



# UBS Investor Update

## Global Wealth Management

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25 October 2018



# 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 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

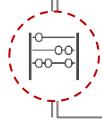
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Largest and only truly global wealth manager – uniquely positioned in biggest and fastest growing markets & segments



Strategic plan focused on accelerated growth in US, APAC and UHNW, supported by favorable market factors



Creation of GWM allows for ~250 million annualized cost saves, cumulative >600 million by 2021, to be reinvested in growth

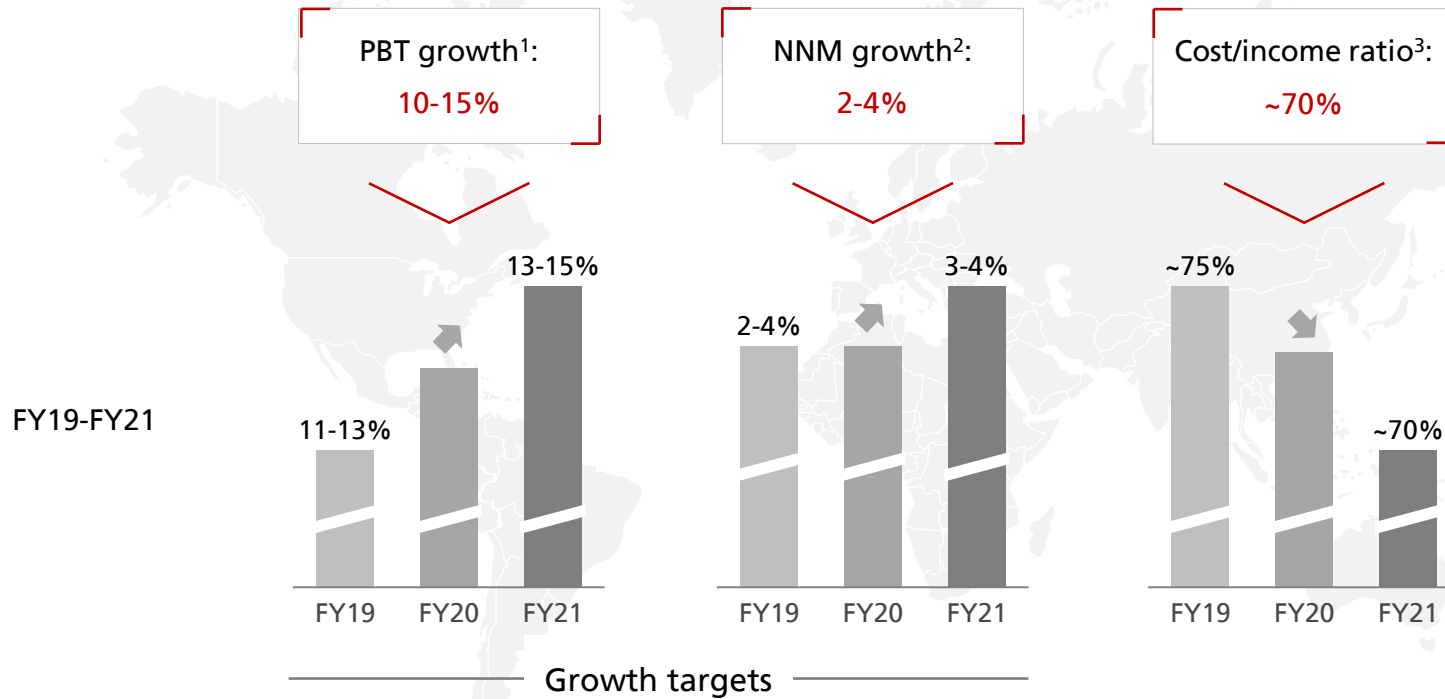


Significant investment in the future – including technology to deliver industry-leading client and advisor experience



We intend to deliver at the higher end of our ambitious and achievable FY21 targets

# We intend to deliver at the upper end of our growth targets

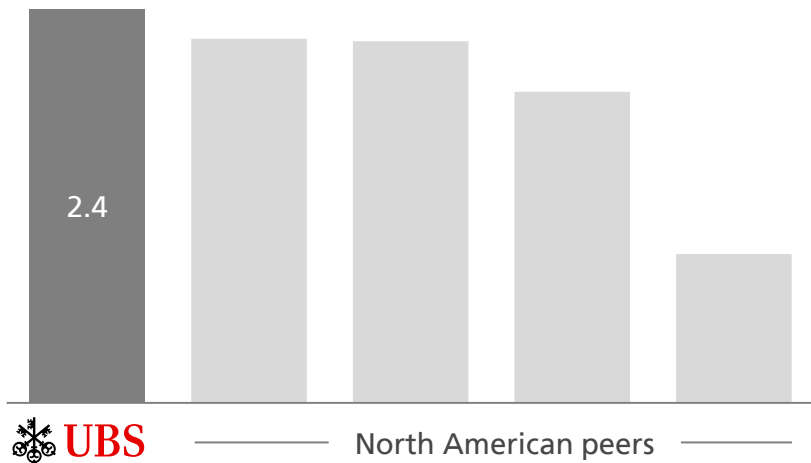


Numbers in CHF and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation  
 Targets and ambitions reflect Corporate Center allocation changes; 1 Annual target over the cycle, annual ranges represent management aspiration; 2 Target, annual ranges represent management aspirations; 3 Target for FY19, ambition for FY21

# We are the only truly global wealth manager with scale

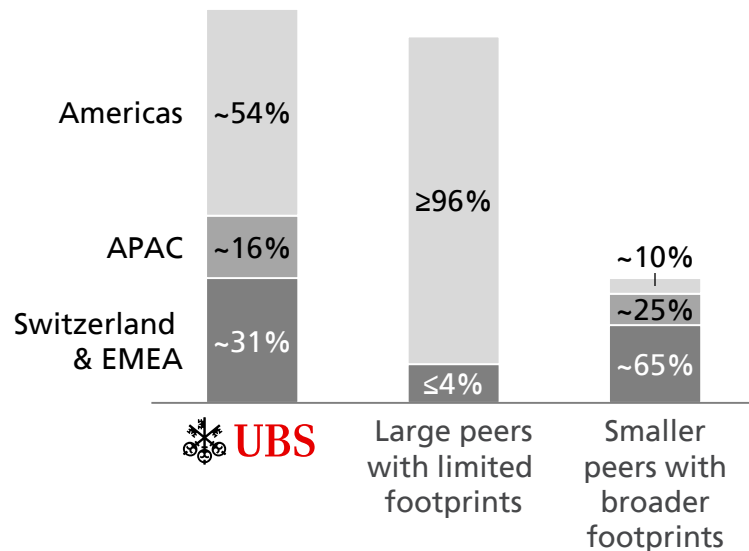
Globally leading wealth manager

Invested assets<sup>1</sup>



Diversified footprint with scale

Invested assets illustrative

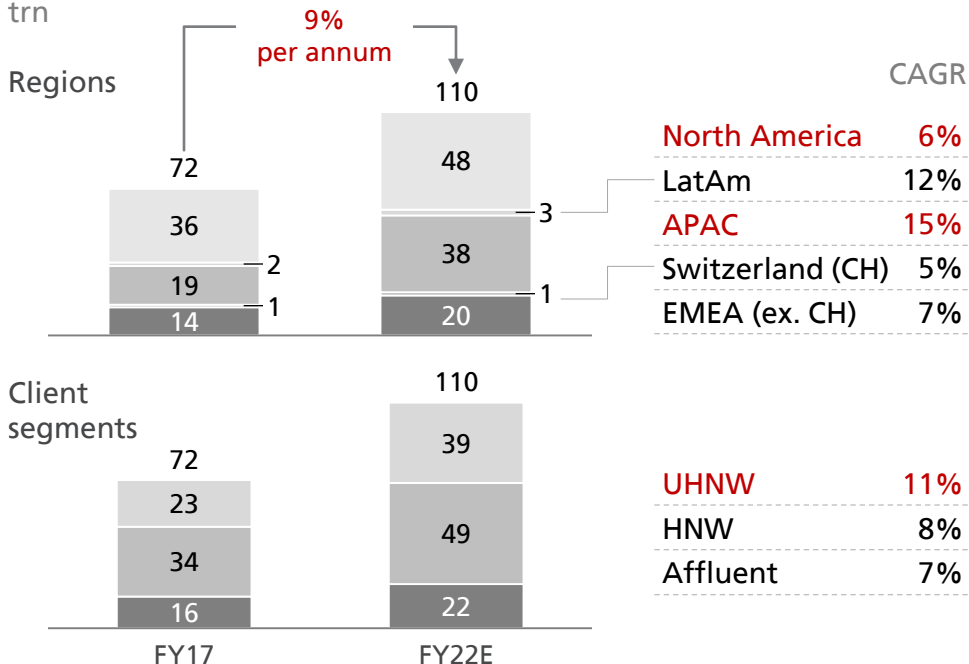


Numbers in USDtrn and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
 1 Scorpio Partnership 2018 Global Private Banking Benchmark, 31.12.17

# Market trends favor UBS

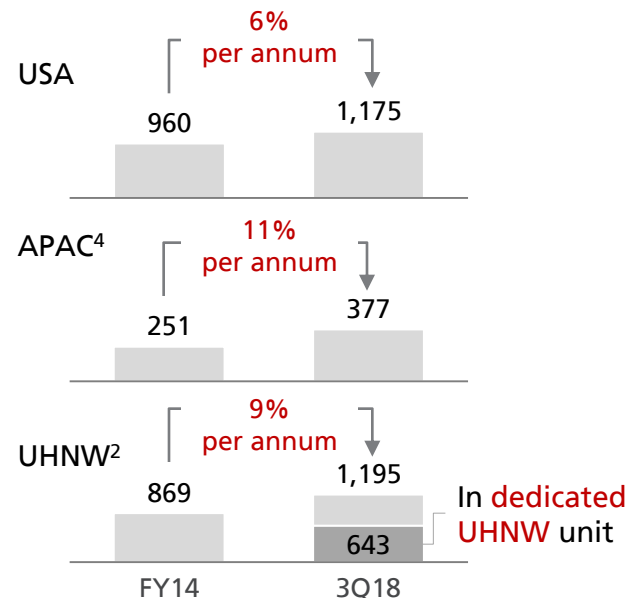
Global wealth growing 2x GDP, led by APAC, UHNW and North America

Investable wealth<sup>1</sup>  
trn



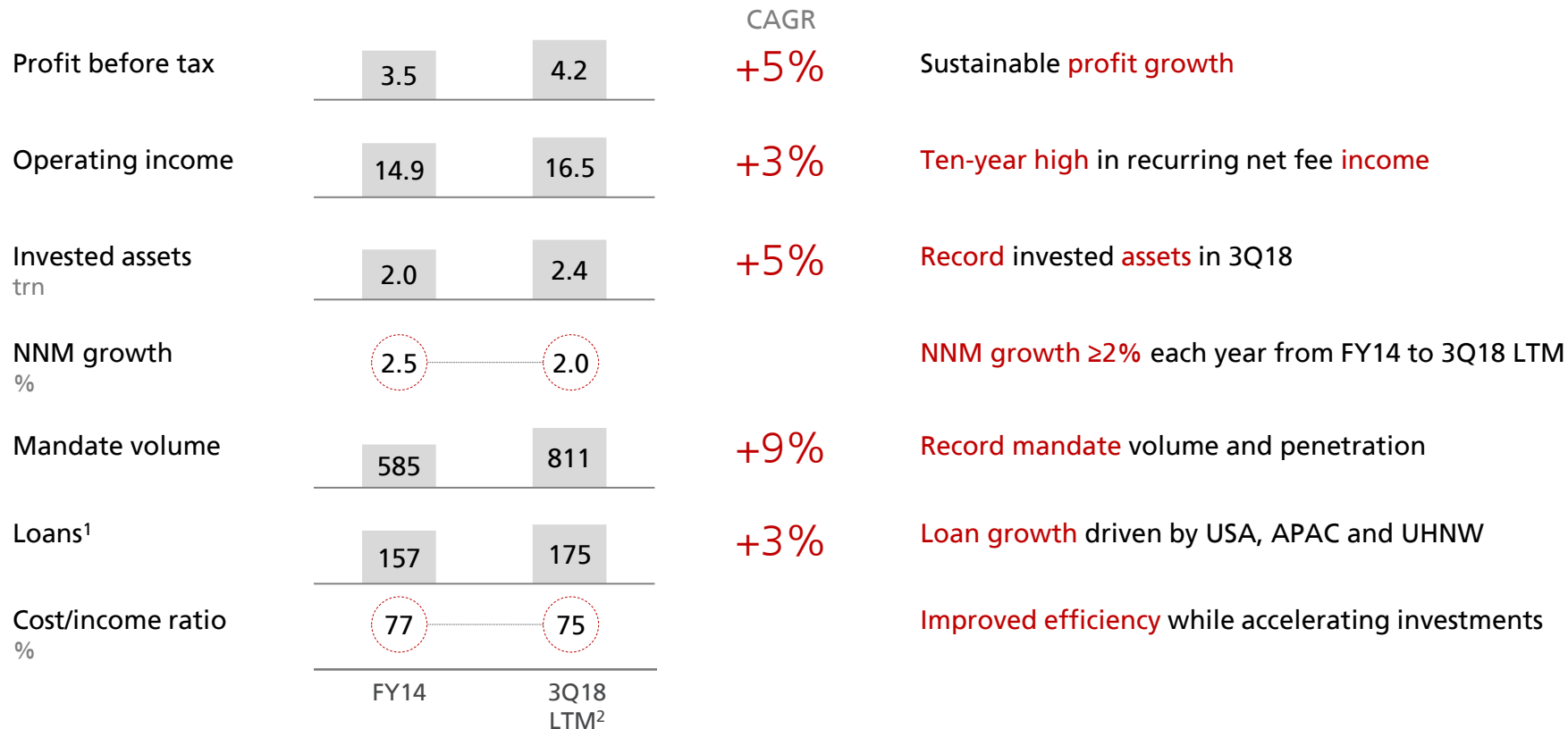
Growth successfully captured by UBS

Invested assets<sup>3</sup>



Numbers in CHFbn and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
 1 BCG Global Wealth Database 2018 (investable wealth is liquid assets of households with wealth of USD >250k; UHNW >20m, HNW 1-20m, Affl. 0.25-1m); 2 UHNW segment definition: WM non-Americans: >50m bankable assets or >100m total wealth; WM Americas: Mostly >10m bankable assets with UBS; 3 CAGR calculated as  $^{1/(1/3.75)}$  as of 30.9.18; 4 Excluding Australia domestic business which was exited in 2Q16

