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Fireside chat with **Sergio P. Ermotti**, Group Chief Executive Officer;
Moderator: Giulia Miotto, Morgan Stanley

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

Giulia Miotto

Good morning, everyone. I'm pleased to be joined today by Sergio Ermotti, CEO of UBS. Good morning, Sergio, thank you being with us.

Sergio P. Ermotti

Good morning.

Giulia Miotto

I have a few questions I'm sure the audience will have as well. But before we go into that, I'm going to ask the audience a polling question. Perfect. So what do you think will drive UBS share price performance over the next 12 months? There are five options. So the first is mostly legal merger execution and buyback launch. Number two, GWM performance on the net new money and revenue growth. Number three, cost delivery. Number four, the noncore deleveraging. And then the number five is clarity on capital requirements.

Ten seconds to go.

Number one is the result. So smooth legal merger execution and subsequent buyback launch.

Right. We will get back to that. But let me start with a question on, you know, objectives for 2024. So 2023 has been a transformational year and in the 2024, we'll see a continuation of this restructuring plan. So what milestone are you most looking forward to this year?

Sergio P. Ermotti

Well, actually, 2023 was about, most importantly, stabilizing both the client franchise at Credit Suisse, stabilizing the people, refocusing, you know, repaying the guarantees to the Swiss government, the emergency liquidity, and initiating the cost and planning for 2024-2026, which is the most important timeframe in our integration. And as we do that, we are also starting to look at how to prepare for the next phase, which is growth beyond 2027. So I would say that, you know, of course, 2024 is pivotal, as I mentioned a few times already. And in that sense, if I look at the survey, I would have said -- I would have

voted for number six, all the above. So it's quite difficult to really create the momentum and what we need to do without ticking all those boxes.

Of course, you know, short-term, we are very focused on delivering on the legal entity mergers, on the parent company. We are filing with 70 regulators, 50 countries. So that should finish towards the end – by the end of the second quarter, I would say. And then so in the third quarter, we going to merge the Swiss entities. And this is quite important because is the conditions going on to be able to then go to the next level of extracting cost synergies in the second half of the year and so that we can exit 2024 with more than half of the USD 13 billion that we need to save gross, already executed.

Giulia Miotto

Perfect. Thank you. So, if we can talk now about Global Wealth Management, a key division. So, progress on your asset growth is one of the key metrics that the market follows, of course. So, how are you planning to achieve your ambition of USD 5 trillion in client assets?

Sergio P. Ermotti

Well, as you saw from our guidance for the next three years, is by somehow the fact, although accruing USD 100 billion is not really doing a step back, but the fact of recognizing that the next two years is more about quality of growth than quantity of growth. Of course, 2023 was about stabilizing the client franchise. We wanted to get back as many clients as possible. We still do that. But if I look at 2024-2025, the team is very focused on addressing one major milestone of the 2024-2026 transformation, because it's about restructuring and integrating CS into UBS, but it's also about optimizing the balance sheet. And we can't grow sustainably without accepting a more modest growth in the next couple of years.

The reason is very simple because, first of all, structurally, we showed it in our fourth quarter presentation. Structurally, many assets are yielding just, you know, too little in compared to our ambitions in terms of revenues and risk-weighted assets. So, we need to go deeper and understand why. Actually, we know why. Too many clients relationship are mono products and not necessarily priced in the right way. So, we need to either, you know, get those clients to do more business with us and justify that kind of loss of leader position or, or we need to then address and accept that maybe some assets will go somewhere else.

So, for me, it's all about quality, because if we want to really sustainably grow the business in 26 onwards, we need to accept that there has to be an alignment of philosophy on how we run businesses. And for us, it's very clear, particularly in wealth management, lending, lending is a tool to do business with clients, it's not the tool, and that has to be addressed.

Giulia Miotto

Very clear, thank you. If we can talk about client sentiment and activity. So, how are your clients so far navigating the environment in Q1? Can you tell us a bit more about activity levels and sentiment?

Sergio P. Ermotti

Well, as you know, we don't – I don't really like, we don't really like to comment on current quarters. So, I think that, and I will just tell you that I haven't seen – I mean, of course, Q4 last year was, was definitely

affected by not only seasonality factors, some external factors. I would say the first quarter is getting as the benefits of the seasonality.

