



# Bank of America Merrill Lynch Financials CEO Conference

**Sergio P. Ermotti**  
*Group Chief Executive Officer*

29 September 2016



# Cautionary statement regarding forward-looking statements

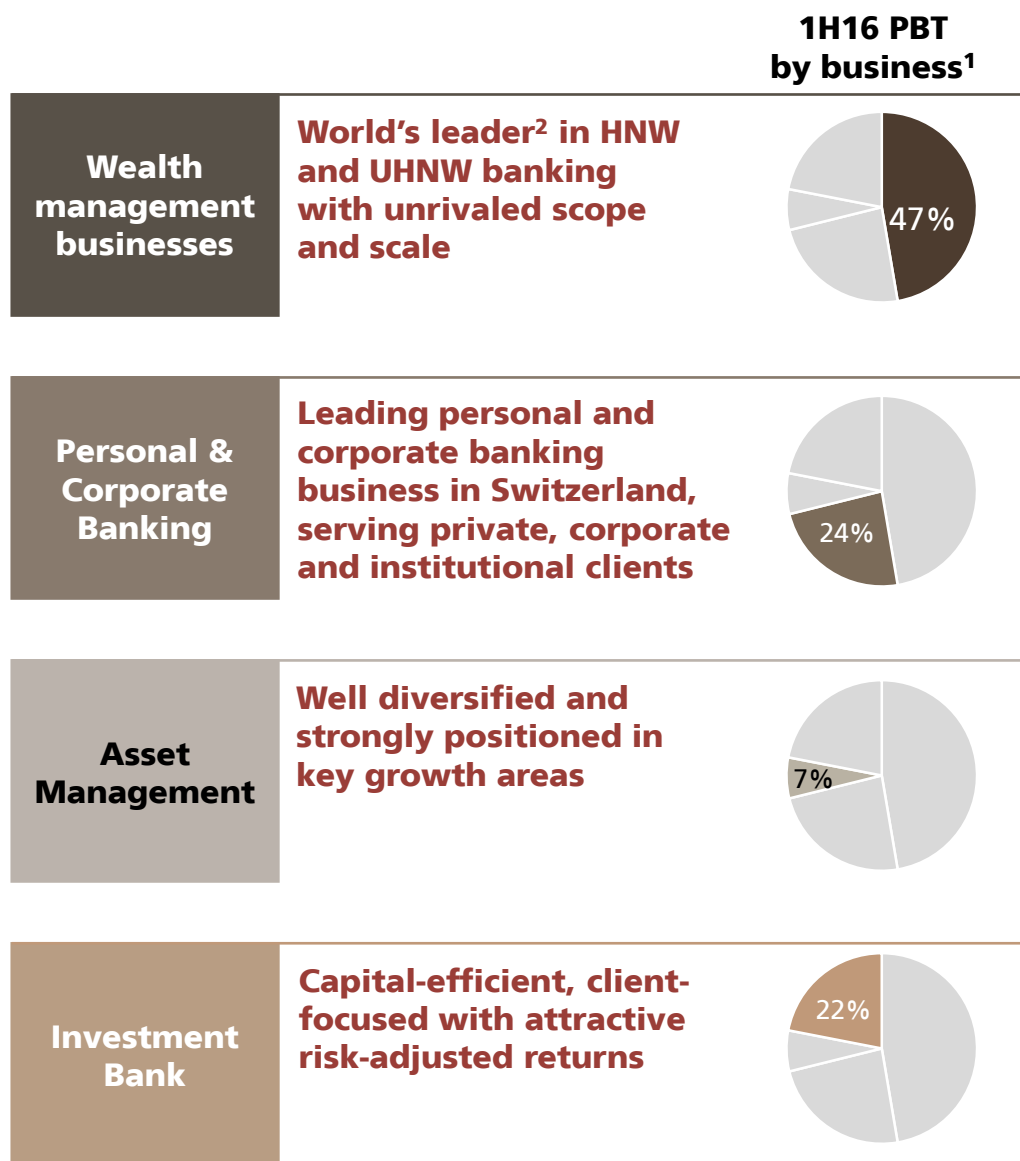
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This presentation contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance and statements relating to the anticipated effect of transactions and strategic initiatives 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 executing its announced strategic plans, including its cost reduction and efficiency initiatives and its targets for risk-weighted assets (RWA) and leverage ratio denominator (LRD), and the degree to which UBS is successful in implementing changes to its wealth management businesses to meet changing market, regulatory and other conditions; (ii) the 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) requirements, or loss-absorbing capital; (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK and other financial centers that may impose, or result in, more stringent capital, TLAC, leverage ratio, liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration or other measures, and the effect this would have on UBS’s business activities; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve a limited reduction of gone concern requirements due to measures to reduce resolvability risk; (vi) 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, implementing a service company model, completing the transfer of the Asset Management business to a holding company, 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 relating to capital requirements, resolvability requirements and proposals in Switzerland and other countries for mandatory structural reform of banks and the extent to which such changes have the intended effects; (vii) the uncertainty arising from the UK referendum vote to withdraw from the EU and the potential need to make changes in UBS’s legal structure and operations as a result of a 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 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 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; (xiv) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xv) whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; (xvi) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyber-attacks, 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 of its 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, including methodology, assumptions and stress scenarios, 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 2015. 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.

