UBS

UBS Investor Update

Driving accountability and disciplined execution

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25 October 2018

Cautionary statement regarding forward-looking statements

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.

Key messages

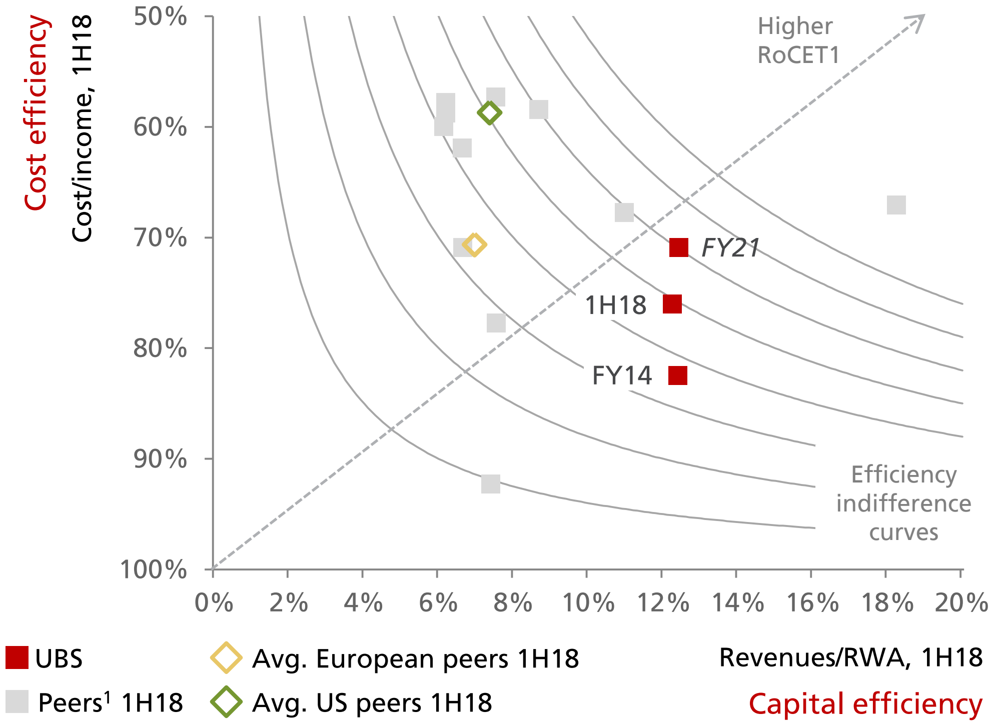
Driving disciplined resource management to achieve Group targets

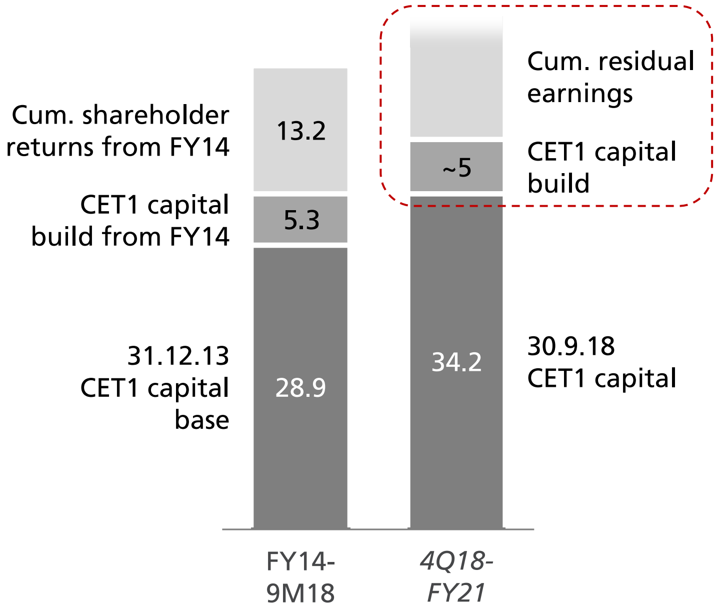
Aligning Group and divisional performance to drive front to back optimization

Clarifying and refining target framework to drive accountability and disciplined execution

Improving cost and capital efficiency to drive capital accretion

Focused on sustainable performance





Numbers in CHFbn unless otherwise indicated; refer to slide 22 for details on adjusted numbers, Basel III numbers and FX rates in this presentation; UBS and peers adjusted for one-offs including litigation; not adjusted for restructuring costs; 1 Bank of America, Barclays, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Julius Baer, Morgan Stanley and Standard Chartered

Driving growth

Revenue growth driven by a combination of management initiatives and market beta factors

α

~50% of growth from management initiatives

GWM — Advisor productivity, banking products, mandates, net new money

P&C — Digitization, front-to-back optimization, data analytics, net new business volume

AM — Driving growth in wholesale, Passive and China

IB — Profitably capturing market share in execution and advisory

β

~50% of growth from market beta factors

Planning assumptions

7% MSCI World
p.a. total return

9% MSCI EM
p.a. total return

3.5-4%
real global GDP growth

Implied forwards

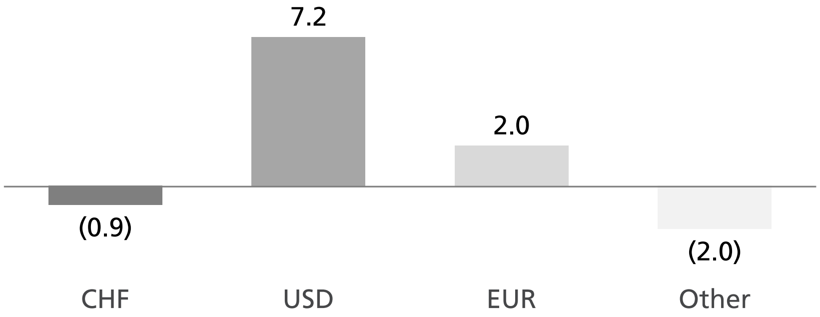
~50-60m per percentage point equity returns total for combined GWM and AM
revenue sensitivity

