First quarter 2024 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 first quarter 2024 results presentation. Materials and a webcast replay are available at www.ubs.com/investors

Sergio P. Ermotti

Slide 3 – Key messages

Thank you, Sarah and good morning, everyone.

A little over a year ago, we were asked to play a critical role in stabilizing the Swiss and global financial systems through the acquisition of Credit Suisse and we are delivering on our commitments.

This quarter marks the return to reported net profits and capital accretion – a testament to the strength of our client franchises and significant progress on our integration plans.

Reported net profit was 1.8 billion, with underlying PBT of 2.6 billion and an underlying return on CET1 capital of 9.6%.

Our commitment to stay close to clients supported healthy revenue growth in our core businesses and flows across our asset gathering franchises. Meanwhile, we are executing on our restructuring plans at pace and actively winding down Non-core and Legacy assets.

We also achieved another 1 billion in annualized run-rate gross cost savings during the quarter as we progress towards our 13 billion target.

As for the next significant integration milestones, we remain on track with our plans to simplify our legal entity structure. The merger of our parent banks is expected by the end of May and the transition to a single U.S. intermediate holding company is expected to occur shortly thereafter. The merger of our Swiss bank entities is set to take place before the end of the third quarter. All of this is subject to final regulatory approvals.

These critical milestones will facilitate the migration of clients onto UBS platforms beginning later this year and unlock the next phase of the cost, capital, funding and tax benefits from the second half of 2024, and more so by the end of 2025 and into 2026.

Lastly, improvements in our CET1 capital ratio was supported by our optimization of risk weighted assets. As a consequence, we remain well positioned to deliver on our capital return targets this year.

Slide 4 – Strong financial performance in 1Q24 with significant operating leverage

Our underlying financial performance was driven by significant positive operating leverage at the Group level with 15% revenue growth alongside a 5% reduction in operating expenses compared to the fourth quarter. Compared to a year ago, we reduced operating expenses by around 12%.

We had excellent performance in Global Wealth Management as underlying PBT doubled sequentially to 1.3 billion. Personal & Corporate Banking delivered underlying profit growth quarter on quarter driven by higher revenues and lower credit loss expenses. Meanwhile, Asset Management posted solid results thanks to cost discipline.

As a result of the restructuring efforts we have undertaken over the last nine months, I am particularly pleased that Credit Suisse's Wealth Management, Swiss Bank and Asset Management franchises are now all profitable and contributed to our financial performance.

The Investment Bank delivered a double-digit underlying return on attributed equity supported by lower operating expenses compared to Q4, and another strong quarter in Global Banking revenues.

Lastly, we had a positive revenue contribution from Non-core and Legacy as we accelerated position exits while further reducing costs.

Slide 5 – Continued franchise strength and client momentum

While we continue to deliver on the integration, helping our clients manage, grow and protect their assets remains our top priority.

We maintained our momentum with clients in GWM. Invested assets have now surpassed 4 trillion as we generated 27 billion of net new assets.

Though geopolitical volatility and macroeconomic uncertainty continued to weigh on client sentiment, we observed an improvement in risk appetite and activity.

We also saw an improvement in client activity within P&C, particularly among corporates.

In Asset Management, our clients continue to value our Separately Managed Account and Sustainability offerings. We generated 21 billion in net new money during the quarter.

In Global Banking, we outperformed the fee pools in all regions, but most notably in the U.S., where the integration of Credit Suisse teams is progressing well and our pipeline continues to build.

Slide 6 – Accelerated cost and balance sheet reductions in Non-core and Legacy

Let's move to Non-core and Legacy.

As I said before, and you can see on this slide, we are making good progress in taking out costs and streamlining our operations as we run down the portfolio.

We accelerated the wind-down of several complex and longer-dated positions this quarter, supporting a capital release of around 2 billion and a material improvement in our natural run-off profile.

We are well positioned to achieve our target to reduce NCL risk weighted assets to around 5% of the Group by the end of 2026 and we remain focused on accelerating position exits in a manner that continues to optimize value.

Slide 7 – Reinforcing our balance sheet for all seasons through active management

Turning to capital. As you can see, the combination of our highly capital generative business and the restructuring and active management of financial resources has further reinforced our balance sheet for all seasons.

This permits us to follow through on our capital return plans for 2024. During the quarter, we began accruing for a mid-teen percentage year-on-year increase in our dividend. And, as previously communicated, we expect to resume share repurchases following the completion of the parent bank merger, targeting up to 1 billion.

Our ambition is to continue repurchases in 2025 and for our capital returns in 2026 to exceed pre-acquisition levels. Of course, all of this is now subject to our assessment of any proposed requirements related to Switzerland’s ongoing review of its regulatory regime.

In this respect, I’d like to address the recent proposals in Switzerland to strengthen the too-big-to-fail regime.

It is clear both to us and several expert groups that too-low capital requirements were not why Credit Suisse needed rescuing.

However, we agree with the Swiss Federal Council’s view that capital and liquidity requirements on their own are not sufficient to ensure the resilience and stability of a systemically important bank.

In addition to having a strong capital position, it is key to maintain a sustainable business model centered around risk-adjusted profitability and a robust risk management framework. All of these are core principles for UBS.

For over ten years, this approach has served our clients, employees, investors and the Swiss economy well. It is what allowed UBS to respond to the Swiss government’s request in March 2023 to be part of the solutions to stabilize the financial system.

While some modifications to the regulatory regime may be necessary - and we have endorsed many - the discussion around capital should be based on facts. That includes a full and transparent account of what led to the idiosyncratic failures of Credit Suisse.

The ultimate and crucial objective of the too-big-to-fail regime must be to credibly demonstrate that a systemically important bank could be saved in a crisis largely through its own financial resources.

We believe UBS has and will continue to demonstrate its resolvability from both an operational and capital point of view. With around 200 billion in total loss absorbing capacity, our shareholders and structurally subordinated bondholders bear the significant costs and risks to ensure taxpayers would not suffer in the highly unlikely scenario that a major systemic event affects UBS.

We appreciate that many of you would like a quantification of the potential impact of any new capital regime, but it is too soon to jump to conclusions. It would be inappropriate for us to speculate or respond to speculation on the potential impact. We were not involved in the consultation process leading to the publication of the

Federal Council's report, and do not have clarity on any proposed changes and how they would be implemented.

Nonetheless, one point on which we may offer some clarification is the topic of parent bank capital. Our parent bank was already well capitalized in both absolute and relative terms and is in a position today to absorb the removal of substantial regulatory concessions granted to Credit Suisse.

