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Fireside chat with Ralph Hamers, Group Chief Executive Officer; Moderator: Alastair Ryan, Bank of America

Transcript. Replay is available at www.ubs.com/investors

Alastair Ryan

Good afternoon. Welcome back, everybody, and I'm really pleased to be with UBS this afternoon. We've talked a lot about Euro area and it's refreshing to look up and out into the rest of the world as well.

Ralph Hamers, Group Chief Executive. He's been with the firm a year. I'm going to ask him in a minute what's changed at UBS in that year, not what's changed for the rest of us. It's been a dynamic time.

I do want to just sort of close off one topic that's recurred through this week if I can, Ralph. How should we think about the risks of an Evergrande insolvency to UBS? It's something that's been asked of many companies. Is it something that's, is that what's keeping you up at night this week?

Ralph Hamers

Well, it has not been keeping me up at night this week for many reasons, honestly, but it certainly also not for the reason of direct exposure. Our direct exposure is immaterial. There's some exposure from a more collateral perspective, in terms of our margin loans, but even that is rather small, and so to the extent there have been kind of margin calls, they generally have been well executed.

From that perspective across all of our activities was immaterial exposure on Evergrande. Also, if you make it maybe a little bit bigger, just look at the Chinese construction sector, because I don't think this is a Evergrande issue per se only. Even there, if you look at the exposure, it is all for us on the client side in funds, which are widely diversified so even there that will not lead to real issues now.

Having said all of this, I think what is happening in terms of policy change that we see in China, in terms of driving affordable housing, driving affordable and accessible healthcare, driving affordable education, all is aimed at generating and delivering on the new policy of common prosperity, which in itself is something that I can fully understand it's what they want to achieve and they really want to move away from I guess a pyramid distribution of wealth to a more global distribution of wealth, which plays into, of course, given the fact that we have activities across all of it. We have activities aimed at the wealthy individuals, and through asset management we also have activities that are aimed at the more affluent parts of the markets as well, where I think also there the demand for funds that are less speculative with much more diversified and professionally managed plays to our strength at UBS having been there for more than six decades in Asia and also in China for a long time.

We see this as a good opportunity long-term. There may be some waves in short term. We'll just have to see how it affects the markets and whether investor sentiment being really impacted by it. Having said that, direct effect and direct exposure to Evergrande is immaterial. Indirect is also not something to worry about. The policy change over time I think can actually work to our strengths.

Alastair Ryan

Thank you, Ralph. So let's step on. You've been at UBS a year, a radical job shift geographically and business-wise. What have you learned about UBS? What's been welcome? What have you changed, I guess, that was less welcome?

Ralph Hamers

If you look at UBS and what we've been doing over the last year, there's a couple things that have not changed, let me put it that way. What has not changed is that when I arrived, we had real good business momentum. We had very focused franchises on delivering to the customers, and it was very clear that, with some of the tailwinds, by virtue of the constructive markets that we were in and are still in, it was also very important that a CEO change would not lead to people starting to be more inward looking and take their eyes off the ball; the ball being the client and the business.

I think we have been really successful there. It's just maintaining the business momentum, generating results like $2 billion of net profits in the second quarter, return on the CT1 of close to 20% in the second quarter, and basically the first three quarters under my leadership, all of them have performed really well. And honestly, that was really priority number one: make sure that the CEO transition itself will not lead to uncertainties, inward looking activities, and energy, but make sure people would keep their eye on the ball out there and keep the commercial momentum.

If you see, if you don't peel that onion from financial results to more the commercial results and you see how clients have really reacted to our advice in these markets and the uncertainties are still there and the need for that advice, we see that invested assets in the combination of global wealth management and asset management has grown close to $4.5 trillion by the end of last quarter, and that we saw in wealth management in the last quarter $25 billion of net new fee generating assets coming through. We saw strong client activity leading to an increase of 16% in transaction-based income as well. So you basically see that focusing on those clients and delivering on their needs, whether it's $8 billion of net new loans that we have also provided, that was the core of the concentration.

Now, back to your question, what has changed. And what has changed is that at the same time, when the ship is in movement it is much easier to change the direction of the ship rather than if the ship is not in movement. So we are in movement and doing well, so the changes that we are making are the ones that are basically an extension of what we have been doing but with more focus and with a more integral strategy, if that is a term that I can call it.

