UBS

Second quarter 2023 results

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Speeches by Sergio P. Ermotti, Group Chief Executive Officer, and Todd Tuckner, Group Chief Financial Officer

Including analyst Q&A session

Transcript.
Numbers for slides refer to the second quarter 2023 results presentation. Materials and a webcast replay are available at www.ubs.com/investors

Sergio P. Ermotti

Slide 3 – Our strategy is unchanged and is accelerated by the acquisition of Credit Suisse

Thank you Sarah, and good morning everyone. I hope you had a relaxing summer break. For us, these past eight weeks were intense as we were busy writing the next chapter in UBS's history. This is the first-ever acquisition involving two global systemically important banks. It was announced only five months ago and we closed it less than 100 days ago. This would not have been possible without extraordinary effort and dedication from my colleagues across both organizations. It also required extensive cooperation from the Swiss government and regulators in Switzerland and around the world.

We are swiftly executing on our integration plans, already achieving a number of important milestones. We established a target operating model, created a dedicated integration office, and rolled out responsibilities with management appointments up to three levels below the Group Executive Board, just to name a few. We are also making progress on our cost-saving and de-risking plans and resolving some legacy matters for both firms.

Following a detailed analysis, we terminated and handed back all Swiss government support a few weeks ago. Lastly, we decided to fully integrate the Swiss business of Credit Suisse after a thorough strategic review.

The thing I am proudest about is that clients have rewarded our unwavering commitment with extended trust. Thanks to their restored belief in the combined firm we were able to swiftly stabilize the Credit Suisse core – its wealth, asset management, and Swiss Bank franchises. We are happy to see markets recognizing our ongoing work.

Slide 4 – Enhancing client franchises and increasing scale

Our strategy is unchanged, and the Credit Suisse acquisition will act as an accelerant to our plans. We will strengthen our position as the only truly global wealth manager, and as the leading Swiss universal bank, with scaled-up asset management and a focused investment bank.

With a highly complementary footprint, we will reinforce our position in key growth markets, including the Americas and APAC, and build on our leadership in Switzerland and EMEA. We will relentlessly focus on clients

and continuously improve and expand our services and products. With 5.5 trillion dollars in assets across the combined firm, the transaction adds scale that will lead to increased efficiencies. This will allow us to better focus our resources, and target investments that provide superior levels of client service.

Slide 5 – Improving our business mix, with unchanged capital allocation discipline

We will achieve our strategy while remaining disciplined in our resource management across the entire firm. The IB consuming no more than 25% of the Group's risk-weighted assets and the rundown of the Non-core and Legacy portfolio are just two of the more visible examples of our approach. In essence, we will repeat what this bank successfully accomplished during the last decade.

Slide 6 – Update on integration – divider

Before I discuss the Swiss Bank decision, let me give you a brief overview of our assessment of Credit Suisse as of March 19. Since then, and especially after we closed the acquisition in June, we conducted an in-depth analysis that has only confirmed the necessity of the decisive actions taken over that weekend.

It was not just a matter of liquidity drying up. Credit Suisse's business model and business mix was deeply flawed and its reputation severely damaged. With its structural lack of underlying profitability, unsustainable capital allocation, and negative revenue and costs prospects, the bank was no longer in a position to continue on its own. This is clearly visible from the year-to-date losses Credit Suisse reported today, a culmination of the bank's two loss-making years.

Thanks to our financial and balance sheet strength, UBS was in a position to answer a rescue call from the Swiss government, helping to stabilize the financial system. Importantly, the transaction preserves the best of Credit Suisse's excellent client relationships, people, and industry-leading products that in other plausible scenarios would have been weakened or lost. Unlocking Credit Suisse's strengths as part of UBS, will allow us to build something of a more enduring value for all stakeholders. This combination will reinforce our status as a premier global franchise – one that our home market, Switzerland, can be proud of. We are humbled by this task, and the responsibility entrusted to us.

But let me make one thing absolutely clear: Our ability to stabilize Credit Suisse, and return the government guarantees in timely fashion, should not take away from the gravity of the situation we inherited. Nor should it diminish the scope and scale of the task ahead.

Slide 7 – Diligent approach to identify and asses strategic options for Credit Suisse (Schweiz)

That being said, let me walk you through how we came to our decision on the future of Credit Suisse (Schweiz). As I promised when I returned as CEO a few months ago, the decision would be driven by facts, not emotions, and mindful of the extraordinary circumstances of the transaction.

We conducted an extremely thorough review involving teams comprised of some of the best people across both firms, with support from external experts where needed. Our analysis focused on four key aspects that, for us, would determine the long-term viability of the business. We examined what the decision would entail for our clients, shareholders, and employees. And we gave special consideration to financial and funding sustainability. We started with a broad spectrum of possibilities, ranging from IPO, sale, partial or full integration to a spinoff, and even a dual-brand strategy. Eventually, based on our criteria, we narrowed down our selection

to the two best options: a full integration or a spin-off of a focused perimeter, which would exclude segments requiring global capabilities.

The final outcome was crystal clear: Full integration is by far the best choice.

Slide 8 – Integration of Credit Suisse (Schweiz) is the best path forward

It is not just that the financial merits of integration are greater. It is also the best way forward for our clients, for whom the industry-leading offering will improve and broaden as we combine products and capabilities from both firms. The alternative would have been a bleak one, considering the current situation, combined with the necessity to carve out most of its global capabilities. Even a more focused spin-off of Credit Suisse Schweiz would fail to meet the needs of many of its corporate clients, as well as the entrepreneurs it considers core.

At the same time, separation from the Group would entail a costly, risky and lengthy carveout of technology platforms, causing uncertainty for clients and employees for years to come. Moreover, our analysis revealed a substantial dependency of the Swiss subsidiary on financial resources and operational support from the parent. As a result, it would have existed as a fragile entity struggling to close its funding gap, unable to compete effectively and failing to deliver sustainable returns. We believe this would not have been an acceptable proposition for clients, employees – and very likely - regulators.

By contrast, being a part of UBS ensures it will have continuous backing from one of the most stable and trusted global financial institutions. The strength of UBS will underpin the franchise and provide access to efficient funding, as demonstrated by our ability to return all extraordinary government and central bank facilities.

We take our social responsibilities very seriously. This is why I have repeatedly emphasized the fact that employment-related considerations must be a key decision-making factor in our evaluation. We have analyzed their impact in both absolute terms and in relation to the Swiss job market. Every lost job is painful for us. Unfortunately, in this situation, cuts were unavoidable, regardless of the selected scenario. 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 here 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.

Let me emphasize: the vast majority of job reductions will come from natural attrition, retirements and internal mobility. Around 1,000 redundancies will result from the integration of Credit Suisse Schweiz. These will be spread over a couple of years, starting in late 2024. Importantly, in the alternative spin-off scenario, restructuring would also have been necessary, and resulted in about 600 redundancies. In addition, the necessity to profoundly restructure other parts of Credit Suisse is expected to lead to about 2,000 additional redundancies in Switzerland over the next couple of years.

After weighing all of the above factors, we came to the view that a full integration is the best way forward.

Slide 9 – Unwavering commitment to our clients, employees and the Swiss economy

Our decision reinforces our commitment to clients, employees, and the Swiss economy.

Our goal is to make the transition for clients as smooth as possible. The two Swiss ringfenced entities will operate separately until their planned legal integration in 2024. Credit Suisse brand and operations will remain separate during that time. We will gradually migrate clients onto our systems and expect to finish this process

in 2025. Given this, nothing will change for clients in the foreseeable future and they do not have to take any immediate action. We will continue to provide the premier levels of service that they have come to expect. And with time they will begin to see the further benefits of the combined franchise.

As we progress in the integration, we remain fully committed to our personal, private, institutional and corporate clients. In terms of lending, thanks to our even-stronger capital base, our intention is to keep the combined exposure unchanged while maintaining our risk discipline. We are sensitive to the important role both firms play in the lives of our employees and their communities. We want to remain an employer of choice in Switzerland, offering attractive career opportunities. Last but not least, as we combine, we will honor all agreed sponsorships of civic, sporting and cultural activities in Switzerland at least until the end of 2025.

