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# UBS Investors' Day

14 December 1999

# Agenda

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## Morning Session

- ◆ Introduction Mark Branson
- ◆ UBS Group Marcel Ospel/Luqman Arnold
- ◆ Private and Corporate Clients Stephan Haeringer
- ◆ Private Banking Rudi Bogni
- ◆ Asset Management Peter Wuffli

# Agenda (continued)

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## Afternoon Session

- ◆ Private Equity Pierre De Weck
- ◆ Investment Banking Markus Granzioł
- ◆ e-services Bill Johnson
- ◆ Wrap-up Marcel Ospel

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UBS Investors' Day

UBS Group

Marcel Ospel

14 December 1999

# UBS Group: Mission

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- ◆ Provide above-average returns to shareholders
- ◆ Provide clients with superior value-added investment services
- ◆ Be an employer of choice
- ◆ Good citizenship



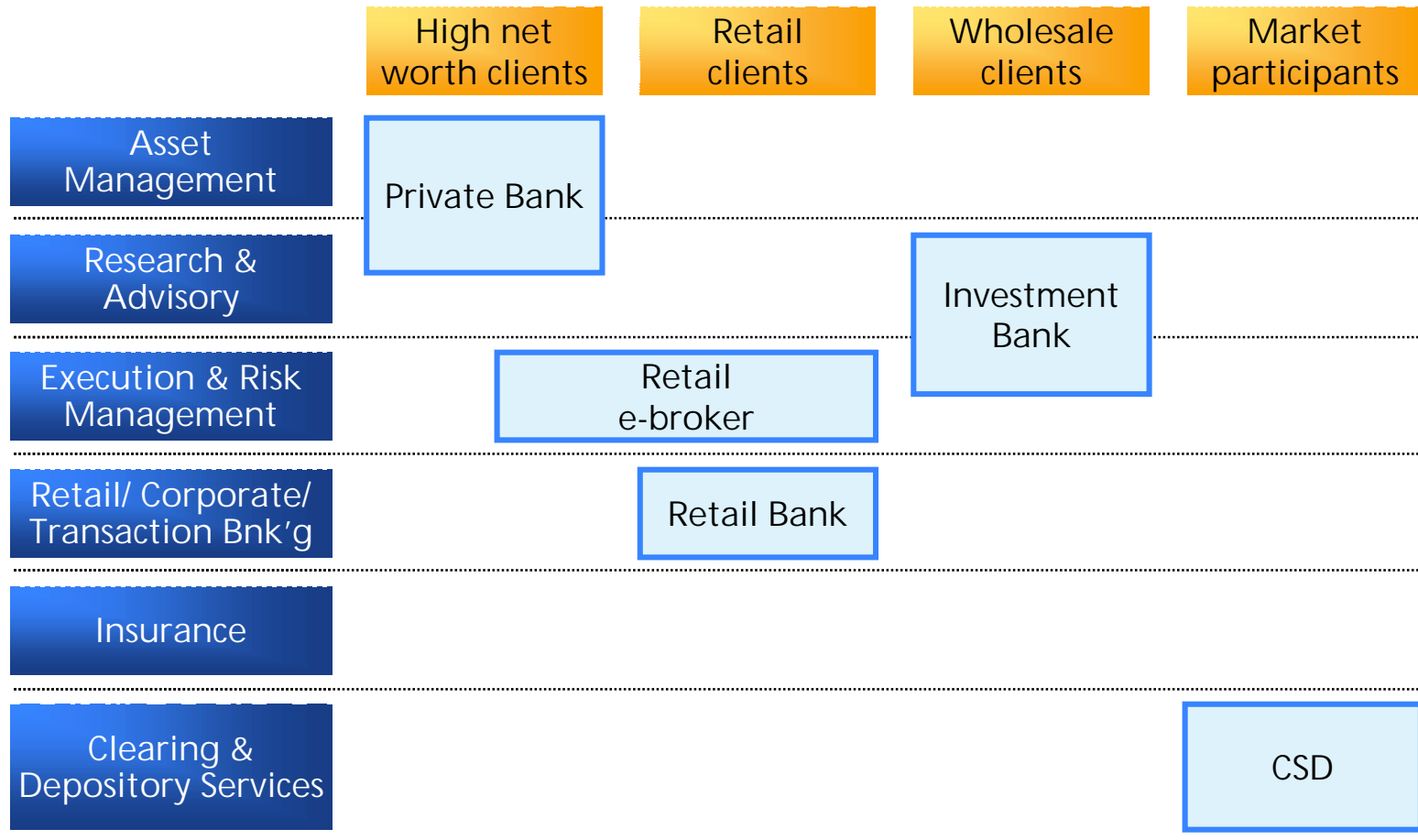
# UBS Business Model and Positioning

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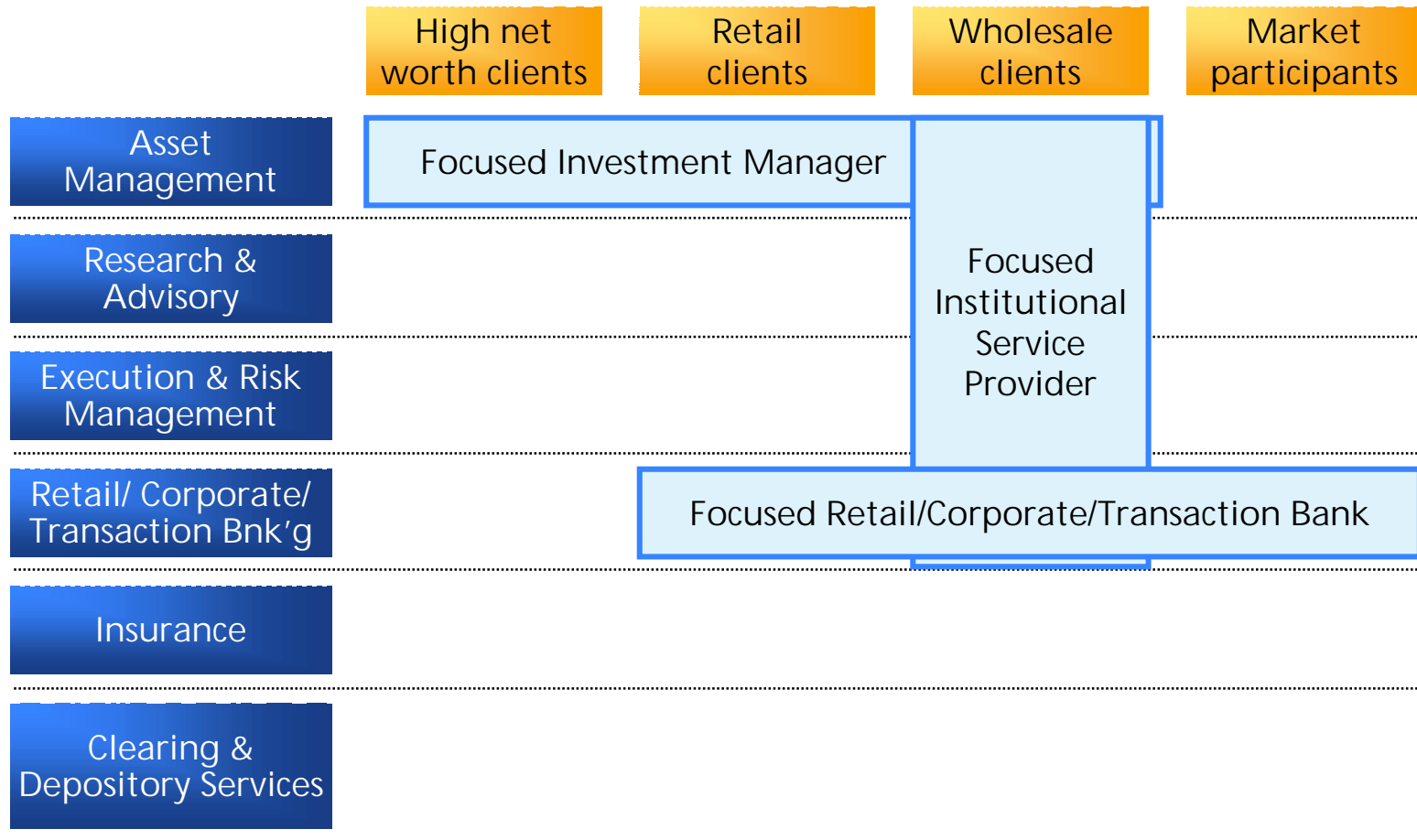
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# Business Model Options - Niche