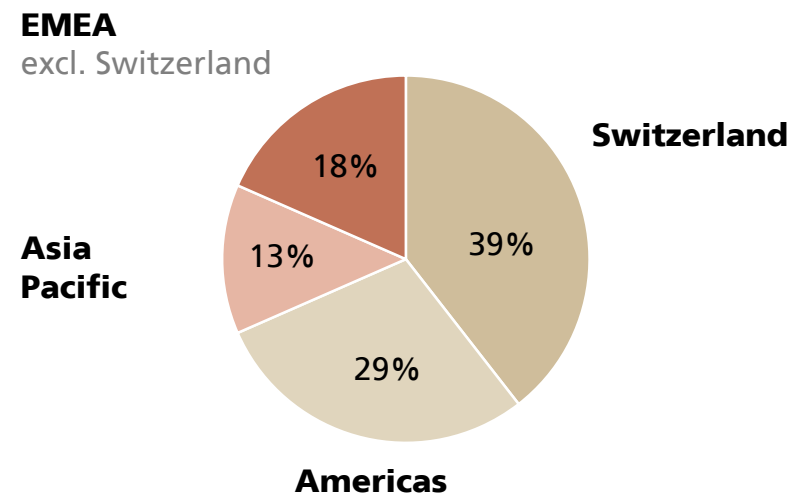
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**Disclaimer:** This presentation and the information contained herein are provided solely for information purposes, and are not to be construed as a solicitation of an offer to buy or sell any securities or other financial instruments in Switzerland, 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 second quarter 2016 report and its Annual Report on Form 20-F for the year ended 31 December 2015. 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's balanced businesses and global diversification



**1H16 PBT by region<sup>1</sup>**



Adjusted numbers unless otherwise indicated, refer to slide 8 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

<sup>1</sup> Contribution to the Group's total first half 2016 profit before tax, excluding Corporate Center. Regional breakout further excludes items managed globally;

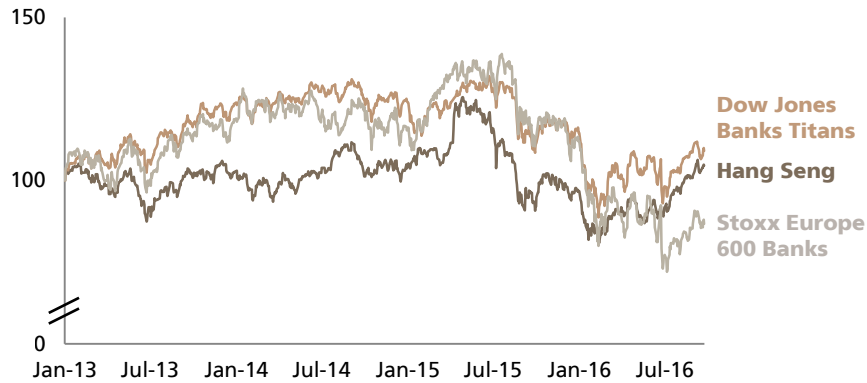
<sup>2</sup> Scorpio Partnership Global Private Banking Benchmark Report 2016