By fully aligning the treatment of capital at Credit Suisse to our more rigorous approach, UBS has to provide the additional capital required for the phase-in of risk-weighted assets for Credit Suisse participations. UBS had already done this for its subsidiaries when the rules were introduced in 2017. Further, UBS will not rely upon the regulatory filter historically applied to Credit Suisse. Overall, this requires additional capital in the amount of about 9 billion dollars.

When applied consistently and coherently, the Basel 3 rules that UBS and its global peers must follow are robust. They too, are being significantly tightened. In addition, the phasing-in of progressive capital add-ons will already lead to substantially higher capital requirements for UBS's parent bank, about another 10 billion.

So overall, we are adding almost 20 billion in additional capital which, of course, was already reflected in our previously communicated capital and financial targets.

In our view, all of this must be considered when new requirements are discussed, defined and calibrated. In this respect, we will be constructively contributing our views to the relevant authorities and various policymakers.

As the third-largest private employer, one of the country's largest taxpayers and as importantly, a significant provider of credit to households and businesses in Switzerland, we believe it is also our responsibility to share our perspectives with the wider public.

This is an important discussion for the country and I remain hopeful for a proportionate outcome.

In the meantime, in addition to executing on our integration plans, we will remain focused on what we are able to control – serving our clients, following through on our strategy, investing in our people and remaining a pillar of economic support in the communities where we live and work.

With that, I hand over to Todd.

Todd Tuckner

Slide 9 – Return to reported profitability of 1.8bn with underlying PBT 2.6bn

Thank you Sergio, and good morning everyone.

Before I begin, I would offer a reminder that the first quarter financial report published today includes select inter-divisional changes we signaled last year. We shifted the Swiss high-net worth segment from P&C to GWM, and pushed-out residual, centrally-held costs and financial resources to our business divisions, ultimately increasing the equity we allocate to them.

These divisional shifts support continued resource discipline and accountability. They also align with interests of shareholders by reflecting Group performance as a whole through the reporting lens of the respective individual businesses.

In my remarks today, I will refer to underlying numbers in US dollars and compare them to our performance last quarter, unless stated otherwise.

As illustrated on Slide 9, our financial performance this quarter reflects strength in our core businesses as well as excellent progress across our integration workstreams, resulting in substantial reductions in operating expenses and risk-weighted assets.

Profit before tax increased significantly to 2.6 billion from strong operating leverage quarter-on-quarter driven by higher revenues and lower costs, both of which I will cover in more detail shortly.

Net credit loss expenses declined by 30 million this quarter to 106 million.

On a reported basis, the first quarter net profit was 1.8 billion, including a tax expense of 0.6 billion. The effective tax rate for the quarter was 26%, lower than previously guided, primarily due to the strong performance in Non-core and Legacy that reduced the level of losses in select Credit Suisse legal entities.

We expect the effective tax rate in the second quarter to return to more elevated levels from higher forecasted losses in these entities before the first of the planned mergers takes place later this month. We then expect the Group's effective tax rate in the second half of 2024 to continue to normalize, ultimately falling to its structural level of 23% by 2026, driven by further legal entity optimization and cost elimination.

Slide 10 – Strong underlying revenues, up 15% QoQ

Total revenues, on slide 10, increased by 15% to 12 billion with strong sequential gains in Global Wealth Management, the Investment Bank and Non-core and Legacy. The latter included a gain from the close-out of the main aspects of the transaction relating to the former Credit Suisse Securitized Products business, which was announced earlier in the quarter.

Partially offsetting our top line performance was a decline of 446 million in Group Items, driven primarily from hedging P&L reflecting higher interest rates and widening currency basis spreads in the quarter.

Total reported revenues reached 12.7 billion, which included 0.8 billion from purchase price allocation adjustments in our core businesses. Since the Credit Suisse acquisition, these adjustments total 3.1 billion, excluding the effects in NCL, and mainly relate to loans that will pull-to-par if held to maturity. We continue to expect to report additional revenues of around 7.4 billion through the end of 2028 from these acquisition-related effects, of which 0.6 billion is expected in the second quarter.

<u>Slide 11 – Executing on cost ambitions with operating expenses down 5% QoQ</u>

Moving to slide 11. Operating expenses for the Group decreased by 5% quarter-on-quarter to 9.2 billion with the largest reductions in Non-core and Legacy, Global Wealth Management, and the Investment Bank.

Personnel costs excluding variable and Financial Advisor compensation decreased by around 120 million, or 3% quarter-on-quarter. Variable and FA compensation expenses were up 11% sequentially on the back of higher revenues. Overall, personnel expenses increased by 2%.

There were almost 2 thousand fewer total staff at the end of the first quarter when compared to the end of the fourth quarter of 2023, and over 19 thousand fewer versus the end of 2022, down 12.5% over the past 5 quarters.

Non-personnel expenses were down 0.6 billion quarter-on-quarter, driven by lower real estate expenses combined with a reduction in third party spend. Additionally, the fourth quarter contained charges for the UK bank levy and the US FDIC special assessment that were not present in our first quarter performance.

Integration-related expenses in the first quarter were 1 billion, split roughly half-half between personnel and non-personnel costs, resulting in reported operating expenses of 10.3 billion.

<u>Slide 12 – Cost plans on track with 50% of targeted saves expected by 2024 exit rate</u>

On slide 12, we report on the progress against our cost ambitions as described during the investor update in February. Exiting the first quarter, we realized an additional 1 billion in gross cost saves when compared to the 2023 exit rate. Since the end of 2022, we have achieved 5 billion in gross saves, or nearly 40% of our 2026 exit-rate ambition of 13 billion.

As I highlighted in February, we expect our integration work to intensify over the next several, pivotal quarters. This will require appropriate staff levels to ensure efficient, effective and well-controlled execution.

Accordingly, the pace of gross cost saves is likely to decelerate from the run rate savings output achieved over the last 5 quarters, with another 1.5 billion in gross cost saves expected by the end of the year. Following this intensive phase, we continue to expect the pace of gross saves to pick up again in 2025.

Integration-related expenses linked to our cost-saving actions reached a total of 5.5 billion since the Credit Suisse acquisition, including the 1 billion incurred in the first quarter.

As previously mentioned, we expect to incur around 13 billion of integration-related expenses by the end of 2026, or a ratio of about 1-to-1 between costs-to-achieve and gross saves. As these integration charges enable and unlock future cost reductions, we expect them to outpace gross saves through the rest of 2024, totaling 3.5 billion, of which we estimate 1.3 billion in the second quarter.

