



# Investor Day 2005

New York, 13<sup>th</sup> May 2005  
Clive Standish, Group CFO



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## Progress Over Last 5 Years

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## Development 2000-2004 (1/2)

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- ◆ Invested substantially in organic growth and supplemented with add-on acquisitions
- ◆ Disposal of non-core businesses
- ◆ Transformed risk profile
- ◆ Returned CHF 19.9bn through share buybacks
- ◆ Returned CHF 12.6bn through dividends
- ◆ Maintained premium Tier 1 ratio

## Development 2000-2004 (2/2)

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- ◆ Industry-leading financial disclosure
- ◆ NYSE listing
- ◆ Transformed reputation from “accident prone” to “best-in-class”
- ◆ Defined and established the “one firm” model

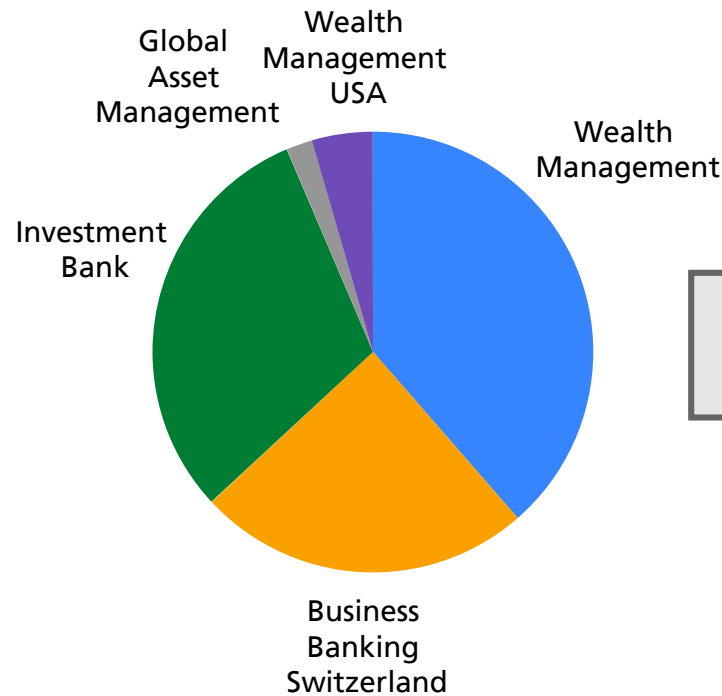
# Focus on Group KPIs and shareholder value

	1999	2004	Progress
Return on equity (%)	23.5	27.8	+4.3 percentage points
Cost / income ratio (%)	69.1	70.9	-1.8 percentage points
Basic EPS (CHF)	5.3	8.5	+60%
Net new money (CHF bn)	4.3	59.4	+1,381%

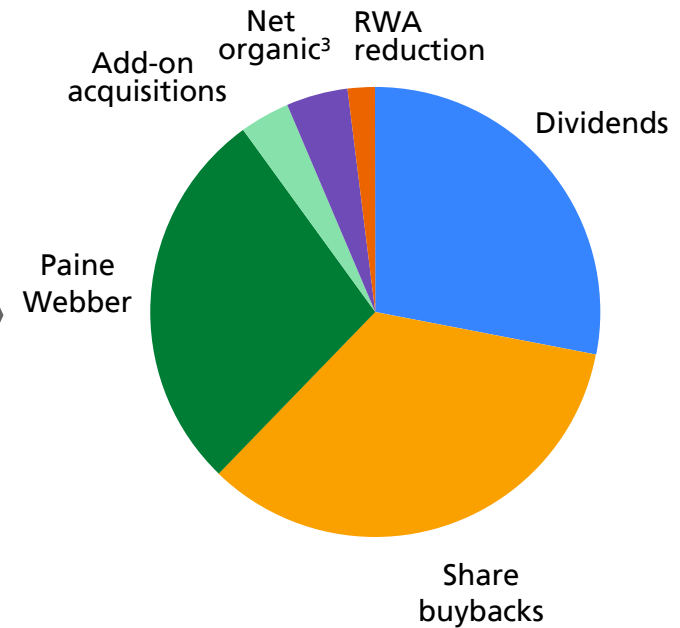
# Free equity generation<sup>1</sup> and investment

2000 - 2004

## Generation<sup>2</sup>



## Investment



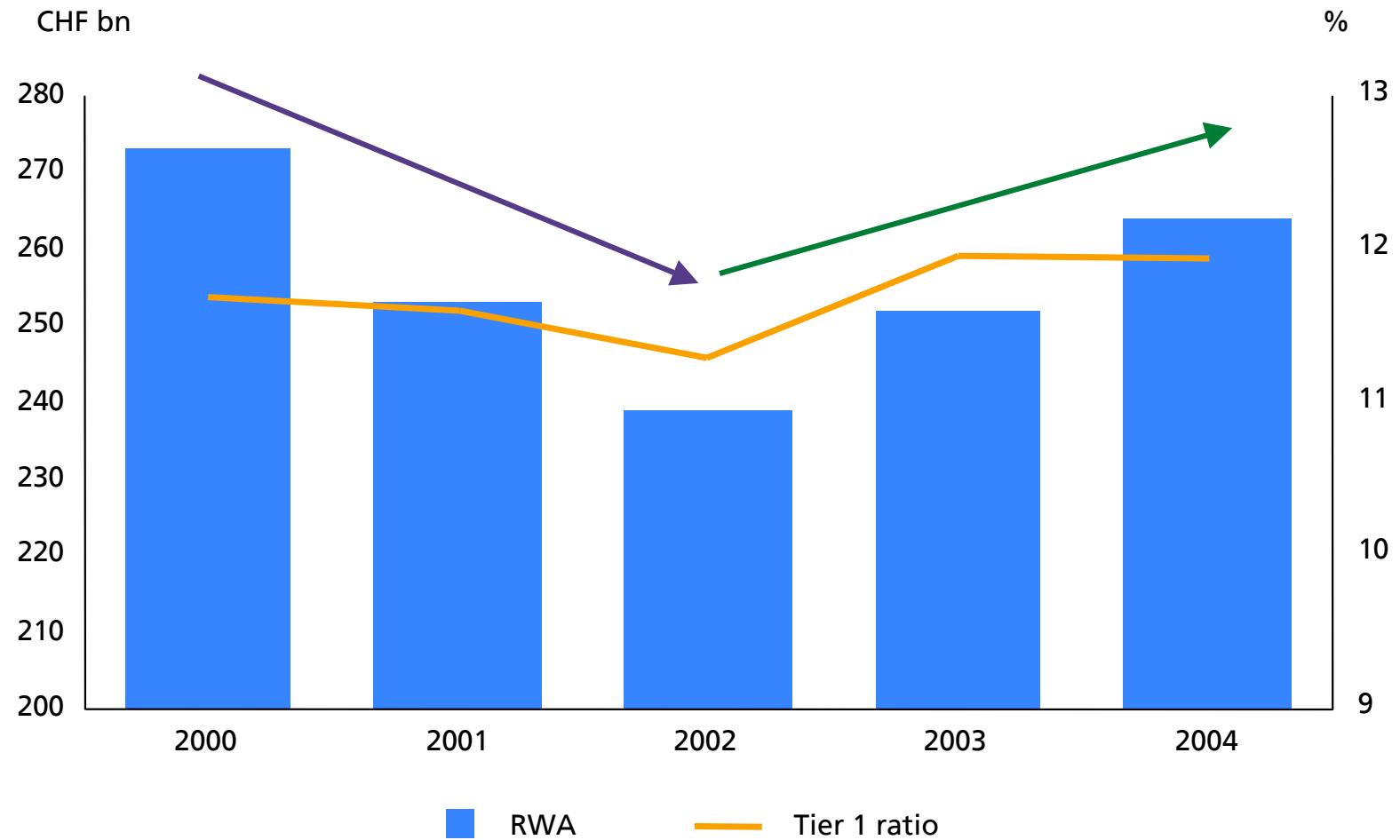
Note:

