



UBS Investor Update

Personal & Corporate Banking

Axel P. Lehmann
President Personal & Corporate Banking
President UBS Switzerland

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.

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

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



Key messages



Personal & Corporate Banking delivers strong and steady profits, and contributes significantly to UBS's status as the #1 bank in Switzerland



We are expanding our digital lead while improving cost efficiency



Targeting 3-5% adjusted annual pre-tax profit growth FY19-FY21

UBS is the #1 bank in Switzerland

Recognized leader in a very attractive market



#1 Personal & Corporate Banking



Personal Banking
~1/3 households



Corporate & Institutional Clients
>50% mid- to large firms²
>90% large corporates²



Global Wealth Management Switzerland
~20% market share



Asset Management Switzerland
~25% market share



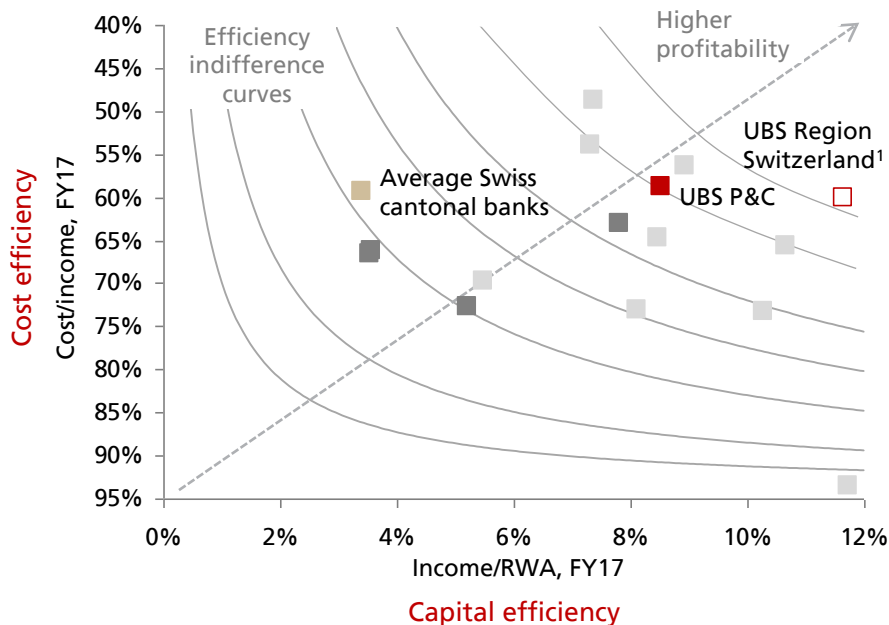
Investment Banking Switzerland
#1 Swiss IPOs³



1 Source: Allianz Global Wealth Report 2018; 2 Number of business relationships divided by estimated market size; 3 Source: Dealogic, September 2016 to September 2018 for deal value >EUR 100m

Leading returns through cost and capital efficiency

Most profitable among systemically-relevant banks in Switzerland



Personal & Corporate Banking is best-in-class among systemically-relevant banks in Switzerland

Personal & Corporate Banking's profitability is comparable to equivalent businesses at other European banks despite more negative interest rates and a smaller home market

