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Speeches by Sergio P. Ermotti, Group Chief Executive Officer
Moderator Jernej Omahen, Goldman Sachs

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Fireside chat and Q&A

Jernej Omahen, Goldman Sachs
So we have a distinct pleasure this morning. And it's a genuine honor and pleasure to welcome the Chief Executive Officer of UBS. It's been a very long time since we had the CEO of UBS at our conference, so thank you for the making the trip over from Switzerland. Sergio Ermotti, the CEO, has taken over in the capacity, in his current capacity more or less broadly in 2011, so it's been almost 8 years, a bit less I guess, but I have known Mr. Ermotti for a very long period of time, because we overlapped when I was covering Unicredit, and he joined Unicredit I think 2005, (late 2005), late 2005, and joined as Head of Corporate and Investment Banking and Private Banking, and ultimately rose to be the deputy Chief Executive Officer of the Group. Now I know Mr., I am going to call you Sergio, I know Sergio, that we had to work hard with your Investor Relations team to make this happen logistically, so thank you for being here. Thank you for taking the time to be with us and I hope that we make you feel welcome.

Sergio P. Ermotti
Thank you

Jernej Omahen, Goldman Sachs
But with that I'm going to go immediately into more practical questions, which is, first quarter of the year was horrible and it was horrible not just for UBS, it was horrible for the industry within that, it was horrible for the European institutions active in capital markets. At the time, there was some hope that Q2 is going to look better, so to the extent that you are willing to give us color on how the trading performance is going so far, I'm going to let you do that.

Sergio P. Ermotti
Well, thanks for…well first of all, I would say yes, Q1 was very challenging, if you think about it, it is a little bit longer than just, I would say January, February and the first week of March, was still very challenging. We were coming out of de facto a very weak November and an extremely weak December so it was the fact of more than four months, I have to say that in the second half in March we started to see a normalization of the environment. If I look at March, April and May, the situation has clearly stabilized and has improved, although from a very low base. I think that the situation is still very fragile. I don't need to tell you about what's going on the macro-economic front and the geopolitical one. On the macro picture, the challenges that we are facing are the total reverse of expectations for example, on rate hikes by the Fed. A year ago we

were at 3%, six months ago we were even above 3% on the ten year. We are now closer to 2%. And the market is even expecting further cuts by the Fed. And this is clearly going to then translate into an impact on the NII for the wealth management business, but if I look at sentiment in general, the sentiment is more, has been more constructive at the end of March. Investors were willing to consider deploying more cash, although the self-declared cash balances at the end of March of our clients, entrepreneurs, were extremely high, at 32%, 23% in the U.S., 36% in Asia. So there is still a willingness to consider to step into the market, but it's very fragile. And the current discussions and trade tensions discussions, Brexit, what's going on in Italy and the rest of Europe is clearly not helping to bring back confidence, because of course December dented investor confidence. But I see a more constructive environment for the business, we see people starting to engage more on buying a downside protection, or using a principle protected strategy to gain upside potential to step in the market, so in that sense the situation is better but is far from being clear and solid.

Jernej Omahen, Goldman Sachs
It was interesting in Q1, so the revenue environment was poor but UBS was very explicit in guiding for what was a difficult revenue environment. You reacted quickly on the cost side with what you refer to as 'tactical cost cuts'. What in your mind would need to happen for those tactical cost cuts to become more of a structural nature?

