Morgan Stanley European Financials Conference

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Speech by Sergio P. Ermotti including Q&A session
Moderator Magdalena Stoklosa, Morgan Stanley

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Sergio P. Ermotti

Slide 1 – Cautionary statement regarding forward-looking statements

Good morning, thank you Magdalena. Great to be here.

Before I start, I'd like to draw your attention to our cautionary statement. You can also find this presentation and my remarks on our investor relations webpage.

Slide 2 – Uniquely positioned with leading franchise

As you know, our franchise is well diversified, and we have a strong presence in the biggest and the fastest growing markets. With over half of our earnings generated by asset gathering businesses, we are well positioned to take advantage of the secular trends of economic growth and wealth creation.

While the current geopolitical and macroeconomic picture is quite adverse, such events are not new. In recent years we have been, they have been a constant factor and we demonstrated the resilience of our model and ability to generate excess capital even in the most challenging of times.

Slide 3 – Strong FY18 results

We have delivered 19 billion dollars in net profits over the last five years, and 2018 was particularly strong.

Amid changing market conditions, we delivered positive operating leverage and increased net profit by 16% to 4.5 billion. This translates into 13.1% return on CET1 capital, clearly above, most of our European peers and in line with our American peers.

Slide 4 – FY18 capital generation of 4bn

Capital generation and efficiency are at the heart of our business model, and last year was no different in this regard. We accrued for a higher dividend, exceeded our share buyback target and further increased our CET1 capital base.

Many of you have asked how recent developments may affect capital returns. We are quite transparent on our provisions, as well as on why and how we have to determine them. In particular in respect of the French matter, which I am sure will come up in the Q&A.

Now, regarding our capital policy, nothing has fundamentally changed. Our intentions on cash dividend are clear, and the only open question relates to the size and pace of future share buybacks.

We will assess parameters regularly and, as I already said in February, we will provide you with an adequate, with an update with our first quarter results in April.

Slide 5 – Balancing revenue, cost and capital efficiency

As you all know, this slide is critical to understand our approach to balancing revenue growth, cost management and capital consumption.

Our goal is always to optimize costs in a sustainable way, but bringing down the cost / income ratio without regard for capital efficiency and returns is not a winning strategy.

Slide 6 – Market beta factor development

Even before this quarter started we knew comparatives would be tough, given the drop in the recurring fee asset base from last quarter and the exceptionally strong start we had in Q1 on the back for a euphoric outlook for 2018

We also saw a risk that market conditions would remain tough going into the first quarter, which turned out to be true.

Volatility and volumes are muted and it is clear investors have not yet regained confidence, which took a serious hit in the fourth quarter. Persistent uncertainty, political risks reinforce a "wait and see" approach among our clients.

While this backdrop has had an impact on our revenues, it will be partly offset by lower costs and a limited drag from Corporate Center.

Also, even with the additional provisions we just took and other potential changes, we expect our capital ratios at the end of Q1 to be in line with our guidance.

Slide 7 – Market beta factor development

Looking across our businesses, behavior of our wealth management and institutional clients is highly correlated this time around.

GWM transaction-based income remains under pressure. This is especially visible in Asia, where our most recent client survey shows a rather somber view on this year's outlook amid political tensions, trade tariff disputes, and concerns about slowing growth in the region.

Our US clients remain on the sidelines as well, generally content with their planned asset allocations and financial plans.

At the moment we see GWM revenues down about 9% from a year ago, with the gap narrowing over the course of the quarter. Transaction-based income could be down roughly 25%, mainly driven by APAC.

We should be able to partly offset this through a reduction in costs of close to 5%.

For Q1 we also expect GWM net new money to be positive and within our target range.

For the IB, over the last six / seven years we have shown that our strategy works and our franchise is resilient. We have scale where it matters and our business model is fundamentally attractive. It is the right one for UBS and for our clients.

But conditions this quarter have been among the toughest in years, especially outside of the US, and we face demanding comparatives.

Volatility and volumes are muted with limited activity from institutional and wealth management clients. Fee pools have declined across the board with very little M&A and IPO activity outside of the US and low ECM activity levels.

We've seen some improvement lately but it remains patchy, and not enough to offset the challenging start of the year.

