



UBS Investor Update

Improving efficiency and enabling business growth

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Group COO

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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. 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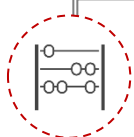
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Key messages



Significant cost reductions in Corporate Center – Services were reinvested in technology and regulatory initiatives



Corporate Center – Services reported costs expected to decline by ~800m by 2021



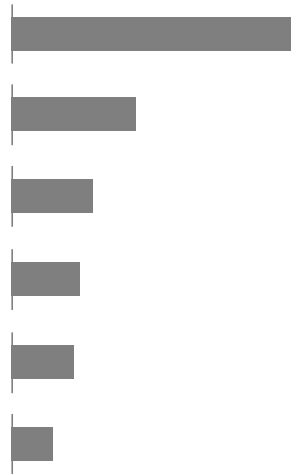
Technology spend will be maintained at current levels with a focus on advanced technology to enable business growth and innovation and create further efficiencies

Corporate Center – Services in context of the Group

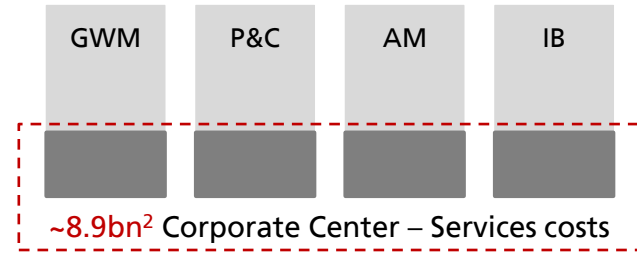
CC – Services function



Cost split by function



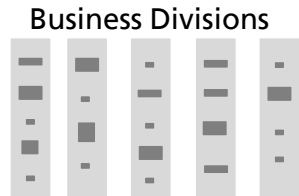
CC – Services allocations to business divisions



- > Services provided to all business divisions making up ~1/3 of Group costs
- > Costs are **allocated** out and reported in each business division's P&L³
- > CC – Services cost reduction of ~800m⁴ by 2021 contributes to targeted Group and divisional **cost/income ratio improvements**

Corporate Center – Services operating model evolution

From stand-alone...
Up to 2009

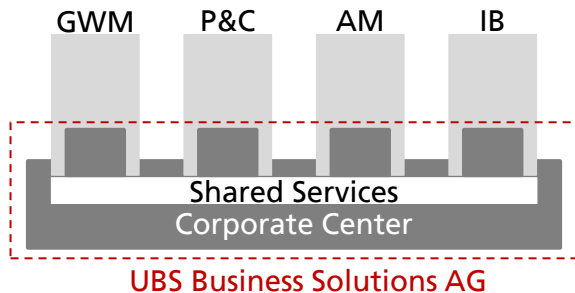


...to a centralized model...
2010-2017



- › **Cost efficiency** and **service excellence**
Standardization and elimination of system redundancies
- › **Improved risk management**
Comprehensive front-to-back control framework
- › **Recovery** and **resolution planning**
Optimized, fully resolvable legal entity structure

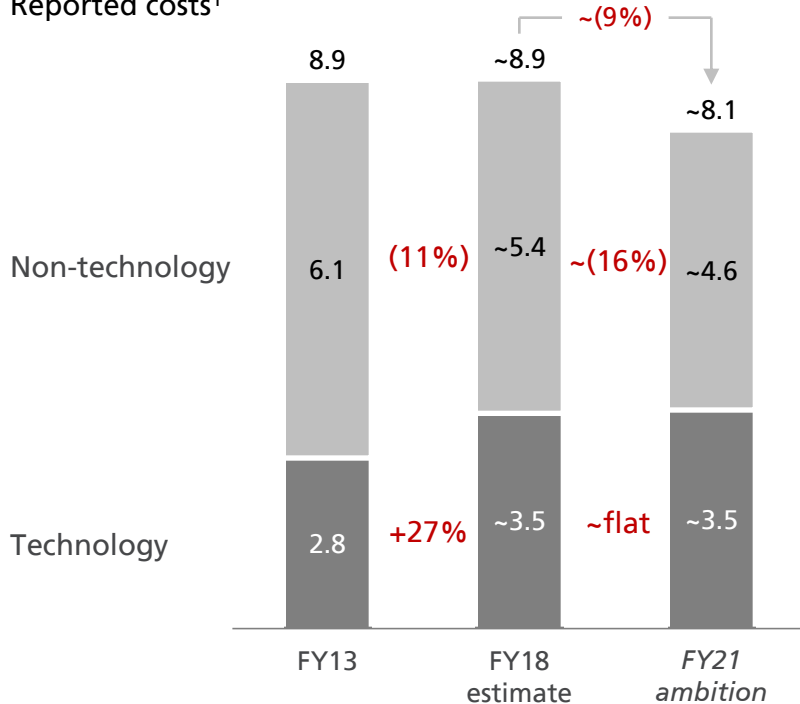
...to a business-division aligned model
Starting 2018