Of course, what matters is turning gross saves into clear progress in our underlying opex performance. Our 1Q24 underlying operating expenses of 9.2 billion signal a significant improvement against our 2022 benchmark, meaning a majority of the gross cost saves we’ve realized to date have translated into net reductions in our underlying opex.

Thus far, most of these life-to-date net saves benefit Non-core and Legacy. I highlighted in February that we expect around half of the Group's planned gross cost saves, and a considerable majority of net saves, to be achieved from running down NCL's book as well as eliminating expenses associated with maintaining Credit Suisse's many legal entities and branches. We are seeing this dynamic reflected in our cost performance. We also expect NCL to benefit further from the upcoming legal entity mergers and from continued position exits, working towards a 2026 opex exit rate of less than 1 billion.

Finally, in our core businesses, we expect to realize a significant portion of integration cost synergies beginning in 2025 when client accounts and positions are moved to UBS platforms and applications, and Credit Suisse infrastructure is shut down.

<u>Slide 13 – Global Wealth Management</u>

Moving on to the quarterly performance of our business divisions and starting with Global Wealth Management on slide 13. In the quarter, GWM's pre-tax profit doubled to 1.3 billion on stronger revenues and lower operating expenses.

Notably, on a combined basis, PBT increased by around 20% year-over-year, with the Credit Suisse platform returning firmly to profitability.

Overall, we see very good client momentum across GWM, with net new assets of 27 billion and strong contributions from the Americas, Switzerland, and APAC. Net new fee generating assets reached almost 18 billion from healthy net inflows to SMAs in the US and discretionary mandates in EMEA and Switzerland.

The business achieved this flow performance while focusing on financial resource efficiency and balance sheet management, seeking to reprice loans with sub-hurdle returns or to otherwise exit such positions. This ongoing work mitigates some of the headwinds from inherited Credit Suisse risk models and led to a decline in credit and counterparty risk RWAs of 4 billion in the quarter. We've also begun to see progress in GWM's revenue-over-RWA metric, particularly on the Credit Suisse platform.

GWM also attracted 8 billion in net new deposits in the quarter while our pricing increasingly reflects the Group's strong liquidity profile and tighter funding spreads.

I would note that we estimate seasonal tax-related outflows in our US business in the mid-to-high single-digit billions as a headwind to divisional net new asset performance in the second quarter.

Now, onto GWM's financials.

Revenues increased by 10% sequentially with improvements across all lines, driven by higher client activity and increased average-asset levels. Revenue performance related to client transactional activity was particularly strong across the business.

NII increased by 4% sequentially to 1.6 billion, as higher revenues from re-investments as well as increased US dollar deposit rates and volumes offset the effects of tapering deposit mix shifts and client deleveraging.

In the second quarter, we expect a low-to-mid, single-digit percentage decline in GWM NII due to moderately lower lending and deposit volumes, and lower interest rates in Switzerland, partly offset by additional revenues, primarily from higher US dollar rates combined with our repricing efforts.

For the full year 2024, we expect NII in GWM to be roughly flat versus 4Q23 annualized. Specifically, we see NII and margins holding broadly steady in 2H24, and after the second quarter broadly reverses out the sequential gains we realized this quarter.

This outcome, which models three US dollar rate cuts, is helped by lower funding costs as well as our balance sheet initiatives.

Recurring net fee income increased by 4% to 3 billion in the quarter from higher client balances and inflows in net new fee-generating assets. This was partly offset by margin compression from more of the back book reflecting greater penetration into lower margin mandates across higher wealth bands.

Transaction-based income increased by a third sequentially to 1.2 billion, driven by higher trading volumes, particularly in structured products, partly due to the seasonal increase in client activity levels, with significant improvements across all regions. Combined transaction revenues were also 9% higher year-over-year.

Our APAC franchise had a particularly impressive transaction revenue quarter, doubling from 4Q with strength demonstrated across all product classes, despite the economic uncertainties weighing on sentiment for most of the first quarter.

We also saw positive momentum in the Americas, where the introduction of our international model of joint coverage of GWM clients with the IB, led to transaction-based revenue gains of 11% quarter-on-quarter and a mid-teens increase year-on-year.

Expenses for the quarter were down 3% sequentially, mainly from decreases in salaries and non-personnel costs, and with non-recurring items in the fourth quarter falling away, outweighing increases this quarter in variable and Financial Advisor compensation.

Slide 14 – Personal & Corporate Banking (CHF)

Turning to Personal and Corporate Banking on slide 14. With good momentum and the front office teams now more closely aligned to strengthen client engagement, P&C increased pre-tax profit by 11% sequentially to 774 million Swiss francs, its highest PBT since before the Credit Suisse acquisition.

Revenues were up by 4% with gains across each significant revenue line, further supported by a 47% decline in credit loss expense quarter-on-quarter.

Deposit balances in Swiss franc terms remained roughly stable, with inflows in personal banking largely offset by outflows in corporate balances with lower liquidity value. This was a strong outcome considering the current rates environment in Switzerland and the ongoing work in the business to gain share of wallet and to improve balance sheet efficiency, supporting our net interest margin in 1Q.

NII increased by 3% sequentially to 1.1 billion, principally as higher re-investment income more than offset declines in revenue from lower lending volumes and ongoing deposit mix shifts.

In the second quarter, we expect a mid-to-high single-digit percentage decrease in P&C's NII in US dollars, more than offsetting the first quarter's sequential gains, especially as the effects of the Swiss central bank's March interest rate cut hit through for a full quarter.

For the full year 2024, we likewise expect a mid-to-high single-digit percentage decline in P&C's NII versus 4Q23 annualized. We see NII holding broadly steady in US dollar terms in 2H24, as P&C's balance sheet management efforts to improve loan margins help to mitigate lower loan and deposit volumes, as well as the modeled effects of two further 25 basis-point rate cuts in Switzerland. The outlook also includes a 50 million annualized headwind from the effects of higher minimum reserve requirements at the Swiss central bank.

Transaction-based revenues were up 9% in the quarter principally on strong corporate client engagement. Recurring net fee income gained 5% sequentially on higher client asset balances supported by net new inflows in the quarter.

Credit loss expense was 39 million as PPA adjustments offset a similar level of charges on impaired loans acquired from Credit Suisse.

Operating expenses were up 4% quarter-on-quarter, principally due to higher staff costs in Switzerland and a lease accounting credit recorded in the comparable quarter..

Slide 15 – Asset Management

As illustrated on slide 15, underlying PBT in Asset Management decreased by 2% quarter-on-quarter to 182 million, as lower revenues were only partially offset by reduced operating expenses.