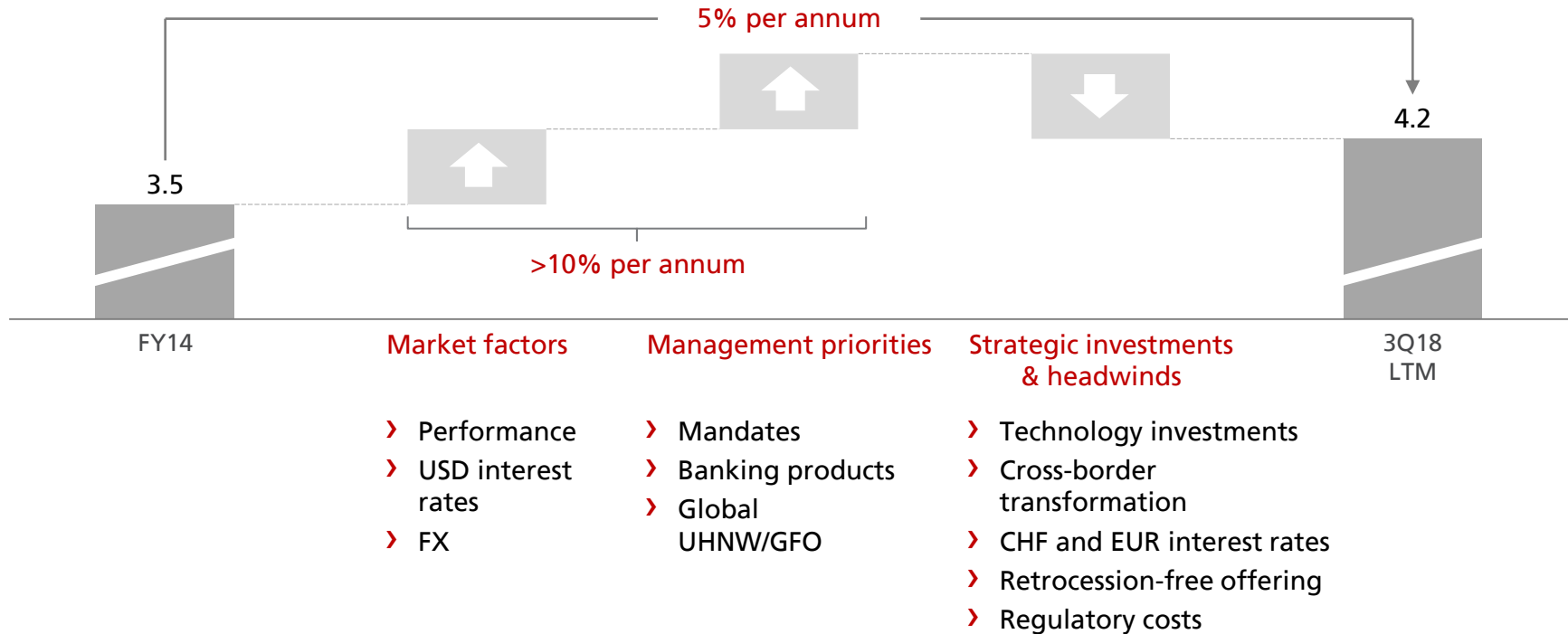
# A profitable, growing business



Numbers in CHFbn and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
 1 Loans include customer brokerage receivables, which with the adoption of IFRS 9 effective 1 January 2018 have been reclassified to a separate reporting line on the balance sheet; 2 Last 12 months, 30.9.18 for balances and invested assets

# Solid progress – headwinds largely behind us

Profit before tax

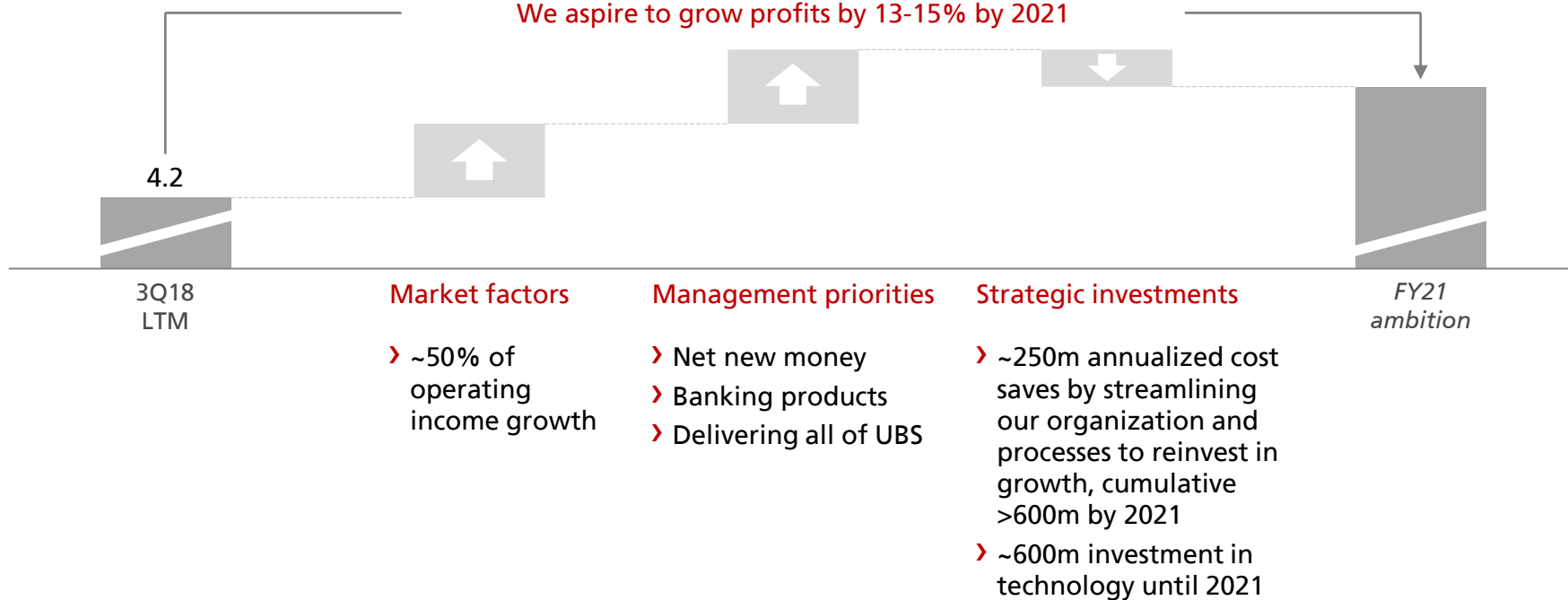




# A clear path to accelerate PBT growth to 10-15% per annum

Profit before tax<sup>1</sup>  
illustrative

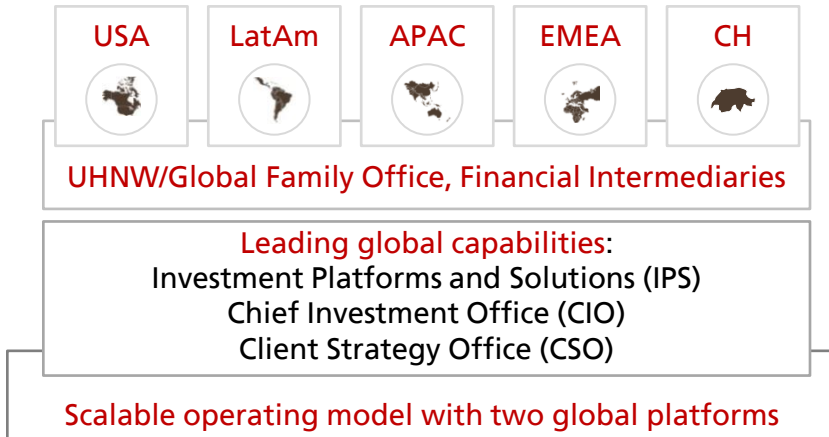
We aspire to grow profits by 13-15% by 2021



Numbers in CHFbn and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
1 Annual target over the cycle

# Fueled by the power of an integrated GWM

The creation of GWM gives us even greater confidence in executing our plans to deliver our targets



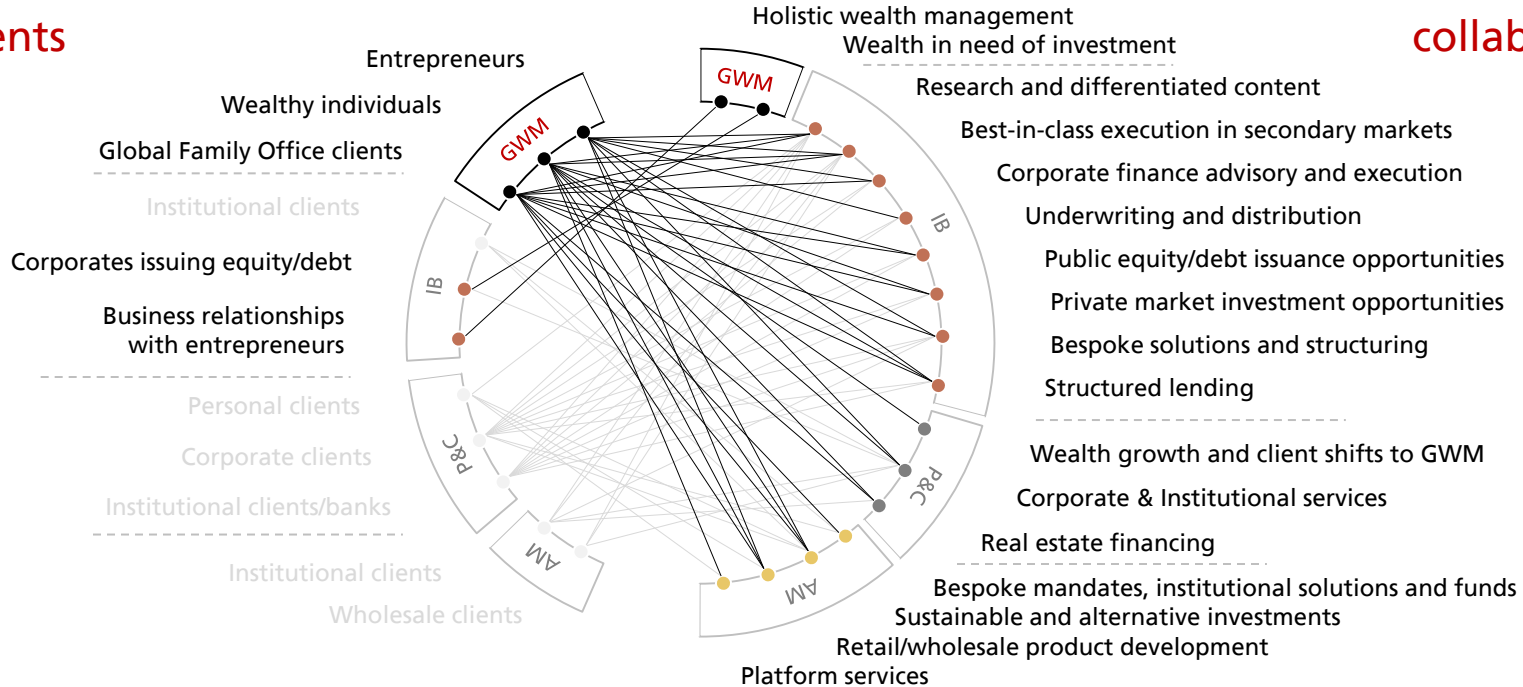
- › New growth opportunities in US GFO and UHNW
- › Broadening access to best solutions and services for clients
- › Reducing barriers to collaboration
- › Reinvesting ~250m annualized cost saves into growth

# Working in partnership

Providing clients with the services they need from across the whole firm

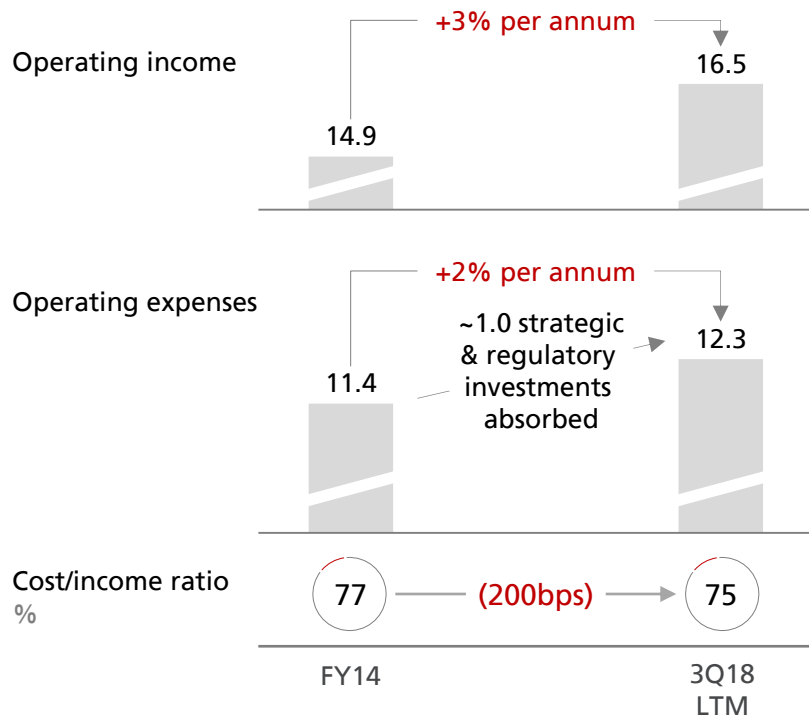
## Our clients

## Areas of collaboration

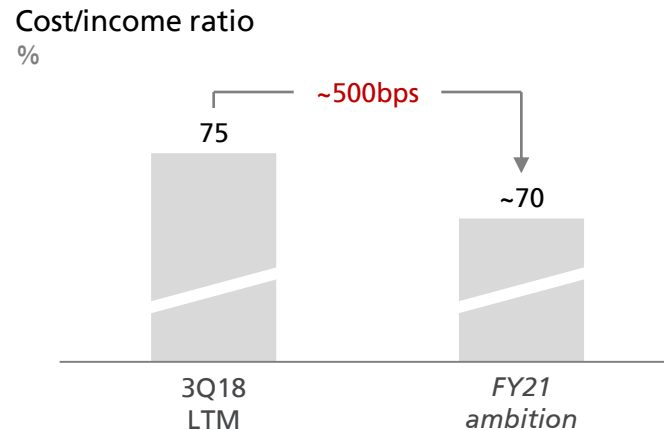


# Delivering further operating leverage and investments

## Operating leverage despite strategic & regulatory investments



## Ambition to further improve by ~500bps by 2021

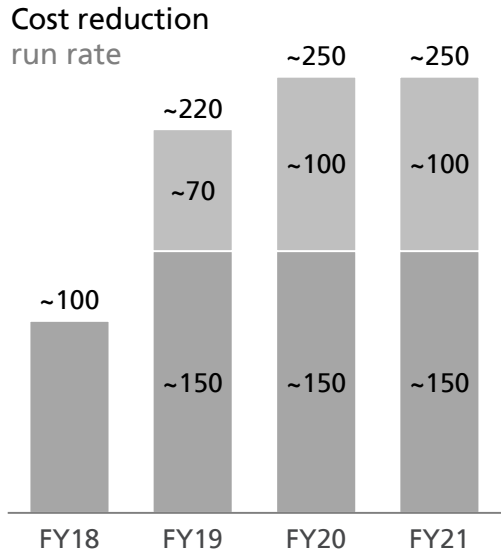


- › ~250m annualized cost saves to reinvest in **growth** by streamlining our organization and processes, cumulative >600m by 2021
- › Ongoing **focus on cost control** and **increasing operational efficiency**

