UBS Best of Switzerland Conference 2024

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Sabine Keller-Busse, President Switzerland and Personal & Corporate Banking

Including Fireside Q&A

Transcript.
Numbers for slides refer to the UBS Best of Switzerland Conference presentation. Materials and a webcast replay are available at www.ubs.com/presentations

Sergio P. Ermotti

Welcome to our annual Best of Switzerland conference.

Let me start by saying thank you for the trust and confidence you place in UBS and for joining us today.

It is our privilege to bring this group of clients on the corporate and investor side together in our home market.

This is the 27th time that we are hosting this flagship conference. This continuity underscores the relevance of Switzerland and our Swiss clients to UBS, and the importance of the Swiss equity market both domestically and internationally.

You are about to hear from market-leading companies – companies that have shaped Switzerland's reputation as one of the world's most innovative and competitive economies globally.

We are envied as a small nation that punches well above its weight. This is largely due to our diverse corporate landscape, consisting of both large multinationals and SMEs. And while some try to suggest a conflict between larger and smaller firms – a key concern for me – I am convinced that it is the combination of large and small, of domestic and international, and of broad-based and specialized firms that has made Switzerland the prosperous country we know.

At UBS, we take our responsibility to Switzerland, our economy and our communities seriously.

Thanks to our financial strength, strong Swiss roots and international connectivity, we can offer expertise and solutions to support companies, both big and small. As a partner to over 200 thousand large, medium and small companies and one thousand pension funds, we help businesses succeed and thrive – by providing financing, advice and access to our global network and international presence.

The integration with Credit Suisse has further broadened and deepened the offering of products and services to our Swiss and international clients. As such, we are an even stronger pillar of Switzerland's position as the leading international wealth management hub. It is this position that allows our country to attract excess savings from around the world, lowering the financing costs for our households and corporations.

I'm pleased with the progress we have made in our integration over the past 15 months. We are also mindful of the challenges we will be facing in the next phase, in particular when it comes to client migration and IT adjustments.

Looking ahead, the macro-economic outlook is increasingly uncertain, with ongoing geopolitical tensions, monetary easing and the US elections contributing to heightened volatility.

At the same time, companies are weighing up the opportunities and challenges created by emerging technologies such as Generative AI, increasing regulation and geopolitical and reputational risk.

You can continue to count on us for strategic advice, thought leadership and to stay on top of market trends as you navigate this increasingly complex environment.

I wish you a productive and enjoyable conference.

Sabine Keller-Busse

Slide 1 – Key messages

Thank you Jens. Good morning, ladies and gentlemen.

It's been a year since we started the integration of Credit Suisse Swiss Bank into UBS. I'm now pleased to give you an update on the importance of our home market and our way forward here in Switzerland.

After we were asked by Swiss authorities to step in to rescue Credit Suisse, we stabilized its client franchise in a matter of weeks. The merger of the Swiss entities in July of this year was an important milestone, and we are now in the middle of the big task of integrating the two banks.

The Credit Suisse crisis showed the importance of having a sound and sustainable business model with a pricing that reflects the underlying risks and allows for adequate levels of profitability. It is therefore our duty to fix the structural issues that we inherited and get back to the return levels UBS had before the acquisition. Only with this we can remain a strong and reliable long-term partner for our clients and the Swiss economy.

The rescue of Credit Suisse by UBS combines two leading franchises in Switzerland… and both UBS clients and former Credit Suisse clients are benefitting from our combined strength. We are excited that our clients will enjoy a greater offering, closer proximity and even better client experience. And we are totally committed to our Swiss clients and our home market.

Slide 6 – A cornerstone of the Swiss economy

UBS has grown into a global leader, but our identity has always been rooted in our Swissness.

Our heritage goes back over 160 years and our story includes the integration of more than 500 financial businesses, including banks, asset managers and brokers. Each of these acquisitions and mergers have enriched our culture and contributed to our wealth of experience.

