CREDIT OPINION
28 May 2024

Update

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RATINGS

UBS Group AG

Domicile	Zurich, Switzerland
Long Term CRR	Not Assigned
Long Term Debt	A3
Type	Senior Unsecured - Fgn Curr
Outlook	Developing
Long Term Deposit	Not Assigned

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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UBS Group AG

Update following rating action

Summary

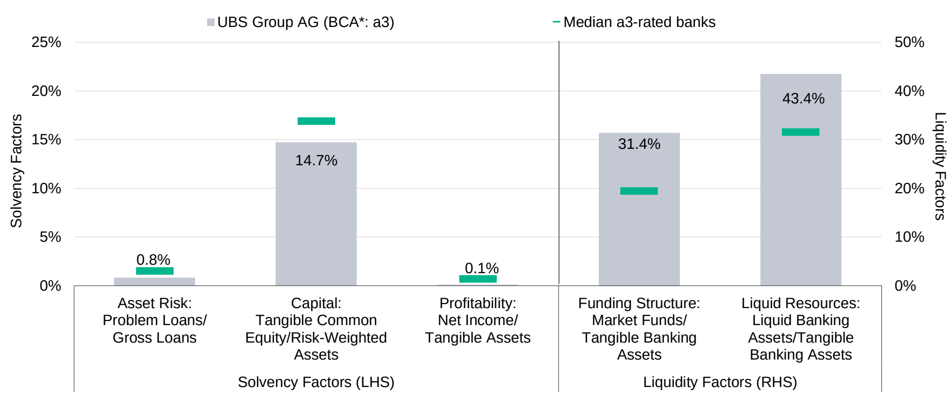
We rate the senior unsecured debt of UBS Goup AG (UBSG) A3 and the senior unsecured debt of its main subsidiaries UBS AG (UBS) and CS AG (CS) Aa2. On 7 May, we affirmed the senior unsecured debt ratings of UBS Group AG with a developing outlook and we upgraded the long-term senior unsecured debt rating of UBS AG with a negative outlook.

UBSG's senior unsecured debt rating reflect: (1) the group's a3 Baseline Credit Assessment (BCA); (2) our Advanced Loss Given Failure (LGF) analysis, providing no uplift; and (3) no uplift stemming from our expectation of absence of government support.

UBS's senior unsecured debt and deposit ratings reflect: (1) the bank's a3 BCA and Adjusted BCA; (2) three notches of uplift; deriving from our Advanced LGF analysis; and (3) one notch uplift stemming from our expectation of a moderate level of government support.

UBS's a3 BCA takes into account: i) the group's progress in stabilizing CS's franchise since its June 2023 acquisition; ii) the benefit from substantial economies of scale (with targeted gross saves of around $13 billion by end-2026), as well as the strong positioning in its domestic Swiss market and the wealth management franchise enhancement; iii) strong capital and ample liquidity; iv) the lower levels of profitability that are expected until 2026 due to the complexity, extent and duration of the integration; v) the confidence sensitive nature of the group's capital markets business and funding from high net-worth wealth management clients.

Exhibit 1
Rating Scorecard - Key financial ratios - UBS Group AG
As of December 2023



Source: Moody's Banking Financial Metrics

Credit strengths

» World-leading Wealth Management and leading Swiss banking franchises provide a source of largely stable and predictable revenue

» Strong risk management controls and moderate lending risks

» Regulatory capital and leverage metrics are strong

» Sound liquidity and moderate reliance on wholesale funding

Credit challenges

» Medium-term profitability challenges

» Execution risk related to the integration of CS

» Opacity and complexity of capital markets activities and confidence sensitivity of wealth management deposits constrain creditworthiness

Outlook

» UBS's long-term ratings carry a negative outlook, reflecting the operational risks and negative profitability impact from CS's integration.

» The developing outlook on senior unsecured debt ratings of UBSG reflects uncertainties related to the impact of the upcoming Swiss too-big-to-fail regulation, the size of the holding company's senior unsecured debt and the outlook for its balance sheet assets size. While the operational risks and negative profitability impact from CS's integration are placing negative pressure on UBSG's senior debt ratings, an increase in the amount of loss-absorbing debt that remains outstanding at UBSG relative to its tangible banking assets resulting from any of these factors would be a positive offset by reducing the potential severity of loss for holding company senior unsecured creditors in the event of failure.

Factors that could lead to an upgrade

» Although unlikely given the current negative outlook, UBSG's and UBS's long-term ratings could be upgraded if the group: i) seamlessly executes CS's integration; ii) improves its earnings profile to levels above that which existed prior to the CS acquisition; iii) improves its already strong capital position and ample liquidity, iv) demonstrates superior to peers risk management and further reduces its exposure to investment banking; and v) decreases its reliance on wholesale funding and on high net worth individual's (HNWI) deposit sources.

» UBSG's long-term senior unsecured debt ratings could also be upgraded if the group maintains over the long term the current proportion of senior unsecured and subordinated debt in relation to tangible banking assets.

» **Factors that could lead to a rating affirmation**

» UBS's long-term senior ratings could be affirmed and the outlook changed to stable if the group: i) successfully executes CS's integration; ii) returns its earnings profit to levels that existed prior to the CS acquisition; iii) keeps a strong capital position and ample liquidity; and iv) maintains a conservative risk profile, and continues to restrict its risk appetite in investment banking.

» UBSG's long-term senior unsecured debt ratings could be affirmed with a negative outlook if, in the context of CS's integration and updated TLAC requirements, the group reduces the proportion of senior unsecured and subordinated holding company debt in relation to tangible banking assets.

Factors that could lead to a downgrade

» UBSG's and UBS's ratings could be downgraded if: i) the group's franchise suffers erosion; ii) integration and deleveraging are slower and more costly than budgeted; iii) the group's asset quality, capital, profitability or liquidity metrics deteriorate; iv) the group weakens its asset risk profile, or increases risk appetite; or v) the group's HNWI deposits are subject to erosion or become more volatile.

» UBSG's and UBS's ratings could also be downgraded if there were a significant and larger-than-expected decrease in the existing bail-in-able debt buffers, leading to a higher loss severity for its various debt classes.