At the moment we see IB revenues down about a third compared with a very solid 1Q18. We expect to deliver positive adjusted returns on attributed equity at around mid-single digits for the first quarter. Remember the IB now carries nearly 30% more capital than just a few months ago.

While clearly not in line with our long-term aspirations, I find it to be an acceptable outcome if it is a one-off in one-off the worst first quarter environments in recent history.

Meanwhile, our P&C and Asset Management businesses continue to deliver combined profits of about half a billion per quarter, consistent with our expectations.

<u>Slide 8 – Incremental measures to lower cost and improve capital efficiency in 2019</u>

I'm very pleased with our progress on our strategic initiatives aimed at cost reductions and optimizing financial resources.

Tougher conditions make people and organizations more focused and determined. In this environment we are redoubling our efforts and executing on both strategic and tactical measures.

Our short-term cost initiatives will support profitability without mortgaging UBS's future. We have slowed down hiring, and some IT projects, but we will not halt our investments into growth-oriented initiatives to improve short-term P&L.

Overall, we expect our tactical cost actions to generate at least 300 million in cost saves incremental to our strategic actions, with most benefits coming through in the second half of the year.

On the capital front, we are exploring ways to accelerate LRD optimization.

Thanks to our technology investments, we identified new opportunities to optimize liquidity management. For example, better balance between assets and liabilities at the legal entity level would also help us free up some trapped LRD.

These initiatives will reduce LRD consumption by around 20 billion.

We are starting to execute on these actions and expect benefits to materialize in the second half of the year. This is incremental to any reduction in balance sheet usage we may see due to lower client activity.

Of course, we will at all times maintain ample capacity to grow our Wealth Management franchise, especially its lending book, in a capital-efficient manner.

<u>Slide 9 – Executing on our alpha plans</u>

Last, but not least, we are executing on the longer term alpha plans we laid out at our Investor Update to deliver on our 2021 ambitions across our businesses. In addition, we continue to optimize our headcount and global footprint in Corporate Center.

<u>Slide 10 – Key messages</u>

So, to summarize. In 2018 we delivered strong results, confirming UBS has a strong and right business model.

The first quarter has been very challenging so far, but we remain uniquely positioned to take advantage of secular trends of economic growth and wealth creation.

We are taking actions which will partly offset the impact of the difficult market environment so far this year, supporting capital generation. At this point I still believe that we can achieve returns at least in line with last year's.

That said, I'd like to hand back over to Magdalena to start with Q&A. Thank you.

Q&A session

Magdalena Stoklosa, Morgan Stanley
Before we start we are going to take a polling question please. So what do you see as the single biggest driver of UBS share price in 2019? Whether it is clarity on the litigation, the net new money, market performance, cost control or share buy-backs and dividend growth? Can we vote now?

Well, that was a little different from what I was expecting, so yes the clarity on the litigation settlements.

I think this is maybe where we'll start. Last Friday you provided the clarity about the provisions that you have taken for the French case. We know the final resolution is kind of years away. You explained this multiple times. But how has this affected the way you think about your residual kind of litigation cases, and also the kind of litigation management, risk management, in general? And how does it affect your thinking, particularly I suppose, about capital?

Sergio Ermotti
Ok, well, first of all I think that it is fair to say that the outcome was extremely disappointing in respect of the magnitude of the fine. But somehow, I would say that first of all there has been no impact on the business, which was quite good. I mean, clients fully understand and the vast majority of our stakeholders understand that in any case the legacy matter besides the facts.

So if I look at the situation in terms of how we manage, we have been managing litigation. As you know, over the years, as explained at the investor update, we put aside more than 10 billion in provisions, we really tackled litigation matters, you know, in the best interest of shareholders, looking at facts, looking at potential outcome, and taking a very pragmatic view on both defending the shareholder position but also and the reputation of the bank at the same time, in a balancing act. So we were not afraid to do the right thing at the right time. Now, in the French matter, the situation like in the FIRREA matter per se are completely different one because on the French matter, I have to say, first of all, that despite what you may read and see of people that seem to know, or believe to know, that settlements were possible at reasonable level, any number you have seen so far in the media are total fantasy, and there is no fundamental truth.

