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Speech by Sergio P. Ermotti, Group Chief Executive Officer

Including Q&A session

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Andy Stimpson, Bank of America

Good morning, everyone. Thank you, Alastair and thank you everyone for joining us. So, that's a pretty – I'm not sure the warm up act was that rousing with the answers you've all given for those questions, but for those that don't know me, I'm Andy Stimpson, and I cover the Swiss and the German banks here.

Now, to start off the conference this year, I'm very pleased to say that we are joined once again by UBS's CEO, Sergio Ermotti. Sergio, thank-you very much for joining us on stage here again. I'll hand over to Sergio to take us through some slides, and then as always, we'll do some Q&A at the end. Thank-you.

Sergio P. Ermotti

Thank-you Andy, and good morning everyone.

Slide 1 – Important information

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

Slide 2 – UBS at a glance

I'm going to use the time today to outline what UBS is, and what we can do with the foundation we have, which in essence, is all about answering the theme of this conference.

We have outstanding global client franchises across our business divisions which are underpinned by the strong UBS brand, and where clients are at the center of everything we do. As the only truly global wealth manager and the leading universal bank in Switzerland, we are unique.

And we are positioning all our businesses to take advantage of growth opportunities.

Managing for growth and efficiency means being disciplined on costs a) to fund investments for the future, but b) also to remain lean. We are constantly adapting to changes in the operating environment, and to anticipate the needs of our clients as well. That's the reason why we have to combine short-term tactical measures to protect our profitability and freeing up resources to allow us to respond to the structural shifts and proactively position UBS for the future. In essence, this means continuing to challenge both our plans and assumptions.

Our starting position is very strong. Not only do we have a good business and geographic mix, we also have the balance sheet strength to allow us to weather all seasons. We can deploy balance sheet and risk for clients and bottom line growth in good times and navigate the stressed times by being disciplined with resources and focusing on sustainable growth. And we can balance a desire for capital strength with returning excess capital to shareholders.

As we've also shown over the last few years, all of these ingredients together should lead us to strong financial performance over the cycle.

Slide 3 – Delivering high quality revenue growth and returns

The theme of the conference is about operating in a world of extremes. But as I see it, we've already been living in unusual times for quite a while now. For example, the introduction of the "temporary measure" of negative interest rates have now become the new normal. For one quarter of the time the euro has existed, the ECB has had negative interest rates, and it's now 11 years since the Fed has had quantitative easing.

But in the last 3 years, after repositioning our business, we've grown revenues in spite of all that. Recurring revenues, which make up around 60% of our operating income, have increased over the last three years. Transaction-driven revenues have remained stable overall, reflecting the abnormally low realized volatility in the market.

At the same time, we built 4 billion of CET1 capital, and still grew returns to a respectable 14.6% for the first half of this year.

Slide 4 – Clients entrusting us with their assets have supported our growth

I'll draw out some evidence of growth over the next few slides.

In GWM, we've had 90 billion of net new money inflows since the end of 2016. And invested assets have grown at a compound annual growth rate of 8% in that time, taking us to a record 2.5 trillion as of mid-year 2019. Our global footprint is unique, with broadly half of our invested assets in the Americas and half outside. So comparing developments to peers requires a little nuance.

As we highlighted in our Q219 results, invested asset development in the US is the only way for us to benchmark our net new money performance, as US peers do not disclose this metric.

While we've seen outflows in the Americas, our invested assets have grown in line with the peer average since 2016. That's when we completed the implementation of our operating model change in the US, focusing on retention and away from recruiting, which has had an adverse impact on net new money. This change in the model has contributed to us again delivering record profits in GWM Americas in Q2.

And for the regions outside the Americas, which is more comparable to our peers who don't have a US footprint, we had a strong – on a relative and absolute basis – 4.6% CAGR just from net new money since 2016.

We recognize that net new money is an important driver of growth for the business over the cycle, and while we will continue to focus also on improving this metric, we will continue to focus on the quality and sustainability, particularly when operating in a low or negative rate environment.