While net management fees were steady quarter-on quarter, the sequential drop in the top line is explained by fourth quarter revenues, which included the gain from the sale of an investment stake, as well as seasonally higher performance fees.

Net new money in the quarter was 21 billion due to several big-ticket inflows in mainly passive equity and fixed income funds, including money markets. We also continue to see client demand for SMA, sustainable investments and our Private Markets capabilities.

Opex decreased by 7% to 594 million, mainly from lower personnel, technology and litigation costs. As I highlighted during the investor update in February, we aim to improve operating leverage in Asset Management by focusing on cost optimization across the entire division and realizing synergies from migration of clients onto UBS infrastructure over the course of 2025.

Slide 16 – Investment Bank

On to our Investment Bank's performance on slide 16. As in prior quarters, we compare the results of the combined IB with standalone UBS performance on a year-on-year basis.

Operating profit was 404 million, marking the IB's first profitable quarter since the acquisition, and broad completion of the restructuring of the parts of Credit Suisse's IB that are core to our own. Return on attributed equity also turned positive and reached 10% for the quarter.

Underlying revenues increased by 4% to 2.5 billion. Underscoring our efforts to increase the IB's market share in the US, the IB's top line increased by 29% in the region.

Banking maintained its strong momentum with overall revenues up by 52%. Notably, we also increased market share in the US, where Banking now contributes a third of total IB revenues, up from less than 20% a year ago.

We continue to be pleased with our performance in Capital Markets, up 85% year-over-year, as LCM, DCM and ECM all saw increased activity levels, building on the momentum we saw in the fourth quarter.

Advisory revenues increased by 11% as we continue to outperform the global fee pool. The recovery in M&A is continuing, particularly in the US, albeit with more subdued client sentiment and activity in APAC, where we have a large share of the market.

With our Banking coverage teams now fully integrated, our pipeline offers encouraging revenue potential in the second half of 2024 and into 2025.

Revenues in Markets declined 5% to 1.9 billion, but were up 6% year-over-year in the Americas. Equities revenues, driven by Cash Equities, were up 3%. FRC, where we remain underweight by design, was down 21% with both Rates and FX affected by lower volatility and decreased client activity.

Operating expenses rose 8%, predominantly from additional costs related to personnel onboarded from Credit Suisse's investment bank, but, importantly, dropped 4% sequentially, while revenues were up 32% quarter-on-quarter.

Slide 17 – Non-core and Legacy

Moving to Slide 17. Non-core and Legacy's pre-tax profit in the quarter was 197 million, supported by 1 billion in revenues principally from gains on position exits.

In addition to the securitized products transaction I mentioned earlier, the business recognized proceeds from the close-out of several complex and longer-dated positions above their book carrying amounts, including in its conduit and corporate loan books and within its longevity portfolio.

Despite the strong revenue performance in the first quarter, we continue to expect the NCL book to ultimately close out across its various positions at more or less their current carrying values, meaning it is still appropriate to assume revenues of nil going forward, net of hedging and funding costs.

It is also important to reiterate that, in pursuit of our priorities in NCL, we may at times sacrifice P&L on position exits to eliminate costs and release sub-optimally deployed capital.

Nevertheless, given the strong revenue performance in 1Q along with the significant progress we've made on costs, we now expect NCL's full-year 2024 underlying PBT to be a loss of around 2.5 billion versus the expected 4 billion loss we signaled in February.

As Sergio highlighted, we made substantial progress in reducing the NCL portfolio in the quarter, decreasing RWAs by 16 billion, principally in credit and market risk. In just nine months, we've run down 28 billion, or almost a third, of NCL's risk weighted assets.

From an LRD perspective, the overall portfolio is down by roughly half from 2Q23, after a further reduction of 49 billion in the first quarter.

As I covered earlier, a significant portion of the Group's overall opex decline this quarter was delivered by NCL, which saw a 26% sequential drop in underlying costs to 769 million, primarily due to lower third party, real estate, and technology costs.

Slide 18 – Significant progress in reducing financial resource consumption

Moving to capital and financial resources on slide 18. CET1 capital was broadly flat in the quarter with profits generated in 1Q offsetting our dividend accruals and 1.3 billion in negative currency translation effects.

As we've highlighted, we made significant progress this quarter in reducing financial resource consumption across the bank from both the active run-down of NCL as well as balance sheet management initiatives across the core businesses. This resulted in a 4% sequential decline in RWA and a 6% reduction in LRD.

Credit and counterparty risk RWAs dropped by 11 billion from position sales and roll-offs, as well as from risk model mitigation, with currency effects contributing another 11 billion to the quarter-on-quarter decline. Market risk RWAs increased by 3 billion as asset-size decreases were more than offset by the effects of model updates from the integration of time decay into our VaR calculations.

Slide 19 – Confidence in our balance sheet for all seasons enables efficient funding

Slide 19 illustrates our strong capital position with a CET1 capital ratio of 14.8%, increasing by 40 basis points over the course of 1Q.

As previously highlighted, a surplus above our CET1 capital ratio target of around 14% is necessary to cater for expected volatility in our reported profitability as we execute on the various phases of the integration.

Our LCR at quarter end was 220%, reflecting ample levels of liquidity to remain compliant with the new Swiss liquidity ordinance that went live at the start of the year.

We remain focused on raising stable deposits with tenors, products and counterparty selection resulting in higher liquidity value. And, we continue to apply discipline on pricing.

Strong investor demand for our name in capital markets and improving conditions allowed us to complete nearly half of our full-year funding plan during the first quarter. We successfully placed over 5 billion in attractively-priced HoldCo in January, and 1.5 billion in AT1 across two transactions in February at spreads that were around 100 basis points inside our heavily subscribed November placement.

Similarly, secondary market spreads continued to tighten post-acquisition, having now dropped to February 2023 levels, and together with ongoing diversification of our funding sources, are supporting our plan to lower funding costs by around 1 billion by 2026.

As part of the broadening out of our funding sources, we structured two first-of-their-kind transactions for UBS, including an issue of 1 billion in euro-denominated covered bonds, and a private placement for size via repo of a portion of our portfolio of Swiss franc-denominated covered bonds.

I would highlight that these trades were priced below the spread on the outstanding ELA line with the Swiss central bank.

As to ELA, we have now repaid 29 billion of this line extended to Credit Suisse pre-acquisition, including 9 billion Swiss francs just yesterday. We expect to repay the remaining 9 billion in the coming months.

Overall, our balance sheet management initiatives, together with actions on the funding side that I just described, improved our loan to deposit ratio this quarter and narrowed the funding gap we inherited from

Credit Suisse. Importantly, our efforts are helping us to offset NII headwinds, and are contributing to the strength of our overall liquidity and funding profile.