The truth of the matter is that this is something where the facts are quite clear, at no point in time, – and that was articulated during the trial – at no point in time we were in breach of Swiss law, of French law, of EU law, and no evidence or no witness were brought to trial to demonstrate it, anything like that.

So it was very difficult in any case to start with to argue about a settlement, but having said that, we would always settle if there is a considerable trade-off between cost and litigation, and so on and so forth, but that was not presentable and feasible.

I think now what we are convinced that the next level of the trial will allow us to…basically we will go through a new trial and represent our case, you know we do believe that the facts will prevail.

Now, even if we are guilty, which we are not, the base for the calculation of this fine is totally outside any reasonable outcome. Because first of all it's based on the so-called assets, where first of all we have to be able to demonstrate there was any fraudulent or tax issue, and second one, the base cannot be the assets but rather the unpaid taxes.

So if you go through any methodology whatsoever, based on law, based on facts, this outcome…so I think we have to go through the trial, and it's going to take another 18 months, very minimum, 18 months to a couple of years to see the outcome, and we are determined to continue to present the facts. And we believe the law will prevail.

Now on the FIRREA matter, you know the firm lost tens of billions on this issue, and also including much more than any FIRREA institution lost, even in the securities that are subject to the DOJ lawsuit, right. And in that sense, it's quite difficult for UBS to be accused of fraudulent intention after losing tens of billions, and losing even more money than the FIRREA institutions have lost on the same securities under scrutiny.

So also there no facts were presented, and it's an obligation we have to defend, you know, our shareholders. Because at the end of the day, as I always say, we are not gambling with shareholders' money. We just take responsible view on how to act on these matters. So our philosophy, answering your question, is not changing. As you can see, we have been addressing and we are addressing a lot of legacy matters that go back even more than ten years, twelve, thirteen, fourteen years, is clearly not nice, sometimes can be even frustrating, but we are doing it always in the best interest of shareholders.

Magdalena Stoklosa, Morgan Stanley
Perfect. And just to follow up from your presentation, we've kind of heard you talking about how tough the 1Q was, and of course we've all kind of seen it in January and February in particular, when we talk about activity in the markets, when we talk about (inaudible), when we talk about volumes, advisory activity – and that was the start to the year was very, very slow, and I think that we've heard quite a lot of commentary around it.

Now when we kind of entered March, in particularly the last kind of three weeks, things have kind of started to loosen up a little bit, and of course you've mentioned that kind of that you thought that year on year, you're likely to end up with a very similar kind of return than in 2018 if I understood correctly.

Sergio Ermotti
Minimum, I say minimum, I expect that at this stage we can't see how market conditions…, we hope, we believe that some normalization will come.

Magdalena Stoklosa, Morgan Stanley
So that was exactly my question. What sort of normalization, what do you see already kind of as green shoots in March, that leads you to believe that things are improving?

Sergio Ermotti
Yes, sorry. The issue there, we have to say that first of all, we all know here in the room that we have seasonality factor, but last year was exceptional: The seasonality was a little bit more than seasonality, it was totally euphoric. If you go back into the peak, it was probably the last or the first week of February last year, and then from the second half of February, and definitely coming into March, the situation dramatically changed. If you look at the first quarter, you had a completely different picture between January and March. So I would say that on a year-on-year basis you see some normalization, because March last year wasn't particularly good. And people in that sense are regaining slowly but surely some degree of confidence, although it is still patchy.

Now if I look at the entire year, the second half of the year was extremely challenging; so, I mean, let's say that we have more or less the same kind of environment in the second part of the year, that's the reason why I can say that you know, after such a bad start, if we have such a difficult second half of the year, we should be able to maintain at least some level of profitability. And you know, of course, but we are not going into the year, we have not been going into the year with an expectation that market will bail us out.

We have to take actions, and the reality is that investor confidence has been dented, things are changing on the macro and geopolitical front, expectations for central banks hikes, you know, both in the U.S. and in Europe as well have disappeared, so we have to take actions to anticipate this dynamics. That's the reason why, yes, we execute on strategic alpha initiatives, but also tactical measures to contain costs, and optimize costs to, you know, basically offset or partially offset some of these headwinds, are fundamental.

Going back maybe also to the question you asked before: Our aim is always to protect our capital and our return policy. So in that sense, both the litigation and the market condition don't change fundamentally.