Let me limit my comments by saying that, of course, when I look at, you know, some other comments in the industry, I wouldn't say that we are far off from those comments. When I look at the fourth quarter, we had very strong banking results, for example. Therefore, I do anticipate that we will have an improvement on a year-on-year basis, but sequentially will be not easy to achieve that. But I'm very pleased with the way most importantly for us is the traction and the engagement with clients. No matter if I talk about the Investment Bank and Wealth Management, we are able to get traction and the momentum is positive. So I stop here my comments on Q1.

Giulia Miotto

Thank you. And so let's go back to more strategic questions then. Integration. The task of merging to G-SIBs can be seen as daunting. So what are you most focused on or what keeps you up at night, you know, when we think about this task?

Sergio P. Ermotti

Well, actually, the most important topic for us is not to distract the entire organization around the integration. So if you think about we have less than 10% of the bank working on integration and the vast majority, at least a half, is working in technology. So we tried really to make sure that people don't get distracted or most importantly, don't use the integration as an excuse to get distracted because, you know, you can easily see how the first side of any external issues that people could hide behind the topic of, well, the integration is distracting. Actually, we want to make sure people can stay focused in serving clients and helping them navigate the challenging environment, it's still very challenging. And as I said before, looking at the quality of our relationships, making sure that we show them the best products that are now part of a combined offering that we have with Credit Suisse. And so, I – the most important issue is to not to get distracted by that. And the rest is pretty straightforward. It's about execution. We have a well-defined timetable, I mentioned before the one about the parent bank merger. We have around 6,000 tasks that we need to execute in order to get to the final integration in 2026. So, it's very mechanical and it's very focused on that.

Giulia Miotto

Perfect. And so, if we stay on this topic and we talk about costs, USD 13 billion of gross cost savings, it's obviously, the non-core unit we get that. But aside from the non-core unit, where do these cost savings come from?

Sergio P. Ermotti

Well, half is coming from non-core, USD 6-billion-plus. So, and non-core is going to be, by the end of 2026, it will be below USD 1 billion. So, I think that we are basically 85% down. So, I think that we are making very good progress and I'm very pleased with that. The rest is coming from the integration of the wealth management platform and the Swiss business, the IB and across the board, because as you – as you appreciate, I'm sure, you know, still, we are still running two G-SIFIs fees at this stage.

So, if you look at everything that goes together from risk management, to compliance, to Treasury, to the finance department and so on and so forth is still a fully-fledged, two fully-fledged global banks. So as we bring together the two businesses over the next two or three years, we can then unlock the synergies, particularly on the support part of the equation.

Giulia Miotto

Perfect. And so a hot topic these days if I can change a little bit is commercial real estate, both in the US and in Europe. So can you just remind us, what is your exposure? And is there any area which you are watching more closely or that worries you?

Sergio P. Ermotti

No. We watch the matter closely for a while. I think that our exposure in commercial real estate is quite well-managed. You know, 80% is in Switzerland. You know, we have around USD 3.5 billion, so 10% in the US, you know, the loan to value at around 60%. So we believe that in the US [Edit: *globally*], for example, if we have a drop of 30% of valuations, we would probably only have to put aside a couple of hundred millions in terms of provisions because the owner of those assets wealth management clients typically and or, you know, well-placed, high quality locations. So for us, this is not really an issue. In Switzerland, we have a very healthy portfolio, again, diversified 46% loan to value. We – I mean, look, this is not an issue for us.

Giulia Miotto

Okay. That's clear. Thank you. And then before I open it up to the floor I'll ask one last question on capital distribution. So, we know the message for 2024, which is USD 1 billion and buy back after the merger of the legal entities. But then, if we look forward to 2025 and beyond, so shall we assume that every year basically come year-end, you look at the capital above 14%, you distribute everything down to 14% or that's more what you're going to do in the outer years, but in the first years, you're going to keep a bit of a buffer to that.

Sergio P. Ermotti

So, first of all, our priority now is to get the parent bank mergers and then execute on this USD 1 billion. In order to do that, by the way, and I think it's very important for everybody to fully understand it, we are now – the current buyback program is expiring soon in the next couple of weeks, and then we're going to have to relaunch a new buyback program, to file it to the exchange, and this has to be seen as a buyback program that is not a leading indicator of what we intend to do in the next two years, right? So this is purely technical elements to be ready to execute on the USD 1 billion for 2024.

