

# Annual Review

2018



Stronger together



### Our three keys to success

Our Pillars are the foundation for everything we do.

- Capital strength
- Efficiency and effectiveness
- Risk management

Our Principles are what we stand for as a firm.

- Client focus
- Excellence
- Sustainable performance

Our Behaviors are what we stand for individually.

- Integrity
- Collaboration
- Challenge

The Annual Review is provided as a convenience to our investors, clients and other stakeholders who would like a brief overview of our business, strategy and performance in 2018. It should be read in conjunction with UBS's Annual Report 2018, which contains more detailed information and disclosure including management discussion and analysis and audited financial statements. Details about how to obtain the Annual Report 2018 and other publicly available information about UBS, including the Annual Report 2018 on Form 20-F for the year ended 31 December 2018, are set out on page 24 of this document. The information contained in this document is not to be construed as a solicitation of an offer to buy or sell any securities or other financial instruments in Switzerland, the United States or any other jurisdiction. No investment decision relating to securities, or of relating to UBS Group AG or its affiliates, should be made on the basis of this document. Unless otherwise indicated, figures are as of, or for the year ended, 31 December 2018.

# Key figures

## UBS Group AG

### Operating income (USD million)

2018	30,213
2017	29,622
2016	28,729

### Operating expenses (USD million)

2018	24,222
2017	24,272
2016	24,519

### Operating profit before tax (USD million)

2018	5,991
2017	5,351
2016	4,209

### Net profit attributable to shareholders (USD million)

2018	4,516
2017	969
2016	3,348

### Reported return on CET1 capital (in %)

2018	13.1
2017	3.0
2016	10.9

### Adjusted cost / income ratio (in %)

2018	79.5
2017	78.2
2016	80.8

### Invested assets (USD billion)

2018	3,101
2017	3,262
2016	2,761

### Total loss-absorbing capacity (USD billion)

2018	83.7
2017	80.3
2016	67.9

### Dividend per share (CHF)

2018	0.70
2017	0.65
2016	0.60

## 2 | What we stand for

Chairman of the Board of Directors Axel A. Weber and Group CEO Sergio P. Ermotti discuss long-term value creation for UBS's stakeholders

Philanthropy

## 4 | Speaking about the unspeakable

The four words that started a movement 

Learn how the San Diego Trafficking Prevention Collective started [ubs.com/fourwords](https://ubs.com/fourwords)

Personal Banking


## 7 | The UBS future workshop is growing

The return to Bahnhofstrasse 45 

After a three-year renovation, we've finally returned to our headquarters [ubs.com/hq](https://ubs.com/hq)

Global Wealth Management and Asset Management


## 9 | Three experts, two mandates, one firm

The science of listening 

Christian Wiesendanger shares how we listen to and create value for clients [ubs.com/scienceoflistening](https://ubs.com/scienceoflistening)

Investment Bank

## 11 | "We help our clients navigate the firm"

Smart data, smart solutions 


How we're finding new ways to commercialize our data sets [ubs.com/smartsolutions](https://ubs.com/smartsolutions)



Find more about UBS on our microsite [ubs.com/annualreview](https://ubs.com/annualreview)

Corporate & Institutional Clients

## 14 | One size doesn't fit all

Enhancing services for smaller enterprises 

The head of Corporate & Institutional Clients Switzerland tells us about digital solutions for SMEs [ubs.com/forbusiness](https://ubs.com/forbusiness)

Asset Management

## 17 | What sustainable investing means in 2019

## 19 | How we manage the firm

Our governance framework and organizational structure

## 20 | Our Board of Directors and Group Executive Board

11 |



14 |



9 |



Our theme for the 2018 Annual Review is "Stronger together." Together, we are so much stronger than the sum of our parts and 2018 demonstrated the value of effective partnering.

# 2018 highlights

In 2018, we met many milestones and continued to demonstrate the strength of our diversified business model. Here are our highlights.

## February

### Global integration

We integrated our Wealth Management and Wealth Management Americas to create a single business division called Global Wealth Management. In our first year of combined operations, we reached a decade-high profit before tax driven by record results in net interest and recurring net fee income.

## April

### Best asset manager in China

Our Asset Management was ranked best-performing foreign asset manager in China in the Z-Ben Advisors China report. The evaluation of 100 investment companies placed us in front of J.P. Morgan. The Chinese market is expected to provide the single-largest growth opportunity for asset managers globally.

## June

### Swiss Economic Forum

At the 20th edition of the Swiss Economic Forum, 1,350 decision makers from business, science and politics discussed new ideas. We are a premium partner of Switzerland's leading economic conference and hosted a breakout session.

## January

### One million downloads

Eleven years after we introduced our e-banking via mobile devices, the UBS Mobile Banking app hit one million downloads.

## March

### Sovereign Investment Circle

Held in Singapore by our Asset Management, the meeting was for high-level executives from sovereign institutions, focusing on the future investment landscape. Topics included digitalization, competitiveness, sustainability, long-term investing and dealing with economic uncertainty.

First quarter  
adjusted profit  
before tax  
**USD 1,994 million**

## May

### UBS Philanthropy Conference

Over 400 eminent philanthropists, business families, social entrepreneurs and impact investors gathered for the 2018 UBS Philanthropy Conference in Hangzhou and Singapore. A malaria eradication program in Southeast Asia and the UBS Optimus Foundation's China Representative Office were announced.



For more UBS 2018 highlights, visit [ubs.com/highlights](https://ubs.com/highlights)



## July

### Third-biggest internet IPO ever

We played a key role in the e-commerce initial public offering (IPO) for Chinese website Pinduoduo. This generated a transaction value of USD 4.2 billion, making the deal the world's third-largest internet IPO in history.

Second quarter  
adjusted profit  
before tax  
**USD 1,821 million**

## August

### A+ in sustainability

Our Asset Management retained an A+ in the areas of property and infrastructure and achieved an A+ in strategy and governance in the United Nations Principles for Responsible Investment (UNPRI) sustainable investment ratings.



## September

### UBS Digital Business

We now offer smaller corporate clients a single-source digital solution for their needs. Thanks to the user-friendly Mobile Banking app, information can even be accessed when on the move, and payment orders issued and approved.

## October

### Most powerful in finance

*American Banker* honored three UBS executives for their professional achievements and philanthropic endeavors. Rosemary Berkery received a Lifetime Achievement Award, Suni Harford was No. 14 on Most Powerful Women in Finance and Paula Polito was No. 20.



Investor Update in London  
Third quarter adjusted  
profit before tax  
**USD 1,770 million**



## November

### Award for index funds and ETFs

Strong asset gathering in our Asset Management led us to win *Financial News'* Asset Management Awards Europe for Index Funds/ETF Provider of the Year, reflecting our development of an innovative and differentiated suite of offerings.