The acquisition of Credit Suisse is a continuation of that story.

Credit Suisse itself has a long and rich history, going back to pioneer Alfred Escher in the middle of the 19th century. For the vast majority of its history, it was a good and solid bank – both in Switzerland and internationally. It had built strong client relationships and a high quality workforce which we are excited to have welcomed at UBS here in Switzerland.

Switzerland is not only UBS's heritage and home market. Today, it remains one of the key pillars of the Group's strategy. It is also the region where we deploy around 30% of our capital which is more than any other region, and earn a similar proportion of revenues.

It is also where we employ most people. We are proud to be the country's third largest private employer. We invest a lot into developing the next generation of talent, with 2,300 junior staff currently in our apprenticeship and trainee programs. This is equal to the sum of the two banks pre-acquisition. And the survey by Universum recently showed that business students in Switzerland choose UBS as their preferred employer. With 2.6 billion in taxes paid by the corporation and our employees in 2023, UBS is one of the country's largest taxpayers and deeply embedded in the local economy, as purchases of goods and services for almost 4 billion francs per year demonstrate. Furthermore, we are providing our home market with around 350 billion Swiss francs in credit.

Our global reach, combined with our country-wide footprint and cutting-edge products, services and capabilities, makes us unique in Switzerland. This has earned us the label best bank in Switzerland in each of the last 10 years.

It is our commitment and responsibility towards our clients to be a reliable and stable partner. Not just when the sun is shining but also, and even more importantly, in times of need.

We demonstrated this commitment during the Covid crisis. We were able to play a leading role in establishing the SME lending program and providing our clients with much-needed liquidity in record speed.

And last year, the UBS balance sheet for all seasons with a strong capital position, proven risk standards and a sustainable business model allowed us to do even more. We stepped up when we were asked to stabilize the Swiss and international capital markets by rescuing Credit Suisse.

<u>Slide 3 – UBS stepped in at time of need</u>

By the beginning of 2023, Credit Suisse's structural lack of profitability and growing funding gap had practically made it unviable.

In the Swiss Bank division, structural issues were starting to hurt the bottom line even earlier, from the beginning of 2022. This is remarkable given the sharp rise in interest rates during 2022 and 2023, which provided a strong tailwind to bank profits across the board. Instead, Credit Suisse's Swiss Bank profits declined by nearly half.

Clients got uncomfortable with this and the growing list of scandals. Credit Suisse was slowly but steadily losing the foundation of its existence – the trust of its clients.

And this eventually led to two bank runs over a time span of 6 months. The second of those two proved the final drop that caused the end of Credit Suisse as we knew it.

But fortunately and to the benefit of the Swiss economy and global financial markets, UBS was stronger than ever.

During that last bank run, a significant portion of the deposits that Credit Suisse had been losing were being transferred to us. That sign of trust gave us the confidence that we could stabilize Credit Suisse as we stepped in to be part of the solution.

<u>Slide 4 – Our strength and focus allowed us to stabilize CS's client franchise</u>

And that is exactly what we did. Outflows turned into inflows almost immediately following the merger of the holding companies in June of 2023. We stabilized Credit Suisse's client franchise, protecting its value and most importantly providing certainty and safety to clients.

We have also been successful in keeping our best staff. We gained many great people from Credit Suisse who are further thriving at UBS. And where advisors did decide to leave, we have been able to keep the vast majority of the assets of the clients they served.

And contrary to some of the noise in the public space, our indicators show growing support for the combined bank. For example, the surveys we conduct show improvements in people's opinion of UBS across Credit Suisse clients and the broader public. Our strong business momentum is another indicator. And we frequently get unprompted feedback from clients that they are grateful that we rescued Credit Suisse.

<u>Slide 5 – We are executing on our integration plans with discipline</u>

The rescue of Credit Suisse and the subsequent business stabilization was followed by an intense period stretching over more than 20 weeks during which we thoroughly assessed various possible options for the Swiss Bank. The conclusion of our thorough analysis was that a full integration into UBS was the only realistic scenario given structural issues at Credit Suisse. We took this decision in the best interest of stakeholders, most important of which our clients, as well as the Swiss financial center.

