

Barclays Global Financial Services Conference

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Fireside chat with **Sarah Youngwood**, Group Chief Financial Officer;
Moderator: Amit Goel, Barclays

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

Amit Goel

Okay. Thank you, everyone. Thank you for joining us this morning. My name is Amit Goel. I co-head the European bank's team for Barclays. And I'm delighted to have Sarah Youngwood here with us from UBS. Sarah is Group CFO and a member of the Group Executive Board, and recently joined from JPMorgan where she held a number of roles over a significant period of time.

So, with that, maybe I'll kick off. So, Sarah, what are your first impressions of UBS since joining?

Sarah Youngwood

Well, first of all, welcome, everybody, and thanks for having me here, Amit. So, my first impressions I'll summarize them mainly in three words: people, platform and purpose. So, the people are extraordinary at UBS, and this was really important to me and to my decision to join. And there is a fantastic leadership team that has a great mix of geographic capabilities as well as the support of an extraordinary board

On platform, well, you know that we have a \$4 trillion ecosystem for investing. We have a truly global bank with three domestic markets. And I think of it as the US. That's 40% of our revenue. Then you look at Switzerland, and that's, of course, with its adjacencies in EMEA. And in Switzerland, we are the most digital bank as well as the number one investment bank. In APAC, we are also number one in equities, number one in wealth management, as well as – as big as twice the second one. And so, very great franchise there.

So, when you think about it, three words for me: people, platform, purpose. Purpose, that's the last one. So purpose is super important because when I joined, I thought about it as I want to do something that's good for the better world. I want to connect people for investing. I want to reimagine. But what's fantastic at UBS is that they actually found a way to be pragmatic about it. And so if you want to have purpose, you need to earn the right to have purpose. You need to be pragmatic about the foundations, the capital, the liquidity, the expense, the regulation. And we do that balance really well. So I really like both the foundations we have as well as the purpose. And on a personal front, I do like diversity and inclusion and the fact that we're very strong in sustainability.

Amit Goel

Thank you. One of the key features within all the meetings we've had in the conference has been discussion on the broader macro environment, and clearly for UBS, a key focus as well. With rates rising rapidly across the world alongside inflation reaching highs that we haven't seen for generations and also heightened fears of recession and geopolitical risk, how does UBS think about the global economy and going into 2023?

Sarah Youngwood

So you said it well. It is slowing down, and it's slowing down because you've got the COVID tailwinds that are now dissipating. You have some of the quarantines that are still left, particularly in APAC and in China. You've got, of course, inflation and an energy crisis, particularly in Europe. And at this point with some of the recent event, it could even be a volume crisis despite the fact that the price is being helped by the government.

So with that, the central banks are very focused on the inflation, and they are willing to put the economy in a mild recession if that's what it takes to curb that inflation. So with that, we're seeing very strong recent actions and increasingly hawkish language, too. And so with that, our CIO predicts a recession for both Europe and the UK. For Switzerland, actually you've got an exception there where the inflation is quite contained and the economy should be able to narrowly avoid a recession.

The US is actually doing better. You are seeing stabilization in the data in the US for inflation and employment has remained very strong. So US should remain in positive territory and in APAC on the long term is still for us a target rate of 5%. But the timing is really the question, given the current quarantines and the impact of the delays in the recovery in the property sector.

Amit Goel

Okay. Thank you. And so, what does this macro environment mean for UBS? And how are your clients reacting to this today?

Sarah Youngwood

So, first of all, for UBS overall, we start with a position of strength, a strong capital, a strong capital return, strong return of capital and a balance sheet for all season. And so you take them one by one, 14.2% CET1 capital – return of capital, you've seen the announcement this morning. And we are highly capital generative. In terms of the return on capital year-to-date, we are at 19% and that's the same 19% for the second quarter. And on the balance sheet is 94% collateralized and that is at 55% loan-to-value. So, that's like the place you start with.

And so when our clients – you asked me about the clients – doing about that, they are cautious obviously given what's going on in the world. And so, that's translating into less transactions and less recurring revenues. Our flows remain positive.

