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"A Wealth Management Perspective on Future Technologies"

Wolfsberg Think Tank, July 1st 2004

Marten Hoekstra

Contents

Technology was supposed to...

Old assumptions about the effect of the virtual revolution

- Increasing market transparency
- Declining customer loyalty
- Lower barriers to market entry
- Electronic intermediaries will come between bank and client
- Non-banks will move into new markets
- The Internet will punish latecomers
- Economies of scale
- Expansion into new markets

The driver of online services was technology

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Source: Research article from T.D. Cocca and P. Csoport in UBS News for Banks II/2003

A look back

"Dropping like flies - A number of Internet banks were closed in 2001 and some even failed after less than a year of operation"

- First-e
  - The UK's first Internet-only bank. Closed in the UK and Germany in 2001.
- Alliance & Leicester
  - Internet-only wealth management service targeting mass affluent service cancelled.
- YOU
  - Cancelled project of a large Swiss Private Bank
- Redsafe
  - Insurance company. Internet bank and finance portal. Closed in October 2002.

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Source: eBanking Strategies in Europe 2003. Datamonitor. 03/2003.

Why didn't it work?

70% of what core affluent clients value is supplied by a client advisor!

Peace of Mind: the most sought-after end-state

Financial Security: the most important psycho-social benefit

Smart Investment Decisions: the most important direct benefit

Advisor Attributes (70%)

Institutional Attributes incl. Technology (30%)

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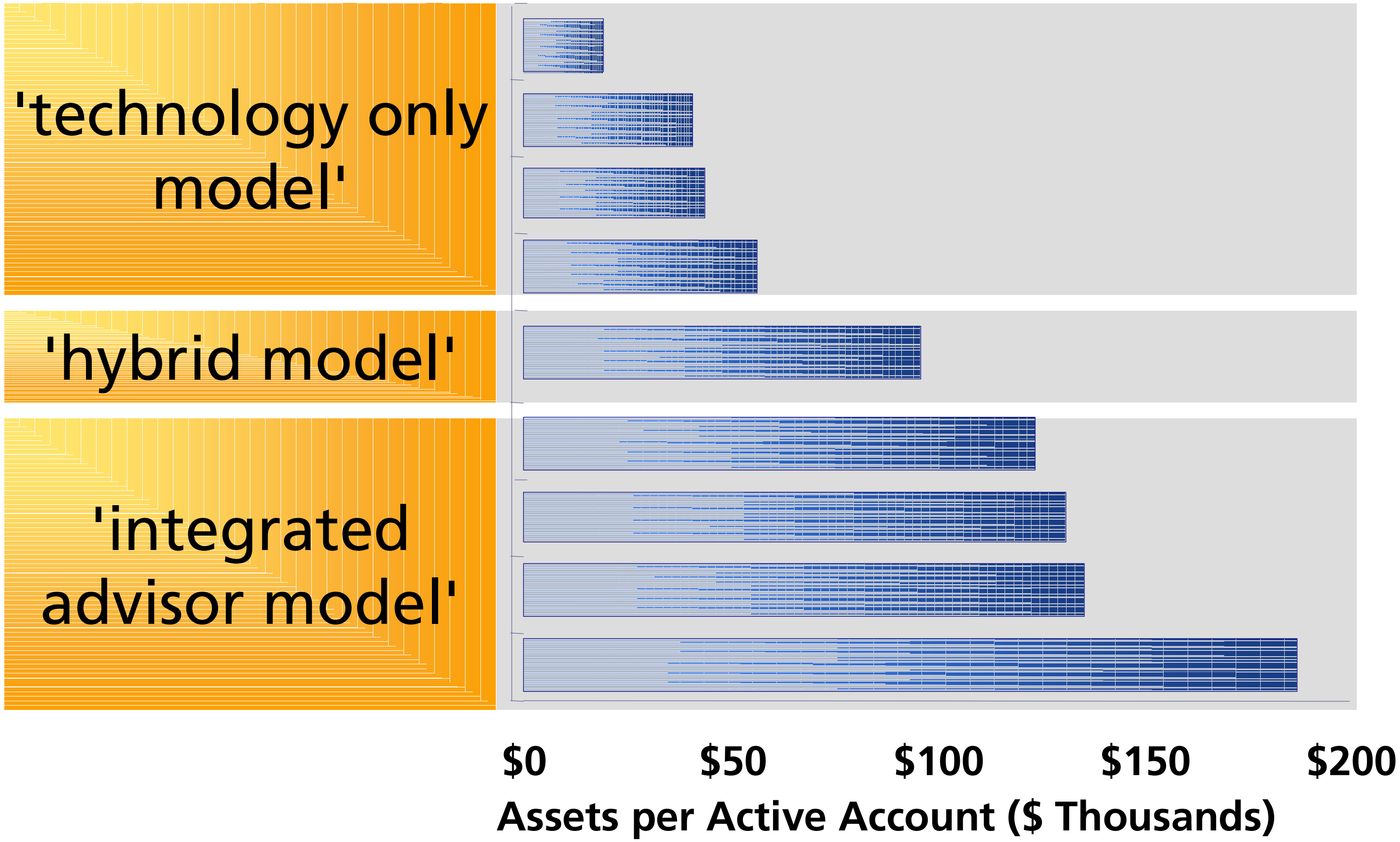
Client needs were largely ignored

