

# Business Strategies – Backup: Introduction Real Examples UBS/Deutsche Bank

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# Business Strategies – Bkup: Restructuring of UBS Bank

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- 2008: Worldwide financial crisis – bankruptcy of **Lehman Brothers** - State of Switzerland was forced to rescue the UBS bank. Loss of 20 bi. Sfr.  
**Axel Weber** – during that time president of the German Bundesbank – was staying overnight in the small service house of the Bundesbank building, in order to save the time for the daily commuting . He became one of the key advisers to the German chancellor Angela Merkel. But in 2010 he voted against the acquisition of government bonds; he resigned as president of the Bundesbank in 2/2011;
- 9/2011: Stock broker **Kweko Adoboli** gambled away 2,3 bi USD in London office of UBS. Failure of all control mechanisms; UBS CEO Grübel needed to step down; **new CEO Ermotti** took over.
- 5/2012: Axel Weber chairs the board of directors with the **following strategic program**:
  - Downsizing of Investmentbanking
  - Concentration on Asset Management
  - Reduction of risks; Building up of capital reserves
  - Reduction of Headcount
- 2018: Additional Strategy Focus: Sustainability



# Business Strategies – Bkup: Restructuring of UBS Bank

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- 11/2020 **Ralph Hamers** (Ex ING; experienced in Digitalization) appointed new CEO at UBS
- 11/2021 **Colm Kelleher** (Ex- Morgan Stanley) appointed as successor of Axel Weber as Chairman of Board of Directors (up from April 2022)



# Business Strategies – Bkup: Restructuring of UBS Bank

## Uniquely positioned with leading franchises

Unique combination of growth and attractive returns

### Global Wealth Management

- **World's leading and only truly global wealth manager; #1 in global UHNW**
- Superior long-term growth prospects



### Personal & Corporate Banking

- **At the core of the leading universal bank in Switzerland**
- Largest player in an attractive and profitable market



### Asset Management

- **Diversified and well positioned in key growth areas**
- Highly cash flow-generative with strong returns on equity



### Investment Bank

- **Excellence in areas of focus**
- Client-focused, capital-light model with attractive risk-adjusted returns



# Business Strategies – Bkup: Restructuring of UBS Bank

## 2020-2022 priorities

Def.CET1: Common equity Tier 1 comprises a bank's core capital and includes common shares, stock surpluses resulting from the issue of common shares, retained earnings, common shares issued by subsidiaries and held by third parties, and [accumulated other comprehensive income \(AOCI\)](#).

Drive higher and superior returns by growing and leveraging our unique, integrated and complementary business portfolio and geographic footprint



2020-2022  
RoCET1 12-15%



- I Elevate our world leading **Global Wealth Management** franchise to drive higher margins and **10-15% PBT growth p.a.**
- II **Improve returns** in the **Investment Bank** by further optimizing resources and collaboration
- III Capitalize on our differentiated client offering in **Asset Management** for further **growth, performance** and **scale**
- IV Grow profits in **Personal & Corporate Banking** through **digital** initiatives, **services** and **efficiency**
- V Deliver more as **one firm** for our clients
- VI Drive improvements in firmwide **operating efficiency** to fund growth and enhance returns
- VII Maintain attractive **capital return profile** through dividends and buybacks

# Business Strategies – Bkup: Restructuring of UBS Bank

Change is coming at us with ever increasing pace



## Economic cycle

Range of recovery scenarios remains wide



## Unprecedented monetary stimulus

Low and negative rates challenge investment paradigms



## Shifting client priorities

Shift to private markets and sustainability creates opportunities



## Digital-led recovery

Pandemic has accelerated digital adoption and disrupted norms



## Green transition

Finance plays a crucial role in the move towards a greener world



## Transforming world

Challenges presented by de-globalization and divergence



## Competitive landscape

Growing importance of scale, digital everything and innovation



## Regulatory change

Further evolution of regulatory agenda

**This will call for relentless client focus, digital savvy and agility to drive growth and shareholder value**

# Business Strategies – Bkup: Restructuring of UBS Bank

Our sustainability drive

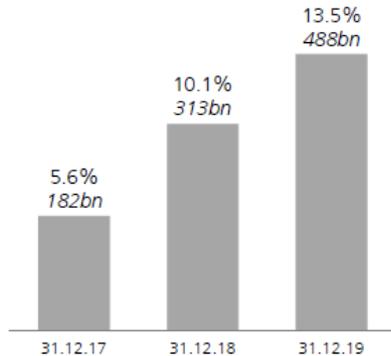
Since 2018: additional strategic focus

We are a recognized leader in sustainability, delivering in area increasingly important to clients