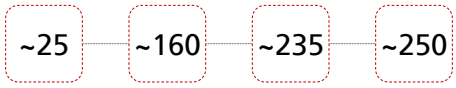
# Cumulative >600m cost saves by 2021

**2<sup>nd</sup> wave**  
Additional ~100m annualized cost saves identified in similar categories

**1<sup>st</sup> wave**  
~100m annualized cost saves in 2018, increasing to ~150m in 2019-21

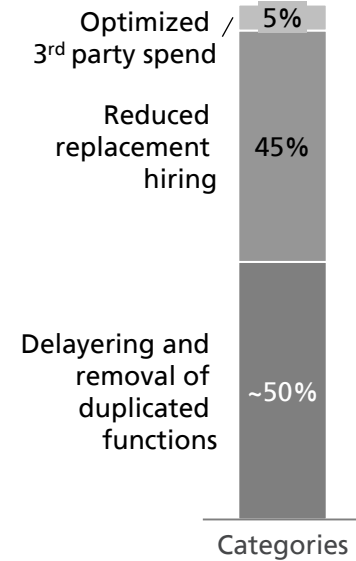
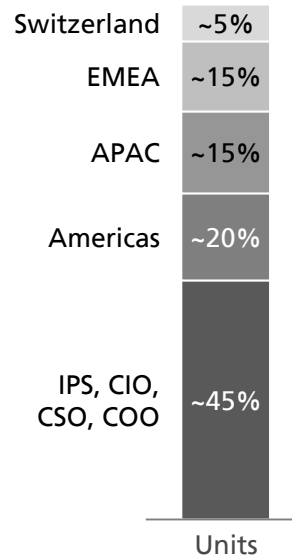


P&L impact m



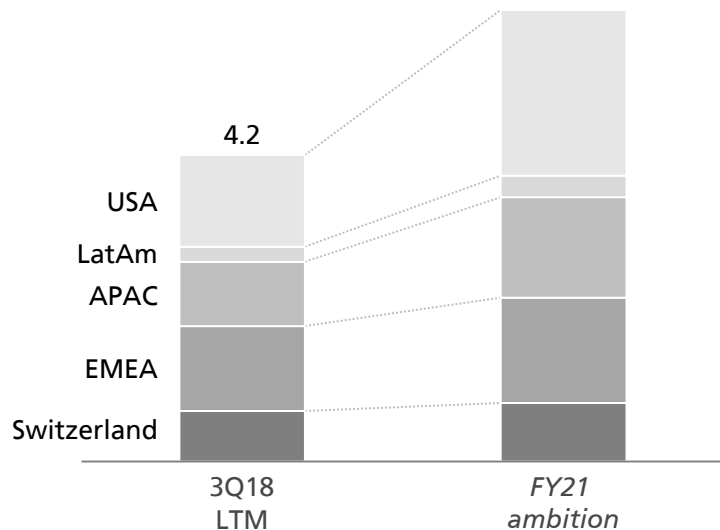
**Cumulative >600m gross cost saves**

## Breakdown of ~150m cost reduction



# Substantial growth continues in USA, APAC and UHNW

Profit before tax  
illustrative



Key ambitions per region<sup>1</sup>:

**USA**

Deliver 25% PBT margin<sup>2</sup>

**LatAm**

Deliver 10-15% PBT growth per annum

**APAC**

Deliver >15% PBT growth per annum

**EMEA**

Deliver 5-10% PBT growth per annum

**Switzerland**

Deliver 5-10% PBT growth per annum

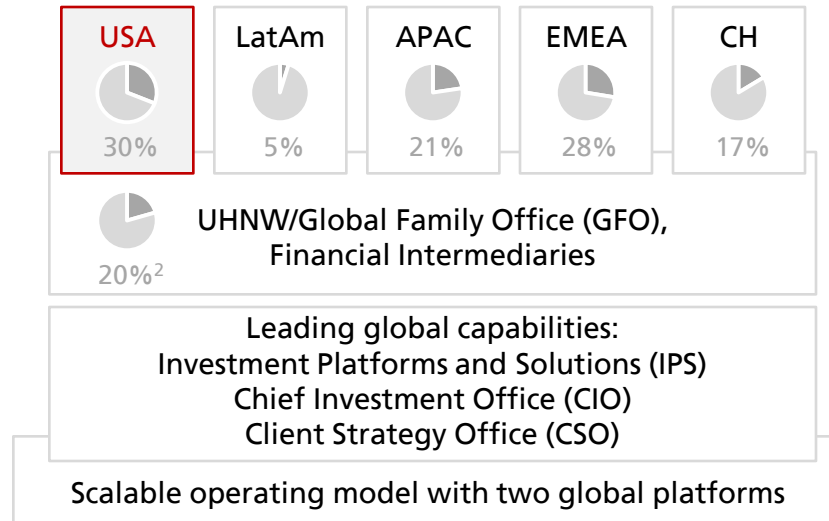
**UHNW<sup>3</sup>: Deliver 4-6% NNM per annum**



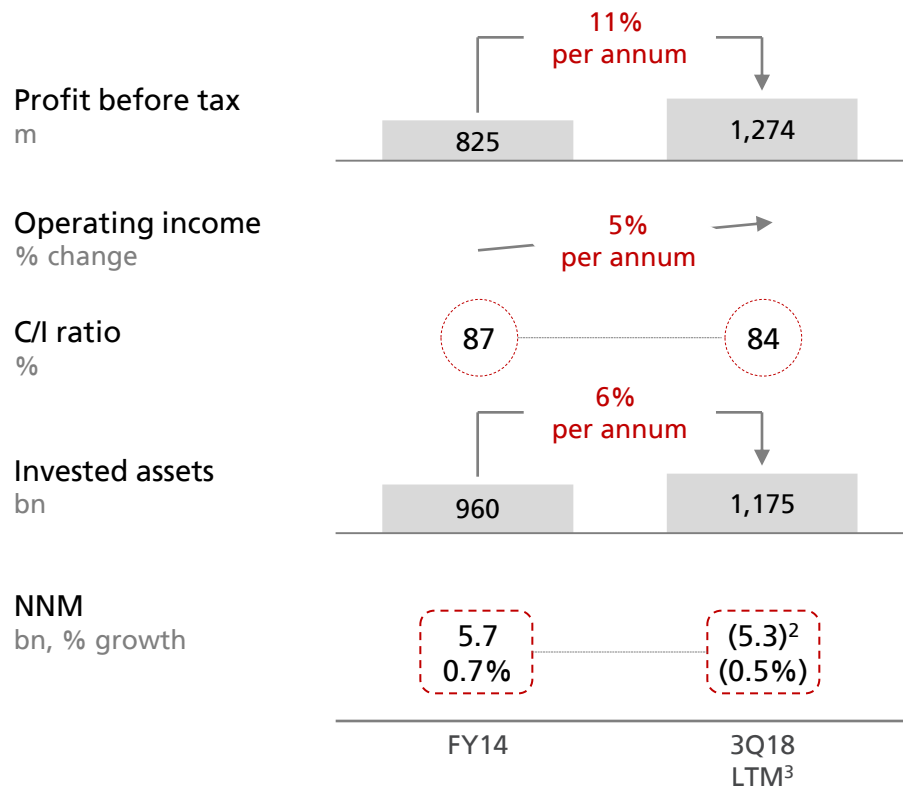
Numbers in CHFbn and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation; Financial targets over the cycle; 1 Annual targets over the cycle unless otherwise noted; 2 Ambition by 2021, PBT in % of operating income; 3 Globally managed unit that exclusively serves UHNW clients

# USA – Deliver 25% PBT margin

 Share of GWM PBT<sup>1</sup>



# Record PBT with good growth momentum



## Key messages

- › Largest wealth market with strong fundamentals
- › Most productive FAs with lead supposed to widen
- › CHF 123bn increase in mandates since 2014
- › Record PBT on record invested assets
- › Strong same-store<sup>1</sup> NNM up 73% since 2014
- › New operating model fuels success



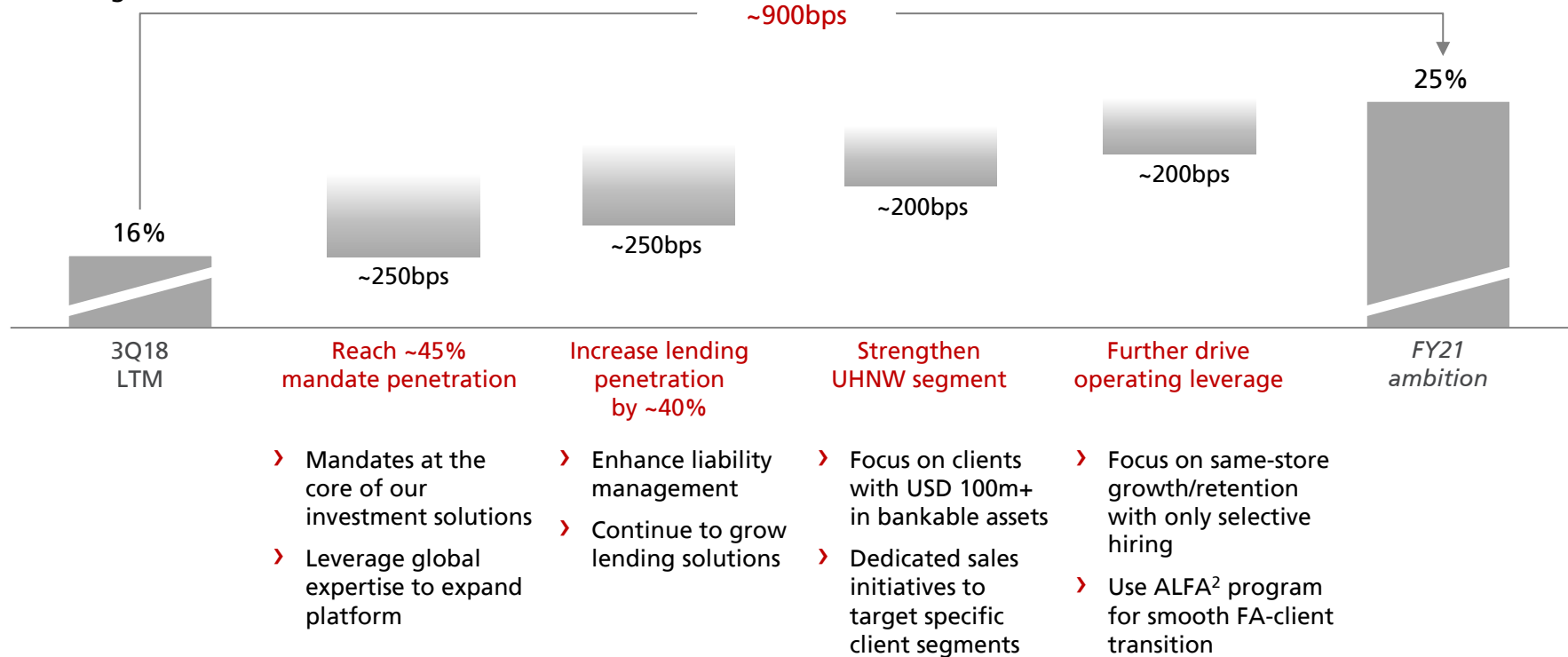
Numbers in CHF and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation; 1 NNM from financial advisors that have been with the firm for more than 12 months; 2 Includes a single outflow of around CHF 4.4bn from a corporate employee share program in 2Q18; 3 30.9.18 for invested assets



# Our ambition is a PBT margin of 25%



PBT margin<sup>1</sup>



- › Mandates at the core of our investment solutions
- › Leverage global expertise to expand platform
- › Enhance liability management
- › Continue to grow lending solutions
- › Focus on clients with USD 100m+ in bankable assets
- › Dedicated sales initiatives to target specific client segments
- › Focus on same-store growth/retention with only selective hiring
- › Use ALFA<sup>2</sup> program for smooth FA-client transition



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
 1 Ambition by 2021; 2 Aspiring Legacy Financial Advisor, targeting retiring financial advisors

# Reach ~45% mandate penetration



Address client demand and regulation



Majority of **clients prefer fee-based investment solutions**  
**Regulatory landscape** favoring asset-based fees vs. trading

