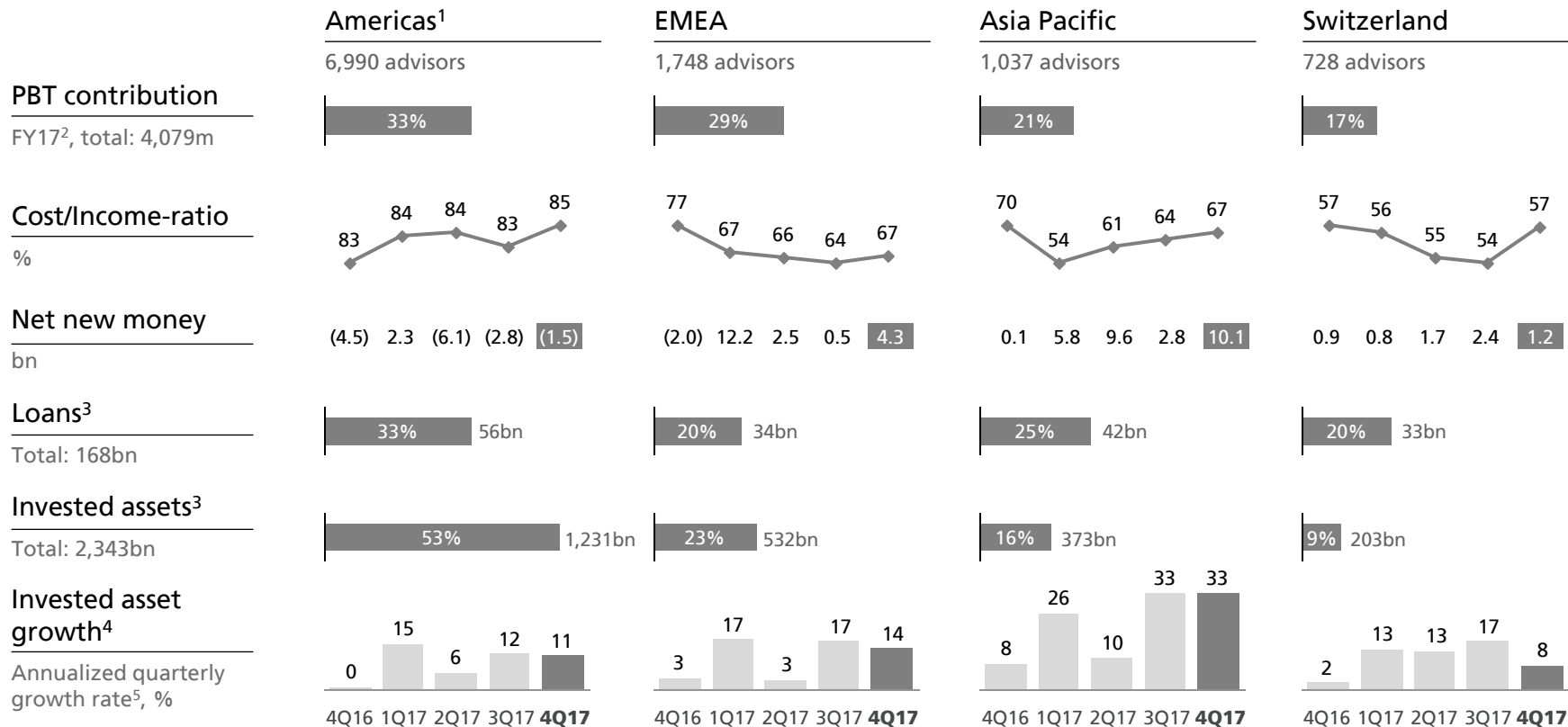
# Global Wealth Management – geographic footprint

UBS is the only bank with leading positions across all regions



1 Scorpio Partnership Global Private Banking Benchmark 2017, by invested assets; 2 Asian Private Banker FY16 league table, by invested assets; 3 Cerulli U.S. Broker/Dealer Market Place 2017, by invested assets; 4 Euromoney 2017 private banking survey, regional results; 5 Average ranking between Africa, CEE, LatAm and Middle East