- › **Business-aligned cost ownership**
Business divisions own costs and investments for aligned areas¹
- › **Continued cost synergies**
Corporate Center continues to drive cost synergies in shared services
- › **Joint development**
Co-located teams working with business experts

Corporate Center – Services costs and outlook

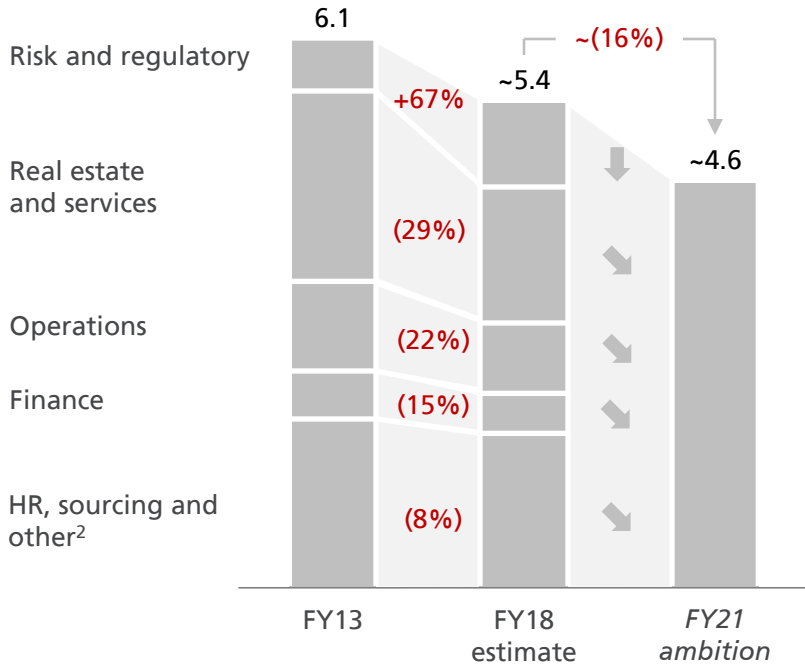
Reported costs¹



- › **Cost reductions** achieved 2013-18 were reinvested in technology and regulatory initiatives
- › Cost to reduce by **~800m** by 2021, driven by **~16% decline** in non-technology spend and lower restructuring
- › Technology costs expected to remain stable, with **investments** shifting from regulatory to strategic business initiatives with a strong focus on **innovation**

Reduction of non-technology costs

Reported costs¹



- › Nearly all Corporate Center – Services functions contributed to **non-technology cost reductions** from 2013-2018
- › Cost savings were partly offset by a substantial increase in **risk and regulatory expenses**
- › Overall non-technology cost to decline by **~800m** through continued, disciplined cost management, as well as reduced restructuring and regulatory expenses

Further key levers to deliver cost savings

Ambition

Footprint optimization

- › Continued shift from high-cost to **low-cost** locations
- › Real-time occupancy measurement optimizing **space utilization**
- › **Consolidation** of third party vendor locations from 35 to 9 by 2020

