

Bank of America Merrill Lynch Annual Financials Conference

September 28, 2017

Kirt Gardner (Group CFO):

Thank you, Andy. Good morning everyone.

SLIDE 1 – Cautionary statement regarding forward-looking statements

Before I get started, please make note of the cautionary statement applicable to this presentation.

Slide 2 – UBS 10 years since the crisis

Today's theme, the financial crisis – 10 years on, will resonate with everyone in this room. Perhaps because you went through it first hand, or you work at an institution that fundamentally changed as a result. The consequences of the crisis were far reaching, and since then, the industry has transformed itself, strengthening capital, liquidity and funding, and reducing risk. However, a decade on, banks must continue to evolve and adapt.

We were one of the first to recognize the profound changes ahead, and we began our transformation in 2011. We made difficult decisions in light of anticipated regulation and were early to exit businesses with insufficient returns in our Investment Bank under Basel 3. At the same time we built a strong capital position. We are centered on our leading global wealth management businesses and our premier universal bank in Switzerland, enhanced by an asset manager and an investment bank which are world class in their chosen areas of focus. Today, our strategy remains the same as we believe it's the right one for our clients and shareholders, and that continuity combined with consistent execution is critical to our success.

Our global wealth management franchise, with 2.2 trillion francs in invested assets, has also been transformed. We have absorbed billions of cross-border outflows, invested heavily in our businesses and CIO function globally, and turned Wealth Management Americas from loss-making to more than 1.2 billion US dollars in adjusted PBT last year. We are well prepared to succeed in a wealth management industry that is still growing at more than twice global GDP, or even higher in the ultra-high net worth segment where we are a leader. Further opportunities also exist to drive growth by better capitalizing on the synergies between our businesses.

Our unique mix of highly cash flow generative businesses, our strong capital position and capital efficiency makes UBS highly levered to a more normalized macroeconomic environment. Global wealth management particularly will benefit significantly from any further improvement in client sentiment and activity levels and an improving interest rate environment.

Slide 3 – Successful execution of our strategy

Consistent with our strategy, almost 80% of profit before tax for the first half of 2017 came from our wealth, asset management and Personal and Corporate businesses. With the IB contributing around a quarter, I question why we are so often viewed as an investment bank.

Over the past ten years, we have de-risked and reduced our balance sheet by one and a half trillion francs, largely driven by our Non-core and Legacy Portfolio. Since the third quarter of 2012, the NCL leverage ratio denominator and RWA have both been reduced by over 90%. In just over five and a half years we have built 6.7 billion in CET1 and we hold almost 74 billion francs of total loss absorbing capital. We have already met the 2020 CET1 fully applied Swiss regulatory requirements on both RWA and leverage ratio denominator basis. We remain very comfortable with the absolute level of capital we hold and both of our CET1 ratios.

Ten years after the crisis, our revenue streams are geographically more diverse. Switzerland and EMEA make a similar contribution to revenues, while APAC revenues have grown both in absolute and relative terms. The US remains the largest revenue generator for the bank, and importantly, as we utilize our deferred tax assets, almost 100% of profits fall to the bottom line. Sustainable growth in the region is therefore a key strategic objective for the Group.

Differences in client sentiment, activity levels and beta factors between regions mean that a balanced business portfolio and diversified geographic presence are more important than ever. And we've demonstrated this as our business has performed well in a variety of market conditions.

Slide 4 – Global WM – very strong 1H17

The strength of our Global wealth management franchise was evident in the first half 2017 with adjusted pre-tax profits up 17%, driven by improved client confidence, continued execution of our strategy and favorable market conditions.

Recurring revenues were the highest we have seen in 8 years, as we benefited not only from higher US dollar rates and invested asset levels, but also from strategic initiatives, including increased mandate penetration. And we continued to improve efficiency, with net margin increasing by 1 basis point and cost income ratio down 2 percentage points year-on-year.