## December

### Reopening our headquarters

After three years of renovations, our global headquarters in Zurich has reopened for business. Renovated carefully, true to history and the latest sustainability standards, it houses state-of-the-art technology as well as artwork from the UBS collection.



Fourth quarter  
adjusted profit  
before tax  
**USD 478 million**

# What we stand for

Building on your positive feedback from last year, our shareholder letter this year again answers a series of questions that we are regularly asked by different stakeholders of the bank.

“We constantly evolve in response to new challenges, but we have strategic clarity and consistency.”



**Axel A. Weber**, Chairman of the Board of Directors

## What was the market context in 2018?

The year started off positively, but nervousness set in by the end of the first half. Markets started fearing a downturn well ahead of any real economy indicators. Our private clients became less active, and from the fourth quarter onward, markets sold off as well. The most striking example to illustrate what developed over the course of 2018 is the fact that about 90 percent of asset classes were down on a year-over-year basis. That's quite extraordinary. And when you look at what happened in December 2018, it was one of the worst months since the Great Depression in terms of market performance. The coexistence of macroeconomic and geopolitical issues caused even more concerns with investors. For example, according to our fourth-quarter client survey, cash balances with our US wealth management clients reached a record-high level of 24 percent.

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## Why do you believe UBS still has the right strategy – how does it set you apart from others?

Secular trends such as global wealth creation, including the increased need for pension products, and the opening up of China's financial markets will continue to drive the unique value of our franchise. We are the preeminent global wealth manager to high net worth and ultra high net worth clients as well as the number one Swiss bank, enhanced by an investment bank that is strong in the areas where we choose to compete, and a successful asset manager. The strength of our business model and our strategic focus have generated more than USD 19 billion in net profits over the last five years. More than half of

our profits come from asset-gathering businesses, and our Swiss business further contributes to the stability of our earnings. We are diversified geographically, and well positioned in the world's largest and fastest growing markets. Of course we review and recalibrate our strategy each year, as we constantly evolve in response to new challenges, but we have strategic clarity and consistency.

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## Where and how do you expect to grow going forward?

We believe we can grow our revenues at more than the rate of global economic expansion over the cycle. From a geographic standpoint, the greatest growth is expected to come from gaining market share in the US and Asia Pacific. In the US, we have a sizeable opportunity with ultra high net worth clients. And we want to build our share of wallet with US persons outside the US. Also, further globalizing our Global Family Office capabilities is another part of our growth initiatives. In China, we became the first foreign bank to increase its stake to a majority of 51 percent in a securities joint venture, giving us a great foothold for future expansion. And in Switzerland, net new business volume growth in Personal & Corporate Banking was double GDP growth last year. Our aim is to further solidify this leadership position by, for example, expanding our digital lead. These are just some of the opportunities we are focused on, there are plenty of others, many of which are discussed in the pages of our annual report.

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**Sergio P. Ermotti**, Group Chief Executive Officer

## What are you doing to prepare UBS for the digital future of banking?

We're not just preparing for the future, we're actively shaping it. Technology is changing the way banks, including UBS, operate. That's why we are investing more than 10 percent of revenues, more than USD 3 billion each year, into technology. For example, we've accelerated our journey into the cloud space, thereby reducing the number of costly traditional data centers. We also increased the number of robots performing routine tasks from roughly 700 to 1,000 last year. We will more broadly leverage machine learning and artificial intelligence-powered engines to automate more complex tasks and allow for better and faster decision making, for example in risk management or anti-money laundering. But the big focus is on front-to-back digitalization ultimately driving a better client experience, so technology is about much more than just cost savings.

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## You want to be the bank for US, Asian and European entrepreneurs and corporates for their local and global needs – why should they choose UBS?

Because we are a truly global bank. Our clients globally require advice and solutions for both their own wealth and their businesses. They expect us to deliver the whole of UBS to them, with global wealth management and investment bank capabilities under one roof, from M&A all the way to succession planning, as well as the best teams

“Our clients globally require advice and solutions for both their own wealth and their businesses. They expect us to deliver the whole of UBS to them.”

when it comes to research and execution. We have the breadth and the expertise to bridge between both their corporate and their personal financial needs. This makes UBS an obvious choice, given our leading position in those fields that matter most to our clients.

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## Sustainability is a key part of your strategy, how is that reflected in your client offering?

We provide a broad range of products and solutions to both private and institutional clients, including sustainable and impact investing opportunities. For example, Asset Management followed its successful UK Climate Aware rules-based fund with a similar fund available for international investors. The portfolio is oriented toward companies that are better prepared for a low-carbon future while reducing exposure to, rather than excluding, companies with higher carbon risk, in order to pursue strategic engagement with these companies. Also in 2018, Global Wealth Management launched the world's first fully sustainable investing cross-asset mandate portfolio for private clients. As of 31 December 2018, clients had invested USD 2.8 billion assets under management in this innovative solution.

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> Read the full letter to shareholders at [ubs.com/shareholderletter](https://ubs.com/shareholderletter)

# Speaking about the unspeakable

Some stories are difficult to hear. But just because a story causes discomfort doesn't mean it shouldn't be addressed. This is why we teamed up with law enforcement, local school districts, nonprofits and philanthropic investors to start a conversation about the reality and danger of human trafficking and find a way to act.



From left to right: Bianca Morales-Egan, technical advisor on human trafficking and gender equity, Project Concern International (PCI); Chris Marsh, market head, UBS; Uli Heine, director of development, PCI.

Zoe was a college freshman when she was approached by a well-dressed woman asking if she had ever considered modeling. It seemed legitimate – with professionals and what appeared to be a studio. She posed for some pictures in tennis apparel and afterwards the individuals asked her to fill out paperwork with her social security number, parents' names, home address and social media accounts – noting they wanted to be able to celebrate her if she was selected. They paid her for the pictures and told her what a great model she was. Zoe felt valued. She asked if she could come back. However, the next photo shoot was far different. When she returned from changing clothes for the pictures, the well-

dressed woman had been replaced by a large man who forced her to perform sexual acts. From that point forward, they had photos and videos as a means to blackmail her, threatening even to share the images on social media with everyone in her life. Feeling embarrassed and isolated, and fearing for her life, she continued to do as instructed. Over the course of months, this escalated to her being forced to meet with men in motels. Despite her attempts to maintain some degree of normalcy in her daily life, she was falling into a violent underworld.





Chris first learned about the severity of human trafficking in San Diego from a client in 2016.

Zoe was older than most victims of sex trafficking (the average age is 16<sup>1</sup>), but her story exemplifies how trafficking can start and escalate, particularly in the era of social media, in unimaginable ways. The earlier children and their caretakers are made aware of the dangers, the better we can shape an instinctive response to risks. Most organizations working to stop trafficking focus on addressing immediate concerns like prosecution, rescue and rehabilitation. And with so many victims of human trafficking (40 million worldwide, 10 million of whom are children<sup>2</sup>), this work is of vital importance. But if we can educate people about what trafficking looks like and how it develops, maybe we can help more by preventing it from happening in the first place.