Sourcing and vendor management

- › Smart **insourcing** of external activities in low-cost locations
- › Targeting to have **~50% fewer vendors** in 2020 vs. 2013
- › Strict **demand management** and procurement execution

Deep-dive

Advanced technology

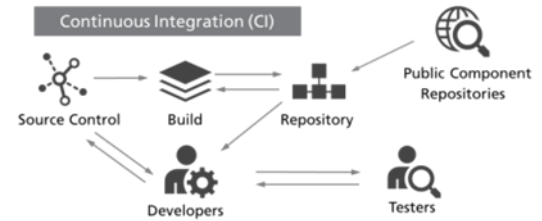
- › Seamless **front-to-back digitization** of client journeys
- › **Cloud** and **IT core** enhancements
- › **Automation** from robotics to cognitive
- › **Utilities** partnerships to mutualize infrastructure spend

8 Solution Centers Near-/offshoring sites



Headcount

Thousands	3Q17	Change	3Q18	Direction
Total	~49	(1)	~48	↓
Externals	~24	(5)	~19	↓
Internals	~25	+4	~29	↑



Front-to-back digitization snapshots: visit our booths

Technology priorities



Ultimate client experience



Superior product excellence and distribution



Secure platform and efficient processes

	GWM	P&C	AM	IB	CC				
	New client digital experience <ul style="list-style-type: none">› Holistic, engaging client approach to wealth planning		Digital Business <ul style="list-style-type: none">› Combined digital offers via self-service channel		UBS Partner <ul style="list-style-type: none">› Platform for 3rd party banks/ financial providers		Evidence Lab <ul style="list-style-type: none">› Big-data driven research platform		eDiscovery with Recommend <ul style="list-style-type: none">› End-to-end platform for technology and services
	WM Platform <ul style="list-style-type: none">› All major GWM locations excl. US on new platform		We.trade <ul style="list-style-type: none">› Interoperable Trade Finance platform		Unify <ul style="list-style-type: none">› Globally integrated model leveraging capabilities/ services		FX Re-platforming <ul style="list-style-type: none">› Simplify and standardize IT processes/ interfaces		Video-based recruiting <ul style="list-style-type: none">› Automated process based on candidate videos

Accelerate cloud and IT core enhancements

Accelerate cloud

Shift from ~2/3 data center to ~1/3 data center, ~1/3 private cloud and ~1/3 public cloud by 2022