Global wealth management will also likely benefit from further US dollar rate rises, the reduction of cross-border outflows and increasing mandate penetration. In Wealth Management Americas, we are confident that our new operating model focusing on financial advisor retention and improved profitability, with less reliance on recruiting, will generate greater value for shareholders and clients. Enhancing cross-business collaboration should better serve our clients and improve efficiency. For example, we expect the creation of WM and WMA Investment Products and Services under a global co-head leadership structure to drive innovation and deliver synergies.

Slide 5 – Global WM Unique strategic growth drivers

UBS is the only wealth manager which can accurately claim to be truly global, with our invested assets balanced almost equally between the US and the rest of the world.

We have three unique growth drivers.

Our Americas business has added to its strong track record, growing adjusted PBT by 25% year-on-year in the first half.

Our leading Asia Pacific business produced record adjusted PBT, up 41% year-on-year for the first half of this year. UBS is the largest wealth

manager in APAC with almost 320 billion in invested assets, almost a third larger than our nearest competitor, and in this market scale is critical to make the economics work. We have been present in the region for over 50 years and our longevity and brand strength continue to serve us well. We are also well-diversified between on and offshore markets, with the best starting point in China. Continuing to invest in the region to enhance our market-leading position, including developing an onshore business in China, is one of our key strategic objectives.

The combination of our strong position in both the largest and fastest growing markets ideally positions us to capture an increasing share of private wealth forecasted to grow at an annualized rate of 6% through 2021.

The third key differentiator is our leading position in the Ultra-High Net Worth segment where we are the world's largest wealth manager for this segment with a trillion francs in assets, almost half of our global wealth business. Ultra clients have driven approximately 70% of the growth in our combined wealth management profits over the last four years. As a scale player, this business has attractive economics as the segment is forecast to grow at 10% per annum over the next three years and its cost-to-income ratio is better than for the business overall. Thanks to our strong and competitive Investment Bank, we are in an excellent position to build on our leadership position. This is especially true in APAC, where ultra-high net worth clients contribute almost 80% of invested assets.

That said, we also continue to focus on the high net worth and high-end affluent segments, particularly in regions where the creation of new millionaires is exponential.

Slide 6 – Continued evolution in the landscape for financials

The landscape for the financial industry is being redefined in a number of ways, creating a new paradigm in banking.

Ten years ago, it would have been difficult to imagine that banks would operate, let alone profit, in an environment with persistently low or negative interest rates in Europe, stringent capital requirements and prolonged macroeconomic and geopolitical uncertainty. Our business mix, geographical diversification, competitive position and reduced cost base have enabled us to deliver improved performance while investing in our businesses. Low volatility levels across major asset classes have been a particular challenge this year. In the second quarter, this affected client activity in our Investor Client Services business, and the trend has persisted into the third quarter, consistent with what you have heard from other investment banks. Given our focused model in FRC, which is more weighted to the institutional side, and with around 60% of our revenues from FX, low volatility is especially challenging for us.

Since the crisis, there has been a profound transformation in offshore wealth management, as the industry has progressed to full transparency and a value proposition based on content and expertise. We have been at the forefront of this transformation, with significant investment in creating what we believe is the best CIO office in the industry, supported by the leading global product and solutions platform. We have been proactive with clients to validate their tax status, leading to substantial cross-border outflows. We are now in the last mile of this transformation, with expected outflows of approximately 14 billion in 2017, of which 3.2 billion occurred in the first half. These outflows will substantially decline in 2018, and this headwind will be largely behind us, enabling us to fully focus on helping our clients achieve their wealth objectives.

Today clients are more diverse than ever. Around 30% of invested assets belong to women, and female-controlled wealth is expected to grow by 5 trillion dollars to 18 trillion over the next 5 years. It's therefore a business priority for us to serve women better and we have built a program specifically designed to address this. At the same time, our clients are becoming younger. We provide a series of highly successful global education programs helping them prepare for their new financial responsibilities and we offer a broader digital experience for the tech savvy

generation. Both women and younger clients are more likely to focus on investments that bring social good. As leaders in sustainable and impact investing, we expect to direct at least 5 billion dollars of client assets to such investments over the next five years.