In terms of the what is happening, it follows pretty nicely what I just talked about in terms of the recession. So, basically, US and Switzerland doing better. APAC long term – but right now still deleveraging, and Europe and the UK a bit more in a difficult, cautious situation.

So, then you look at NII, obviously benefiting, and we'll talk about that later. And then IB, Q3 is really a continuation of what you've seen in Q2 with continued and even higher macro volatility and correlation being higher too. You're seeing the wallet continuing to be very down for the industry, whether it's advisory or capital markets. So, the pool is just really down.

And then, in terms of the LCM, I would note that we are not seeing any material issue in our LCM portfolio this quarter, and we remain conservatively positioned.

So, when you put all of that for IB, it's performing as you would expect given these factors, our mix of geography and seasonality. And so you put all that together and you would say with a good first half of the year, still expecting to be within our cost/income as well as return on CET1 target for the year and continuing to be defensively positioned and well positioned with our strong balance sheet.

Amit Goel

Okay. Thank you. And you touched on net interest income. In Q2, the group delivered a bit less than, I think, what the market was anticipating. How would you characterize the NII performance to date?

Sarah Youngwood

So, I think put it in three dimensions, volume, then what's happening in the markets, the rate changes, and then the repricing. So on volume, we have been \$370 billion of outflows in the industry. That is the largest Q-on-Q decrease we have seen since we've got the data, since at least 2007.

So in that context and with our wealth management peers being down 8% sequentially, we were down 6%. So, I would say, happened to us too, but very much in line with what you would have expected. And I actually think that sounds like a good outcome when you think about the fact that we really don't have the enhancements we are now making to our banking platform to have really more of the cash flow accounts, the ones that are really sticky. And so that's the volume side.

On the rate, obviously, we have the benefit of what's happening, thanks to the central bank changes. And then, in terms of repricing, the repricing itself is lower than what we had modeled with, of course, the offset being mix and volume.

So overall, we feel that we are performing as we would expect with volume being in line with what you will expect in that industry. And at that time, with the very fast movements and mix, volume and repricing being the consideration.

Amit Goel

Okay. Thank you. And so, how should we think about NII development or the uplift for the rest of 2022 and into 2023?

Sarah Youngwood

So, the way I think about it going forward is, first of all, in the context of what I said about the macro. So you start with the central banks very much hawkish and increasingly so with the recent changes that you have seen. And so everything is going faster than expected.

I like to start with \$400 million is what you have seen in our numbers. You've seen that for the first half of the year. You annualize that, that is \$800 million run rate impact so far. Then there will be more in the second half of 2022, there will be more in 2023.

And why do I say that? The first thing you look at is – I like to think about GWM and P&C and by currency and I'm going to refer to a disclosure you may have seen in our quarterly report, which is the NII sensitivity. And so, happen to think this one is quite helpful. And so, if you go by place, so the US dollar first, and then Switzerland, and then Euro. So the US dollar has gone extraordinarily fast from basically 0% at the beginning of the year to 3.5% to 4%, which is going to [ph] be hit beginning of next year. That's like much, much faster than expected.

In that context, you're seeing basically repricing going faster than expected, which is normal, higher rates, higher repricing. That's just a normal phenomenon. And when you look at the volumes and the mix, you also see the pace goes faster, that's happening too. And we talked about the \$23 billion that we had Q-on-Q and additional mix effect.

So then you move to Switzerland. In Switzerland it's a different situation. We start at minus 0.75% and we're going to 1.25%. And what's important is to spend as little time as possible in the less negative zone. The less negative zone is where we are now and where we're going to be until next week. Now it's actually good that it's just until next week. That is also faster than expected. And in that case, faster is better. So when you look at what happens in that negative zone, we don't have some of the deposit fees that we had and we also lose some of the SNB benefits that we were getting. And so when you try to quantify that, you go to that disclosure and you can compare December versus June, and that will give you a sense for the magnitude of that. And that was not in the run rate of the second quarter. So you start by basically taking that and then you have what you would expect, which is the impact of the rates going up and the mix and volume impact.

And then in Europe, there was much more happening than you would have thought, and it's happening fairly fast. And here again, that's a positive with the mix and volume coming through. So when you take all that together, that goes back to the \$800 million that we have in the run rate, more in the second half, more in 2023. But be careful to think about always the mix, the volume and the Swiss short-term impacts.