Sergio P. Ermotti
Well, I mean, if I look at our ongoing initiatives on the cost side, they were planned in, you know, summer, late, early autumn of last year, in an environment that was completely different. So we have structural cost initiatives, regardless of market conditions. So we announced that we were planning, we are executing to take down around 800 million of cost on the Corporate Centre side, and around 300 million in the rest of the businesses and the vast majority is coming from the creation of one Global Wealth Management unit, so I have to say that in addition to that, the 300 million that you refer to are more tactical in the sense that we are delaying or layering out investments for the future, so getting the accounting benefits without compromising our ability to grow and invest for the future, without compromising on our initiatives to do regulatory remediations where necessary, so but to answer your question, I think that one has to say that if you see a deterioration, which is difficult to make an assessment right now because we need to understand what it is and which sector is affected. But hypothetical questions are always difficult to answer and I can only tell you that of course, when you start to look at the fact that we are saving money, but we are also re-investing the vast majority of the money for new initiatives for growth, maybe the fuel saving mode that we have right now would need to go further down and further delay certain nice-to-have or growth initiatives that are not sustained by the current market environment. But it's very difficult. I think that we will need to have another 3-5 quarters visibility, understand how much may or may not be idiosyncratic in terms of business mix, what we have, and how much is industry – so it's a fairly complex situation, we need to always play with optionalities, and think about what we could do but it is very difficult to always predict what exactly what you will do.

Jernej Omahen, Goldman Sachs
Fair enough. So we had Steven Scherr on here before, and I always like to ask this question not just in a public forum but in particular internally at GS as well. So U.S. banks dominate capital markets sub-segments, but there is one sub-segment of capital markets, if we can call it that even, which is extremely profitable, but the U.S. banks do poorly and are outcompeted particularly by UBS but also some of your peers. UBS is the largest wealth manager in the world, full stop. It's not just the largest wealth manager in the world, UBS is also bigger than, correct me if I'm wrong, certainly three times bigger than us in U.S. private wealth management. So I think you have pretty much a leading position there as well. And yet, your private wealth business is growing. So from this base of being the biggest it's growing quite quickly, there was 20 billion of net new money in Q1, 10 billion of that was in Asia. I know that you are not a big fan of net new money, as

a guide to future profitability, but I am still going to ask you: How do you think about that? Does that continue? Was that an exceptional quarter? What are your growth plans in Asia and what's driving that?

Sergio P. Ermotti
Of course, first of all to answer your question of course, I would say Switzerland in general and particularly for UBS, wealth management and asset gathering is part of our DNA. So it's no surprise that we are where we are. It takes decades, it takes 150 years to build up.

Jernej Omahen, Goldman Sachs
So you have a slight head start?

Sergio P. Ermotti
Having said that there is no room for complacency because the market environment is changing very rapidly and while we are the largest in the world, which I think is an important measure, but not necessarily the most important one, we are probably, more specifically I would say that we are the truly global wealth manager. Because we are a key player, if not the leading player, in the major, you know in the U.S., it's a very competitive market – we have competitors who have similar scale that we have globally in terms of assets but they are very U.S. skewed, so we are very strong in Switzerland, in Europe, we are the leader, undisputed leader in Asia, with more than 400 billion of client assets – it's something that takes years, decades, and constant investment, because if you look at what we do, we keep investing, we keep investing in Asia, now in China, and the pay-out for the China investments will come over the years, onshore. So of course we have existing, as I just mentioned, our Hong Kong and Singapore capabilities are growing very fast, but the next engine of growth over the years is going to be there.

So the good news is this one, the bad news is, as you know, it takes almost more than 30 banks globally to achieve a 50% share of wallet. So it's still a very fragmented market. And that's the reason why it's very important for us to look at ways of how we want to grow, how we want to leverage our platform, our capabilities – and so globally we are seeking also opportunities to work with other financial institutions where we have complimentary skill sets, where we can do a kind of hybrid organic growth, an hybrid between – you know, instead of traditional M&A when you operate onshore businesses – onshore segments are growing very fast, but of course you can't be everywhere onshore, and our unique capabilities are in many, many cases very complimentary to local players who have relationships, may have balance sheet, who may have different angles but they don't have the investment expertise, or the wealth management expertise we can bring to the table. So we are looking at ways to continue to grow by combining stand-alone initiatives in addition to doing what we do very successfully in Switzerland. We are the bank for the other banks. You know, and although, you know, we are competing with everybody, we are able to manage a healthy business relationship where we are competitors, where we are clients to each other, and we are counterparties, so I think that this gives us room to expand the model also outside Switzerland and actually, I think that very soon we will announce a very important milestone on that.

Jernej Omahen, Goldman Sachs
Let me just dwell on these 10 billion of net new money from Asia.