With that, let's open for questions.

Analyst Q&A (CEO and CFO)

Alastair Ryan, Bank of America

Yeah. Thank you. Good morning. A billion dollar beat in the quarter. I never did quite get the hang of forecasting lark. Just on that then -- so non-core, very strong performance and appreciate the updated runoff profile you give us on slide 6. Is there any reason that you're just reverting to natural runoff or can we expect continued sales if markets stay favorable because clearly there's quite a meaningful driver of the very favorable capital ratio and the interactions of all of those.

And then secondly, the project to improve the revenue to risk-weighted assets in wealth management, are presumably, you wouldn't represent the Q1 performances kind of the payoff of that project is? It's too early but just what's the profile of that project? How long is that repricing sitting on the net new asset generation and has it started? Thank you.

Sergio P. Ermotti

Alastair, before I pass to Todd, I wanted to -- you were the first to ask the question not by coincidence since I understand it's your last day at the office, so.

Alastair Ryan, Bank of America

Yes, yes. Thank you, Sergio.

Sergio P. Ermotti

Well, enjoy -- enjoy your time off going forward. So, I'll pass it over to Todd. Thank you.

Todd Tuckner

Hey, Alastair. Thanks for the questions. So on NCL, I mean first reverting to natural runoff. I mean, we've been consistent in just reflecting the natural runoff profile. What I think the slide 6 really does indicate is, it really narrows that, that delta between where we started, you know, as you can see where we set our ambition is to reduce to 5% and, you know, that the natural runoff profile has really come in.

You see that the delta between the natural runoff profile and where we, our ambition is narrowed. So that should, eliminate whatever uncertainty was considered, but I do think that it's appropriate still to reflect it that way in terms of, you know, whether we can do more of course we're going to continue to do what we can.

We'll try to position -- we'll try to exit positions, at or above their, their book values wherever possible. But, you know, it's appropriate to continue to stick with our guidance on NCL, in terms of, you know, our approach, and in terms of our expectations around revenues.

On GWM in terms of revenue over the RWA, I mentioned that we're starting to see progress, which of course does suggest you asked, has it started and it has. In fact, it started at the end of last year and the business is quite active in it.

And, and so, we would expect that we're going to continue to make progress on driving up RWA efficiency with respect to revenues in that respect over the course of the next couple of years. You asked how long that will impact. How long will it go? How long will it impact net new assets? We said, it's going to take the better part of two years which is why we guided net new assets of around 200 billion over that two-year timeframe. And we think that's the appropriate guidance still.

Alastair Ryan, Bank of America

Okay. Thank you. And Sergio, thank you.

Sergio P. Ermotti

Sure. Pleasure.

Chris Hallam, Goldman Sachs

Yeah. So two for me, by the end of the year, I guess, you'll be effectively halfway through the integration process in terms of gross savings. So as you get through that process, are you starting to get a better picture of what you could expect for the net savings figure in relation to the 13 billion? Todd, I think you mentioned the majority earlier. And does that change at all the phasing of the multi-year return on core tier 1 path you laid out the full year?

And then second question. Sergio, you referenced earlier that insufficient capital didn't cause the collapse of CS and I guess, in the final instance, what we really saw was a crisis in client confidence that drove that liquidity shortfall. So when we talk about capital distribution, it's sort of automatic to assume that higher or earlier capital distribution, results in lower capital ratios, which in turn, reduces resilience.

But when you talk to clients, how important is that distribution ambition as an indicator and driver of confidence in the business i.e,. like could you argue that ultimately aligning your distribution strategy more closely with the distribution policies we see elsewhere in European financials, actually increases client confidence in the business and improves resilience. There's a big perception difference basically between the firm that's buying back stock versus a firm that's issuing stock?

Todd Tuckner

Yeah. Hey Chris, I'll take the first so on, on whether the opex progress that we saw, sort of informs a better view on the net that we'll get to. Look, you know I think we're quite pleased with that 1Q operating expense performance.

We did highlight that we expect gross saves to be halfway to our 13 billion ambitions at the end of the year which is a bit better than we highlighted in February in large part because of the 1Q performance that we saw. But look, we still -- our ambition is a cost-to-income ratio of less than 70% at the end of 2026. That's what we're really focused on to manage to and so how we pace any investments, which we'll continue to make in, for example, the resilience of our infrastructure, the organic growth in our core businesses, how we pace that will be a function of the revenue environment. So it is still -- it is still way too early to change that perspective. But of course, we are pleased with the opex performance we saw in 1Q.

As to how that impacts on the return on CET1 path that you mentioned, I would say that coupled with the updated NCL full-year PBT guidance I gave, would have roughly 100 to - slightly above basis point impact on the return on CET1, but I would still say mid single-digits is the right way to think about the full year ROCET1, even with the 1Q performance that we produced.

Sergio P. Ermotti

Yes, Chris, first of all, of course, you know, having a strong capital position and a balance sheet for all seasons, as we call it, having a strict risk management approach and policies and being very disciplined in a way we consume and manage all our resources is the pillar number one of our strategy. And I think it's almost a prerequisite to create the trust that clients need to have in any bank or any organization.

So in that sense, I would only add that another very important indicator, which sometimes is in conflict with clients is your funding cost. Of course, our clients would like to have always a higher returns on the deposits and the investment they place with us. But on the other hand, when they see our funding cost being as competitive as we have now, they have the ultimate confirmation of the strength and the solidity of our franchise.

So ultimately, at the end of the day, it's always a trade-off between different dynamics by, I would say, emotional and psychological dynamics. But I can only tell you that, of course, last but not least, having a full alignment of client trust and satisfaction, having shareholders being happy, and having your employees being happy is the ultimate way to create sustainable value and trust in any bank. And this is our philosophy.

So of course, having an ability to compete in terms of growth and our global ambitions, but at the same time, being able to deliver attractive returns to shareholders, it's very important to influence the three stakeholders I mentioned.

Chris Hallam, Goldman Sachs

Right. Thank you.

Kian Abouhossein, JP Morgan

Yes. Thank you for taking my question. I have a lot of detailed questions, but I wanted to ask two questions actually to Sergio, if I may. The first one is Sergio, your first comment on the call today were, we were asked to do a critical role in Switzerland. And -- the key here is you were asked to buy a distressed asset, a G-SIB asset and when you buy something, which you are asked to buy, you clearly are in control of the process. And I would assume just like you do in an M&A transaction, you know that better than me, you have a MAC clause and in this instance, I would assume after all the financial crisis issues that we had in 2012-2013 with mergers by regulators, there would have been an agreement that there's not over-regulation for UBS post the NewCo transaction. And I wanted to see if there's anything like this.

