UBS

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Fireside chat with Sergio P. Ermotti, Group Chief Executive Officer;
Moderator: Alastair Ryan, Bank of America

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

Alastair Ryan

So, it's -- I hope it's a pleasure for you to be back. It's an absolute pleasure to be welcoming you back and such extraordinary circumstances. And I think good timing because your second quarter results three weeks ago really seemed to shift the market's perception from whether it will -- whether UBS had almost wanted to do the deal with Credit Suisse, whether it was this thing that had come up outside of your control, but whether it's something that the company wanted to do.

I think the market's been able to see that something you're very pleased to be able to do. But on the back of that, but just a little, please, on your short-term, medium-term priorities now that -- now that you sort of established the base of the scale of the opportunity here.

Sergio P. Ermotti

Thank you, Alistair, as well. It's great to be back. Totally unexpected. But, of course, it's a great opportunity, great challenge and for the bank, for Switzerland for myself. I think this is a transaction that, you know, you mentioned. UBS probably, didn't want to do it or well, you know, of course, it's a complex transaction, but a transaction that now is there, we believe, is going to create great value not only to shareholders, but also I'm totally convinced to employees, to clients and to broadly the society.

Now, in terms of where we stand, of course, the first priority for us was to stabilize the Credit Suisse franchise, both in terms of clients and winning back clients has been an important focus from day one. And particularly after closing, we put a lot of effort in doing that. I'm very pleased with the outcome.

The integration is going very fast. There's only three months. We truly closed the transaction on June 12. But we already took several actions, both from a target operating model standpoint of view. We defined the organization's three levels, actually four levels of responsibilities within the bank.

We returned the guarantee, it was very important. We returned all the facilities, emergency facilities that were granted. We announced the integration of the Swiss operation. And, now, we are in full speed in executing on this year synergies, but also preparing for the three-year plan, the 2024/2026 plan that we will announce in February with our full-year results.

And last but not the least, we are, of course, we also manage for growth. Our ambitions in the US and APAC are only reinforced through a critical mass. We are now managing between the private and the institutional part, 5.5 trillion. And this is a great platform that gives us the economies of scale and allows us to grow for the future. So, very pleased with the outcome. A lot of work to be done still, but the momentum is pretty positive.

Alastair Ryan

Thank you. And then just on the stabilization. I mean, I guess, that was one of the things in Q2 that stood out that I'd pictured that there must have been quite a great deal of uncertainty about whether the assets and the deposits and the funding that Credit Suisse had on the day, you were still going to get further outflows? And, actually, that turned around from the outside it turned around pretty quickly. Did you know that that was going to be smooth or is that been a pleasant surprise?

Sergio P. Ermotti

No, it is a pleasant surprise, to be honest. I think that's, actually, you saw and we also saw in April and May still outflows and it was still the long tail of post the announcements. Partially, people that had already decided to take out the money. Yet, still some uncertainty around the transaction because until the transaction was closed, some people were not really sure about the outcome.

As soon as we. I would say the turning point was probably the handing back of the guarantee. And then -- but from a momentum stand point of view, but already in June, before announcing the closing of the transaction, we started to see positive inflows.

Yeah. Probably one or two quarters earlier than I expected. But in my point of view, it's really down to the testament of the strength of the franchise that we have the credibility we gained. And you know, and also, last but not the least, very hard work by all the people on both sides, you know, particularly for our new colleagues from CS, from Crédit Suisse. They went through very tough times. And I'm quite impressed with the energy level they put despite all this, in going out and regaining share of wallet and clients.

Alastair Ryan

Thank you. So, the integration and the principles, done, the legal mergers, the acquisition done. I mean, how does one, perhaps, the Swiss Bank and Wealth Management side, how does one actually do that? You know, how long does that take? And what milestones should we be looking for to judge the progress you're making in putting those two comparable businesses together? And UBS was obviously much bigger at the end. But a couple of years ago, they were quite comparably scaled.

Sergio P. Ermotti

Well, I guess, look, we are not doing anything special that hasn't been done in the past. The big difference - I went through myself in the past in M&A - but usually you have at least two months to prepare before the announcement, then, you have de-facto nine months before you get all the regulatory approvals.

So, in that period of time, you are managing, you are preparing for the target operating model, the fine-tuning and everything that goes on. In this case, we have been doing that in a fast track. Basically, in three months we did the preparation work that led to the, also, the closing. And, then, in the following three months as we speak, we are now already in execution.