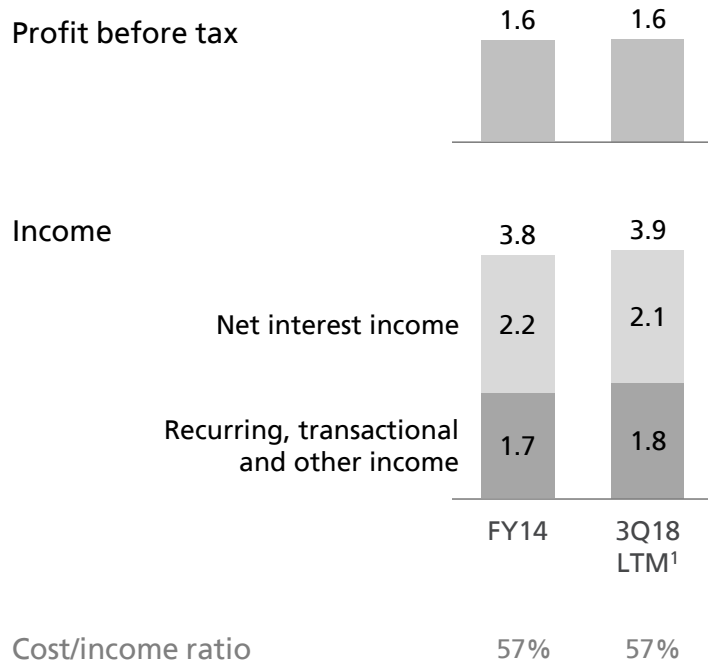
- Actual
- Swiss peers²
- European peers³

Adjusted for one-offs including litigation; not adjusted for restructuring costs; Efficiency indifference curves are for illustrative purpose only;
 1 UBS Personal & Corporate Banking, Global Wealth Management Switzerland, Asset Management Switzerland, Investment Bank Switzerland;
 2 Refers to systemically-relevant banks in Switzerland (Credit Suisse SUB, Zürcher Kantonalbank Group, Raiffeisen Group, PostFinance Group);
 3 BNP Paribas French Retail, Barclays UK, Deutsche Bank Private & Commercial Bank, Nordea Group, SEB Group, Santander Group, BBVA Retail Spain, Royal Bank of Scotland UK Personal & Commercial Banking, Lloyds Retail & Commercial



Personal & Corporate Banking – Strong and steady profits

Strong returns on balanced revenue mix and cost discipline



Consistent profits despite significant interest rate headwinds and additional regulatory funding costs

Recurring, transactional and other income increased on pricing and net new client growth; lower reliance on net interest income

Disciplined resource management with cost efficiency improvements funding significant tech investments

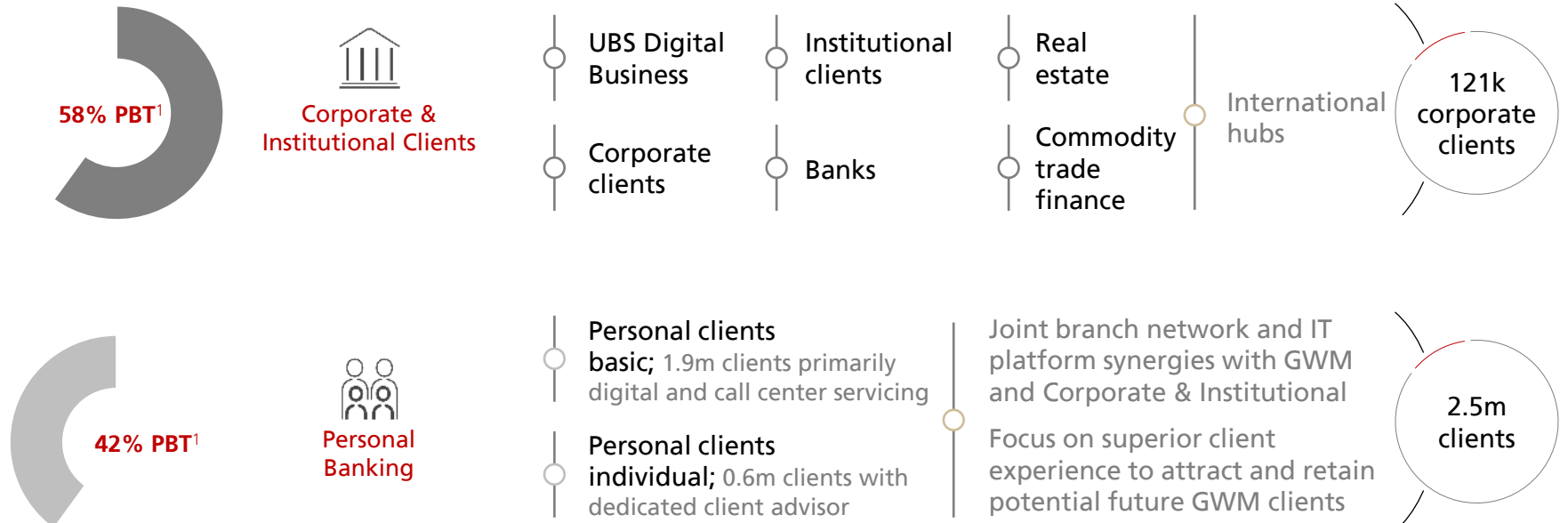
Return on attributed equity consistently above 20%