What we doing for our clients

## Strong growth in core sustainable investments

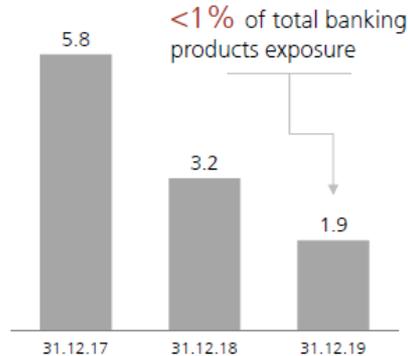
Core sustainable investments  
As % of total invested assets



How we are contributing ourselves

## Reduced carbon-related assets

Carbon-related assets on balance sheet  
bn



## Maintained strong position in key ESG rankings

MEMBER OF  
**Dow Jones Sustainability Indices**  
In collaboration with **ESAM**

**MSCI**  
ESG RATINGS **AA**  
CCC B BB BBB A AA AAA

**SUSTAINALYTICS**

**CDP**  
DISCLOSURE INSIGHT ACTION

Industry leader  
for 5<sup>th</sup> consecutive year

Maintained **AA** rating

Maintained **Industry Leader** rank

Rated **A-** and included in Leadership band

# Business Strategies – Bkup: Restructuring of UBS Bank

## Climate Strategy



<b>i</b>	<b>Protecting our own assets</b> Limiting risk appetite for carbon-related assets and estimating our own firm's vulnerability to climate risks		<b>1.9%</b> Exposure to carbon-related assets on our balance sheet as of 31.12.20, from 2.3% on 31.12.19
<b>ii</b>	<b>Protecting our clients' assets</b> Supporting clients in assessing and managing climate-related risks and opportunities through innovative products and services		<b>49</b> Oil and gas and utility companies part of climate engagement program as of 31.12.20
<b>iii</b>	<b>Mobilizing private and institutional capital</b> Supporting the transition to a low-carbon economy through investments, corporate advisory and lending capacity		<b>USD 161bn</b> Climate-related sustainable investments as of 31.12.20, up from USD 108bn on 31.12.19
<b>iv</b>	<b>Reducing our direct climate impact</b> Driving the reduction of our GHG emissions		<b>79%</b> Reduction in our green house gas footprint since 2004 baseline (FY20)

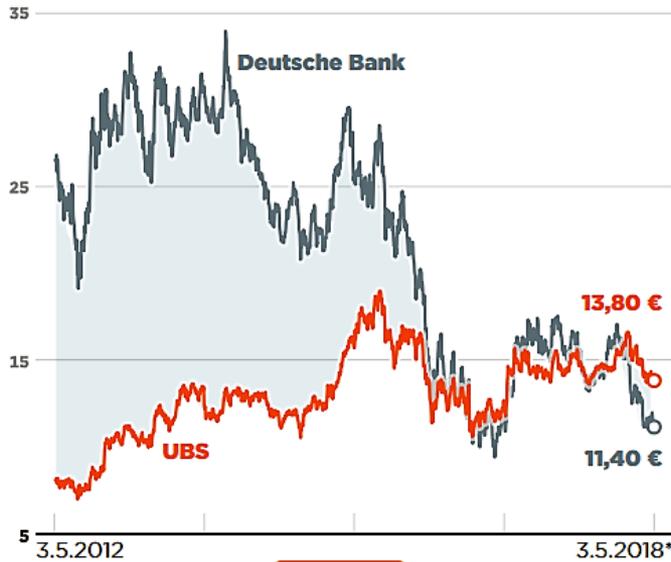
# Business Strategies – Bkup: Restructuring of UBS Bank (Comp. DB)