IB — current market conditions, including stock market and FX volatility, equity market returns, credit spreads and interest rates

Changing to USD as functional currency from 4Q18

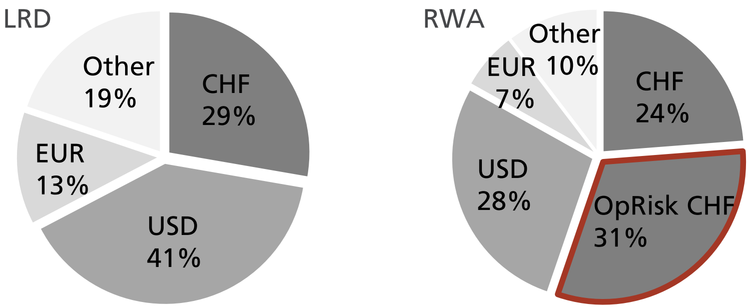
Reducing FX-induced volatility of earnings and capital ratios

Pre-tax profit contribution
3Q18 LTM[1,2]



Less earnings volatility due to reporting in the currency with greatest P&L contribution

Balance sheet composition
30.9.18



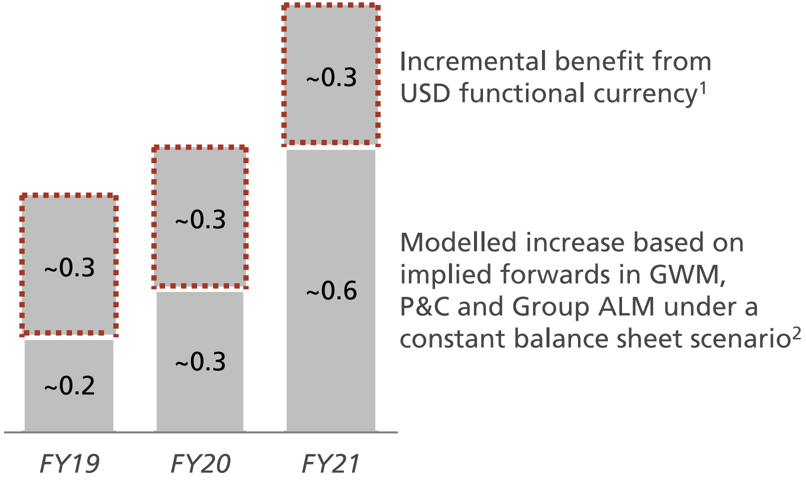
Operational risk RWAs re-denominated into USD upon functional currency changes on 1.10.18

Numbers in CHFbn and adjusted unless otherwise indicated; refer to slide 22 for details on adjusted numbers, Basel III numbers and FX rates in this presentation; 1 Divisional currency mix for operating income and expenses as per slide 33 of the 4Q17 results presentation; Corporate Center assumed to follow Group average currency distribution for retained revenues and costs; 2 Last 12 months

USD functional currency to benefit NII

Benefits from USD functional currency in addition to potential upside from implied forwards

NII based on 30.9.18 implied forwards
vs. 3Q18 LTM



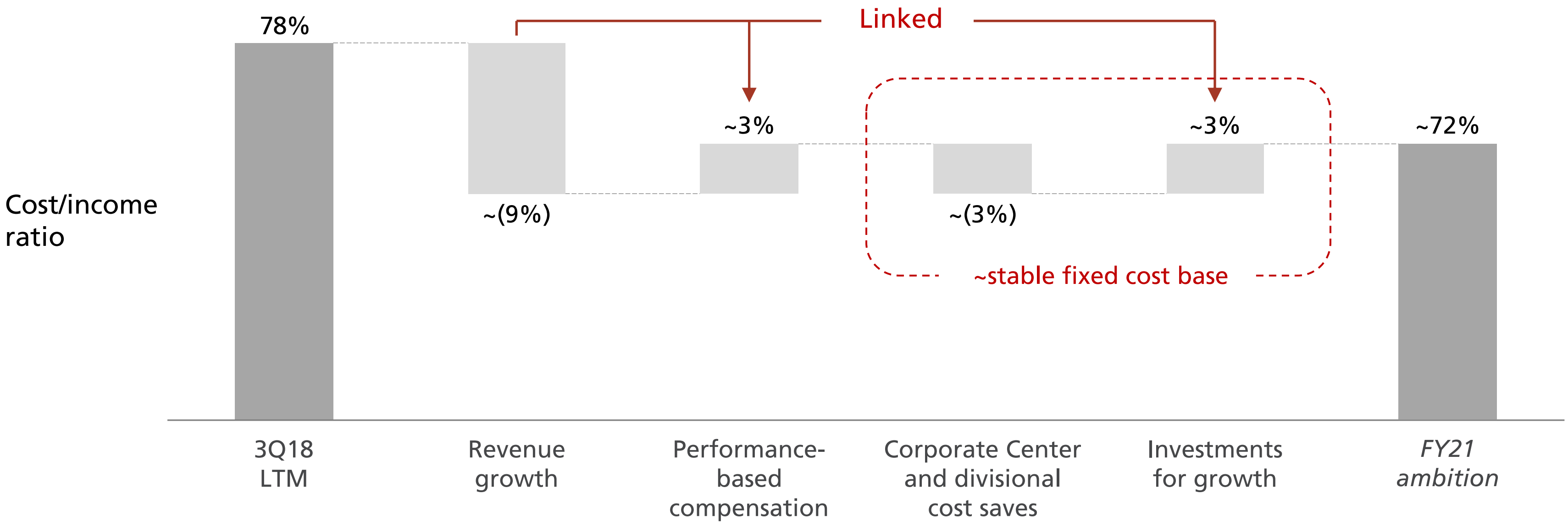
› ~300m p.a. expected incremental NII benefit from functional currency change, starting 1Q19
  – Mostly passed on to business divisions