- 1 The pie charts serve illustrative purposes only. Free equity in broad terms refers to net profits generated, before goodwill and SFE (for WM-US before acquisition cost), plus changes in required average regulatory equity allocated
- 2 Excludes Corporate Center
- 3 Organic investment less equity released from RWA reduction



# Risk-weighted assets transformation

## A tale of two halves



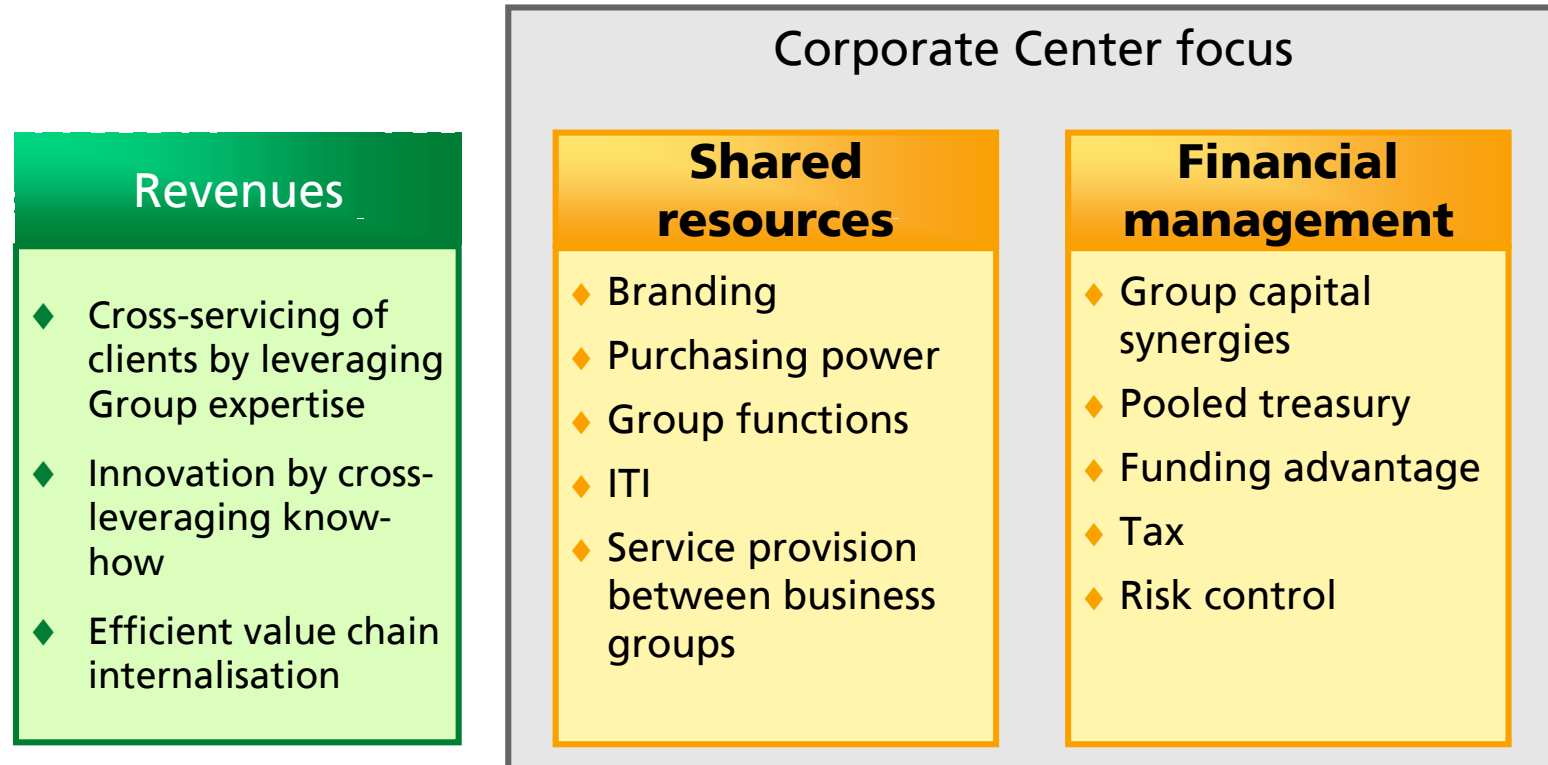


# Vision 2010

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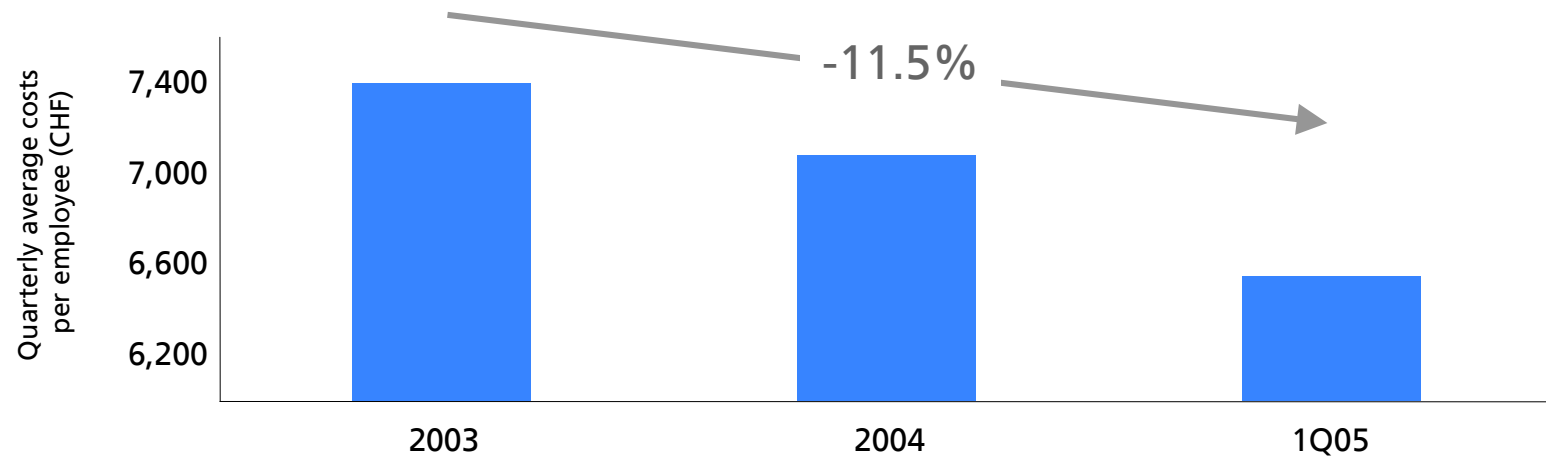
# "One firm" – value catalyst



15% - 20% of current market cap originates from benefits of the Integrated Business Model

# Benefits of Information Technology Initiative

## ITI costs per employee significantly reduced since launch



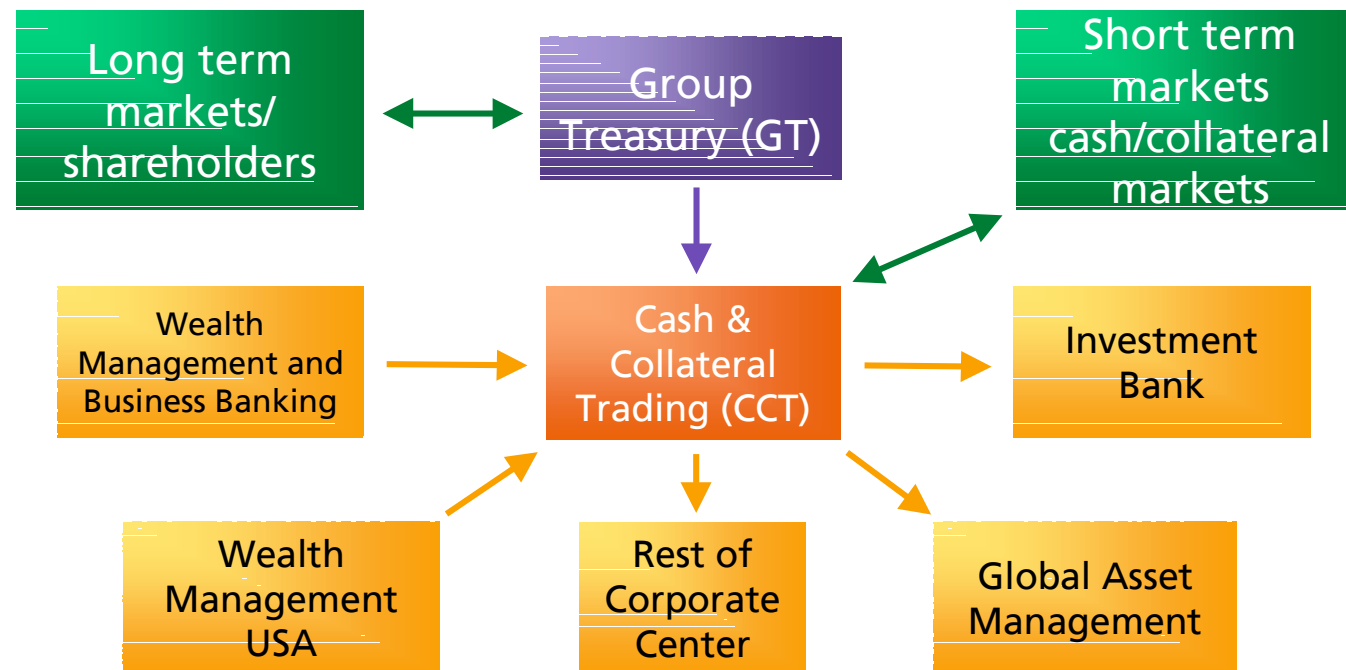
### Examples of cost savings

- ◆ Optimization of a new mainframe hardware and software environment
- ◆ Various telecommunications initiatives
- ◆ On-going optimization of workplace service delivery
- ◆ Re-negotiation of vendor contracts as well as bulk hardware orders