Since then, we have been executing on the integration with focus and determination – combining speed and the necessary precaution. We have already achieved several key milestones so far. Most notably the successful merger of our two Swiss legal entities on the 1st of July of this year. This laid the foundation for the most critical part of the process: migrating clients over to the UBS platform – which will eventually unlock the full synergy potential. For some more complex clients we have already started a manual onboarding process, but for most clients in Switzerland, the migration will happen in waves throughout 2025.

We are determined to make this transition as easy and seamless as possible for our clients. And we are excited at the prospect of unlocking the full benefits of the merger for them. We will operate from one platform, allowing our clients to benefit from enhanced capabilities and an expanded offering.

Slide 6 – Aligned CS Switzerland's organization setup to UBS's, focusing on client needs

Firstly, as we reported in April of this year, we aligned the Credit Suisse business setup to that of UBS to support a more cohesive client experience.

At UBS, we are convinced our clients' needs are best served by business divisions which specialize on specific client needs, but closely collaborate on a regional level. This model allows clients to benefit from global products and expertise tailored to regional needs, while allowing us to unlock efficiencies of scale.

Credit Suisse's financial and segment reporting was substantially different from UBS's. The Credit Suisse Swiss Bank perimeter, as you can see on this slide, contained much more than just the Personal and Corporate bank.

In the rest of this presentation we will focus on the combined Personal and Corporate Banking division within Switzerland. Where we talk about Credit Suisse P&C, both today and in terms of historical figures, we are referring to the aligned P&C scope within Credit Suisse, which offers better transparency for comparisons.

Slide 7 – Reinforcing our position as the leading Swiss personal and corporate bank

P&C will continue to be UBS's second largest division, contributing close to 30% of the Group's pre-tax profit.

In Personal Banking, we now serve over 3 million personal clients or around a third of Swiss households. Clients know us for our leading digital offering and premium products and service.

Swiss corporate and institutional clients have always been at the heart of both UBS and Credit Suisse. What differentiates us from competitors is our holistic offering and global connectivity. We now serve more than 200,000 corporate and institutional clients, including a third of all corporates in Switzerland. For large caps, UBS and Credit Suisse's footprints were very similar. However for other corporates and real estate clients and particularly in the SME space, UBS had a significantly larger footprint, banking around 70% more firms than Credit Suisse. And we remain fully focused on these clients.

In P&C, as is the case for the group as a whole, our strategy did not change with the acquisition of Credit Suisse. It was enhanced, as was the offering in our Personal, Corporate and Institutional clients.

Having said that, there are very few areas of the former Credit Suisse business that do not fit our proven risk appetite or do not have a clear connection to the Swiss economy. From these, we are reallocating capital and investment into our strategic franchises.

But let me be clear: Credit Suisse clients will be able to find at UBS almost everything they had before – and more. It is only in a few, small areas where this is not the case. And these areas add up to far less than 1% of our business and client base. To give an example – we are discontinuing Factoring, a risky type of lending UBS stopped years ago. Fewer than 200 clients were using this service at Credit Suisse and we are working jointly with them to find alternatives, where possible.

But now let's move on to what's in it for our clients.

Slide 8 – Private clients will benefit from even better services and digital capabilities

Personal Banking is strategic to our Swiss business and clients will benefit from our consistent investments into products, services and capabilities.

Thanks to our country-wide reach, Credit Suisse clients will have access to double the amount of branches Credit Suisse had on its own. We are closing duplicate branch locations and will keep the best ones. And more Credit Suisse clients will now get the service of a dedicated advisor.

For clients who can and want to conduct their banking business online, we are Switzerland's most digital bank. Over the past 3 years, we have invested more than 300 million francs into digitizing our products and services, and we have seen mobile banking app usage increase by more than 40% in the last 18 months alone.