› Restatement of financial data:
  – 4Q18 and FY18 to be reported in USD
  – 3 years of historic financial data to be restated
  – No material impact on capital ratios

Numbers in CHFbn unless otherwise indicated. Refer to page 16 of the 3Q18 report for more information on our interest rate sensitivity; 1 Based on 30.9.18 interest rates; 2 Including NII generated from invested equity, which is managed centrally by CC – Group ALM and is allocated to business divisions. Includes funding cost impact and updated CC – Group ALM guidance. Assumes a static balance sheet, constant FX rates and no management action

Improving cost efficiency

Cost flexibility through phasing investments and variable compensation



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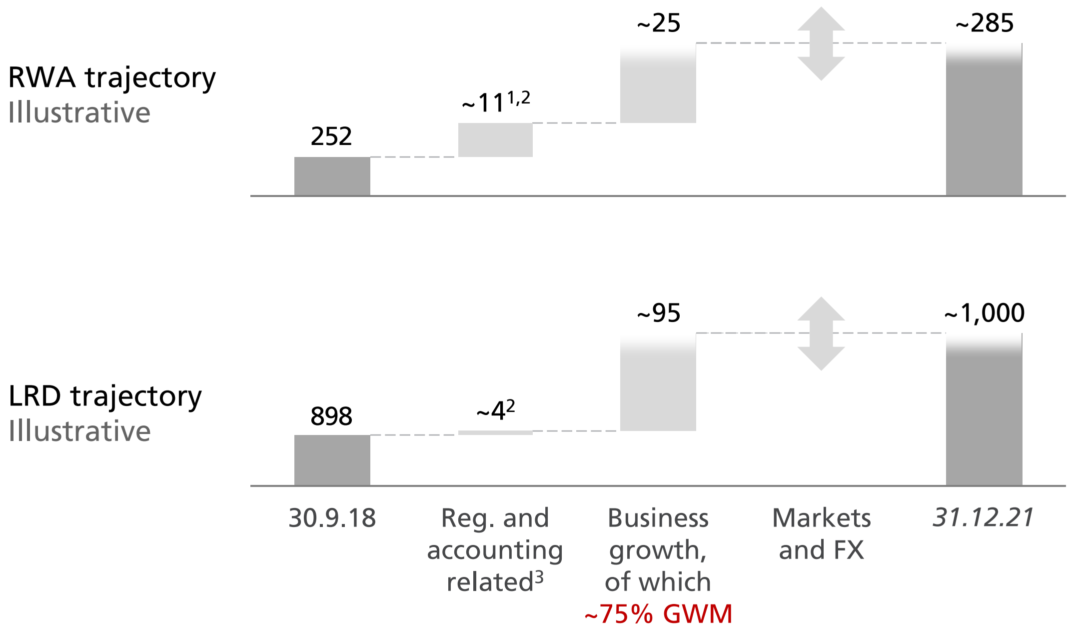
Numbers in CHF and adjusted unless otherwise indicated; refer to slide 22 for details on adjusted numbers and FX rates in this presentation

Resource deployment to drive growth and higher returns

Planning for growth and preparing for Basel III requirements



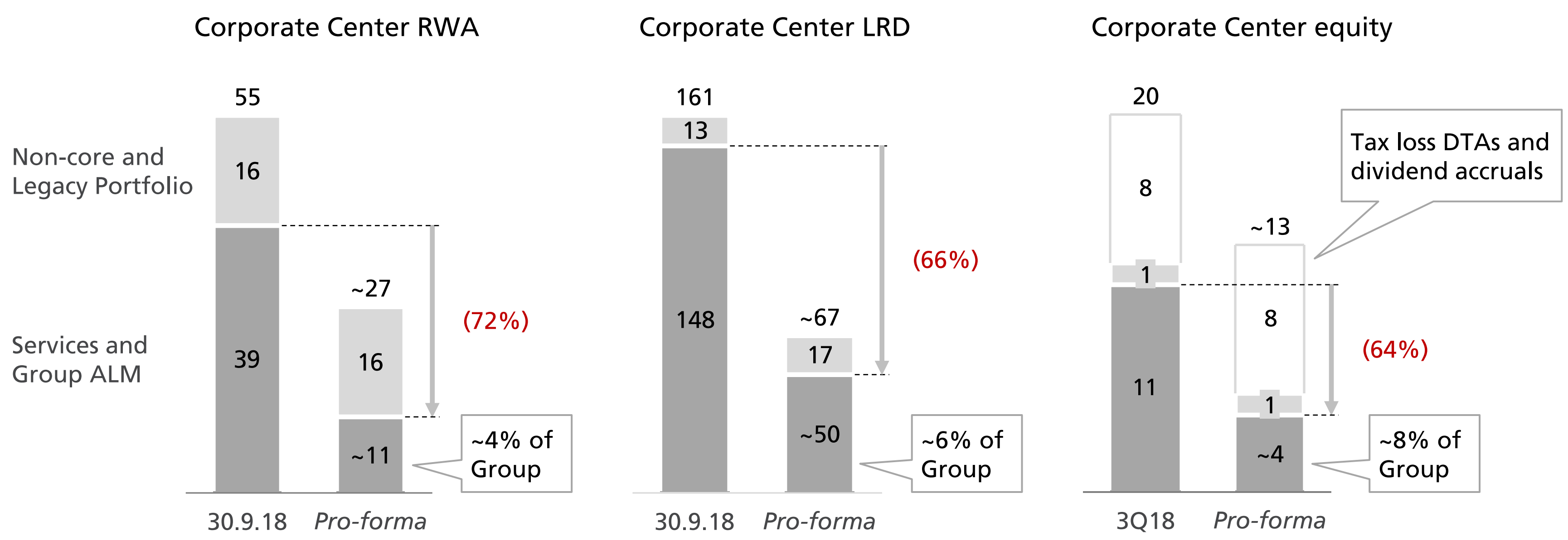
Estimate of Basel III finalization unchanged