Now, moving away from UBS, it is focused on four business divisions. As a strategy, I do think that you need business divisions for the execution of your capabilities, but the strategy should really be client-focused and developing this ecosystem of clients and contributors and connectors, that if you get that one going, that you can really generate and activate a flywheel effect.

Now, you're seeing that on the client side, and we've been really successful over the last couple of quarters, and I just gave you the numbers, but we've also been successful at adding new contributors, for example, in terms of a partnership with the Partners Group in Switzerland, a partnership with INVESCO in terms of contributing their products onto our ecosystem towards our clients.

Then you also see that the more we have that, the more attractive we are for new clients, but also for partners who want to team up in distributing our professional advice. And therefore, you see that the joint ventures that we have are of with Banco do Brasil and the one that we started with Sumitomo in Japan, that's what see on the other side of the ecosystem where you can actually grow clients and client activity. That's what you've seen moving over the last couple of quarters and that's what I'm truly focused on and that will lead to a flywheel effect with more and more business.

Now, added to that, as said, is that geographically we feel that going forward we should even more focus on the larger wealth pools in the world because they tend to grow faster – being in the US and in Asia. The reason why they grow faster is that the underlying trend there in terms of entrepreneurial wealth creation is just faster and more prominent in these two geographies. Now, clearly, we're very happy that we have a very strong foothold in the US and basically it plays to our position of strength there and clearly, we can further improve how we work there and those are the plans that we are currently working on, and the same goes for Asia. So, additional resources being moved there, making sure that we get a further increase in invested assets and a further improvement on the profitability there as well.

And then on the technology side, the steps that we have taken there. You know that I separated the operational activities from the technology activities and moved operational activities back into the business divisions. Because I'm a firm believer in client-focused processes rather than [inaudible] processes. Client-focused processes, making sure that – beyond the superb content that we deliver, the superb professional advice that we deliver – that we also deliver in a personalized, relevant, and on-time and seamless way to our clients, which generally you can only do if you, as a business, have a complete control over the delivery process. And therefore, the front to back way of thinking is something that I'm really working on introducing that and for that also doing this reorganization.

Now, together with that we promoted, or I promoted the technology chief to my executive team, making sure that we would also drive technology investments in the right way and becoming more and more efficient there and more effective there as well.

Those are some of the things that we have been doing around the first three strategic imperatives. And on the simplification side, we have been decreasing the number of policies very rapidly, almost by 60% now over the last year-and-a-half really. We have further decreased the number of legal entities as well, simplifying. With that, also taking out structures and governance structures, speeding up decision-making, decreasing the number of people that you need in the decision-making mode, in policies, etc., etc., etc. And with that, actually speeding up the approval time or reducing the approval time, let me put it that way, by 75%, which is an enormous efficiency, and cultural improvement in my view as well. That's a little bit what we've been doing there.

On the sustainability side, important for us as part of our purpose that we delivered, established the central group under Suni Harford, and making sure that what we do on the sustainability side, which is truly important to us, not only because we believe in this, also because there is a massive client demand for it, and we need to do it in a very consistent way that we put that group together. And that with that, we have been able to be even more successful in terms of generating sustainable assets. We actually see that in terms of money flowing in through mandates that are sustainable driven or climate change focused mandates, that has been a real good business for our asset manager.

Alastair Ryan

Okay, so you've not had much on your plate then, plus COVID crisis and what have you. Thank-you.

So, I think that integration, a more integral strategy, is something that the market will really welcome. UBS has had quite a mixed strategy of confederation at various times in the past.

But I am going to ask you about the business lines, because we kind of think about them as well. Starting with wealth management, I guess Q2 felt like the pieces are falling into place. There've been some good numbers in previous quarters, but perhaps there was noise how replicable was Q2 last year and so on. So it feels like margins, client shape, net inflows, all of those pieces have fallen into place. Is that the right way of thinking about it? It's lined up now and that's a growth business for you?

Ralph Hamers

No, it's absolutely a growth business for us. And I must say that clearly this business grows and has its challenges also with the backdrop of the markets. Right, so if the markets are positive and constructive, then you have the tailwinds. Otherwise, you have a bit of headwind. Having said that, apart from that, I think that the business has done really, really, really well, and this didn't just happen because of good, constructive markets.

The team that runs Global Wealth Management started a project called Elevate and, in the project called Elevate, they've really looked at, okay guys, how can we really speed up decision-making in this firm? How can we get more structured products to our clients where demand really is? How can we give our clients much more direct access to markets as well, because you see that we have a pretty pluroform group of clients, from top clients that are semi-professional to clients that really need to be continuously confirmed on their investment decisions.