The second question I have is Sergio you also comment that the assessment of capital will be based on what the final outcome is once we better know the outcome of these regulations. And one option is also to look at your legal entities and maybe close some of the legal entities or exit, and clearly a lot of capital is tied up in the US. They make lower returns if I look at US wealth ex-LatAm as well as the US IB, I assume its lower returns. So one option would be a restructuring or exiting of markets to rather than reducing capital return. I wanted to see if that is also an alternative. Thank you.

Sergio P. Ermotti

Thank you. Yeah, very good question. Yeah, I think that -- let me put it that way that some of the conditions that were discussed and agreed at over that weekend that were clearly, defined and communicated for example, the one in respect of the antitrust and the competitive nature in our local markets that has been very well defined and agreed. Others, I would say, were also discussed and agreed.

Let me put it that way. I'm not so sure we can talk about a MAC clause but as I mentioned in my opening remarks, we are delivering on our commitments. So I probably stop here.

And in respect of the amount of capital and I think it's clearly too early to speculate or respond to speculations around the capital. I just want to underline that when we talk about our parent company, you know, UBS had already up for -- one of the best in class capitalization, the quality of our capital in the parent company was very strong. What I mentioned that is already embedded in our plan. We are absorbing USD 9 billion of concession granted to Credit Suisse. We are absorbing the progressive buffers that will come in as a consequence of market share and size. And we believe this is feasible and is part of the plan.

So, before we speculate about what we would do to respond to any other changes in regulatory requirements, we need to understand what they are, because, believe me, we have not been consulted. We don't know what they are. And so, we need to have the full picture before we respond to this kind of situations.

But let me just say that having a global franchise, being competitive globally, is what makes us a very attractive bank to our clients. Shrinking back to greatness is not a strategy and is not what will serve, not only our clients and our shareholders well, but I'm also convinced is not going to serve well, Switzerland and its ambitions to be one of the leading financial center in the world. That's pretty clear to me.

Kian Abouhossein, JP Morgan

Thank you.

Giulia Aurora Miotto, Morgan Stanley

Yeah. Hi. Good morning. So two questions from me as well. The first one just going back on the capital proposal again. And you said, you were not consulted on this document and you need to see what the final proposal looks like. So looking forward, what are the next steps? Do we need to wait until June or are you now part of the discussion, do we expect to have more clarity throughout the year? That's the first question.

And then the second question more related to the quarter, there was some performance in transaction fees better than I expected in wealth. I'm wondering, is this just a transitory Q1 thing or is this continuing and what should we expect there? Thank you.

Sergio P. Ermotti

I pick up the first one, and then I'll pass it to Todd for the second. I mean, the reason - we are not yet clear if we're going to be formally part of any consultation or any discussions, of course, as I mentioned in my remarks, we will make sure that our considerations are heard by the regulatory bodies and policymakers and so that we can contribute to fact-based discussions.

And of course, we also hope that the report of the investigating commission of the parliaments will highlight some of the reasons why Credit Suisse failed, and that should be a crucial element in contributing to fact-based discussions on future regulations. So, June, as you mentioned, June, June is not a credible date because the commission is not expected to report before the end of the year. I also think that..

Giulia Miotto, Morgan Stanley

June 2025 I meant, sorry.

Sergio P. Ermotti

That one is, I don't know about June 2025. I think that it's very unlikely that we're going to have more clarity about this matter in terms of what it means before year end or the early -- or even the early part of next year. So in the meantime, we have to accept some level of uncertainty around this topic.

Todd Tuckner

Yeah, hi Giulia, on the second question about TRX in GWM. So yeah, very strong 1Q. In terms of how we -- how one should think about it, overall in going forward, I'd say a few things. I mean, naturally, the environment needs to be conducive to strong transactional flows – and 1Q was, but I would really highlight that it wasn't so much just beta.

But actually, it's an environment where you started to see risks come on, you saw some uncertainty, and it's an environment that plays to our strengths, where we were able to advise in particular, across our regions in more complex, structured products where we saw significant volume up, so really played to our strengths and then also, I think structurally reflects a couple of things in addition that I would say it gives us confidence as we look out forward.

One is that the align product shelf, so across Credit Suisse and UBS coming together, and the way we've approached clients from that sense. And on the US side, as I highlighted, just really borrowing from the playbook outside the US, inside the US to really approach clients more jointly with the investment bank is also paying off.

So we see there are some structural things that bode well as we look out. Of course, the environment needs to be conducive, but also in an environment like the current one is one that plays to our strengths as mentioned and really allows us to drive transactional flows higher.

Giulia Miotto, Morgan Stanley

Thanks.

Jeremy Sigee, BNP Paribas Exane

Thank you. Good morning. Two questions, please. One is, you talked about the Investment Bank and the core businesses that you've retained from Credit Suisse and the people you've brought over. I just wanted to – are they now fully productive in revenue terms? Or is there some lag still to come through, as those people ramp up? Are they up to speed already at this point?

And then my second question is sort of, again, on the capital theme. I saw in the report, you reiterate your intention to do the 1 billion of buybacks in the second half of this year. I guess, that's a small enough amount that you can do it pretty much regardless of the new capital proposals. But I just wanted to hear your thoughts on that.

Sergio P. Ermotti

Well, let me take the first question is very – you know, of course everybody is now up and running and productive. And – but when you look at Banking, as you know, what does it mean being productive? It does, you know, there is a phase of going out and pitching and winning mandates and then it takes time until they get executed. So, in a sense if you are asking me if they are productive in pitching and being engaged with clients, they are. Everybody is full speed. The momentum in winning mandates is great. You could see it in the fourth quarter. In the first quarter, we have executed many of them. And we are very comfortable that the investments and the trajectory of growth that we see going forward, if market conditions stay there to allow the execution of those mandates, are very promising.

In respect of the billion, so I think that you know, at this stage, the only constraints we have right now is the waiting until the parent bank merger is executed. We expect this to be in at the end of May and if everything goes through successfully, pending the regulatory approvals that we need, we intend to restart the share buybacks with up to a billion dollars for 2024.

Jeremy Sigee, BNP Paribas Exane

Very helpful, thank you.