» UBS's senior ratings could also be downgraded should there be a reduction in Moody's government support assumptions.

Key indicators

Exhibit 2
UBS Group AG (Consolidated Financials) [1]

	12-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (USD Billion)	1,483.3	914.1	969.9	953.8	841.9	15.2[4]
Tangible Common Equity (USD Billion)	80.3	49.9	50.1	46.3	56.9	9.0[4]
Problem Loans / Gross Loans (%)	0.8	0.5	0.5	0.8	0.7	0.7[5]
Tangible Common Equity / Risk Weighted Assets (%)	14.7	15.6	16.6	16.0	22.0	17.0[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	6.6	4.0	4.2	6.2	4.0	5.0[5]
Net Interest Margin (%)	0.6	0.7	0.7	0.7	0.7	0.7[5]
PPI / Average RWA (%)	0.7	2.7	3.0	2.8	2.5	2.4[6]
Net Income / Tangible Assets (%)	0.1	0.3	1.0	0.8	0.9	0.6[5]
Cost / Income Ratio (%)	92.3	74.4	74.3	75.0	77.7	78.7[5]
Market Funds / Tangible Banking Assets (%)	31.4	25.5	26.3	28.3	27.6	27.8[5]
Liquid Banking Assets / Tangible Banking Assets (%)	43.4	41.3	47.1	43.5	44.7	44.0[5]
Gross Loans / Due to Customers (%)	81.8	74.1	73.8	72.8	73.4	75.2[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Ratings and company filings

Profile

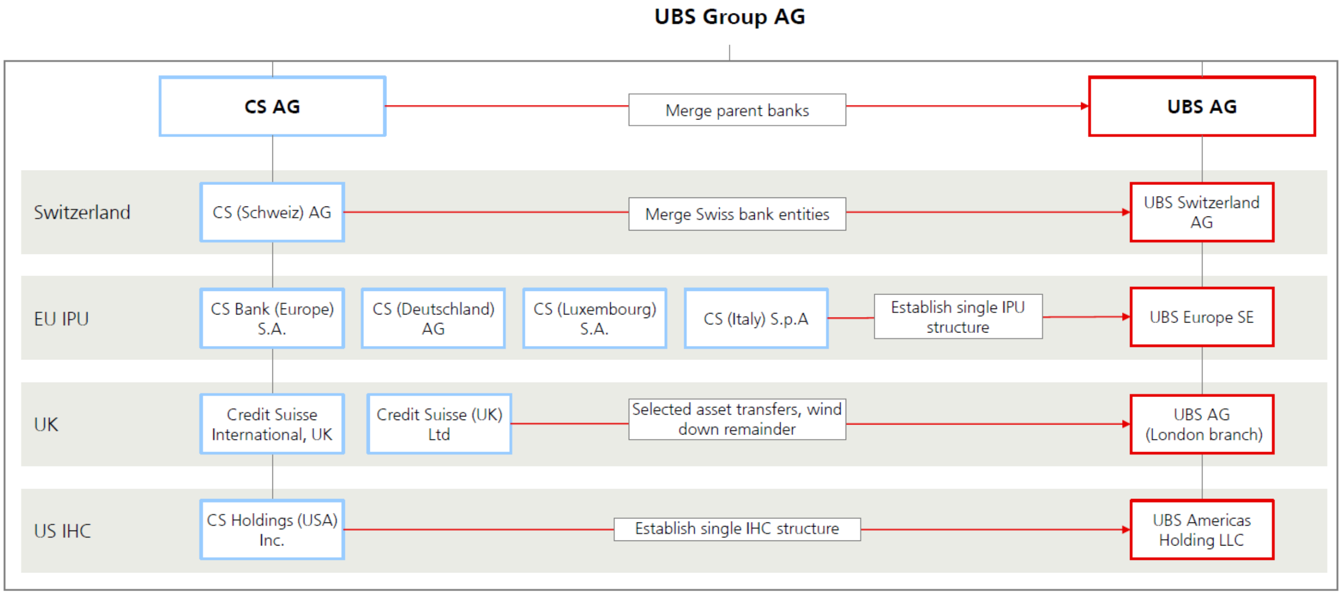
On 12 June 2023, Credit Suisse Group (CSG; unrated) was merged by incorporation into UBSG and, by operation of law, CSG's assets, liabilities and contracts, as well as all of its rights and obligations under such contracts were transferred in their entirety to UBSG.

In December 2023, the Board of Directors of UBSG approved the merger of UBS AG and Credit Suisse AG, and both entities entered into a definitive merger agreement: the approved merger is expected on 31 May 2024. UBSG also expects to complete the transition to a single US intermediate holding company in the second quarter of 2024 and merge UBS Switzerland AG and Credit Suisse (Schweiz) AG in the third quarter of 2024.

The mergers will benefit UBSG in terms of long-term potential for franchise enhancement in wealth management, Swiss banking, asset management and to a lesser degree in investment banking, and to generate estimated combined run-rate cost saves of around $13 billion by end-2026.

Deposits and new money maintained a positive trend, pointing to franchise recovery: in the Global Wealth Management division, net new assets were $27 billion in Q1 2024 – following an inflow of $77 billion in H2 2023 supported by inflows from the Americas, Switzerland and APAC.

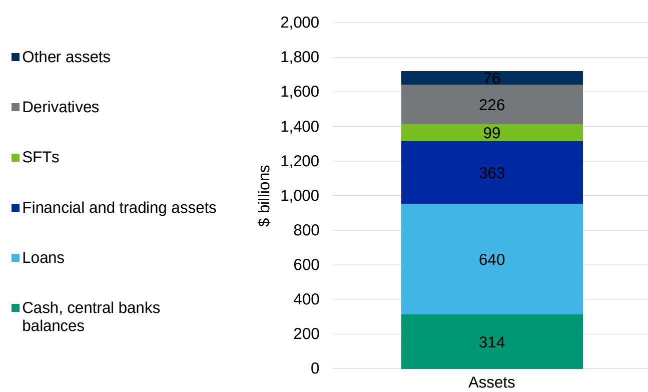
Exhibit 3
High-level overview of planned legal entity structure simplification