- ~35bn RWA increase on 1.1.22 before optimization and final regulatory outcomes remains unchanged
- Aggregate output floor not likely to be binding prior to 2026

Numbers in CHFbn unless otherwise indicated; refer to slide 22 for details on adjusted numbers, Basel III numbers and FX rates in this presentation; 1 ~3bn in 4Q18, ~7bn in 1Q19 and ~1bn in 1Q20; 2 Includes IFRS 16 impact which applies from 1.1.19; 3 Known and quantifiable items

Aligning divisional equity with the Group

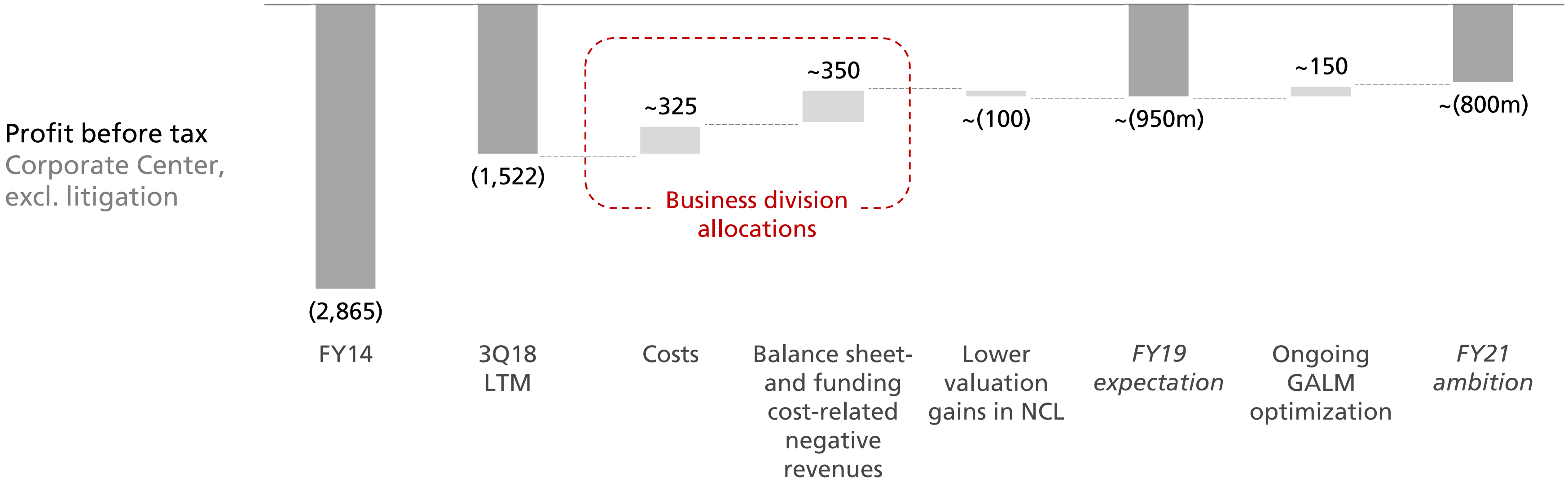
Reducing equity retained in Corporate Center



Effective 1Q19; historic financial data to be restated

Allocating and optimizing Corporate Center retained P&L

Increasing front to back cost ownership



Pro-forma impact on business division cost/income ratios

Ambitions for FY21 are within previously communicated target ranges

	Previous targets FY18-20	3Q18 LTM cost/income ratio	Announced changes	Pro-forma 3Q18 LTM cost/income ratio	Targets FY19	Ambitions FY21
Global Wealth Management	65-75%	74.5%	+1.9%	76.5%	~75%	~70%
Personal & Corporate Banking	50-60%	57.2%	+2.2%	59.4%	~59%	~56%
Asset Management	60-70%	73.7%	+1.5%	75.1%	~72%	~68%
Investment Bank	70-80%	75.5%	+1.8%	77.3%	~78%	~75%