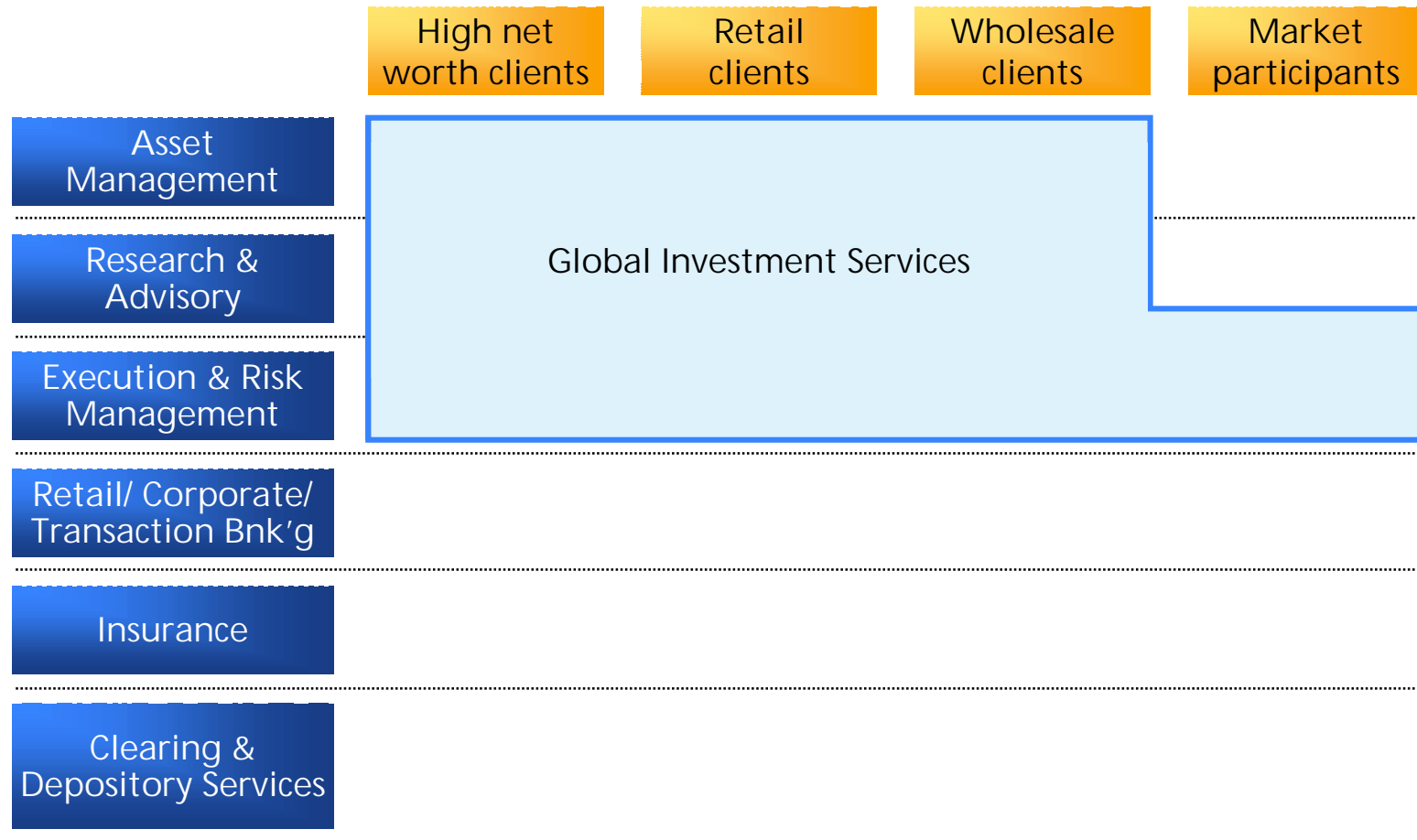


# Business Model Options - Focus

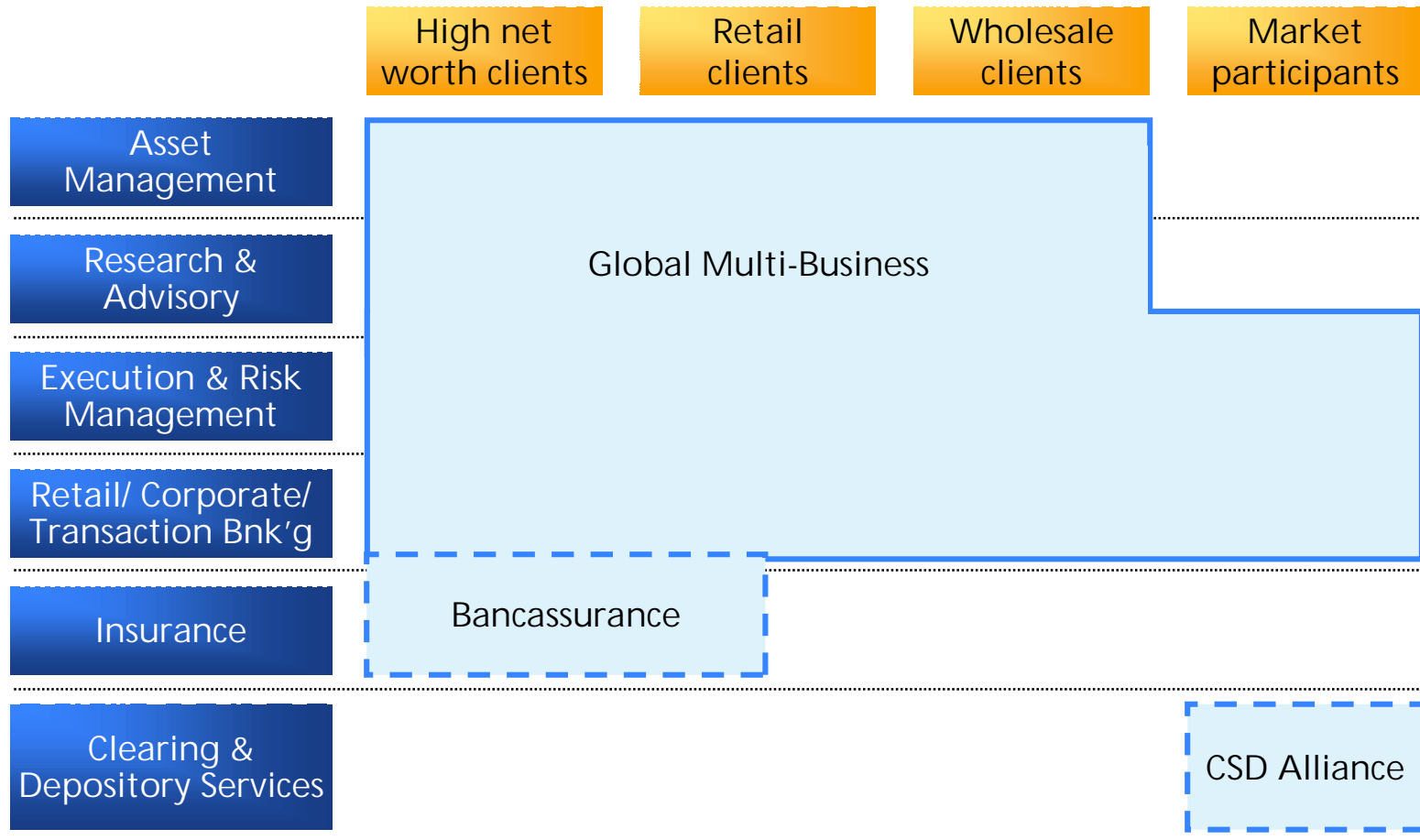