Developer toolchains

Reduce by >90% strategic toolchains for ~1/2 of our applications by 2021

Application decommissioning

Reduce number of applications by >15% by 2021



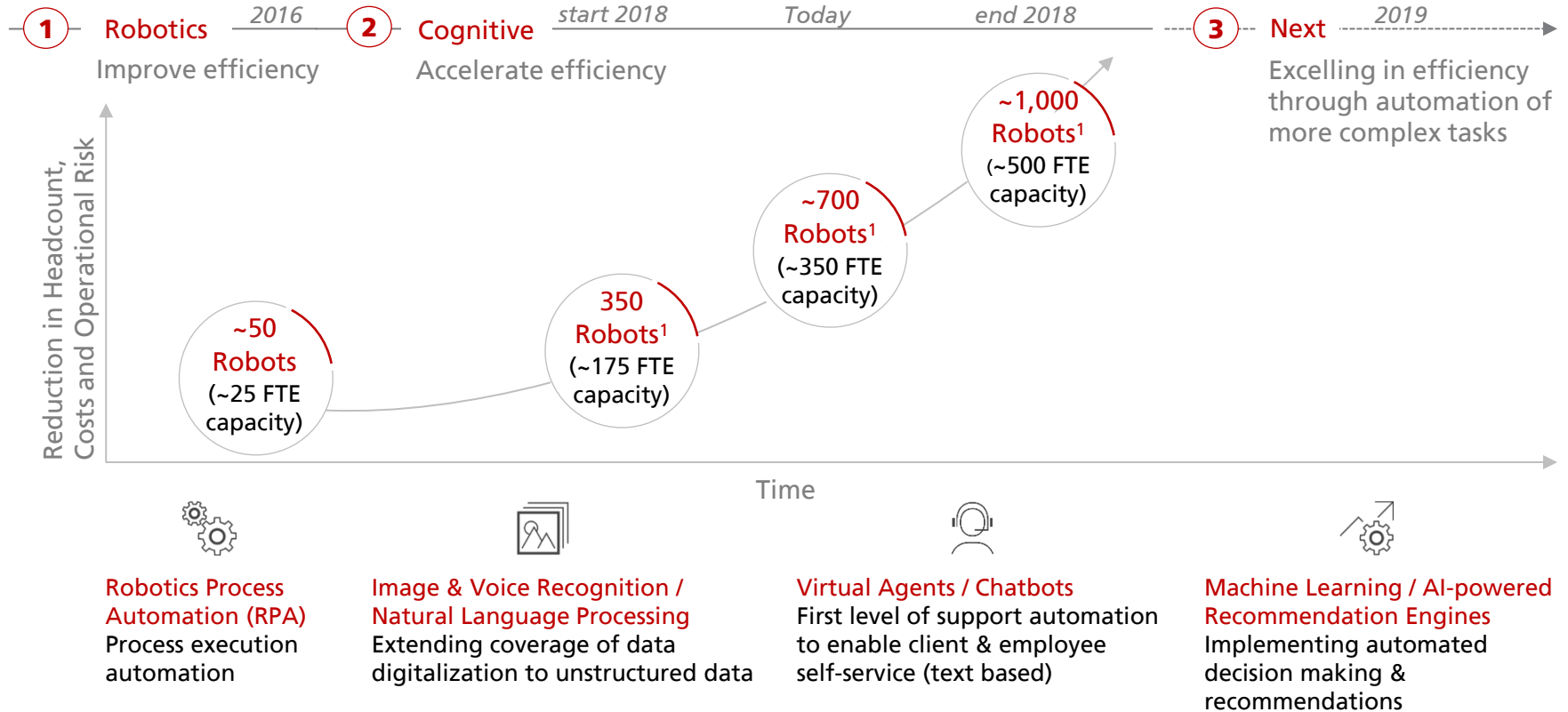
Automated testing

Increase share of automated testing to >70% by 2021

Benefits

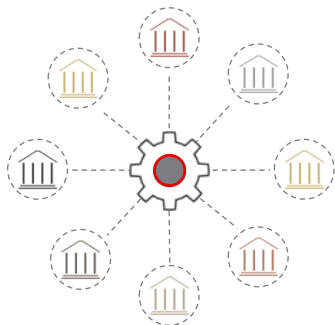
- › Increase cost efficiency
- › Drive standardization
- › Improve risk management
- › Foster business agility

Automation from robotics to cognitive



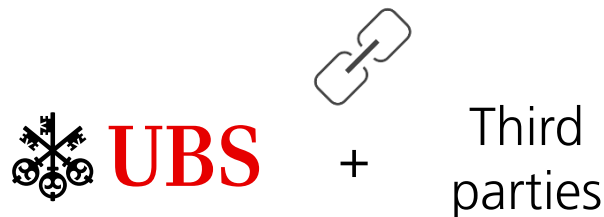
Utilities partnerships to mutualize infrastructure spend

Benefits of utilities



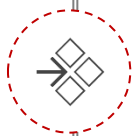
- › **Efficiency gains** through scale and standardization
- › **Leverage best of breed technology** that enhances the client experience
- › **Mutualize** mandatory and regulatory investments

Partnerships

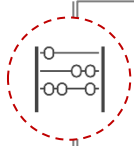


- › **Co-invest** and partner to build a best-in-class banking utilities
- › **Accelerate time-to-market** by enhancing partner's existing assets
- › **Reduces costs** as services are maintained and enhanced to latest standards

Key messages



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Corporate Center – Services reported costs expected to decline by ~800m by 2021



Technology spend will be maintained at current levels with a focus on advanced technology to enable business growth and innovation and create further efficiencies

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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