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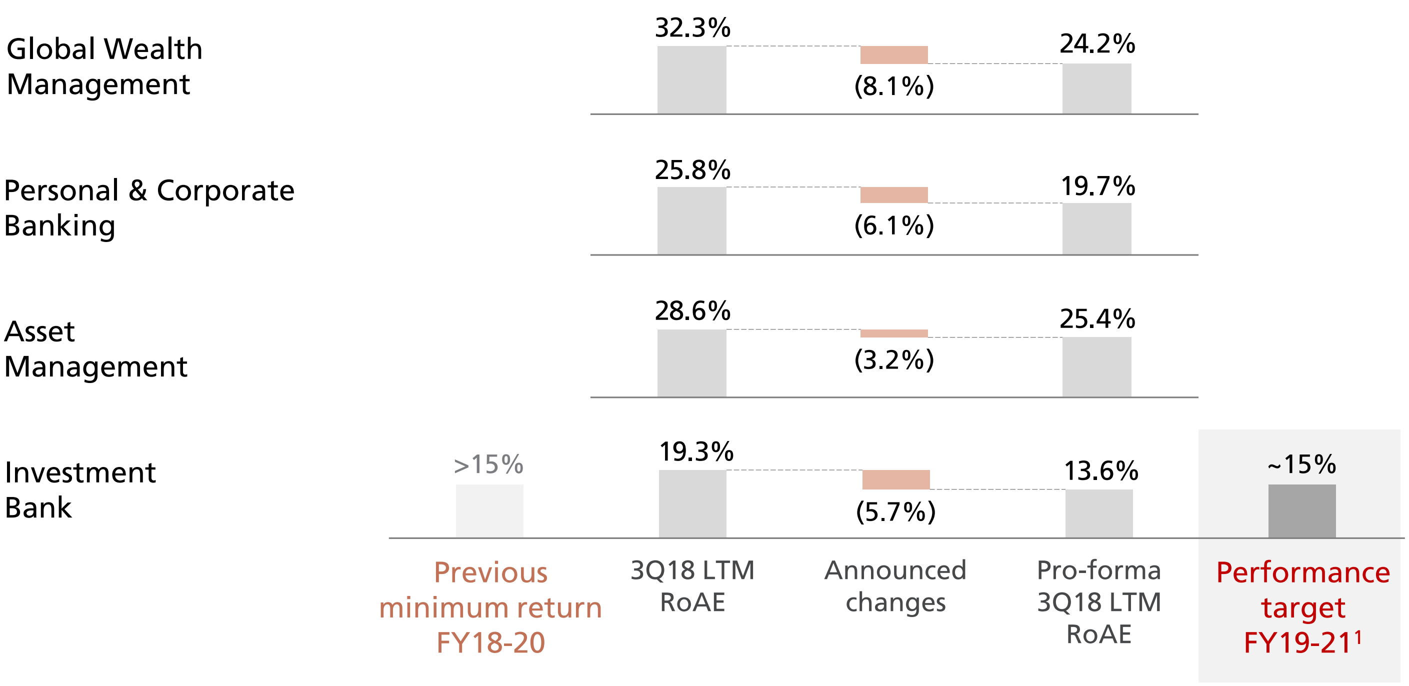
Numbers in CHF and adjusted unless otherwise indicated; refer to slide 22 for details on adjusted numbers and FX rates in this presentation

Pro-forma impact on business division RoAE

Investment Bank moving from a minimum return target to a higher like-for-like performance target



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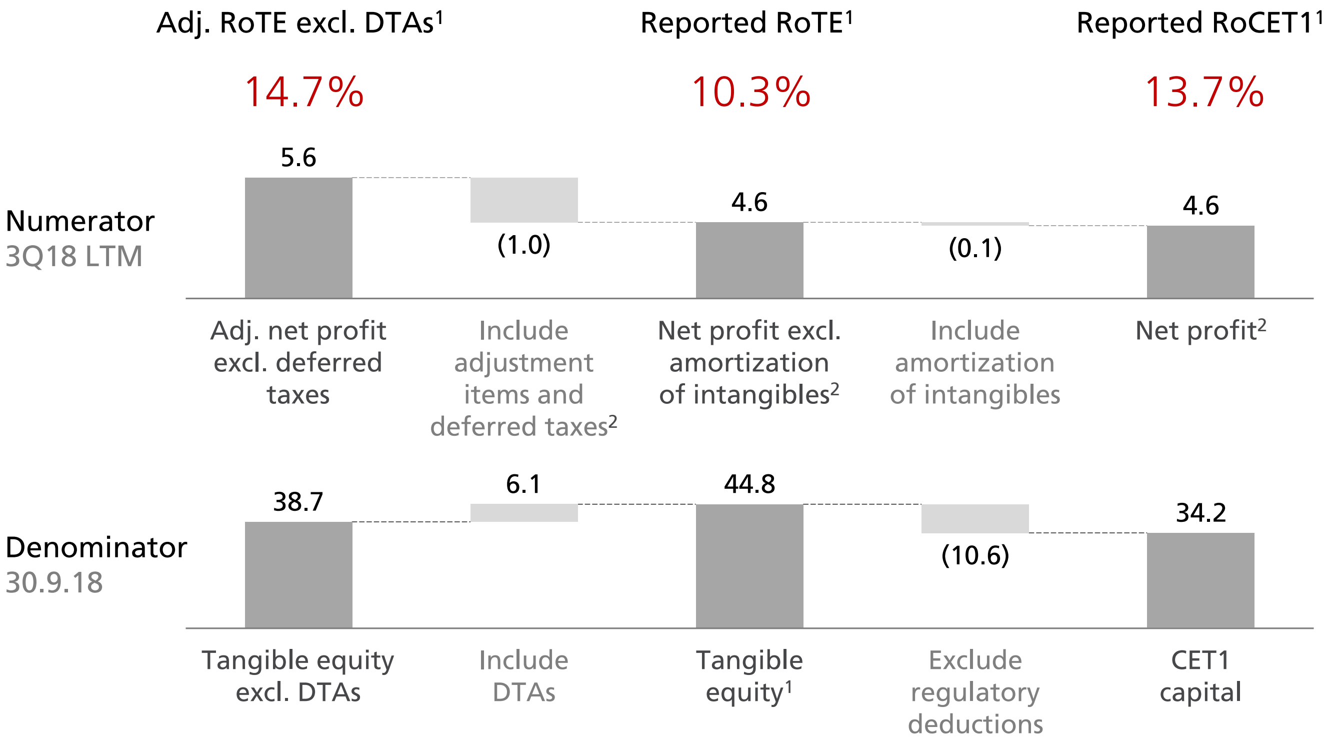
Numbers in CHF and adjusted unless otherwise indicated; refer to slide 22 for details on adjusted numbers and FX rates in this presentation;
1 Over the cycle

Reported return on CET1 vs. adjusted RoTE excl. DTAs

CET1 capital drives our regulatory ratios and subsequent ability to invest or return capital to shareholders



CET1 capital

- Drives our regulatory ratios and subsequent ability to invest or return capital to shareholders
- Primary driver of increasing book value going forward
- Aligned with capital that underpins business division performance
- Transparent, simpler and easier to calculate

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Numbers in CHFbn unless otherwise indicated; refer to slide 22 for details on adjusted numbers, Basel III numbers and FX rates in this presentation; 1 Calculated based on the LTM average denominator; 2 Excludes the impact from US tax reform in 4Q17

