

THE WALL STREET JOURNAL

English Edition | January 21, 2020 | Print Edition | Video

Pietro Lombardi

EXPLORE: ON CALL WITH WSJ

Home World U.S. Politics Economy Business Tech Markets Opinion Life & Arts Real Estate WSJ Magazine

MORE THAN 9 IN 10 SMOKERS DON'T QUIT CIGARETTES. LET'S NOT QUIT ON THEM. THEY DESERVE BETTER ALTERNATIVES.

MARKETS

UBS Stumbles as Bank Lowers Its Targets

Switzerland's largest bank lowers its three-year financial goals amid tough market conditions

MORE FROM WSJ

The Hottest Player in College Basketball Is Named Sabrina

✉

🔗



✉

🔗

UBS CEO Sergio Ermotti says the bank aims to lend more to wealthy clients, sell more structured products and continue to streamline its investment bank. PHOTO: CHRISTIAN BEUTLER/SHUTTERSTOCK

By *Margot Patrick* and *Pietro Lombardi*

Updated Jan. 21, 2020 9:52 am ET

🔖 SAVE 🖨️ PRINT 🗣️ TEXT

UBS Group AG shares fell 5% Tuesday after the banking giant missed its 2019 financial targets and lowered its goals to reflect tough market conditions.

UBS Group shares, in Swiss francs



Chief Executive Sergio Ermotti, under pressure to improve the bank's profits and share price after nine years on the job, said European banks were hobbled by policy makers "obsessed" with ensuring banks aren't too big to fail — a stance he said isn't displayed in the U.S. or Asia. He said European banks need to consolidate to grow, rather than trying to "shrink to greatness."

Switzerland's largest bank by assets is [shedding employees and](#)

Switzerland's largest bank by assets is [shedding employees and revamping its core wealth management business](#) and investment bank, in a continuing effort to cut costs and improve profits. UBS is the first of Europe's biggest lenders to report earnings after U.S. banks turned in a mixed set of quarterly figures earlier in January.

Mr. Ermotti's comments came while reporting that UBS's net profit had more than doubled in the fourth quarter to \$722 million, beating analysts' expectations. But for the full-year 2019, net profit fell to \$4.3 billion from \$4.5 billion and revenue slipped to \$28.9 billion from \$30.2 billion.

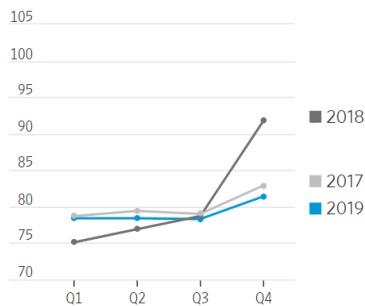
The bank missed a target to make around 15% on capital, with a 12.4% return. Its new target is to make between 12%-15% through the 2020-2022 cycle.

Mr. Ermotti said the bank needed to lower its three-year targets after reassessing the macroeconomic outlook, including persistently low or negative rates in its markets. The new goals encompass investments to foster growth in its wealth management arm, he said. Building assets and revenue in the unit has been UBS's main focus for the past decade as post financial-crisis rules made investment banking less profitable.

Improved, but Still High

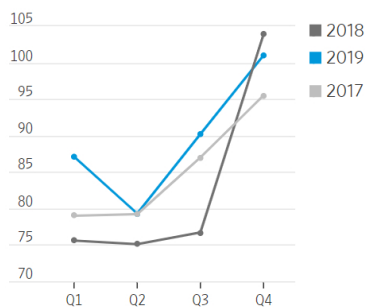
Cost-to-income ratios

At UBS's Global Wealth Management division



Source: the company

At UBS's Investment Bank



Source: the company

Mr. Ermotti said the bank would aim to offset the revenue drain from negative rates by lending more to wealthy clients, selling more structured products and continuing to streamline its investment bank. Every 1 billion in euro or Swiss franc deposits that isn't being lent out costs the bank around 5 million of the equivalent currency in revenue, he said.

Wealth management co-heads Iqbal Khan and Tom Naratil laid out plans two weeks ago to offer more services to some of the unit's most sophisticated clients and finance a broader array of assets for rich customers. Also in January, The Wall Street Journal reported the bank would cut around 500 wealth management jobs to lower costs and merge some activities with its investment bank.

Financial targets for wealth management weren't changed Tuesday. UBS is aiming to increase pretax profit by 10%-15% over the 2020-2022 cycle.

Mr. Khan joined as wealth co-head in October from rival [Credit Suisse Group AG](#). He sparked international headlines in September when his former employer admitted hiring investigators to trail him while he was between jobs.

RECOMMENDED VIDEOS

1. Why Big Tech Is Getting Into Finance
2. Teens Grapple With Social Media Burnout
3. Hours Before Impeachment Trial, Trump Lauds U.S. Economy in Davos
4. China's Cooling Economy Poses Tough Questions for Beijing
5. Koalas' Sanctuary Island Is Under Threat From Wildfires

MOST POPULAR ARTICLES

1. As West Coast Transplants Pour In, a Small Idaho Town Has a Big Dilemma
2. Coronavirus Spreads Across China as Confirmed Cases Triple
3. 98.6 Degrees Fahrenheit Isn't the Average Anymore
4. What Has Happened Since House Vote to Impeach
5. Hospitals Give Tech Giants Access to Detailed Medical Records

WSJ MEMBER MESSAGE: NEWSLETTER

Sign Up for Breaking News Alerts

Never miss a story. Get live updates on major world and business news, delivered straight to your inbox.