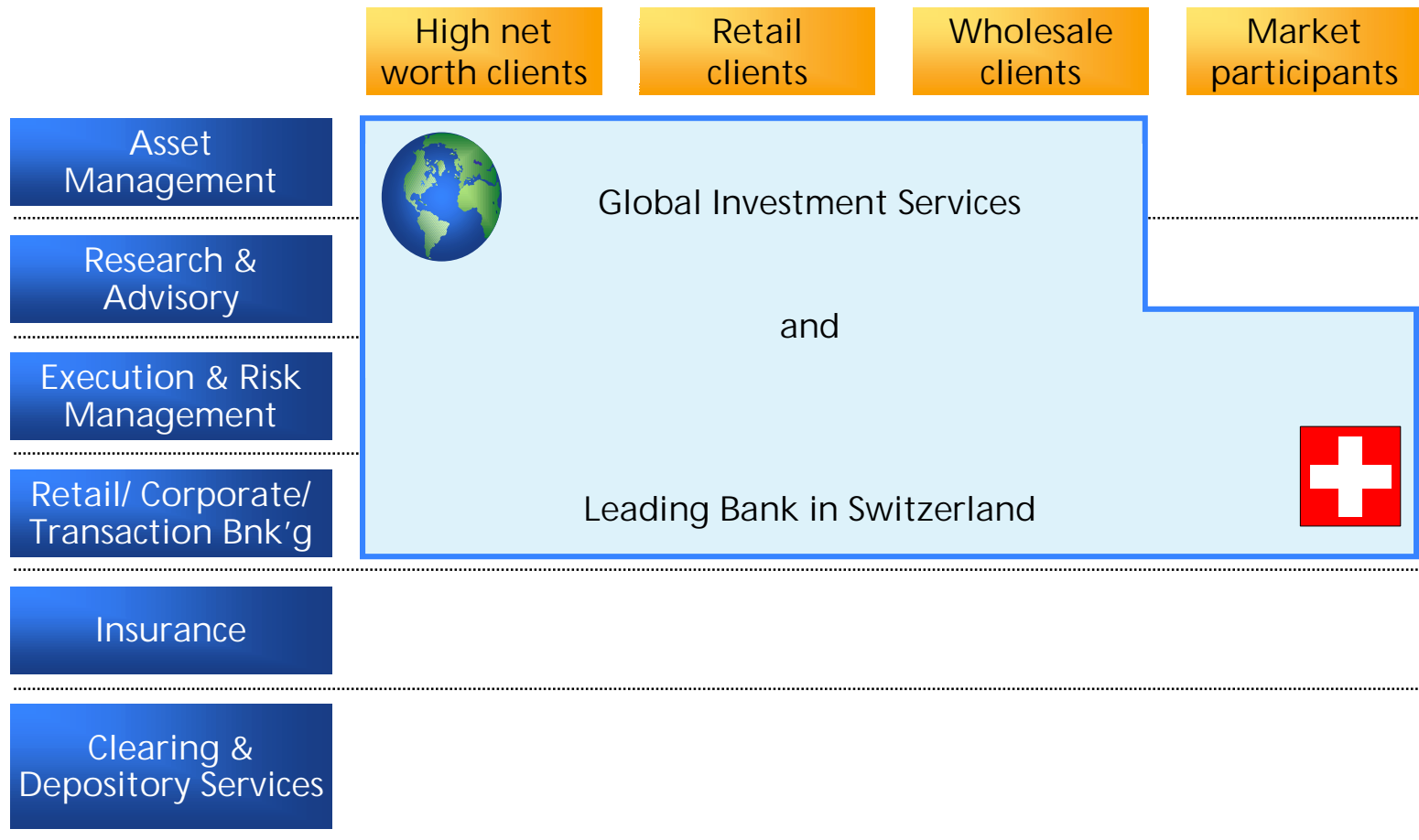
# Business Model Options - Investment Services