So, for 2025, again, I think it's premature to discuss about 2025, but your point is still valid to be addressed. You know, I already mentioned that we are not in a policy of doing capital return that are on and off. Therefore, you can expect us to continue to do share buyback. The size of those share buybacks will be determined on the progress we make on our journey. And it's correct to assume that around 14%, meaning 13.8%, 14.2%. So this is what we mean by around 14%. Is the anchor of what we believe we need to hold not only through the next couple of years as we execute, but also going forward in order to have enough buffers to be implemented capital regimes. So in that sense, our ambition to distribute by 2026 or to exceed what we did in 2022 is still valid.

Giulia Miotto

Perfect. Let me pause here with my questions and let's see if we get some questions from the audience. Otherwise, I have a few more.

Okay. I'll ask a couple more, while you think about some questions. If we look at the balance sheet optimization, the USD 510 billion RWA number that you gave, surprised the market, ourselves and consensus were much higher than that. So again, aside from the non-core unit, which we understand is coming down, where are the other best opportunities to optimize the balance sheet?

Sergio P. Ermotti

Well, as I mentioned before. Mainly, mainly, through by merging. So there are different elements that come through because we have headwinds in the full implementation of Basel 3 of the Credit Suisse portfolio because they are a couple of years behind the UBS in terms of...

All right, so we – the optimization is, other than headwinds is coming from as I mentioned before, rationalizing the use of risk-weighted assets across all businesses, right? So, of course, Wealth Management, I mentioned it, to some extent, in the Swiss bank. I mean, we have areas where we have mono product offerings that don't cut even remotely the coverage of capital. So we need to address this one.

So – but essentially, the surprise you mentioned, I think I fully understand the surprise, but I think that the response was also the coherence of showing that we will not grow assets, net new assets because of that. And as I said before, our top strategic goal is to take down cost, achieve our cost target, and achieve the 15% exit rate return on CET1. And therefore, what we said, we are willing to sacrifice growth short term. So that's the reason we can rationalize coming down with risk-weighted assets. Otherwise, it would be impossible. And it's all about putting – benefiting from the diversification, but also putting a different discipline in managing the balance sheet.

Giulia Miotto

Perfect. I'll ask another one on – so if I look at your geographical footprint and Asia is an interesting one, where UBS was already number one by a mile and now is even bigger with a different geographic footprint coming in from Credit Suisse. So how do you see there the growth opportunity versus the geopolitical tensions that we see, especially in China?

Sergio P. Ermotti

I see that as a definitely some things that will create probably more volatility over time in terms of how we grow. But still, it's not going to take away that, more than half of the population in the world lives in that part of, of the world. And therefore, I think that it's not only a China strategy. If I look at Southeast Asia, if I look at our combined capabilities in Australia, our enhanced capabilities in Japan, and by putting together, so across the board, you know, what I think that we are really getting out of this is the benefit of an even higher diversification that may compensate for potential geopolitical ups and downs.

I think that we are very committed to Asia. And we are very committed to developing also our China business going forward. So, and of course, but we have to recognize that even according to the government, their ambitions were a 5% GDP growth over the next few years is going to be challenging. Therefore, you know, we need to assume that is going to be also more bumpy in the way they're going to get there. So, but I'm

very convinced that for us, it's absolutely critical to continue to invest in Asia and continue to be a leader there.

Giulia Miotto

Understood. And how do you think the Investment Bank augments your wealth franchise in the other regions?

Sergio P. Ermotti

I think not only in Asia, generally speaking. You know, I think Australia is a good example, we are the number one investment bank franchise in Australia. We haven't really, you know, we didn't have any wealth management operation. Credit Suisse brought a very good operation in wealth management. Now, we can leverage the IB franchise into wealth management in Australia in a way that we couldn't do it before. So replicating very much what we do in the rest of Asia. But I think this is also absolutely critical in the US. The US is where we got through the 1,600 people that we onboarded in the UBS platform from Credit Suisse, two-third are banking people, and they're going to help us in health care, in technology, in consumer, in different aspects of banking that adds an affinity to our wealth management business. And this is very important for us to create new assets and create opportunities to really sell a more comprehensive offering to our clients.

Giulia Miotto

Thank you. Let me see. We have one question over here. If you can put your hand up. Yes.

Audience member

Thank you it's Mark Hoggie from BDL. When we've seen these large transactions and combinations in the past, there's been – there's basically been a necessity to lock in key personnel with guaranteed contracts over a period of years, which, you know, is necessary for people to buy in and keeping key personnel, but it creates a lot of operating leverage. It reduces margins. We saw that in the case of PaineWebber, for example. Can you just give us some color on what's happening on that front and if there's anything that we should be aware of in terms of, you know, those dynamics on the cost side of retaining key individuals? Thank you.