Slide 5 – Strong growth prospects in APAC

We've been committed to APAC for over 5 decades, through good and bad times. This unwavering commitment has helped us to earn leadership positions in key business areas, including wealth management. In fact, I've just come back from Hong Kong last week for board meetings, and I met with clients and some of our local teams as well.

In spite of the current environment, our goal is to grow even further in this fast expanding region, both organically and through strategic partnerships.

At our Q2 results, we discussed the SuMi Trust joint venture in Japan, which we're confident will be beneficial for both clients and shareholders. And we are exploring similar opportunities across the globe to scale our business effectively, efficiently, in line with our objective communicated in October.

For example, yesterday, we announced our intention to enter into a strategic partnership with Banco do Brasil to combine our respective investment banking capabilities and create a leading investment bank in South America. This is expected to cover investment banking services and institutional securities brokerage in Brazil, Argentina, Chile, Paraguay, Peru and Uruguay, leveraging access to Banco do Brasil's corporate clients and UBS's execution and distribution capabilities.

Slide 6 – Making progress on our strategic initiatives

We remain focused on pulling the strategic levers we discussed at our Investor Update last year and capitalizing on structural growth opportunities globally.

I've just outlined one initiative, and another strategic opportunity I'd like to call out is the Global Family Office Group, which is a concept that, as you know, we pioneered almost a decade ago.

The reason why this is one of our focus areas, is because introducing GWM clients to this institutional coverage model, which is a joint venture with the IB, yields benefits for the clients in terms of holistic service and provides substantial revenue upside to UBS.

After we transfer a wealth management client into GFO, revenues increase by around 15% CAGR on average, mainly as a result of much higher volumes of transactions directly with the IB. It's a great example of how we can benefit from, and our clients and shareholders can benefit from, our diversification and expertise.

Slide 7 – Leveraging scale and technology to deliver for clients

Moving to the topic of technology, which is pivotal to our ability to innovate for clients and improve the efficiency of our businesses.

Technology is becoming more and more of a differentiator, and our continuous investments are paying off. As you can see on the slides, we regularly receive external awards, but most importantly, our capabilities are also recognized by clients.

While our wealth management offering will continue to be primarily human-driven advice and coverage, we have successfully launched hybrid products for client segments that wouldn't normally have access to UBS's expertise and service. UBS Advice Advantage, our digital advice platform in the US, has been live for one and a half years and has contributed to the strong growth in managed accounts we've seen in the US.

But it's not only our scale that's benefitting clients. By partnering with Broadridge to develop our platform in the US, we're contributing to creating a utility for some of the more commoditized services in the value chain. This should reduce costs and improve the quality of the service our clients receive, and initiatives like this are important in helping us to achieve our targets to improve efficiency.

We are a digital leader in Switzerland, across both the private and institutional space, and we can leverage the Swiss capabilities across the firm. Wealth Management Platform in Global Wealth Management, for example, was developed in Switzerland and subsequently rolled out across the world.

Investment banks are transforming and we are working hard to be at the forefront of these developments. Our historical areas of strength, Equities and FX, have evolved to become among the most electronified products for the industry. The fact that our Equities and FX e-trading turnover has grown faster than the market as a whole indicates that our investments are paying off in this highly competitive space. But to be clear, this does not mean that we can or will get complacent now.

In Research, too, we strive to be a market leader, with our state-of-the-art alternative data platform, Evidence Lab. This has contributed to our #1 positions in the latest global research surveys.

While we always keep an eye on short-term profitability, we remain committed to investing in digital over the cycle. Technology investments are crucial not only to maintain our share of wallet or market share and become more efficient, but also as an enabler for future growth.

Slide 8 – Balancing revenue, cost and capital efficiency

Another important pillar of our strategic execution is the constant focus on optimizing the balance between revenue growth, cost and capital efficiency to drive returns. That's the reason why we're as focused on becoming more efficient as we are on using our financial resources effectively. Only by doing both we can free up or create the quality of profits that allow us to reinvest for growth and to deliver on our capital returns plans.