# Central Treasury model

## Single face to each market adds tangible value

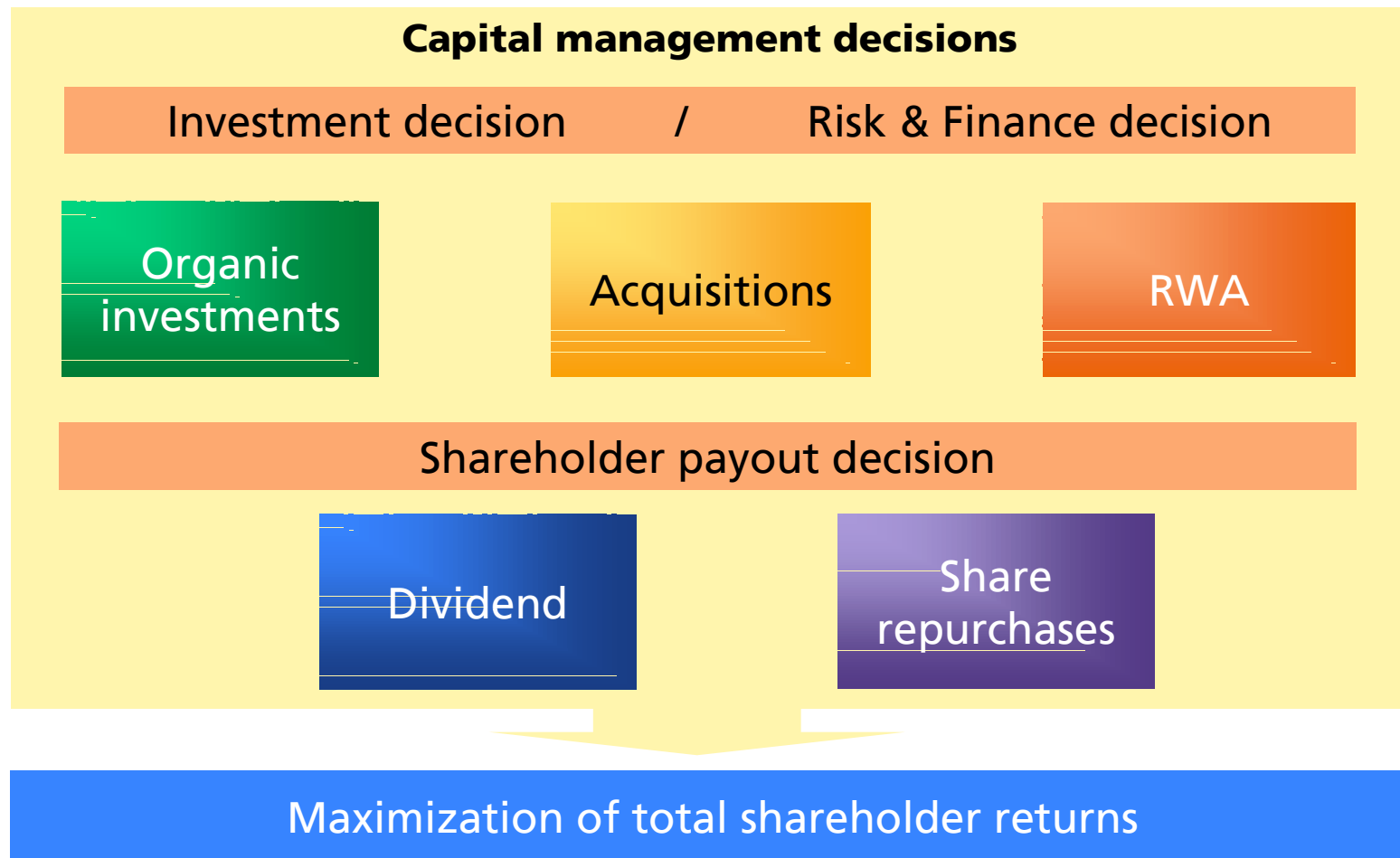
- ◆ Interest rate netting
- ◆ FX netting
- ◆ Funding advantage in long-term and short-term markets
- ◆ Liquidity advantage