Expand US offering



Expand product shelf by adding new **global mandate solutions** developed in Switzerland

Build out FA support

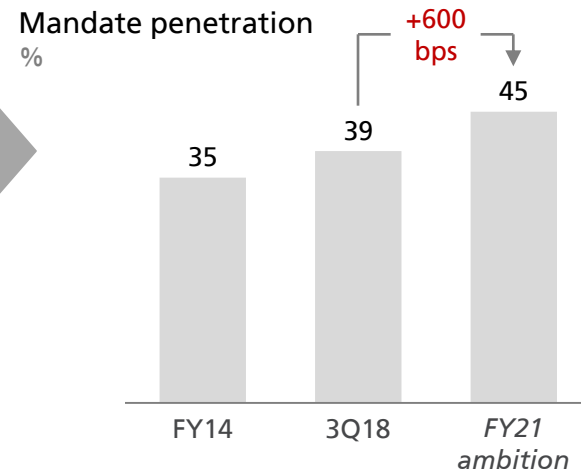
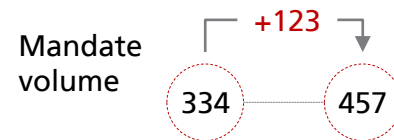


**Increase product specialists** to support our FAs and client base

Invest in our Advisory platform



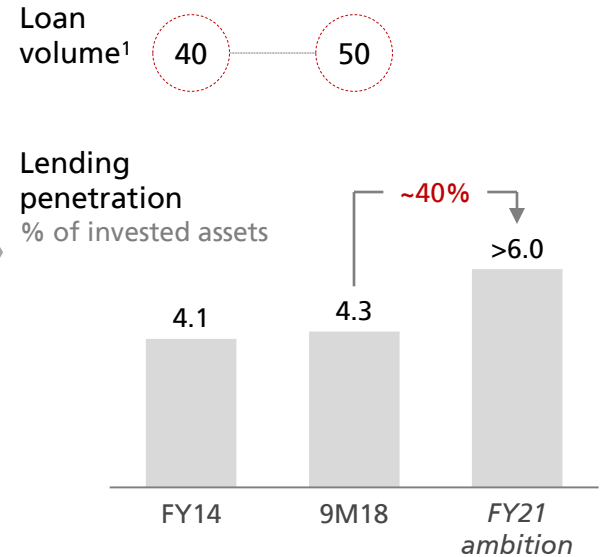
**UBS Advice Advantage** as our digital advice offering  
Technology projects to **improve FA experience** in connecting mandates with wealth planning



# Increase lending penetration by ~40%



- Address client demand > 30-35bn incremental lending opportunity by capturing share of wallet from existing clients
- New product introduction > Rollout commercial real estate program in partnership with the Investment Bank  
> Launch lending programs to entrepreneurs  
> Enhance tailored lending program
- FA support & client experience > Leverage our existing ~100 banking specialists supporting FAs and clients  
> Integrate banking offerings on digital platforms
- Liability management > Rollout of savings accounts  
> Issue structured and callable certificate of deposits  
> Continue optimization of our investment portfolio



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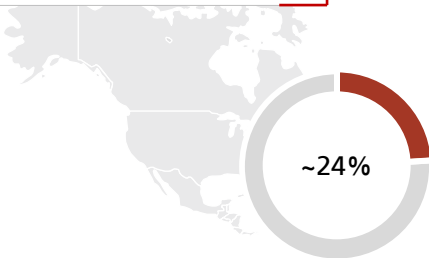
# Strengthen UHNW segment



Large potential in 100m+ net worth space...

...where we aim to capture our fair share

North America represents ~24% of global 100m+ net worth



## Expanded product offering

- › Institutional products and services offered via our Global Family Office
- › Increase philanthropy and wealth planning specialists
- › Expand product coverage of alternative and private investments

## Global collaboration to increase coverage

- › Cross-divisional coverage with dedicated UHNW US advisors
- › Sharing best practice across global UHNW
- › Systematic approach to global client development

NNM opportunity

~70bn

3Y ambition (cumulative)

US 100m+ population



Total size: ~3.3 trillion



Adults: ~14.2 thousand

Thereof US 1bn+ population



Total size: ~1.7 trillion



Adults: ~0.7 thousand



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation; Source: BCG Global Wealth Database 2018 (investable wealth: liquid assets including cash/deposits, direct equities, bonds and fund holdings; excluding illiquid assets such as life & pensions, real estate and equity in unquoted companies)

# Further drive operating leverage



- › Maintain **client and advisor-centric** model
- › Drive **organic growth** with top-tier FAs
- › Retain **clients** as FAs retire
- › Continue to create more **FA teams**
- › Enhance client and FA **digital experience**

Operating income per financial advisor thousands

% of industry average<sup>1</sup>

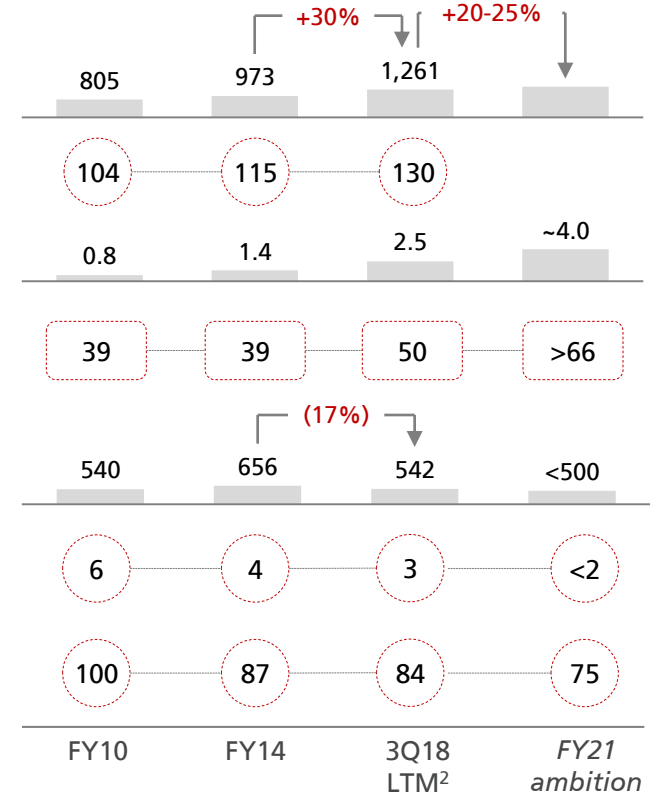
Same store NNM per FA

FAs in teams % of FA headcount

Recruit loan expense

Attrition rate %

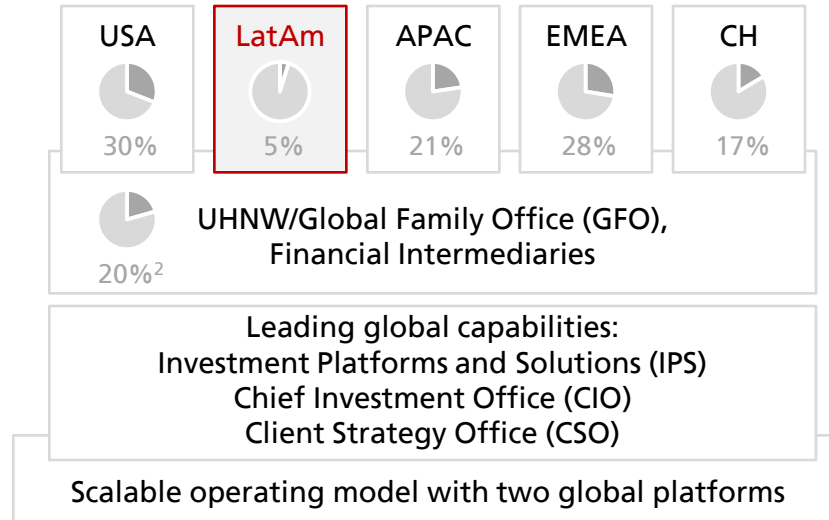
Cost/income ratio %



Numbers in CHFm and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
 1 Industry average includes BAML GWIM, Morgan Stanley WM, Wells Fargo WIM; 2 All figures except FA headcount

# LatAm – Deliver 10-15% PBT growth per annum

 Share of GWM PBT<sup>1</sup>

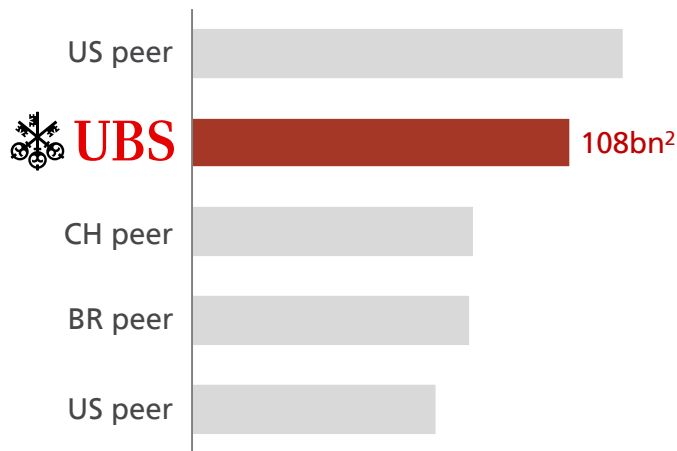


# LatAm is a sizeable opportunity for GWM

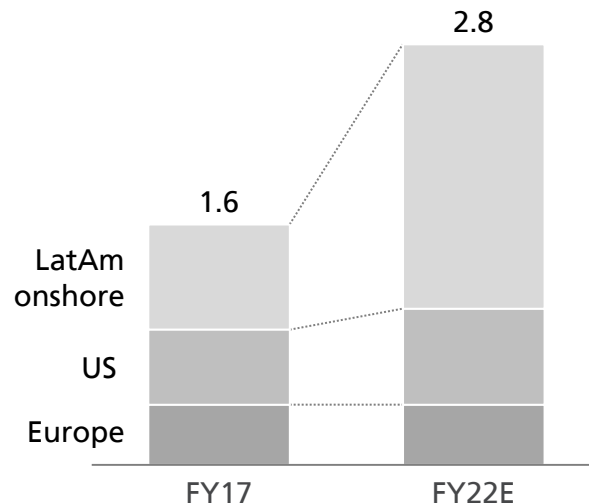


UBS is the #2 player in LatAm

Invested assets<sup>1</sup>



Change in investable wealth per booking location<sup>3</sup>  
trn, illustrative

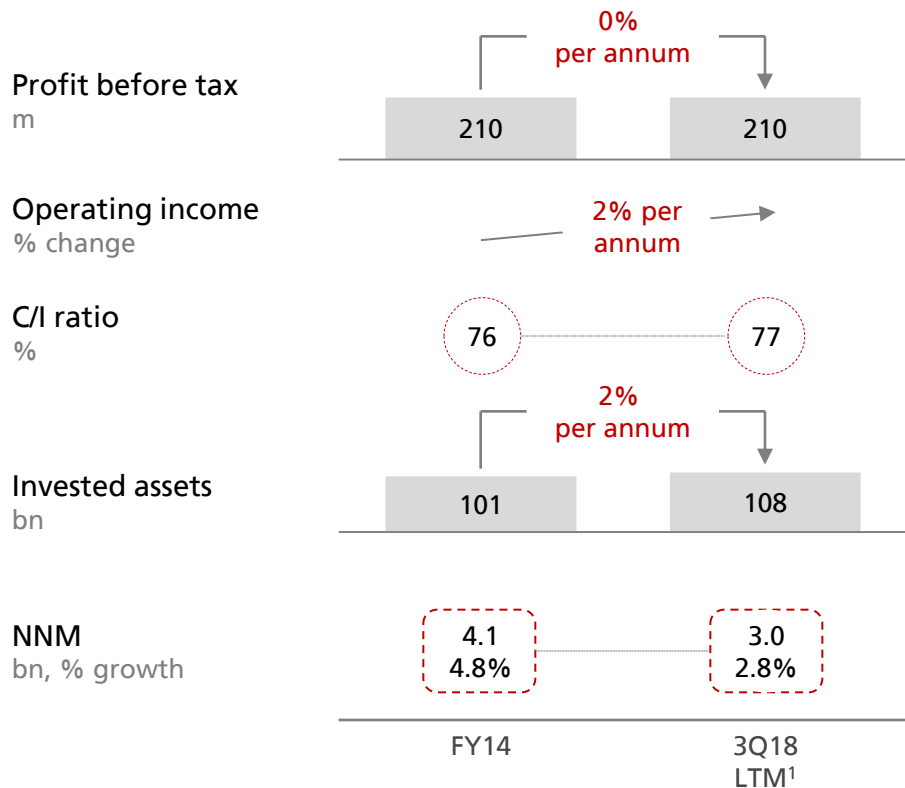


**UBS is uniquely positioned to capture growth in the region with its strong global hubs in the US and Switzerland connected with local presence**



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1 Based on internal estimates; 2 As of 30.9.18; 3 BCG Global Wealth Database 2018 (investable wealth = liquid assets of households with wealth of USD>250k)

# Grow LatAm by gaining market share



## Key messages

- › Resilient performance despite cross-border outflows
- › Investments to establish a scalable multi-shore platform
- › Operating model geared to a fully transparent world
- › Experienced client service teams in each location
- › Gain share as clients show preference for US booking



# LatAm aims to deliver 10-15% PBT growth per annum



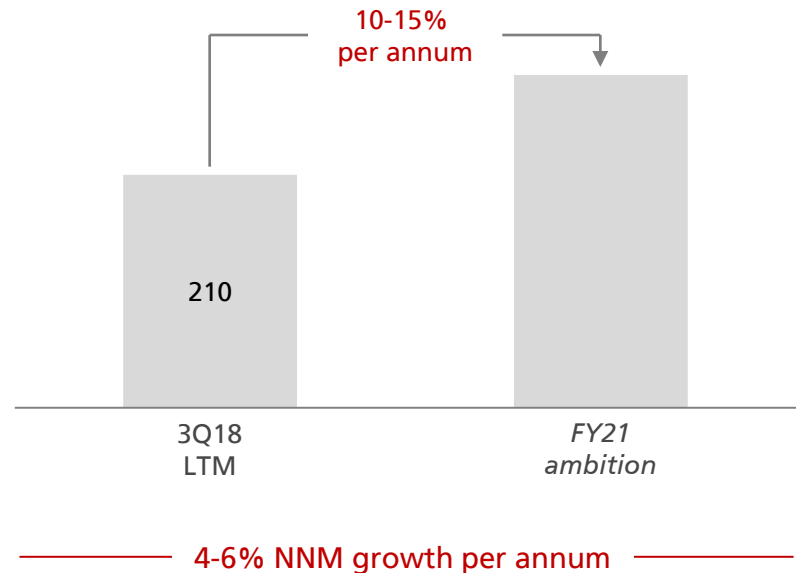
Strategic focus on growth opportunities and efficiency