Our approach, as I mentioned before, the cash dividend is quite…, policy is very clear, and even I won't stop repeating that. But that is very clear and the pace of further returns are only going to be subject to more regular reviews, but they are also not in question, because all this litigation and all these headwinds we get from the external front, are in any case not happening at the same time.

That is a very important point that when we look at the French matter, I say 18-24 months, if I look at FIRREA, this can go into 2023-24. So people have to realize that we have ample capacity to generate cash and capital in the meantime.

Magdalena Stoklosa, Morgan Stanley
Perfect. Let's talk about your Asian business overall. Because of course over the last days we have heard banks setting their sights onto Asian wealth, onto Asian wholesale banking as well, particularly when we think about the reforms in China, the opening of the ownership structures both on the asset management side and on the securities side. You've been there early, you've kind of been ahead of the pack. How do you see your Asian business structurally, going forward despite your, you know your comments on the kind of near-term weakness in those two businesses, in particular both wealth asset management and maybe even the investment bank?

Sergio Ermotti
Yes, when we go back into Asia, although the trend was clearly much more clear in the last 6-7 years, remember that we had two or three quarters in the last 6-7 years that were very challenging. And that hasn't taken away, and is not taking away even today the secular trends supporting Asian and China.

So in that sense we can't look at the Chinese market on a one-year basis but it is a multi-year basis, we are very pleased with our, as you mentioned, at the end of 2018 we were the first – again – the first firm to get the license to go to 51% control of a joint venture, and we were already during '18 the first one to get some of the licenses for asset management. We recently got finally the license on retail, so that we can now start effectively to market products in wealth management.

So we are extremely well-positioned from a structural standpoint of view, and brand standpoint of view, so of course it takes years to build up onshore China. But the onshore China business has been and will continue to be fundamentally important to our broader Asia and broader Greater China strategy.

So there are two paths: domestic growth, onshore growth that we'll sustain that – we all know that the MSCI inclusion is going to come soon, an extra 5% or so in May, then another two blocks for the rest of the year – this will also be a also catalyst that will help us with our strong position we have there to capture flows into China. And we are sure that over time, although of course the Chinese authorities are concerned about outflows and so on, but they are also keen on the other hand to see diversification on how assets are managed within China.

And so in China we are there to help them to invest abroad. Ok, so that's, I feel pretty confident.

Now, in respect to the competitive landscape, nothing has changed: In the last ten years, we have been seeing a lot of people looking at China as an opportunity. If I look at the competitors, the ones that really have substantial capabilities are always the same. You have a change in people who have come up with an ambition. You know, we fully respect and we never take lightly any competitive dynamics. Having said that it takes much more than just an ambition to build up an Asian franchise, particularly in wealth management, and in that sense you know what is comforting me, is that when I look at the top players, none of the top players over the last 2 or 3 years, any cycle you take, has been growing faster than we did.

Maybe they had a couple of quarters in which they had fantastic… But if you look at a 2 or 3 years horizon, we are growing the fastest. So, never be complacent, of course people will want to race you, but in these market conditions the entry, or the hurdle to get into the market are getting even tougher, I think.

Magdalena Stoklosa, Morgan Stanley
Perfect. We'll open to the audience now. So if there are any questions, could you please raise your hands? The gentlemen at the back.

Questioner from the audience
Sergio, could you just talk through how the process, what the internal process you went through before deciding to go to court in France, was that decision made by the management board, or was that taken at a board level within that? Could you just explain that sort of process please?

Sergio Ermotti
Well, the process is, you have multiple stakeholders involved, first of all of course we have our internal legal counsel, and then that is supported by external counsels; and then where we get, you know, challenging opinions on how to look at the matters. The process then goes into a validation process first, you know, with me, and of course I'm part of this discussion, but then with the group executive board, that makes a proposal that goes into the board of the directors, that also reviews and in such cases where appropriate we also take second opinions at the board of directors' level in respect of the determining the situation.