And investing in our digital capabilities continues to be a top strategic priority for the future. Our combined scale gives us even more firepower, in terms of investment spend. And by combining the best digital and AI experts across UBS and Credit Suisse, we will lift our already-leading digital offering to an even higher level. We have compared our digital offering to CSX, and will create a "best of both worlds" experience by incorporating some of its most attractive features before the migration. And this will benefit all of our clients.

We will also continue to operate Bank-now, one of Switzerland's leading consumer finance banks, as a 100% subsidiary of UBS Switzerland AG.

Slide 9 – Combining the best of both worlds for Swiss corporates and institutions

Combining the strong corporate and institutional franchises, our clients will get access to an even broader set of products and services.

For example, we now offer a full range of export financing products for SMEs and for large corporates in Switzerland by embedding Credit Suisse's complementary capabilities as lead arranger.

All our clients can now benefit from the leading strength of Credit Suisse's mid-market capabilities. On the other side, former Credit Suisse small- and mid-sized clients can now use M&A and succession planning services for which a higher client- and deal-size threshold existed at Credit Suisse. In this way, we can provide an even more comprehensive service to family-owned businesses and SMEs.

To support their corporate activities abroad, former Credit Suisse clients can now access our local coverage teams providing corporate banking services in Hong Kong, Singapore, New York and Frankfurt.

In IB research, clients from both the UBS and Credit Suisse sides have access to a broader coverage universe. We have now expanded our coverage of Swiss-listed stocks beyond the combined coverage of both banks before the merger which benefits both our corporate and institutional clients.

And as we integrate our offering, we continue to innovate. For example, we recently launched Instant Business Credit in e-banking for corporate clients.

So as you can see, we are determined to make the UBS-Credit Suisse combination a win/win for clients and shareholders. Only then we can create sustainable value for the long run.

Slide 10 – Addressing the root causes of CS P&C's issues

As we continue to focus on our clients, we are also fixing Credit Suisse's structural issues in P&C. A deeper dive into these reveals a clear necessity to restructure certain parts of the business. Credit Suisse had realized this too and had started addressing these issues in 2022. By then it was too late.

Firstly, at UBS, building holistic client relationships is a strategic priority that fits with our disciplined approach to capital. This was less the case historically at Credit Suisse, which is why some client relationships are now over-reliant on lending. Sometimes these loans were priced at levels that did not reflect the underlying risks, or did not even cover the cost of capital. This issue was made worse by declining trust that clients had in CS – they transferred their money out and did less and less business, while their loan balances remained unchanged.

Secondly, risk standards were not adequately set and consistently enforced, resulting in a credit book that caused P&L volatility. Over the last year, Credit Suisse positions created 6 times as much stage 3 net credit impairments as UBS's per billion of loans.

Personal Banking had a suboptimal footprint and was chronically underinvested in. This led to structurally low profitability in that segment. The CSX app could only go so far in masking the underlying issues in the retail segment as a whole.

And lastly, continuous deposit outflows left the bank with a significant and expensive loan overhang and deposit shortfall of around 65 billion or nearly 30% of Credit Suisse Switzerland's balance sheet at the time.

And these issues undermined the profitability and stability of Credit Suisse, which eventually became fatal.

Slide 11 – Restoring sustainable profitability levels in line with the best-in-class

That's why we are convinced – as we have always been – that our business has to be sustainably profitable. Only a profitable business is a healthy business. It is a prerequisite to remain a safe, strong and reliable partner to our clients and to the Swiss economy in the long term.

One immediate priority therefore is to restore the profitability to the level that UBS achieved before the merger. A pre-tax return on attributed equity of around 19% is appropriate for a high-quality franchise like ours.

We aim to get back to this level by capitalizing on opportunities for growth, right-sizing our cost base, and optimizing our balance sheet.

Slide 12 – Supporting clients while growing in strategic areas

Starting with our opportunities for growth.