# Markets

UBS is exposed to changes in client sentiment and client transaction volumes

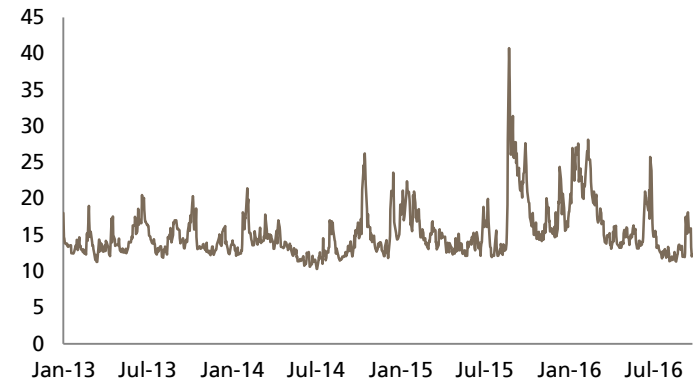
## Equity markets<sup>1</sup>

1.1.13-23.9.16, rebased to 100



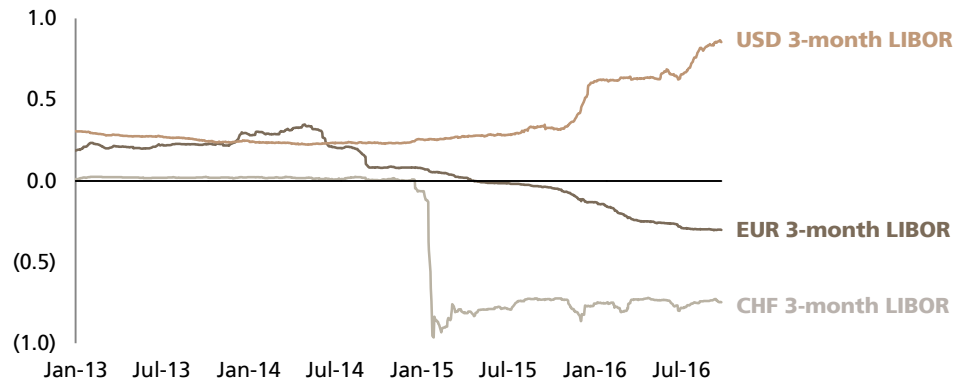
## Volatility<sup>1</sup>

1.1.13-23.9.16, Chicago Board Options Exchange Volatility Index (VIX)



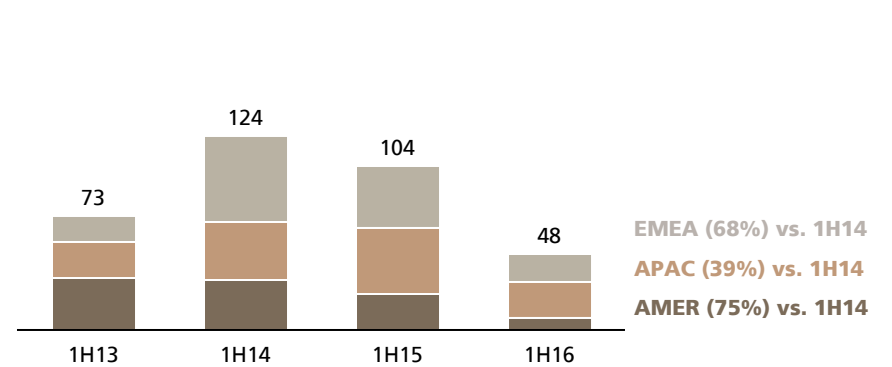
## Interest rates<sup>1</sup>

1.1.13-23.9.16, in %



## IPO volumes<sup>2</sup>

first half-year volumes of initial public offerings (USD billion)