San Diego is one of the top 13 high-intensity child prostitution counties in the United States.<sup>3</sup> But when, in 2016, a client approached Chris Marsh, UBS market head, explaining the issue, he was shocked. "I had no idea of the scope of what was going on in our backyards or how social media had changed the way predators were targeting victims and using various forms of leverage to draw them in," explained Chris. "This is truly a modern-day form of slavery."

The client was determined to do something to help prevent trafficking. And she wasn't the only one.

Chris and a team started meeting others: experts at the UBS Optimus Foundation (UBS-OF), philanthropists, local nonprofit organizations, government and school officials – a broad group wanted to do more to help. "It was amazing," said Chris, "the range of people coming out of the woodwork, eager to invest in any way we could to make an impact."

"UBS-OF worked with subject matter experts and university researchers to teach the community about the issue and understand the data well enough to inform a local approach. The San Diego County District Attorney's Office helped us understand the supply-and-demand aspects of this underground economy, and design a prevention program. Nonprofits came together to share expertise and figure out how they could

### UBS Optimus Foundation in 2018



<sup>1</sup> National Institute of Justice, "Gangs and Sex Trafficking in San Diego," 20 September 2016: <http://nij.gov/topics/crime/human-trafficking/pages/gangs-sex-trafficking-in-san-diego.aspx>

<sup>2</sup> International Labour Organization, "Global Estimates of Modern Slavery": [http://www.ilo.org/global/publications/books/WCMS\\_575479/lang-en/index.htm](http://www.ilo.org/global/publications/books/WCMS_575479/lang-en/index.htm)

<sup>3</sup> The Federal Bureau of Investigation's Efforts to Combat Crimes Against Children, "Chapter 4: Non-Cyber Sexual Exploitation of Children": <https://oig.justice.gov/reports/FBI/a0908/chapter4.htm>

“I had no idea of the scope of what was going on in our backyards or how social media had changed the way predators were targeting victims.”

**Chris Marsh**, UBS market head, Southern California



accomplish more by working in unison. Private philanthropists offered resources, not just financial support, and helped develop a strategic plan to span all 753 public schools in the county, educating students to better protect themselves and their peers,” explained Chris. “So many people made this possible.”

Fast forward to December 2018 when, after numerous meetings with the District Attorney’s Office, local school districts, non-profits and philanthropic supporters, a public-private partnership called the San Diego Trafficking Prevention Collective was officially launched with the UBS-OF, UBS clients and leaders across the community. The collective is comprised of three educational programs – PROTECT, kNOW MORE and Project ROOTS – delivered by nonprofit organizations including 3Strands Global Foundation, Point Loma Nazarene University, and Project Concern International (PCI). Each focuses on educating children, their families and teachers about the risks of human trafficking. Through after-school mentoring, in-class school trainings and a rather unique approach of interactive drama workshops, the collective aims to reach 345,000 San Diego students.

With the investment of two dozen philanthropists, the UBS-OF, UBS colleagues and organizations like BlackRock, USD 3 million was raised to fund the collective’s business plan, which will play out over the next three years. The UBS-OF is co-investing 20 percent of each client’s contribution as well as managing the engagement with detailed measurement and evaluation of impact metrics.

Many people hadn’t considered that a wealth management firm could be a key instrument for addressing the issue of human trafficking. Most also hadn’t considered that the collective could become bigger than San Diego. But today, the San Diego Trafficking Prevention Collective offers a model for other communities, showing how financial institutions, private investors, school districts, governmental officials and local organizations can come together to make a lasting, positive difference in addressing human trafficking.

> More on human trafficking in San Diego at [ubs.com/sdtpc](https://ubs.com/sdtpc)



## The four words that started a movement

Learn more about how the San Diego Trafficking Prevention Collective started in our interview with Chris Marsh.

> Full story at [ubs.com/fourwords](https://ubs.com/fourwords)

# The UBS future workshop is growing

In 2018, our Mobile Banking app passed the one-million-download mark. Its success is partly due to the innovative strength of the Digital Factory within UBS, which develops and produces intuitive online applications for private clients and small and mid-sized enterprises.

While en route to the central app development lab in Zurich, Ziga Jakhel (left), head of Digital Factory & Onboarding, and Kenneth Wieser (right), release train engineer for onboarding, discuss the possibilities for making it easier to start a banking relationship.



On a sunny autumn evening, 79-year-old Mr. Müller is attending an information event for clients called “Digital Banking Today” at his local UBS branch in Lausanne. The pensioner already routinely pays all his bills online from home. His grandson taught him how to do that. So why attend the training session? He wants to learn about other online banking functions, he explains. World Money Direct, for example, will enable him to have cash in over 70 currencies delivered to him at home, free of charge, within one or two working days. It will be a useful tool, he’s sure, because he often visits his children and their families all over the world.

## Older generations also see the benefits

During 2018, training events like the one in Lausanne were also held at other Swiss UBS branches, with specialists teaching a very diverse audience more about online banking. “As the market leader in digital banking in Switzerland, we cater to all

generations so that as many of our clients as possible can benefit from the new opportunities,” explains Gabriel Lamon, UBS digital expert and wealth management client advisor.

Audiences paid careful attention to instructions on how to perform the most common digital transactions such as making payments, checking account balances and calling up market data on UBS Quotes. But many of the participants were equally interested in more recent applications, such as customer authentication for online shopping using 3-D Secure via the Access app or paying parking charges via UBS TWINT, a mobile payment application for Switzerland. Whether it’s a question of opening an online account, having a property valued or simplifying the process of getting a mortgage, all these digital services have two things in common. First, they represent a noticeable improvement for clients and, second, they all come from the Digital Factory – a workshop that is unique in many ways.



“We cater to all generations so that as many of our clients as possible can benefit from the new opportunities.”

**Gabriel Lamon**, UBS digital expert and wealth management client advisor

Agile coach Kerstin Kalle (right) helps one of the scrum teams to better understand the agile work methods. The colosseum structure built from pallets should support cooperation, productivity and creativity.

### Clients help shape the service

At peak times, there can be up to 900 experts at our Digital Factory, drawn from different areas of banking and working in interdisciplinary project teams. The operating model is similar to that of a start-up and is characterized by flexibility and short decision-making paths. “Our ideas are based on findings gained from user trials and on feedback from different stakeholders. When putting the ideas into practice, our main priorities are, first, to make the digital banking experience simple and straightforward for the client and, second, to reach market readiness quickly,” explains Ziga Jakhel, business manager of the Digital Factory, summing up their successful work method. Surprisingly, in light of the strong customer focus, the most time-consuming part of product development is inte-

grating the new services into the existing process and IT architecture of an organization as large as ours. We are also making significant investments in digitalization, staff training and modern infrastructure at the Digital Factory. The digital transformation is even reflected in the way the facilities are laid out. There are so-called market squares – team areas with lots of opportunities for interaction and visualization, where experts can put their heads together and discuss how best to solve a problem. Nearby, a number of teams at “workbenches” write software for the solutions. And staff can chat informally or meet clients in the “social heart,” while both client advisors and clients can put pilot versions through their paces at “touch-and-try” stands in the testing zone. So what innovations are in the pipeline at the moment? We’ll have to wait and see.