Numbers in CHFbn and adjusted unless otherwise indicated; refer to slide 20 for details on adjusted numbers and FX rates in this presentation;
¹Last 12 months

Personal & Corporate Banking – A balanced mix

Highly successful franchises



Corporate & Institutional Clients

Attractive and diversified client and product segments

Client segments

Corporate Clients

46.7k mid to large corporate clients and multinationals

UBS Digital Business

61.8k small businesses and newly founded companies

Real Estate

8.7k companies in the real estate sector

Banks¹

2.4k banks and regulated brokers

Institutional Clients

1.9k pension funds and insurers

Commodity Trade

130 specialized commodity trading firms

Product segments



Cash management services

Payment services in 130 currencies for corporate clients with domestic and international business activities



Trade and export finance

International trade-related security and liquidity solutions for corporate clients



Asset servicing

Asset structuring, global post-trade services, reporting and controlling for institutional clients



Corporate finance

Mandate based advisory services focusing on e.g., M&A, company succession, leasing, syndicated loans & real estate transactions



Cash & securities for banks

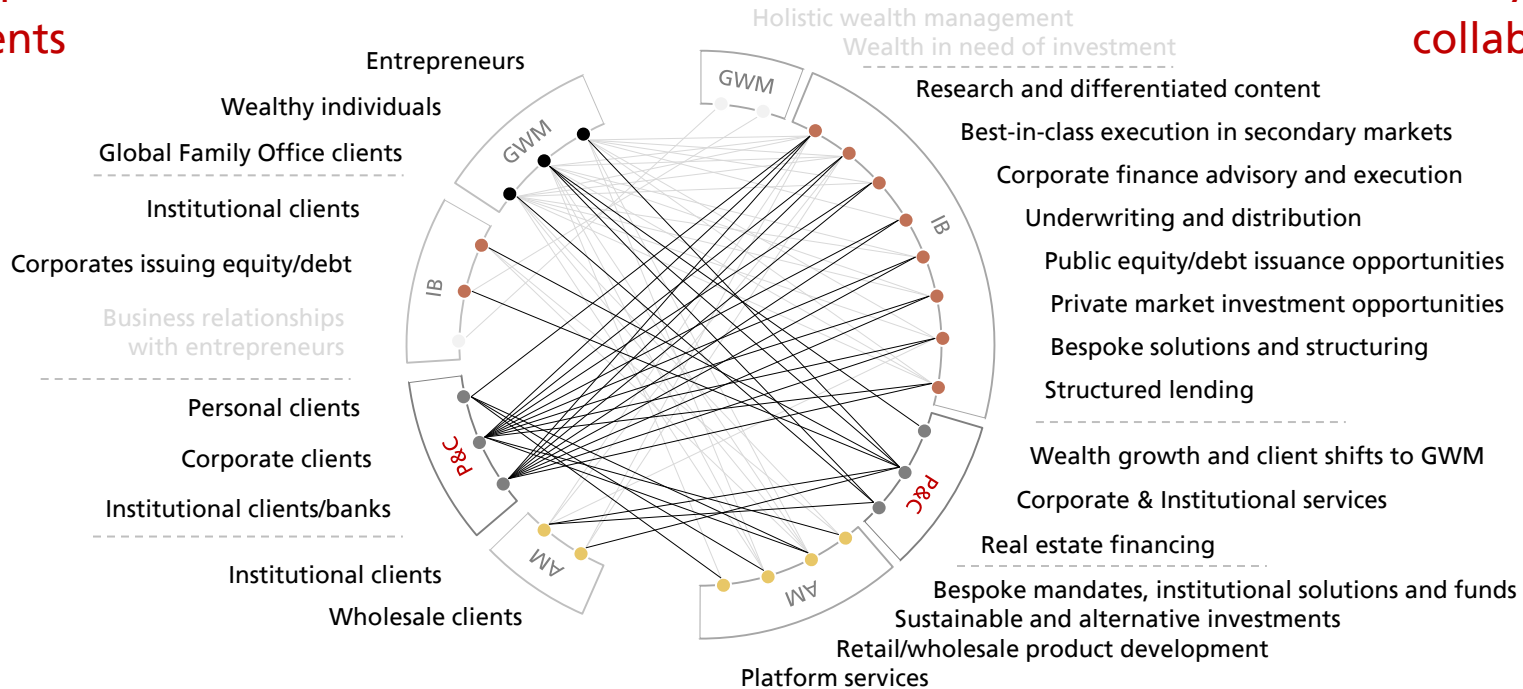
Custody services, cash services, payment processing, and liquidity provision for banks and regulated brokers