What they have been driving really is to be much more professional and much more client focused in wealth management. That has led to tremendous results already. Also looking for further collaboration within the firm, and you know that in the US we have launched the SMA business, which is basically the business that we, through which we have separately managed accounts for our wealth clients but managed by Asset Management. We saw over the last six quarters, we saw that growing by $70 billion, I think, $70 billion in just in six quarters supported by, across the globe, also net new loans of $44 billion in the wealth management space as well.

The collaboration between Global Wealth Management and IB in order to support some of those highly professional services that part of our clientele wants to have and needs to have. That collaboration is much more integral now, it's much more organic now, it's much more like a team now. And that we'll really be focusing on many of these steps here.

Yes, we do realize that the markets do impact the fortunes of that business to a certain extent, but there's a lot you can do yourself, and that team has done a really good job over the last 12 to 18 months with these results.

I actually think that with this drive and with these changes and with some more changes with the new strategy, there we will continue to have this momentum. We will continue to grow. We will continue to reap the benefits of our strong brands, our strong distribution channels across. You can expect the wealth business there to grow because we have really improved the way we do it.

Alastair Ryan

Thank-you. I guess that's the key input at the top, and that was something that was missing for different reasons for many years at UBS. And I presume then that brings your cost challenge, you're doing better, that gives you more things to spend money on. So this year, you've a clear discipline, underlying cost excluding variable compensation and non-recurrent charges, at about 1% year-over-year. Is that the right level, or is an absolute cost goal something that makes sense when the top lines were less certain, I guess? How do you think about balancing investment and cost discipline?

Ralph Hamers

I think over the last year we have shown cost discipline, also because I really push for it, I'm sorry to say, because I thought it was necessary, and what I wanted to achieve is assuring that we were just as much focused on costs as we are on revenues. So moving away from KPIs in P&L terms to KPIs in revenue versus cost terms, making sure that both areas attract the same kind of attention because I truly think that way. I truly think that to a certain extent you can actually disconnect the development of one versus the other.

Because the revenues you generate through client focus, revenues you generate through new products, revenues you generate through new channels and new business models on one side. Costs, clearly, to a certain extent, you need to develop new products, to develop new channels, but on the other side, if you just take the costs of delivering and you take, as I just explained, front to back look as to how you manage these processes, how you further automate these processes, I think you can actually separate part of these effects as well.

And therefore, we are absolutely committed to a further improvement in efficiency, as we have seen, by the way, this year: that the revenue line, the top line is growing really fast and the cost line we have been able to keep to a very acceptable, small growth, if not flattish if you correct for, for example, foreign exchange.

I do think that there is more possible. There's a reason why I announced in March and I think there is $1 billion more to do and that we will either deliver on that $1 billion in a net way or we will deliver it in a gross way. And it will be largely in a gross way, in my view, because we also see plenty of opportunities to invest in a way to grow our business faster and to support our strategy, and we will only invest, and that's what I've committed and that's what we will continue as a discipline, only invest in projects that will generate that return that is the minimum return that we want to deliver to the market, to you, our shareholders. Very focused on efficiency next to focusing on revenues and not mixing them all together. I think that's the big difference that we've made this year and you see that in our results as well.

Then there's certainly some cost categories where I feel that we can do even better. I know people expect in a market like this and also in a business like this that we should maybe grow our tax expenses and technology expenses. I actually think that we will grow the effectiveness of our technology expenses, but we don't necessarily have to grow massively the level of our technology expenses. The reason why I feel that certainly for the first couple of years we can do much more in effectiveness here is that I've introduced a quarterly review of all of the technology investments that we do at the top level in terms of where's the money going, is the money being spent wisely, does it make the returns, where are we on milestones in these projects, should we stop some of these projects – as we have done, by the way, already in the first year here I've stopped some large projects here as well where we felt we're not going to make these returns that we need to make, and therefore, it's a waste of money to go there. That's one part of further effectiveness of technology spend.

The second part here is that I think that if we do it wisely, we can actually do the same amount of work in technology with less people. I think there is an upside here and that's why Mike Dargan, my technology guy, is also leading this: is that if we introduce much more with engineering culture in UBS, we can attract even better engineers. And if we make it more and more a professional engineering environment, you will see that the whole hierarchy will be driven by engineers rather than also a lot of managers and project managers, which is a way of doing it, but that's not the chosen way for us. We actually think we can do with less people more and more effective technology work.