Banken

## UBS und Deutsche Bank im Vergleich



Aktienkurs in Euro



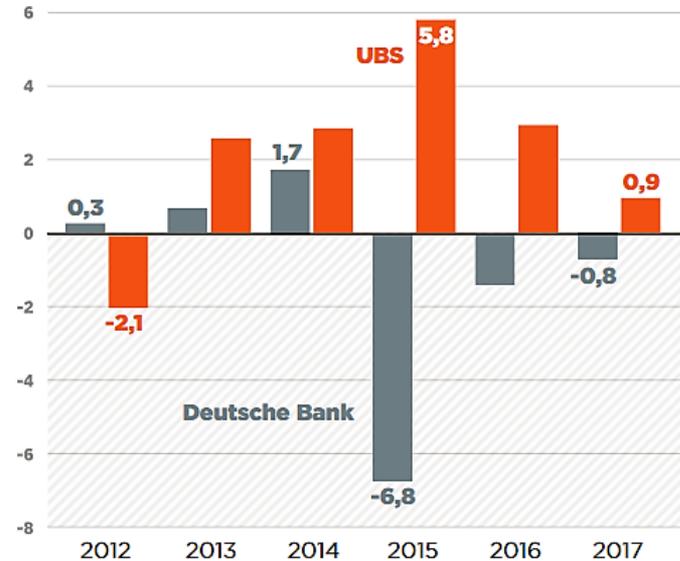
Share price

Banken

## UBS und Deutsche Bank im Vergleich



Ergebnis in Mrd. Euro



UBS 2020:  
8,2 bi USD

DB  
2020:  
1,0 bi €

Profit

# Business Strategies – Bkup: Restructuring of UBS Bank (Comp. DB)

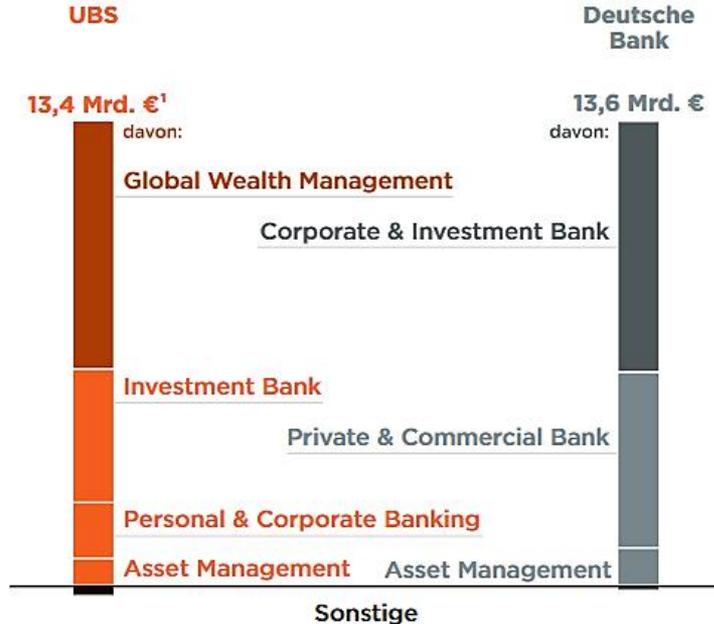
## Structure of Earnings

Europäische Banken

### UBS vs. Deutsche Bank



Einnahmen im 1. Halbjahr 2018



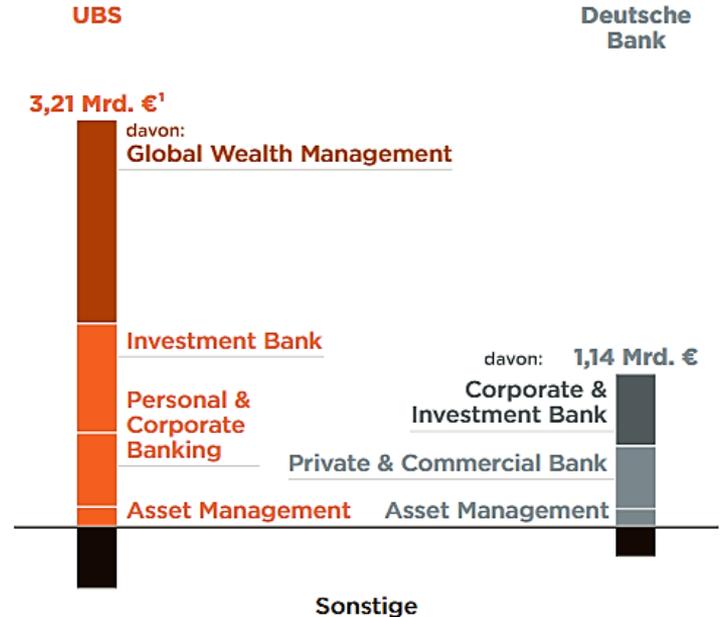
## Structure of Profits

Europäische Banken

### UBS vs. Deutsche Bank



Ergebnis vor Steuern im 1. Halbjahr 2018



# Business Strategies – Bkup: Restructuring of UBS Bank (Comp. DB)

## Performance Indicators of Banking Groups

Bilanzcheck Deutsche Bank

### Kennzahlen des Konzerns



#### Konkurrenzvergleich 2017

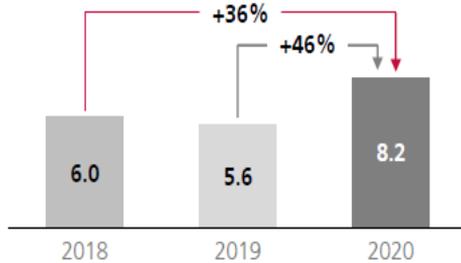