Cross-border collaboration program

Booking-agnostic value proposition

Enhanced client experience

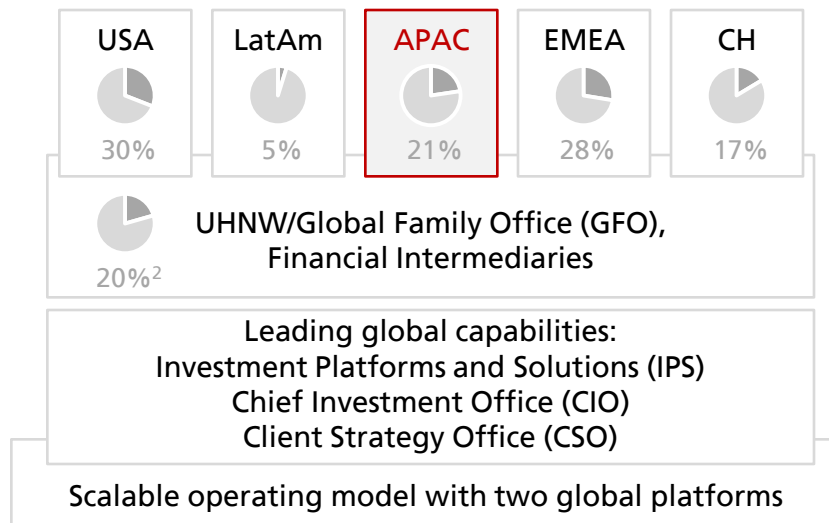
Profit before tax<sup>1</sup>  
illustrative



Numbers in CHFm and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
1 Annual target over the cycle

# APAC – Deliver >15% PBT growth per annum

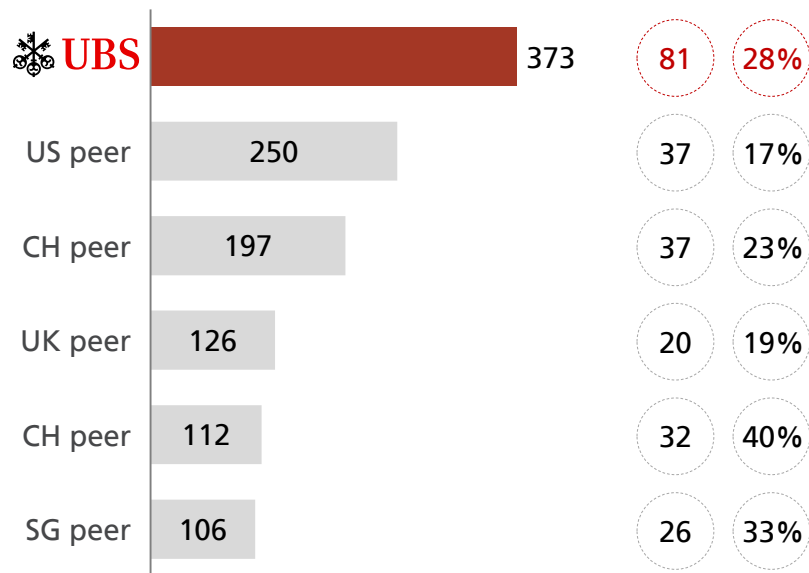
 Share of GWM PBT<sup>1</sup>



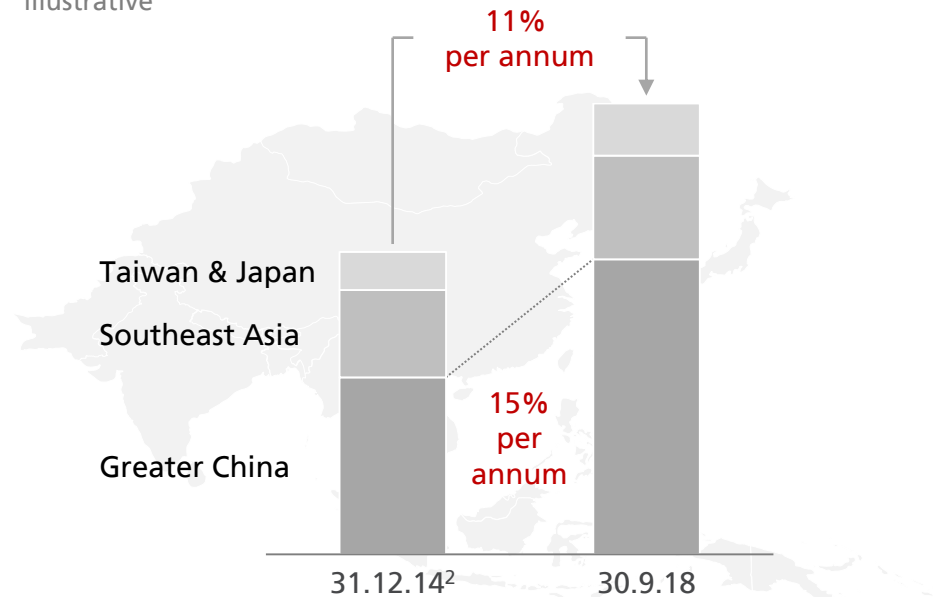
# Clear leader in APAC with a strong China footprint



APAC invested assets<sup>1</sup>

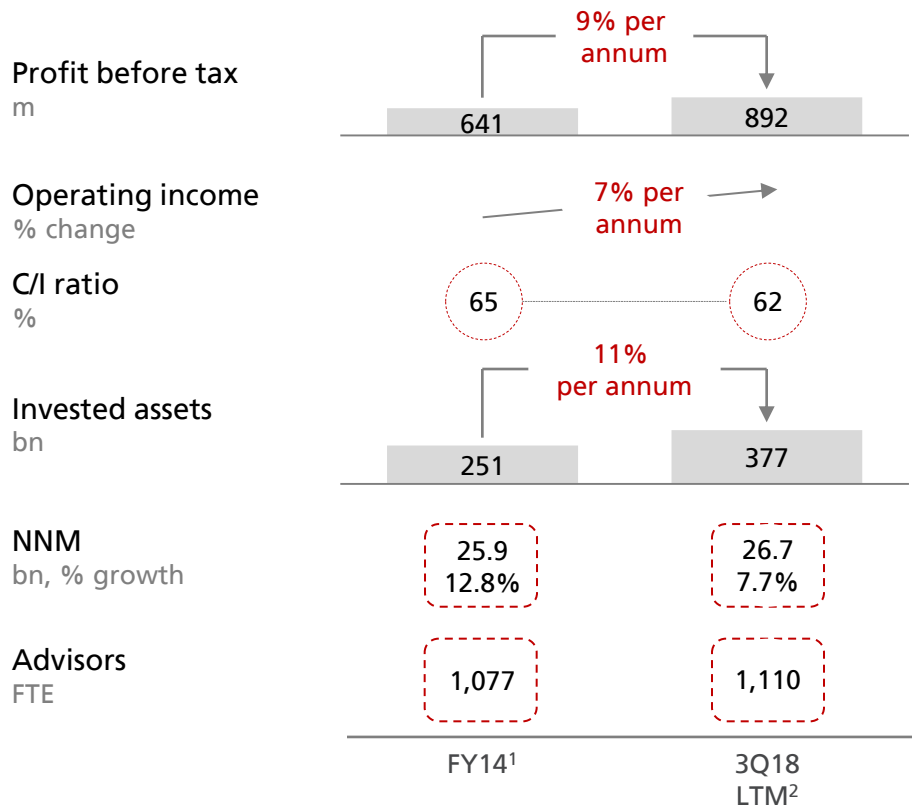


UBS GWM invested assets illustrative



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 1 Asian Private Banker 2017 league table, UBS based on actuals; 2 Excluding Australia domestic business which was exited in 2Q16

# Strong performance and substantial investment



## Key messages

- › Double-digit growth in recurring income
- › Strong NNM growth with prudent advisor hiring
- › Strong loan growth supporting net interest income
- › Operating leverage while investing for growth
- › Productivity increase through platform investments



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
 1 Excluding Australia domestic business which was exited in 2Q16; 2 30.9.18 for Invested assets and 3Q18 for Advisors

# Strong growth – mainly offshore in the short/mid term



373 billionaires in China,  
814 billionaires in APAC

~2 new billionaires in China  
per week, >3 in APAC

>80% of clients require  
succession planning

APAC



~3.7trn offshore assets heavily concentrated  
in Hong Kong and Singapore<sup>1</sup>

Onshore wealth ~8-10x larger than offshore,  
only 20-30% managed by a wealth manager<sup>2</sup>

China



China as important long-term investment, no  
significant profit contribution in the short term

Comprehensive set of licenses across businesses  
to deliver full value proposition in the mid term,  
including premium digital wealth services

# Focus on NNM, lending and mandates



We aim to deliver >15% PBT growth per annum in APAC

Secure  
NNM  
growth

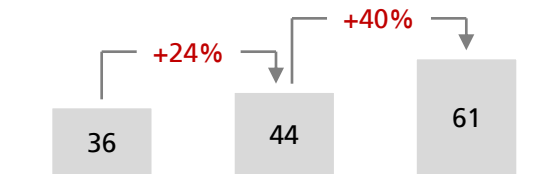
NNM



- › Strategic hiring of client advisors
- › Continued advisor education

Improve  
lending  
penetration

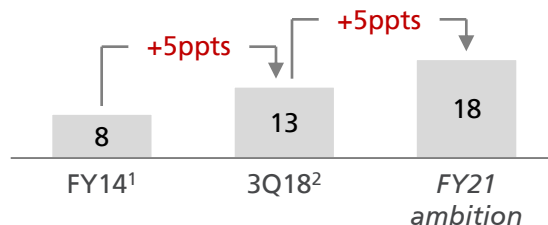
Loan  
volume



- › Enhanced core Lombard offering
- › Structured lending for UHNW

Increase  
mandate  
penetration

Mandate  
penetration  
%



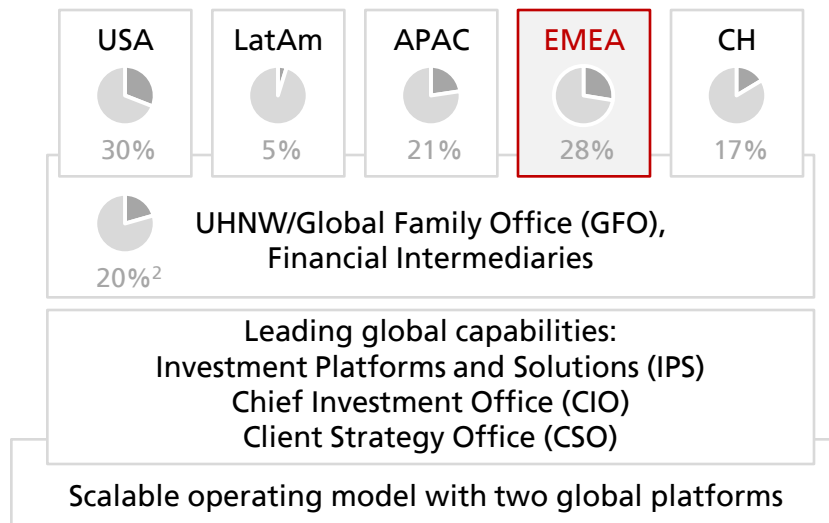
- › Superior digital client experience
- › Additional product specialists



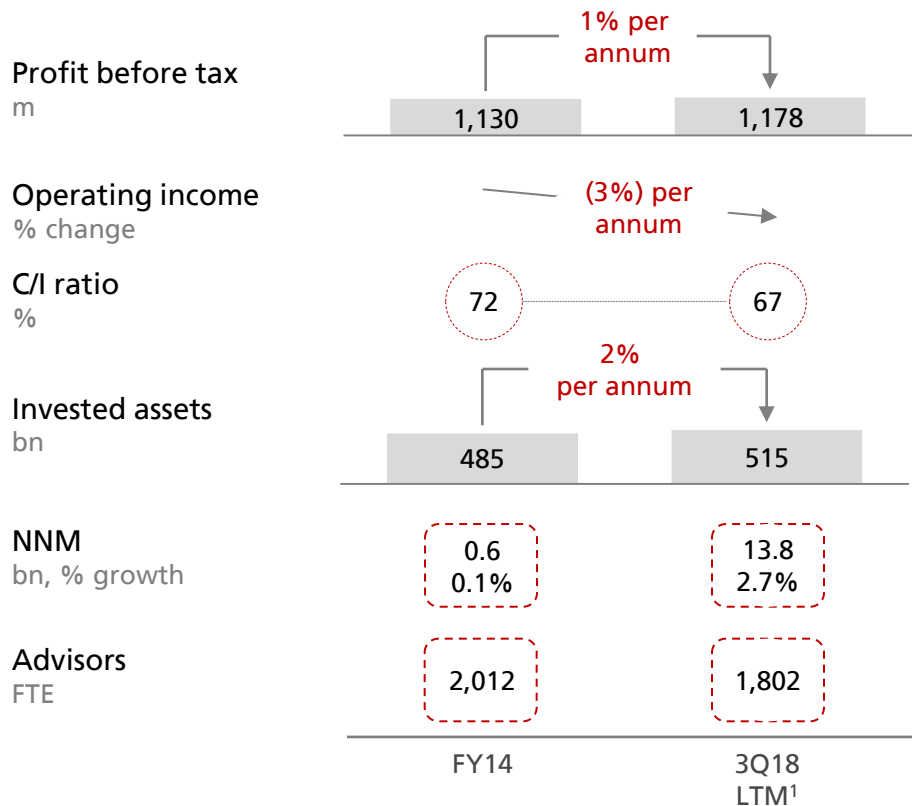
Numbers in CHFbn and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
1 Excluding Australia domestic business which was exited in 2Q16; 2 NNM 3Q18 LTM