Working in partnership

Delivering the whole firm to our clients

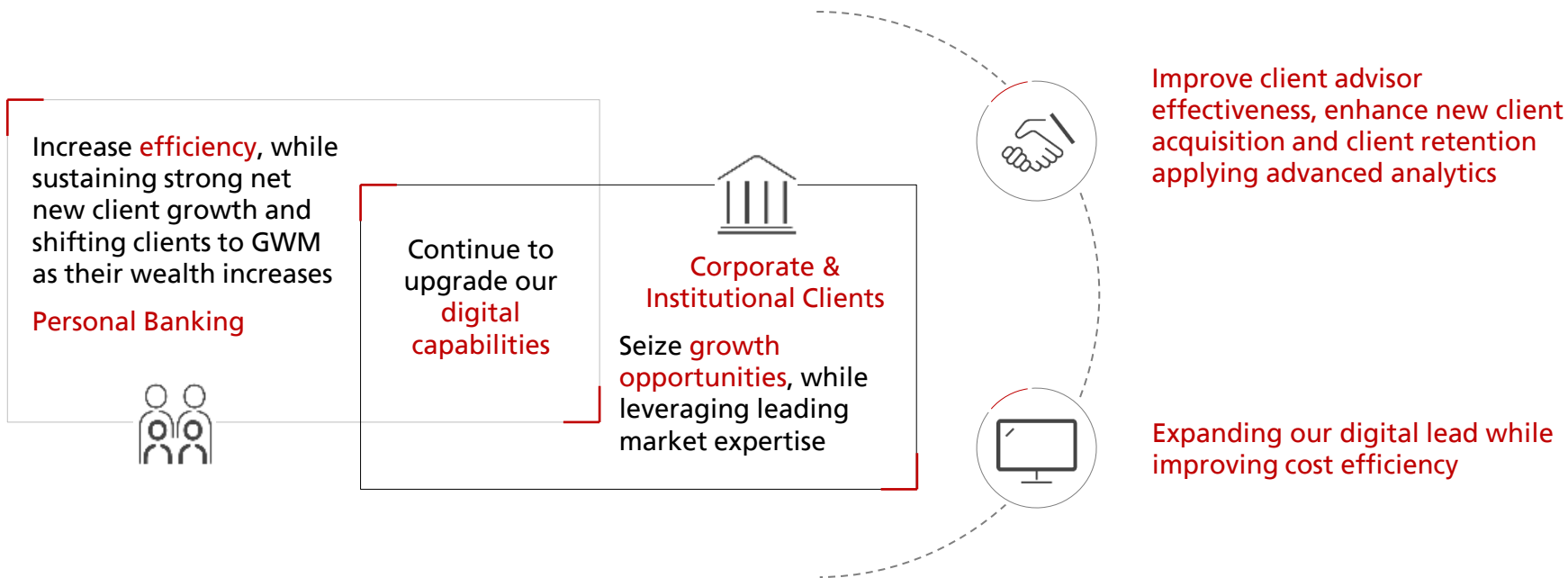
Our clients

Areas of collaboration



Driving efficient growth

We can further grow our client base and increase profits

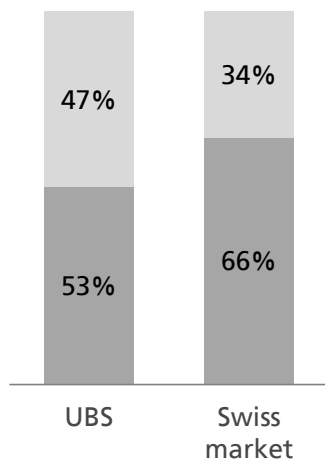


Growing revenues

Further improving the quality of our revenues by growing recurring and transaction income