# Capital allocation decisions



## Rigorous analysis and governance



# Investment decisions



Organic investments

Acquisitions

## Responsibilities:

Board of Directors



Group Executive Board



Group Strategic Analysis



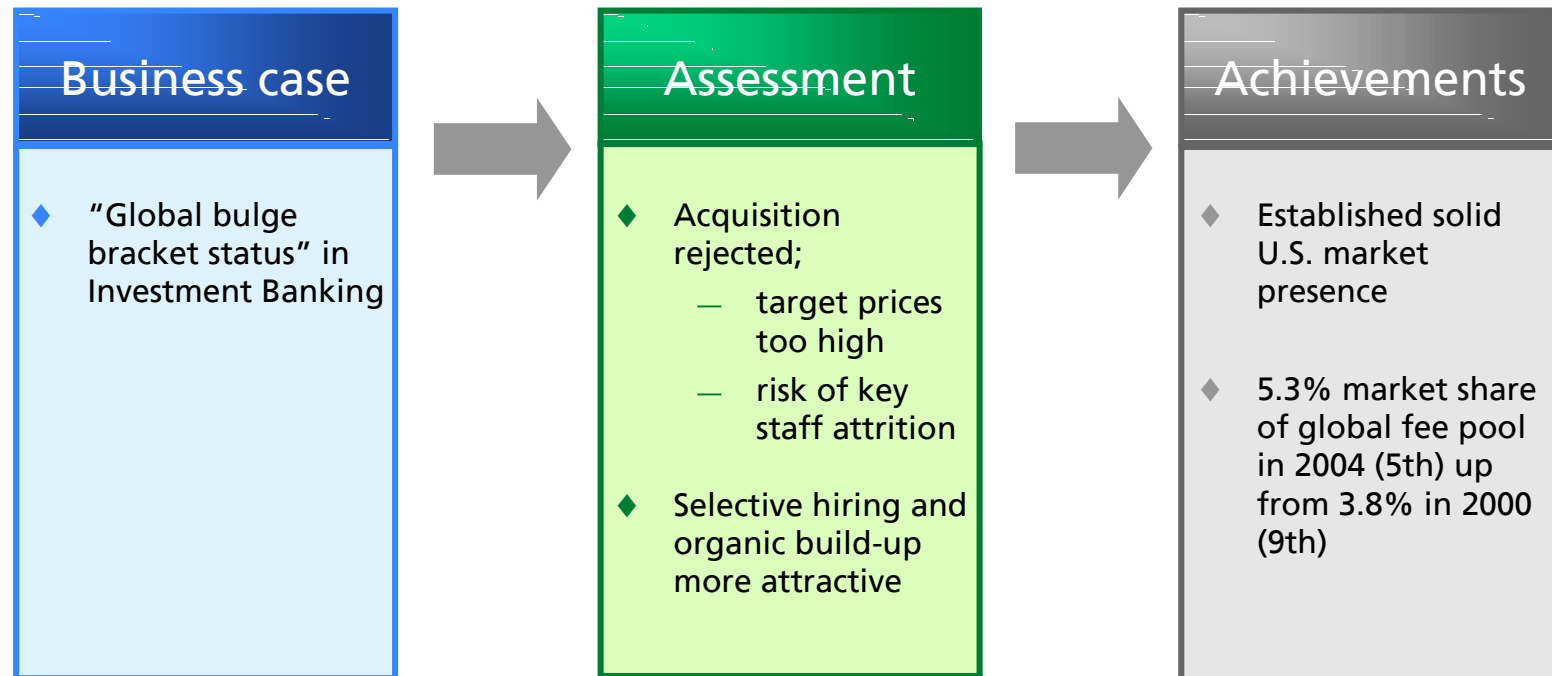
Business management

## Key decision factors:

- ◆ Strategically obvious
- ◆ Culturally manageable
- ◆ Value enhancing business case: DCF valuation using business-specific cost of equity
- ◆ Tangible synergies that can be delivered in the short-term
- ◆ Reality check: regret factor
- ◆ Impact on KPI's
- ◆ Availability of alternatives