As you can see in this chart, you should be indifferent between points along each line from an efficiency perspective. And our high capital efficiency is a balancing factor for our structurally higher cost/income ratio.

Talking about costs, we also have to recognize that we are absorbing expenses related to regulations, alongside self-funding growth and tech investments. I just outlined some of the things on our tech agenda, and that does not come without costs, but such investments also aren't really optional.

And in order to fund that, we need to constantly find ways to cut and improve efficiency. Therefore, we're still committed to what we said at our Investor Update last year: we want direct expenses excluding variable compensation to stay broadly flat.

Slide 9 – Delivering returns in line with global peers

Our ambition is to deliver world-leading returns, and this picture shows we are already delivering in line with the top peers. But of course, we still strive to improve from here.

You'll notice that, for our benchmarking, we're using CET1 capital, which is important and the binding constraint on capital, and the easiest to compare across banks.

Slide 10 – Growing book value while distributing capital

Let's take a look at tangible book value growth. In my opinion, in order to assess relative and absolute developments, we need to take cash dividends into consideration.

We've paid out a third of the tangible book value – around 15 billion dollars – in dividends since 2011. That places us among the top of cash dividend payers in the industry, and naturally this has an impact on the pure book value growth standing relative to peers. Adding back cash dividends, we are broadly in line with our US peers and compare favorably to the Europeans.

Slide 11 – Market context

Touching on the environment briefly. Uncertainty has negatively impacted client sentiment, leading to inertia in trading in recent quarters. Volatility has been largely muted, but has been accompanied by short periods of extreme spikes. And Q3 has been no exception.

We recognize the headwinds from the low and negative rates, and we are optimizing our business for the evolving environment. That said, it's worth remembering that net interest income is only around 20% of our revenues.

Slide 12 – Focused on improving financial returns

The difficult start of the year weighed on our first half results, but we nonetheless reported good returns. Considering the limited visibility we have intra-quarter, it's difficult to predict how the year will play out.

But regardless of how the external factors develop, we as a management team are committed to working tirelessly to improve financial returns.

Slide 13 – Key messages

In conclusion, there are a few key messages I'd like to leave with you.

We are operating from a position of strength with outstanding global client franchises today, and we intend to keep building on that. We have been and we will continue to position our businesses for growth, including investing in digital.

We're committed to taking sustainability into account and providing solutions for our clients, to whom this is an important consideration. It is important to us, too, and we're honored to be recognized for that. Earlier this month, UBS was named the best performer for the fifth year running in the Diversified Financial Services and Capital Markets Industry of the Dow Jones Sustainability Index, the most widely recognized corporate sustainability rating.

Improving efficiency is key to being able to fund growth investments and responding to the evolving operating environment. Our capital strength also gives us some flexibility on these two fronts.

And the last point I'll highlight: UBS has an attractive capital return profile. Our plan is to continue to pay dividends and buy back shares in accordance to our capital returns policy.

With that, I'll hand over to Andy for Q&A.

Conference Q&A

Andrew Stimpson, Bank of America
Thank-you, Sergio. Thank-you very much. So, I'll kick off. There's already a couple of questions on the iPad as well, I'll pick up one as well. You went through the – if we think back to the business plan from last year, the plan was calling for revenue growth with cost flat, as you've repeated there. I think it's – you know, fair to say, for all the banks, the revenue side has struggled there. And you have continued those investments in growth regions, onshore China, Sumitomo joint venture and the advisor hires. I guess from the market point of view, is there any – is there any kind of stage where you would consider –where that plan would need to change on the cost investment?

Sergio Ermotti
Well, first of all, of course we are continuing to adapt how we execute on our strategy and as we outlined at the beginning of the year, not only we are executing on those 800 million that we flashed in the Investor Update as structural cost savings, but also we said that we have identified 300 million of tactical measures that are de facto a slow-down, what I call a "fuel save mode" in respect of how we execute on our strategy.