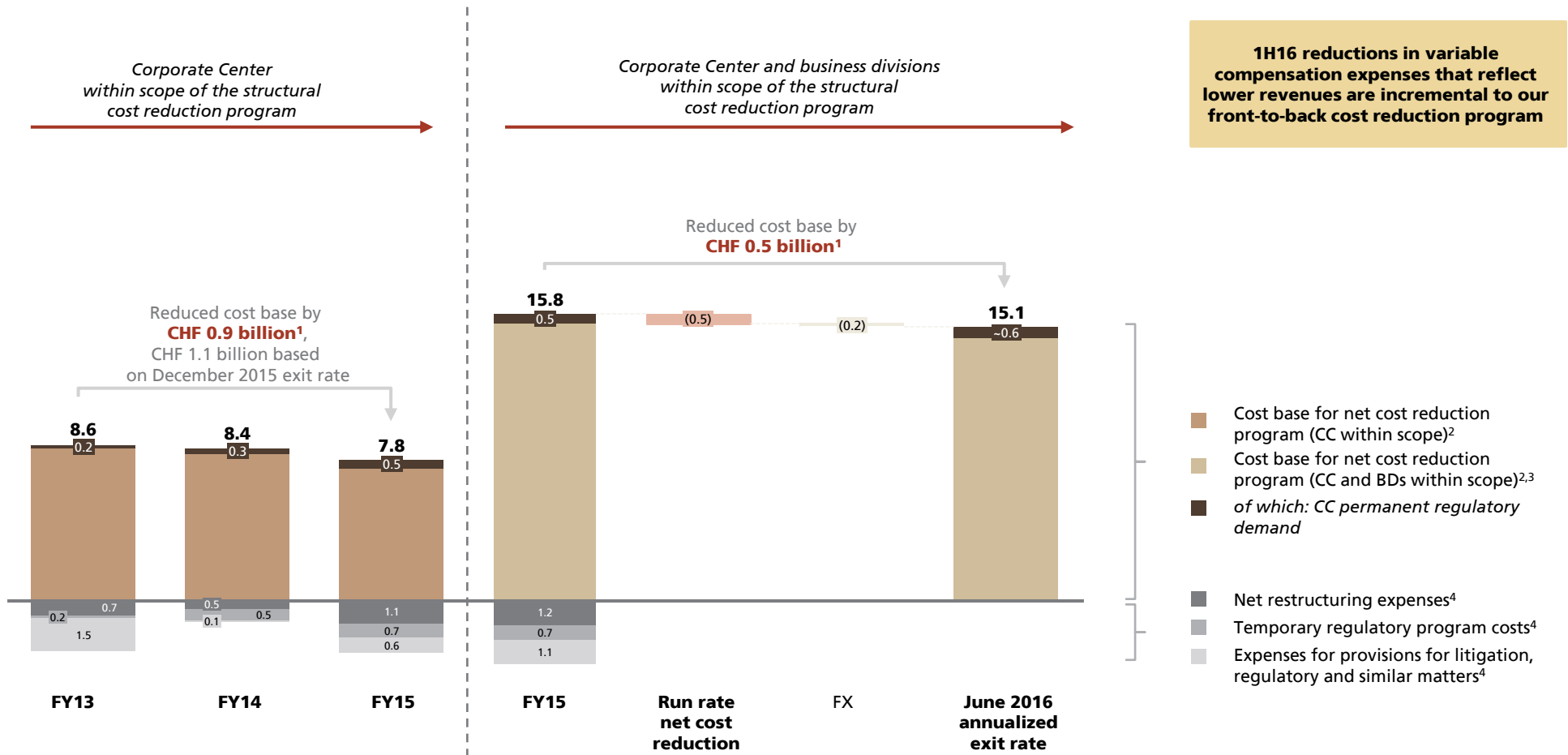
1 Source: Bloomberg; 2 Source: Dealogic (run on 1.9.16)

# Cost reduction

Achieved CHF 1.4 billion net cost reductions despite higher permanent regulatory demand

## Cost base and net cost reductions

CHF billion



Adjusted numbers unless otherwise indicated, refer to slide 8 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Excl. the impact of FX movements; 2 Sum of CC – Services adjusted operating expenses (op-ex) before allocations to business divisions (BDs), CC – NCL adjusted op-ex and CC – Group ALM op-ex, excl. expenses for provisions for litigation, regulatory and similar matters and temporary regulatory program costs; 3 Further includes sum of BD adjusted op-ex before allocations, excl. expenses for provisions for litigation, regulatory and similar matters, and other items not representative of underlying net cost reduction performance, mainly related to variable compensation expenses (structural changes to our variable compensation frameworks are recognized as net cost reductions) and WMA FA compensation; 4 Not included in exit rate cost figures, as these costs are not incorporated into underlying cost base

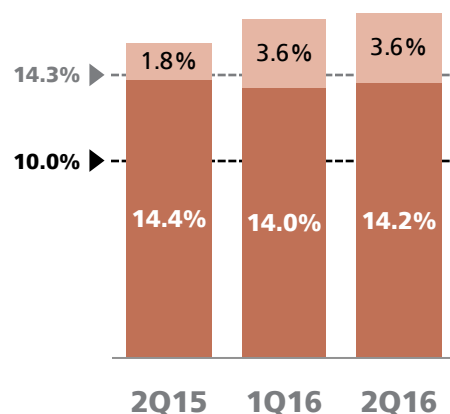
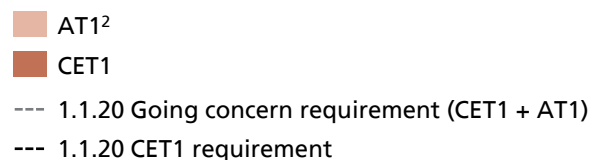