Source: UBS

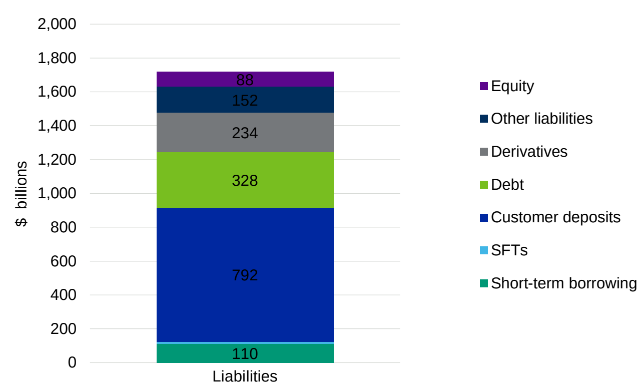
UBSG is a global banking and financial services group and the holding company of the Switzerland-based UBS AG and CS AG banks. It provides wealth and asset management, as well as corporate and investment banking services to high-net-worth individuals (HNWI) and ultra-high-net-worth individuals (UHNWI) as well as corporate, institutional and government clients worldwide, and serves retail clients in Switzerland. As of end-2023, it reported total assets of $1.7 trillion and invested assets of $3.8 trillion in wealth management and of $1.6 trillion in asset management. The group reports five business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management, Investment Bank, Non-core and Legacy, and separately reports Group Items.

Exhibit 4
Balance sheet - total assets (end-2023)



Source: Company reports, Moody's estimates

Exhibit 5
Balance sheet - total liabilities and equity (end-2023)



Source: Company reports, Moody's estimates

Detailed credit considerations

Strong risk management mitigates asset risk

The assigned Asset Risk score of a3 is four notches below the initial score and takes into consideration: i) the group's well-developed risk governance framework and risk culture, ii) its moderate lending risk, which mitigate iii) tail risks arising from exposures to confidence sensitive capital markets activities as well as iv) the operational and execution risk arising from the acquisition of CSG.

Sound risk controls and framework

UBS risk management is backed by a multi-year track record of sound risk controls, digestible charges from legacy cases and litigation and stable economic performance. We view the firm's business planning and capital allocation as well as capital return policies as sufficiently constrained by the outputs of its board-approved capital management and stress-testing frameworks.

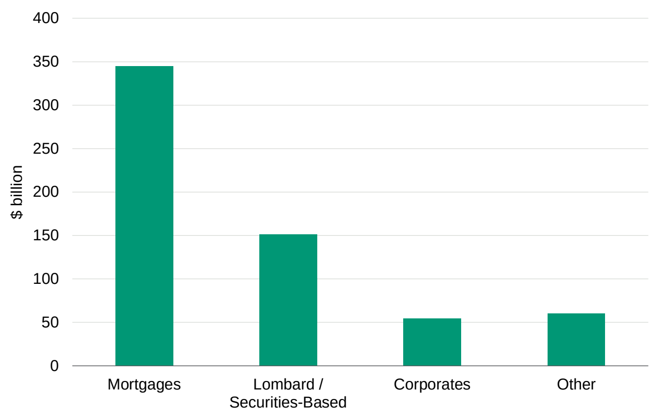
Highly diversified and highly collateralised loan book

The group's loan book is highly collateralised: more than 90% of the group's loan book is collateralised and largely comprises retail mortgages and Lombard loans (Exhibit 6). Both the $342 billion mortgage book (with an average LTV of around 50%) and the $151 billion Lombard book (average LTV of around 47%) are fully collateralized, with daily monitoring of margin requirements. The $53 billion corporate book comprises $29 billion large corporates and $24 billion Swiss SMEs lending (data as of end-March 2024).

Credit risk within the P&C and GWM segments is very modest, as reflected by the firm's low problem loan ratio (0.83% at YE 2023).

Exhibit 6

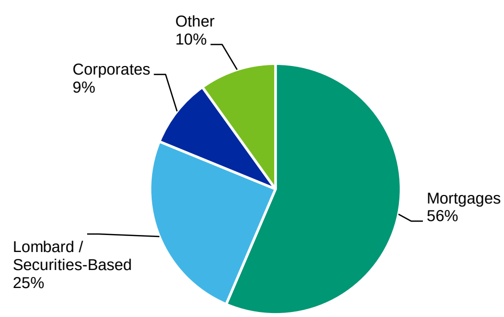
Highly-collateralized loan book (Q1 2024)



Source: Company report

Exhibit 7

Mortgages and Lombard securities lending: 82% of total (Q1 2024)



Source: Company report

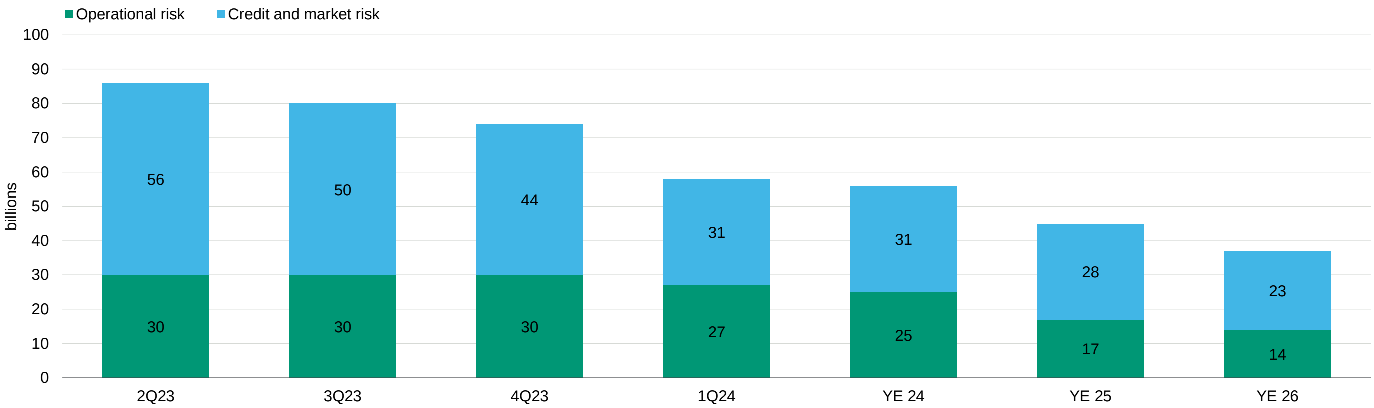
Operational risks in relation to CS's integration, non-core and legacy unit's run-off, and litigations.