The complexity was that Credit Suisse was structurally losing money. Usually, you go through M&A and you have, you know, you look for synergies and you look for -- you accept top line negative synergies and you manage somehow for the best outcome. Here, we had to immediately step in to reduce cost, stop the outflows and it was a mix between a traditional M&A and an emergency situation.

So, we have an integration office that takes in consideration, you know, all the major items that are group-wide relevant. But, then, we let each business division and group function go through their integration. The target operating model is UBS. The IT that we choose is UBS. So we try to facilitate as much as we can the integration.

It doesn't mean that necessarily all the time the UBS technology and target operating model is the right one. But is the one that we can execute faster. Of course, as we go through that, we look at areas where we can become best practice. For example, there are 3,000 IT applications at Credit Suisse, we're going to keep 300. Because we believe they are essential to make our business stronger and or may be better than the one we had. But for the rest, we need to go very fast on one system. That's the name of the game here is to not to try to go for perfection, but rather a good balance between efficiency and effectiveness in the process.

Alastair Ryan

Thank you. Clear. So in Wealth Management, then. I joined UBS kind of in the aftermath of the Swiss bank merger. So, we switched. I was at UBS, Sergio was at Merrill. And you know, that was actually a very successful deal in the end. But particularly in Wealth Management, there was a lot of clashes for quite a long time. There was factions. The old UBS guys, the old Swiss Bank guys.

And how do you, you know, so the question is how do you avoid sort of lingering complexities now? And is that the most important thing or is it, again, bringing confidence back to clients to stabilize the assets and the liabilities there?

Sergio P. Ermotti

Well, look, that's definitely not an easy task. But, having said that, you know, we try to be as sensitive as possible in making sure that the new colleagues are integrated in the way we operate and we do the best out of it.

You mentioned back then, I remember was 1998 or so. But I'm going back to what I said before. You are talking about two banks, the Union Bank of Switzerland and Swiss Bank Corporation that were de-facto going concern, profitable banks.

And the emotions when you bring together two business that are somehow still operating. Well, it's much higher, I would say. Here, there is a lot of frustration, of course. But on the other hand, it's crystal clear that Credit Suisse was not a viable business any longer. So, in a sense, what we tried to do is to get our new colleagues to fully understand, and the clients, that now there is a chance to flourish again within UBS and make UBS stronger.

It's all about them understanding that this is now the best option possible for their future, for their clients. And so, in a sense, it is a different issue.

Alastair Ryan

Clear. So, thank you. And, I guess, as a result of the way that things worked out at Credit Suisse, there's a big Non-core and Legacy book now. In a funny way this room is full of connoisseurs of Non-core and Legacy because, every bank has had one certain banks presenting later in the week have had three or four over the last 15 years and they've often been long dated and very expensive to run-off.

So can you tell us about the process there capital, costs, you gave us some disclosure in Q2 about the natural run-off of the business. But, how you're approaching Non-core and Legacy, how people should think about the drag of that or otherwise?

Sergio P. Ermotti

Well, that's an important element. But, for me, while taking down the non-core assets, it's a priority. You really need to go back to our presentation and maybe some of the people in the room may remember that we put that as a priority in Non-core and Legacy, cost reduction [first], and then rundown of the risk-weighted assets.

The reason being that the biggest value creation for us is to shut down the IB infrastructure and the non-core infrastructure as fast as we can. This is half of the savings that we are forecasting between now and 2026 will come from that.

So, when you look at the natural decay profile of the non-core, half of it will be out by 2026. Of course, we're going to focus and try to do better and we will do better than that. But, the value creation from a shareholder standpoint of view, it's by the decommissioning the IT and the infrastructure that supports all those assets.

Now, we have a big advantage because most importantly, we are not concerned about taking losses, if necessary, from a revenue standpoint of view. If they are not -- if the positions are not economically sustainable or we don't believe they are fitting any longer in our strategy or risk appetite, because we have the cash generation of every other businesses that allow us to do that.

So, and of course, the most important issue is also to understand that synchronizing the runoff, proactive runoff of non-core, with decommissioning is also very important because there are marginal benefits in keeping some of those positions. Not all positions, actually. The vast majority of the positions are good positions.

There is no credit or toxic profile around them. So, we need to really measure what is the best economic outcome for shareholders, because if we go too fast without being able to decommission, we may destroy value. So, it's a fine-tuning exercise, but I really emphasize that the most important topic to or around non-core, which is not, what everybody wants to talk about, that is cost, and not the risk-weighted assets.