Amit Goel

Got it. Thank you. And then maybe shifting tack a little bit, moving on to the US strategy. So in the US wealth management business, you've been investing in your tech platforms and entering new client segments to try and increase scale. How does the termination of the Wealthfront acquisition affect your plans? And how should we think about profitability of this business over the next kind of three to five years?

Sarah Youngwood

So we start with we have \$1.8 trillion in the largest and second fastest growing market in the world. And so we like that position. And we think about the growth plans in terms of our clients. So, you start with our clients that are personally advised and the Global Family and Institutional Wealth, and then you move to the core affluent clients. So, I'll just organize my answer around those two lines.

So, the first one is the core of our franchise. It's the personal advice as well as the Global Family and Institutional Wealth, that is \$1.6 trillion of the ecosystem, and that is more than half of the revenue of GWM overall. That is almost half of GWM's pre-tax margin. And the growth plans we have actually to the point of profitability are to bring that margin higher.

And I'll think about it in terms of like what do those clients need? They need a better platform. They need their advisors to have the right tools to deal with them and the right connectivity. And then they need a complete suite of products, including on the banking side.

So, when you go back to 2019, so this didn't just start. We started really investing in the investment platform and in the advisor desktop. And in fact, in the first quarter, we just came out with the option for advisors to adopt the new desktop and that has been adopted even though it was just an option, by 95% of the advisors. That tells you that they like it. And they like it. It is making them more productive with their clients. It's the tools that they need. And it is not done. It is an Agile development. So, you're going to see between this year and the beginning of next year about 80% of the pages that they need being addressed. So, good progress on the platform.

In terms of banking, we've talked about building and enhancing a core banking, modern cloud-based platform. And when you think about what this will enable us to do, it's really all of the cash flow management tools that we can continue to enhance for the client to really want to – we have all of their life through UBS and not just – right now, they give us 30% to 50% of their investment wallet and about 5% of their deposit wallet. So, they still do their cash flow management somewhere else, and we want to bring that in. We feel this is a great opportunity that is short to medium term with our clients. So that's with our core clients.

In terms of the affluent. That is where the Wealthfront transaction was going to come in. And we are back to our organic plans. And what we're thinking we want to do there is address the HENRYs - High Earners, Not Rich Yet. And there is a \$6 trillion to \$8 trillion worth of wealth that is with HENRYs. And what we're going to do there is really address them in the way they want to be addressed and in the way we want to address them to be efficient, which is really digital first. And so building tools that enable us to bring our UBS CIO capabilities, wealth management capabilities to them through the power of digital-first.

And so we have hired actually for the banking side of it, Jeff Chapman. You know that Naureen is going to join us. So we have good talent to execute all of those organic plans both on our core clients and on the core affluent. And we are excited about the future plans in the US.

Amit Goel

Thank you. And – I mean, you touched on the technology. I mean, just more broadly, I mean, what were your first impressions of UBS' technology capabilities and strategy in that front when joining?

Sarah Youngwood

So, that was one of the things that I was expecting to be good, and it was, indeed, good. And so, I've come to understand that if you want to be a financial institution of the future, you've got to be a technology company with a banking license, and UBS is just that. And I'll give you three examples, there are more, but – Agile. Agile, as you know, is going from waterfall to close collaboration. We have 13,000 today people working in Agile, and that will be 17,000, including the finance team, that – in October, and that will be 20,000 by the end of the year. So, when you think about the size of UBS, that is a very large proportion of our team going into Agile.

And what's good for shareholders about Agile is not just that it's better for the client, although that's important, but it's also that it is an efficiency right away. We're densifying engineers. So, for the teams that have moved to Agile, you are seeing 65% of engineering density in CDIO and that is up 10 percentage points. And so, when you think about the efficiency that represents on a 13,000 technology strong team, that is beneficial.

The second one that I wanted to talk about is the cloud. The cloud at UBS is 60% of our computing power. That is a lot, with 30% – half of it, being in the public cloud. I mean, I've looked at lots of stats across the industry, and I was really impressed by those.