# Global Wealth Management – 2017 regional performance



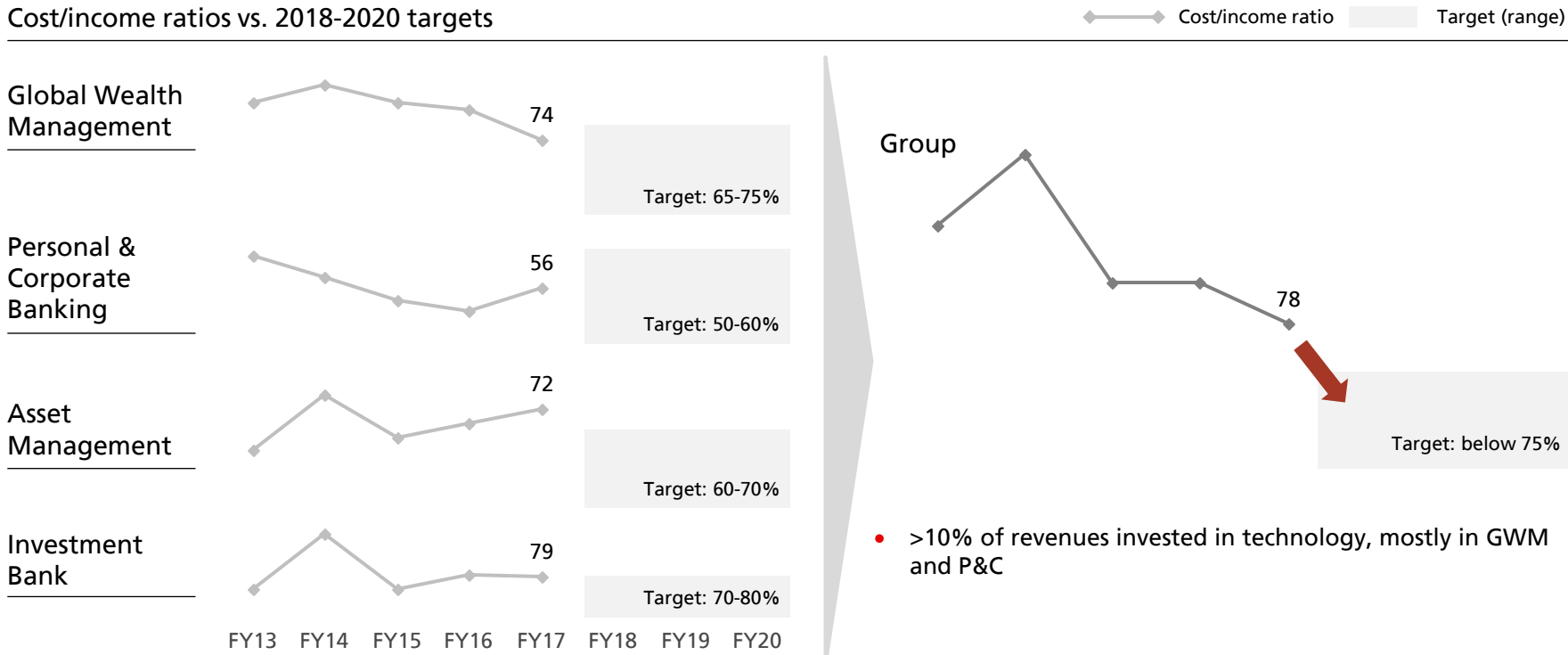
Numbers in CHF and adjusted unless otherwise indicated; refer to slide 9 for details on adjusted numbers, Basel III numbers and FX rates in this presentation

1 Represents former WMA and former WM Latin America business; 2 Percentage of Global WM; 3 As of 31.12.17; 4 In USD for Americas; 5 Excluding one-off acquisitions and disposals >1bn

# Improving efficiency 2018-2020

Positioned for growth and operating leverage; balancing cost and capital efficiency

Cost/income ratios vs. 2018-2020 targets



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 9 for details on adjusted numbers, Basel III numbers and FX rates in this presentation

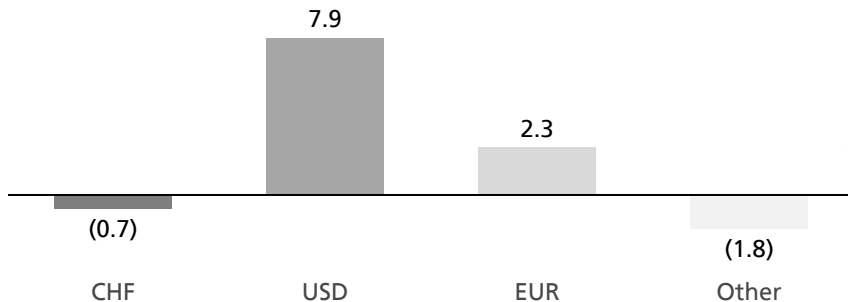


# USD-based reporting

Potential to reduce FX-induced volatility of earnings and capital ratios

## Earnings contribution

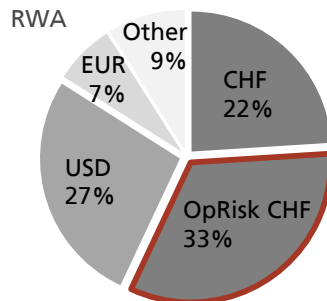
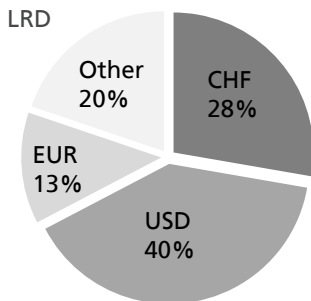
FY18 PBT per 29.1.18 consensus<sup>1</sup>, CHFbn



> Profits significantly geared towards USD

## Balance sheet composition

31.12.17



> Operational risk RWAs would be re-denominated into USD if the Group currency changes to USD



Adjusted numbers unless otherwise indicated; refer to slide 9 for details on adjusted numbers, Basel III numbers and FX rates in this presentation

<sup>1</sup> Operating income and expenses per 29.1.18 consensus, adjusted, excluding litigation; currency mix for operating income and expenses as per slide 33 of the 4Q17 results presentation



Sergio P. Ermotti  
Group Chief Executive Officer

March 22, 2018



# Important information related to this presentation

---

## **Use of adjusted numbers**

Unless otherwise indicated, “adjusted” figures exclude the adjustment items on pages 60-61 of the Annual Report 2017 which is available in the section “Annual reporting” at [www.ubs.com/investors](http://www.ubs.com/investors)., to the extent applicable, on a Group and business division level. Adjusted results are a non-GAAP financial measure as defined by SEC regulations.

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 68 of the Annual Report 2017 for more information.

## **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). Numbers in the presentation are based on the revised Swiss SRB framework that became effective on 1 July 2016, unless otherwise stated.

Basel III risk-weighted assets in this 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 rules, unless otherwise stated. Refer to the “Capital management” section in the Annual Report 2017 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. 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.

## **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.

© UBS 2018. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