Sergio P. Ermotti
I haven't answered our question. I realized I haven't answered your question since you are coming back with net new money. So net new money… but I think by its nature I think I always say, and that's why I keep repeating this message even when we have a strong quarter, that don't over-estimate net new money – net new money is one of the KPIs we need to look at in order to assess if we grow or we don't grow. In this environment, with negative rates, low rates, it's very, I can only tell you it is very easy for us to attract net new

money if we want. Very easy. But it would be a totally misleading measure to look at for growth. Because what we need to always assess is the probability of that net new money to be translated over time into investments. If it is just a way to have a safe haven, because we are seen as very strongly capitalized, very well positioned, so across the board, investors want to bring cash to us. But they don't want to pay for the cash. They want to put it there, not pay for negative rates. And as you know, so instead of in many cases it is not only a P&L consideration, nowadays the capital consumption on deposits also went up exponentially. So we have always to master this issue about making sure that what we onboard may have a temporary dilution of profitability but has a chance over time to become accretive to the business. So to answer your question, we have to continue to expect volatility in the net new money.

But the trend is that we are going to grow alongside GDP growth globally. So we think that if we go too much outside that range, it means that we are forcing one dimension – we are forcing, we are sacrificing profitability, not only short-term profitability, also long-term profitability, and that's not healthy.

Jernej Omahen, Goldman Sachs
As an aside, so when you hear U.S. investment banks say we are all going to make a push into international wealth management, because we are nowhere and the profits are there, how important is it to be able to say 'I am not a U.S. institution' when competing for international wealth management assets. Like for example, take China, that you mentioned building onshore capacity, do you think that even theoretically a U.S. institution could compete, or outcompete, a Swiss institution in Asia?

Sergio P. Ermotti
Of course, I think that a few of our U.S. competitors are very good and very credible and strong, and I think they have been and they will continue to be a benchmark for us to watch, and we are never complacent about any competitors. I think that, as I mentioned before, particularly when you go into the high segments, the Ultra and the GFO space, of course, U.S. banks with strong investment bank and risk management capabilities and balance sheet can create a concrete threat, but on the other hand we are not, you know, we have also very focused and very competitive capabilities in investment bank, and we are not shy to deploy capital when it's necessary.

We have tradition, we have relationships. I don't think that the geopolitical aspect in Asia versus U.S. banks is particularly strong, but you know it's more about relationships but you know, as much as it takes decades and years to build up credible and sustainable investment banking businesses, I can say the same about creating a wealth management franchise.

Jernej Omahen, Goldman Sachs
So coming back to growth in wealth management, so there has been more and more talk, and UBS has been more vocal on this, there has been more the importance balance sheet, importance of being able to offer your balance sheet – to high-net worth clients as you grow. How important is that? How important can it be, how important a component of your growth is leverage?

Sergio P. Ermotti
Well, I mean loans, if I think about one of the 40 growth initiatives that we have in place, it's clearly enhancing the penetration of lending in the lending business – because you know, when I look at our NII story, it's not just a beta story on where rates go, I mean our NII story has been and will continue to be, particularly in the U.S. and Asia, about increasing the penetration of loans – and in that sense, you know in the U.S. we are a fairly young player, because we really created banking activity for a decade, no more than that, we have been transforming our business from a brokerage business to a wealth management business very focused on the high end of the segments between 10 and 100 million – as well you know we have the

highest level of assets per financial advisors and the highest productivity in the market in the U.S. So, but what we discovered is that we were not doing enough of the rest of the ancillary banking businesses, and lending is one of them. So we believe that we have scope to growth but again for us it's very important in our equity story, in our capital story, our capital returns story, how to balance this, how to balance growth, cost and capital returns, because you know deploying balances for lending at suboptimal levels is fairly easy nowadays. So the issue is to say how can you get it to return the cost of capital, how can you make it in a constructive way, so we have to pay attention to what we do – but we have a lot of initiatives that goes into mortgages, being residential, some scope for penetration selectively in commercials, more scope in securities lending, and also getting even closer to some of our SMEs and entrepreneurs clients that needs leverage in a careful way, so I think that there is scope and I think that we have cash and capital generation capabilities to do that.