So when you think about why – why do we care? Is it just a fancy word? Well, it's scalability and, therefore, efficiencies. It's scalability and pooling resources and, therefore more green. And it is really important for the hiring that we want to do. So, if you want to attract top talent, you need to give them a way to develop that is modern. And if you want them to be efficient, that is what the cloud provides us. And therefore, it's better for our client, again.

And then decommissions, once you put all of that modern infrastructure, you need to go to the last mile. And that's something that we have done and will continue to do. We have decommissioned since 2021, 800 applications. And so, that's super important because when you take Agile efficiencies, the cloud efficiencies, decommissioning and going to that last mile, that gives you both – some of the tailwinds that you need to be able to stay in your cost/income ratio. And also, it enables you to be the face of your clients in the way you want to be seen, i.e., as a modern bank that helps them the way they want to be helped. And so technology, very bullish on that for UBS.

Amit Goel

Okay. Thank you. So, do you think UBS has the right level of spend in technology at present?

Sarah Youngwood

Yeah, very much so. We're at 10% of the revenue. And if you look at that versus some of the best peers, in financial institutions and not in financial institutions, that is a really good stat. And it's not just, say, okay, we're going to spike this year at 10%, and then we'll be at 3%, and then we'll be at 12%. No, it's a 10% that is consistent. And the consistency is super important to Agile, but is also very important to delivering for our clients. And so, that enables us to be across all of the dimensions you would want to have, whether it is advice, whether it's data, whether it's client impact, et cetera.

Amit Goel

Okay. Thank you. So changing tack again a little bit, another key area of focus on costs. How are the macroeconomic developments and inflation impacting your approach to managing expenses? And do you have flexibility to offset any potential revenue headwinds and margin pressure? And then, lastly, are you making any changes to your strategic investments?

Sarah Youngwood

Got it. So, start with the numbers. So, the numbers are 1.7% up for the expense including [edit: excluding] FX and litigation. So, basically, reported number is up 1%. Many people tell us, oh, it's all FX, because we do have FX benefits. But if you actually exclude FX and litigation, it is 1.7%. So, good number. And we have reiterated and continue to reiterate that we will be within our cost/income ratio for the full year both on a reported and on an underlying basis.

So, how do we do that? The first thing is \$1 billion of cost saves that were there before I arrived and – but that we are continuing to deliver on. So, last year, that was \$200 million of benefit. This year, we are on track for the \$400 million of benefit. And that comes from some of the technology initiatives that I mentioned, but it also comes from some of the regional simplification and legal entity simplification.

Then you say, okay, inflation. We're not immune to inflation. We have a little benefit because we have a portion of our employees in Switzerland, but we are not immune. So, what do we do about that? We actually – first of all, we treat our people really well, and I think that's super important. We have embraced the modern ways of working, we have been very supportive to our employees way before COVID, during COVID, and continue to be. And I think the loyalty and the tenure that you see is absolutely helping us attract and retain talent.

And we are also doing what you would expect. And so, it's the T&E, it's the consultants, it's the outsourcing, all of their good tactics that we go to when we want to make sure that we manage our expense rigorously, and we're doing just that. And so, when you take all that, do we need to do more, to your question, and actually slow down investment plans? We could, we have expense flexibility, but we don't see in our base case a need to do that. But of course, we remain focused on our cost/income targets as we continue to make the decisions. And of course, we talk about the environment all the time, and we want to make sure that we continue to be nimble as we look at it.

Amit Goel

Okay. Thank you. And then now just moving to capital and capital return. So, I note the release this morning. So, you expect share repurchases to exceed \$5 billion in 2022? And you've increased the dividend accrual?

Sarah Youngwood

Yeah.

Amit Goel

I guess, whilst you're running above your CET1 ratio to, kind of, guidance, we are looking at potentially weaker – a weaker revenue environment, and this involve Basel III impacts still to come, 2024. So, how should we think about buybacks for the remainder of the year and going into next year?

Sarah Youngwood

Yeah. So, that was a question that you guys asked us at the second quarter earning, and we had planned on answering today. And, you could tell that we had strong excess capital, and we were at 14.2%. And you could tell also that we were ahead of plans in terms of the execution of the share repurchase.