Alastair Ryan

Thank you. Just a point of well, so, I've got some questions here. There will be the opportunity for you to put your hand up and ask we're not going to run down the clock. We're asking every company to leave a bit of time for you to throw what you want. I mean, obviously, my aspiration is I've asked all your questions before then. But do feel free in 10 minutes or so to put your hands up if you have anything pressing.

I'm going to move on, back to the costs Sergio, there's an ambition to take out more than $10 billion. Sounds like an extraordinary number. I guess you've given us half of that. You know, how hard is it to take that much out of a business the size of UBS?

Sergio P. Ermotti

Well, it's hard because, you know, at the end of the day, no matter what in our industry, it's around people. So, that element is pretty hard. So, but it's necessary because, you know, as I mentioned before, CS was structurally losing money and then we need to extract the synergies.

So, the exercise here is all about restructuring first and then synergies. And, of course, if you look at the starting point, our view is if you take end of 2022 cost base combined and you look at this combination as a domestic merger, although it's much more than a domestic merger. But it's true that we're operating in the same locations worldwide. So, we need to start from there and say, what can you expect there in terms of synergies out of such an issue?

And then we do that on a gross basis. And then we look at how much money, we look at how much money is necessary to make our infrastructure more resilient. We added back what we expect between now and 2026 for inflation and growth that we aspire. As I mentioned before, growth, we are still looking to invest in our business.

So, to try to come with a net number which drives our ambitions that to be below 70% cost income ratio by 2026, excluding the pull to par and the cost to achieve effects of the integration. So that's the way we look at. So, we look at gross and then we need to add back cost and then we need to add back cost for inflation and growth.

And IT, I mentioned the IB and non-core infrastructure. The synergies that we do expect from Wealth Management, you know, onboarding all the Credit Suisse clients into the Wealth Management platform of UBS. We announced the Swiss integration, real estate footprint, corporate center synergies, you name it.

So, there is a lot of things that have to be done. Credit Suisse has 1,000 legal entities. We have around, UBS has around 300. So, there is a lot of scope for reducing cost, but, most importantly, to optimize capital consumption and liquidity trapped into different legal entities.

Alastair Ryan

Thank you. I'm pleased you mentioned that. I've got your fixed income presentation, legal structures and all some great numbers here. So let's just touch a little on capital, if we could. I've got investor relations looking terrified there. But one of the things that I've found the market wanted to talk most about is the common equity tier 1 ratio that your bank will have to have. And part of that is the maths of the Swiss too big to fail regime as it exists. And part of that has been a source of general concern that regulators tend to ask for more capital.

But you've been quite clear that you think 14 is a good number for the bank. So, could you talk about the moving parts of that sort of this year and over the next couple of years? What gives you the confidence? 14 is a pretty high number, but the market seems to keep coming back. So what if it's more, you know, and what gives you the comfort that 14 is the right level for the bank?

Sergio P. Ermotti

Well, I can only comment on what I know. Right. First of all, let's go through exactly why we set the 14%. And why I believe it's the right number for us to operate in the foreseeable future.

It is clear that as we go through the restructuring and we are out really winning back clients, it's absolutely critical that our capital position is strong and undisputed. Right. So and in that sense, particularly when we look at the mismatch that we have between pull to par positive effects and costs to achieve, will create volatility on CET1. So we can't, we don't want to, have our CET1 falling below a certain level and potentially even creating, you know, you never know which environment you will operate.

So, it's very important because the strength of our balance sheet is a critical pillar of our strategy. And has to be, when you are the leading wealth management franchise around the world, you can't afford to have discussions around your capital.

So just to give you an example. In the rest, for the rest of the year we are going to have positive pull to par effects of around 1.5 billion and we expect cost to achieve impacts of around 3 billion. So you see that already that creates volatility.

So, the second element is the 14%, in my view, is likely to be around that number, is likely to be a good landing zone. Why? Today, we have a minimum capital requirement of 10.6%. The Swiss finish that will be applicable to us from 2026, 2027 onwards. So not before then, 2026, 2027 onwards, will add around 200 basis points because of market share and balance sheet size. So that will make us landing a minimum capital requirement of 12.5%. And I believe that, our business should run between 1 and 1.5 points of buffer between minimum requirements. And I mean, like many of our more, peers, 1 to 1.5 points of buffer is the right way to land.