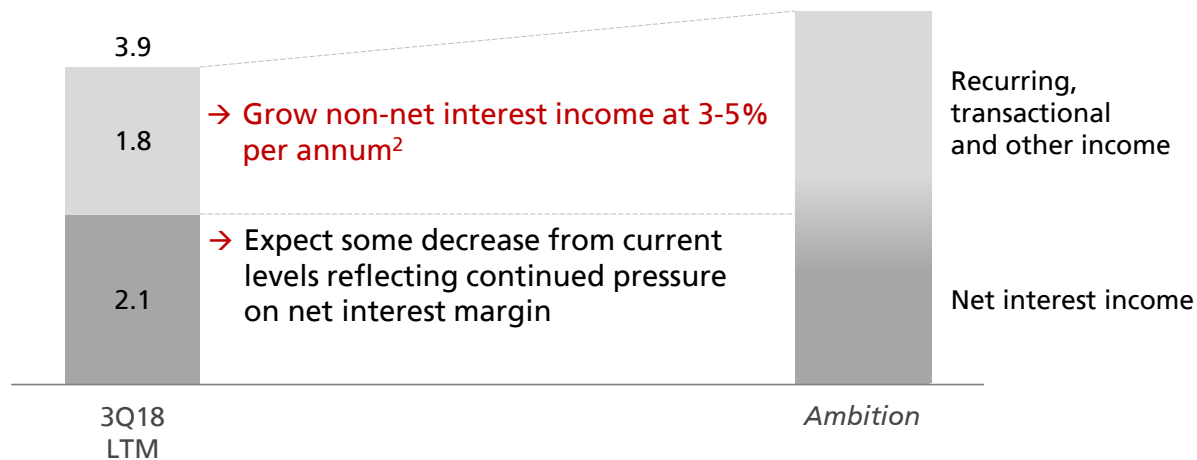
Balanced mix

Income split¹



Our ambition

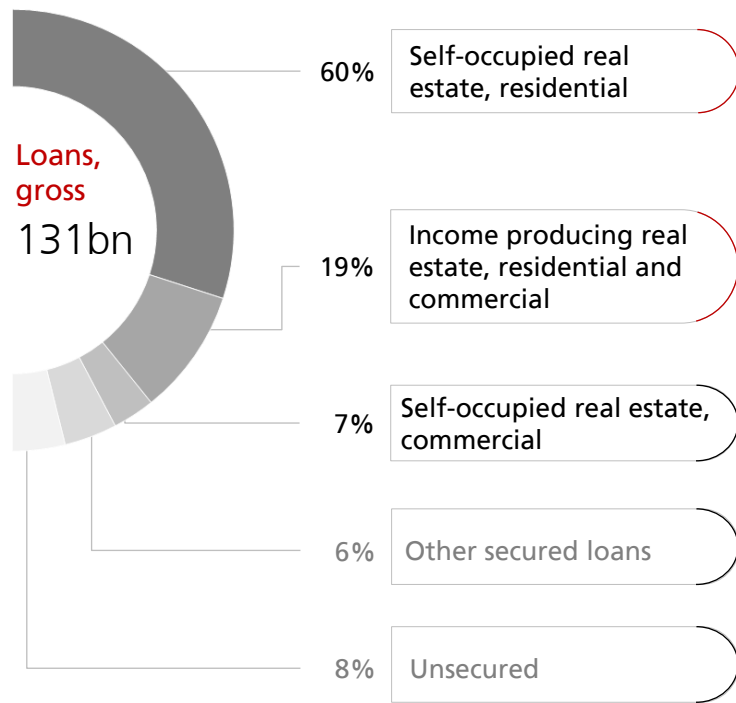
Income, bn



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 20 for details on adjusted numbers and FX rates in this presentation; 1 UBS 9M18; Swiss market: SNB data for cantonal banks, regional/saving banks and Raiffeisen banks (2017); 2 Based on UBS's current GDP projections for Switzerland

Loan portfolio

Prudently managed; majority of loans secured by residential property



Single-family homes
6% volume growth since 2014