Sergio P. Ermotti

Thank you. Look, in 2023, of course, like in any merger or acquisition situation, you go through a process of doing retention – retentions for not only for client-facing people but also for operations. I mean, I mentioned before the side that we are running two banks. We need to keep everybody motivated to run the banks. Well, I think that we have been implementing retentions in 2023 to address this one.

To your point, which I think is more about the front. I think that if we can say, fairly, modestly, but I think it's accurate. We believe that we don't need to convince people to work at UBS based on retention and multi-year retentions. If people buy into what we do, they are more than welcome and we are going to be successful together. If people want to have a rolling floor on how they get paid regardless of performance, we're going to be stay friends or maybe good colleagues, but that's not the place to work. So it's not something that will be part of our philosophy and we have to do and embrace a different way of creating value.

Giulia Miotto

Do we have other questions? Yes.

Audience member

Richard Jenkins, Black Creek. We've just been through a decade of zero, negative interest rates, et cetera, and you're merging a Swiss based bank. Are there any really long tail liabilities that worry you inside of that portfolio that you're acquiring that are related to a mindset of negative or zero rates for a decade plus?

Sergio P. Ermotti

No. The answer is very straightforward. No, I think that's, look, we took a very diligent view on assessing the assets, the most risky part, and you saw us taking decisive action in the first three, four months, particularly when we addressed the topic of giving back the guarantee to the Swiss government. And as we went through all that process, we also took PPA adjustments, on any position that we took, we thought it necessitated an action. So I'm – and I'm very comfortable with the quality of the asset base and/or the marks we have in our current exposure. So, any and historical aspect has been addressed through the PPA adjustments.

Giulia Miotto

You have a follow up? Yes.

Audience member

Okay. The next question is more about you came back, merged the two organizations, get it through the next three, four years. But you must have a view to what bank looks like 10 years out when you decide how big you want to be in certain segments, et cetera. Can you give us some insight into what that might look like long term? I know you didn't want to talk about short-term performance, but can you give us an idea why do you want to stay in certain segments long, long term?

Sergio P. Ermotti

Well, I don't want to talk about short term, and I'm not smart enough to talk about the next 10 years. What I can tell you is that where I want to be the bank at the end of this journey, 2027-2028, to be a bank that can consistently deliver superior returns on its capital and is still a very asset-gathering-centric organization. And in that sense, I do think that, you know, when you look at our ambitions to get to USD 5 trillion and so on and so forth, and if I look at the underlying trends supporting both our wealth management and our asset management businesses, they are quite promising. So, I don't see any reason for us to go away from this kind of niche. It's quite unique.

So I, I do – I do think that what we need to do is to have a better and more – a better footprint in the US. If I look at what is still missing is that we have the cost base of a much larger organization in the US, but we don't have still the product capabilities that allow us to fully leverage our global franchise in the US. That's the real 5 years, not 10 years. 10 years is too long, but 5 years, this is the target. The next couple of years, integration, preparing for the next wave of growth. And then we'll take it from there.

Giulia Miotto

Can I follow-up on this Americas point? So, USD 1.9 trillion in clients assets. It's a huge part of your wealth franchise and yet we have seen PBT go from USD 2 billion to USD 1 billion. So, what – what is the plan really to bring this up back to, or, you know, even in line with the peers? Because if I look at the next peer, margins are much lower.

Sergio P. Ermotti

No. First of all, what we need to do is to institutionalize our relationships in the US much better by having a broader credit offering, a broader offering in terms of deposits. So, institutionalize the relationships in a way. Then we need to bring more of our global capabilities, the CIO offering, to our clients - We need to do a better job in leveraging the family office business. So we are still, relatively speaking, under-penetrated. Although, you know, our financial advisors have, on average, the highest level of assets per financial advisor in the industry, but still, we are still not yet penetrating enough the family offices and businesses, so which in itself shows you our biggest differential.

As I mentioned before, we need to also leverage more the banking platform we have in the US. I am convinced that the Investment Bank is going to offer us a leverage into that, as I mentioned before. And so, over time, I'm convinced about that.

Now, to the point, for sure for the next five years, I don't think it's realistic that we're going to close the gap to our peers in the US. Like they're not going to close the gap to us internationally. I mean, our margins outside the US are not easy to be matched by our US peers. Their margins in the US are not easy for us to be matched. So what it's all about is to narrow the gap in the US. For us, to make a real difference, we need to narrow the gap, not to try to close the gap and be totally unrealistic about how fast it can happen.