The CS integration poses significant financial, cultural and franchise related challenges for UBSG, including the need to : i) minimize the loss of overlapping clients in its Swiss banking and wealth management businesses; ii) ensure that overall risk appetite and controls are both enhanced and or maintained at levels defined by UBSG; iii) executing the rundown of the non-core and legacy assets; iv) unify the cultures of two different and formerly competing organizations; v) retain key CSG personnel while the restructuring is underway.

UBS is exposed to litigation risk in connection to a large number of outstanding cases both at UBS and at CS[1]. The group has established large provisions, which reduce the potential future P&L impact of existing litigations: at end-2023, total provisions were $7.9 billion, of which $4.0 billion in litigation and $3.8 billion in acquisition related contingent liabilities. In detail, CS provisions were $6.0bn ($3.8bn contingent liabilities; $2.2bn litigation provisions) and UBS provisions were $1.8bn.

The non-core and legacy (NCL) unit reported $58 billion risk-weighted assets (RWAs) – of which $27 billion operational risk and $31 billion credit and market risk – and $120 billion leverage exposure at end-March 2024. We expect that management will accelerate the run-off of the NCL unit through active unwinds, with the aim of reducing operating costs and releasing capital, since the unit's assets have a long tail. Management targets to reduce the NCLs' RWAs to around $37 billion in 2026 (around 5% of end-2026 group RWAs), leading to more than $6 billion capital release in the NCL unit by end-2026.

Exhibit 8
Firm projected operational risk RWAs & natural run-off profile for credit and market risk RWAs



Source: Company report

One notch qualitative adjustment for 'Opacity and Complexity', captures the reliance on capital markets activities
We generally consider capital markets activities to be both opaque and potentially volatile, posing significant challenges for the management of such activities. The group's exposure to global investment banking activities will continue to pose risks for creditors due to the volatile revenue profile; the inherent risk-management and risk-governance challenges these businesses present; the opacity of risk-taking; the significant market, counterparty and operational risks intrinsic to the group's investment banking business; and the confidence-sensitivity of their customer and funding franchises.

The group is active in primary issuance markets and has been willing to underwrite large equity offerings, and to make substantial loan commitments before syndication. Although these activities remain subject to internal risk management limits, they can expose the group to a heightened risk of loss in the event of rapid market movements or dislocations.

UBSG's conservative risk appetite in the Investment Banking division is reflected in its intention to limit risk-weighted assets (RWAs) to around one quarter of group RWAs excluding non-core and legacy assets from around one third for UBSG standalone, at end-2022.

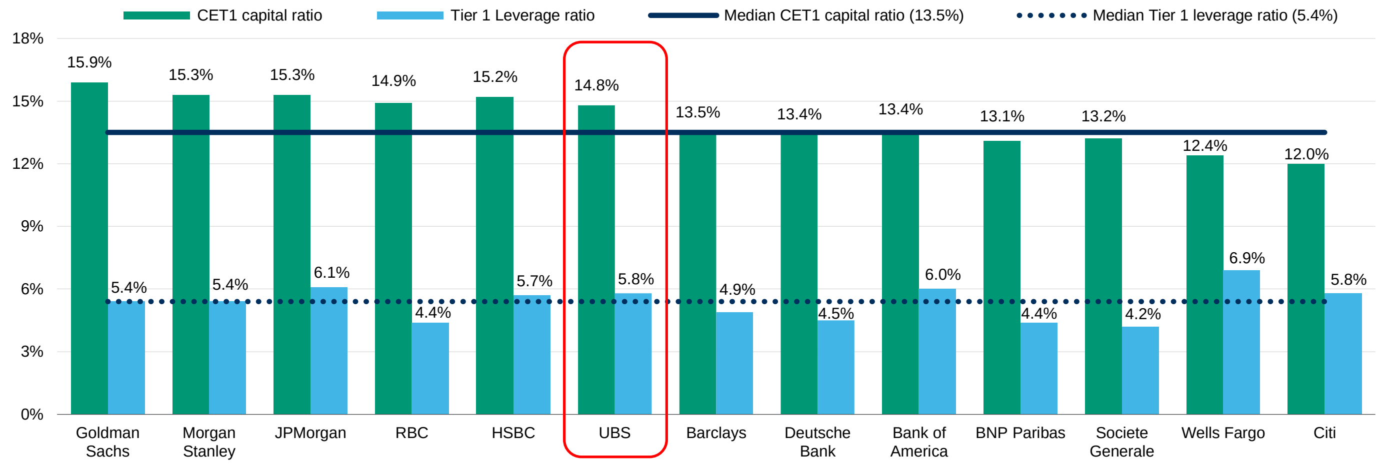
Capital and leverage metrics are strong

We assign an a1 Capital score, reflecting our expectation of a Tangible Common Equity (TCE)/ RWA ratio of around 14-15% over the outlook period.

UBSG reported a CET1 capital ratio of 14.8% at end-March 2024, which is above peers' median and the company's guidance of around 14%. RWAs declined 4% in the quarter to $526 billion. UBSG reported a 4.9% CET1 leverage ratio, above management guidance of 4%, and a 5.8% Tier 1 leverage ratio.

Longer-term, UBSG expects to optimize its financial resources leading to around $510 billion of RWAs by end-2026 from $547 billion at end-2023, driven by around $45 billion of RWA reductions in the Non-core and Legacy (NCL) unit and around $15 billion of business-led RWA reductions in core divisions despite estimated $25 billion RWA inflation due to Basel 3 finalization and $10 billion in methodology and model changes, primarily related to Credit Suisse's portfolios migration to UBS risk models.

Exhibit 9
UBSG's CET1 capital and Tier 1 leverage ratios are above its peers (Q1 2024)



Source: Companies' results presentations and financials, Moody's Ratings

In November 2023, the Financial Stability Board (the FSB) published the 2023 list of global systemically important banks (G-SIBs) and moved UBS to Bucket 2 from Bucket 1, corresponding to an FSB CET1 capital surcharge requirement of 1.5% (from 1.0%), effective from 1 January 2025. The change does not affect UBS's capital requirements, as UBS is subject to higher requirements under the Swiss Capital Adequacy Ordinance (CAO).