> Take a look inside our Digital Factory at [ubs.com/digitalfactory](https://ubs.com/digitalfactory)

## UBS Wealth Management Americas app

Our wealth management clients in the Americas can now benefit from an innovative banking app that allows them to set personalized and tailored investment and savings goals. The app also features the option to receive portfolio diagnostics and tailored investment proposals as well as personal financial advisor support. This all serves to facilitate the achievement of the set objectives. In addition, financial advisors can leverage social media to engage with clients and prospects in a more meaningful and differentiating way.



spent on technology in 2018



increase in mobile banking payments and TWINT transactions in 2018

## The return to Bahnhofstrasse 45

Good things are worth waiting for. The refurbishment of our headquarters in Zurich took three years. And we’ve finally returned home.

> Full story at [ubs.com/hq](https://ubs.com/hq)

# Three experts, two mandates, one firm

Our strength as an institution relies on the expertise of our people. And together, they can do so much more – from strengthening our portfolio to making the world a little more sustainable.



From left to right:  
Martin Tobler, James  
Purcell and Christopher  
Greenwald.

Ten years ago, being an environmentally conscious investor could be a difficult task. If you didn't want to support certain activities or products, you had one easily accessible option – to not invest in companies known to be involved. Fortunately, the world is changing and so are investors' options. Three UBS experts discuss how partnering together and with clients can yield better results.

James Purcell is head of Sustainable and Impact Investments in our Global Wealth Management (GWM) Chief Investment Office. Christopher Greenwald is head of Sustainable and Impact Investing Research in Asset Management. Martin Tobler is head of Client Investment Specialists for Ultra High Net Worth Discretionary within GWM Investment Platforms and Solutions.

What this means is that they each have different ways of looking at a challenge – James designs private clients' portfolios and methodologies for sustainable and impact investing, Christopher focuses on the integration of sustainability in portfolios for institutional clients, and Martin tailors discretionary investment solutions based on clients' needs and investment guidelines. Separately, each is an expert in his field. Together, they are able to do much more.

"A Global Family Office client approached us with very specific exclusion criteria for sustainable investments," recalls Martin. "However, such exclusions are difficult to guarantee when using third-party funds because the strategy of each fund manager may not align perfectly with each individual client's request."



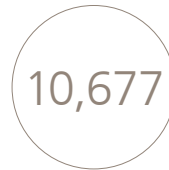
## The science of listening

The success of Global Wealth Management is tied to how we listen. Christian Wiesendanger, head of Investment Platforms and Solutions, tells us how they work.

> Full story at [ubs.com/scienceoflistening](https://ubs.com/scienceoflistening)

## Wealth Management Online

Wealth Management Online is a digital offering for clients with a UBS investment solution, fully integrated in UBS Mobile Banking and available for desktop and mobile devices. The content is tailored to clients' underlying investment solutions. Clients benefit from up-to-date portfolio-quality information and notification thereof, and direct execution of investment proposals to optimize the portfolio quality. The hybrid servicing model offers the possibility to involve the client advisor for further advice at any stage.



client and financial advisors in GWM



world's best bank for wealth management *Euromoney*, 2018

James explains further that while adopting an exclusionary approach is a good way to align values to a portfolio, "It's not so useful if you want to change the world around you because merely excluding companies won't change their behavior."

Owning shares, however, and using this influence to engage with management, collaboratively helping to improve practices, grow business, and attract new shareholders and clients—this will ensure investments have more impact. So instead of exclusion, they discussed with the client the value of an engagement approach.

"We encourage companies to improve on material sustainability factors that have positive impacts on the environment, society and companies' bottom lines," says Christopher. "By designing a strategic engagement strategy aligned with the investment goals, we can demonstrate both financial and sustainability impacts and thereby the additional benefits of active investments in public equities."

The client wanted to know more about fund activity so James and Martin prepared material showing some of the projects that the World Bank was actively involved in, which included the allocation of World Bank bonds as well as some of the newly issued green bond projects that were reducing water usage and CO<sub>2</sub> emissions.

"This offering would not have been possible two or three years ago," comments James. "Because some of the financial market elements such as green bonds would not actually have had the depth of liquidity to make this possible."

In the end, the client, realizing the sustainability potential, was interested in the type of engagement suggested. Not only were two mandates opened (more than originally intended), but the deep client dialogue helped make the entire UBS offering better as understanding this client's needs translated into improvements to the way we communicate after any client invests in an sustainable investing mandate.

This case is just one example of how cross-divisional collaboration works across our firm. For every success we have, there are hundreds of people behind it who make it possible. Sustainable investment is no different. Global Wealth Management (James and Martin) works with clients to understand their needs and how those needs can best be delivered given the current market state and available offering. Asset Management (Christopher) supplies client products and creates bespoke products based on Global Wealth Management requests. Additionally, we work with external organizations like the World Bank, Hermes and BlackRock to ensure we can deliver the best possible offering.

> James, Christopher and Martin share more at [ubs.com/threexperts](https://ubs.com/threexperts)

# “We help our clients navigate the firm”

Emily Jolliffe, from our Investment Bank, takes us through her typical work day, showing how she and her team give clients access to innovative solutions ranging from market and insight tools to trading strategies and execution.

In her spare time, Emily Jolliffe, from the European Prime Brokerage Sales team, enjoys doing sports. It helps her to stay focused throughout the intense day.



In 2018, our Investment Bank (IB) increased its adjusted operating profit before tax by 21 percent on a year-on-year basis. Some of the world's most respected corporations, institutions, governments and wealth managers work with us. The reason for this is how we work with our clients.

Together with seven colleagues from a wide range of professional and academic backgrounds, Emily Jolliffe works in the European Prime Brokerage Sales team, which is part of Global Financing Services within the Global Equities division of the IB.

## **From biomedical science to a career in finance**

She joined the graduate training program in 2015 and has been with the bank for just over four years. Prior to working at UBS, Emily studied biomedical science at University College London (UCL). After three years at UCL, she was ready to pursue a new challenge in a different industry. She found that the analytical thinking skills she had developed while studying biomedical science were transferrable, and could prove useful in a career in finance.



During her biomedical studies, Emily increased her analytical thinking skills, which proves useful in her job.

Her walk to work is only 20 minutes and she arrives at the office just before 8 a.m.