I don't see any major strategic initiative that can be basically cancelled or put aside because of the environment without naturally going and compromising our mid-term to long-term growth opportunities. We need to find tactical consideration – when you run a 24 billion cost base, by definition, you always need to find some things to save, and we are always looking at the 10, 50 million a year there – a few hundreds, but you know, we are definitely not talking about billions of cost savings without compromising our structure or our franchise.

So, at the same time, I would say that we have some levers to respond to the negative topline developments. Half of the growth that we identified last year is coming from alpha initiatives. It's not just basically you know, getting the benefits of rates environment or a normalization of the trading environment for clients.

So, we have to really focus on executing on those initiatives and balancing a flat cost base, excluding compensation, and some growth, maybe not as the one we were planning for, will allow us to protect our bottom line and not have to compromise on growth for the long term.

Andrew Stimpson, Bank of America
Got it. And you mentioned comp – you know, excluding comp – I think comp is one of the largest costs for any bank, but particularly for you, and you've got variable comp across almost all your divisions, which isn't very common among banks. How much flexibility is there in the comp part of the cost?

Sergio Ermotti
Well, if you look at – in the US, there is a clear correlation between revenues development and commissions. And compensation is not – you know, formulaic, so it's a natural hedge we have on the business. But also on what I would call more the discretionary part of the compensation outside Wealth Management Americas, we have definitely a methodology that follows profitability in order to reflect that.

I do think that is definitely time for all to consider how to look at this compensation and being able to be – stay competitive, but at the same time balancing really the outcome for shareholders to what people get paid. And I think in the past – and we will continue to be at the forefront of these changes. We want to have the best people, attract and retain the best people, but at the same time, I'm fully aware that we need also to balance shareholder returns. And at – but at the end of the day, if you go too much on your own in forcing those changes, you are at risk of creating collateral damages. But I think that somehow the industry has to – you know, respond to this and it's up to every bank or every shareholder to really put influence also on those debates.

Andrew Stimpson, Bank of America
Got it – got it. I probably shouldn't have asked that one, should I?

If I switch to wealth management, the gross margins, which I know you want to look at profitability, but we all look at the – still look at gross margins, and they've been under pressure for a while I think.

There's the story in the second quarter ended up focusing on the – on the net interest margins because that story was very fresh at the time as you said there – I think you said that the net interest income's only 20% of your total revenue. So maybe if we focus on the fee side, there's also been pressure on that side of things. But – and it looks – because it's just – you know, through various different things, it almost looks like it's structural. Do you think it's structural, is it actually part of that which is actually cyclical and then it's – you know, if at some point we fill in the survey that Alastair gave us at the start and everyone's a bit more bullish then there could be actually be some good news there, at some stage.

Sergio Ermotti
Yes, well first of all, Alastair, next year, I'll look to come again or – but you know, please put Switzerland in – because we are not an investment bank, and at the end of the day, that's really one of the issues, so I'm glad you asked the question about margin because that's nothing to do with the investment bank, right so…

Andrew Stimpson, Bank of America
I've got one later, but…

Sergio Ermotti
… but the issue is that to answer your question, is clearly half-half. I mean it's no doubt in my mind that our industry like almost every industry is under margin pressure. So, I mean it would be totally naïve to expect that it's not the case. I mean the competitors, we have over-capacity in the industry and digitalization is creating potential new threats across the board and new entrants.

So, there are structural issues that you need to keep in consideration. Others are more cyclical. I would say that even when I pick out the more competitive nature of how deposits and profitability will develop over the years, there is a clear correlation that when rates eventually – I don't know when, will go up, you have been seeing some positive correlation in the last – you know, in the last 24, 36 months, so.