Clarifying and refining our target framework

Ambitions for FY21 are broadly comparable to our previous targets

		Current performance		Annual targets		Ambitions	Capital/resource guidelines
		3Q18 LTM	Pro-forma[1]	FY19	FY19-21	FY21	FY19-21
Group	Reported return on CET1 capital	13.7%[2]		~15%		~17%	
	Adjusted cost/income ratio	77.5%		~77%		~72%	
	CET1 capital ratio	13.5%[3]					~13%
	CET1 leverage ratio	3.80%[3]					~3.7%
Global Wealth Management	Adjusted pre-tax profit growth	5%			10-15%[4]		
	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%[4]		
	Adjusted cost/income ratio	59.4%	✓	~59%		~56%	
	Net interest margin	152	✓		145-155bps		
Asset Management	Adjusted pre-tax profit growth	(10%)[5]			~10%[4]		
	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%[4,6]		
	Adjusted cost/income ratio	77.3%	✓	~78%		~75%	
	RWA and LRD in relation to Group	32%/32%					~1/3

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Numbers in CHF unless otherwise indicated; refer to slide 22 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

Key messages

Driving disciplined resource management to achieve Group targets

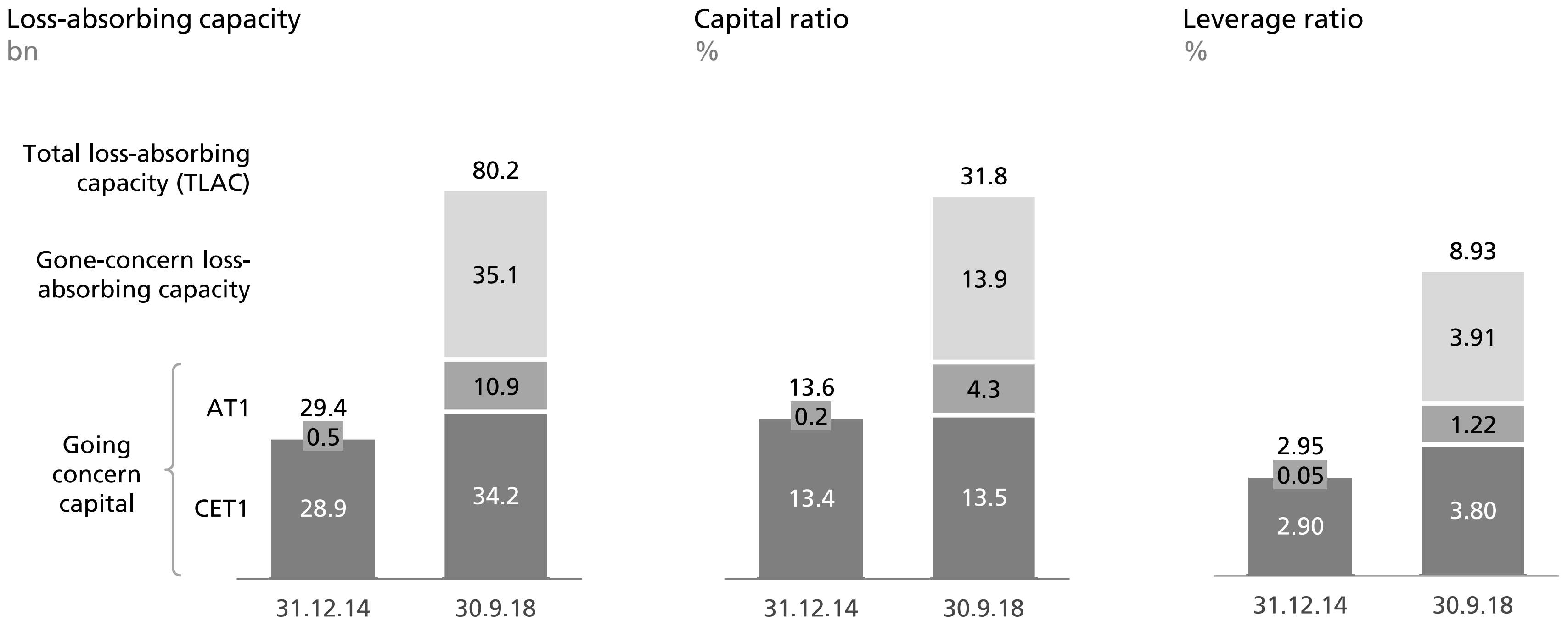
Aligning Group and divisional performance to drive front to back optimization

Clarifying and refining target framework to drive accountability and disciplined execution

Appendix

Strongly capitalized

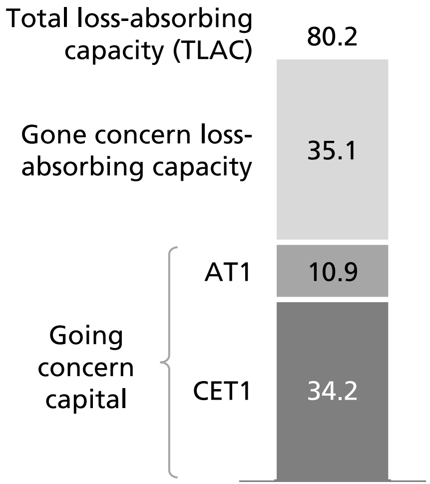
Built >50bn of total loss-absorbing capacity since 2014