I mean when I look at the French matter, as I mentioned before, the story was crystal-clear, so it was not such a complicated story at the end of the day, because once you, in the early stages, in the very early stages – and I'm talking about 2013 and 14 – the notion of settling without…, because you believe it's the best, the most convenient way to get away of a potential problem, was then an approach that was not there any longer. And then we had to focus on facts, so because there was no opportunity to settle any longer... And when facts come and emerge, there is always also another very important issue when we talk about billions: You have to look at the fiduciary responsibilities. We have, I have, and the board of directors has, not to go into settlement just for the sake of saying that 'This is not my problem, it's a legacy matter, I have nothing to do with that'.

So it's a very comprehensive process we need to go through, in balancing facts, fiduciary duty and also last but not least reputation. Because although it's still there and we are tainted with this claim that frauding, aiding and abetting and so forth, it's extremely important for us to be accountable for the facts in what we do, but also to defend our reputation it is not correct. Because at the end of the day, clients really want to understand. And I have to tell you that both clients and employees fully understand where we are. And in that sense, the only positive thing about this story was the trial in the sense that the people who were really interested, really interested, to hear and know facts, were the people who were at the trial. A lot of people were just commenting and commenting without knowing what they are talking about.

Magdalena Stoklosa, Morgan Stanley
Ok, thank you, the lady in the front row please.

Questioner from the audience
Hello, I have three questions please. Another on the French tax matter, can you update us on the discussion you had with your regulator on this matter? Especially in terms of risk of increase of operational risk weighted assets? Is there also a new risk for you for your operation, especially in the U.S., if UBS is declared guilty? And I have also a second question on capital: Can we expect any headwind in Q1, especially on the market with weighted assets? My third question is on the net new inflow: Can give you as a breakdown by geography?

Sergio Ermotti
Ah, well, let me tackle the last one: It's a little bit too early to give you breakdowns on Q1 at the moment. As I said, we see positive inflows in our wealth management business, and also into the asset management business, and they are also within our expected range, but for more details we'll wait till Q1.

In respect of U.S., the implication of the U.S., as you saw, the department of labor has granted us an exemption, so there is no immediate consequences of that and the situation will be in that sense quite clear for the foreseeable future. So in respect of our ongoing discussions with our regulators on any implication on op. risk and capital, they are still ongoing and we are finalizing, and latest by April we will let you know. I don't expect this to be a game-changer. Remember that our binding constraints in any case will continue till 2021 at the very least, leverage ratio. So in that sense as I just mentioned in my remarks, I expect our ratios to be in line with our guidance at the end of Q1.

On the market side, you know, I think that as we explained many times during the last few years, the fact that we have a much smaller and less diversified investment banking business creates more volatility on the stress VaR and regulatory VaR which has not necessarily anything to do with effective risk taken. So we already flagged in the past that you know, usually you see a normalization of those behaviors of the stress VaR in the following quarters, so I think you should expect that.

Magdalena Stoklosa, Morgan Stanley
Ok, thank you. We'll take more questions from the audience.

Ok, let me follow up on the U.S. business. The, I think in October last year, when we talked about the strategy multi-year, U.S. was or your American business was singled out for quite significant growth after the intense restructuring over the last few years, or the repositioning of the last two years, how do you see it now?

And also, if you could give us a sense, you've mentioned the early year kind of weakness in Asia, but how have your U.S. clients behaved?

Sergio Ermotti
Well, first of all, as I've mentioned before, we already saw it in Q4 and also in Q1, fundamentally our U.S. clients are happy with their asset allocation, so they basically went through all the volatility of Q4, and in Q1 basically with a "wait and see" attitude, very happy, they see volatility up and down, they don't change their

asset allocation, the only thing that has changed and we've already seen it at year-end, the only thing that is true is the level of declared cash balances, not necessarily the one with us, has increased to record levels.

So if you think about U.S. clients declaring around 20/24% of cash balances is quite unique, it's coming into a more non-U.S. asset allocation. [Inaudible]

Now, of course if I look at the business development, we are very happy with the development. I think that the ongoing initiatives to get our client advisors and financial advisors able to offer to our existing and new clients a broader set of services is still going on. And we are, you know, growing and putting initiatives in place to grow our Ultra business, our GFO business.

And we see a stable attrition in respect of our financial advisors. We do see attrition at the low end of our financial advisory in respect of clients' assets. We are compensating this with new hires, selective new hires that come at a reasonable price now. I think market conditions have changed. And so in that sense we also see a good momentum in stabilizing the net new money, and because of the effect of same-store financial advisor contributing.