UBSG intends to operate at ~14% CET1 capital ratio and >4% CET1 leverage ratio in the medium term. The group current consolidated requirements are:

» going concern capital of 14.77%: minimum capital 4.50%, buffer capital 5.50%; countercyclical buffer 0.47% (leading to a minimum CET1 capital requirement of 10.47%); and a maximum Additional Tier 1 capital of 4.30%.

» gone concern capital of 10.73%: base requirement (equal to 75% of the total going concern requirement excluding the countercyclical buffer): 9.65%; and additional requirement for market share and LRD 1.08%.

Management indicated that the group's CET1 capital ratio requirement would be around 12.5%, once the current capital regime in Switzerland is fully phased-in by end-2029.

Large and stable revenue from wealth management and Swiss banking businesses help mitigate substantial charges from the restructuring of CS

We assign a ba2 Profitability score, reflecting the medium term impact the restructuring and integration process in relation to CSG will have on the group's profitability [2]. The large and stable earnings generated from UBSG's wealth management businesses, as well as its Swiss universal banking businesses, will provide loss absorption capacity to help mitigate the costs arising from the restructuring of CSG and risks and the inherently greater earnings volatility of the group's capital markets businesses.

In 2023, UBSG reported full-year profit before tax (PBT) of $29.9 billion including $28,9 billion negative goodwill. The group achieved around $4 billion in exit rate gross cost savings as of year-end 2023 compared to the full year 2022 for UBS and the Credit Suisse Group combined. Non-core and Legacy's risk-weighted assets (RWAs) decreased by $6 billion (three quarters of which from active unwinds) and its LRD decreased by $19 billion in the fourth quarter.

In Q1 2024, the group reported underlying profit before tax was $2.6 billion, supported by a 15% quarterly increase in underlying revenue to $12.0 billion; underlying expenses of $9.2 billion decreased 5% from the previous quarter, resulting in an underlying cost to income ratio of 77.2%. The results are credit positive because they show the group is progressing with the integration of CS, having stabilised its franchise.

UBSG targets an underlying return on CET1 capital (RoCET1) of around 15% and a <70% underlying cost/income ratio exit rate by end-2026. Such increase in profitability is expected to be underpinned by around $13 billion of gross cost reductions with around 50% of cumulative exit rate gross cost reductions expected by end-2024, and from up to $1 billion of funding cost saves by 2026 relative to 2023 levels. UBSG also targets a reported RoCET1 of around 18% in 2028.

Business division targets are the following:

» Global Wealth Management: an underlying cost / income ratio of less than 70% by the end of 2026 (exit rate); an ambition of > $5 trillion of invested assets in Global Wealth Management (GWM) by 2028, with around $100 billion of net new assets (NNA) per annum through 2025 building to around $200 billion per annum by 2028.

» Personal & Corporate Banking: an underlying cost / income ratio <50% by the end of 2026 (exit rate).

» Asset Management: an underlying cost / income ratio <70% by the end of 2026 (exit rate).

» Investment Bank: an underlying return on attributed equity (RoAE) of around 15% through the cycle, while operating with no more than 25% of the Group's RWA.

» Non-core and Legacy: an underlying profit-before-tax loss of less than USD 1bn (exit rate), underlying costs of <USD 1bn (exit rate), and a share of around 5% of Group RWA, all by the end of 2026.

We estimate around $3 billion net income in 2024 (equal to a RoCET1 of c.4%), around $6 billion net income in 2025 (RoCET1 of 8%) and $9 billion in 2026 (RoCET1 of 13%).

Moderate reliance on wholesale funding and sound liquidity

UBS's Combined Liquidity Score is a3, derived from an assigned baa2 Funding Structure score and an a1 Liquid Resources score.

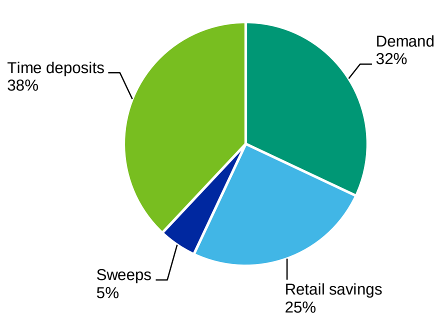
The assigned baa2 Funding Structure score is two notches above the initial score of baa2, reflecting our expectation that UBS will repay back the remaining CHF9.25 billion ELA (emergency liquidity assistance) funds. It also reflects one notch positive adjustment for long-term wholesale funding maturity and one notch negative adjustment for the potential volatility of HNWI deposits.

At end-2023, group total funding was $1,331 billion, of which: $799 billion (60% of total funding) customer deposits; $439 billion (33%) wholesale funding: $333 billion (25%) fair value and long-term debt, $106 billion (8%) short-term borrowings and $13 billion (1%) securities financing transactions o repos; $93 billion (7%) equity. UBSG's Net Stable Funding ratio (NSFR) was 126% at end-March 2024.

Retail funding

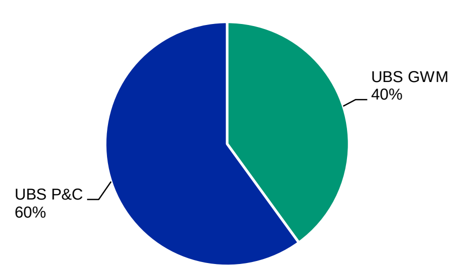
$799 billion customer deposits at end-2023 benefited from $77 billion new deposits across the Global Wealth Management (GWM) and Personal & Corporate Banking (P&C) division since the closing of the Credit Suisse acquisition in 2023.