Maybe last but not least, one of the things that we have introduced here as well is the way we want to go about the development of technology, which is that if you develop technology, you do it in small steps, you do it on the back of the agile way of working, as we are introducing as we speak, and with every small step, you try to develop what I call microservices. These microservices in terms of code, you actually put on your app store, your internal app store, and people who would need those pieces of code elsewhere in the world can reuse them. If you make them small enough, they're very easy to reuse. Through that, we can actually decrease the double spend that we are currently running in because we are a global wealth manager, we are a global investment bank, but sometimes we are reinventing the wheel as well. If you do reinvent the wheel, if you feel you need it, at least do it with stuff that is already on the shelf rather then also investing in it once more.

There's still some scope for further efficiencies. As I said, I do want to separate focus on efficiencies and cost from top line to a large extent.

Alastair Ryan

Thank-you, very clear. SO, is operating leverage one of the dropouts from that, in effect? Historically UBS is quite frequently a place that costs tended to grow broadly at the pace of revenues. What I'm taking is that, because you're separating the two, provided the wealth management top line growth comes through subject to markets, etc., we could hope for a bit of operating leverage.

Ralph Hamers

Yeah, I think so. I think it will certainly be a contributor to scale in general, and with that, a further improvement of operating leverage. Now, I know that the market generally looks in terms of operating leverage as to cost to income. The true operating level from an operational perspective, you should really be looking at the business growth through the system versus the cost of the system.

And the margin and the management of the margin is a separate issue, and the pricing of the businesses is a separate point. In terms of volume through the system versus cost of the system, this will certainly improve further operational scale and with that, operational leverage.

Alastair Ryan

Thank-you, Now, again, one of the things that UBS has talked about in the past, and is certainly true: your return on capital is well above that of many banks in Europe. It's decently above any reasonable cost of capital at present. You're in a stronger position here than many of your peers, and of course, capital versus cost is another trade off. I'm going to ask that in a number of different ways, if I may. One in the investment bank, so it's been a very good couple of years, also for UBS, but generally in the industry. I know what we do, which is that we come back to you and say: hey, boss, I've had a great year, can I have some more costs and some more balance sheet. How do you think about your position? Also, in the light that that is happening at a number of your competitors. They are putting more balance sheet to work in investment banking.

Ralph Hamers

Clearly, you know that we're also here very disciplined. So in terms of ensuring that we size the activities to what we feel we need and also in order to keep the discipline to continue to look for further optimization of the usage of your resources, we've put basically a limit of the resources that go to the investment bank here. In terms of the percentage of LRD or risk-weighted assets to be max at one-third. We can have a long debate whether it should be one-third or not.

I think the message here is, and I think our colleagues here do that really well and I happen to be here with many of my colleagues at the investment bank in London these days, I think the message here for them is, and what they do really well, is that they really have to think twice before they do a business, really think twice before they price a business, and really think twice before they even want to use some of the scarce capacity and scarce resources.

Obviously, whether this is on cost, on people, or whether it is on balance sheet resources, you should always run a company that way. I think that my colleagues here show that they do a really good job at it. That discipline is installed. We're not going to move away from that discipline, because it has shown that we have built a model, that particularly in the last six quarters has done really, really well.

We have also seen, not only from an asset management or wealth management perspective in terms of inflated asset prices and further inflows, we've also seen that our investment banking activities, both in the market side and the banking side, have been able to benefit from these constructive markets. Last year, much more the market side, clearly, because of some of the uncertainties, a lot of flows, a lot of volatility coming through, and that's basically playing to our strength in the market side. This year's a very good mix of markets activities and markets performance as well as banking performance on the equity capital market side and the M&A side to reap that opportunity.

If you then look at the performance of our investment bank, I know that, for example, in 2019 the returns were not so well, but if you just take it over a period of let's say three years, over the last three years, the return on allocated equity to our investment bank including that year, then, was 13%.

Can it be better? It can always be better, but it's a good return, and this year we're actually running in a much higher percentage as you know. From that perspective, that discipline and just allocation of capital is really working for us, and we should continue to do so. Now, there is always this factor on top of that as to, the question on top of that that you could have is do you actually need an investment bank?

We actually feel that if – and now I go back to the more integral strategy of UBS, although you want to go through the business divisions – is that if you really want to play in the wealth sphere, you see that there is a category of clients that is in need of professional servicing. That professional servicing in terms of direct access, in terms of prime broker services, etc., etc., etc., for that you need investment banking activities.