	Eigenkapitalrendite nach Steuern in %	Cost-Income-Ratio in %	Kurs-Buchwert Relation <sup>2</sup>
Unicredit	11,9	72,8	0,70
JP Morgan	9,9	57,9	1,67
BNP Paribas	8,1	69,4	0,86
Bank of America	6,8	62,0	1,31
Goldman Sachs	5,0	62,3	1,26
Société Générale	3,9	74,5	0,59
UBS	2,0	81,7	1,20
Commerzbank	0,5	86,3	0,48
<b>Deutsche Bank</b>	<b>-1,7</b>	<b>94,0</b>	<b>0,38</b>
Credit Suisse	-2,3	90,8	1,01
Barclays	-3,4	73,3	0,71
Citigroup	-4,2	57,9	1,01



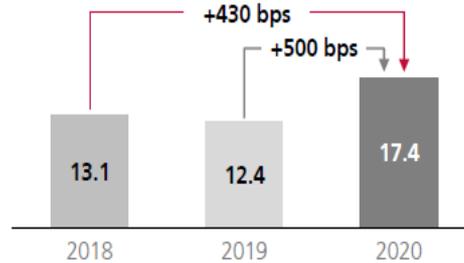
# Business Strategies – Bkup: Restructuring of UBS Bank (Comp. DB)

## Performance Indicators of UBS

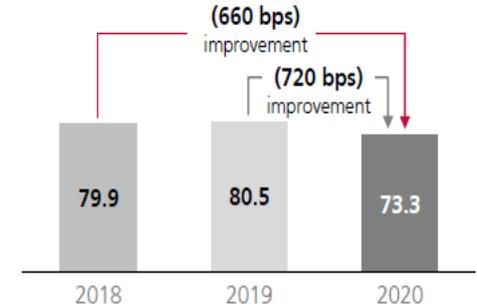
Group PBT  
USDbn



Return on CET1 capital  
in %



Cost / income ratio  
in %



# Business Strategies – Bkup: Restructuring of Deutsche Bank

## Change of CEOs

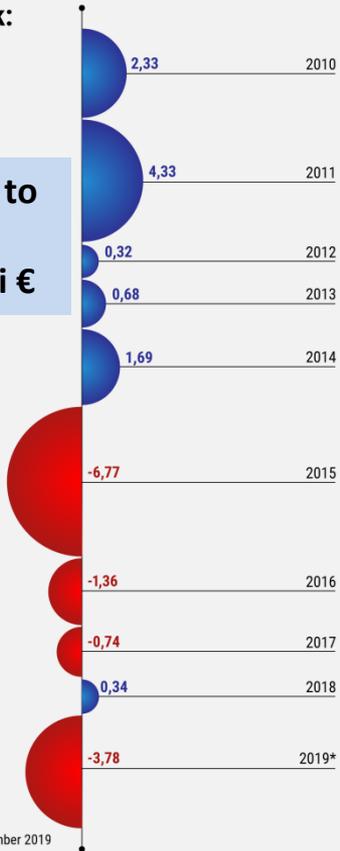
Josef Ackermann	2002–2012
Anshu Jain	2012–2015
Jürgen Fitschen	2012–2016
John Cryan	2015–2018
Christian Sewing	since 2018