I have made it abundantly clear to our colleagues that they must not be distracted by the integration. We cannot take our eyes off our vision and must remain focused on client needs. After all, competition in the Swiss market remains robust. The cantonal banks in aggregate will continue to have the highest market shares in all relevant personal and commercial banking products. And our branch network, even after the merger, is the third-biggest. We welcome the challenge. Competition is what makes all of us better, and what makes the Swiss financial system stronger.

Slide 10 – Stabilized flows and focusing on client win-back opportunity

Given the events leading up to the acquisition, stabilizing the Credit Suisse client franchises globally has been our most immediate priority. Since closing in June, we have won back clients' confidence, as evidenced by positive asset flows and strong engagement across Wealth Management and the Swiss business.

We saw formidable momentum in deposits, with 23 billion dollars in inflows for the quarter, 18 billion of which came into Credit Suisse's Wealth Management and Swiss Bank. Meanwhile, UBS wealth management has delivered the highest second-quarter net new money performance in over a decade.

We are pleased to share that this positive trend has carried on into July and August. While the quarter is not over yet, so far we have attracted net new assets of 8 billion for the combined wealth management businesses.

It is encouraging and rewarding to see the franchise stabilize so quickly. Winning back the more than 200 billion dollars of client assets that left Credit Suisse over the past year won't be easy, but recapturing as much as we can is one of our top priorities.

Slide 11 – Non-strategic assets and businesses to be exited through Non-Core and Legacy

Let's move to assets that we have designated as non-core. First, let me briefly touch on the 9 billion RWAs that will be included in the combined Investment Bank.

These assets were selected through a disciplined process designed to enhance our Global Banking and derivatives operations. The transferred businesses are expected to be accretive from next year. They will help drive economies of scale while adding only 13% to the investment bank's current non op-risk RWAs.

The remaining 17 billion of Credit Suisse's investment bank, as you can see from the chart, will be transferred to the newly-formed Non-core and Legacy unit. This will also include Credit Suisse's entire Capital Release Unit

as well as selected assets from the combined wealth and asset management businesses that are not aligned with our risk appetite or strategy.

Overall, the NCL will comprise of 224 billion in LRD, with a significant portion in high-quality and liquid assets, and 55 billion in risk weighted assets excluding op-risk RWAs.

With the perimeter largely defined, we are already executing on our strategy to exit these assets in a timely and efficient manner. We made a good start in the second quarter, reducing positions representing a total of 9 billion in RWA. Around half of those came from sales that we actively pursued.

Slide 12 – Non-core and legacy rundown to drive lower costs and efficient capital release

As I mentioned before, this is not the first time our organization has managed a successful run-down of non-core assets. Our previous experience is a big part of why we are confident in our ultimate success.

A clear priority for us is to take out a substantial part of the operating costs associated with this unit. I will touch on that in a minute.

Thanks to our strong capital position, and markdowns we took as part of the PPA adjustments, we have substantial flexibility in order to optimize the outcome. These are not distressed assets, so we can maintain positions if they preserve value. Our decisions whether to do so will be based on economic profitability, taking into account funding, operating and capital costs of the portfolios. On those positions we do decide to exit, we will move at pace, acting fairly and protecting our clients and counterparties.

The natural run-off profile is a steep one. As you can see from the chart, we will have a 50%, or 27 billion, reduction in non op-risk RWAs by 2026 and a similar reduction in LRD. But let me assure you that our proactive approach to accelerate the wind-down will continue.

Slide 13 – Executing on plans to achieve greater than 10bn gross cost reductions by year-end 2026

Now let's turn to cost reductions, a key element of returning to profitability and creating sustainable value across the combined firm. First, as we speak, we are actively addressing the need for deep restructuring at Credit Suisse. This is an acceleration and expansion of the work that the firm itself saw as necessary to put a stop to losing money. Secondly, additional efforts are required to generate synergies across the combined businesses.

We aim to take out over 10 billion dollars in gross expenses from the combined franchise, based on full-year 2022 cost base. Around half of that will come from restructuring the investment bank and running down non-core assets. The other half will come from actions across the rest of our operations. There is meaningful

duplication that can be removed, thousands of applications and IT platforms to be decommissioned, and hundreds of legal entities to be merged or closed to make us more efficient and effective.

Let me give you an example. Of Credit Suisse's current 3,000+ IT applications only around 300 will be integrated into UBS infrastructure, contributing to our combined future business model.

Importantly, we will continue investing to make our platforms and processes more resilient and support our existing, and future, growth ambitions. We will also absorb some further inflation. All told, we aim to bring the Group's underlying cost/income ratio exit rate below 70% in 2026.

Slide 14 – We aim to substantially complete integration for the Group by year-end 2026

We are two and a half months into one of the biggest and most complex bank mergers in history. We are executing our plans at pace and wasting no time in delivering value for our all our stakeholders, including shareholders.

In the next four to six months our focus will be on restoring underlying profitability, while progressing on other areas, including business transformation, client migration and simplification of our combined legal entity structure.

On the latter, a key milestone will be the merger of our parent operating entities UBS AG and Credit Suisse AG. This step, planned for 2024, will allow us to simplify our structure and operating model, optimize capital and liquidity within the Group, and will support achieving our cost-savings ambitions.

We expect to substantially complete our integration program by 2026.

Slide 15 – Working towards ~15% RoCET1

A key pillar of our strategy is to maintain a balance sheet for all seasons - one that supports our capital-generative business and allows us to offer attractive capital returns. We expect to operate at around 14% CET1 capital ratio over the medium term. And as we exit 2026, we aim to achieve an underlying return on CET1 of around 15%.

As you know, we have suspended share repurchases for the time being. But we remain committed to growing our dividend and returning excess capital to shareholders through buybacks. We will update you on our plans in this regard with the fourth-quarter results.

With that, let me hand over to Todd.

Todd Tuckner

Slide 17 – UBS Group 2Q23 results

Thank you, Sergio. Good morning everyone – it is a privilege to be with you today as Group CFO, especially at this watershed moment for UBS.

Since my appointment, my focus has been on the financial consolidation of the two firms, progressing the work done on transaction adjustments, optimizing our liquidity and funding position, firming up our cost savings and enhancing financial reporting controls for the expanded group.

Regardless of whether staff come from Credit Suisse or UBS, I've been extremely impressed with the dedication of the finance team. I'm proud of what we as a unit have already been able to accomplish, and we, like the entire firm, continue to execute at pace.

We recognize that this is a complex deal, but our aim is to be clear and forthcoming in explaining the financial implications of our actions during this critical period and beyond.

Today, I'll cover our second quarter operating performance, the impact of the merger on our balance sheet and capital as of day 1 and, finally, our integration plan and outlook.

Let's start with the quarter on slide 17. I'll refer to UBS Group AG's consolidated results, which this quarter include one month of Credit Suisse's operating performance, presented under IFRS and in US dollars.

On a reported basis, the second quarter profit was 29 billion, both pre- and post-tax. These results were largely driven by the net impact from items related to the acquisition, principally negative goodwill of 28.9 billion and integration-related expenses and acquisition costs. Excluding these items, the Group pre-tax profit was 1.1 billion, of which 2.0 billion from the UBS sub-group, and negative 0.8 billion from the Credit Suisse sub-group.

Slide 18 – Negative goodwill and overview of purchase price allocation adjustments

Turning to slide 18. The negative goodwill of 28.9 billion is calculated as the difference between the consideration UBS paid and the fair value of the acquired net assets after taking into account the various PPA adjustments of negative 25 billion.

The roughly 6 billion difference between the negative goodwill reported today and the amount included in the Form F4 registration statement just prior to closing is principally explained by two factors. First, Credit Suisse generated operating losses over the first 5 months of 2023 that were not captured in the F4, which was prepared as if the transaction occurred on December 31, 2022. Second, we applied additional net negative PPA adjustments to Credit Suisse's financial assets and liabilities, reflecting a more detailed fair value assessment post-closing.