# EMEA – Deliver 5-10% PBT growth per annum

 Share of GWM PBT<sup>1</sup>



# Performance impacted by cross-border transformation



## Key messages

- › Cross-border transformation completed
- › Higher margin assets lost after repatriation
- › Strong competition from large domestic players
- › Higher profitability due to diligent cost control
- › Solid net new money growth since 2016



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation; 1 30.9.18 for invested assets and 3Q18 for advisors



# Future growth driven by EU Domestic and CEEMEA

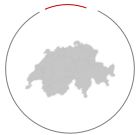


Strong value proposition to capture growth

EMEA consists of three businesses

## Europe International

Booked in Switzerland



## Europe Domestic

Booked in Europe



## CEEMEA<sup>1</sup>

Booked outside domicile



› **Domestic footprint** ensuring proximity to clients and access

› **Global offering with regional adaptations** to compete locally

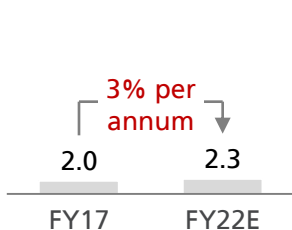
› **Holistic coverage of client needs** beyond investments

› **Global service centers** enabling scale through Wealth Management Platform

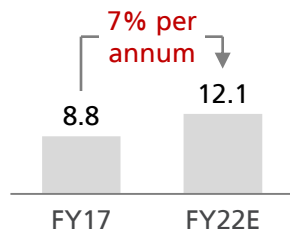
› **Security of booking center Switzerland** still a key success factor

Investable wealth<sup>2</sup>

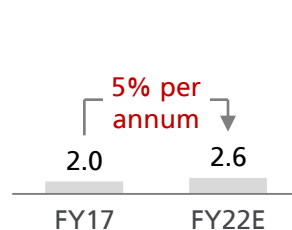
### Europe offshore



### Europe onshore



### CEEMEA<sup>1</sup> offshore



Numbers in CHFtrn and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
1 Central and Eastern Europe, Middle East and Africa; 2 BCG Global Wealth Database 2018

# We aim to achieve 5-10% PBT growth per annum



Increasing profitability driven by revenue growth and cost efficiency

Reinforce  
Europe  
International

- › Leverage leading capabilities and stability of booking center Switzerland to protect assets and gross margin

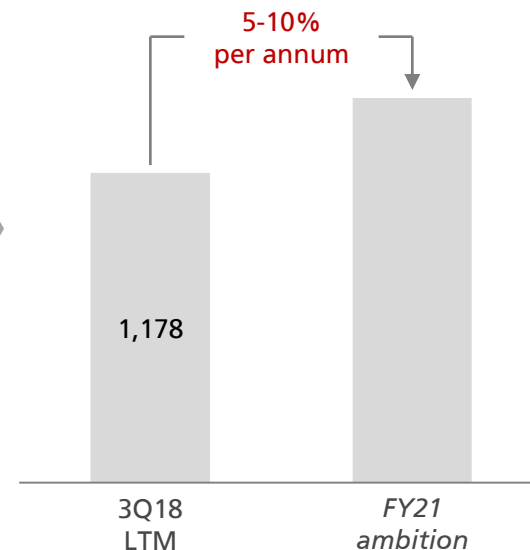
Grow  
Europe  
Domestic

- › Onboard locations to Wealth Management Platform to fully leverage Swiss capabilities and achieve the scale to successfully compete with domestic champions

Grow  
CEEMEA<sup>2</sup>

- › Maximize synergies between local advisory offices and booking center Switzerland to accelerate revenue growth

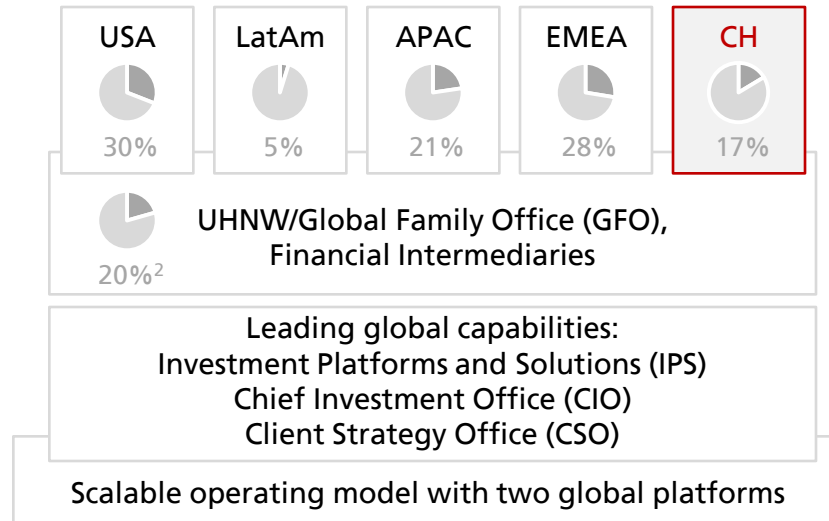
Profit before tax<sup>1</sup>  
Illustrative



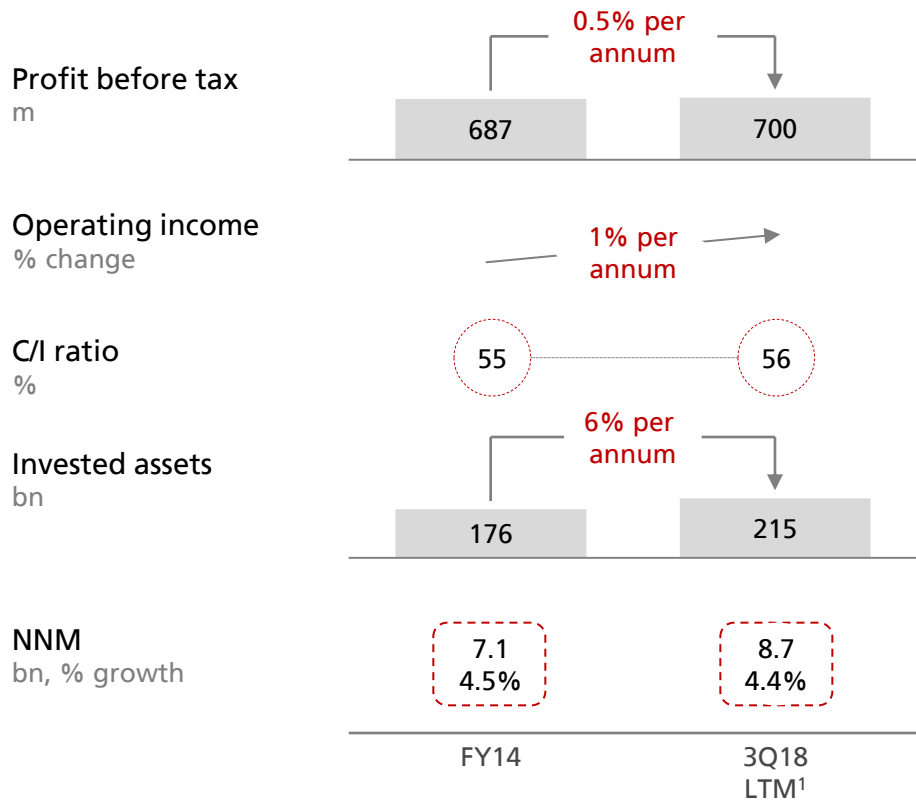
Numbers in CHFm and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
1 Annual target over the cycle; 2 Central and Eastern Europe, Middle East and Africa

# Switzerland – Deliver 5-10% PBT growth per annum

 Share of GWM PBT<sup>1</sup>



# Positive income and asset growth with leading profitability



## Key messages

- › Stable net new money growth
- › Increase in recurring fees
- › Solid profit contribution, 17% of GWM PBT
- › Impacted by negative interest rate environment
- › Leading C/I ratio with a state of the art platform

# Our ambition is 5-10% PBT growth per annum



## Attractive growth opportunities<sup>1</sup>

~54bn Payouts from pension funds

> Almost double number of **pension planners** to ~30 FTEs by 2021

~158bn Inheritable bankable assets

> Further strengthen **Family Banking** to capture and protect **inheritance flows**

~65bn Sale of SME companies

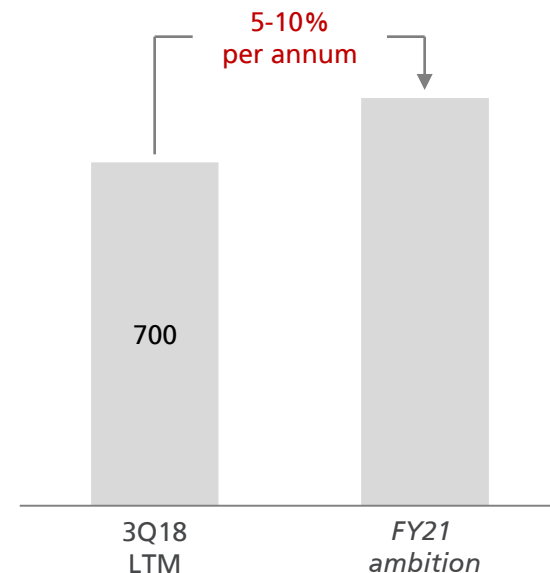
> Increase **advisors for executives and entrepreneurs** to ~80 FTEs by 2021



Front-to-back efficiency

> Increase **efficiency** of operating model through **further digitization**

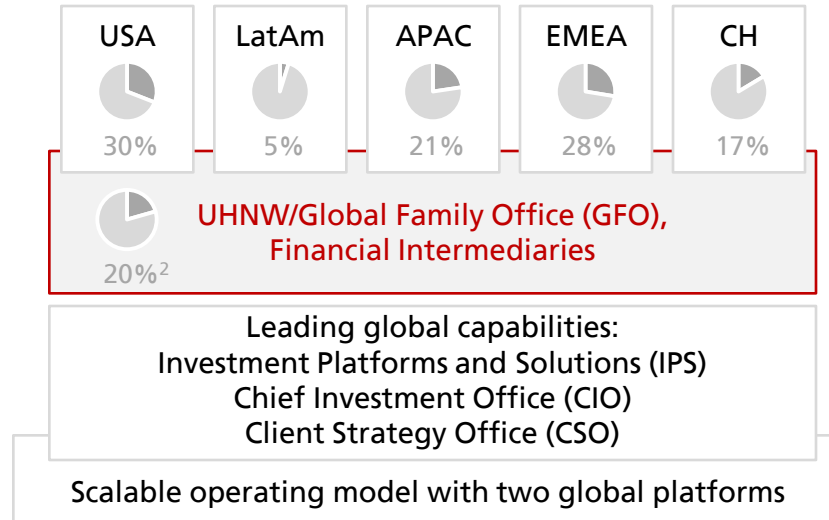
## Profit before tax<sup>2</sup> illustrative



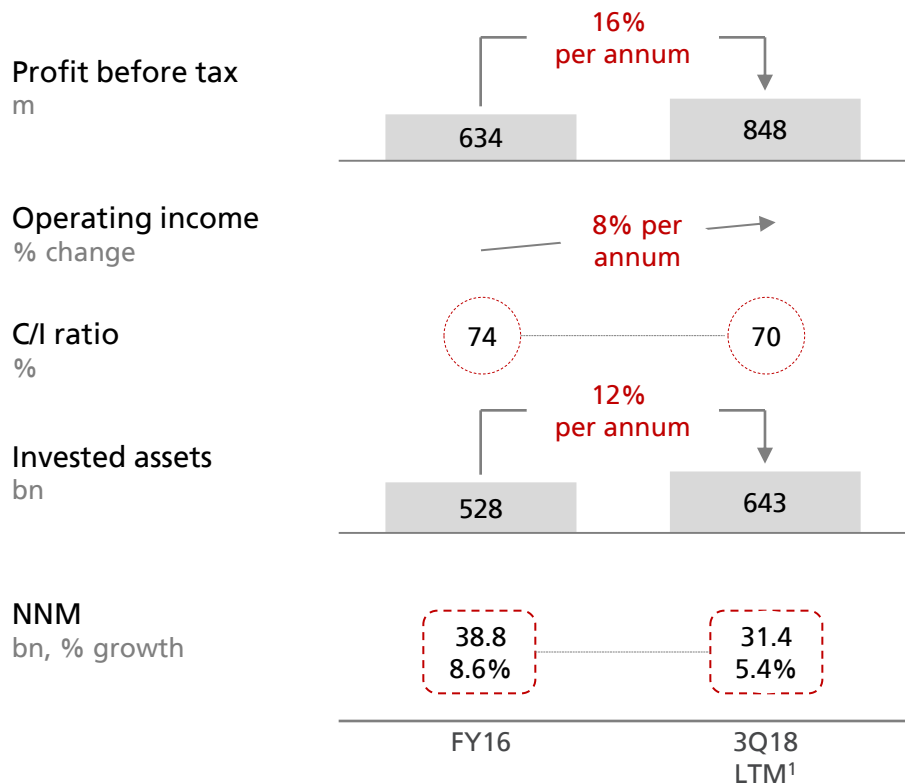
Numbers in CHFm and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation;  
1 BCG Global Wealth Database 2018 – 'Money in motion' total of FY17-FY22E; 2 Annual target over the cycle

# UHNW – Deliver 4-6% NNM per annum

 Share of GWM PBT<sup>1</sup>



# UHNW delivers scalable and profitable growth



## Key messages

- › Double digit profit growth
- › Growth through **share of wallet** and **new clients**
- › **Deep, holistic client relationships** across all regions
- › **High efficiency** with a **scalable operating model**



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation; UHNW is a globally managed unit that exclusively serves UHNW clients that was created in 2016; figures exclude UHNW clients managed outside of the dedicated UHNW unit, include the impact from clients shifting into and out of dedicated UHNW unit; 1 30.9.18 for invested assets