I don't feel that we have a model that is constrained by not having capital to grow, because I don't really feel that we are missing a lot of business that is accretive. I mean if we look at top line, if we look at PBT, of course it's fair to say that we are losing some of it. But when I look at the return on capital deployed, which for me is as important, if not more important, over time, that's where it is – and so when we look at growing and momentum, I don't want to go back into history too long, but 10 years ago the bank had 2.4 trillion of balance sheet, now we have 900 billion – and over the years we have always been trying to optimize cost, capital allocation, balance sheet, and it's an exercise that in some cases means that you sacrifice short-term growth. But we are ready to grow where we can create sustainable value to shareholders.

Jernej Omahen, Goldman Sachs
So let's dwell on this a little bit. You brought up two aspects, one is the transformation of the U.S. business, the other one is the issue of profitable growth – so if I tie the two together, UBS has a large U.S. operation, you have been transforming it as you pointed out – net new money has stagnated, but in the meantime I think the indication is that you expect that to change, the growth to return, and I know I bring up the issue of net new money at my own risk, because you disagree with that as a growth indicator. What is the plan for the U.S.? What are your expectations? We kicked it off with Asia and rapid growth there. But when you think about the U.S., what do you see?

Sergio P. Ermotti
Just to clarify I don't disagree that net new money is an indicator, I disagree when this is seen as the only or the main driver for assessing growth and quality. I am not trying to, we have, I don't know, 7-8 KPIs when we look at our business, and you know, it's a constant trade-off between who are the top three-four in the next 3-6 months, who are going to be the next 3 looking forward, you constantly optimize that. So at this stage, net new money should not be overrated for the reason I mentioned before. Look, the U.S. business today contributes to around 30% of our bottom line – and I expect that business, I mean the U.S. will grow over the years in the foreseeable future towards 50%. Asia is growing fast, double-digit, but of course if you look at our asset base, we have 2.3 trillion plus 850 billion in asset management. But on the wealth management side, half is in the U.S., 400 billion as I mentioned is in Asia – so, and all the initiatives that we have in the U.S. in terms of penetration of the Ultra client base, which is one of the major initiatives that we have. Coming back to your favorite topic, you know, if I look at the ultra space, we believe that we have at least 70 billion opportunity in the U.S. by simply looking at our current client base. We have more than 4,000 relationships in the U.S. that we know they have a net worth of more than 100 million. But we are not as deep in that kind of relationship as we could be.

Jernej Omahen, Goldman Sachs
Right, 70 billion you said?

Sergio P. Ermotti
Of net new money opportunity. But most importantly, the opportunity is not only to get the net new money, it's to say that once you put together our existing capabilities in the GFO space, in the capital markets space – we spoke about lending – you have an exponential opportunity to grow the P&L, and that's where we really need to go – because the more you, the way to get more close to those clients, will not be to say give me more to do the same, but it's rather presenting them with a broader range of products that they are currently using with competitors – so it's simply about getting our fair share of wallet with those clients likewise, we have it in the rest of the world. And again, 10 years ago our U.S. operation was more of a broker dealer. And it's very natural, and we went through a lot of transformation. 10 years ago or so, we were losing a 150 million pre-tax a year in our wealth management business. Today we do closer to 1.5 billion. So the scope for growth is still there by opening up relationships – and in APAC, I mentioned it before it is a different dynamic because there you have wealth creation. A billionaire, a new billionaire gets created every week – so think about it – the numbers of multimillionaires. So that's where we get our fair share of wallet but also how do we help other financial institutions to get successful in capturing and in managing this wealth is the name of the game going forward.

Jernej Omahen, Goldman Sachs
So, Sergio, my last question on my wealth and asset management, and then I will pause, we will see if there is any questions in the room and if yes, we will take them, otherwise we will continue. So you brought up the issue of asset management. I think there's a number of investors in the room which are asking the question, is it the right size, should it be bigger, is UBS a natural owner of asset management. And these are questions that have been around for like five years…

Sergio P. Ermotti
Is it the question they are asking themselves?