Giulia Miotto

Okay. Thank you. And would you contemplate looking at different channels in the US, you know, rather than just the FA channel or at the moment your focused on FA?

Sergio P. Ermotti

The focus right now is executing on what we have on the plate in 2024/2026, and then, as I mentioned before, institutionalizing more the existing clients and infrastructure. And then, we're going to take it from there and evaluate what is the best way to go to the next chapter. But it's premature right now to talk about how we're going to do it because it also depends on how the situation will evolve.

Giulia Miotto

Thank you very much. So let me go back to the audience if we get another question. Okay. Then I have space for another one. And so – sorry. I'll continue on the US if I can. You haven't looked at this before, I remember in 2018, in the investor day, you know, on how you're going to revamp technology, et cetera. What is different this time?

Sergio P. Ermotti

What is different is that I think that it's fair to say that in the last few years, a couple of years, probably, we haven't managed a couple of projects on the IT side the way we should have done it. So lessons learned there. And number two, relying too much on NII as a steady development with rates going up was probably the wrong assumption, because it's clear that, you know, the NII volatility despite the fact that we have higher rates has delivered disappointment. So it's a combination of topics. And in my point of view, what was very positive in 2021 – 2020, 2021 created probably an excessive reliance on that kind of model being enough.

And you know, the truth of the matter is that we need to work harder and get to a better position going forward. So that is more about learning our lessons. Of course, you have to understand that this is something that took a lot of time.

I remember, you know, even my predecessor in the first round inherited a business that was losing USD 0.5 billion a year. So, and I remember the early days in 2012, 2013 that when we wanted to aspire to make USD 1 billion, people saw that we were totally out of control, we would never achieve USD 1 billion in the US. So, the journey was, is much, it has been volatile. And but I do believe right now we are well-positioned also as a global organization to sustain a more quality growth in the US going forward. So, I think that's the priority.

And, and it's good to have other levers than just the US for us to create value for shareholders.

Giulia Miotto

Thank you. Do we have questions from the audience?

No. Okay. Let me go back to a point that you mentioned earlier on, you said, you know, you're very focused on not letting people be distracted by restructuring, essentially. So, how do you achieve that? How do you make people focus on, you know, getting in your business or, yeah, pursuing your growth ambitions ultimately rather than getting lost in the restructuring?

Sergio P. Ermotti

Well, it's a series of issues and not just one. But as I mentioned before, you know, trying to isolate as much as you can, peoples' daily tasks on integration from the rest of the organization, defining clear objectives, quantitative and qualitative objectives for the rest of the organization. And, you know, making people accountable for what the journey is. So, I think that it's all about making sure that people have clear objectives in mind. I go back to the question I got before. The days of the integration and so people are now focused on delivering the next three-year plans it is no longer around stabilization of the franchise. So I think that it's fair to say that that time is over. So, the time of stabilization uncertainties is over. People know what is the journey, we address during the summer the operating – the target operating model also for Switzerland in – during the summer. So, everybody knows the journey. So we are not really expecting people to be too distracted by that, but rather focusing on clients and delivering on our plans.

Giulia Miotto

Thank you. And if I can ask a question on Switzerland. So, well, I have a few questions on Switzerland, but let me start with one. There was an article a couple of weeks ago about a competition, the competition authority, and how, you know, arguing that UBS is not too big, especially actually in the investment bank side rather than loans and deposits. How do you address this point locally?

Sergio P. Ermotti

Well, first of all, I think that, you know, it's quite clear that one of the conditions – for us to take over Credit Suisse was not to get any limitations from the competition authorities in respect of our business – integrated business. So, we believe this is a very strong element of what has been agreed over the weekend. Therefore, we feel comfortable.

Now, other than that, facts tell a very clear story. We don't have a dominant position in Switzerland.

I mean, the fact you look at around cantonal banks, all the regional banks across the board, they have a higher, equally or higher penetration in mortgages, in deposits, in loans to SMEs.

If I look at your example in the Investment Bank, if you look at the last six months developments, our market share, it's absolutely normal. And, you know, in investment banking, the notion of monopoly is absurd. There is no monopoly in the investment banking business globally, because the barriers to entry are very low. If anybody abuses any position, it takes 6 to 12 months for a competitor or a group of competitors to spot the opportunity. So, I don't see this, and broadly speaking, but also when I look down to any of the topics that would sustain any claim of monopoly or dominance, there are no facts.