# Organic investment examples (1)

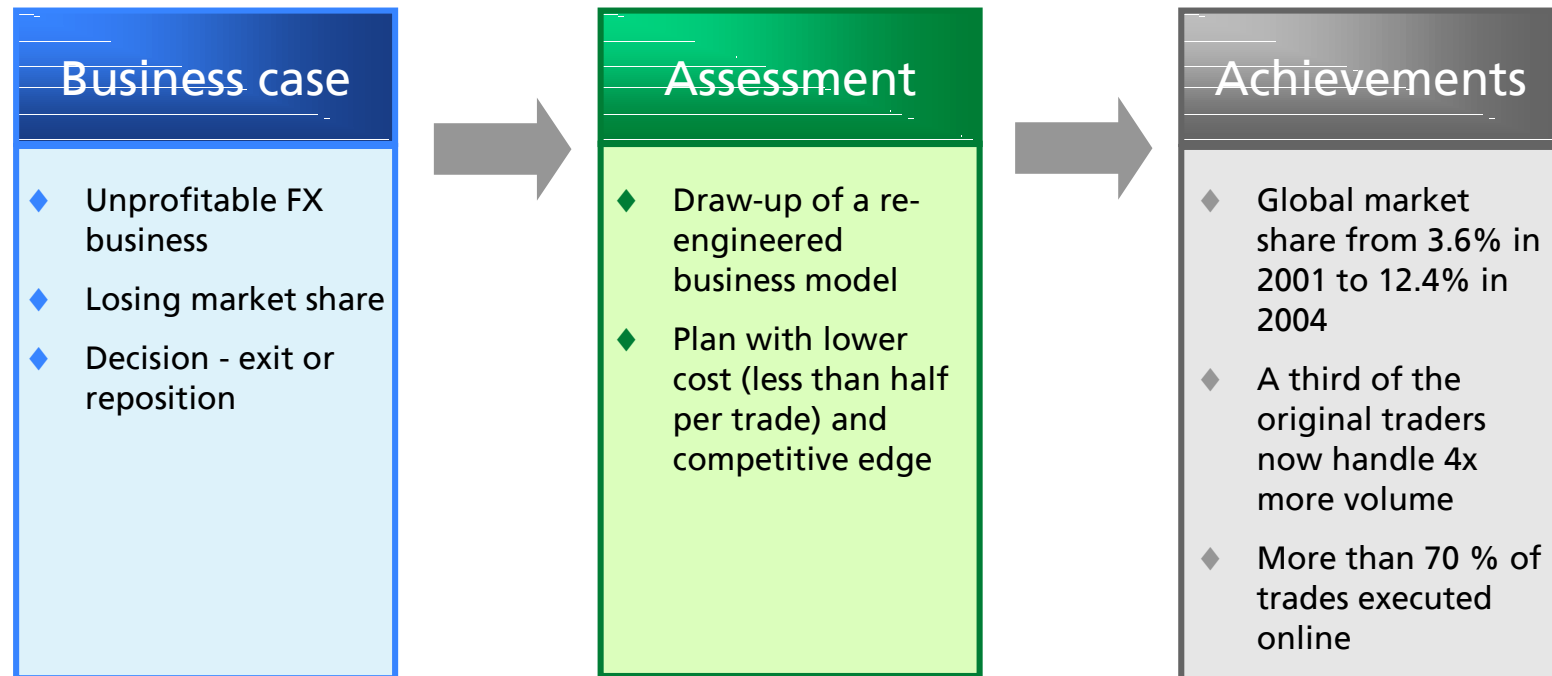
## Investment Banking build in US



Footprint

# Organic investment examples (2)

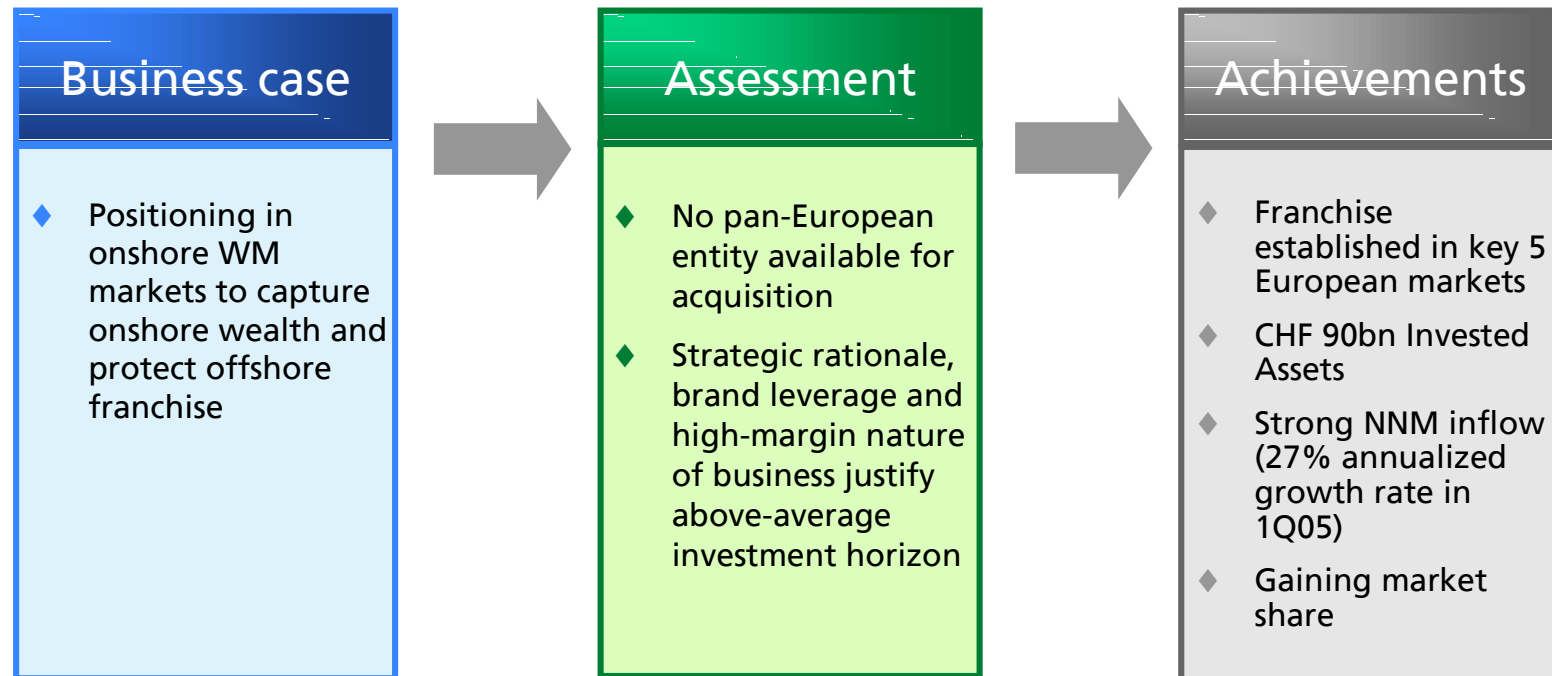
## Foreign Exchange re-engineering



Scale

# Organic investment examples (3)

## European Wealth Management Initiative

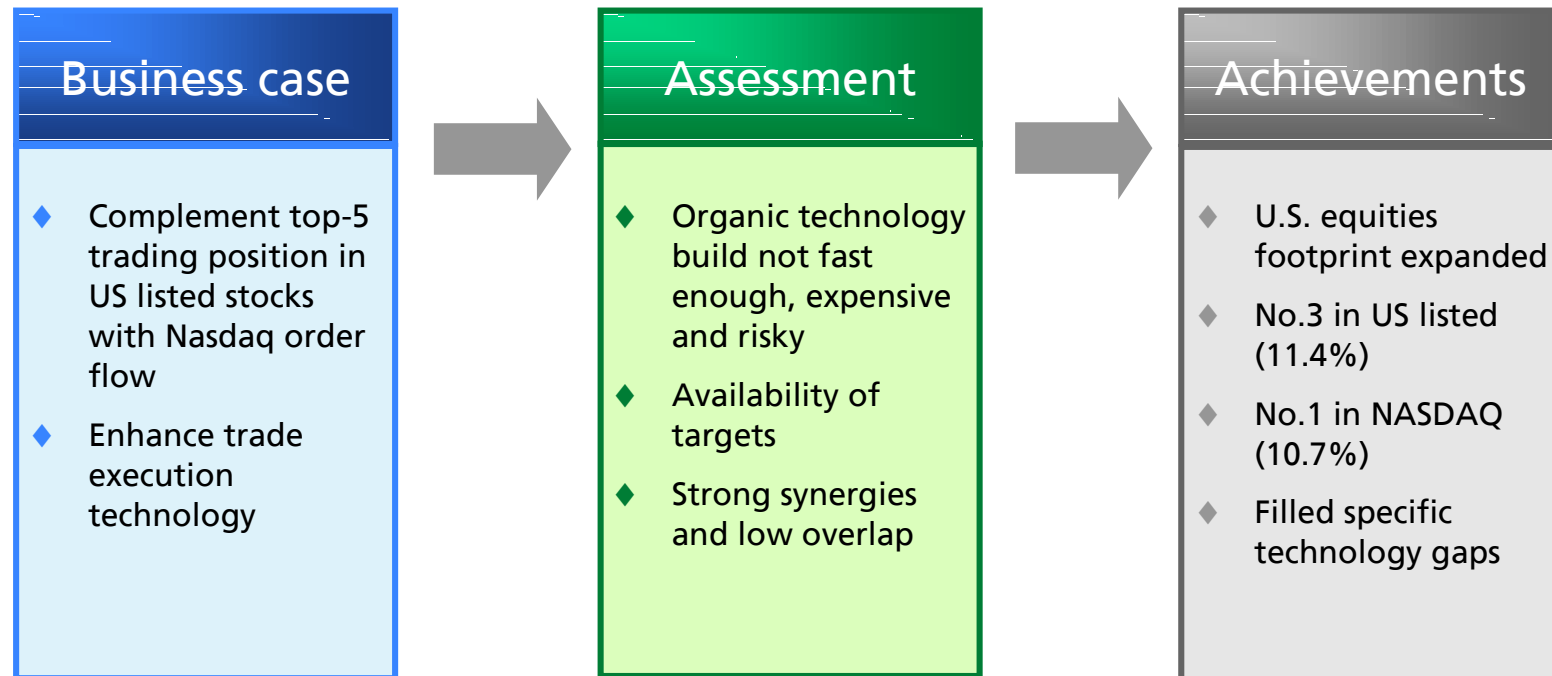


Franchise



# Acquisition examples (1)

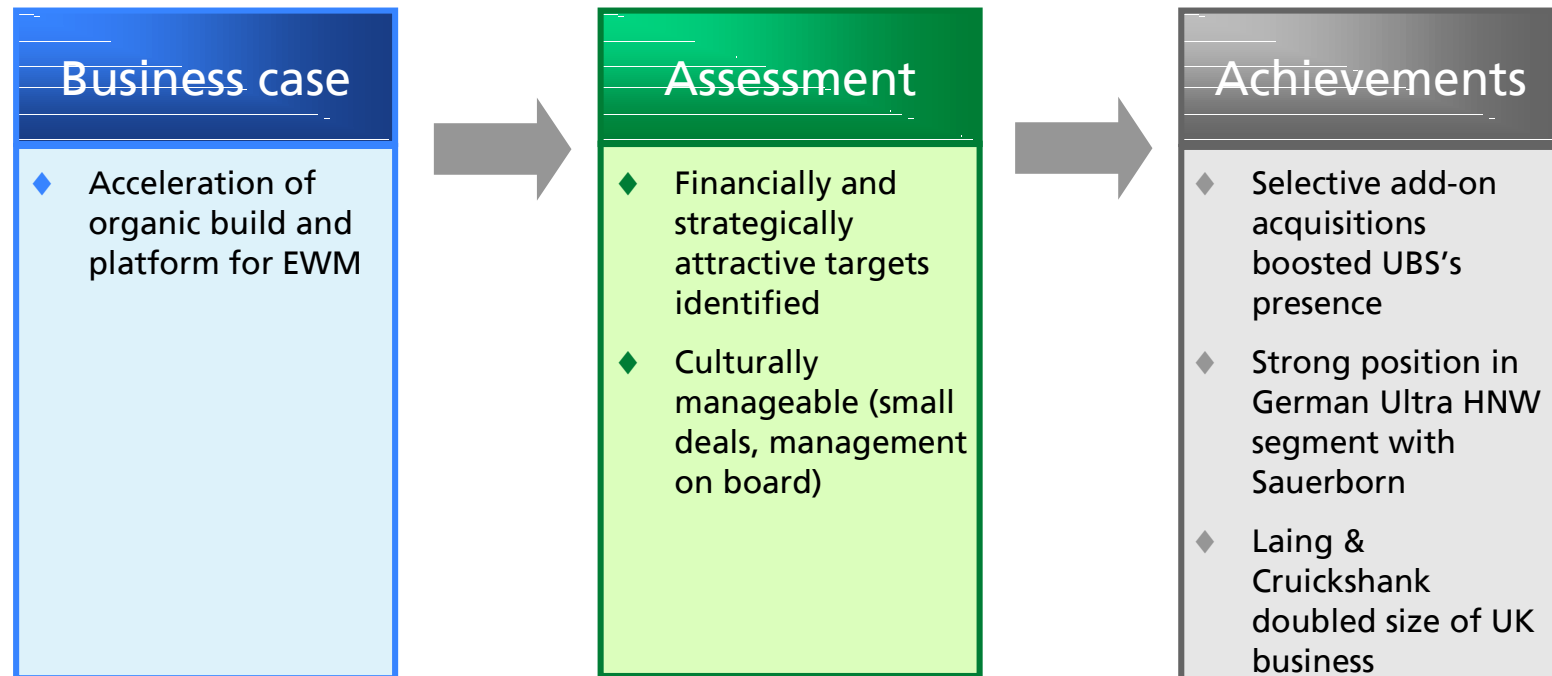