Jernej Omahen, Goldman Sachs
Maybe they are, but not out loud. So what do you think?

Sergio P. Ermotti
I am sure they are. You know, I think that our asset management business, first of all, if you compare it to the more traditional historical ownership of asset managers in Europe by banks – it's a different kind of situation because it belongs to a bank that is a leader in wealth management and asset gathering, so it has by definition a very close affinity, and what is our equity story? Our equity story is centered towards wealth management and asset gathering. Our position as a universal bank in Switzerland is sustained by you know, our capabilities in the IB and so that reinforces all that. So when I look at how it fits together, there is no doubt in my point of view that it fits together – our asset management has a share of around 27% of its assets of the 850 billion are coming from wealth management. So wealth management is the largest client. But it's not the only client. That's very important. Our asset management is out there competing for institutional business, for corporate business, for wholesale business.

And that's the reason, and that's the way they gain their credibility to be one of the preferred suppliers of product to our wealth management. So it fits very well, also because at the end of the day we have a time to market when we develop new products – how we respond to client demands. It is very important for us to be able to be in, you know for example in the area of alternatives, in the area of ESG, in the areas of smart beta, ETFs or passive, where we are in Europe one of the leaders – although it is clear that the scale is not the same as the largest players. But it is a profitable way for us to do it. So it's very complimentary. So size and the questions about size – I mean, size does matter, but it's not necessary always the answer to the question. I think that you know, our priority for example is more about how can we diversify our distribution channels –

that's the reason why we want to be deeper in our penetration of wholesale clients. So we are very skewed towards institutions. So I think that's where we are working on. But it's not a scale issue per se.

Jernej Omahen, Goldman Sachs
Ok, so as said, let's check if there are any questions for you in the room. There's one right here. Can I just ask you to introduce yourself and your institution? Let's make it slightly more formal and let's take it from there.

Audience Member
So I am from Dubai, Landmark, the family investment office, we are shareholders in UBS and fairly large on the AT1s too, so both. My question is really about fines and compliance. You know, we still keep seeing headline news about UBS being hit with some fine. How do we see things going forward? Because logically Lehman happened many, many years ago, and one is still grappling with fines, so I want to understand what's the outlook there?

Sergio P. Ermotti
Well, that yes, of course, is a fair question, since of course it's clear that not only externally but also for me, managing the past and legacy in addition to managing today and the future is a big chunk of my business. So I have to say that you know the vast majority of what you see is the resolution of long-standing issues that, it's legacy issues. Knock on wood, when I look at the vintage of all decisions, it's clearly indicating that not only UBS, the industry, I mean you know I'm not trying to shy away from our own responsibilities and issues that we had in the past – but if you go through the taxonomy of what happened to us over time, you will see that we are in good company, unfortunately, in respect of many of those issues. So you see that the resolution of those issues is coming through. I am not trying to point out in any overly negative sense but there is a tendency also by media to cover the same story at least 10 times, over a certain period of time, that it makes it look like it is a new issue – de facto you are going through a process of the resolution of the same issue that takes years and years, and in many cases in the vast majority of the cases, we don't control timing. We are a taker of timing. And in that sense, I think that you already saw a major contraction of our litigation.

I mean, maybe a good proxy to look at our litigation is to look at the litigation note on our quarterly reports. It is clearly shrinking as a function of having resolved a lot of matters. But still, some matters take time – some others are more complex, but I do expect those things to go away.

But operational risk for banks, for the industry, not only for our industry, if I look at social media technology companies, if I look at any, you know, operational risk, it's becoming one of the major risks in our industry de facto. So we have to be aware that that's the reason we invest a lot of money in, not only in remediation, but also in investment in trying to make sure that we avoid as much as possible, the risk of the reputational and the financial risk associated with that – so technology investments is very important in that sense, in KYC, AML processes, but you know, you see the trend, I expect this to normalize, has already been normalizing over time. But when it comes, it takes headlines unfortunately. I would prefer to spend more time into manage the future than the past. But it is part of the package.