Transaction volume, the correlation of this with realized volatility in the market is clearly there. I mean, if there is no volatility in financial markets, both institutional shareholders and wealth management and private clients will trade less. And particularly, what you can really observe is a slowdown in structural products and particularly wealth management clients with high realized and implied volatility that have an opportunity to maybe sell volatility and create structured products that are very beneficial to the transaction line.

So, I would say it's mix – mix. The structural part of the equation has to be addressed by constant savings and improvements on how you operate. And that's the reason why in essence is absolutely critical to think about investing in technology to become leaner and more agile, more efficient, because it's the only way you can compensate for – on a net basis.

So, gross margins are important, but at the end of the day, it's about protecting the net margins. And for us, it's very important since we have half – almost half of the 2.5 trillion are with ultra or GFO clients, so institutional – you know, where the gross margin are higher [*edit: lower*], but as I mentioned before, when you look at net margins, they are very comparable – actually are very accretive to our business.

Andrew Stimpson, Bank of America
Thank you. And there's a couple of questions coming in from the audience here on inflows and especially in – the disruption we've seen in Hong Kong, and you were there the other week you said. How have inflows been performing? Has there been much disruption from what we've been seeing happening in Hong Kong?

Sergio Ermotti
Look, I guess this is clearly – has created another layer of uncertainty, which you can say that has been already going on for almost a year now. In Asia, in general, the sentiment has changed. I think that people do realize that we are entering a new phase of growth for Asia and China, in particular. Where the double digit and straight line development is unlikely to be what we will see in the next 5 to 10 years. Fundamentally, people are still confident that, while more bumpy, it's still going to be an area of absolute growth. Of course, these trade tensions, political tensions, together with the rest of what's going on is not helping, but it's all a relative game and you know, I think that at the end of the day, when we go to Asia, as a European, you feel pretty good about life. I mean that's really, at the end of the day, is that I think that they still have a huge competitive advantage and a lot of opportunity for growth. That's the reason why we keep investing in Hong Kong, in Singapore, in Australia, in Japan. But also, last but not least, it's really, our view is that the opening of financial markets in domestic China will be the real engine of mid to long-term growth.

Andrew Stimpson, Bank of America
Got it. Thank you. Maybe if I do ask my question on the investment bank, and you can tell me off. We've seen some changes announced in – or at least it was leaked to the press but it was internal changes to the structure of the investment bank – merging equities and FICC, and ECM and DCM. I can't remember – and I might be wrong, I can't remember another bank doing that similar, any indication of what's coming for the future? What was the logic there? And then is that a cost savings initiative to try and the returns – the investment bank back towards its target?

Sergio Ermotti
Yes, of course, it's always a response to a lot of factors, so I don’t –I will not say that it's necessarily one factor driving any issues.

If you look back in 2011 – in November 2011, we announced a clear strategy on how we wanted the IB to be positioned, and since then, we put together various “releases” of our operating model. So, it's nothing more than that. And I would say probably if you look the latest development, it's probably a bigger upgrade than – or a change in the operating system, than it is an normal rollout of an update.

But in essence, we are saying it is clear that when you look at execution nowadays, the synergies and convergence of technology between asset classes like Equities – and particularly FX where we are the strongest – are basically enabling us to capture in three silos our activities. One is the execution – I would call it delta one or linear. And then, in the second bucket, everything which has to do with derivatives, so non-linear. And the third one is more the financing – the prime brokerage business. And while we look at that element, we're always going to look at three dimensional approach. Number one, the segmentation of equities, equity derivatives and fixed income and so on, and also the client dimension.

So, I don’t – it's not a revolution, it's an evolution that – it fits also who we are. We need to be – we can’t be like the biggest investment bank – our ambition is to be competitive, and we are a top five player in this – in 75 of the businesses we are in. Those are the businesses we want to compete.

We can't have an operating model of a bank that has a completely different aspiration and dimensions. So as I always said in the past, we need to stay focused and doing the right things for our clients and our shareholders when we look at the investment bank opportunities. And all this will help us to get to our targets.