So, for different reasons, 14%, in my point of view, is that. By the way, Basel III has been almost implemented in Switzerland. Of course, we see that for many other banks, maybe it's not yet the case, particularly in the US. I saw numbers going around 20% inflation for us. I don't believe this number will be as high as that. Actually, we expect these numbers to be closer to 5% in aggregate. So, so Basel III is also not a huge headwind in that sense.

Alastair Ryan

Yeah that was Jamie Dimon said it was 30, so the Fed says it's 20. Jaime says it's 30, but it's US then.

Sergio P. Ermotti

As you know Alastair, we have been saying that in the past and people were skeptical, but Switzerland has been implementing Basel III very coherently, very fast compared to many other jurisdictions. And you still see everybody reporting under Basel III, but I'm not so sure, actually now we are sure, that it was not always the same Basel III.

Alastair Ryan

Sure.

Sergio P. Ermotti

Right. So, now, we are now getting to the end of the game. Fine, I think we are well prepared for that.

Alastair Ryan

Thank you. And then you also ended up with a great deal of gone concern capital as a bank, which is a kind of a function that Credit Suisse at the end was much smaller than it expected to be. Is there any opportunity for you over the next couple of years to create efficiencies in that part of the capital stack? It's quite a big cost to the Swiss bank because they're such big numbers outstanding.

Sergio P. Ermotti

Yeah. It's a big cost. And, actually, you know, the answer is that, if any, it's marginal. Because, of course, when you look at group level, the stock is very big. But the truth of the matter, you need to go down below the group in the subsidiaries and look at the capital requirements there, translates into these additional buffers coming on the top. So, I don't think that there is a lot of scope to reduce that, we need [it and] it is a cost.

By the way, yesterday, we had a very successful transactions in the market. We attracted, you know, we raised around 6 billion, 7 billion,6 billions of capital of new funding, if I remember correctly, 6 billion, 7 billion. And with demand… Actually, sorry, no, it was 4.5 billion and with demand for 16 billion. And, yeah, the cost is there which shows that there is a definitely a premium. So for this TLAC instruments that are there to absorb capital, which I think is the right structure.

So, the answer is that I don't believe there is a lot of scope to reduce that. There is a scope for us to deploy our capital and our resources more effectively. But not to reduce those buffers.

Alastair Ryan

Thank you. So that's the platform established. So, 14 is a good number. I think, hopefully, that's been broadly closed down. So and the other that we gave is 15, which is a return on common equity tier 1 as a run rate by the end of 2026.

So, I guess, how confident are you in that? And then, what's the shape in broad terms of getting there? Because it's most unusual because you've got this pull to par, which not by quarter as you said, but, overall, you've said that should pretty much offset the impact of the non-core rundown?

Sergio P. Ermotti

The pull to par should broadly cover for the restructuring charges.

Alastair Ryan

Yes, sorry. So, 15% percent 2026. Easy. Two days a week off.

Sergio P. Ermotti

Very easy.

Alastair Ryan

And then what's the shape of that? Do you move to that number or is that very much?

Sergio P. Ermotti

No. Look, that's exactly what you're going to hear in February. So now, I think that we have enough confidence. And with today's starting point or, let's say, June second quarter data to drive what we believe is the exit rate in 2026. What we are now working on is exactly how to connect the dots between now and then because of this volatility we will have or a mismatch between in executing that. But this is going to be part of what we present in February.

Alastair Ryan

Worth a try. And in your previous years running UBS. Growth was a big part of what you delivered in the Wealth Management business. I suppose the question is how quickly can you move on from integrating Credit Suisse to growing the business again? Is it not quite that simple because winning back assets that were lost is is fantastic growth in some ways.

And then what investments you need make? You mentioned briefly the US and Asia. What are the investments you still need to make to round out the franchise? That you've made a big step forward. But there's always work to do.

Sergio P. Ermotti

While, winning back for us, winning back is not part of growth. Winning back is winning back. And is resetting our starting moment. I think, and then from then onwards, of course, we're going to look at our combined growth aspirations.

And look, Asia -- particularly in Asia, I think that we do expect definitely a less linear growth path, a much more volatility and sentiment swings that we, you know, that compared to what we saw in the last decades, it's quite clear the economic conditions, and the geopolitical conditions are creating much more uncertainty and that's reflected in client's sentiment. So, there, I'm -- but we still believe there is a lot of growth opportunities not only in China but in the entire Asian perimeter.