So, when you take those two things, we have continued, we are at \$4.1 billion now, in terms of the share repurchase. And we felt that it was important to acknowledge that having had both the excess capital versus our 13% target, as well as the capacity to do the share repurchase, we were going to be above \$5 billion.

And on the dividend, we also have the capacity to do that, and so we're delighted to be able to increase it by 10% from \$0.50 to \$0.55 and to increase the accrual to reflect that. And when you think about the macroeconomic environment, as I went through it, we continue to believe that given where we are and the excess capital that we have versus our target of around 13%, we will continue to have a progressive dividend and share repurchase next year.

Amit Goel

Thank you. And then – thank you for those responses. Just any final messages before we move to the audience response poll, and then after that the Q&A.

Sarah Youngwood

So I'll start by saying I chose UBS because I liked their hand. I had a choice to be at UBS. I chose to be at UBS. And I've been there now for about six months. And I like their hand. I like it even better. I like it in the short term because if I look at this environment, I want to be positioned with strong capital, strong return on capital, strong capital return, strong balance sheet, geographic diversification, and we have all of that. We have those NII tailwinds and expense flexibility. We also have great people and the ability to continue to be the place where they come and where they stay.

And then when you look at it for the long term, hopefully you enjoyed the description of the growth plans I described for the US, but that we also have what we have in APAC and what we have in Switzerland. So we have growth plans. We have the ability to execute on them. We have the ability to generate consistent, attractive returns. We have the technology platform and resources that underpin all of that. And so, when you take all that, we believe that we will close the valuation gap to our US peers. And you've got a management team that is here, including me, committed to delivering.

Amit Goel

Thank you. So, if we can turn to the audience response questions, everyone should have the buzzer in front of them. First question, what would cause you to become more positive on UBS shares? Positive revenue surprise, great cost savings, better asset quality or stronger capital, supporting higher dividend payout? Okay, so positive revenue surprise here.

Sarah Youngwood

We'll try.

Amit Goel

Yeah. But more so than the higher dividend payout. A second...

Sarah Youngwood

Because we're already gave more.

Amit Goel

Yes. Yeah. Second question. What do you expect to be the biggest influence on UBS' revenues in the coming 12 months? Volumes, pricing, policy rates or fees and commission? Okay, policy rates. So, I mean, that's been a pretty unanimous response for every bank that's presented so far, but also I guess, in this case, some people responding volumes and fees and commissions.

Can we have the third question, please? How do you think about UBS' costs development versus expectations? Likely to beat due to cost saving initiatives, likely to meet expectations, likely to miss due to cost inflation or not sure but would like to see some more cost saving initiatives. Okay. There's a little bit of skepticism in this one.

The next question, please. How do you see UBS positions on capital and dividends? Upside risk from better earnings in future years, upside risk from falling rates, downside risk from weaker earnings and downside risk from rising regulatory requirements. Okay. Fairly unanimous, upside risk, better earnings.

And then, please, can we have the next? What are you most concerned about at UBS in the current macro environment? One, weaker revenue; two, cost inflation; three, deteriorating asset quality; four, capital; or five, none of the above, expect UBS to be resilient in this environment. Okay, so spread of responses. I guess for most banks it's been the asset quality that's been the kind of a – the most significant...

Sarah Youngwood

That's the one place where we're pretty good.

Amit Goel

Yeah, exactly. Okay. And then the next question, please. Where should management focus their energy in the next 12 months? Number one, work on the US strategy; number two, investing in the APAC region; number three, bolt-on acquisitions and business growth; or number four, cost optimization. Okay.

Sarah Youngwood

We're working on it.

Amit Goel

Yeah. Exactly. So I don't know if there were anything – was there anything there which really kind of surprised you? Or if you got any comments, otherwise we can move to the audience? Okay.

Sarah Youngwood

Nothing particularly surprising.

Amit Goel

Sure. Okay, let's go to the audience. So if you do have a question, please raise your hands. I see one from Dirk Becker, Allianz.