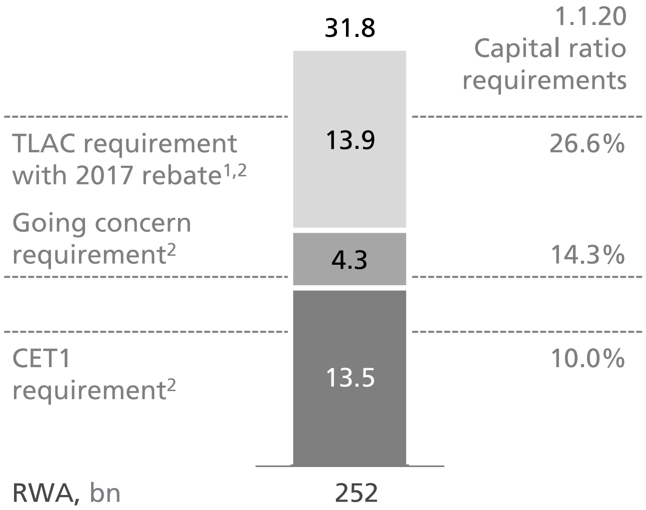
Strongly capitalized

Operating at ~13% CET1 capital ratio and ~3.7% CET1 leverage ratio

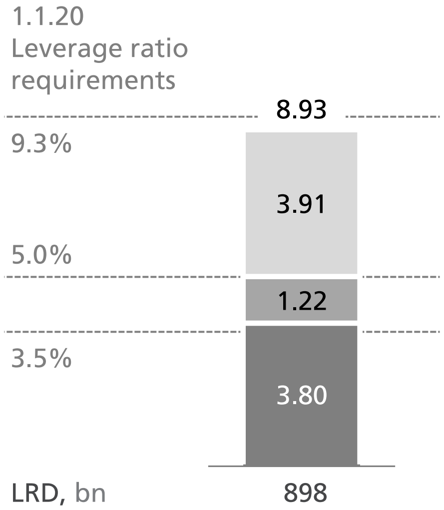
Loss-absorbing capacity
30.9.18, bn



Capital ratio
30.9.18, %

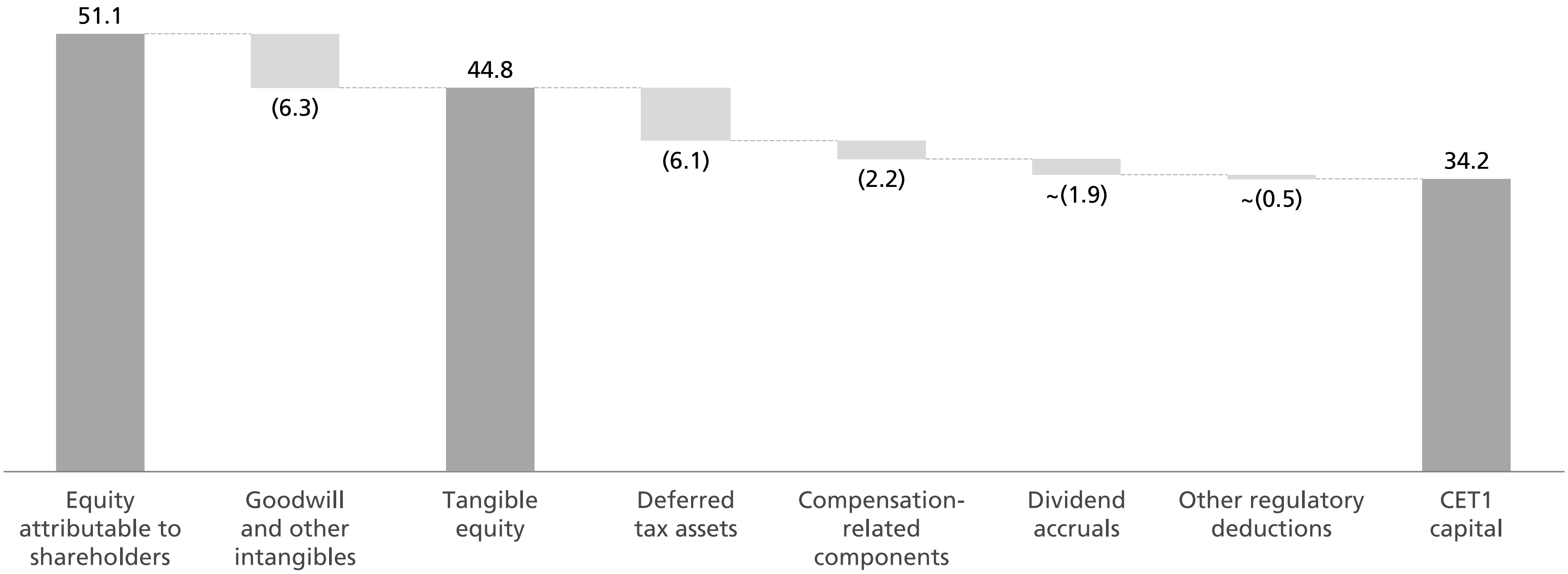


Leverage ratio
30.9.18, %



Numbers in CHF unless otherwise indicated; refer to slide 22 for details on adjusted numbers, Basel III numbers and FX rates in this presentation; 1 Gone concern requirement of 5% of LRD subject to a rebate of up to 2% of LRD based on improved resolvability. FINMA granted a rebate on the gone concern requirement of 35% of the aforementioned maximum rebate in 2017, which resulted in a reduction of 2.0 percentage points for the RWA-based requirement and 0.7 percentage points for the LRD-based requirement. As we complete additional measures to improve the resolvability of the Group, we expect to qualify for a larger rebate and therefore aim to operate with a gone concern ratio of less than 4% of LRD by 1.1.20; 2 Excludes the effect of countercyclical buffers