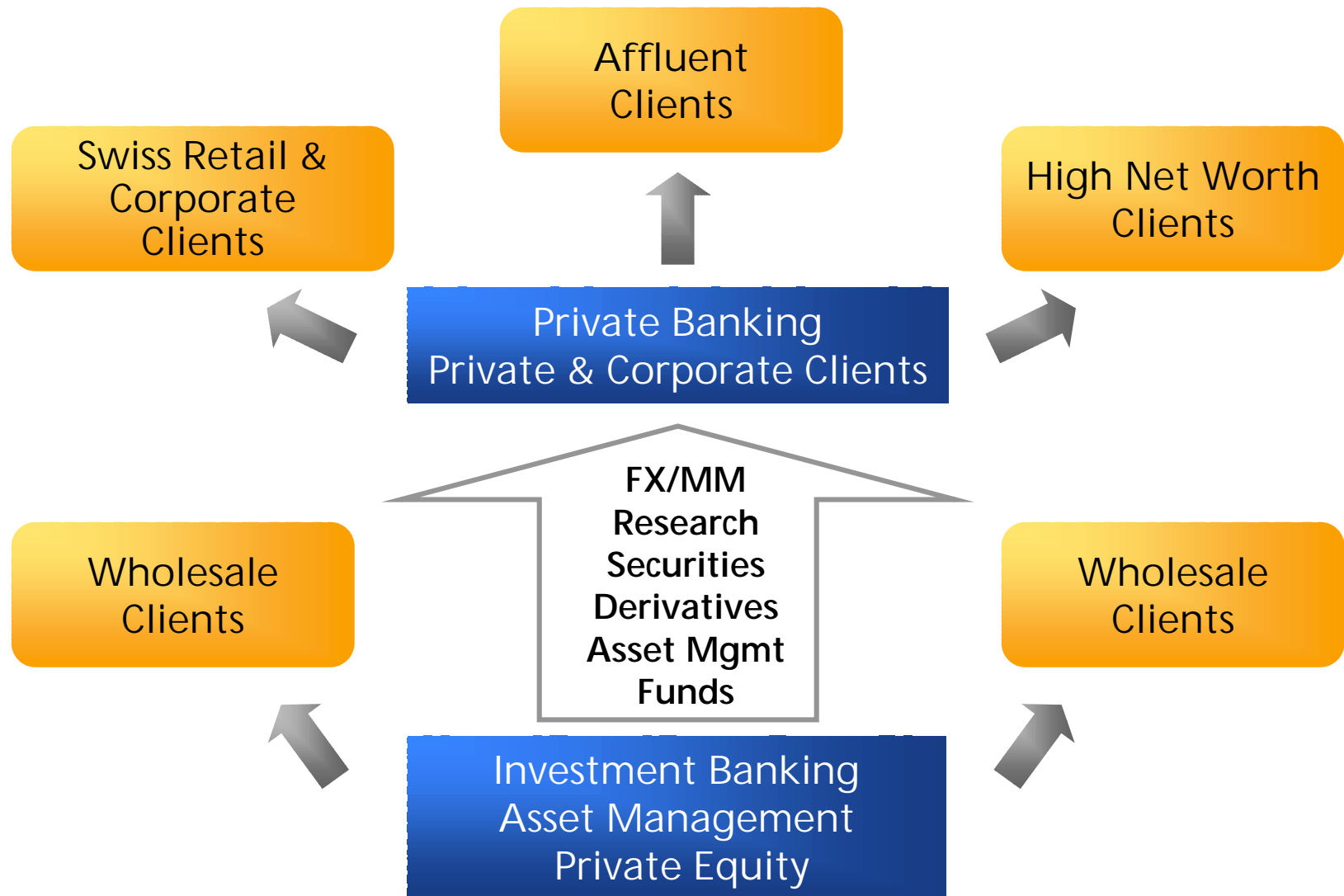
# Business Model Options - Multi-Business & Add-Ons



# Business Model - UBS



# Group Vision: Integrated Client Service Model



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# Core Message

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- ◆ UBS is committed to its business model as a global, integrated investment services firm and the leading bank in Switzerland
- ◆ We believe that the current mix of businesses is essential to the success of this model
- ◆ Based on these strong foundations, we reaffirm the continuity of UBS Group and Divisional strategies
- ◆ The initiatives outlined today have the strength, breadth and common strategic vision...
- ◆ ...to deliver sustainable success for the UBS Group



# Summary of UBS Group Initiatives

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# Financial Market Environment: Selected Trends

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- ◆ Product commoditization and the consolidation process are increasing the importance of **branding**
- ◆ **Technology**, especially the internet, is revolutionizing the financial services sector
- ◆ **Equity-related compensation** is tightly aligning employee and shareholder interests

# Branding

- ◆ Alignment of brand architecture with integrated business model
- ◆ Communicated today; phased implementation

Core Brand

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Financial Services Group

Divisional  
Brands

a b  
Private Banking

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Asset Management

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Private and Corporate Clients

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Private Equity

a b **Warburg**  
Investment Banking

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# Leveraging Technology in Finance

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- ◆ Technology is revolutionizing the financial industry
  - disintermediation
  - big advantages for trusted brands
  - new products, services and delivery channels
  - data mining highlights significant new cross-selling opportunities
  - richer information enhances the quality of risk management
  - cuts across traditional organizational structures and country borders
  - empowerment of the customer
  - marketing becomes increasingly important
  
- ◆ UBS is determined to be part of the technological elite
  - technology as key enabler of business growth
  - significant investments in selected client-driven solutions
  - high density of IT expertise

## e-services

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- ◆ Primary importance of channel management requires cross-divisional co-operation
- ◆ Initiatives at the divisional level
  - internet-enable existing businesses
  - build new client franchises through multi-channel approach
  - create new specific products for each channel
- ◆ Implementation of the Group's pan-European asset gathering proposition
- ◆ Appointment of Bill Johnson to drive this new initiative and coordinate e-services throughout the Group

# Human Resources

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UBS is committed to succeeding in the fierce competition for talent, enhancing its reputation as an employer of choice, and aligning employee and shareholder interests through

- ◆ Attracting, selecting and developing **graduate talent** from the top 20 percent at leading universities
- ◆ Hiring well-rounded professional expertise versed in **cultural diversity**
- ◆ Managing talent with a **total remuneration strategy** that attracts, retains, motivates and reinforces performance, fairness, integrity and teamwork
- ◆ Providing significant **equity-based compensation** to all levels of employees to ensure continual shareholder alignment and value creation

# Growth Initiatives: Highlights

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UBS will consolidate its leadership in private banking with Swiss and international clients