Exhibit 10
UBSG deposits breakdown by type (YE 2023)



Source: Company report

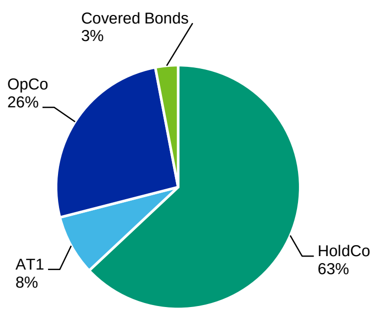
Exhibit 11
UBSG deposits breakdown by client segment (YE 2023)



Source: Company report

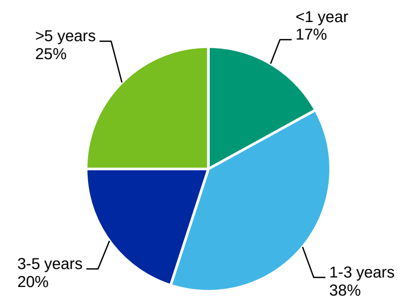
Wholesale funding
Wholesale funding is diversified by source, maturity and currency. $437 billion wholesale debt includes $110 billion short-term (including $38 billion SNB funding) and $328 billion long-term. Upcoming maturities and first call are $31 billion in 2024.

Exhibit 12
UBSG wholesale funding by source (YE 2023)



Source: Company report

Exhibit 13
UBSG wholesale funding by maturity (YE 2023)



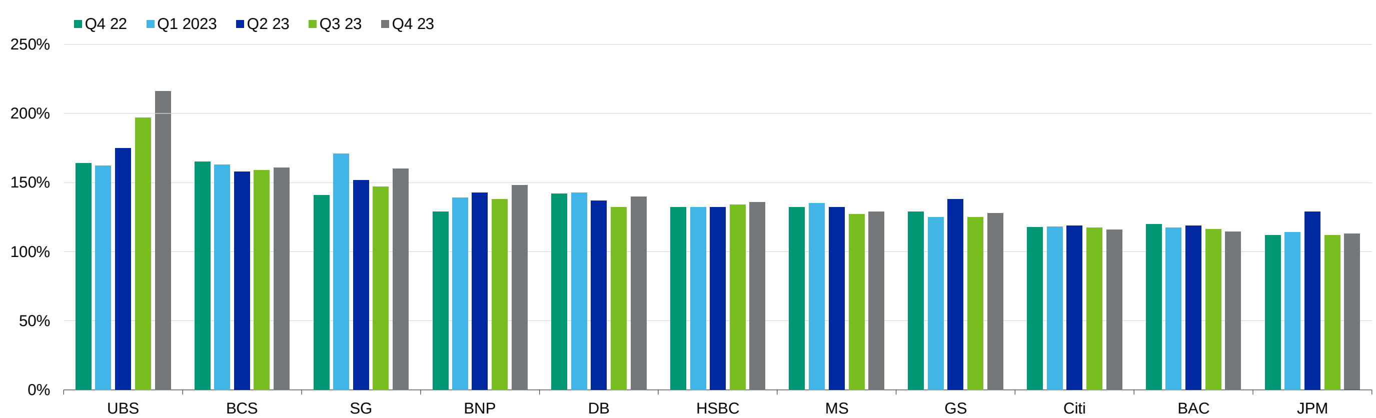
Source: Company report

Sound liquidity
The assigned a1 Liquidity score is one notch below the initial score of aa3 reported at end-2023, reflecting asset encumbrance.

The group reported a well-diversified liquidity pool, and diligent liquidity management including daily stress testing UBSG reported a strong Liquidity Coverage Ratio (LCR) of 220% at end-March 2024. Average quarterly high-quality liquid assets (HQLA) was $423 billion at the same date (up from $368 billion in Q3 2023). Maintaining above-average liquidity, is important in light of the bank's larger franchise with high net-worth clients, where deposits are more confidence sensitive than traditional retail deposit funding, and may thus expose the bank to potential liquidity stresses in an adverse scenario.

The Swiss Financial Market Supervisory Authority (FINMA)'s too-big-to-fail (TBTF) liquidity requirements became effective on 1 January 2024. The affected legal entities of the UBSG are compliant with these requirements.

Exhibit 14
UBS displays a Liquidity Coverage Ratio (LCR) above several of its peers
Global Investment Banks' LCR, Q4 2022 - Q4 2023

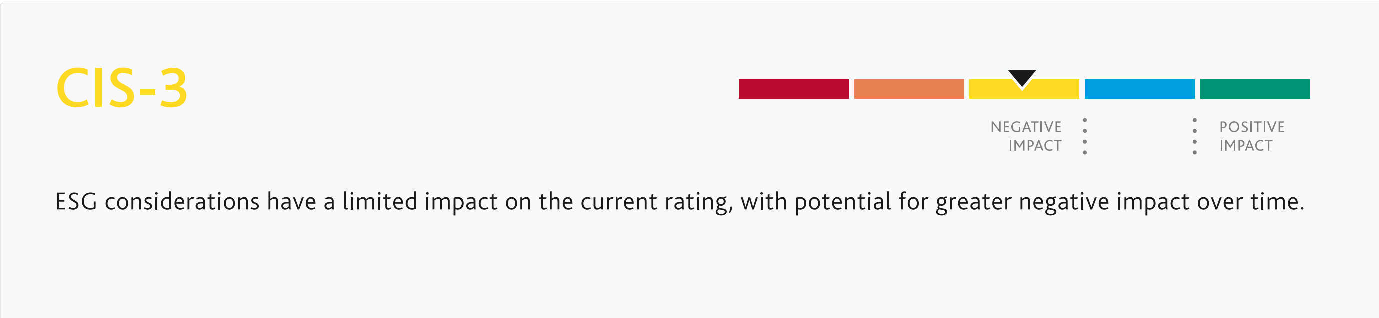


Source: Companies' results presentations and financials, Moody's Ratings

ESG considerations

UBS Group AG's ESG credit impact score is CIS-3

Exhibit 15
ESG credit impact score



Source: Moody's Ratings

UBS Group's **CIS-3** indicates limited impact of ESG considerations on the ratings to date, with greater potential for a negative impact over time. Its moderate credit exposure to governance risks reflects the large Credit Suisse's integration risks due to material operational, cultural and risk challenges; it also reflects our industry view of the opacity, complexity and tail risks inherent to capital markets activities. The bank's track record in managing these risks and its strong financial fundamentals are important considerations, but do not fully offset these exposures.