The total net PPA adjustments of negative 25 billion consist primarily of marks of negative 14.7 billion in connection with financial assets and liabilities. This includes negative 12.4 billion on mainly fixed-rate accrual assets and liabilities, of which around 8 and half billion relates to our core businesses and around 4 billion to Non-core and Legacy. In addition, we made negative 2.3 billion of further necessary adjustments to fair value positions, mostly related to Non-core and Legacy.

The negative 8 and a half billion of marks on core-business accrual financial instruments include, for example, PPA adjustments on the Swiss mortgage book, which were almost entirely interest rate driven.

The majority of the accrual-basis positions are expected to mature within the next 3 to 4 years and, if held to maturity, will pull to par.

Of the total marks on accrual positions, 6 billion pre-tax, or 5 billion net of tax, are CET1 capital-neutral as FINMA has granted us transitional relief, which mainly applies to Swiss mortgages. The transitional treatment is subject to linear amortization concluding by June 30, 2027.

The negative marks of 2.3 billion on fair value assets and liabilities that I mentioned earlier reflect UBS's assessment of the complexity, liquidity and model risk uncertainties in the book, as well as the relevant markets for potential strategic exits.

We also made PPA adjustments of negative 4.5 billion to capture UBS's determination of Credit Suisse's provisions and contingent liabilities related to litigation, regulatory and similar matters. This includes 1.5 billion of incremental provisions Credit Suisse took in the second quarter.

Other net PPA adjustments, totaling to negative 5 and a half billion, largely relate to GAAP differences associated with pension accounting, but also goodwill and intangibles, and fair value marks on non-financial assets and liabilities, including software and real estate.

Of the total negative 25 billion of PPA adjustments, negative 17 billion is CET1 capital-relevant, with the balance relating to the 5 billion regulatory waiver I mentioned earlier, and other items that are filtered out of CET1 capital, such as pension accounting differences, goodwill and intangibles.

Overall, we believe the negative goodwill, including the PPA adjustments therein – in addition to underpinning almost 240 billion of acquired RWA - provides us with sufficient capacity to absorb the costs to achieve our two key saving objectives: first, an efficient wind-down of the non-core businesses and associated overhead we acquired, and second, positive operating leverage and synergies in our core franchises. All while remaining capital-generative over the integration timeline.

Slide 19 – The acquisition strengthens the foundation of the combined bank

We are highly confident that we can successfully integrate Credit Suisse, enhancing our business model and operating metrics, while continuing to ensure we maintain world class capital ratios and a balance sheet for all seasons.

On page 19, we illustrate how the transaction strengthens key financial measures from day 1, offering us a highly attractive starting point as we commence this journey. Since the acquisition, our capital position is even stronger with almost 200 billion total loss absorbing capacity, and a CET1 capital ratio of 14.4%. Additionally, our tangible book value per share is up 49% quarter on quarter and, today, we manage over 5 and a half trillion dollars of invested assets with a unique and meaningful presence in all the major markets across the globe.

Slide 20 – Our balance sheet for all seasons remains the foundation of our success

Remaining on capital on slide 20. The strength of our balance sheet is the foundation of our success and the reason why we were able to restore financial stability and client trust in such a short amount of time.

As of the end of June, as just mentioned, our CET1 capital ratio was 14.4% and our CET1 leverage ratio was 4.8%.

Included in our capital ratio this quarter are the impacts from the closing of the Credit Suisse acquisition, including a 10 billion operational risk RWA reduction from diversification benefits and a combined lower forward-looking risk profile.

Looking through to the end of the year, we expect our CET1 capital ratio to remain around 14%, as the benefit of RWA reductions, improvements in our underlying profitability, mainly from cost saves, and CET1 capital-relevant pull-to-par effects from the PPA adjustments are expected to largely, but not fully, offset integration-related expenses.

We also expect to maintain a CET1 capital ratio of around 14% and a CET1 leverage ratio or more than 4% over the medium-term.

You have often heard us referring to our balance sheet for all seasons and our capital-generative operating model that allows us to service clients and invest in the business through the cycle. It's how we've operated over the last decade, and it's how we intend to continue to operate going forward. So rest assured, maintaining a balance sheet for all seasons will remain among our very top priorities.

Slide 21 – Prudent management of liquidity and funding

On liquidity and funding on slide 21, we closed the quarter with an average liquidity coverage ratio of 175%, well above our prior quarter level, and a net stable funding ratio of 118%. The liquidity coverage ratio increase largely reflects the elevated HQLA levels at Credit Suisse, including the effect of the usage of the Swiss National Bank facilities.

As Sergio highlighted, positive net new deposits in the past few months enabled us to repay ELA+ and terminate the Public Liquidity Backstop facility, as announced earlier this month. We expect to continue attracting net new deposits, and as of this week we've already seen, in the third quarter, 13 billion of positive net new deposit flows in our combined wealth management and Swiss franchises. While this will help us narrow the inherited funding gap and continue to manage our liquidity coverage ratio at prudent levels, we expect to resume execution of our funding plans shortly.

In addition to maintaining significant liquidity and funding buffers on a consolidated basis, we're actively managing the allocation of financial resources among our significant legal entities, which also have standalone funding requirements and will continue to operate while we progress towards our target legal entity structure.

We're working towards merging Credit Suisse AG into UBS AG in 2024, as this is a critical step to removing resource allocation bottlenecks and enabling the realization of business and operational efficiencies.

Slide 22 – 2Q23 UBS business divisions and Group Functions (IFRS) – excl. Credit Suisse

Now onto slide 22. Excluding Credit Suisse's performance in June, the effects of the acquisition I mentioned earlier, and a gain on sale of 848 million in Asset Management last year, UBS's pre-tax profit in the quarter was 2.0 billion, up 12% year-over-year.

Slide 23 – Global Wealth Management

Before turning to the UBS sub-group business divisions starting on page 23, let me first point out that for the second quarter, the negative goodwill as well as a substantial portion of integration-related expenses have been retained and reported in Group Functions. Starting with the third quarter, we intend to consolidate the reporting of our business divisions across the UBS and Credit Suisse sub-groups, and we'll report integration-related expenses in the respective combined segments.

All references to figures are in US dollars and comparisons are year-over-year, unless stated otherwise.

In Global Wealth Management, we delivered net new money of 16 billion, the strongest second quarter in over a decade, with inflows across Switzerland, EMEA and APAC, and despite 5 billion in seasonal tax payments in the US.

We also delivered net new fee generating assets of 13 billion, or an annualized growth rate of 4% with positive flows across all regions, as well as net new deposits of 5 billion.

These strong inflows across net new money, fee-generating assets and deposits demonstrate our continuous focus on active client engagement and the trust our clients place in us. This was especially important during a quarter where the macro backdrop and developments with Credit Suisse placed a premium on our investment advice and the stability of our GWM franchise.

Profit before tax was 1.1 billion, down 4% despite strong growth in EMEA and Switzerland of 15% and 9%, respectively. Positive top-line contributions from all regions outside of Americas supported a 1% revenue increase, which was more than offset by higher expenses.

In the Americas, revenues were down 4% mainly as net interest income reflected continued rotation into higher yielding deposits and investments from transactional and sweep deposit accounts. Although we expect NII in the Americas to continue to tick-down sequentially from ongoing cash sorting and deleveraging in the current rates environment, we nevertheless continue to see the US market as a strategic priority for us, and hence we continue to invest in the business for future growth. As a result, we expect our pre-tax margin in the Americas to be low double-digit to mid-teens over the near-term.

Onto total GWM revenues. Net interest income was up 14% year-over-year, and down 3% sequentially, the latter reflecting mix shifts and lower deposit and loan balances, partly offset by higher deposit margins.

Recurring net fee income decreased 3% due to negative market performance while positive inflows were offset by clients' continued repositioning into lower margin solutions. As a reminder, we bill based on daily balances in the Americas and on month-end balances everywhere else. As such, second quarter revenues did not fully reflect June's market rally, which we're seeing benefit the third quarter.