Audience member

Yeah, good morning. I wanted to come back to the Wealthfront, the termination of acquisition. Has this been driven by the fact that since the initial announcement of the deal, the role of the CFO and the Chairman has changed? So a new pair of eyes take a different view on paying \$1.5 billion for 0.5 million customers?

And the second question is, what do you intend to do with the 5% stake that you're now acquiring. Is that to keep the door open, or what do you intend to do with the 5% stake in Wealthfront?

Sarah Youngwood

So I'll start by saying that we have not commented on the cause for the mutual termination. But what I can say is that, Wealthfront is a great company and we're delighted to be making this investment in them and to continue to explore a relationship with them.

And the second thing I would say is that there is full alignment within the board and the GEB. And so that's really what I can say at this point on this. That's the investment that we are making and we are making it because we believe it is a great company and we are looking forward to exploring potential partnership.

Amit Goel

Okay. Thank you. Do we have any other questions in the room? From Vincent McBride, Lord Abbett just bring it, sorry, give me one sec.

Audience member

Thanks for your presentation this morning. How do you feel about analysts baking in multiple years of buybacks into your – I mean, obviously, you don't comment on forecast, but can you be clear about your message on buybacks? My understanding is you lowered your dividend payout ratio and inserted the buyback flexibility to allow your business to move with changes in the economic environment. And so, many analysts have now forecast – I'm exaggerating, buybacks going out three, five years, like you're a software company and I appreciate your technology comments earlier, but you're not a software company. So how do you feel about that?

Sarah Youngwood

So you started with the fact that we have a highly capital generative model. The reason for the increase in the dividend was because it's still...

Audience member

Sorry you – pre your arrival UBS lowered the dividend payout ratio.

Sarah Youngwood

Yeah. I know what you're talking about and I'm going back – correct. But with the very strong capital generation that we have, when you looked at our payout ratio in terms of dividend payout ratio versus others, it was very little, and we felt that we would still have a good mix and a lot of flexibility if we brought it up in this progressive way. So, we continue to believe in it being progressive and in the share repurchase being an important component. When you look at the \$5 billion for this year, it's a reflection of the excess capital at which we are, so exceeding it. We did not make particular commitments as to how much it would be over many years. But it will be a reflection of being capital generative. And so, what you want to think about is the capital priorities that we have. So, we always start with a balance sheet for all seasons. And the balance sheet for all season includes the regulatory requirements. And of course, when we are in this position of being in excess, there is some excess capital to return to shareholders, which is exactly what we're doing.

The second is investing for growth. And we've talked about our growth plan. And the good news is that many of our growth plans are self-funded, but this is, of course, an important priority. The third one is the progressive dividend, and the fourth one is share repurchase. So, that has not changed. And so, really it's just a matter of continuing to adjust to the capital generation that we have had and the excess capital level at which we are.

Amit Goel

Thank you. I think we're actually out of time now. So, we'll close there. But thank you very much again, Sarah, for joining us.

Sarah Youngwood

Thank you.

Amit Goel

And I hope you enjoy your day.

Sarah Youngwood

Very nice. Thanks for having me.

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In addition, the war has caused significant population displacement, and if the conflict continues, the scale of disruption will increase and may come to include wide-scale shortages of vital commodities, including causing food insecurity. The speed of implementation and extent of sanctions, as well as the uncertainty as to how the situation will develop, may have significant adverse effects on the market and macroeconomic conditions, including in ways that cannot be anticipated. This creates significantly greater uncertainty about forward-looking statements. The COVID-19 pandemic and the measures taken to manage it have had and may also continue to have a significant adverse effect on global and regional economic activity, including disruptions to global supply chains, inflationary pressures, and labor market displacements. 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 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 increasing 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 central bank policies 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, or other external developments; (viii) UBS’s ability to maintain and improve its systems and controls for complying with sanctions and for the detection and prevention of money laundering to meet evolving regulatory requirements and expectations, in particular in current geopolitical turmoil; (ix) the uncertainty arising from domestic stresses in certain major economies; (x) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers 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 sanctions, 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, data leakage and systems failures, the risk of which is increased with cyberattack threats from nation states and 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 US Securities and Exchange Commission (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 2021. 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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