Andrew Stimpson, Bank of America
Perfect. And then there's a few questions here coming in on the dividend, and first I wanted to ask if there's any comment you'd like to give on how the third quarter’s going so far?

Sergio Ermotti
I don’t think I have anything particular to say about the third quarter. I described the environment, I mean this is basically more of the same that we have been seeing in the –over the last few quarters.

And you know, I think that, as I mentioned before, in essence, I can combine that with your question on dividends. So I just reiterated that we expect our capital return plans to be – you know, to be executed during the year. So, I think it's enough of an indication.

Andrew Stimpson, Bank of America
Perfect. So, there's a few –questions coming in and saying you know, the dividend yield’s pretty high. Normally that would imply that companies are reconsidering their dividend, can you rule that out?

Sergio Ermotti
Absolutely. I just…

Andrew Stimpson, Bank of America
Thank you very much.

Sergio Ermotti
… straightforward that our capital plan policy has not changed. Our dividend is sacrosanct.

Andrew Stimpson, Bank of America
Perfect. And you have a slide up there on book value growth. Is that a metric that you think is important? And how do you think about that going forward?

Sergio Ermotti
All metrics are important. And they are helping to give you a picture – you know, we always look at – that one is the one that – you know, I guess was important for us to understand and explain because of course, legitimately some people were confronting our tangible book development versus our peers over the years. And they had a fair point in saying, you guys are not growing as much.

Now there was – the reason why was because of course, we –they did exclude the meaningful cash payments we made. And the reason why we had higher cash payout has to do with historical development of our stock price.

Of course, I believe – we believe that when the stock is trading above tangible or above book value, you should favor cash payout. When you are – like many of our peers, both US and European – starting from their capital return plans after restructuring from a low base, i.e. below tangible, very much below tangible, of course, capital returns should be weighted towards share buybacks until you reach that level.

That wasn't the case for us. And that's the reason why it's fair for us to compare both with US peers and also the European peers, how do we do in combining the two elements, cash and share buyback.

Andrew Stimpson, Bank of America
OK, thank you. Are there any live questions anyone would like to hold their hand up to ask? No? I shall ask – we probably got time for one more, there's another one here on wealth, particularly in Asia. So, we're seeing a lot more banks, especially as they've got their own houses in order, thinking, actually wealth management is a fantastic business to have under Basel 3 and Basel 4. In Asia in particular, where do you see your – who do you see your main competitors? And how are you going to – which is your – really seeing as the incumbent there – people are trying to – the other banks are coming and trying to take share from you, how are you – how are you defending that?

Sergio Ermotti
Well, look, Andy, I think on that issue, I'm not going to say something that you haven't heard me saying in the last seven, eight years, and as a matter of fact, it's still correct. Number one, we are not complacent or dismissal of any new entrants of any competitors trying to build up that business.

But I can only say two observation points; first of all, it takes much more than just an ambition to become a wealth management business and a franchise. I mean it takes decades, decades, and a lot of investments. And particularly in this very challenging environment, where tailwind is not necessarily one of the factors helping.

It's not an easy job for new entrants or tier three or tier two players to take market share and growth away from the top five, six players. I haven't seen that happening. Actually, I saw the contrary. After the financial crisis and in the recent developments, you always have this – you know, desire by many players, which is understandable, for the reasons you mentioned, to have a bigger share of wallet in wealth management. But it takes a lot of efforts and I think that we have to continue to raise the bar.

And that's [the] reason – going back to the discussions on investment, we are not staying still. I mean a lot of our competitors will have to – wants to catch up to our levels, but we are not standing still, we are investing. We are really looking at ways to improve, and so, as I said, a lot of respect for everybody, but also healthy confidence that we will continue to use our leadership in the business to create competitive advantage.

Andrew Stimpson, Bank of America
Perfect. Perfect. I think we'll leave it there. Thank you very much, Sergio for your time…

Sergio Ermotti
Thank you.

Andrew Stimpson, Bank of America
… and thank-you everyone, for your questions.

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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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