Andrew Coombs, Citigroup

Good morning. Two questions please, basic follow ups. Firstly on the Non-core result, obviously a tremendous result both in terms of the RWA run-down but also the gains that you've booked during the quarter. Thank you for the revised guidance for the full year. I just wanted to better understand the source of those gains in Q1, I think you said conduit and corporate loan books and longevity portfolio. You then don't expect that to repeat going forward. Is that because the low hanging fruit has already been achieved or because you're now selling a different type of asset, or anything you can elaborate there will be helpful.

And then the second question, thank you for the opening remarks, Sergio. On the parent bank capital, I just wanted to check, the 9 billon you referenced, is that in relation to a 400% risk-weight on foreign subsidiaries, or is it the 300% as it currently is phased? And then more broadly, a question to the both of you, in the event that the risk weight on foreign subsidiaries does go up, to what extent do you think you can mitigate that through the fungibility of capital, dividend, trapped capital and so forth? Thank you.

Todd Tuckner

Hi, Andrew. I'll address the first question. I mean, in terms of the source of the gains, I think as, you know, as you mentioned, and as of course I highlighted, it came from a number of the sort of sectors within NCL, Conduit, and Corporate Loans, Longevity, Securitized Products. We're also seeing, you know, strength in Credit and Equities and Macro as well. And, you know, the team has been doing a great job in unwinding these complex, longer dated transactions. And that continues to be what they're going to be focused on doing. So the source of the gains comes from, you know, the ability to add a lot of value to these complex transactions. And you know, to be able to get the transactions closed out at levels that are above book value.

And as I highlighted, that's not an expectation that people should continue to have, not least just given that sometimes we're going to make decisions to get out of positions where we know there's significant cost takeout or there's suboptimal capital at the moment, it's very suboptimal from a capital efficiency perspective, and so getting out would release that. So they're going to be a number of factors that – which is why, you know, we don't see 1Q repeating.

Sergio P. Ermotti

So if I can add on that one, before I touch on the second question. I think that's the – first of all, there is definitely no low hanging fruit and if you look at our natural decay profile change, it shows you that we are not really going for easy to sell but rather complex transactions that also helps in many cases to unwind costs, because priority number one in Non-core is to take down cost, and not necessarily to take down risk weighted assets and market or credit risk weighted assets.

So, in that sense, it's very important that in many cases we are able, thanks to the good work the team is doing in managing these unwinds, to leverage the fact that we are not a forced seller. We are only going to dispose assets when they create value to shareholders. And that's a – is a completely different position to be in because our capital is strong. We can allow some delays or some time to elapse between the two.

Now on the 9 billion, so there are two factors actually; one is the 250% risk weightings and 400% for foreign companies and the elimination of the filter – of the regulatory filter that Credit Suisse had. The two combined account for 9 billion.

Andrew Coombs, Citigroup

And the ability to mitigate any increase in the foreign subsidiaries going forward? Assume it’s something you're already working on given the already base increase, to what extent you think you could accelerate that.

Sergio P. Ermotti

No the mitigation – look the mitigation I go back to is – I mean, I have to – it’s like replay, push the button again and replay what I told you or what I said before, we cannot speculate or respond to speculation or do analysis on things that we don't know. What we know is that we're going to hold, as a consequence of the Credit Suisse acquisition, 9 plus 10 billion, so almost 20 billion of additional capital on an already very strong capital position UBS had. That's the fact. The rest, I don't know and we will comment when we know more.

Andrew Coombs, Citigroup

Brilliant, very clear. Thank you for that.

Anke Reingen, RBC

Yeah, thank you very much for taking my question. I'm just – I'm sorry to follow up, just one thing. I mean, is it fair to say that a result of the uncertainty and not really changing any step in your strategy and execution of the merger and specifically, with Q4 results, you mentioned, the potential amortization of additional DTA, just confirming this – at the current stage, this is going ahead.

And then on the net new assets, the 17 billion [edit: 27 billion] in Q1, that'd be running below, if I were thinking about $100 billion for this year – should it be rather than 100 billion this year, is it more like the 200 billion over the years – or two years – and more backend loaded towards the 2025 to reach the 200 billion? And has the decline in relationship managers had any impact on the net new assets growth in Q1? In the past, you gave us some numbers about departed relationship managers and the assets they have taken with them. Is that the case, as being relatively low? Thank you very much.

Sergio P. Ermotti

Thank you, I'll take the first question. I think that, Anke, I think – this is a very complex integration, and we cannot afford to be distracted in the execution of it. So we are sticking to our strategy. We are sticking to our plan. We need to do that and at the same time, stay close to our clients. And so that's the reason why engaging in hypothetical change of strategy or methodology we use in assess our – anything that goes around capital – would be absolutely very distracting and not in the best interest of any stakeholders, because what we want to have is a successful completion of this integration. And so we stay focused on the existing strategy and our approach.

Todd Tuckner

Yeah Anke, on the second question, in terms of net new assets in GWM. I would just reiterate that the trajectory that we highlighted over the next two years is, among other things, a function of the financial resource optimization and balance sheet initiatives that the team is hard at work in undertaking. So 27 billion in the quarter is a strong result, we're on track to deliver on our ambitions, which we said was 200 billion over the course of two years. So I would continue to think about that in those terms.

In terms of the RMs who have left, you mentioned that we had given some numbers in the past. Yeah, I mean, that has continued just to taper. As an impact, just given the number of RMs who have left, has become sort of a non-topic at this point in time. In terms of any current period, and in terms of the assets that they've taken with them, it is a very small percentage, ultimately, of the given – especially given the fact that the RM workforce in Credit Suisse is down 40% from the end of 2022 levels, and we've been able to retain the lion share of the assets. So, we consider that to be sort of a story not terribly worth following, and in the end, we stay focused on our plans and our commitments.

Anke Reingen, RBC

Thank you. Can I just ask on the DTA please? Are you reiterating that we expect to convert that 2 billion and the 500 million you talked about with Q4 results?

Todd Tuckner

Yeah. There's no change in terms of our approach to DTAs at the current time, Anke.

Anke Reingen, RBC

Thank you very much. Thank you.

Benjamin Goy, Deutsche Bank

Hi. Good morning. Two questions, please. One on your favorite topic, capital. Just conceptually, trying to understand, because when the press it's reported, or the Minister of Finance speaks, about capital, and we naturally assume it's CET1 capital, but do you think it could also partially include additional tier 1 capital, which might make it more manageable for you?

And then secondly, on your Global Wealth Management net new loans in the quarter, another decline, it's very similar to the Q4 decline. Just trying to reconcile that with your risk appetite returning statement – being conscious of the yield curve's still not favorable but wondering if it's also more of a risk alignment still going on in the background, which is why your outstanding remains negative? Thank you very much.