[SIGN UP NOW](#)



Mr. Ermotti said Tuesday that UBS's own investigation into reports around the spying had reinforced its assessment of Mr. Khan as a valuable addition to the bank.

Quarterly results were boosted by the performance of the investment bank, which swung to an adjusted pretax profit of \$198 million from a loss of \$5 million, while the wealth management division's adjusted pretax profit soared to \$787 million from \$302 million. After including a \$110 million goodwill impairment and other restructuring charges, the investment bank posted a \$22 million loss.

Newsletter Sign-up

For the full year, the investment bank posted a \$784 million pretax profit, including charges. UBS [no longer accounts for goodwill](#) in the value of the investment bank, it said.

UBS also rejigged its dividend growth plans, with an aim to raise dividends per share by \$0.01 a year. It had previously targeted an

annual growth percentage in the mid-to-high single digits. Now, extra capital will be returned through share buybacks, Mr. Ermotti said.

"As long as the stock is below book value, it's a no-brainer," he said.

For 2019, UBS proposed a dividend of \$0.73 a share, and said it would buy back around \$450 million of shares in the first half of 2020 as part of an earlier buyback program. A further buyback will be considered in the second half of the year, depending on business conditions, the bank said.

UBS said it would team up with Clearstream to create the second-largest business-to-business fund distribution platform, adding to other partnerships with financial companies aimed at adding scale.

Clearstream, part of [Deutsche Boerse AG](#), will pay around \$400 million for a 51% stake in UBS's Fondcenter.

MORE ON UBS

- [UBS to Cut Up to 500 Jobs in Wealth Management Shake-Up](#) (Jan. 7, 2020)
- [UBS Fined for Misleading and Overcharging Wealthy Clients](#) (Nov. 11, 2019)
- [Credit Suisse Launches Probe Into Its Surveillance of Top Executive](#) (Sept. 23, 2019)

Write to Margot Patrick at margot.patrick@wsj.com and Pietro Lombardi at Pietro.Lombardi@dowjones.com

WSJ opens select articles to reader conversation to promote thoughtful dialogue. See the 'Join the Conversation' area to the right for stories open to conversation. For more information, please reference our community guidelines. Email feedback and questions to moderator@wsj.com.

JOIN THE CONVERSATION

In Defending Her Husband, Carole Ghosn Takes On Japan's Legal System



Starbucks Pledges to Slash Water Use and Waste



Supreme Court Declines to Fast-Track Appeals on Affordable Care Act



China Virus Kills Two More Patients as Authorities Step Up Control Measures



Goodwill Sparks Deep Division, at Least on Balance Sheets



Trump Impeachment Trial Set to Begin With Clashes Expected in the Senate



Uber Is Testing a Feature That Lets Some California Drivers Set Fares



Sears Woes Hit Hometown Stores



Thousands of Pro-Gun Advocates Rally in Virginia



U.S. Turns Up the Spotlight on Chinese Universities



WHAT TO READ NEXT...



REAL ESTATE

Investors Cool on Brooklyn Real Estate



HEARD ON THE STREET

The Limits of Environmental Activism From BlackRock's Larry Fink



PROPERTY REPORT

Prada and LVMH to Drop Leases as Hong Kong's Retail Sparkle Fades



HEARD ON THE STREET

The Race for UBS's New CEO Is On



SPORTS

The Kansas City Chiefs Are Playing in a Super Bowl. This Is Not a Typo.

Independent of The Wall Street Journal newsroom

INVESTING

On

MANSION GLOBAL ARTICLE

Scottish Highland Estate That's Playing in a Super Bowl. This Is Not a Typo.



Independent of The Wall Street Journal newsroom

INVESTING

MANSION GLOBAL ARTICLE

Scottish Highland Estate That's

Founder of world's largest hedge fund says 'cash is trash' as the Dow soars to records

MarketWatch
2020 activity bookings

Twice the Size of Manhattan Asks £10 Million

PLUS

BACK TO TOP ▲

THE WALL STREET JOURNAL

English Edition ▼

Sign Out

WSJ Membership

- WSJ+ Membership Benefits
- Subscription Options
- Why Subscribe?
- Corporate Subscriptions
- Professor Journal
- Student Journal
- WSJ High School Program
- WSJ Amenity Program

Customer Service

- Customer Center
- Contact Us

Tools & Features

- Emails & Alerts
- Guides
- My News
- RSS Feeds
- Video Center
- Watchlist
- Podcasts

Ads

- Advertise
- Commercial Real Estate Ads
- Place a Classified Ad
- Sell Your Business
- Sell Your Home
- Recruitment & Career Ads

More

- About the Newsroom
- Content Partnerships
- Corrections
- Jobs at WSJ
- Masthead
- News Archive
- Register for Free



MORE FROM WSJ
 The Hottest Player in College Basketball Is Named Sabrina

Dow Jones Products | Barron's | BigCharts | Dow Jones DNA | Dow Jones Newswires | Factiva | Financial News | Mansion Global | MarketWatch