Assets follow advisors



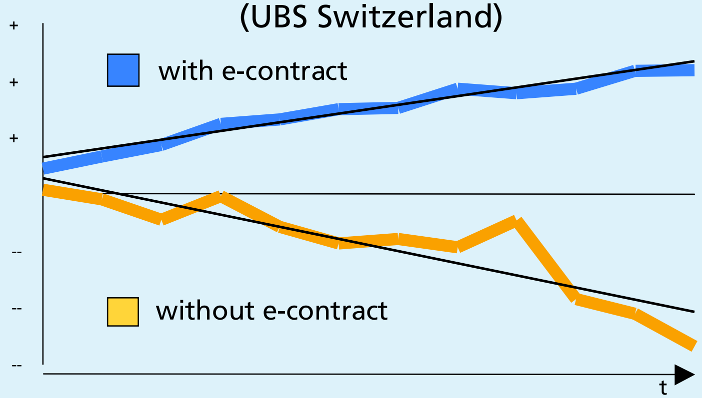
UBS Source: Goldman Sachs Research, February 2000

Client & Client Advisor Behavior

"The advised affluents are more active online with their investments than affluent investors without advisors are!"[1)]

Greater Technology Usage = Higher Assets per Client Advisor

Selected Net New Asset Development 2003
(UBS Switzerland)



Technology Usage
(UBS Wealth Management USA)

- Top quintile branches use technology more than bottom quintile branches
- High asset growth branches have higher growth in technology usage

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1) Source: Forrester, March 2004

Todays Marketing Technology Strategy

What will work tomorrow?

Channel Conflict → **Channel Mixing** → **Distributing Relationships Online**

1998 — 2000 — 2006

Strengthen the relationship between clients and their client advisor by offering the best combination of advisors and online services.

Seamless integration of online capabilities with the advisory process.

The technology makes the advisor more valuable and the advisor makes the technology more valuable.

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Marketing Technology Strategy

Technology usage is focused in four main areas

Collaboration

- The successful integration of technology and holistic advice will provide a collaborative experience.

Customization

- Look to deepen client relationships by creating a high-touch experience.

Communication

- Extend secure electronic channels which safely handle both internal and external communication.

Commerce

- Execution services (e.g. payment transactions, securities trading).

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Marketing Technology Strategy

Examples of 4C' services

Communication and Customization

- Let clients view what they own on a consolidated level:
  e.g. personal loans, credit cards, portfolio data aggregation

Collaboration and Customization

- Help clients to assess their financial position and support them in their decision process:
  - Offer meaningful financial advice and design a logic path from information to transaction by piecing together online tools to create a seamless buying cycle (e.g. mortgage comparison engines, debt optimization tools in relation to clients context).

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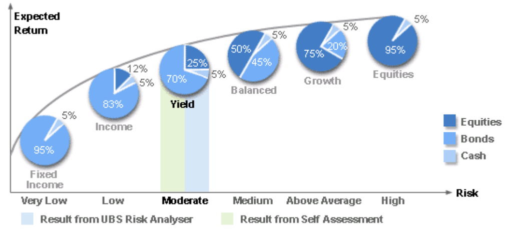
The Client Experience ...

- CA collaborates online with the client on completing a Retirement Funding Financial Planning questionnaire.
- Client & CA view the same information simultaneously and adjust assumptions.