# Going concern capital and leverage ratios

14.2% fully applied Basel III CET1 ratio and 3.4% fully applied CET1 leverage ratio

## Revised Swiss SRB Basel III capital ratio<sup>1</sup>

Pro forma, fully applied, rules as of 1.1.20, CHF billion

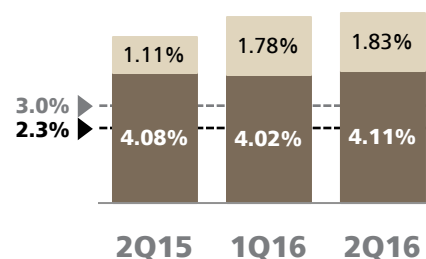
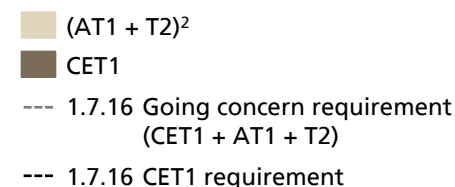


<b>CET1</b>	<b>30.3</b>	<b>29.9</b>	<b>30.3</b>
<b>RWA</b>	<b>210</b>	<b>214</b>	<b>214</b>

## Revised Swiss SRB Basel III leverage ratio

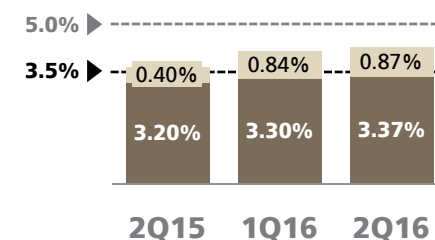
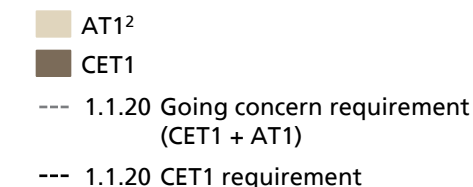
Pro forma, CHF billion

### Phase-in



<b>CET1</b>	<b>38.7</b>	<b>36.6</b>	<b>37.1</b>
<b>LRD<sup>3</sup></b>	<b>949</b>	<b>910</b>	<b>902</b>

### Fully applied, rules as of 1.1.20



<b>CET1</b>	<b>30.3</b>	<b>29.9</b>	<b>30.3</b>
<b>LRD<sup>3</sup></b>	<b>944</b>	<b>906</b>	<b>898</b>



Refer to the "Capital Management" section of the second quarter 2016 report for more information

1 As of 30.6.16, our post-stress fully applied Basel III CET1 capital ratio exceeded 10%; 2 Can be counted towards going concern requirements up to 4.3% of the fully applied capital ratio, 1.5% of the fully applied leverage ratio and 0.7% of the phase-in leverage ratio (phase-in as of 1.7.16); 3 Calculated in accordance with Swiss SRB rules. From 31.12.15 onward, these are aligned with BIS Basel III rules and are therefore not fully comparable

# Continued focus on execution

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## What we have delivered



**Successfully executed the transformation of UBS**



**Made substantial progress in reducing costs and achieving operational efficiency**



**Solidified position as the world's largest wealth manager**



**Provided our clients with leading-edge capabilities and advice**



**Attracted and retained the best talent**

## Management priorities

**Demonstrate sustainability of our business model**

**Complete on-going cost reduction programs**

**Invest for quality and sustainable growth**

**Stay close to our clients and adapt to their evolving needs**

**Reinforce a culture of excellence in everything we do**

# Important information related to this presentation

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## **Use of adjusted numbers**

Adjusted results are a non-GAAP financial measure as defined by SEC regulations. Refer to pages 7-10 of the second quarter 2016 report which is available in the section "Quarterly reporting" at [www.ubs.com/investors](http://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 15 of the second quarter 2016 report 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 Swiss SRB Basel III numbers 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. From 31.12.15 onward, these are aligned with BIS Basel III rules. Prior period figures are calculated in accordance with former Swiss SRB rules and are therefore not comparable.

Refer to the "Capital Management" section in the second quarter 2016 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. 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.