## Schwab Capital Markets transaction



Scope

# Acquisition examples (2)

## Wealth Management add-on acquisitions

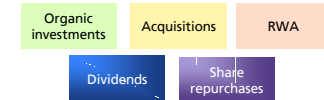


Scale

# Risk-weighted asset decisions



# Payout decisions



Dividends

Share repurchases

## Responsibilities:

Annual General Meeting



Group Executive Board /  
Board of Directors



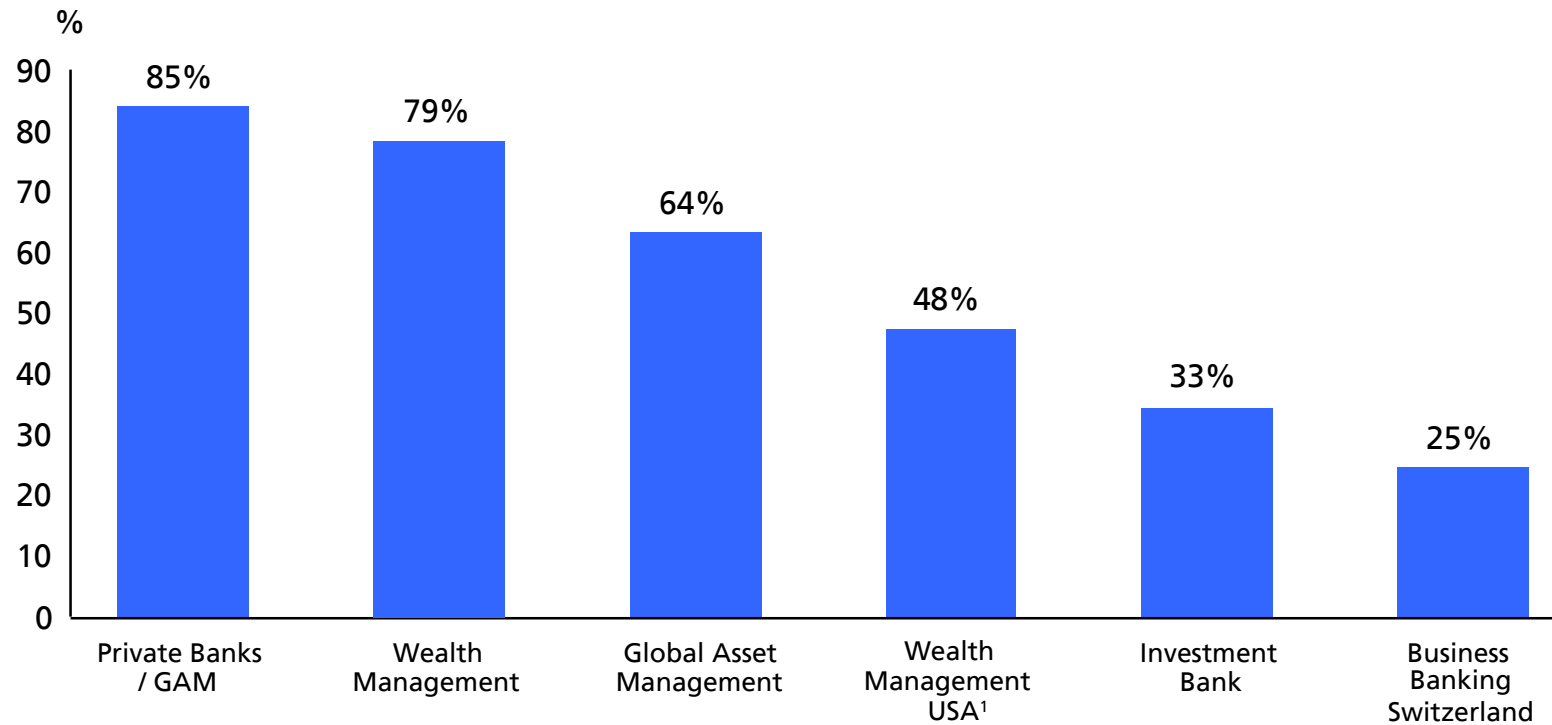
Chief Financial Officer

## Key decision factors:

- ◆ Tier 1 ratio