# Business Strategies – Bkup: Restructuring of Deutsche Bank

**Deutsche Bank:  
Vom Gewinn  
zum Verlust**  
Jahresergebnisse,  
in Milliarden Euro

**From Profit to  
Loss  
Results in bi €**



\*Januar bis September 2019

Refocus		Restructure	Reinvigorate	Return
<b>Business model transformation</b>	<b>Clients, growth and innovation</b>	Costs, tech and infrastructure efficiency	Leadership and integrity culture	Capital and balance sheet efficiency
Corporate banking growth	One Bank client focus	IT and data efficiency	Leadership culture	Capital Release Unit
Investment banking refocus	Product & service innovation	Infrastructure target operating model	Client-lifecycle re-engineering	Capital accretion and optimization
Private Bank efficiency	Sustainable banking (ESG)	Workforce and compensation cost	Regulatory compliance	Balance sheet exposure management
DWS growth		Expense and process optimization	Front-to-back control enhancement	Liquidity and funding optimization
		Financial & analytics enhancement		

**Start of transformation in 2018**

# Business Strategies – Bkup: Restructuring of Deutsche Bank

## Exit businesses

Exit from Equities Trading and refocus Rates

## Five decisive actions:

## Create four client centric divisions

Focus on market leading businesses with attractive growth and return profiles

## Cut costs

Reduced adjusted costs<sup>(1)</sup> by € 6bn by 2022

## Invest in technology & growth

Further improve technology and control framework

## Manage and liberate capital

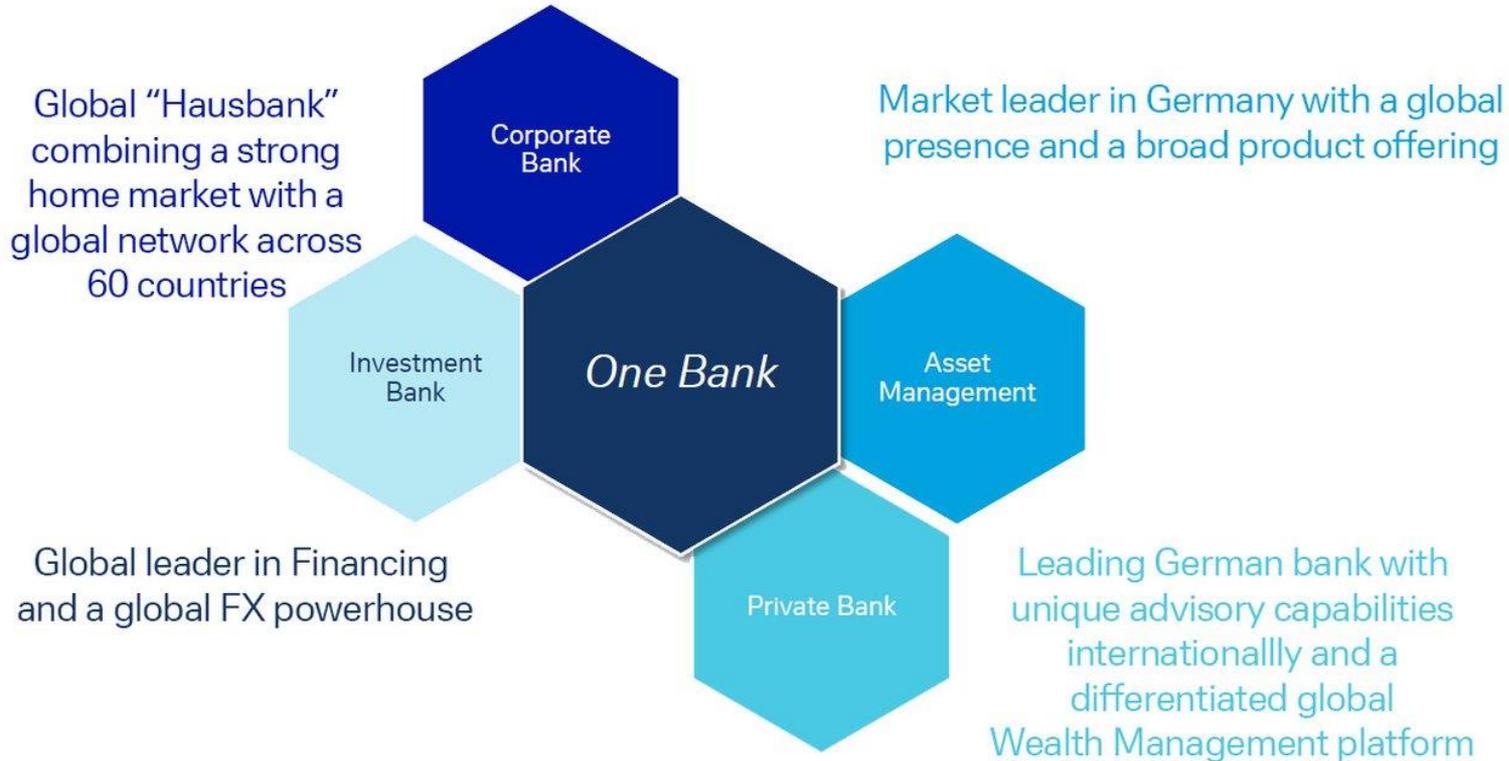
Maintain conservative balance sheet with strong capital and liquidity