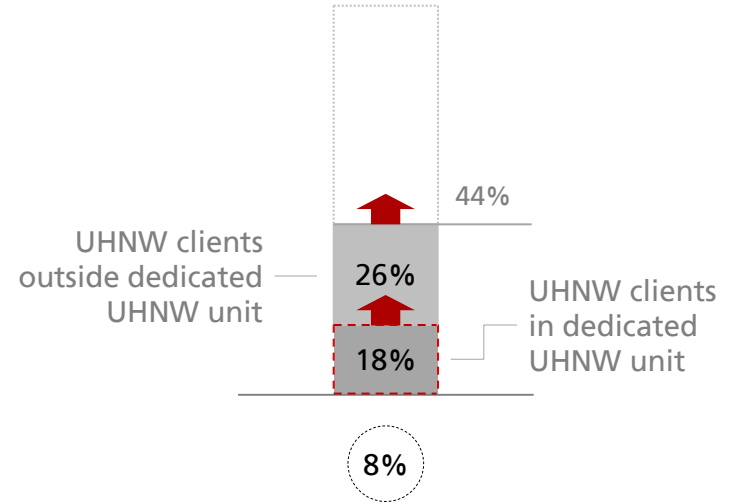
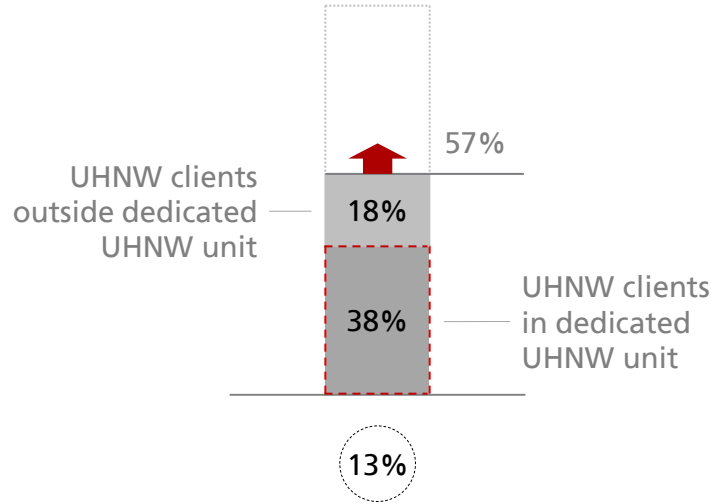
# APAC and USA offer substantial growth opportunities



UHNW % of UBS regional invested assets<sup>1</sup>  
30.9.18

APAC, EMEA, CH

USA



Strategic focus

- › Strengthen position as leading UHNW franchise
- › Enhance UHNW offering and dedicated coverage
- › Capture 17% annual UHNW market growth in APAC
- › Grow share of wallet and acquire new clients



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation; Dedicated UHNW unit refers to a globally managed unit that exclusively serves UHNW clients that was created in 2016; 1 UHNW segment definition: WM non-Americans: >50m bankable assets or >100m total wealth; WM Americas: Mostly >10m bankable assets with UBS; 2 BCG Global Wealth Database 2018 (UHNW defined as greater than USD 20m, USA market growth rate referring to North America)



# US to support 4-6% UHNW NNM growth per annum



Focus on capturing a larger proportion of the US UHNW market

Global Family Office Group

- › Enhance **scale and capabilities** for 500m+ clients by expanding the US GFO team
- › Provide coordinated global execution with **IB/AM coverage** and **customized servicing**

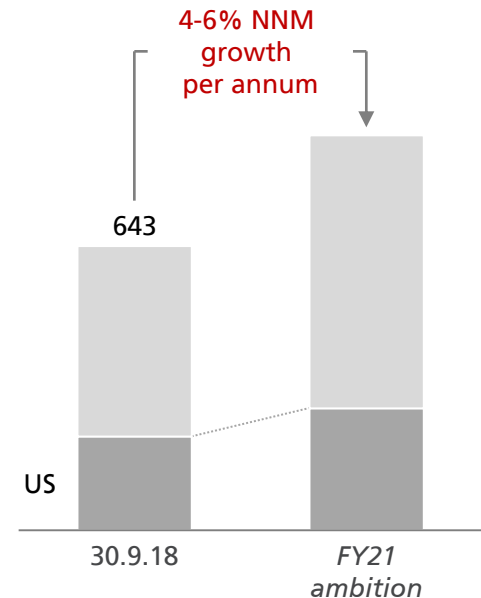
US Family Office Solutions Group

- › Build **integrated solutions** targeted at 100m+ clients by adding specialists

Referrals

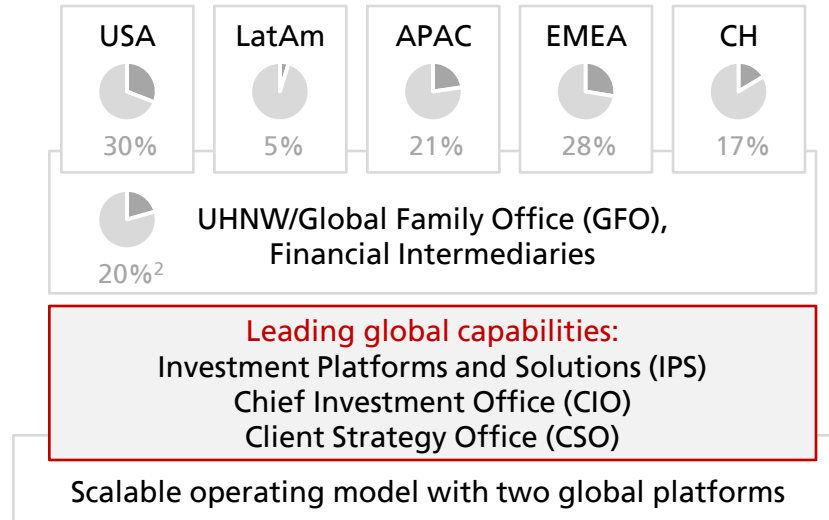
- › Develop an **incentive scheme** to accelerate collaboration within the US as well as globally

Invested assets  
illustrative



# Leading global capabilities

 Share of GWM PBT<sup>1</sup>



# Leverage scale of globally leading capabilities and solutions



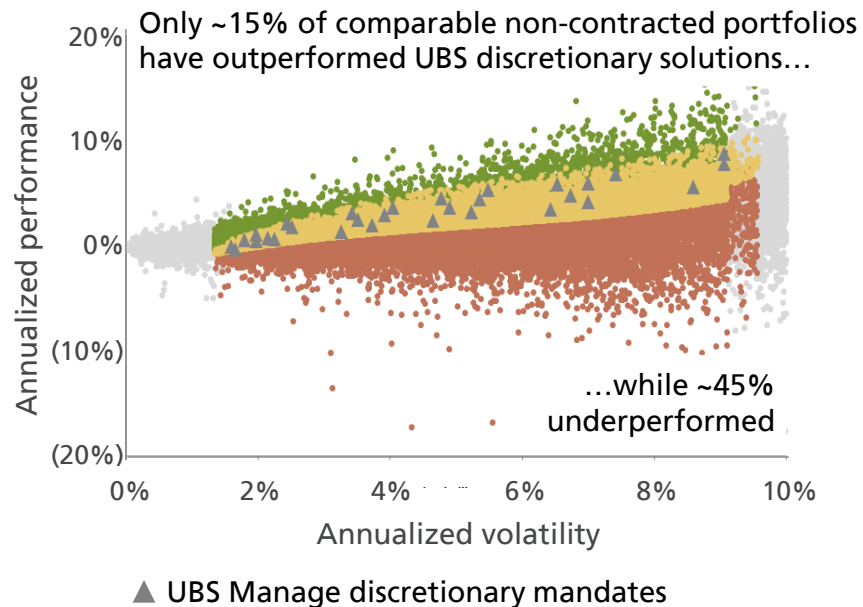
Delivering sophisticated, personalized content and capabilities through advisor centric client coverage



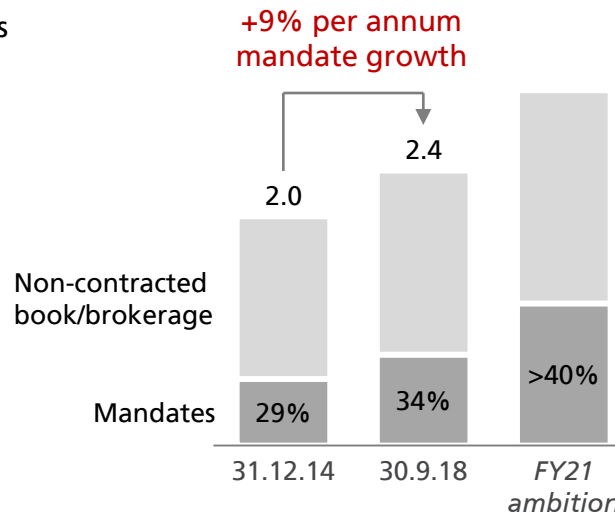
# Mandates benefit clients and the firm



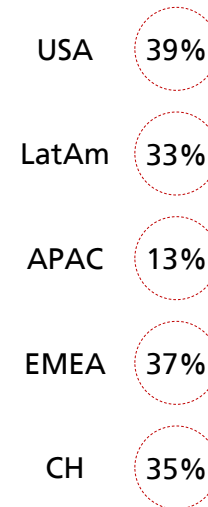
## Booking center Switzerland 1H13-1H18



## Invested assets illustrative



## Mandate penetration 3Q18



Average gross margin bps, 3Q18 LTM	40-50	Non-contracted book/brokerage
	80-90	Mandates



Numbers in CHFtrn and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation

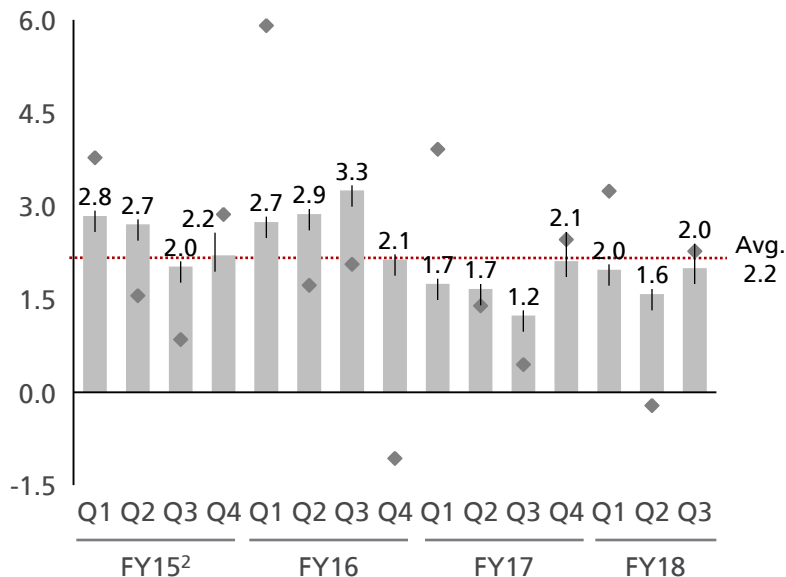
# Focus on NNM quality



## Net New Money growth

■ %, LTM quarterly rolling<sup>1</sup>

◆ %, quarter



Sustainable **high quality** Net New Money **growth**

Cash inflows typically **fully invested after 6-9 months**

~50% of NNM flows into mandates within 12 months

**UHNW** contributes >50% of NNM but can create volatility

Managing for **profitability**

- › Charging for EUR deposits which led to outflows in 2017
- › Organic growth vs expensive recruiting to drive headline NNM
- › Focus on client economic profit<sup>3</sup>

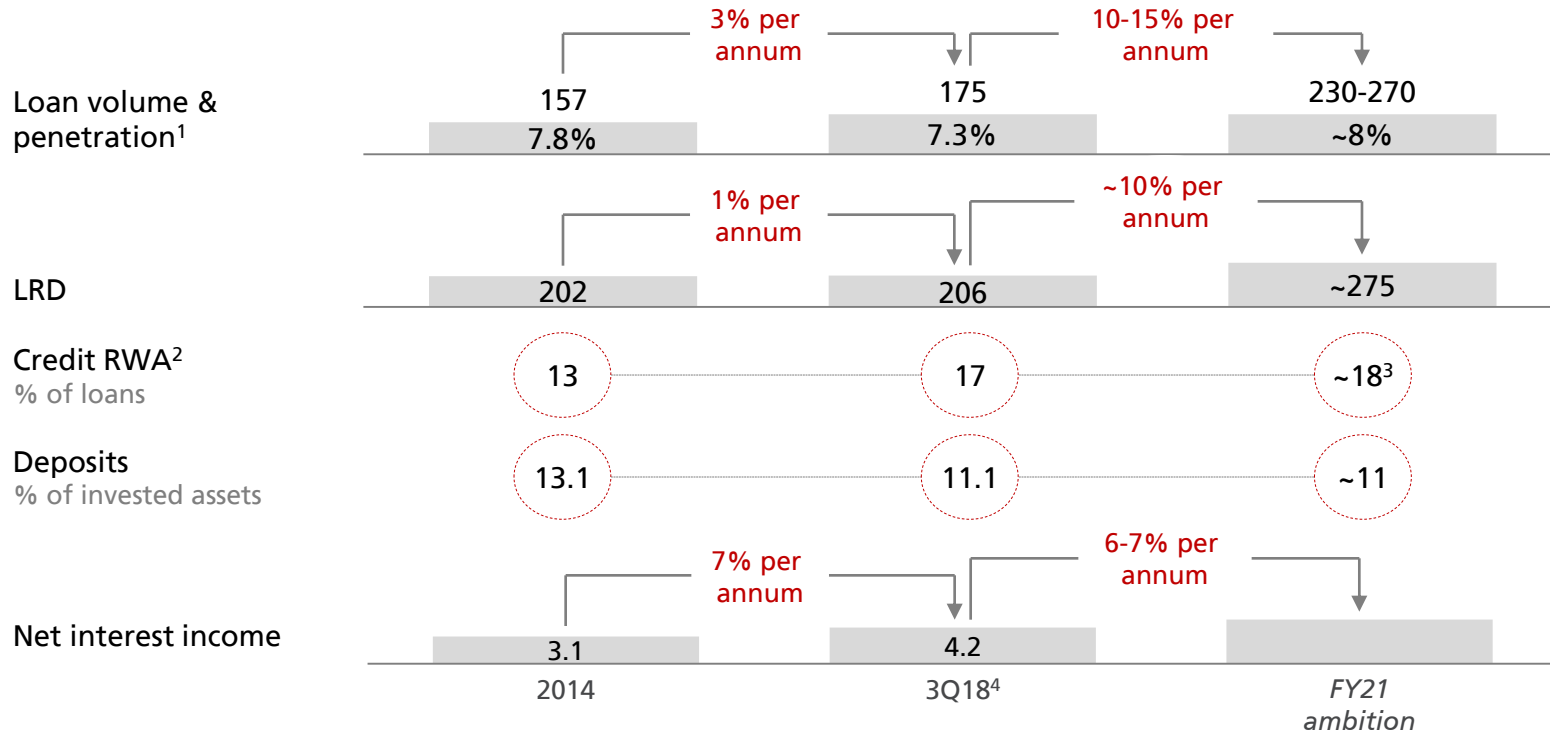


Numbers in CHF and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation; 1 NNM growth rate of last twelve months; 2 NNM adjusted for Balance Sheet Capital Optimization Program of CHF ~10bn in 2015; 3 Client economic profit measures the value returned to shareholders by understanding all of the firms costs (including cost of capital) and revenue