The acceleration of technological change and innovation in the financial services industry in recent years has been astonishing, with banks increasingly becoming tech plays. While the last decade was driven by regulation and restructuring, the coming decade will be driven by technology. That is why in 2015 and 2016, we invested over 2 billion per annum in technology, in addition to the day-to-day running costs of the bank, investments that will be sustained at least at this level into the medium term.

Slide 7 - Technology

We are excited about how technology will fundamentally transform our industry and are pursuing a number of major initiatives to position UBS for continued success in what we expect to be a rapidly evolving landscape.

Within wealth management, we are investing to migrate all of our booking locations to One Wealth Management Platform. Hong Kong and Singapore will be on-boarded in October, followed by Taiwan and Italy in 2018. We are the only player committed to one global platform providing scale, seamless client service and risk management advantages.

In the UK we launched SmartWealth, our digital wealth management platform. In Taiwan, our award winning affluent offering is accessible via on-line and social media. Both are in line with our commitment to digitization and are formats that we may eventually deploy in China.

In Wealth Management Americas, our strategic alliance with SigFig resulted in the creation of a lab bringing together FAs and developers designing digital solutions to improve FA dashboards, financial planning tools, portfolio management and client prospecting. This will shape a set of next-generation technological capabilities that will further differentiate our FAs and strengthen their ability to advise clients. We are rolling out Aladdin, making UBS the world's first wealth manager to implement BlackRock's leading risk management and portfolio construction tool. This will help FAs manage their clients' portfolios and thereby improve our services. It also

provides compliance with an additional layer of control, by monitoring how discretionary assets are managed.

Digitization and FinTech can certainly improve client interaction, but we do not see them as a threat, as we believe they cannot replace the value of trusted human relationships, particularly as clients' needs grow more complex with increasing wealth.

In Personal and Corporate, we are making further investments to cement our leading digital position in Switzerland. We believe the quality of the digital offering increasingly determines which bank can capture the client's primary banking relationship for financing and investment solutions. As a consequence, our Swiss clients using e- and mobile-banking are more profitable, and show higher satisfaction rates and lower attrition. They also drive growth as a combination of e- and mobile banking channels delivers the highest net new business volume per client.

In the IB, we continue to enhance our electronic and algorithmic execution capabilities and are seeing results with an increase in sales with clients across FRC products. We are also expanding the use of data analytics for our online platform Neo. Neo delivers a simplified client experience with fast and secure access to our cross-asset investment banking platform providing a unified user experience and differentiating our services to our clients.

In Corporate Center Finance, we are automating standardized, rule-based and highly repetitive processes using robotics. We have a goal of deploying over 1,000 robots in the near term, which will deliver better client service, improve risk and compliance and yield greater cost efficiency.

These are just a handful of examples to illustrate the far-reaching opportunities for technology in our industry, going far beyond purely cost reduction.

Slide 8 - Strong capital generation throughout our transformation

Since 2012, we have returned nearly 10 billion in capital to shareholders and generated an incremental nearly 7 billion in CET1 capital. This is after absorbing 13 billion in litigation provisions, external legal fees related to legacy matters and temporary costs to address regulatory requirements. During this period, we have also delivered strong and improving returns on CET1 regulatory capital, reaching nearly 20% for first half 2017. This return metric is more comparable with the majority of global banks as it removes the impact of DTAs which represent around 22% of our tangible equity.

We look forward to finalization of Basel 3 and NSFR rules so that we can provide full transparency on their impact, how we can adapt our business in response, and implications for our capital return policy. After this, we expect the pace of regulatory change to slow, with some potential for softening in the US, which should reduce current levels of regulatory related expenses. We expect a reduction in legal costs as we resolve legacy litigation and regulatory matters. Together, this will improve profits available either for investment or capital returns.

In conclusion, we believe our compelling and stable strategy, unique business portfolio and geographic footprint, and commitment to further investment in technology positions UBS for sustainable growth and value creation in the next era for financial services.

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