Driving to long-term sustainable returns – irrespective of the underlying economic environment

# Business Strategies – Bkup: Restructuring of Deutsche Bank

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# Business Strategies – Bkup: Restructuring of Deutsche Bank

## Sustainability identified in 2021 as potential value driver

Sustainability is a key driver for opportunities with new value potential



### Key drivers

- › Regulators<sup>(1)</sup> impose tougher policies
- › Clients demand a credible partner
- › Employees seek purpose
- › Investors<sup>(2)</sup> demand transparency
- › Public scrutinizes our efforts

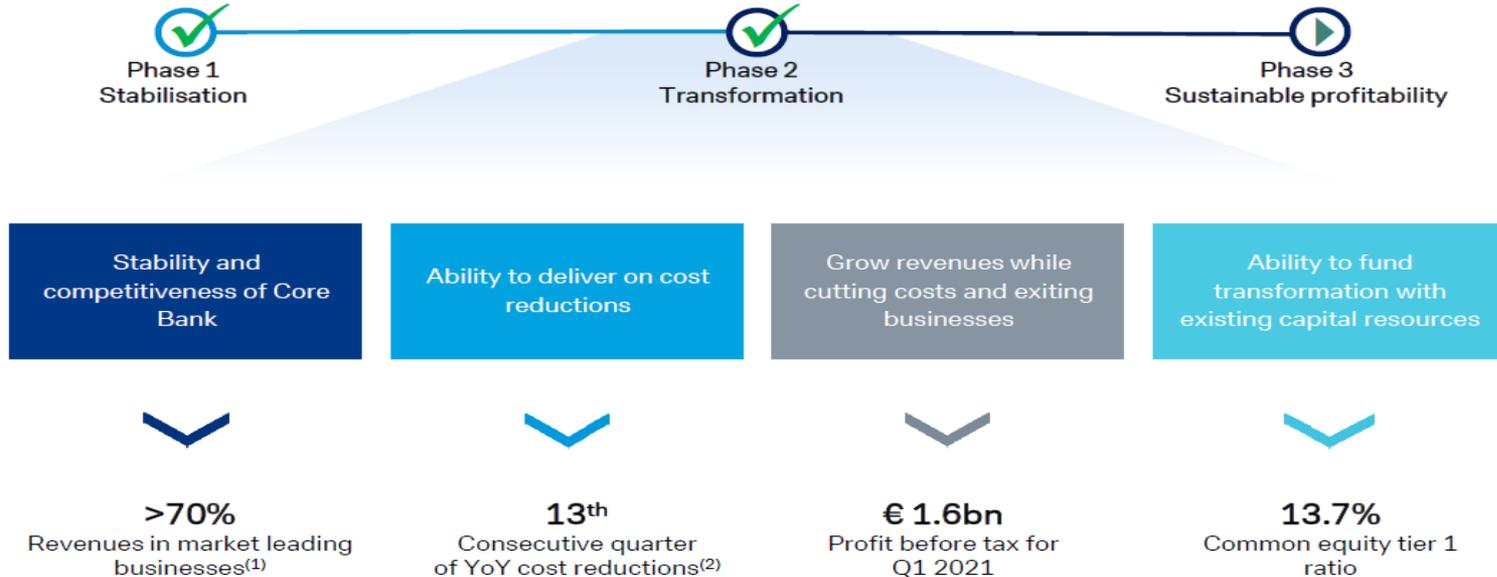


### Resulting opportunities

- › Clients<sup>(5)</sup> reallocate resources and require advice in their transition
- › Employees<sup>(5,6)</sup> are attracted by purpose-driven companies
- › Investors<sup>(2)</sup> increasingly decide based on ESG principles
- › Society and media recognise and reward improvements

# Business Strategies – Bkup: Restructuring of Deutsche Bank

We have made material progress



(1) Data as of September 2020. Leading defined as top 5 except for Corporate Bank defined as top 6 market position; IB source: McKinsey data  
(2) Adjusted costs excluding bank levies and transformation charges related to the strategic announcement on 7 July 2019

# Business Strategies – Bkup: Restructuring of Deutsche Bank

## Progress on Strategic Priorities

### Corporate Bank

- ✓ Executing on growth strategies, with strong loan and fee income growth in H2
- ✓ € 101bn of deposits under repricing agreements, with Q4 revenues of € 109m

PBT  
+86%

CIR  
-2ppt

### Private Bank

- ✓ € 7bn net new business across AuM and client loans in Q4 and € 45bn for the full year
- ✓ Further distribution network optimization with closure of more than 180 branches in 2021

PBT<sup>(4)</sup>  