And this is according to, you know, official statistical data. So, we are very comfortable that at the end of the day, things are going to be addressed in the right way. Of course, we understand that the question comes. We understand that people need to look into it. But it's a completely different matter than thinking that is going to translate into any limitation to us.

Giulia Miotto

Perfect. And staying on the topic of Switzerland. So, you saw some money coming back after you acquired Credit Suisse. Do you think that opportunity, you know, you have now taken what you had to take back, or is there still an opportunity actually to win back some market share in the local market?

Sergio P. Ermotti

A lot of assets in the local markets went to cantonal banks. And I think that we also – we already saw some flow backs. But as I mentioned before, what we have to focus going forward is not just the obsessions of getting new assets, right? It's absolutely to really understand what is the return of those assets.

You know, we have to also look at pricing. I mean, you know, not all the competitors in Switzerland are paying the same level of taxes that we pay, right, so and they have an advantage in pricing and doing things, so we can leverage that gate. We are not going to go out and attract assets by undercutting prices or subsidizing prices. So we have to take the discipline and accept that maybe there is – we need to accept a lower path of growth for the next couple of years to reinforce the solidity of our financial results.

Giulia Miotto

Clear. Let me give another chance. Yeah. We have another question.

Audience member

Yeah. Hi Mark again. Just on the capital requirements, I think you said you're going to run the bank at a 14% CET1, if I'm correct on that. What's the next stage of potential capital requirements from FINMA? And also, maybe in the context of capital, maybe you could give us your view on what's going to happen in the US in terms of Basel III finalization and how that would impact you, if at all? Thank you.

Sergio P. Ermotti

Well, actually, I don't even know what the Swiss authority will do, so I'm not going to pretend to know what the US one are doing. So – but I don't expect – I mean, if I look at the matter in a couple of months' time, we're going to have a better indication of what the Swiss government wants to propose in terms of a revised too-big-to-fail law. That's, you know, I honestly don't expect a major change in the capital requirements, because if I look at any major, any major authorities, that foreign authority, the FSB, but also a group of Swiss expert, nobody pointed out that the fact that lack of capital was the reason why Credit Suisse had an issue, you know, but I can't rule out what it is, because I don't know that they are coming up to.

Reasonably speaking, I think I do expect maybe some areas that of needs of intervention around, you know, how to manage the asset side, how to make the asset side of the bank more liquid in case of stress, eligibility to central bank funding. I do expect an improvement in terms of, you know, introducing a public liquidity backstop, for example, I do expect a better legal framework around recovery and resolution. So, empowering the regulator to take actions not based on urgency on emergency laws.

So, I do expect that part of the equation to be addressed. I don't think capital is something that we should expect. But I, I can't rule it out. So, I think that what is more important, maybe taking back your aspect about the US and globally, of course, what we hope for is that, that despite the fact that any, every country or region has its own peculiarities and maybe some adaptation of Basel III needs to be accepted. I hope that, globally, an understanding that Basel III is the framework around which everybody agrees to operate would be welcome, particularly for a global bank is very important to be able to compete eye to eye with others. So in that sense, Switzerland and UBS specifically, I would say, has been at the forefront of implementing Basel III. We feel very comfortable about that and therefore we are well prepared. That's the reason why we don't also have a lot of headwinds from Basel III in the final introductions.

Giulia Miotto

Lovely. With that, I think we have run out of time. But, Sergio, thank you very much and thank you, everyone, for listening.

Sergio P. Ermotti

Thank you.

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In addition, the ongoing conflicts may continue to cause significant population displacement, and lead to shortages of vital commodities, including energy shortages and food insecurity outside the areas immediately involved in armed conflict. Governmental responses to the armed conflicts, including, with respect to the Russia–Ukraine war, coordinated successive sets of sanctions on Russia and Belarus, and Russian and Belarusian entities and nationals, and the uncertainty as to whether the ongoing conflicts 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 the Credit Suisse Group 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 and 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 Group; (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 the Credit Suisse Group; (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; (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 the Credit Suisse Group; (vi) changes in central bank policies or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the EU 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 the Credit Suisse Group, 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 the Credit Suisse Group, 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 of Credit Suisse, 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 Risk Factors filed on Form 6-K with the 2023 UBS Group AG report on 31 August 2023 and 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.

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