Switzerland is an economy known for its stability. Growth is modest, but steady and resilient. Interest rates are structurally low and on downward trajectory since the Swiss National Bank was the first across developed countries to start cutting rates in March.

Considering these macro factors, we do see opportunities to expand and grow faster than GDP in areas of strategic importance.

And it starts with making sure all of our clients are aware of the benefits of the extended offering that is now available for them.

Together with our Wealth Management division, we are also focused on growing our business with entrepreneurs. No other bank is able to cover the corporate and private financial needs of these clients as well as we can. And that means no one else is able to capture the value creation during the lifecycle of an entrepreneur.

It starts with supporting business founders as they set up and grow their company by delivering the whole firm to our clients. When the owner at some point fully or partially sells the enterprise – usually in an M&A transaction or an IPO – we support the Entrepreneur's transition to Investor and become their wealth manager.

As the entrepreneur's wealth manager, we advise them on how to invest their liquidity. And often we can show them private market opportunities to invest in other entrepreneurs' businesses, which is where we go full circle.

Other areas where we see growth opportunities are our leading affluent franchise where we can leverage technology even better, asset servicing, retirement planning and sustainable finance.

<u>Slide 13 – Generating synergies by removing duplications where necessary</u>

Credit Suisse's riskier and more capital-intensive business mix should have translated into a meaningfully lower cost/income ratio compared to UBS, but it didn't. Our cost/income ratios have been broadly similar over the years. That means Credit Suisse's cost efficiency did not compensate for lower capital efficiency, which led to sub-par return on equity.

Therefore an important lever to return to sustainable levels of profitability is to reduce costs, painful as they may be.

Credit Suisse had already started this process when we merged. A comprehensive restructuring plan was in place, which we are continuing and accelerating where possible.

In addition to that, we are removing duplication across all areas – technology, real estate, branch footprint and staff.

But integrating our operations will require significant investment. We expect to incur over one and a half billion Swiss francs for this purpose, demonstrating the size of the task at hand.

On staff reductions, we expect the vast majority to come from natural attrition, retirements and internal mobility. In total and as we said upfront, we expect around 3,000 forced redundancies in Switzerland, of which 1,000 directly related to the integration of our Swiss businesses.

We are committed to minimizing the impact on employees by treating them fairly, providing them with financial support, outplacement services, and retraining opportunities. Our aim is to enable those affected to take advantage of a quite-healthy Swiss job market, where more open positions in finance are available than there are job seekers.

Slide 14 – Working with our clients to find solutions in a challenging environment

Our clients are facing a challenging environment from an economic and monetary perspective. Interest rates are much higher than what our clients have become used to for more than a decade. And adding to that pain, deposit funding has become scarcer for banks, which means loans increasingly have to be financed with more expensive capital market funding.

At the same time, export sectors have to deal with a strong Swiss franc and slow growth in our main export markets. The manufacturing PMI is in contraction territory for the last 18 months, which is longer than during the financial crisis.

As their partner and house bank, we are helping our clients navigate the environment. We are doing this despite higher liquidity and capital requirements which make it more expensive to deploy balance sheet. We are also facing higher funding costs from having inherited Credit Suisse's funding imbalance.

At the same time, we have to address Credit Suisse's over-reliance on lending and inadequate pricing in order to remain a beacon of strength for our clients.

When we merged, Credit Suisse had initiated substantial balance sheet reductions. Lending exposure was being reduced fast, especially in the Real Estate space. With the added strength of UBS, we can address excessive capital intensity in a much smarter and more holistic way. We can afford to take a long-term perspective. This provides clients with more time and flexibility while we work towards sustainable profitability levels.

Our offer to clients is to broaden our relationship where needed. UBS's strength is in our holistic approach to client relationships. And this is part of our DNA and valued by clients because they know they can come to UBS for all of their banking needs.

Where a broader relationship is not a viable option, we have to find a solution that is best for our client and for the firm – always with the aim to keep the client. This can include higher prices to compensate for the risks taken by UBS in the form of lending.