Exhibit 16
ESG issuer profile scores

Source: Moody's Ratings

Environmental

UBS Group's moderate exposure to environmental risks primarily reflects its portfolio exposure to carbon transition risk as a global asset and wealth manager with modest lending activities. Similar to its peers, the firm is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. UBS is engaging in developing its climate assessment and portfolio management capabilities.

Social

UBS Group faces high social risks related to customer relations risk and associated regulatory risk and exposure to litigation, requiring the bank to meet high compliance standards. These risks are moderated by well-developed policies and procedures. High cybersecurity and personal data risks are mitigated by the presence of a strong IT framework, which includes sharing information with regulators. The design of complex, opaque or speculative financial products for institutional clients increases exposure to the potential for reputational risk and litigation.

Governance

UBS Group's moderate governance risks reflect the integration of Credit Suisse and that the run-down of part of it will present material financial, cultural and operational challenges for UBS Group requiring exceptional financial and risk governance as well as management attention. In addition, the opacity and complexity of capital markets activities within the Investment Bank division - which accounted for around one fifth of end-2023 risk-weighted assets and around one fifth of 2023 revenue - and the volatility under stress of deposit funding from high net-worth individuals within its global wealth management division, expose the group to tail risks. UBS Group displays generally conservative financial policies and strong overall corporate governance practices, which mitigate but not fully offset these risk exposures.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure (LGF) analysis

UBS AG (UBS) and UBS Group AG (UBSG) are subject to the Swiss bank resolution framework, which we consider an operational resolution regime. Therefore, we apply our Advanced LGF analysis, assuming a residual TCE of 3% and post-failure losses of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits and a 5% run-off in preferred deposits. We further assign a 100% probability to deposits being preferred to senior unsecured debt, thereby reflecting depositor preference by law in Switzerland. Our Advanced LGF analysis - based on the liaibilities structure of UBSG's standalone - indicates the following:

» UBS's junior deposits: extremely low loss-given-failure, resulting in three notches of rating uplift. This is because of the substantial volume of deposits and the high volume of subordinated debt classes, namely senior unsecured and subordinated debt at the bank and holding company level, protecting deposit holders in the unlikely event of failure or resolution.

» UBS's senior unsecured debt: extremely low loss-given-failure, resulting in three notches of rating uplift. Although less well protected than bank depositors, we believe the significant amount of bank-level senior unsecured debt outstanding would allow for losses in resolution to be spread across a large volume of creditors, lowering the severity of loss for individual senior bank creditors.

» UBSG's senior unsecured debt: low loss-given-failure, resulting in one notch uplift; we conservatively assign zero notches, but we will reassess notching during the outlook period, in light of potential liabilities and tangible assets changes.

» UBS's and UBSG's junior securities: high loss-given-failure, resulting in one notch negative adjustment; we assign zero notches adjustment, as we expect UBSG to issue AT1s, which provide LGF support, as they are junior to subordinated debt.

» UBSG's high-trigger AT1s: high loss-given-failure, resulting in a one notch negative adjustment. The securities' coupon skip mechanism and write-down/ conversion to equity features reduce the rating by an additional two notches.

Government support

Swiss authorities have implemented[3] a bank resolution framework that includes provisions for burden-sharing with senior creditors. Therefore, we believe there is a low likelihood of government support for the debt issued by the parent holding company (or guaranteed) by UBS Group AG. This reflects the resolution objectives of Swiss authorities, who have espoused a single point of entry resolution as their preferred strategy, exposing holding company creditors to loss to shield the bank's own senior creditors and depositors.

The deposit and senior unsecured debt ratings for UBS AG and its branches benefit from one notch of additional rating uplift stemming from our 'Moderate' probability of government support for junior depositors and senior unsecured creditors at the operating company level.

For junior securities issued or guaranteed by UBS, the potential for government support is 'Low' and the ratings on those securities do not include any related uplift.

Aa2/P-1 Counterparty Risk Ratings (CRRs)

The bank's CRRs are positioned four notches above the a3 Adjusted BCA, reflecting the extremely low loss-given-failure provided by subordinated instruments to the more senior CRR liabilities and one additional notch of government support uplift assuming a 'Moderate' level of support.

Aa2(cr)/P-1(cr) Counterparty Risk (CR) Assessment

The bank's CR Assessment is positioned four notches above the a3 Adjusted BCA, based on the buffer against default provided by more subordinated instruments, primarily senior unsecured debt, to the senior obligations represented by the CR Assessment and one additional notch of government support uplift assuming a 'Moderate' level of support. Because the CR Assessment captures the probability of default on certain senior operational obligations, rather than expected loss, we focus purely on subordination and take no account of the volume of the instrument class.

Methodology and scorecard

Methodology

The principal methodology we use in rating UBS is the Banks Methodology, published in July 2021.

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 17

UBS Group AG

Macro Factors							
Weighted Macro Profile	Strong +	100%					

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.8%	aa2	↔	a3	Market risk	Non lending credit risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	14.7%	a1	↔	a1	Expected trend	Risk-weighted capitalisation
Profitability						
Net Income / Tangible Assets	0.1%	b3	↑↑	ba2	Earnings quality	Expected trend
Combined Solvency Score		a3		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	31.4%	ba1	↑	baa2	Deposit quality	Term structure
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	43.4%	aa3	↔	a1	Asset encumbrance	Stock of liquid assets
Combined Liquidity Score		baa1		a3		
Financial Profile				a3		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				-1		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				a3		
Affiliate Support notching				0		
Adjusted BCA				a3		