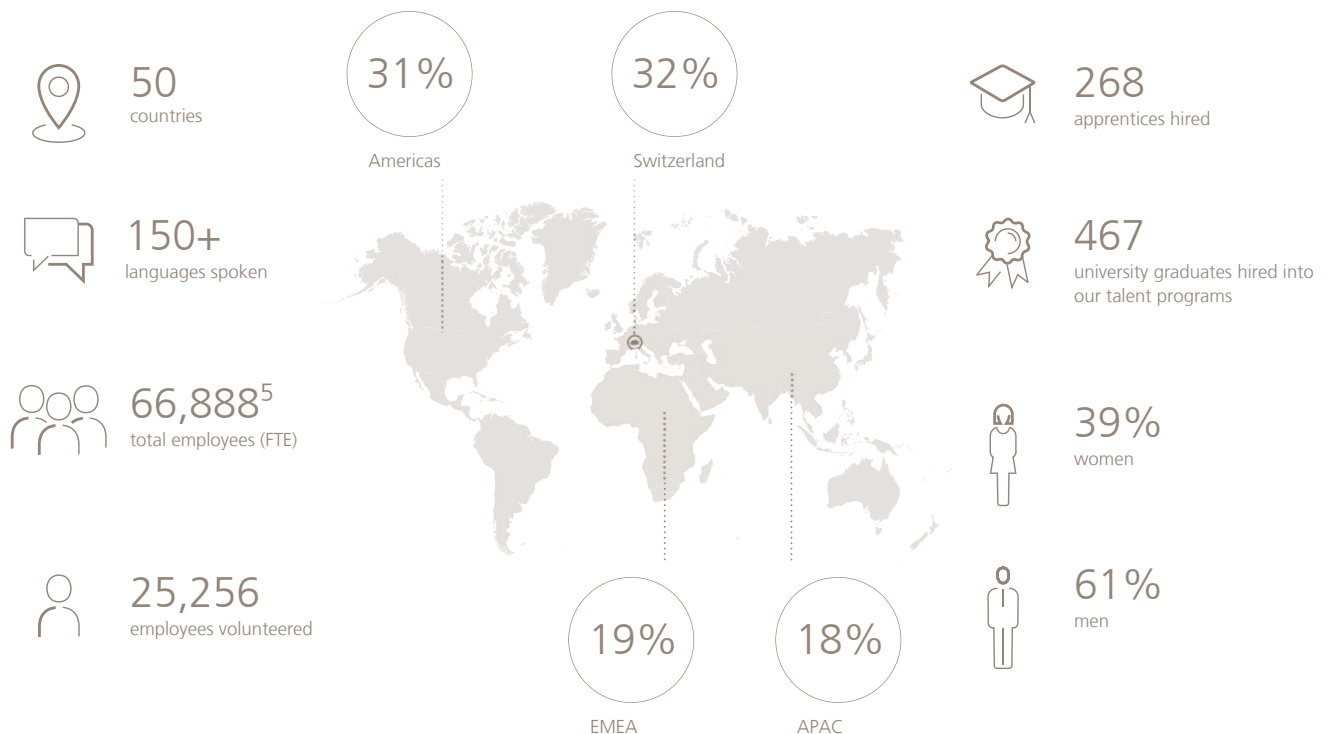
The European Prime Brokerage Sales team facilitates financing services for hedge funds, providing the platform, infrastructure and core operational services to our hedge fund client base to allow clients to carry out their investment objectives in an efficient manner. As a prime broker, the team also connects clients with various teams across the Equities business, including the execution desks and Equity Capital Markets, as well as UBS Asset Management and Global Wealth Management.

### Networking in and outside of UBS

"I love my job because I get to interact with a broad range of people, both internally and externally," Emily says and adds: "We're expected to have a broad internal network so we can help our clients navigate the firm, and showcase the best UBS has to offer. While the role and business is very technical, I also get a significant amount of client exposure."

Normally she lunches at her desk, unless she is out seeing a client. When she gets the chance, she heads to a spin class in the 5 Broadgate gym, in our London office. "Sports help me refocus for an afternoon of work," she says.

### Our 2018 workforce<sup>4</sup>



<sup>4</sup>Calculated as of 31.12.18 on a headcount basis of 68,338 internal employees only (2017: 62,558) unless specified to be on a full-time equivalent (FTE) basis, where we include proportionate numbers of part-time employees.

<sup>5</sup>The increase in workforce in 2018 was mainly due to insourcing initiatives and was more than offset by a decrease in external staff.



# UBS Evidence Lab Innovations

UBS Evidence Lab Innovations provides clients with access to insight-ready data sets for a large set of companies and sectors. Experts work across 45 specialized areas to harvest, cleanse and connect billions of data items each month to surface evidence that relates to investment decisions.



On the origination side, Emily's team is responsible for researching new hedge fund launches and pitching to established managers looking for additional providers. The team supports a variety of hedge funds across different strategies, including equity long/short funds, quant funds, event-driven and macro funds.

She leaves work around 7 p.m. and makes her way home through the same city where she studied and began building her career. And, yes, if you're curious, she still reads the occasional science journal.

> More on Emily's UBS London life at [ubs.com/onedayinib](https://ubs.com/onedayinib)

## Smart data, smart solutions

It's easy to feel lost at sea in the growing ocean of data. Our Investment Bank is seeking innovative ways to commercialize UBS's data sets in a sustainable, centralized and controlled way.

> Full story at [ubs.com/smartsolutions](https://ubs.com/smartsolutions)

"I love my job because I get to interact with a broad range of people."

**Emily Jolliffe**, European Prime Brokerage Sales, IB

Emily's role and business is very technical, but she also gets a significant amount of client exposure.



# One size doesn't fit all

Swiss small and medium-sized enterprises are gearing up for immense change. By 2021, succession solutions will need to be found for 75,000 companies, employing a total of 400,000 people. To ensure smooth handovers, our experts take a bespoke approach, as shown by the story of tour company owner Twerenbold.



In December 2015, the tour company owner Werner Twerenbold suffered a fatal accident. It was an immense shock for Werner's son, Karim Twerenbold, as well as for the company's workforce. Fortunately, Werner was forward thinking and, in the years before, had made a contingency plan for succession. He had been gradually handing over the management of the business to Karim, who represents the fourth generation of Twerenbolds. Karim had been helping out on various fronts since he was a small child – from cleaning the coaches to writing the itineraries. And, after completing his studies in business administration, his father began putting him in charge of major projects such as supervising the two-year construction of a luxury river cruise ship. In this way, Karim was prepared to take over the reins of the business. Of course, processing and coming to terms with the loss of his father and mentor was something for which he could not be prepared.

“In our client relationships, we see ourselves as a partner who watches over the long-term development of a company as a whole.”