It's important to highlight that we have always been very disciplined when it comes to balance sheet deployment at UBS. Regular reviews of economic profitability across our client relationships – new and existing – were always part of that discipline.

Having these types of client conversations is never easy, but from my experience, the vast majority of our clients understand the rationale.

Slide 15 – Our universal bank in Switzerland will remain a key pillar of the Group's strategy

Going back to our universal bank comprising all business areas and clients in Switzerland, our commitment to our home market is stronger than ever.

Underpinning this commitment, we aim to maintain our loan book in Switzerland at around 350 billion Swiss francs.

We want to be the partner of choice for customers and to support them on all financial matters.

And we will remain a key pillar of the Swiss financial center and the Swiss economy overall.

With that, let's move to Q&A.

Fireside Q&A with Máté Nemes, UBS European banking analyst, and Sabine Keller-Busse, President Switzerland and Personal & Corporate Banking

Máté Nemes

Good morning from my side as well. My name is Máté Nemes, I'm the Swiss banking analyst at UBS. Sabine, thank you for the presentation, very comprehensive. There are a few topics I wanted to discuss a bit more in detail with you. I think it's clear that you've accomplished a lot over a short period of time. How are you feeling about the Group, and specifically about P&C today? What are the key areas that keep you busy?

Sabine Keller-Busse

Well, first of all, I think the integration as we have progressed today is at the point where we can all be very satisfied, having achieved all the milestones we have set ourselves. So, since the decision to really integrate the Swiss business, we have moved diligently, focused, determined, and as I mentioned, we have been able to really achieve the significantly important milestone of combining the two legal entities, by merging the two Swiss banks. And that was important because it has given, for the employees now, really, another step change – we are operating as one bank, you have all the employees of Credit Suisse we could really welcome under the UBS roof, working together. Having said that, we are still operating two product lines, so you have UBS clients on UBS products and IT platforms, Credit Suisse clients at the IT platform. So that is definitely something that will keep us busy going forward, ensuring we are preparing for that migration that is going to happen next year.

Keeping busy, I would say, obviously keeping close to clients is keeping us very busy. Competition is very strong in Switzerland and for us it's important to really stay close to the clients, make sure that all banking services that clients need, because while we are integrating, all the needs are remaining. So that, we are really staying close, being able to fulfil all these services, and making sure that all clients get that commitment delivered every day. And as I said, so far we have done very, very well, we have been able to stabilize the client franchise, and we've even been able to attract 30 billion net new deposits since the acquisition. We have been able to even keep the vast majority of clients, client assets of those pockets where advisors have left. So a lot of that keeps us busy, and then something which keeps us always busy, but I think more than in the past as well, is what's happening on the technology front. So we see GenAI, we see innovation moving, and they're not waiting. So here we are already very busy and focused in really making sure we are staying at the technological forefront, embedding AI solutions in client services, in supporting our client advisors. So it's quite, quite a lot.

Máté Nemes

It sounds so. So it is clear, I think, that tremendous effort has been going into the integration. You've achieved a lot, be it staff retention, be it expanded offering, be it organizational alignment. What do you see as the biggest challenges today?

Sabine Keller-Busse

I would say one of the clearly biggest challenges is something you haven't done very often, which is migrating a huge, huge client franchise from one platform to the other. So, I think this is something we are very focused on in preparing. I get a lot of support because we have so many experts in the firm, so Mike Dargan on his tech department, Michelle Bereaux leading the integration. So we are all working collectively and ensuring that this, we can really master that challenge and we are well prepared when we go into the next year.