The next question is then can you go to an investment bank just for your wealth? Probably not because it will not bring you the scale at which you are then competitive, and therefore, scale has an element in terms of being a very good investment bank comes in as well, and that's what we have built where we have a top-5 position in Cash Equities and a top-3 position in foreign exchange globally.

And clearly you have to continue to work on that scale. You have to continue to invest in this and that's why quite a lot of our technology investments are actually going also into the investment bank, making sure that we stay a step ahead in many aspects of these two markets, which are so important to us.

Alastair Ryan

Thank you. So, trying to pull that together, Ralph. You have choices. Many of the banks that presented this week haven't had choices. You're generating capital and you're generating income growth. How do you then split that between what you give back to shareholders, what you reinvest in growing the business through technology investments, and what you put on in risk-weighted assets? What's the driving framework for you there?

Ralph Hamers

You know that we're a heavy capital generative business, so from that perspective, in general, the choice is not so difficult. There's enough for everyone I could almost say in this case. If you just look at some of the numbers that we have, this year we have already returned $2 billion to our shareholders, which is 3.5% of our market cap. This is part of a larger share buyback program that we have announced, and we will continue to follow that.

If you look at what we're doing now, we have a high return on CET1 and so we make high returns, so we are, apart from some of the activities, pretty capital light in some of these activities, so we generate a lot of profit which is generating there with that a lot of capital, and we don't need a lot of capital to grow per se. There is a lot left for all of us in terms of further investments and further distribution. So we will be committed to, and we are committed to, distributing to the shareholders what we feel we don't need to run the business and that's why we came out with share buyback. That's why we have, if you just take it over the last, I think, five years, distributed about 77% of our capital as a payout ratio we had, if you take it annualised, which is a very attractive return of capital to shareholders.

Again, we have good returns. We're generally, comparatively capital light. We are capital generative. The choice for us on that one is not a scarcity choice. But we do it with discipline, nevertheless, as to where we invest, where we're going to grow. If there's opportunities to grow, maybe acquire product capabilities or ook for further improvement of scale, but always at an attractive return to our shareholders.

Alastair Ryan

Thank you, Ralph. Thank you, clear. Going to questions from the audience. I thought you answered the China question quite clearly, but there is another one coming in. Does the change in policy imply volatile flows? I suppose the underlying question is how dependent have your inflows been on China and do they disappear if common prosperity is reorganizing the economy?

Ralph Hamers

There may be some short-term effect, but long-term I don't think so. On long-term, I'm a firm believer in Asia and China as I said. We have been in Asia for six decades. We've always believed in that. The region, as well, has higher growth than any other region. We're super committed to it. But if regions bring higher growth, you sometimes get these corrections, whether these are market corrections, policy corrections, and we've been there. We all have been there.

Clearly, you have to weather through these corrections and see whether these are small issues or whether they can actually lead to a further impact on investor sentiments. But in the end, you know that the direction is one of growth just by virtue of demographics, just by virtue of people moving up the classes from low-class to middle-class. Demographics are always a strength of Asia. Just looking at that for the many years I have, we should be there.

And then you'll have to work through maybe a moment of more volatility or some capital flows in other directions. But long-term, this is the right thing. We're fully committed here, and we think this is a good business and we will continue to invest.

Alastair Ryan

Thank-you, now the next question in, and I'm conscious that we're really short on time, but I'll try and squeeze this in. Scale, you talked about scale. You are the world's largest global wealth manager and so in a way, it's self-evident that you've got scale. But perhaps, there's some very large asset managers out there, so you're a very large asset manager, but not the largest, and you're a very large US wealth manager, but not the largest. How do you think about scale? Is the integral nature of UBS providing effective scale or are those areas that you might need to bulk up?

Ralph Hamers

I actually think, so if I look at our Asset Management, we have scale where it matters. It's not like we're small, right. We have $1.1 trillion assets under management. As a firm we have over $5 trillion, sorry $4.4 rounding to $4.5 trillion between the wealth manager and the asset manager. So, scale is there.

Further scale we can also create and ensure by looking at what can we do better between the wealth manager and the asset manager. Hence the SMA business that we've grown so successfully in the US. We just passed the $110 billion mark there, and just in the last year and a half we moved from number 11 position in the US to number 4 position in the US when it comes to SMA business, which kind of shows you the unlocked potential we have as UBS if we only look at each other's capabilities between the different business divisions. That's exactly how I started this conversation with you. I see there a lot of opportunity, and this is a testimony to that. And this helps on both sides, both on the wealth side as well as on the asset management side.