The combination of the two franchises are giving us an extra boost there. In the US I think, it's very important to look at the integration of the investment bank in the US and how those capabilities will allow us to give our client advisors, financial advisors in the US even more access to opportunities to help clients to monetize, or to go through M&A transactions for their own businesses. It is very important. So, we now have finally a critical mass in the US in terms of bankers.

And also we look at ways to diversify the revenue streams in our Wealth Management business in the US. Right now, of course, we are going through a little bit of a tougher time there. The NII is under pressure. Of course, markets is high, but the clients' activity is not the one that we saw in the past. Right. So and, therefore, we need to really keep investing for diversification there and then making our revenue streams more diversified.

Alastair Ryan

Thank you. And we would all like you to trade more as well. And nobody is laughing. There will be the roving microphones. We've five minutes for questions. The lights are in my face, but I will be able to see. First question. Yeah. Yeah. Thank you.

Audience member

My question is simply on a new AT1. The whole of Europe has equity conversion or something similar. It may be worth considering that your cost level may go down for a new AT1 if you revise and have equity conversion, a question or a statement.

Sergio P. Ermotti

Okay. Well, we are assessing all the options around the AT1. AT1 is an important part of our capital stack. And, I mean, of course, we will do what is that makes sense for us, but also what is make sense for investors. And we are examining the situation. We are not under pressure at this stage. We have been around in with fixed income investors. As Alistair mentioned before, our priority was more on the OpCo and holding company funding and we are assessing the optionality on AT1.

Audience member

Morning. Thank you. The base case guidance for the size of the cumulative CTA is a very large number. But I think I hear you discussed that a lot of the head count reduction is going to be through natural attrition. So, it takes time, but it's cheaper. So, my question is, can you give us some idea of what you're going to spend the CTA on if it's not restructuring costs to exit head count? And is there some possibility that actually the total CTA amount might be meaningfully less than the base case that you've set out?

Sergio P. Ermotti

It's too early to go through that analysis. I think that we will need to assess exactly the exit situation in 2023 of head counts based on the natural attrition. Our look through, we already have a good view on retirements, right. We are putting some, I would say, reasonable assumptions on reasonable in terms of not too aggressive assumptions on attrition for the next couple of years. We may have also to use that, in some cases, early retirements and then we know that we have a part of it is going to be more proactive.

It's also very important that we are going through an exercise in reshuffling our technology, for example, our permanent account to contractor's ratio. I think is around probably 55%, 60% right now, permanent to external. And we will definitely use this opportunity to increase the ratio much higher. So and reduce our dependency on contractors, which of course are costing more and our turnover is much higher.

So, it's a little bit early to make that assessment. As I said before, we are working on all these details. Some of them will be things that we can communicate or want to communicate, and others are not going to be for obvious reasons, we will not want to communicate.

Audience member

Yeah, thanks. So, look, in a spreadsheet, it's really easy to model this out, right? I can put synergies through. I can put cost to achieve. I can, you know, pull to par. And it all looks wonderful. Right. But in reality, you're merging two different cultures, different people, your key assets get off the elevator every day.

So can you talk a little bit - my understanding is that you put some retention bonuses in place for the top 20% of private bankers at both UBS and Credit Suisse. Can you talk a little bit about what you're doing to address some of those cultural issues and some of the change management at a point in time that's pretty critical?

Sergio P. Ermotti

Yeah. That's very important. I mean, the retention was that, there, in some areas to not only on client advisor, I think, one cannot underestimate the amount of people that are still necessary to run two parent companies. So, I mean, we have to really make sure that going from finance to risk management to compliance, we need to keep a critical mass of people around as we go through the merger.

So, in that sense, you know, we had to give comfort to some people that you know, they would have a job for the foreseeable future, for example. The retention was not only retention, so-called awards. But also, in some cases, the retention was making a statement that for a year, for 18 months, you have a job, don't worry.

So, that's probably even more important than, in some cases, giving a bonus retention. Look, the culture, the most important elements in putting together the two -- the two banks is really is really to look at what's Credit Suisse is doing better than we did at UBS and vice versa.

And last week, I had a or two weeks ago now, actually meeting with the top 250 people at -- in the new group. A third of them were Credit Suisse people. It's very important when you look through in the organization, in the first two or three layers, we have between 20% and up to a third of Credit Suisse people. So, it's a very important element because we went through – we do our best to go through a meritocracy process in giving, you know, the new roles in the combined organization. Despite the fact that we, as I mentioned before, we are running the integration as a UBS-led integration.