- ◆ Flexibility
- ◆ Tax treatment
- ◆ Signaling effect
- ◆ Competitive yield
- ◆ Shareholder base
- ◆ Share price impact

# Superior returns

## 1Q05 pre-tax return on adjusted regulatory capital



## % of Financial businesses operating profit before tax

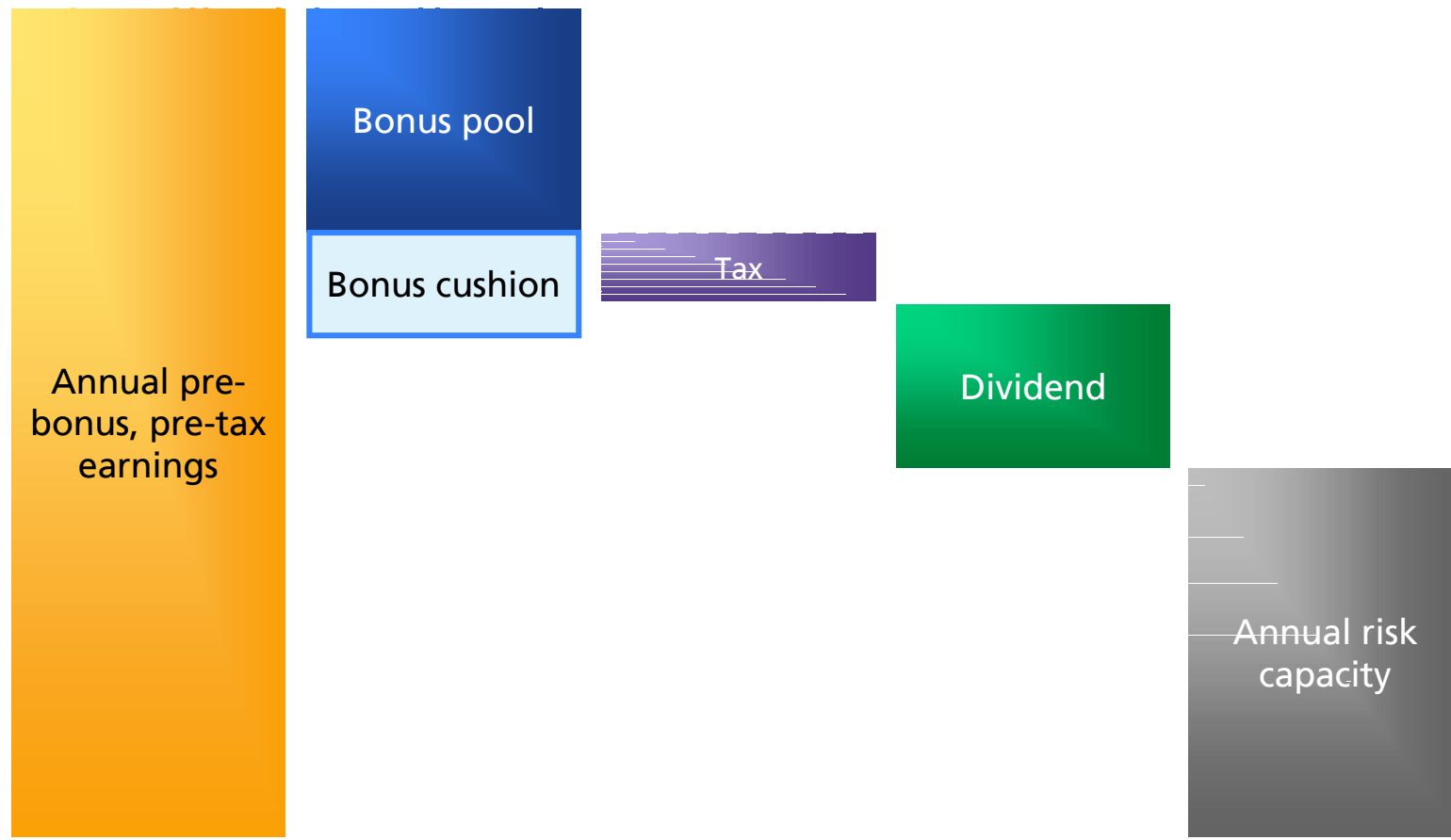


Notes:

1 Before acquisition costs



# Normalized earnings and risk capacity



# Outlook on 2010 – Growth focus

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## Capital allocation

- ◆ Active management of business portfolio
- ◆ Organic build for growth
- ◆ Fill-in acquisitions
- ◆ Continuation of dividends and share buyback programs

## "One firm"

- ◆ Leveraging revenue synergies
- ◆ Single brand
- ◆ Cost controls

## Risk management

- ◆ Operational risk framework
- ◆ No significant impact of Basel II



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