- ◆ Re-establishing a strong growth trend in assets and profitability
- ◆ Leveraging investments already made in domestic private banking in Europe, US, Japan & Australia, through organic growth and acquisition
- ◆ Promoting sophisticated high-margin advisory and wealth management products
- ◆ Harnessing UBS capabilities across divisions through the specialist teams already established to focus on total wealth management for specific client segments
- ◆ Diversifying the range of available investment styles
- ◆ Largest mutual fund provider in Europe with new Fund Gate web-based information tool

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# Growth Initiatives: Highlights

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UBS will continue to benefit from the growth in the industry and build the scope and profitability of its investment banking franchise through

- ◆ Strengthening its corporate client franchise, especially in targeted global sectors
- ◆ Enhancing its ability to add value to institutional clients through a leading-edge approach to e-commerce
- ◆ Rigorous cost control programs focused on non-personnel costs

# Growth Initiatives: Highlights

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UBS will enhance its leading position in Switzerland through

- ◆ Developing its corporate banking franchise with an emphasis on advice and solutions
- ◆ Increasing share-of-wallet across all client segments
- ◆ Continuing implementation of a new lending business model, including Risk Adjusted Pricing
- ◆ The reorganisation of distribution channels, streamlining the branch network and leveraging its leading position in multi-channel distribution
- ◆ Reducing costs of the Swiss platform through streamlining products and processes

# Growth Initiatives: Highlights

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UBS will exploit opportunities in asset management by

- ◆ Leveraging its solid position in mature markets to move into growth markets such as continental Europe, Japan and Latin America
- ◆ Expanding its portfolio of investment capabilities and styles
- ◆ Seeking opportunities to offer tailor-made solutions to the increasingly complex needs of UBS's major asset management clients
- ◆ The combination of Alternative Asset Management capabilities across the Group

# Growth Initiatives: Highlights

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UBS will continue to build its attractive high-profile private equity business through

- ◆ Migration to four regional funds applying 50% UBS and 50% third party investment to each
- ◆ Exploitation of existing synergies with UBS Private Banking, UBS Asset Management and UBS Warburg
- ◆ Increased emphasis on early-stage investing in internet, software, and telecommunications
- ◆ Solid expansion with the focus on building up a globally-diversified portfolio



# UBS Group: Strengths

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- ◆ Leading industry position across all core businesses
- ◆ Strong ratings and capitalization
- ◆ Unique client franchise and brand
- ◆ Record of technological innovation & compelling e-services story
- ◆ Risk management excellence
- ◆ Proven expertise in acquisition and integration
- ◆ Culture which embraces change

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Luqman Arnold

# Agenda

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- ◆ Financial Targets Policy
- ◆ SEC Registration
- ◆ Capital Management Strategy
- ◆ Risk and Shareholder Value

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# Financial Targets Policy

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## SECTION 3

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# UBS Financial Targets: Review of Current Targets

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- ◆ At the time of the merger, UBS presented targets which incorporated
  - organic growth
  - acquisitions
- ◆ These targets assumed a certain level of acquisition activity which has not materialized due to
  - higher than expected multiples resulting in fewer targets meeting UBS' investment hurdles
  - limited number of targets meeting UBS strategic requirements
- ◆ UBS will not pursue acquisitions that erode shareholder value
- ◆ Key ratio targets remain broadly achievable
- ◆ 2002 absolute targets will not be pursued at the expense of shareholder value

# UBS Financial Targets: Market Approach

- ◆ The communication of forward-looking information varies substantially on a regional basis due to different legal and regulatory environments
  - the communication of detailed forward-looking information can create increased liability risk in the US

- ◆ Current market practice:

## Continental Europe

- ◆ Numerous targets
- ◆ Segmental targets

## US, UK & SEC-registered

- ◆ Limited range of targets
- ◆ Group-level ratios

- ◆ UBS's redefined targets strategy will be consistent with the practice of US, UK & SEC-registered European firms

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# UBS Financial Targets: New Approach

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- ◆ Targets policy will be based on clear principles
  - consistent, demanding but achievable
- ◆ Targets will relate only to organic growth
  - pre-goodwill
  - revised after any major acquisitions
- ◆ Targets will focus on Group-level shareholder return ratios
- ◆ Specific initiative-based targets will be published where appropriate
- ◆ Acquisitions will be expected to contribute risk-adjusted returns exceeding the cost of investment over the medium-term
- ◆ Additional key performance measures at the divisional level will be disclosed on a quarterly basis

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# UBS Financial Targets: New Group Targets

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- ◆ RoE averaging 15-20%, across periods of varying market conditions
- ◆ Double-digit average annual EPS growth, across periods of varying market conditions
- ◆ Active, continuous focus and downward pressure on the Group cost-revenue ratio substantiated by divisional initiatives
- ◆ Clear demonstration of a strong growth trend in net new money in the Private Banking/ Affluent segments



# Cost Control Initiatives

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- ◆ Sustainable merger cost savings will amount to CHF 1.94 billion p.a. by the end of 1999
- ◆ UBS Warburg concluded its merger-related cost cutting programs within 2 years of the merger
  - total savings of CHF 1.7bn are close to the original target of CHF 1.9bn
- ◆ Further savings of about CHF 0.1bn were achieved by Corporate Center and UBS Asset Management
- ◆ UBS Private and Corporate Clients will realize merger-related targets over the coming years as part of strategic initiatives portfolio which will be tracked and communicated
- ◆ Cost control programs are being implemented in all divisions