+39%

CIR  
-2ppt

### Investment Bank

- ✓ 8<sup>th</sup> consecutive quarter of O&A YoY revenue growth and market share gains in FIC<sup>(2)</sup>
- ✓ #1 bank in EMEA investment grade debt issuance and EGB market making in Q4<sup>(3)</sup>

PBT  
+17%

CIR  
+2ppt

### Asset Management

- ✓ Record revenues in Q4, driven by higher management and performance fees
- ✓ € 48bn of net inflows for the FY 2021 driven by continued investment in growth initiatives

PBT  
+50%

CIR  
-7ppt

# Business Strategies – Bkup: Restructuring of Deutsche Bank

Group performance supports path to financial targets



	FY 2019	FY 2020	FY 2021
Revenues	€ 23.2bn	€ 24.0bn	€ 25.4bn
Adjusted costs ex transformation charges <sup>(1)</sup>	€ 21.5bn	€ 19.5bn	€ 19.3bn
Provision for credit losses	€ 0.7bn	€ 1.8bn	€ 0.5bn
Profit (loss) before tax	€ (2.6)bn	€ 1.0bn	€ 3.4bn
Cost/income ratio	108%	88%	85%
Return on tangible equity <sup>(2)</sup>	(11)%	0%	4%
Core Bank return on tangible equity	(7)%	4%	6%



# Business Strategies – Bkup: Restructuring of UBS Bank

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## Key Takeaways of UBS Strategy

- Competent Managers, politically connected
- Acceptance of failures
- Clear Change of business strategies
- Communication about Strategy change
- Solid, but no extreme performance
- Worldwide reaction
- Strong home base
- Change of Leaders after a certain periode of governance

# Business Strategies – Bkup: Restructuring of Deutsche Bank

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## Key Takeaways of Deutsche Bank Strategy

- Even too late, you can get success with clear focus
- Too many CEOs in short time has negative impact on strategic perspective
- Only few strategic goals
- Clear Communication about Strategy change
- Cost focus and less complexity
- Discipline in execution brings success
- Be aware of the own strenghtes