**Andreas Linder**, UBS corporate client advisor

For several years, UBS corporate client advisor Andreas Linder (right) has exchanged and discussed future questions and strategy implementation with tour company owner Karim Twerenbold.

As president of the Board of Directors of Twerenbold Reisen Gruppe, Karim Twerenbold has organized his own successor, despite his young age.



### Not just preserving legacy but building on it

Exemplary as this gradual handing over of the reins may have been, the environment was and is very challenging in light of market trends such as cheap long-distance buses and digitalization. Karim Twerenbold has clear targets – “We want to grow, but not at any price. To me, being financially independent is just as important. This is why we’re going to reinvest our profit instead of siphoning it off.” His motto is “innovation based on tradition.”

He is supported by his UBS corporate client advisor Andreas Linder, who finds the best and most effective way to provide Karim with tailored expertise from specialists at UBS on the current economic situation, forms of financing and stock markets. “In our client relationships, we see ourselves as a partner who watches over the long-term development of a company as a whole. Being able to talk to each other when we need to is essential,” explains Andreas Linder.

This is important to Karim because he likes to be cautious when making decisions. Farsighted, he has planned the organization of the company in the event that anything should happen to him. “Like my father, I’m not primarily concerned with keeping the company in the family but rather with preserving the company itself and its values,” he says.



corporate client onboarding supported by video identification in 2018



2020 will mark 125 years of Twerenbold Reisen Gruppe operation. Expertise from UBS specialists helps them in their business performance.

“Like my father, I’m not primarily concerned with keeping the company in the family but rather with preserving the company itself and its values.”

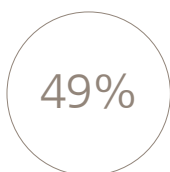
**Karim Twerenbold**, president of the Board of Directors of Twerenbold Reisen Gruppe

### Experts with a wealth of valuable experience

Even though there will be a considerable increase in the number of company handovers in the coming years, systematic succession planning as seen with the Twerenbolds is certainly not the rule, reports Andreas Linder.

Many business owners find it hard to think about succession, not least for emotional, financial and legal reasons. In practice, a successful handover of a company can take quite a long time because, in addition to the owner, generally the family and business also have to be made ready for the transition. It’s crucial not only to decide between the various kinds of family or non-family succession arrangements, but also to achieve the best possible sales price, or to pass on the company’s values. When it comes to these kinds of preparatory and decision-making processes, help and advice are available from external fiduciaries and UBS corporate client advisors, as well as from our specialists in corporate finance, wealth planning and wealth management. With their extensive experience drawn from numerous succession situations, they can devise bespoke solutions that cater to all aspects, for the long term. Every succession situation is unique, so a one-size-fits-all solution simply will not do.

> Get the bigger picture at [ubs.com/succession](https://ubs.com/succession)



of Swiss-based employees at UBS for 10+ years

## Becoming the no. 1 bank for small companies

Nearly all of Switzerland’s 200 biggest companies have a business relationship with UBS. Among medium-sized companies, the same is true for about half of them, while among small companies it’s one in four. That makes UBS the country’s leading bank for business. Furthermore, nearly 60 percent of all Swiss pension funds work with UBS.

We would like to extend our lead in Switzerland even more, and that’s why we’re investing in the future. The UBS Digital Factory works in Switzerland on solutions to make banking even easier for small and medium-sized enterprises (SMEs).

### Digital Business

Through our new Digital Business, we’re improving our products and services for corporate clients in order to offer them a first-class combination of the latest technology and personalized advice. Digital Business is an integrated corporate portal, offering Swiss small and medium-sized entities tailored banking packages consisting of up to 20 modular digital solutions covering online and mobile banking, payment transactions and liquidity and credit planning.



## Enhancing services for smaller enterprises

In the interview with Alain Conte, head of Corporate & Institutional Clients Switzerland, you can find out more about our simple, cost-effective and efficient digital solutions for SMEs.

> Full interview at [ubs.com/forbusiness](https://ubs.com/forbusiness)

# What sustainable investing means in 2019

Sustainable investing has moved firmly into the mainstream. No longer a niche add-on, it's now an integral part of what we do. And it's redefining the way we think about investing overall.



Michael Baldinger (center) is head of a team working to develop a comprehensive sustainable investing toolbox.

Industries that are developing solutions to sustainability challenges are expected to be the fastest growing in the coming years. And companies exposed to these industries have greater growth potential. Companies with superior labor practices will have increased productivity, and be less prone to labor strife. Companies that follow governance best practice will likely be better and more sustainably managed, and less likely to experience corruption. All these factors affect the way we invest, and over time they will impact corporate performance.

Sustainable investing (SI) changes the way investors think about the companies they invest in. It provides them with a new kind of transparency into their investments, one which comes from material investment information, derived from a set of criteria, most commonly referred to as ESG, or environmental, social and governance.

"I must say, a couple of years ago, I was a skeptic. It was hard to find an investor who would pay up for a green bond, for example," says Suni Harford, head of Investments, UBS Asset Management. "But I'm in a different seat now and it's a very different world. We now have the data and technology necessary to facilitate a really robust change in the way that we invest and the impact that investment has."

But it's not just technology or data. Growing client demand has also been an important factor in driving the increasing focus on sustainable investing. While it has been a clear trend with retail investors for a couple of decades or more, for institutional investors it's only in the last five years that SI has become a mainstream activity, as they look to engage with assets that score highly on ESG metrics and have positive impact on society.



“More and more, ESG is becoming integral to driving our client engagements.”

**Michael Baldinger**, head of Sustainable and Impact Investing, AM

Michael has been head of Sustainable and Impact Investing within UBS Asset Management since 2016.

UBS Asset Management (UBS-AM) has seen this trend play out very clearly in its own business. In 2018, ESG-integrated assets under management tripled from over USD 63 billion to over USD 200 billion. This growth is testament to the sheer scale of the work which has been done to develop, refine and propagate our sustainability portfolio. Accomplishing it meant incorporating ESG information into investment research as well as in the mainstream of our offering across all asset classes. And that didn't happen overnight.

Michael Baldinger has been head of Sustainable and Impact Investing within UBS-AM since 2016. He works to establish sustainable investing across the various asset classes. So if anyone can speak to the way in which SI has developed and what the growth drivers have been, it's Michael.

“Most clients have different requirements and needs when it comes to SI,” says Michael. “Many times the product they envision or need hasn't existed as an 'off-the-shelf' solution, so we've had to create an SI engine that can be used across the firm to create precisely the offering that the client is looking for.”

The next step in this process for AM is collaboration with Global Wealth Management, the Investment Bank and external partners, to develop a comprehensive sustainable investing toolbox that can be used to create solutions that fully address clients' needs.