Ø loan-to-value (LTV) 57%;
93% of loans with LTV ≤80%

Mainly multi-family homes
24% volume decrease since 2014
Ø LTV 53%; 98% of loans with
LTV ≤80%

Corporate loans secured by real estate

Mainly to corporates; secured by securities, cash,
guarantees and other collateral

Mainly investment grade corporate loans and
diversified credit card loan portfolio

99.7%

of single- and multi-family
homes portfolio would still
be covered if collateral values
were to fall by 20%

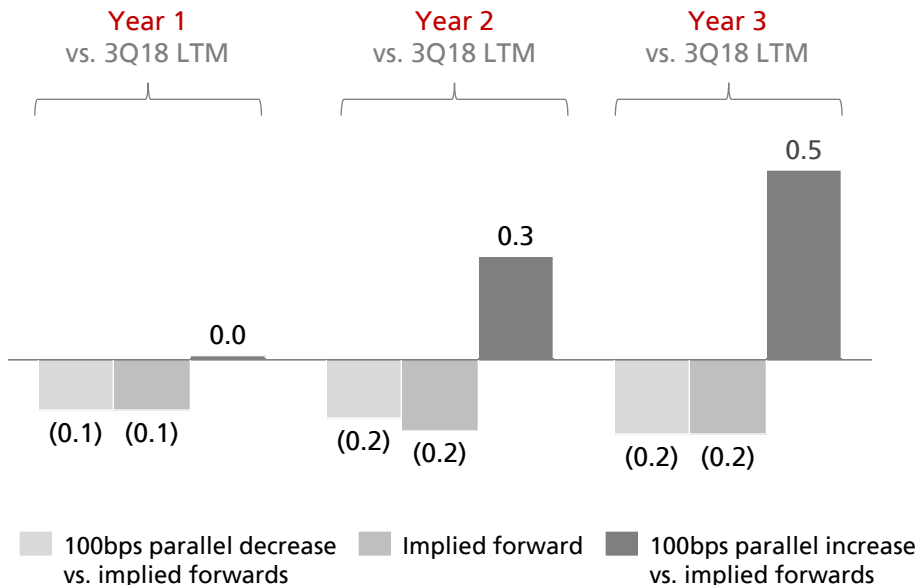
0.003% average credit losses
p.a. over the last 5 years