Transaction-based income decreased 6%, impacted by investor uncertainty, particularly in Americas and APAC. However, towards the end of the second quarter and into the third, we're seeing a pick-up in both client sentiment and transactional momentum especially in APAC.

Operating expenses ex-litigation, integration-related expenses and FX were up 3% driven by increases in technology and personnel expenses.

Slide 24 – Personal & Corporate Banking (CHF)

Turning to Personal & Corporate Banking on slide 24. We delivered another record quarter excluding past one-off gains. Profit before tax was up 54% to 612 million Swiss francs. Revenues increased 24%, with increases across all revenue lines, highlighting continued momentum in the business. Net interest income increased by 45% year on year and 12% quarter-on-quarter. Sequentially, we continued to see loan growth, while the deposit base remained roughly stable. Costs were up 9%, driven by continued tech investments and higher personnel expenses. The cost-to-income ratio was 51%, a 7 percentage-point improvement year-on-year, demonstrating strong positive operating leverage.

We saw strong momentum with 10% annualized growth in net new investment products and almost 6 thousand net new clients, reflecting the trust our clients continue to place in us.

Slide 25 – Asset Management

Moving to slide 25. In Asset Management the profit before tax was 90 million.

Excluding last year's gain on sale, total revenues decreased 5%, with lower net management fees, driven by market headwinds, asset mix, as well as lower performance fees. These headwinds were partially offset by 1% lower costs.

Net new money in the quarter was strong at 17 billion, a 6% annualized growth rate. Net new money excluding money markets and associates was 19.5 billion, with positive momentum in SMAs and alternatives.

Slide 26 – Investment Bank

Turning to slide 26. In the Investment Bank the profit before tax was 139 million.

The operating environment for the Investment Bank's trading businesses was defined by significantly lower equity volatility levels compared to the prior-year period.

Within Global Markets, this resulted in a meaningful decline in client activity levels across both Equities and FRC, where revenues of 1.5 billion were down 11%, broadly consistent with our peer group.

Our Financing business continued to deliver strong results, reporting its best second-quarter and best first-half on record. This demonstrates the resilience of our balanced portfolio of risk-efficient businesses, as we continue to invest in capabilities that are critical to our clients.

Global Banking revenues of 371 million were down 2% as the second quarter saw the global fee pool hit its lowest quarterly level since 2012. In the second quarter we significantly outperformed the fee pool in EMEA and gained share in global M&A.

Operating expenses were up 2%, predominantly on higher tech investments offsetting lower provisions for litigation, regulatory and similar matters.

Slide 27 – 2Q23 Credit Suisse AG reported loss of (8.9bn), (4.3bn) excluding acquisition related effects; (2.1bn) adjusted loss (CHF, US GAAP)

On slide 27, I now turn to Credit Suisse AG's full second quarter results, which were separately published earlier today. Credit Suisse AG's reported pre-tax loss for the second quarter was 8.9 billion Swiss francs. This result includes several large items, including 2.2 billion in adjustments to fair value marks, 1.8 billion in

software write-downs, 1.3 billion in additional litigation provisions, and 1.0 billion for a goodwill impairment. Stripping out these and other items that are not representative of Credit Suisse AG's underlying performance in the quarter, the adjusted operating loss was 2.1 billion Swiss francs.

Not included in this figure are the results of a few legal entities that fall outside of Credit Suisse AG's consolidation scope. Including those entities, the Credit Suisse sub-group's pro-forma second quarter adjusted operating loss was 2.0 billion Swiss francs. In discussing the Credit Suisse sub-group performance in the second quarter, I'll focus on this 2-billion Swiss franc adjusted loss as it better informs the starting point for the group in combination with UBS's quarterly underlying performance.

Slide 28– Credit Suisse adjusted 2Q23 results (CHF, US GAAP)

On slide 28, Credit Suisse's quarterly adjusted pre-tax loss was largely driven by operating losses in the Credit Suisse Investment Bank and the Capital Release Unit, as well as elevated funding costs in the Credit Suisse Corporate Center.

Sequentially, revenues declined by 38%, driven by Credit Suisse's Investment Bank, down 78%, where the sharp drop in revenues was due to little-to-no new activity in the context of expected exits following the acquisition. Second quarter revenues also reflected elevated funding costs, primarily from the Swiss National Bank facilities.

Going forward, we'll focus on two key priorities in relation to Credit Suisse's Investment Bank and Capital Release Unit. First, rebuild activity and profitability levels of the businesses we decided to retain as part of our core Investment Bank. And second, actively manage the wind-down of businesses and positions that are not aligned to our strategy. These include those already in the Credit Suisse Capital Release Unit and Investment Bank not retained as core, and will be managed and reported within our Non-Core and Legacy segment beginning in the third quarter.

Moreover, as the wind down is executed, we'll decisively take out all costs in relation to resources, technology and real estate that are not needed to support either what is retained in our core Investment Bank or what is strictly required to efficiently wind-down businesses and positions managed by our Non-core and Legacy team.

In contrast to Credit Suisse's Investment Bank and Capital Release Unit, we saw relative stability across Credit Suisse's Wealth Management, Swiss Bank and Asset Management segments.

In Credit Suisse Wealth Management, we've seen a stabilization of net new assets, trending from substantial outflows in April to net inflows in June, with 14 billion dollars of net new deposits in the quarter. We remain focused on introducing Credit Suisse's clients to the unrivaled value proposition of the combined firm to counterbalance any headwinds to our flows from lag effects stemming from past or future attrition of Credit Suisse relationship managers. In addition to clear and decisive actions to retain client assets, we also implemented client advisor incentive programs with the clear objective to "win back" and sustainably retain client assets. Quarter to date, these actions have helped us to attract net new deposits of 10 billion dollars and positive net new assets in the Credit Suisse wealth management franchise.

Credit Suisse's adjusted operating expenses were down 10% sequentially, reflecting actions initiated before and after the merger announcement, as well as voluntary attrition of employees. As of the end of the second quarter, headcount was down by over 8,000 compared to the end of 2022, split roughly equally between internal and external staff.

Slide 29 – Driving positive underlying profitability and maintaining ~14% CET1 capital ratio

I now turn to slide 29. On an illustrative and underlying basis, the sum of the UBS sub-group pre-tax profit of 2.0 billion, and the Credit Suisse sub-group pre-tax loss of 2.2 billion, after translation to US dollars, equals a combined pro forma Group operating loss of around negative 0.3 billion. You can consider this indicative level as a useful starting point to contextualize the trajectory of our underlying profitability going forward, and assess the steps we are taking to achieve our ambitions.

First and foremost, we're executing on our cost reduction plans at pace and we expect positive combined underlying profits in the second half of 2023. We expect to deliver underlying exit rate cost savings of over 3 billion by the end of the year - which will benefit our 2024 results - and to incur a broadly similar amount of integration-related expenses in 2H23. While neutral to our underlying performance, I would note that such integration-related expenses will be partly offset by pull-to-par effects of over 1 and a half billion.

Second, asset and deposit retention and win-back initiatives will continue to support the positive momentum across our wealth management businesses. In particular we expect to see positive underlying contribution from the Credit Suisse wealth management franchise by the first half of 2024. We will apply this same systematic approach to client and asset retention and win-back across all of our core franchises, especially following today's announcement in connection with the Swiss businesses.

Third, our second quarter 2023 pro forma results include 550 million of funding costs related to the Swiss National Bank facilities that Credit Suisse reported in its Corporate Center. The repayment of these facilities will lead to materially lower funding costs in the third quarter and further benefits in the fourth quarter for the combined Group. Continuing on the NII topic, sequentially for 3Q23, we expect a low single-digit percentage decline in our combined wealth management businesses, with positive contribution from the Credit Suisse franchise, and a mid-single-digit percentage decline in our Swiss businesses. This excludes the pull to par effects I mentioned earlier.

These elements, in combination with disciplined resource management and a focused execution mindset across the leadership team, give us confidence in our ability to deliver a successful integration, starting with approaching break-even in the third quarter and returning to positive underlying profitability before the end of the year.