Balance Sheet	in-scope (USD Million)	% in-scope	at-failure (USD Million)	% at-failure
Other liabilities	299,702	21.2%	457,833	32.3%
Deposits	792,029	55.9%	682,793	48.2%
Preferred deposits	586,101	41.4%	534,525	37.7%
Junior deposits	205,928	14.5%	148,268	10.5%
Senior unsecured bank debt	146,547	10.3%	102,763	7.3%
Dated subordinated bank debt	3,330	0.2%	806	0.1%
Senior unsecured holding company debt	115,738	8.2%	114,663	8.1%
Preference shares(holding company)	16,947	1.2%	15,435	1.1%
Equity	42,504	3.0%	42,504	3.0%
Total Tangible Banking Assets	1,416,797	100.0%	1,416,797	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	19.5%	19.5%	19.5%	19.5%	3	3	3	3	0	aa3
Counterparty Risk Assessment	19.5%	19.5%	19.5%	19.5%	3	3	3	3	0	aa3 (cr)
Deposits	30.0%	19.5%	30.0%	19.5%	3	3	3	3	0	aa3
Senior unsecured bank debt	19.5%	12.2%	19.5%	12.2%	3	3	3	3	0	aa3
Senior unsecured holding company debt	12.2%	4.1%	12.2%	4.1%	1	1	1	0	0	a3
Dated subordinated bank debt	4.1%	4.1%	4.1%	4.1%	0	0	0	0	0	a3
Holding company non-cumulative preference shares	4.1%	3.0%	4.1%	3.0%	-1	-1	-1	-1	-2	baa3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	aa3	1	Aa2	Aa2
Counterparty Risk Assessment	3	0	aa3 (cr)	1	Aa2(cr)	
Deposits	3	0	aa3	1	Aa2	Aa2
Senior unsecured bank debt	3	0	aa3	1	(P)Aa2	Aa2
Senior unsecured holding company debt	0	0	a3	0	A3	A3
Dated subordinated bank debt	0	0	a3	0		(P)A3
Holding company non-cumulative preference shares	-1	-2	baa3	0		Baa3 (hyb)

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 18

Category	Moody's Rating
UBS GROUP AG	
Outlook	Developing
Senior Unsecured	A3
Pref. Stock Non-cumulative	Baa3 (hyb)
CREDIT SUISSE INTERNATIONAL	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Bkd Bank Deposits	Aa2/P-1
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Issuer Rating	Aa2
UBS EUROPE SE	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Issuer Rating	Aa3
ST Issuer Rating	P-1
UBS AG, LONDON BRANCH	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured	Aa2
Subordinate MTN	(P)A3
Commercial Paper	P-1
Other Short Term	(P)P-1
UBS AG, STAMFORD BRANCH	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Deposit Note/CD Program	(P)Aa2/--
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured MTN	(P)Aa2
Subordinate	(P)A3
Commercial Paper	P-1
Other Short Term	(P)P-1
UBS AG, NEW YORK BRANCH	
Counterparty Risk Rating	Aa2/P-1
Deposit Note/CD Program	(P)Aa2/--
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured MTN	(P)Aa2
Subordinate	(P)A3
Other Short Term	(P)P-1
UBS AG	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa2/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Issuer Rating	Aa2
Senior Unsecured	Aa2
Subordinate	(P)A3
Other Short Term -Dom Curr	(P)P-1
CREDIT SUISSE AG (SYDNEY) BRANCH	
Outlook	Negative

Counterparty Risk Rating	Aa2/P-1
Deposit Note/CD Program	--/P-1
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured MTN -Dom Curr	(P)Aa2
Commercial Paper	P-1
CREDIT SUISSE AG (NEW YORK) BRANCH	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa2/P-1
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured	Aa2
Subordinate MTN	(P)A3
Commercial Paper	P-1
Other Short Term	(P)P-1
UBS AG, AUSTRALIAN BRANCH	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured -Dom Curr	Aa2
Subordinate MTN	(P)A3
Bkd Commercial Paper -Dom Curr	P-1
UBS AG, JERSEY BRANCH	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured	Aa2
Subordinate MTN	(P)A3
Other Short Term -Dom Curr	(P)P-1
CREDIT SUISSE AG	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa2/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Issuer Rating	Aa2
Senior Unsecured	Aa2
Subordinate MTN	(P)A3
Commercial Paper	P-1
Other Short Term	(P)P-1
CREDIT SUISSE AG (GUERNSEY) BRANCH	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured	Aa2
Other Short Term	(P)P-1
CREDIT SUISSE AG (NASSAU) BRANCH	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured	Aa2
Subordinate MTN	(P)A3
Other Short Term	(P)P-1
CREDIT SUISSE (USA) LLC	
Outlook	Negative
Bkd Senior Unsecured	Aa2
UBS FINANCE (CURACAO) N.V.	
Outlook	Negative
Bkd Senior Unsecured	Aa2
CREDIT SUISSE AG (LONDON) BRANCH	
Outlook	Negative

Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa2/--
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured	Aa2
Subordinate	A3
Other Short Term	(P)P-1
CREDIT SUISSE AG (TOKYO) BRANCH	
Outlook	Negative
Counterparty Risk Rating	Aa2/P-1
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured -Dom Curr	Aa2

Source: Moody's Ratings

Note: The ratings of UBS Group AG were not initiated at the request of the rated entity. The ratings were initiated by Moody's. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

Endnotes

1 Litigation, regulatory and similar matters involving UBS AG and subsidiaries: 1. Inquiries regarding cross-border wealth management businesses; 2. Madoff; 3. Foreign exchange, LIBOR and benchmark rates, and other trading practices; 4. Swiss retrocession. Litigation, regulatory and similar matters involving Credit Suisse entities: 1. Mortgage-related matters; 2. Tax and securities law matters; 3. Rates-related matters; 4. OTC trading cases; 5. ATA litigation; 6. Customer account matters; 7. Mozambique matter; 8. Cross-border private banking matters; 9. ETN-related litigation; 10. Bulgarian former clients matter; 11. Supply chain finance funds (SCFF) matter; 12. Archegos; 13. Credit Suisse financial disclosures; 14. Merger-related litigation

2 The historic net income / tangible assets ratios shown in the key indicators table and in the scorecard, which drive the Profitability Macro Adjusted score, include our standard adjustment for defined benefit pension schemes. Under our standard approach, we adjust banks' profit to take into account gains and losses from the actual returns on plan assets, which in recent years have been sizeable. We do not include in profit any other remeasurements or actuarial gain/loss components, like the impact of changes in the pension liability discount rate

3 The framework supported making the largest Swiss banks, including UBS, resolvable by establishing holding company structures and creating a Swiss banking subsidiary. These were important steps in overcoming the main obstacles for the two Swiss G-SIB's resolvability: namely their global reach and high interconnection with other parts of the financial system.

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