Clearly, if we're looking then at Asset Management separately still, there is specific capabilities that are out there that can add to what we stand for and add to some of the maybe weaknesses that we have in order to further fulfill our capabilities building that ecosystem. We will certainly look at asset managers as well. It's not like we have a very kind of, we have a situation in which we need to do it, because we feel like we have scale where it matters. We have good collaboration in order to develop new business between the different areas within UBS. But again, if we see there is a player out there that can add to our capabilities and add to the scale, then that would be very good for us, and we will certainly take a look at it.

I think the third part here is – and it's a strength and basically a testimony to UBS in my view, part of our purpose, which is reimaging the power of investing and connecting people for a better world – is that sustainability is the center of our purpose here. And that's where we have a very strong offering in our asset manager and a winning one as well, from that perspective. We do realize and we do know that 90% of our clients want their investments to be aligned with their values, and that shows you the attractiveness of that business in which we happen to be present, in which we happen to be good. And so on the sustainability side, we have been growing our portfolio for three years in a row now to a level of $129 billion in assets under management. You see that the capabilities there really play to our purpose, play to customer demands, and helps our asset manager to grow faster.

So there's a couple of elements that I wanted to touch here as to how our asset manager's doing, that we have scale where it matters, but clearly, we will always be open for capabilities and scale improvement deals once they, if they present themselves, but we certainly have a good future as part of the ecosystem that we're trying to build.

Alastair Ryan

Ralph, thank you. We're out of time unfortunately, but that's been a tour de force, I think, of issues and opportunity.

Ralph Hamers

[inaudible] yeah, I think so.

Alastair Ryan

All in 41 minutes, it's all good. Thank-you very much for your time this afternoon. It's been a great pleasure and I hope we see you this time next year.

Ralph Hamers

You're welcome.

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, statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development and goals or intentions to achieve climate, sustainability and other social objectives. While these forward-looking statements represent UBS's judgments, expectations and objectives 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. The outbreak of COVID-19 and the measures taken in response to the pandemic have had and may continue to have a significant adverse effect on global economic activity, and an adverse effect on the credit profile of some of our clients and other market participants, which has resulted in and may continue to increase credit loss expense and credit impairments. In addition, we face heightened operational risks due to remote working arrangements, including risks to supervisory and surveillance controls, as well as increased fraud and data security risks. The unprecedented scale of the measures taken to respond to the pandemic as well as the uncertainty surrounding vaccine supply, distribution, and efficacy against mutated virus strains create significantly greater uncertainty about forward-looking statements. Factors that may affect our performance and ability to achieve our plans, outlook and other objectives also 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), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (iii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions; (iv) developments (including as a result of the COVID-19 pandemic) 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, and changes to national trade policies on the financial position or creditworthiness of UBS's clients and counterparties as well as on client sentiment and levels of activity; (v) 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); (vi) 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, net stable funding ratio, liquidity and funding requirements, heightened operational resilience 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; (vii) UBS's ability to successfully implement resolvability and 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; (viii) 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; (ix) the uncertainty arising from the UK's exit from the EU; (x) 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; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) 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; (xiii) 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; (xiv) 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; (xv) 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; (xvi) 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; (xvii) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks and systems failures, the risk of which is increased while COVID-19 control measures require large portions of the staff of both UBS and its service providers to work remotely; (xix) 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; (xx) 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; (xxi) uncertainty over the scope of actions that may be required by UBS, governments and others to achieve goals relating to climate, environmental and social matters as well as the evolving nature of underlying science and industry and governmental standards; and (xxii) 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 2020 and UBS's First Quarter 2021 Report on Form 6K. 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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Alternative Performance Measures: In addition to reporting results in accordance with International Financial Reporting Standards (IFRS), UBS reports certain measures that may qualify as Alternative Performance Measures as defined in the SIX Exchange Directive on Alternative Performance Measures, under the guidelines published the European Securities Market Authority (ESMA), or defined as Non-GAAP financial measures in regulations promulgated by the US Securities and Exchange Commission (SEC). Please refer to "Alternative Performance Measures" in the appendix of UBS's Quarterly Report for the second quarter of 2021 for a list of all measures UBS uses that may qualify as APMs.