# SEC Registration

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# SEC Registration

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- ◆ UBS is in the process of applying to register with the SEC
  - expected registration during H1 2000, subject to completion of the SEC review process
- ◆ Positioning to take advantage of consolidation opportunities arising from effective repeal of Glass-Steagall
  - Gramm-Leach-Bliley Financial Modernization Act
- ◆ Acquisition currency for tax-effective deals in the US
- ◆ Reporting in line with SEC requirements would provide a greater degree of financial comparability



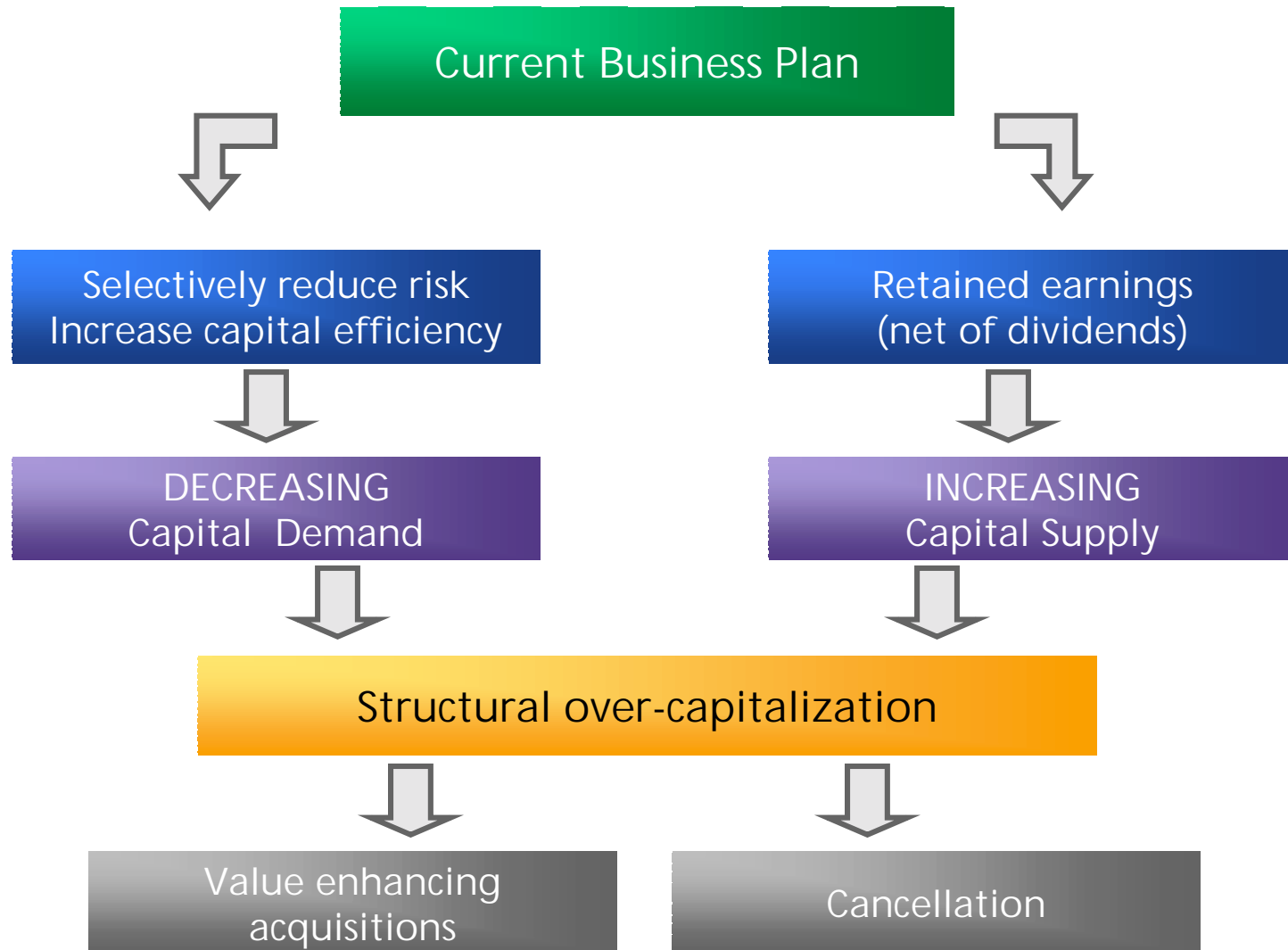
# Capital Management Strategy

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# Capital Management Context



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# Capital Management Strategy

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- ◆ Driven by shareholder value targeting
  - cost efficiency
  - strategic flexibility
  - strong capitalization and ratings
- ◆ Retain strategy of not accumulating capital purely as contingency for possible major acquisitions
- ◆ Discontinue current buy-back program and replace with a targeted institutional buy-back program
  - shares can be cancelled tax efficiently
  - actual cancellation subject to shareholder approval