Jernej Omahen, Goldman Sachs
But the proportion of time you are spending managing the past I guess has been falling steadily over the past years.

Sergio P. Ermotti
If you look at what happened in the 1st quarter and even as a consequence of today, you can imagine that I have to spend a lot of time in managing the internal and external dimensions and explaining to stakeholders, clients, employees, governments, shareholders, what's happening, why, and you know it's not only the time,

it's clearly you know something that we always have to wait – that's the reason why when you go into the resolution of those matters, you always have to think about what is the cost, but also what is the potential opportunity cost of being distracted, both reputational but also time in the organization. So we have to go through a very complex process in assessing all these cases and they take time. So unfortunately it's still a significant amount of time at least so far in 2019.

Jernej Omahen, Goldman Sachs
Fair enough, let us see if there are any other questions. There's one here, and if anybody else wants to ask a question after that, just indicate so we know where to.

Audience Member
Nadia (inaudible) Allianz Global Investors, I have two questions, first on the investment banking. Can you elaborate more about the, I would say the atmosphere in the IB since the recent management changes? Is there any influence in terms of operating performance? And are you feeling some pressure to review… for a strategic review of investment banking? I mean the one third capital allocation for the IB. And my second question is on the synergy between the IB and the wealth management. One of your peers is doing well on providing us some insight on this. Can you just elaborate more on this area?

Sergio P. Ermotti
First of all, I think that you know the performance in Q2 and Q1 of our investment bank I think was not dissimilar to the rest of the industry. And in that sense of course it's also, was also a reflection, is a reflection of our strategic goals and our capabilities where we are highly skewed towards Europe and Asia and less so in the U.S. so if you look at the performance and business mixes, of course you are asking about, do I feel the pressure of revisiting and rethinking about it? I take note of the pressure of people asking that question, which is a legitimate question. But at the end of the day, it is the same question we got during a couple of quarters in the last 6 or 7 years, where we had also a slowdown that was cyclical and in that sense, you know, we always analyze constantly what needs to be done, but it's clear that our investment bank has even in that kind of environment generated a 7% return on allocated capital – and the capital allocation is quite substantial, both in terms of equity but also a contingent capital cost that we allocate to the investment bank. A 7% return is something that some banks achieve in good market environments. So I have to say now the most important issue from a strategic point of view – the 7% is not our ambition, it's twice that - the most important issue today is clear, for the reason I mentioned before, that our ultra and GFO business, and our corporate business in Switzerland would not be able to perform on the same level with the same capabilities without an investment bank capability.

Now, shrinking further, we will always consider, you know, market condition and structural changes in the industry, but with the current capital allocation to the IB it's allowing us to create a mix of capabilities that are complimentary to each other and are offsetting each other in terms of potential cyclicality. But most importantly, they are the one who our client needs to be successful. I mean our clients in the wealth management and corporate sides. So the atmosphere in the IB is, I think Rob Karofsky and Piero Novelli are doing a fantastic job. And as I said, people understand it. It has nothing to do with management changes. It has to do with the environment.

Jernej Omahen, Goldman Sachs
Great, ever tempted to increase the scope of the IB, ever think to yourself you cut back too much?

Sergio P. Ermotti
No, no, look as I mentioned before, the issue is I have no evidence that we are missing something particular, I mean of course we wish we would have a larger franchise in the U.S. in terms of the less capital-intensive

businesses in the origination space, in advisory space. But if I look at, you know, the many years ago that we dramatically cut back, particularly in rates, and credit, they are clearly, they are dilutive. I don't see any player in the industry being able to articulate a story line that it creates on a stand-alone, vertical basis…those products are dilutive to returns. Because the capital consumption in the new regulatory framework is prohibitive. And you know, I don't think we miss anything. But what we miss is top-line and PBT. If this is then becoming accretive to capital, it's another story.

Jernej Omahen, Goldman Sachs
Excellent, Sergio, thank you very much, thank you.

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

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