The very important cultural elements that we need to bring to convey to our new colleagues, in my point of view, is not around the behaviors element. I think the Credit Suisse people are good people. And if you take out some exceptions that are unfortunately common in our society, I would say, not only in our industry, the real element is the cultural elements on how to deploy resources, how to use balance sheet, how to price the balance sheet. And making more people aware what it means to have a balanced relationship with our clients in terms of being fast in making commitments and giving resources like lending. But at the same time expecting a sustainable return. If not on that transaction in the overall relationship.

Because I do think that at the end of the day, the best -- one of the biggest opportunities we have in getting to the 15% that you mentioned,it's not just the costs, winning back clients, but also to manage more efficiently the 240 billion of risk-weighted assets that we got. Right. And that's a cultural issue that more people in the organization must be aware of the economic contribution they do below the bottom line. I mean, in terms of capital deployed versus expected returns.

Alastair Ryan

Perfect. Sergio, it's six seconds over. Thank you very much, Sergio Ermotti. Thank you for being with us this morning.

Sergio P. Ermotti

Thank you.

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In addition, the war has caused significant population displacement, and shortages of vital commodities, including energy shortages and food insecurity, and has increased the risk of recession in OECD economies. The coordinated sanctions on Russia and Belarus, and Russian and Belarusian entities and nationals, and the uncertainty as to whether the war will widen and intensify, may continue to have significant adverse effects on the market and macroeconomic conditions, including in ways that cannot be anticipated. UBS's acquisition of Credit Suisse has materially changed our outlook and strategic direction and introduced new operational challenges. The integration of the Credit Suisse entities into the UBS structure is expected to take between three to five years and presents significant risks, including the risks that UBS Group AG may be unable to achieve the cost reductions and other benefits contemplated by the transaction. This creates significantly greater uncertainty about forward-looking statements. Other 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 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 and the size of the combined bank; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions, including as a result of the acquisition of Credit Suisse; (iii) increased inflation and interest rate volatility in major markets; (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, currency exchange rates, deterioration or slow recovery in residential and commercial real estate markets, the effects of economic conditions, including increasing inflationary pressures, market developments, 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, including the COVID-19 pandemic and the measures taken to manage it, which have had and may also continue to have a significant adverse effect on global and regional economic activity, including disruptions to global supply chains and labor market displacements; (v) changes in the availability of capital and funding, including any adverse changes in UBS's credit spreads and credit ratings of UBS, Credit Suisse, sovereign issuers, structured credit products or credit-related exposures, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC), in particular in light of the acquisition of Credit Suisse; (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 in response to legal and regulatory requirements and any additional requirements due to its acquisition of Credit Suisse, or other developments; (viii) UBS's ability to maintain and improve its systems and controls for complying with sanctions in a timely manner 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, including as a result of its acquisition of Credit Suisse, as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS's business, in particular cross-border banking, of sanctions, tax or regulatory developments and of possible changes in UBS's policies and practices; (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 both nation states and non-nation-state actors targeting financial institutions; (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 for UBS to achieve goals relating to climate, environmental and social matters, as well as the evolving nature of underlying science and industry and the possibility of conflict between different governmental standards and regulatory regimes; (xxii) the ability of UBS to access capital markets; (xxiii) the ability of UBS to successfully recover from a disaster or other business continuity problem due to a hurricane, flood, earthquake, terrorist attack, war, conflict (e.g., the Russia–Ukraine war), pandemic, security breach, cyberattack, power loss, telecommunications failure or other natural or man-made event, including the ability to function remotely during long-term disruptions such as the COVID-19 (coronavirus) pandemic; (xxiv) the level of success in the absorption of Credit Suisse, in the integration of the two groups and their businesses, and in the execution of the planned strategy regarding cost reduction and divestment of any non-core assets, the existing assets and liabilities currently existing in the Credit Suisse group, the level of resulting impairments and write-downs, the effect of the consummation of the integration on the operational results, share price and credit rating of UBS – delays, difficulties, or failure in closing the transaction may cause market disruption and challenges for UBS to maintain business, contractual and operational relationships; and (xxv) the effect that these or other factors or unanticipated events, including media reports and speculations, 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 the Annual Report on Form 20-F for the year ended 31 December 2022. 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.