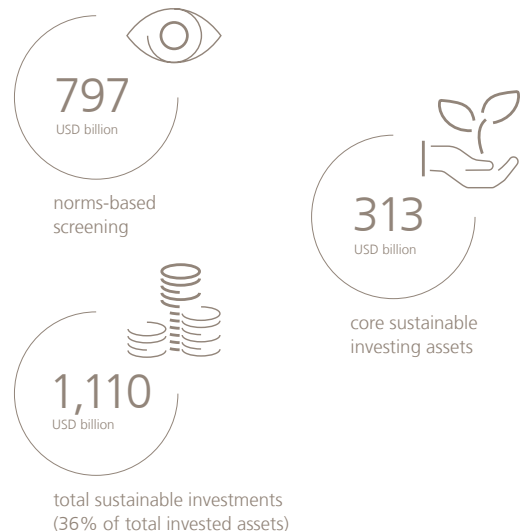
“More and more, ESG is becoming integral to driving our client engagements,” notes Michael. “It demonstrates the strength of our collaborative efforts across the divisions and our ability to transform our solutions to fit clients' needs.”

Finally, developing an offering with strong sustainable investing opportunities is about more than just highlighting organizations that are doing well, and excluding those who don't meet standards. Increased interest in sustainability from our clients can also open unique opportunities. Due to the influence SI now holds in terms of shareholding, we can also help those companies who want to change their policies in order to attract new investment – something we actively do and have already seen results from.

“Our goal at UBS is to be the world's leading sustainable financial institute,” says Michael. “And being ahead of the curve, playing a material role in the mainstreaming of this important new approach, this requires a collaborative mind-set – something UBS is supremely well placed to deliver.”

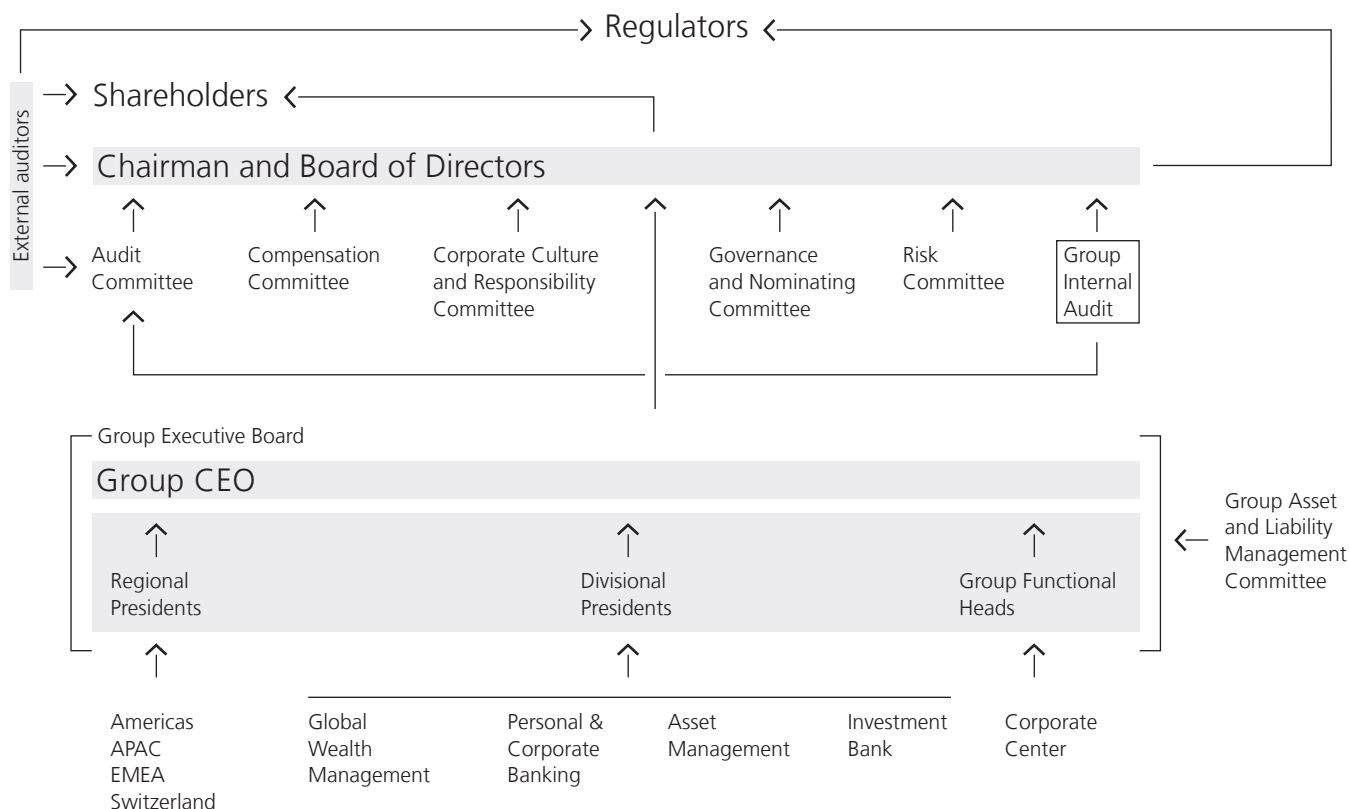
> More on our innovative SI solutions at [ubs.com/sustainablesolutions](https://ubs.com/sustainablesolutions)

### Sustainable investing at UBS



# How we manage the firm

Our governance framework supports the creation of long-term value by linking to our strategic objectives and the performance of the individuals delivering on these objectives.



## Shareholders

The general meeting of shareholders is the supreme corporate body of UBS. All shareholders registered with voting rights are invited to general meetings of shareholders.

## Chairman and Board of Directors

Under the leadership of the Chairman, the Board of Directors (BoD) decides on the strategy of the Group, upon recommendation by the Group CEO, exercises ultimate supervision over management and appoints all Group Executive Board (GEB) members. The Chairman of the Board presides over all general meetings of shareholders and works with the committee chairpersons to coordinate the work of all BoD committees. The committees shown in the graphic assist the BoD in the performance of its responsibilities. These committees and their charters are described in the Organization Regulations, published at [ubs.com/governance](https://ubs.com/governance).

## Checks and balances – Board of Directors and Group Executive Board

The BoD decides on the strategy of the Group upon recommendations by the Group CEO and exercises ultimate supervision over management, whereas the GEB, headed by the Group CEO, has executive management responsibility. The functions of Chairman of the BoD and Group CEO are assigned to two different people, ensuring a separation of power. The BoD delegates the management of the business to the GEB.