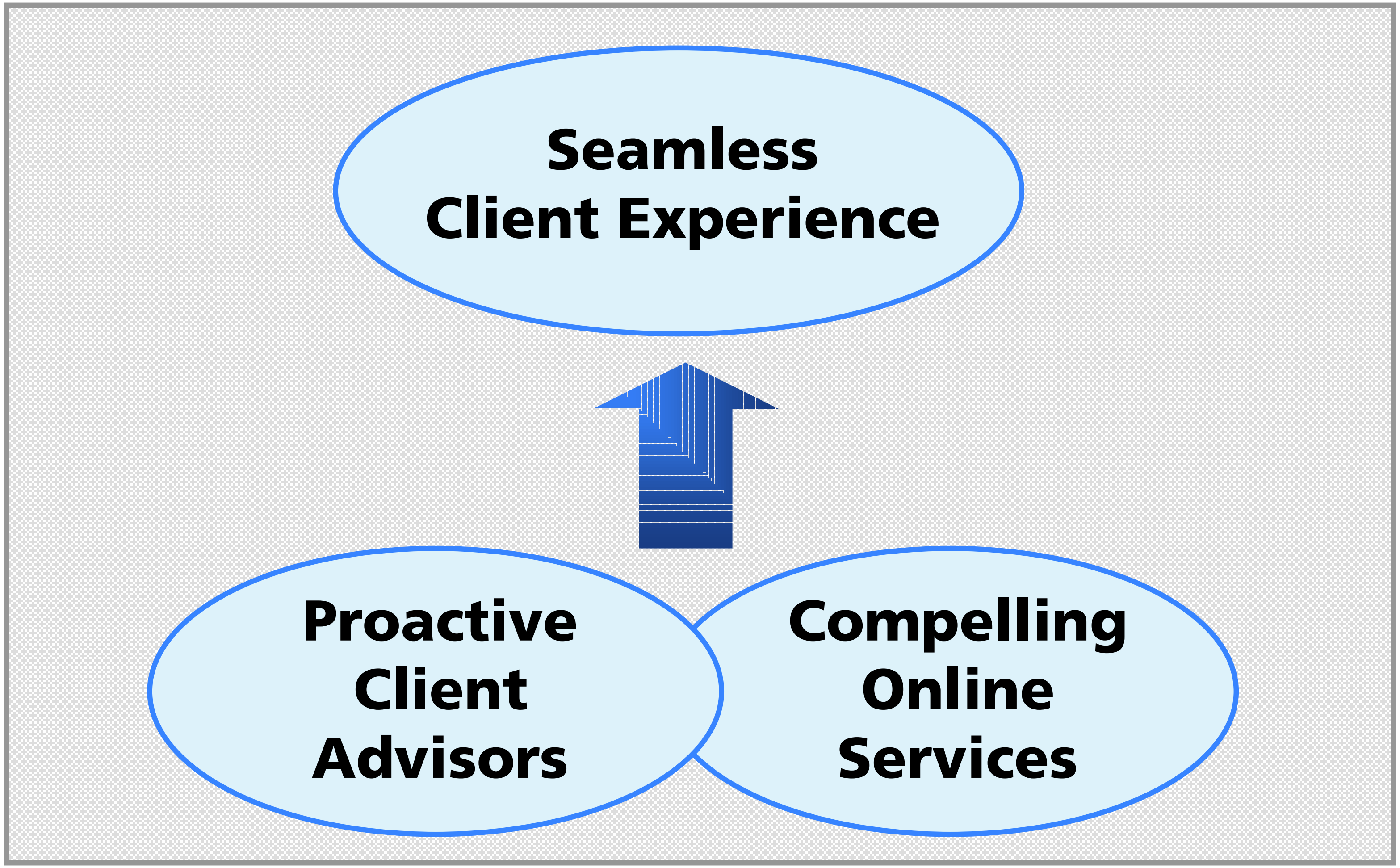
Based on your Risk Analyser assessment, we recommend solutions to match your profile.

- Client decides to move more assets to UBS.
- Client becomes more aware of the capabilities of the UBS Investment Solutions.
- Following the advice of the CA, she invests in a Managed Fund Portfolio.

- Client chooses preferences for her client workbench homepage.
- Client has asked for further information on 'Nestlé'. CA uses an electronic "post-it" to direct her to the appropriate link on UBS Quotes.

The Client Experience ...

The power of technology combined with personal service creates a seamless client experience.



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