With that I'll hand back to Sergio for his closing remarks.

Sergio P. Ermotti – closing remarks

Slide 29 – Key messages

Thank you, Todd. As we speak, the geopolitical and macroeconomic outlook remains volatile and difficult to predict. Of course, major developments on this front will impact our business in the short term. As always, our first priority is to stay close to clients and help them manage the challenges and opportunities presented by this uncertain environment. For us, this is business as usual and we remain focused on this priority.

At the same time, we will also execute on our integration plans with determination and pace. That will unlock significant economies of scale allowing us to fund future investments as we continue to pursue growth opportunities. We are well aware of the additional trust and responsibility that accompany this transaction. We will not betray that trust, remaining faithful to our strong culture and conservative risk management.

I am excited about the opportunities that lie ahead of us. I strongly believe UBS will emerge as a stronger global financial institution, one of even greater value to its clients, while remaining safe and delivering superior returns.

With that let's get started with questions.

Analyst Q&A (CEO and CFO)

Jeremy Sigee, Exane BNP Paribas

Good morning. Thank you very much for all the information. There's a lot to get through and a lot of questions. I'll just ask two things. One is, could you talk about the Swiss integration, which obviously takes time and I think you said it's going to legally close in 2024 and then physically integrate in 2025. I just wondered, you know, what determines that timeframe and how you manage? How you intend to keep the businesses stable whilst they're in that slight sort of limbo period. So that's my first question.

And the second question is about sort of capital stack. The 14% CET1 target I imagine it implies that you're going to reissue AT1 and rebuild the AT1 part of your capital stack. And I saw a headline the other day that you might even do that this autumn. I just wondered if you could comment on that aspect, your intentions in terms of issuing AT1. Thank you.

Sergio P. Ermotti

Thank you, Jeremy. So, well, first of all, on the integration, of course, you know, now that we go through, as I mentioned, it's very important to understand the sequence of how we're going to go through the merger of the different legal entities. You know, we, as I mentioned before, our intention is to merge the two parent company, UBS AG and Credit Suisse AG. And as a follow-through different entities underneath will go through the same process. So, we need to optimize the timing from different aspects. And last but not least, also one of regulatory approvals. So, we are starting now the process to do that in terms of the Swiss business.

You know, the way we will manage that is by, as I mentioned, first of all, assuring that all people employed in the Swiss businesses at UBS and Credit Suisse will not be subject to any redundancies until the end of 2024. So, what's the most important message is to clients, that nothing changes for them and our view is to make it very smooth for clients to go through the transition.

And so once we go through this kind of legal process and regulatory process of merging the two entities, at the same time, we are also tackling the IT migration, the operational migration. And this is something that will only be completed early on in 2025. So, what we, the message here is a balance between showing the way forward to our people, to clients, but without rush and in a stable manner. So that people you, our clients continue to be served in the way they expect to be served.

In terms of the CET1 target, well, of course, AT1 continues to be an important element of our capital stack and strategy. I will not comment on speculations. We are watching the market carefully, we will assess the timing and the need of tapping the markets when appropriate. But, yes of course we are looking at the AT1 markets and we will make our consideration when appropriate.

Alastair Ryan, Bank of America Merrill Lynch

Yes. Thank you. It's Alastair, BofA. Sergio, good morning. Great to have clarity on the strategy and obviously the market is delighted as you are that the flows have come back. Just then on operating costs. Very clear ambitions and it looks like you're bringing forward a little 2027 to 2026 when you've landed everything. But just given the size of the operating costs in the old Credit Suisse investment bank and non-core, can you give us any sense about how quickly you can go there? So the quite a large restructuring charge, integration

charge in the second half, but does that cost number move out quickly so that you normalize profitability or is there still quite a long, long tail to the cost in that part of the business? It's just, you know, IB classic, the revenues have gone, the costs are still lingering and how quickly they go? Thank you.

Todd Tuckner

Hi, Alastair. Yeah. In terms of the speed at which we expect to take out cost. As Sergio and I said, we've been operating at pace in terms of the cost takeout which is among our top priorities. In terms of in particular restructuring the parts of Credit Suisse that need immediate attention and restructuring. And so you see how we're making very strong progress out of the gate in terms of the cost takeout through the second half of 2023 and the cost to achieve those cost takeout as well.

We've obviously modeled to get to the targets that – or the landing zones that we described earlier in terms of returns and the cost-to-income ratio at the end of 2026. But as you say, the costs do have a long tail in some cases, and that's because of the complexity of the operation that we have to unpack. Because you have significant infrastructure and technology; you have a very large array of legal entities, over a thousand legal entities, that have to be addressed.

And just back one proof point on the software components, there are 3,000 applications and the work that our team has done suggests that we will only integrate 300 into UBS. That takes time. And so, yes, there is a long tail, but you can count on us to operate quickly.

The last thing I would say is in terms of clarity on a sense of as those things hit through, because we give a degree of clarity through the second half of the year and we give sort of that landing zone, we will come back with further clarity once we do the business planning process in the second half of the year. ,And that will be with our fourth quarter earnings in early February.

Sergio P. Ermotti

And I would probably complement Todd’s observation. Because, it is very important that de facto the vast majority of the assets are in non-core and legacy are supported by the Credit Suisse IB platform. So, as we progress in winding down the, call it, core day-to-day operation from the front office stand point of view. Whatever is left is going to be legacy infrastructure, IB infrastructure, that is only there for non-core. And so you can see out then this will be a very important element in determining how quickly we get rid of non-core assets. Because as a consequence of that, we accelerate the winding down of this operation. But I think that's exactly what we are working on and we will give you more detail early on next year when we present our Q4 results and our three year plan.

Chris Hallam, Goldman Sachs

Good morning, everybody. And thanks for taking my questions. Just two for me. First, in Wealth Management, you've talked about now essentially being at scale in every growth market globally. But in tangible terms, what does that enhanced scale enable you to do that perhaps you weren't able to do previously? And have you seen any proactive response from competitors in reaction to that enhanced scale? That's my first question.

And then second, looking at the banking business in Switzerland. Now the dust has settled, does all the volatility we saw earlier in the year changed at all how you think strategically about running the combined

Swiss bank be it in terms of capital, funding, liquidity, etc.? I guess just sort of simply has your risk appetite changed in Switzerland?

Sergio P. Ermotti

Thank you. So, , look, in terms of scale, of course, there is an economy of scale. So, being able to leverage UBS's IT platform as we onboard all the assets. It's a huge advantage because we have, call it, marginal costs effects. But also when you look at the geographic footprint of the two operations, they are extremely complementary in some areas by relationships, but also in geographical terms, i.e. for example, in Brazil, right. So, we had a we had a lot of operation, Credit Suisse is much stronger, we now create a very important player. In Asia we've really reinforced our position and both in North Asia and Southeast Asia. I think that in Switzerland its quite clear, And also across Europe where there are different markets where you know ideally it's a very fragmented market in general, wealth management, particularly in Europe. So there, we create economies of scales and things that we would have not been able to fund from our organic standpoint of view. So, it's very important.

As I mentioned before also Credit Suisse across the board, in asset management, in wealth management brings capabilities and excellent products that can be then leveraged into our, into the UBS client franchise. And we've seen the competitors. I mean the reaction of competitors, of course, they started to take advantage of the fragile situation of Credit Suisse already during 2022, late 2022, of course, at the beginning of the year. And it's a pretty normal situation so. Now having said that, I think that as you saw from the flows, clients are now comfortable and they understand the value added of the franchise, we are able to retain and actually re-attract back clients. So, now it's our turn to be proactive and we will not spare any effort to regain back any lost assets.

So, in terms of the Swiss has anything, is anything changing? I mean, it's very important to reiterate that nothing changes in the way we run our Swiss businesses until they are fully integrated, right? So, from a client point of view, and in service, and in risk, and capital allocation, nothing changes. And even after we merged, our commitment, as I said in my remarks, is that we will continue to sustain the combined lending book. Of course, there are exceptional risky situations, but our principle is very clear. One and one makes two. We want to keep our market share in Switzerland. Switzerland is strategic, absolutely strategic for the Group, and we will not want to lose any of the market share we have today.