Interest rate sensitivity

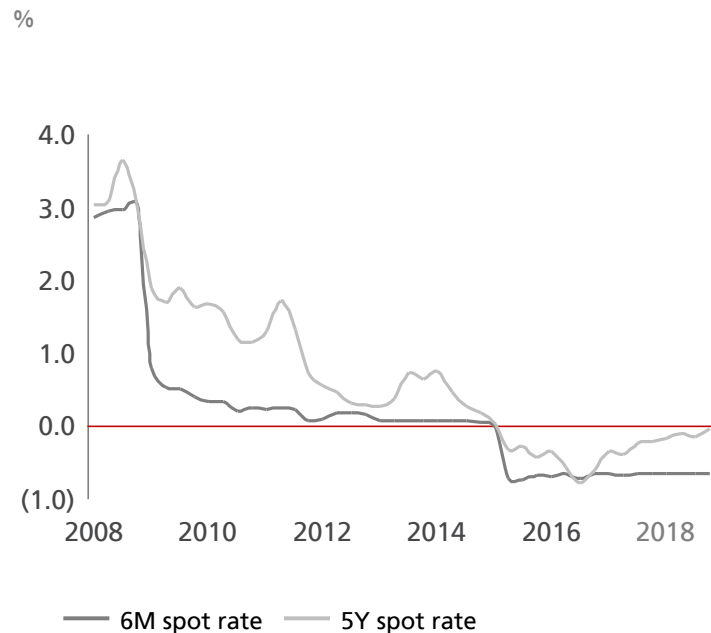
Well positioned to benefit from an increase in CHF interest rates

Net interest income (NII), illustrative example

bn, assuming static balance sheet, constant FX and no management action



Historical CHF interest rates¹



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 20 for details on adjusted numbers and FX rates in this presentation;
 Based on implied forward rates, 31.7.18; 1 Source: Reuters

Expanding our digital lead

Investing in the franchise to sustain market leadership

Digital clients



Attractive
economics



Highest digital
penetration amongst
large Swiss banks³



Increase in **mobile
banking payments** and
TWINT⁴ transactions⁵



Corporate client
onboarding supported by
video identification⁶

Strong momentum
with our clients

Faster time-to-market through
collaboration with fintechs



Numbers in CHF and adjusted unless otherwise indicated; refer to slide 20 for details on adjusted numbers and FX rates in this presentation;
1 Clients actively using e- or mobile banking and UBS Access App, i.e. at least one login in the last 30 days per end of 1H18, compared with clients who didn't use these products actively. Personal Banking clients aged 18-59, excl. rental deposits and single-purpose accounts, 2Q18;
2 Survey by Client-based Insights Schweiz, commissioned by UBS, 2017, Personal Banking only; 3 December 2017; 4 TWINT is a leading mobile payment system in Switzerland, supported by a consortium of banks and retailers; 5 1H18 vs. 1H17; 6 August 2018 vs. December 2017

Increasing efficiency

Driving further efficiency gains front-to-back

Since 2014

- Workforce optimization
- Continued branch network optimization
- >50 robots deployed
- 6% increase in revenues per staff in Corporate & Institutional
- 13% increase in accounts per advisor in Personal Banking

3Q18 LTM pro-forma

Front-to-back optimization

Advisor productivity and revenue growth

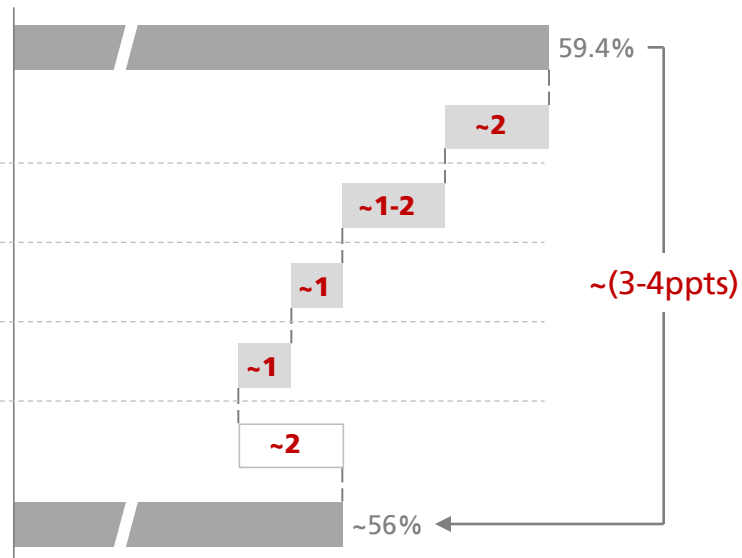
Optimization of branch network

Workforce optimization

Further investments into IT capabilities

FY21 cost/income ratio ambition

Cost/income ratio to decrease ~3-4ppts 2021 vs. 3Q18 LTM pro-forma



Personal Banking – Strong growth momentum

Digital transformation ongoing – increasing efficiency while sustaining strong growth and collaboration