# Lending and deposit strategy to drive shareholder return



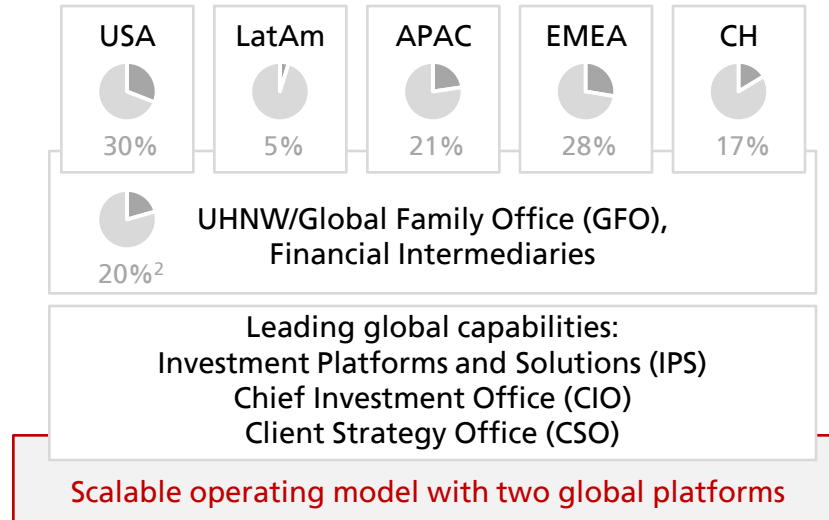
GWM as the main driver of growth for Group's financial resources



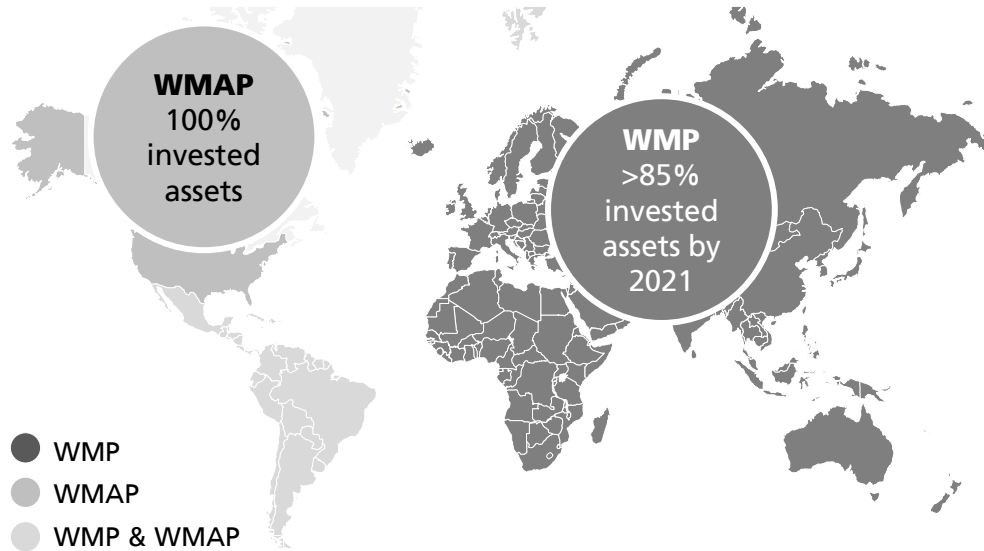
Numbers in CHFbn and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation; 1 Loans include customer brokerage receivables, which with the adoption of IFRS 9 effective 1 January 2018 have been reclassified to a separate reporting line on the balance sheet; 2 Credit and counterparty Credit Risk includes regulatory changes 2014-18; 3 Assuming no regulatory changes; 4 net interest income last twelve months

# Scalable operating model and platform

 Share of GWM PBT<sup>1</sup>



# Creating WMAP and converging to WMP outside the US



## Creating Wealth Management Americas Platform (WMAP)

- › Modern advisor workstation
- › Integrated product platform
- › Scalable & flexible back office
- › Leverage utility efficiencies

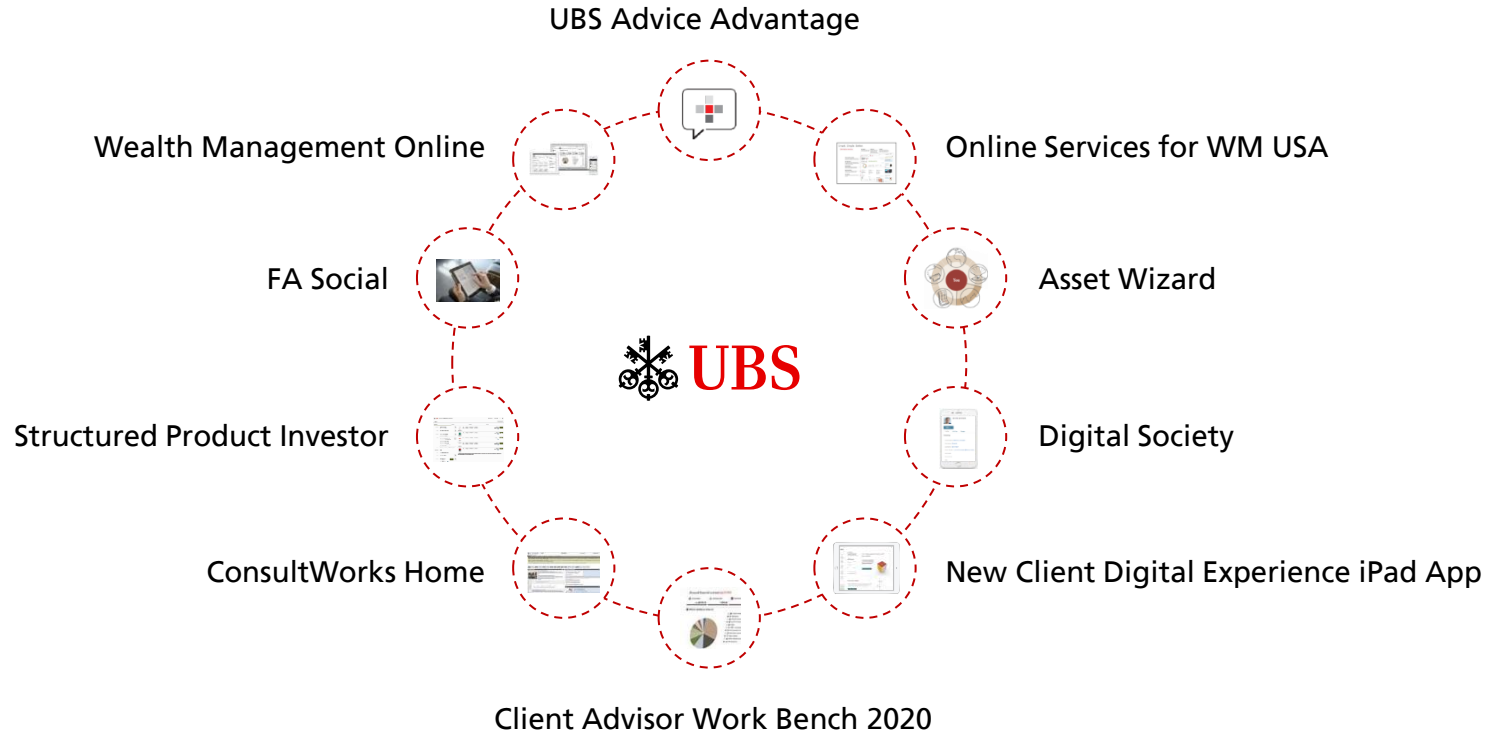
## Converging to Wealth Management Platform (WMP)

- › State of the art offering and digital capabilities for advisors and clients
- › Standardization of offering, processes and tools
- › Reduced costs

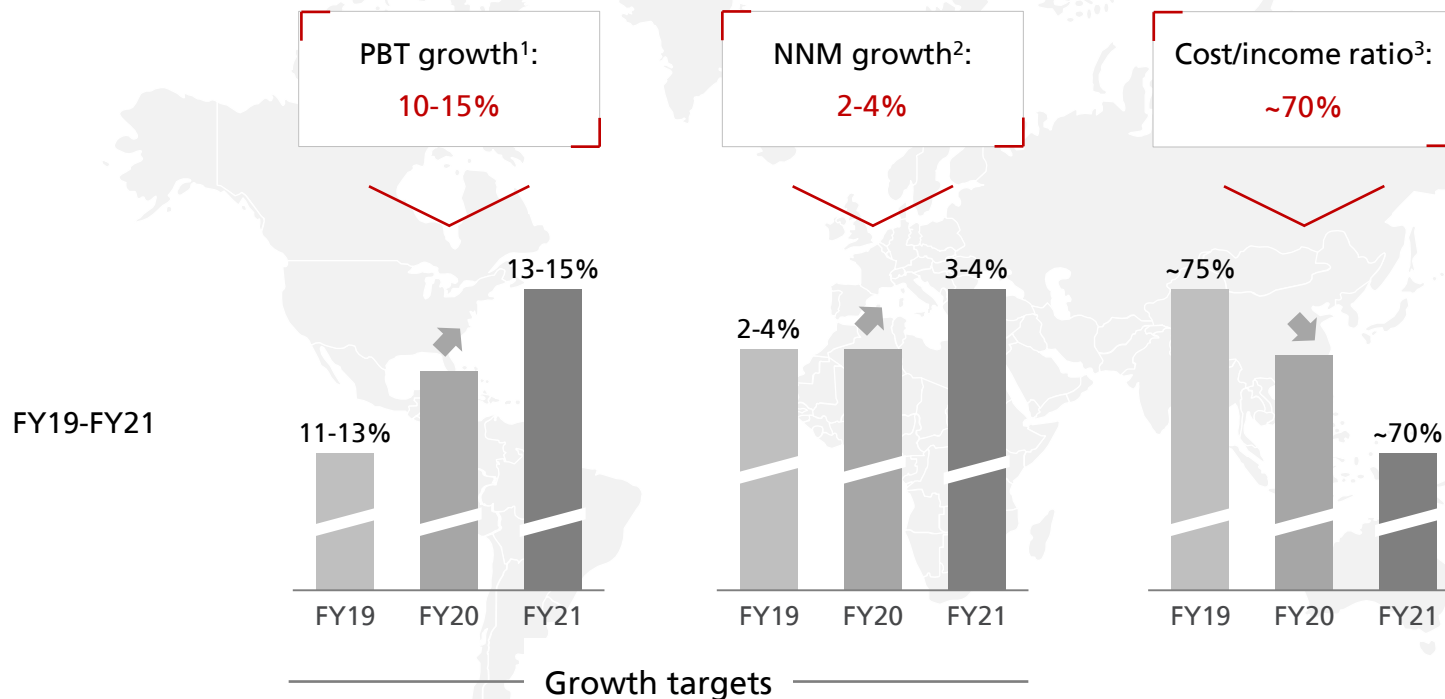
CHF ~600m investments by 2021 to implement our two platform strategy: WMAP (2021), WMP Italy (2020) and WMP Taiwan (2021)



# Continuous investment in innovation



# We intend to deliver at the upper end of our growth targets



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 52 for details on adjusted numbers and FX rates in this presentation  
 Targets and ambitions reflect Corporate Center allocation changes; 1 Annual target over the cycle, annual ranges represent management aspiration; 2 Target, annual ranges represent management aspirations; 3 Target for FY19, ambition for FY21

# Key messages

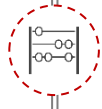
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Largest and only truly global wealth manager – uniquely positioned in biggest and fastest growing markets & segments



Strategic plan focused on accelerated growth in US, APAC and UHNW, supported by favorable market factors



Creation of GWM allows for ~250 million annualized cost saves, cumulative >600 million by 2021, to be reinvested in growth



Significant investment in the future – including technology to deliver industry-leading client and advisor experience



We intend to deliver at the higher end of our ambitious and achievable FY21 targets

# Financial targets

Group		Current performance		Annual targets		Ambitions	Capital/resource guidelines
		3Q18 LTM	Pro-forma <sup>1</sup>	FY19	FY19-21	FY21	FY19-21
		Reported return on CET1 capital	13.7% <sup>2</sup>		~15%		~17%
Adjusted cost/income ratio	77.5%		~77%		~72%		
CET1 capital ratio	13.5% <sup>3</sup>					~13%	
CET1 leverage ratio	3.80% <sup>3</sup>					~3.7%	
Global Wealth Management	Adjusted pre-tax profit growth	5%			10-15% <sup>4</sup>		
	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% <sup>4</sup>		
	Adjusted cost/income ratio	59.4%	✓	~59%		~56%	
	Net interest margin	152	✓		145-155bps		
Asset Management	Adjusted pre-tax profit growth	(10%) <sup>5</sup>			~10% <sup>4</sup>		
	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% <sup>4,6</sup>		
	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 52 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

# 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 9-11 of the 3Q18 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 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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