Kian Abouhossein, JP Morgan

Yeah, good morning, Sergio and Todd. Thanks for taking my questions. First question is on risk weighted assets. You have around USD 557 billion, USD 145 billion operational risk weighted assets. And I'm just wondering how we should think about the exit run rates in 2026 in terms of total risk weighted assets as well as in terms of operational risk weighted assets if I may. And then the second question is related to the non-core. Could you talk a little bit about the P&L effects of the non-core ex any more active write-downs or sales, so to say, leading to potential write-downs? I'm just trying to understand the P&L in terms of run rate of the noncore legacy bank, if I may. Thank you.

Todd Tuckner

Hi Kian. In terms of the op risk RWA, we will come back next quarter after doing a fair bit of additional modeling in terms of the op risk RWA of the combined bank. We've started to have initial views on that and initial discussions with our regulators and that informed the 10 billion reduction that I spoke about in my comments. And then, in terms of the trajectory and how we think about the 5.57 towards 2026, you'll have

more color on that after we complete the business planning process and our 3 YSP and come back early next year as mentioned.

In terms of, you asked about the P&L and the run rate in non-core. So, what I would say on that is. So first off, the thing that's most important is to take costs out and to focus very significantly on the cost takeout because there's a significant level of overhead and costs that aren't associated with the wind down of the portfolio. So, the way to think about it is that we have emphasized so far today that we have to take costs out and effectively, the costs that sit in parts of Credit Suisse that don't work. And so, those costs, whether they be personnel costs or whether they be technology costs or real estate costs, they move into non-core and legacy if they don't support the core businesses and they have to be run down extremely quickly. And so, I would say, first and foremost, it's a cost. The way to think about it is the cost rundown over the integration timeline. Then there's the asset rundown and we talked about the trajectory from a natural rundown perspective. And of course as Sergio mentioned that there will be strategically and actively looking at that. And of course from that perspective, we have taken some PPA adjustments in excess of USD 5 billion relating to non-core and legacy. I think that's a useful way to think about it too, the fact that some of that pulls to par and some of that will be fair value positions.

And we will manage that book in the most capital efficient way that we can and dispose of positions as appropriate. And also keeping just considering funding costs and the costs of operations, technology, people, etc.

Kian Abouhossein, JP Morgan

Okay. Thank you. If I may just very briefly on the risk weighted assets, if I – to take a very simplistic view and I just assume. I know the runoff, I can make some assumptions about Basel IV then op risk which is clearly very difficult to predict if I want to be conservative. One could assume that ultimately the risk weighted assets conservatively could not grow if at all to materially decline?

Sergio P. Ermotti

Kian, its, you know, we can't really comment right now. We are modeling. We are really going through the details of the plan. We need to really also go through the exercise. I'm sure you appreciate when we put together legal entities, the optimization of all that, it's a fairly complex operation.

So, I wouldn't go into a territory of projecting risk-weighted assets going forward because: one, there are two elements – well, three elements. The starting point is a good starting point. We know that we can make some adjustments in the next three to four months. Op risk was one of these subjects. But then you need to go through, first of all, what are the efficiencies we take out as we run down assets. Yes. What are the efficiency on optimizing legal entity operations? And then what is the growth? Because remember, we are going to grow, as well. And we have to attach also that prospect into the equation. I wouldn't go into too much of a risk-weighted assets projection until you see what we tell you in Q3 and Q4, for the Q4 results.

Flora Bocahut, Jefferies

Yes. Good morning. Thank you for taking my questions. I'd like to go back actually to some of the elements you have discussed on this call already, especially the NCL. Maybe trying to help us understand how much of the ROCET1 improvement towards 2026 is going to be driven by this unit, considering our move to natural runoff here, you know, trying to help us assess already at this stage what – how loss-making it is today and how loss- making it would end up being in 2026, only considering the natural runoff.

And then the other question I wanted to raise is on the cost save. Just to make sure I understand correctly. So you basically have already a target of 3 billion cost saves on an annualized run rate at the end of this year. But this is compared to the end of 2022, I think. So, how much of the annualized 3 billion do you kind of already have, you know, in the 2Q accounts, please? Thank you.

Todd Tuckner

Thanks, Flora. So, in terms of, I'll take, maybe address the second point first. In terms of the cost saves in the – in terms of what we're projecting by the end of the year at 3 billion. In terms of what we see already in the second quarter, we haven't disclosed that specific number. But I think from just the head count reductions that I mentioned in my remarks, you could probably consider that there's somewhere more than, around half has already started to hit through, and what we're already seeing in our underlying results.

In terms of our CET1 and how to think about NCL as we go through the process. For sure, NCL is, you know, is going to be something that weighs down on our CET1 naturally Just given the fact that, you know, we have significant, at least over the 2024 to 2026 period. If you just look at the natural profile rundown, which is effectively basis for how we started thinking about the RoCET,1 not the only way we started to model it, but, for sure, one of the ways that we were thinking about it. There's a drag by definition in the sense that, by the end of 2026, you could see in the slide the natural profile has roughly half going away. Now, we can model different scenarios as can you, but we're not going to discuss how we're thinking about it and obviously, some of that is still very much unknown. In terms of the cost takeout, we would expect to be taking out the lion's share of the costs in non-core and legacy by the time the integration is materially complete, by definition. We will do that. There'll be, we expect some residual carry that we'll have to take on or continue to run down beyond 2026. So, there is some, if you will, negative burn that is associated with NCL in our modeling.

Stefan Stalmann, Autonomous Research

Good morning and thank you very much for the presentation. I have two numbers questions, please. So, the first one is on capitalized software. You have taken these roughly 1.8 billion of software impairments in the PPA. Can you give us a rough sense of how much of a remaining amount of capitalized software remains in your group accounts that relates to CS? And is there a risk of further impairments given that you want to retain only about 10% of these systems?

And the second question relates to your capital requirements. So, you show still at 10.6% CET1 over risk-weighted assets. If we were to apply the current capital metrics that is outlined in Swiss banking law, what would be the capital requirement if there was no FINMA transitional forbearance, please ? Thank you very much.

Todd Tuckner

Okay. Thanks, Stefan. In terms of the capitalized software, as you say, 1.8 billion was the amount that was in the Credit Suisse AG reported number today. I think in the PPA number overall in total, there was slightly more about2 billion. You can look at the CS, you know, balance sheet from year end or Q1, Q2, or sorry, Q1 or year end and see, there was capitalized software in the neighborhood of 3 billion. So effectively what we have done is taken two-thirds down and have one-third left on a shorter economic useful life that aligns with how we think about: a), the time it's going to take us to fully decommission everything and b), leaving what we think we still get value from at the end. So, all that has been sort of factored into the PPA. So, I don't see

necessarily further impairments, but because we now have just what's left, about a 1 billion that will have a shorter economic useful life, that aligns to how we're thinking about the restructuring.

Sergio P. Ermotti

Stefan on CET1, I think when you look at the fully implemented regime in Switzerland which is not applicable to us until 2027, it would be around 12.5%. 12-point-plus and that's you know the reason why we raised our CET1 ratio was both to reflect, you know, a buffer there to accommodate for the restructuring, but also is a clear, call it small, front running of what we expect to come. As a consequence of that, and our, and the finalization of Basel III, which is partially already in our books. So, you can count on this number to be calibrated with a pretty medium term, medium to long-term expectation of the current interpretation of all regulatory regimes worldwide, including Switzerland.

Anke Reingen, RBC

Thank you very much for taking my questions. The first is on revenue cost synergies. I mean, you had a comment and especially if you think you can keep this with market share unchanged. Is it something you really think maybe people get overly concerned and you don't see quite that risk of a revenue dissynergies even if you potentially have to contract some of this at bit more attractive rates or incentivizing your advisors?