Best-in-class experience to attract and retain clients
42k net new clients in 2017



Growing clients up to Global Wealth Management

- › We aim to shift >5bn invested assets and loans p.a. to GWM
- › We aim to refer >5bn new business volume p.a. to other business segments and divisions



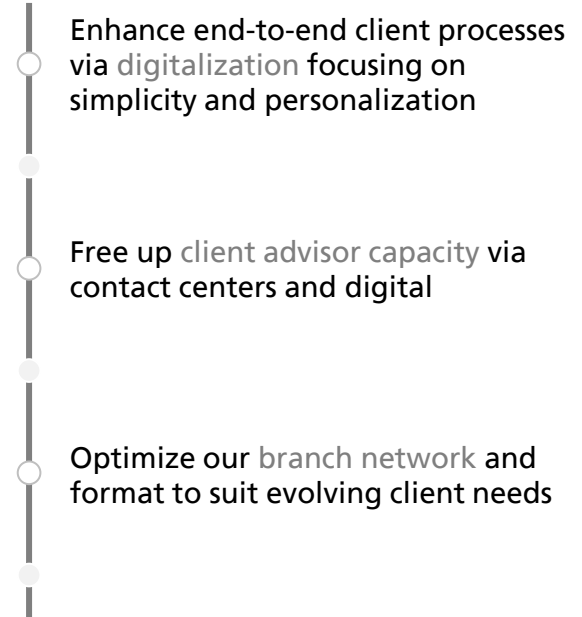
Significant synergies from shared Swiss branch network

Enhanced business growth...

Profitable growth in mortgages, while maintaining rigorous lending standards

Strengthen advisory process to shift client deposits into investments

Use data analytics to enhance cross-selling and further strengthen loyalty



...while improving cost efficiency

Corporate & Institutional Clients – Driving further growth

Extending offering and improving sales processes to drive future growth

Corporate clients



International hubs and blockchain

UBS Digital Business

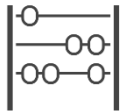


Comprehensive solution for small businesses

Real estate



UBS Atrium platform and new investor groups



Industry-leading efficiency



Global reach and connections



Close partnership with Investment Bank

Net new client growth

New client acquisition and enhanced retention via advanced analytics

Share of wallet

Achieve main bank status with our clients and seize cross-selling opportunities via advanced analytics and strategic client dialogue

Client advisor effectiveness

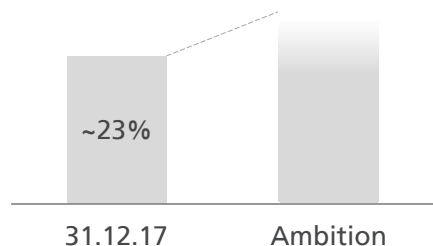
Enable advisors to focus on complex tasks with improved tools and shifting basic services to call centers

Greater focus on small businesses

Launched UBS Digital Business in 4Q18: comprehensive and state-of-the-art solutions for small businesses

Untapped potential

Firms with <10 employees
Estimated UBS market penetration¹



Fully digital



Enabling **efficient**
client servicing
and **scalability**

Bringing **state-of-the-art**
corporate **solutions** to
our **broader client base**

Financial 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



Numbers in CHF unless otherwise indicated; refer to slide 20 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



Personal & Corporate Banking delivers strong and steady profits, and contributes significantly to UBS's status as the #1 bank in Switzerland



We are expanding our digital lead while improving cost efficiency



Targeting 3-5% adjusted annual pre-tax profit growth FY19-FY21

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.

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