# Risk and Shareholder Value

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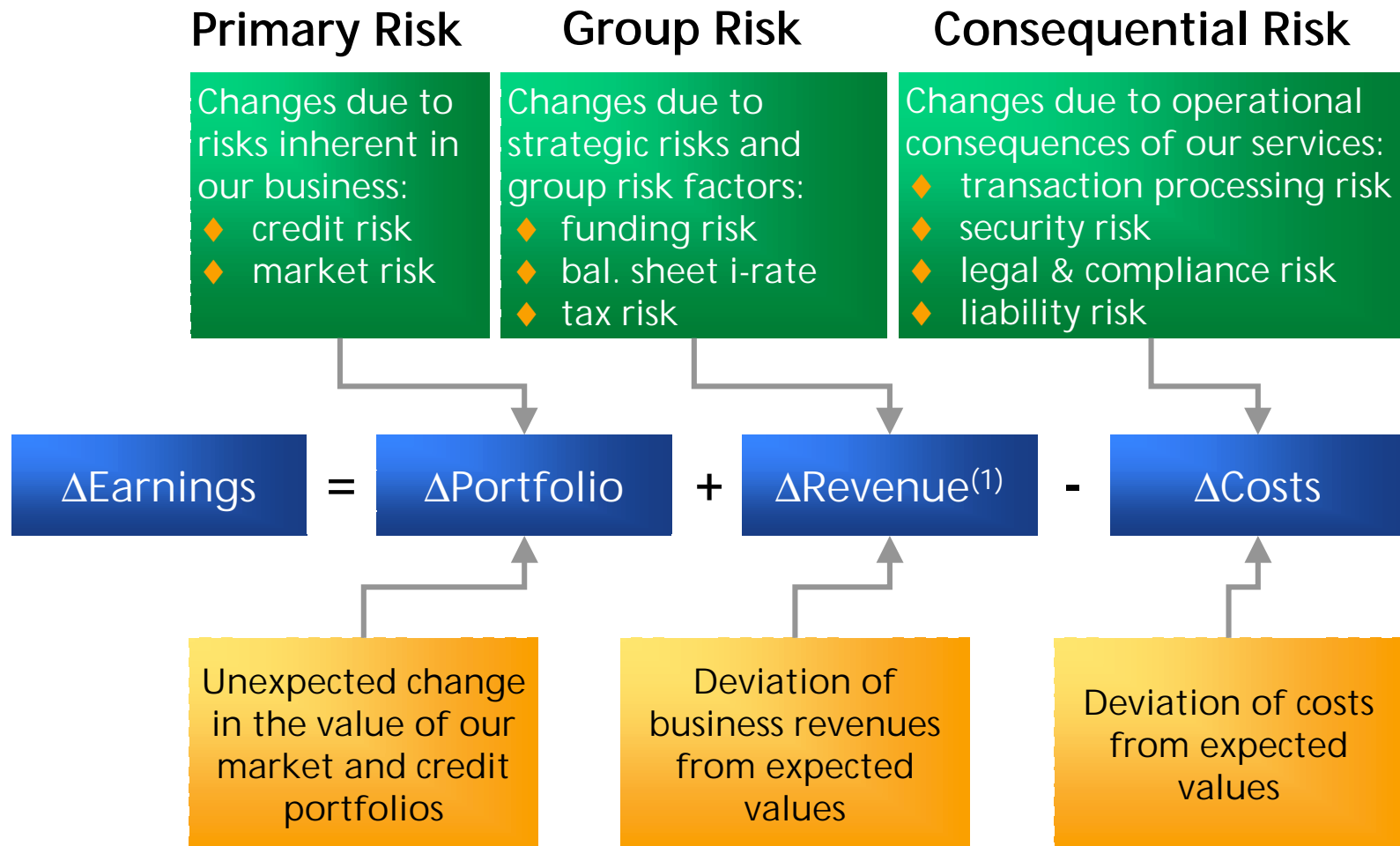
# Risk Control and Shareholder Value

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- ◆ UBS share price depends on shareholders' expectations of UBS future earnings as well as the expected volatility of those earnings
- ◆ Business model is designed to ensure that we have the appropriate business mix to deliver a growing earnings stream with lower volatility
- ◆ Independent risk control process ensures that risk is properly identified and measured and that rare but potentially damaging tail events are controlled through stress loss limits



# Simplified Model of Earnings Volatility



Notes:

1 Revenues, net of funding and taxes

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# Management of Risk Classes: Primary Risks

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- ◆ Primary risk factors are those which we manage for profit, and can be measured accurately and in a timely manner
- ◆ Tail risk is controlled as part of stress loss limits

# Management of Risk Classes: Group Risks

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- ◆ Exposure to Group risks is controlled by Corporate Center in accordance with Board guidelines
- ◆ Funding risk policy limits exposure to adverse liquidity scenarios
- ◆ Interest rate risk management insulates divisions outside UBS Warburg from adverse interest rate scenarios
- ◆ Tax risk policy protects earnings from potential adverse tax rulings

# Management of Risk Classes: Consequential Risks

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- ◆ Operational risks are hard to quantify as causal relationships are difficult to establish and materialise over longer time horizons
- ◆ But we still want to protect our earnings from tail risk
- ◆ Risk financing is the primary tool for protection against tail risk

# Key Objectives for Risk Control

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- ◆ Group-wide process to control all principal risks in as consistent and transparent a manner as possible
- ◆ Design and implement a risk-adjusted performance measurement process
- ◆ Ensure that we have an independent risk organisation covering all risk classes
- ◆ Further reinforce the linkages between control functions (financial control, market and credit risk, legal and compliance)



# Conclusion

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# Conclusion

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- ◆ Continuity of strategy
- ◆ Improved communication
- ◆ New brand architecture
- ◆ e-services initiatives
- ◆ New financial targets policy
- ◆ Cost control
- ◆ SEC registration
- ◆ Share cancellation

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# Positioning

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UBS is ...



... a global, integrated  
investment services firm and...

... the leading bank in Switzerland



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