Now the net new money in the U.S., as you know, is a little bit of a unique situation we are in because we are the only firm reporting net new money in the U.S. so we try to look at a proxy in invested assets. So we are seeing that we are doing as well, if not better, than all our main peers, and that's very important.

In the U.S., of course, this quarter we will see the negative effect of the base of the asset base of Q4 in recurring fees. The good news is that if market conditions and [inaudible] stays at the same level as it is today, we should see a positive repercussion in Q2.

So overall, I'm very happy with the way we continue to grow our business in the U.S., and broadening up our services.

Magdalena Stoklosa, Morgan Stanley
Perfect. I'm going to open to the audience for any last questions.

Questioner from the audience
Just with all the litigation issues that you have, is it prudent to do share buy backs?

Sergio Ermotti
Yes, if we do it it's because we believe it's prudent. I think that we take a pragmatic… and, we always said we will not retain unnecessary capital and the most important issue that have also to look at is our capital generation: in any case is very strong. So I think that there is no matter how you look at these issues, the outstanding litigation, and as you see, we have been reducing dramatically our portfolios from the past. No matter how you look at it, the point in time of the resolution of those litigations is extremely unlikely to come at the same time, so I think that we are taking a prudent but also I believe credible approach to capital returns.

Questioner from the audience
Will these AML issues that we see now coming from the Baltics, and you know I guess more to come. I mean what kind of, what kind of, analysis do you do for UBS? Because it's quite easy that something would end up, all these AML issues in the Baltics we know in UBS? Are you liable to anything if the final accounts were UBS accounts?

Sergio Ermotti
Look, I can't really answer hypothetical questions. I mean of course we are accountable and liable if something goes wrong. But you know, that's the most important issues that we put in place: Governance, and processes that minimize that. And we also in the past took actions in changing our business model: It's not a secret in banking that you know, it's not just the recent discovery that correspondent banking can be a very toxic business where you have very small margins, very small profits, and as you can see, almost infinite outcomes in terms of penalty and repercussions. So we took in the past the lessons learnt from our own and other people's cases looking at reducing the scope of these potential situations. But in that sense I have to say that the most important element other than processes and business model is also investing in technology, because when you go through the new paradigm, it's no longer big tickets, where you do… Which to some extent you would say that it's more part of our business model: It's when you have retail flows, small tickets, small amounts, that goes below the radar screen, it's very difficult for humans, for people, to reconcile flows and so on. It's only through technology, artificial intelligence, that you are able to counterattack this criminal activity, if there is a criminal activity going through. So, very important to invest in technology across all compliance and operational risk topics, it's fundamental, it's fundamental. You won't be able to fulfil regulatory requirements and limit operational risks if you don't have state-of-the-art technology.

Magdalena Stoklosa, Morgan Stanley
Perfect. Sergio, thank you very much. Thanks from our audience, much appreciated.

Sergio Ermotti
Thank you.

Cautionary statement regarding forward-looking statements: This document contains statements that constitute "forward-looking statements," including but not limited to management's outlook for UBS's financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development. While these forward-looking statements represent UBS's judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations. These factors include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), including to counteract regulatory-driven increases, liquidity coverage ratio and other financial resources, and the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (ii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions, developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions on the financial position or creditworthiness of UBS's clients and counterparties as well as on client sentiment and levels of activity; (iii) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS's business activities; (v) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments, and the extent to which such changes will have the intended effects; (vi) UBS's ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (vii) the uncertainty arising from the timing and nature of the UK exit from the EU; (viii) changes in UBS's competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS's ability to compete in certain lines of business; (ix) changes in the standards of conduct applicable to our businesses that may result from new regulation or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (x) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA as well as the amount of capital available for return to shareholders; (xi) the effects on UBS's cross-border banking business of tax or regulatory developments and of possible changes in UBS's policies and practices relating to this business; (xii) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xiii) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xiv) UBS's ability to implement new technologies and business methods, including digital services and technologies and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xv) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xvi) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks, and systems failures; (xvii) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS's operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xviii) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS's ability to maintain its stated capital return objective; and (xix) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS's Annual Report on Form 20-F for the year ended 31 December 2018. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

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