## Group CEO and Group Executive Board

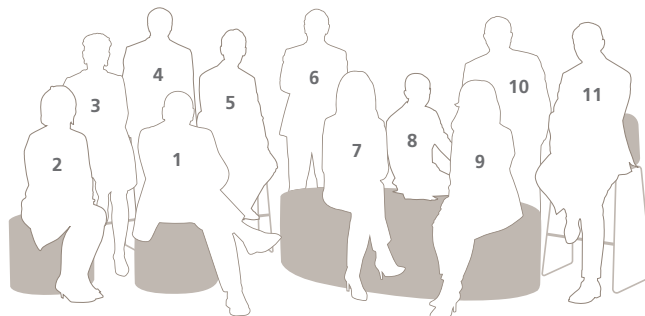
Under the leadership of the Group CEO, the GEB has executive management responsibility for the steering of the Group and its business. It assumes overall responsibility for developing the Group and business division strategies and the implementation of approved strategies.

> For further information  
[ubs.com/ourfirm](https://ubs.com/ourfirm)

# Our Board of Directors

- Axel A. Weber**  
Chairman of the Board of Directors/Chairperson of the Corporate Culture and Responsibility Committee/Chairperson of the Governance and Nominating Committee
- Julie G. Richardson**  
Member of the Compensation Committee/member of the Risk Committee
- Ann F. Godbehere**  
Chairperson of the Compensation Committee/member of the Audit Committee
- Jeremy Anderson**  
Chairperson of the Audit Committee/member of the Corporate Culture and Responsibility Committee
- Dieter Wemmer**  
Member of the Compensation Committee/member of the Risk Committee
- David Sidwell**  
Senior Independent Director/Chairperson of the Risk Committee/member of the Governance and Nominating Committee
- Beatrice Weder di Mauro**  
Member of the Audit Committee/member of the Corporate Culture and Responsibility Committee
- Fred Hu**  
Member of the Board of Directors
- Isabelle Romy**  
Member of the Audit Committee/member of the Governance and Nominating Committee
- Reto Francioni**  
Member of the Corporate Culture and Responsibility Committee/member of the Risk Committee
- Michel Demaré**  
Independent Vice Chairman/member of the Audit Committee/member of the Compensation Committee/member of the Governance and Nominating Committee
- Robert W. Scully\***  
Member of the Risk Committee

\*Robert W. Scully is not present on the picture







The Board of Directors (BoD) of UBS Group AG, under the leadership of the Chairman, consists of six to 12 members as per our Articles of Association. The BoD decides on the strategy of the Group upon recommendation of the Group Chief Executive Officer (Group CEO) and is responsible for the overall direction, supervision and control of the Group and its management as well as for supervising compliance with applicable laws, rules and regulations. The BoD exercises oversight over UBS Group AG and its subsidiaries and is responsi-

ble for establishing a clear Group governance framework to provide effective steering and supervision of the Group, taking into account the material risks to which UBS Group AG and its subsidiaries are exposed. The BoD has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls, approves all financial statements for issue and appoints and removes all Group Executive Board (GEB) members.

> For further information  
[ubs.com/ourfirm](https://ubs.com/ourfirm)

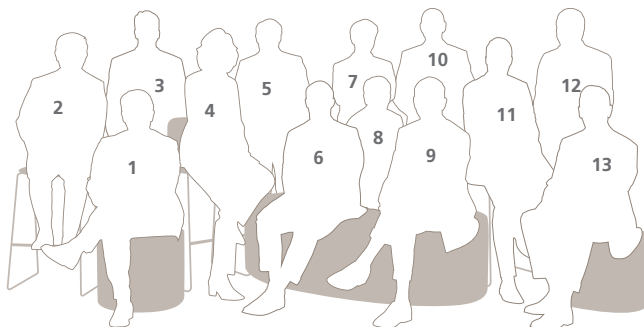
# Our Group Executive Board



UBS Group AG operates under a strict dual board structure, as mandated by Swiss banking law, and therefore the BoD delegates the management of the business to the GEB. Under the leadership of the Group CEO, the GEB has executive management responsibility for the steering of the Group and its business. It assumes overall responsibility for developing the Group and business division strategies and the implementation of approved strategies.



1. **Sergio P. Ermotti**  
Group Chief Executive Officer
2. **Edmund Koh**  
President UBS Asia Pacific
3. **Kirt Gardner**  
Group Chief Financial Officer
4. **Sabine Keller-Busse**  
Group Chief Operating Officer
5. **Markus Ronner**  
Group Chief Compliance and Governance Officer
6. **Robert Karofsky**  
Co-President Investment Bank
7. **Piero Novelli**  
Co-President Investment Bank
8. **Ulrich Körner**  
President Asset Management and President UBS Europe, Middle East and Africa
9. **Axel P. Lehmann**  
President Personal & Corporate Banking and President UBS Switzerland
10. **Martin Blessing**  
Co-President Global Wealth Management
11. **Christian Bluhm**  
Group Chief Risk Officer
12. **Tom Naratil**  
Co-President Global Wealth Management and President UBS Americas
13. **Markus U. Diethelm**  
Group General Counsel



Our employees are what make our firm truly exceptional. They are experts within their respective industries, representing a range of talent. This year, our BoD and GEB photographs were taken by Witold Iglewski and Jagoda Lasota – two graphic designers within UBS Communications & Branding.

# Find out more about UBS

Would you like to know more about us?

## Our businesses, capabilities and offerings

[ubs.com](https://ubs.com)

## Our financial performance and shares

[ubs.com/investors](https://ubs.com/investors)

## Our corporate governance

[ubs.com/governance](https://ubs.com/governance)

## Our strategy

[ubs.com/strategy](https://ubs.com/strategy)

## Our wealth management research

[ubs.com/cio](https://ubs.com/cio)

## Our locations

[ubs.com/locations](https://ubs.com/locations)

Do you have any questions?

## Switchboards

For all general queries

Zurich +41-44-234 1111

London +44-207-567 8000

New York +1-212-821 3000

Hong Kong +852-2971 8888

Singapore +65-649 8000

## UBS Card Center

[ubs.com/cards](https://ubs.com/cards)

Hotline +41-44-828 3131

## UBS Online Services

[ubs.com/e-banking](https://ubs.com/e-banking)

Hotline +41-848-848 064

## UBS Service Line Switzerland

Hotline +41-848-848 054

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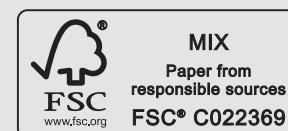
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Corporate information

**UBS Group AG** is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares.

Its registered office is at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, phone +41-44-234 1111, and its corporate identification number is CHE-395.345.924.

UBS Group AG was incorporated on 10 June 2014 and was established in 2014 as the holding company of the UBS Group.

UBS Group AG shares are listed on the SIX Swiss Exchange and on the New York Stock Exchange (ISIN: CH0244767585; CUSIP: H42097107).

**Cautionary Statement Regarding Forward-Looking Statements** | This report 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.

**Adjusted results** | Please refer to the “Group performance” section of our Annual Report 2018 for more information on adjusted results.

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**Tables** | Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis.



UBS Group AG  
P.O. Box  
CH-8098 Zurich

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