Sergio P. Ermotti

Benjamin, the first one is very short. As I say, we don't speculate or respond to speculation in respect of any numbers that has been flagged out there. So it's not – we are not in a position to understand where and how those numbers are calculated, therefore we refrain from doing that.

Todd Tuckner

Yeah, and Benjamin hi. On the GWM net new lending side, we are seeing continued deleveraging, some of that is market driven and some of that – i.e. rates driven, and some of that is as a function of the resource optimization work that we're doing. So, that's an outcome that we're managing, to the extent it is the latter, we are looking to drive higher revenues. And therefore, I'm looking for the NIM to sort of hold up in that respect, because we're improving the revenue over RWA consideration.

But obviously, in the current rates environment, too, we're seeing either the ends of deleveraging and still yet some reticence to re-lever in some of our regions. So I expect that we won't have a lot of momentum on re-levering in the current rates environment until we start to see rates come down, over – if, assuming they do – over the next, say 12 to 18 months, so that external factor won't be, to me, a big driver in terms of releverage.

Benjamin Goy, Deutsche Bank

Understood. Thank you very much.

Piers Brown, HSBC

Yeah. Good morning. Thanks for the questions. Just two from me, just coming back on the cost issue, and the costs take out in the quarter in the NCL unit. I mean, it's quite impressive, you're down 26% quarter-on-quarter. And the cost takeout seems to be tracking more or less in line with the asset reduction. Just, I mean, the question is, should we expect that sort of linear relationship to continue or was it something particular in terms of frontloading costs takeout in the first quarter in NCL?

And then the second question is back to regulation, not on capital but just wondering if there's anything in any of the remarks, comments, reports, published by the Competition Commission that we need to be mindful of, just in terms of the domestic market shares of the new group. Thanks.

Todd Tuckner

Hey Piers. In terms of the first question on the NCL cost takeout. There isn't a linear relationship, I would say. It's, it could be, the relationship really doesn't have to flow linearly. And that's because, the cost takeout will often come as a result of taking out a portfolio that sits on a given system or supported by a given infrastructure or application that we're able to shut down. But there is of course, a relationship between the asset takeout and the cost takeout. I wouldn't say it's linear because you can have, you can be taking out portions of a portfolio that still needs at least a large share of the headcount supporting that, whether it's the front office or mid or back, that's still supporting the broader portfolio. And if you're not really able to decommission the associated technology, you may not get the saves there. So not linear, but for sure, it's something we watch very carefully and we're pleased to see that it is moving with a reasonably high-degree of correlation.

Sergio P. Ermotti

Now on the competitive position. Let's forget for a second that we have a crystal clear agreement on that topic. Even if you go down to the substance, which is, I think, is relevant for us, for consumers, for clients, or everybody to understand. When you look at facts, it's quite clear that we have no dominant position in Switzerland, in banking. So I think that no matter if you look at deposits, at loans and mortgages, you look at branch – number of branches; in any dimension, UBS is not the largest bank in Switzerland in that sense. I think we are the leading bank in Switzerland because of our capabilities, but that should not be confused with market share and size. So in that sense, we are fairly comfortable that both the agreement and the facts support our position that our plan is the right one to pursue.

Piers Brown, HSBC

Thank you.

Tom Hallett, KBW

Hi. Morning. So just a quick one on Wealth Management NII, I think you were baking in three US rate cuts for this year in your guidance. If that was zero, what would that – or how would that alter your guidance?

And then secondly, on the treatment of software intangibles, I suppose it's fair to say it gets a bit more of a benefit relative to your European peers. I mean, if you were to align the rules with Europe, what sort of impact would that have on your capital? Thank you.

Sergio P. Ermotti

So, on the second question, as I said before, we are not speculating on any change in our regulatory framework. The only thing I can say is that both in absolute global terms, but also vis-à-vis the European peers, we have a pretty strong capital position, not only in absolute terms, but also the quality of our capital base.

Todd Tuckner

Hey Tom, on GWM NII, yes, we modeled in as mentioned three US dollar rate cuts. If there were fewer than those – and Sergio even commented earlier that there is some upside, but of course, in our NII, but of course that depends on client behavior. It depends on how the balance sheet, you know, behaves. So statically, yes, that would be corrected to be upside. If there were no rate cuts, you probably have some uptick of a point or two on the NII. But of course, you know, we need to consider the dynamic relationship between client behavior and our balance sheet. So it's difficult to predict, but yes, I would just take away that – likely to be some degree of upside, all other things equal.

Tom Hallett, KBW

Okay. Thank you.

Sarah Mackey

Thank you. I think there are no further questions. So with that we can close the call. And thank you, Sergio and Todd for joining us today. We look forward to speaking to everyone again with our 2Q results.

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Other factors that may affect our performance and ability to achieve our plans, outlook and other objectives also include, but are not limited to: (i) the degree to which UBS is successful in the execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility and the size of the combined Group; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions, including as a result of the acquisition of the Credit Suisse Group; (iii) increased inflation and interest rate volatility in major markets; (iv) developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, currency exchange rates, deterioration or slow recovery in residential and commercial real estate markets, the effects of economic conditions, including increasing inflationary pressures, market developments, increasing geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS's clients and counterparties, as well as on client sentiment and levels of activity; (v) changes in the availability of capital and funding, including any adverse changes in UBS's credit spreads and credit ratings of UBS, Credit Suisse, sovereign issuers, structured credit products or credit-related exposures, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC), in particular in light of the acquisition of the Credit Suisse Group; (vi) changes in central bank policies or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the EU and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS's business activities; (vii) UBS's ability to successfully implement resolvability and related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS in response to legal and regulatory requirements and any additional requirements due to its acquisition of the Credit Suisse Group, or other developments; (viii) UBS's ability to maintain and improve its systems and controls for complying with sanctions in a timely manner and for the detection and prevention of money laundering to meet evolving regulatory requirements and expectations, in particular in current geopolitical turmoil; (ix) the uncertainty arising from domestic stresses in certain major economies; (x) changes in UBS's competitive position, including whether differences in regulatory capital and other requirements among the major financial centers adversely affect UBS's ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA, including as a result of its acquisition of the Credit Suisse Group, as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS's business, in particular cross-border banking, of sanctions, tax or regulatory developments and of possible changes in UBS's policies and practices; (xiv) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS's ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks, data leakage and systems failures, the risk of which is increased with cyberattack threats from both nation states and non-nation-state actors targeting financial institutions; (xix) restrictions on the ability of UBS Group AG 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 our reputation and the additional consequences that this may have on our business and performance. 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