Then I would say another challenge is, I've mentioned that we're now really, I would say, offering even more to our clients, that we are very committed, and our clients feel it. So we have always been clear to the commitment, but nevertheless there is something uncontrollable out there in the public, which is always questioning what we are doing, and if we are doing the right thing. And I think it is important, and that is one of the reasons I have used this conference as well, to really make sure that it's very clear that everybody understands our commitment to Switzerland, to the Swiss economy, but more importantly to all our clients. And to really make sure everybody understands we are holding that commitment, so we are putting money where our mouth is, so to speak, by committing this 350 billion of credit to our clients in Switzerland. Which we have, I would say, the first time we are getting out with these numbers, but to me it's important to, I would say, to engage in that debate, and really make crystal clear that we are standing up and want to play this role in Switzerland, it's important to us.

Máté Nemes

That's very clear, thank you. I wanted to switch gears a little bit and talk about, perhaps, to another major topic, which is an exogenous driver rather than UBS-specific, and that is interest rates. The Swiss National Bank has been leading the charge globally in terms of reducing, normalizing policy rates. I wanted to ask you about the impact of lower rates on the Swiss business. How do you see that going forward?

Sabine Keller-Busse

Well, there are different angles if you look at it. So one angle obviously, if rates are lowered, usually this fuels a bit the economy, and helps the economy, because lending is better available, and at the same point in time, you can see a lot more activity on the investment product side. And that benefits everybody because being a bank in a, I would say, economically, thriving economy is helping.

But obviously as a bank we see it on our net interest income line as well. So we've already given guidance that on a quarterly comparison to the second quarter, for the third quarter we will see a low single-digit decline, which is primarily driven by the second rate cut happening in June that the SNB did, the 25 bps, they went down. And then we've provided some guidance on comparing last year's fourth quarter on annualized, so for '24 we would expect high single-digit impact, and that means that we need to offset that to the extent possible through generating other income lines.

But having said that, here it's beneficial to be part of a broader Group, because if we are looking at the UBS as a Group, and we are part of that Group obviously, we have a very diversified business mix. So if interest rates even moving down, we have other parts of the bank which very much benefit. So in a way we have a built-in hedge being part of the Group.

Máté Nemes

Thank you, that makes a lot of sense. I wanted to touch on another topic, and that is, the risk environment. I think Switzerland, rather uniquely in a global context, avoided a meaningful, really high spike in inflation, and we have seen a certain benefit from the Swiss franc. And now we are approaching a point where perhaps the disadvantages are starting to outweigh the benefits. I was wondering if you could talk a little bit about what you are seeing in the portfolio, how the current environment is impacting the business.

Sabine Keller-Busse

I think looking at the Swiss franc, here honestly the strength of the Swiss franc I'm less worried. And as we were talking about interest rates, perhaps that pressure on the Swiss franc, that upward pressure gets a bit tempered. But looking back, how Swiss corporates have done over the past periods when the Swiss franc was already very, very high, or very, very strong, I think there is a high resilience. And I would say to the broader large corporates space, they have learned to deal with this, they have a trained muscle on that end.

What we are seeing more, and this from seeing we're now having the combined portfolio, so we will see obviously some idiosyncratic situations in a larger client population on credit losses. But overall, looking into the macroeconomics and seeing what's happening, for us relevant export markets – I was mentioning the manufacturing purchase index earlier on, which is an all-time low with growth projections – so that is something obviously, for certain industries within the Swiss market, that is something that needs to be well managed and we need to be very well aware of. So overall, I would say we will remain on an elevated level, as we have seen now, but in a way a normalized form going forward.

Máté Nemes

Excellent, so both hands on the wheel. And on that note, Sabine, I wanted to thank you very much for your presentation and the insightful discussion. It's a pleasure to have you here in Wolfsberg.

And those of you in the room, thank you for joining, and watching the webcast, thank you for watching.

Sabine Keller-Busse

Thank you. Thank you, Máté.

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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 its 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 UBS's performance and ability to achieve its 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 elevated 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 its 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 its 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 and UBS 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 its reputation and the additional consequences that this may have on its 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. UBS's business and financial performance could be affected by other factors identified in its 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 UBS Group AG and UBS AG Annual Reports on Form 20- F for the year ended 31 December 2023. 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.