And then secondly, on slide 16 where you show us the return path and there's this block about the funding cost efficiencies. And that's something you – I guess apart from the drop out of the higher expense funding at Credit Suisse, is there other areas where you see the material benefits from lowering funding costs and overall group benefits because this block is the same size as the cost base rightsizing? Obviously can maybe elaborate a bit more on that area. Thank you.

Sergio P. Ermotti

Let me take the first question. First of all, I haven't said that we will keep our market share. I said that our ambition is to keep the market share. Now, having said that, Credit Suisse lost their market share and business in the last 12 months or so.

So, what we count on is the fact that, you know, we will be able to recapture and regain some of the market share and what you saw lately in the last couple of months is a good sign of that. But, of course, we are not, we are realistic and we are also factoring in that we may lose market shares because some clients may or may not feel, you know, that they want a certain concentration of risk. So, you know, there is no danger of us budgeting or planning blue-sky scenarios on that one. We are realistic, but that should not be confused with our desire to keep as much as we can.

Todd Tuckner

Anke, on the second, –the second question in terms of material benefits, we see you obviously highlighted the most significant one, which will be just the take out of the significant cost that we were wearing in connection with the PLB and the ELA+ facilities. But, I would say, and, as I've remarked earlier, that we expect the positive contribution from the Credit Suisse wealth management franchise in our NII in 3Q and that comes principally from having stabilized the business and net new deposits that are also helping on NII. So, I would say that's another factor that is helping on the underlying profitability.

Benjamin Goy, Deutsche Bank

Yes. Hi. Good morning. Two questions from my side. The first, to play devil's advocate, are there more outflows to come or where you kind of already had outflows from clients, but maybe some longer-term structures, partnerships or anything like that take time to see the outflows?

And then secondly, for the first time in a while, your CET1 capital is higher than your tangible book value or almost the same. So now, the 15% return on CET1, should that also be broadly similar to RoTE, going forward, or should we expect more moving parts towards 2026? Thank you very much.

Sergio P. Ermotti

Thank you. Let me take the first questions. I guess, as I mentioned before, now, we are under wealth management broader perimeter. I think that, of course, we may still have client advisors that resigned over the last three or four months or that, as they move into a new organization, they may be able to bring some assets with them. What we see right now is clear that the ability of the people that left a while ago to really move assets is fairly limited. And this is nothing new compared to what UBS went through 10 years ago or more than 10 years ago in recognizing that there is a lot of institutional loyalty of the client base. And now that we have stabilized the franchises, of course, we are even stronger in retaining assets. And as I mentioned before, our desires to re-bring back assets. So, look, the movement, the gross movements are going to be very difficult to predict, but the net outcome we feel pretty comfortable will be positive.

Todd Tuckner

And Benjamin, in terms of the return on CET1 versus RoTE impact, I'd say there are two factors that do argue in favor of moving in that direction, just not yet but for sure on the first one, the denominator effect we’re bigger and so that's obviously going to make the difference between the historic RoTE versus RoCET1 smaller, by definition. So – and you know that – so that denominator effect is now in play and it is helpful as you suggest probably as well, contributing to what you observe.

The other one though which has been our historic delta that really has given us pause to move off of what we think is a more meaningful return measure are DTAs. But there of course, you know, as they amortize down, because these generally although not exclusively but generally relate to you know very old losses that we're you know now you know continuing to just chip away at as that balance comes down, then that's yet another factor that would argue in favor of moving to the other measure.

Sergio P. Ermotti

Well, by the way, for the foreseeable future and from a the other angle of measuring our capital return flexibility, the CET1 ratio is a better proxy because this is the true binding constraint.

Benjamin Goy, Deutsche Bank

Fair enough and very clear. Thank you.

Amit Goel, Barclays

Hi. Thank you and thanks for a lot of good information. The first question was, I appreciate there's a lot of moving parts. We're going to spend a bit of time trying to update estimates and all that kind of stuff. But in

terms of the path for the RoCET1 to get to that kind of 15% 2026 exit rate, are you able to give any color in terms of expectation for 2024, 2025, or how you'd like it to trend?

And then secondly, just on the costs. It'll be great to get a bit more color on the saving. So, I'm just kind of curious things like, you know, 10 billion gross, but how much net saving or how much reinvestment of that do you expect to do where you found the incremental 2 billion versus the 8 billion? And also, how you're spending, you know, the 12 billion restructuring? Because it does seem like, you know, quite a big number. So, you know, just wondering if there could be benefits there as well. Thank you.

Todd Tuckner

Hey Amit. So, as mentioned in terms of color, further color on the trajectory as to we get end of 2023 to end of 2026, we'll come back on that to provide an update in 3Q as to where we are. But then, you know, a much more fulsome perspective after our business planning processes is complete by the end of the year into early next year.

In terms of the cost savings, you know, Sergio also made, remarked in his comments. The gross number is greater than 10 billion as you highlight. But we will be making investments. We're going to grow our business. We're going to invest in technology. We're going to, you know, also deal with inflationary factors if need be. So, you know, that's all in the thinking around it, around half of the gross cost saves relate to effectively restructuring the Credit Suisse IB and CRU units. And the other half gross relates to the synergies we expect to realize, but then that will be – they'll be investments back into the technology and the people to grow the core franchises.

Andrew Lim, Société Générale

Hi. Good morning. Thanks for taking my questions and thanks for all the detail. So, firstly, on the fair value markdowns that you've taken there, related to that, could you give an idea of the maturity remaining on these financial assets and how we should think about the reversal of those markdowns? So, you've highlighted more than 1.5 billion for the second half of this year. Is that the kind of run rate that we should be expecting going forward?

And then secondly, on the NCL, perhaps I can ask it a different way. Do you have a better idea now of what the ultimate cumulative losses might be from the NCL? Would they be less than the 5 billion maybe that you might have been exposed to under the LPA agreement? That's my question there.

And then thirdly, might I quickly ask, on the domestic side, certainly for some businesses, you will have a significant market share. And I wonder if there's any maybe regulatory risk that that market share might be looked at and you'd be forced to bring it down to a level which is more palatable to the regulators. Thank you.

Sergio P. Ermotti

Yeah. Because you asked three questions instead of two, I'll take the last one. On the market share one, as you know, we got regulatory approvals to basically not be subject to any competitive constraints, and that was done just to secure and be able to communicate and to be able to place. Although it was already crystal clear as it is today that there is no market share topics for the combined unit in Switzerland.

I mean if you go across the board, cantonal banks are larger on any dimensions of relevant personal and commercial banking business in Switzerland. And when you measure in terms of branches, we are combined the third largest player. So, now this is very relevant but because some people may argue, well, these cantonal banks are combined versus you being one unit. Well, the fact, the truth of the matter is that we compete in those cantons with the local cantonal banks. It's extremely relevant to make that difference.

Therefore we will, of course, contribute what the competitive authorities have to say about it and put our views into it. But I don't really expect that on a fact based discussions we will be subject to any limitation or meaningful limitations in respect of our activities going forward.

Andrew let me just unpack your first and second, I think they're related. So, on the first, you know as we highlighted earlier, we took around 15 billion of fair value marks on financial assets and liabilities, 12.5 billion where we indicated would pull to par because they relate to accrual accounted positions and another roughly 2.5 billion relate to fair value positions where we had further markdown in light of liquidity model risk other type issues.

On the piece that pulls to par, just keep in mind that 4 billion of that 12.5 relates to non-core and legacy. So that's important to know and about 8.5 billion more in our core businesses. On the core business piece, generally speaking, we see three to four years that we should unwind between 70% and 80%. There will be a longer tail especially on some fixed rate loans that will go longer than that. So, we'll see pull-to-par effects that extend beyond the three- to four-year timeframe. But most of it will accrete to income over the shorter timeframe, as I mentioned.

To the NCL point though, since we have roughly 4 billion of the pull-to-par in NCL and roughly 2 billion in the fair value marks, so you have 5 to 6 billion of fair value adjustments in NCL. And I think, to go to your second question, that's important to understand just given that we think that the positions are appropriately marked. And from here, we will continue to consider all our optionality in terms of running down the portfolio, as Sergio mentioned earlier, in a most capital and cost efficient way. But we think the positions are being carried at appropriate levels presently.