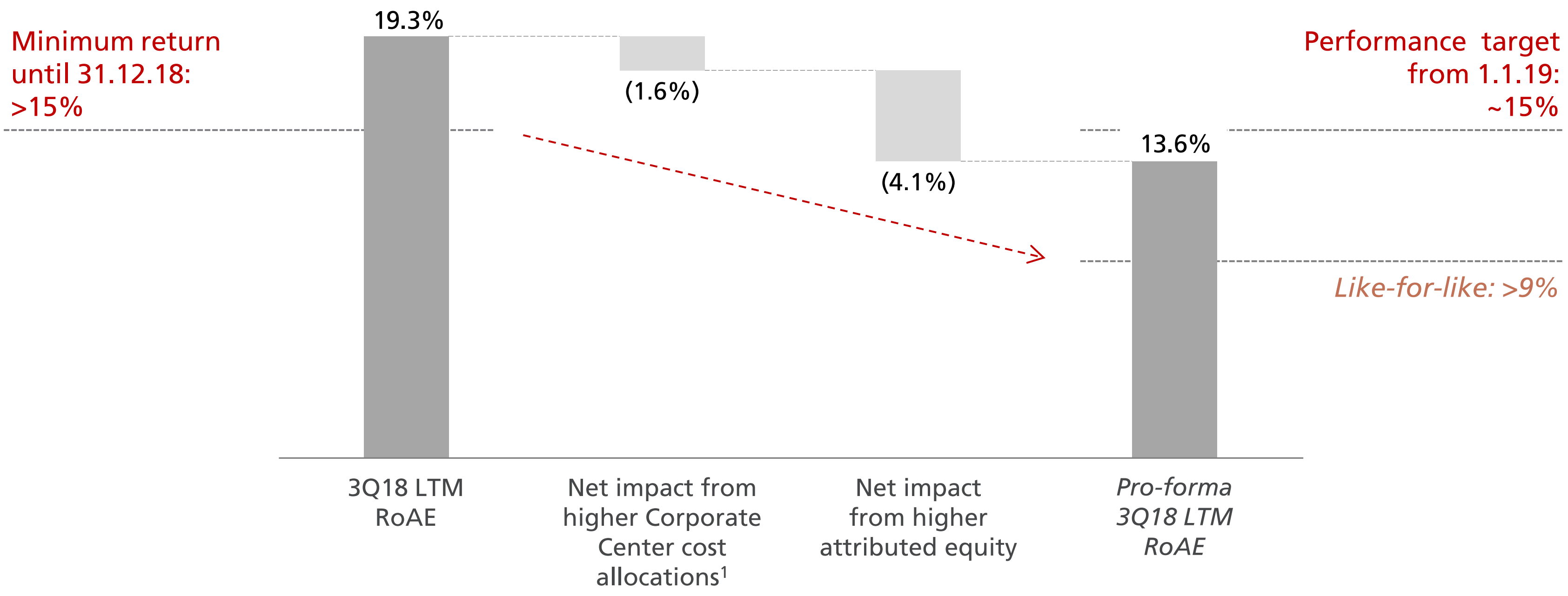
30.9.18 shareholders' equity vs. CET1 capital



Numbers in CHFbn unless otherwise indicated; refer to slide 22 for details on adjusted numbers, Basel III numbers and FX rates in this presentation

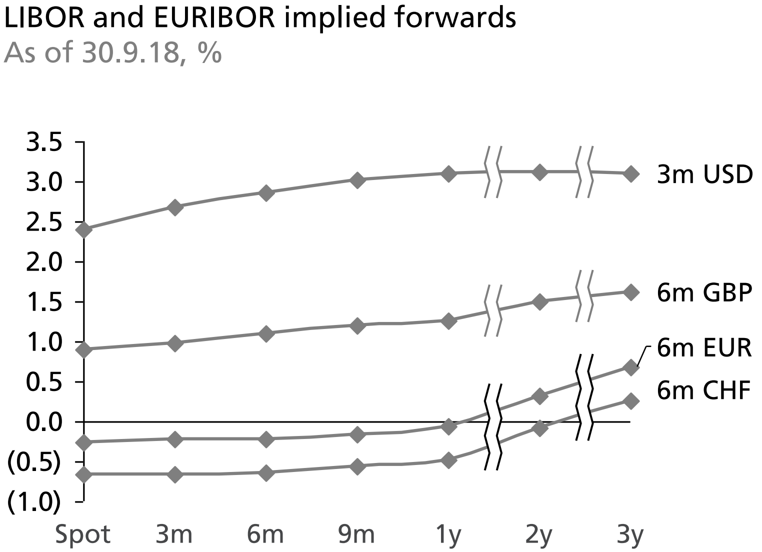
Pro-forma impact on Investment Bank RoAE

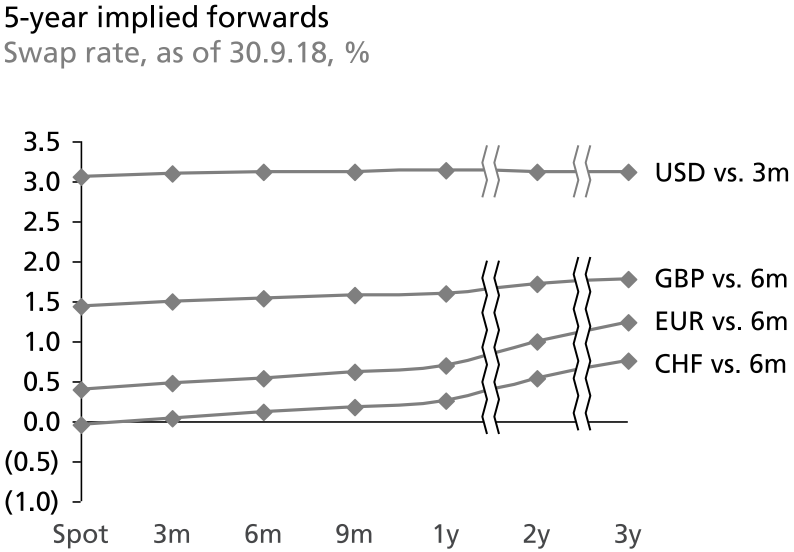
Repositioning from a minimum return to a performance target



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 22 for details on adjusted numbers, Basel III numbers and FX rates in this presentation; 1 Does not include the benefit from functional currency USD

Interest rates as of 30.9.18





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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.