Andrew Lim, Société Générale

That's great. That's really helpful. Thanks.

Adam Terelak, Mediobanca

Morning. Thank you for the questions. I want to get under the hood a little bit more in Wealth Management. Firstly, on the CS business acquired, clearly there are some business exits to worry about some that you think non-core in the kind of the wealth management unit. Can you give us a sense of what the revenue attached to that might look like. But also any detail on AT1 cost savings that come through the NII in that division as well.

And then secondly, the competitive environment. I noticed in your GWM business, UBS standalone costs are up on lower revenues. I just want to know kind of what the cost is to retain management at this point? What are you seeing the competitive landscape on the RM side or the advisors side, but also in your deposit side what sort of campaigns have you been running to re-attract deposits and how easy or difficult has that been in the current rates and deposits environment? Thank you.

Todd Tuckner

Thanks, Adam. On the second one, would just say in terms of GWM costs. So, there's very significant positive operating leverage outside of the US, such important to note this is in the GWM – in the UBS subgroup GWM, very significant positive operating leverage. We were investing for growth in that business. But that business as well has been, you know, saw a strong NII performance and had strong PBT growth as I highlighted in my comments earlier.

As I also highlighted, it's more on the GWM overall side, just the fact that we've seen a lot of cash sorting and rotation on NII in the Americas and that sort of pulled the Americas revenue down reasonably significantly. So, quarter-on-quarter, year-on-year. And as a result, you know, we see that negative operating leverage, but we're continuing to invest in that business across the board and so some of that as well, contributes to the higher cost.

On your deposit campaign question I would say that you know like any bank, we value deposits, we value deposits in the win-back context in wealth management. We also just value deposits to fund our business, loan growth, et cetera, so there's nothing I've seen that I would call out there in terms of deposit betas that have moved in a direction I would consider to be anything other than what we see across peers.

In terms of the acquired – you were asking business exits and the revenue attached. At this point, we have in terms of what's being expected to move into non-core and legacy that was highlighted on one of the earlier slides. The revenue attached with that business is less than 100 million on an annualized basis in terms of net revenues, in terms of what's moving across. And that's of course you know not risk-adjusted for – and so that, that needs to be considered. In terms of AT1 cost savings that hit through the business from what had been, say, anything there has really just been captured in the Credit Suisse Corporate Center as an offset potentially to the inflated cost so I would expect that that'll normalize now as you know as the businesses come together.

Adam Terelak, Mediobanca

So, funding it seems that is in the corporate center and not in the divisions?

Serio P. Ermotti

Can you repeat? It wasn't clear. Sorry.

Adam Terelak, Mediobanca

So, any funding noise, AT1 versus liquidity facility resourced out in the corporate center rather than in-house?

Todd Tuckner

Yeah. That was our understanding from Credit Suisse's practice pre-acquisition, yes.

Adam Terelak, Mediobanca

Okay. Thank you.

Andrew Coombs, Citigroup

Good morning it's Andrew Coombs from Citi and thank you for taking my questions. Two if I may. Firstly, I want to turn back to follow up on the PPA pull-to-par bit in relationship to the restructuring charges. You made this comment that, out of the period at end of 2026, I think restructuring charges will be largely but not wholly offset by the PPA pull-to-par effect. And then in your later comments, you talked about probably 0.5 billion of pull-to- par effect, of which 4.5 would be noncore, and that most of that would be recognized in a three- to four-year timeframe. So, can we assume restructuring charges of the magnitude of 12.5? And can you give us a feel for the timing of those relative to the PPA pull-to-par?

And then the second question is on slide 29. You provide a useful quarterly trajectory going from minus 0.3 billion in Q2 and you talked about breakeven in Q3. But you also flagged 750 million of savings, 550 million of funding cost savings. There's a 650 million arguably one-off ECL charge on the non-credit impaired CS portfolio data this quarter. So, just trying to understand the going from minus 0.3 billion to 0, even with all those additional benefits Q-on-Q, what's the offset? I guess there'd be some seasonality on revenue, a bit of a decline in NII. But any more color there?

Todd Tuckner

So, Andrew, in terms of – I'll take the second point first – in terms of the story on the underlying profitability, yeah, I mean just be very clear that the cost saves that we expect to see by the end of 2023 of 3 billion, which we think you can price into 2024, some of that has been realized. But as I would – the way I would think about it is there is work that's ongoing and we expect that the greater than 3 billion number is something that we'll see at the end of the year hitting through. I would continue to reemphasize the funding cost point that was in 2Q that will benefit 3Q and fully in 4Q that helps. And then the stabilization as flows and all that will sort of hit through as we go on an underlying basis. And as I said, we expect to break even in the third quarter coming out of roughly a 300 million- plus improvement. And then to be positive in 4Q for the reasons that I mentioned.

In terms of the restructuring you asked about, we'll come back in further details in terms of how much restructuring specifically there'll be. We're giving a perspective that we expect the number to be broadly offset by the pull-to-par effects. But at this point in time, we're going to need to detail that out in the business planning process and come back, as we have said, with our fourth quarter earnings.

Andrew Coombs

Thank you.

Vishal Shah, Morgan Stanley

Hi. Thank you so much for your questions. My first one is on wealth management. Just wanted to get a sense on you know how you are assessing you know the business overlaps in that segment – in that segment or you've had you know further chance to sort of you know look at you know different regions and how to respond to all the ongoing competitive pressures and in terms of you know relationship managers and then sort of bankers in that segment? So, if you could give a bit of an update on that side?

And then the second one is on the investment bank, the CS non-core perimeter of 55 billion. I know in one of your slides have provided a natural run-off rate, but I was just trying to get a sense if you could provide any sort of color in terms of what is your sort of ambition on actively winding down this perimeter in terms of

timeline, i.e., could we expect you know the next two years basically by 2025 you know broadly most of this run down to be done. Is that is that a fair assumption or are you looking at it in a bit of a different way? Thank you so much.

Todd Tuckner

Hey, Vishal. I mean I think on this on that second question, we've addressed that in the sense that you know we offer the natural rundown just given you know of course, we have to take care and ensure that we're protecting our counterparties and we're doing things in the best interests of the firm and so on these positions that we, you know, we will look – we will look strategically to exit them as quickly as possible. But at this point, I would say, we'll come back and give you progress as we've done already in 2Q in terms of the actual RWA reduction relative to the natural runoff profile. We'll continue to do that. And to the extent we can give more color through our planning process, we will. But again, these are positions where we think, naturally, there'll be strategic exits and opportunities that arise and not something we'll, I will be disclosing.

In terms of your first question on Wealth Management and assessing business overlaps, I mean, in general, the way we approach the integration is to look at Credit Suisse is adding value in a lot of the areas in which we already operate. But also, as Sergio mentioned, areas where we have less of a presence. Brazil was mentioned. There are important parts of the Middle East where that's the case; important parts of Southeast Asia. Also, much bigger in Europe overall. So, in terms of assessing the overlaps, I mean, in the end of the day, relationship managers have their client relationships and we want to retain them all. And of course, we're looking at how to manage the business in the most efficient and effective way.

I would make one additional comment which is very important, which is that Iqbal had announced the area market heads on a combined basis, and that was very important just in the last several weeks and was in comments Sergio made as well, because when we start integrating how we approach the market and so we're in the market on an integrated basis, which, of course, just took time even though we move quickly in the two and a half months since we've closed, to be in the market on an integrated basis having market heads that have now been decided across wealth management on a combined and integrated basis is quite a step that helps us to manage some of the business overlaps and competitive pressures that you were asking about.

Vishal Shah, Morgan Stanley

Okay. Thank you so much.

Sergio P. Ermotti

Okay. The last answer and questions and I'm sure we're going to have a chance to stay in touch between now and November 7th when we announce the Q3 results. For the time being, thank you for dialing in. Thanks for your questions. And well as I say, looking forward to staying in touch. Thank you.

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