FitchRatings

Banks
Bank Holding Companies
Switzerland

UBS Group AG

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Viability Rating	a
Government Support Rating	ns

Sovereign Risk (Switzerland)	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Key Rating Drivers

The ratings of UBS Group AG (UBS), the holding company (holdco) of the UBS group, reflect Fitch Ratings' expectation that the integration of Credit Suisse will ultimately strengthen the group's diverse business model, well-executed strategy, and leading position in global wealth management, complemented by UBS being a leading Swiss retail and corporate bank, as well as an investment bank with moderate scale and risk appetite that is primarily focused on supporting the wealth management business.

Execution Risk Remains High: UBS has made major and rapid progress in the early stages of the Credit Suisse integration, including the recent merger of the group's main operating companies (opcos), UBS AG and Credit Suisse AG. However, the ratings also reflect the execution risk that weighs on the implementation of UBS's otherwise stable business model and conservative approach to risk, as the most intensive integration work continues at pace in 2024 and 2025.

Earnings will remain under pressure in the short term, but we believe UBS can ultimately restore its above-average mix of strong asset quality, sound, fee-dominated revenue, resilient funding and solid capitalisation, and benefit from increased scale and diversification in core businesses, compared with its peer group of European global trading and universal banks (GTUBs).

Debt Buffers Drive IDR Uplift: UBS AG's Long-Term Issuer Default Rating (IDR) and long-term senior debt ratings are one notch above the group VR as the group's junior and holdco senior debt buffers would provide senior creditors with additional protection in a resolution scenario.

Asset Quality to Remain Strong: We expect UBS to maintain significantly better asset quality than the other European GTUBs throughout its restructuring, due to prudent underwriting standards and predominantly collateralised lending. The inclusion of credit-impaired loans purchased from Credit Suisse, whose failure was not rooted in asset-quality issues, only slightly inflated UBS's impaired loans ratio to a still-low 1% at end-2023.

Earnings to Improve: We forecast UBS's operating profit/risk-weighted assets (RWAs) ratio to rise to above 1.5% in 2025 (1Q24: 1.8%; 2023: 0.2%) as the integration progresses. 2024 is a pivotal restructuring year, with the bank expecting integration costs to significantly exceed annualised cost savings. UBS plans to implement around 80% of targeted further cost savings in 2025 and 2026 as it completes the complex work of rationalising headcounts, migrating clients onto UBS platforms, and decommissioning legacy Credit Suisse systems.

Resilient Capitalisation: UBS's common equity Tier 1 (CET1) ratio (end-1Q24: 14.8%) has been above its mid-term guidance of around 14% through the early stages of the restructuring. Fitch forecasts the CET1 ratio to remain comfortably above 14% through 2026, despite a planned progressive shareholder distribution, if management delivers on its cost-savings targets.

Funding and Liquidity Strengthening: UBS improved its loans/deposits ratio to 83% at end-1Q24 (end-2Q23: 96%) as it swiftly reversed most of the deposit outflows incurred by Credit Suisse pre-acquisition. We expect UBS to maintain its prudent liquidity management and further benefit from its deposit-rich wealth management and Swiss client bases, and diversified access to international debt markets. It strengthened its liquidity coverage ratio to 220% in 1Q24 (2Q23: 175%) through larger buffers to fulfil tightened liquidity requirements.

UBS's 'F1' Short-Term IDR is the lower of two options mapping to its Long-Term IDR of 'A', because it is constrained by the bank's funding and liquidity score of 'a'.

Applicable Criteria

Bank Rating Criteria (March 2024)

Non-Bank Financial Institutions Rating Criteria (January 2024)

Related Research

Fitch Affirms UBS Group at 'A'; Outlook Stable (June 2024)

Global Economic Outlook (June 2024)

Large European Banks Quarterly Credit Tracker (March 2024)

Global Trading and Universal Banks - Peer Review 2023 (December 2023)

DM100 Banks Tracker (December 2023)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The Stable Outlook indicates Fitch's view that UBS's capitalisation and earnings generation will provide sufficient flexibility to absorb restructuring and integration costs. We could downgrade the group's ratings if unforeseen and severe setbacks during the integration signal a heightened risk that UBS may struggle to conclusively address Credit Suisse's weaknesses. Key challenges include in Fitch's view, further recovering lost Credit Suisse clients, containing integration and litigation costs and achieving cost savings targets.

A downgrade could result from evidence that an unexpectedly difficult integration could durably weaken UBS's business, risk and financial profiles, which could lower our assessment of most of the Viability Rating's key rating drivers. Litigation costs materially exceeding the USD7.7 billion provisions in place at end-1Q24 (including a USD3.8 billion valuation adjustment reflected in UBS's purchase accounting related to the acquisition of Credit Suisse, and USD3.9 billion of provisions for litigation, regulatory and similar matters), or a CET1 ratio declining materially below 14% during the integration without credible plans to swiftly restore it, would pressure the ratings. UBS's ratings are also sensitive to its double leverage exceeding 120%, without a clear reduction path.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

We could upgrade the group's ratings once Credit Suisse's integration and restructuring have materially progressed, if we have sufficient evidence that execution risk has significantly and durably receded, and that UBS's business model, franchise and financial metrics will remain sustainably close to their strong historical characteristics, allowing solid strategic execution through the cycle. The Stable Outlook signals that an upgrade is unlikely in the short term. This is commensurate with UBS's expectation that the integration process will be mostly completed by end-2026.

Other Debt and Issuer Ratings

	UBS Group AG	UBS AG	UBS Switzerland AG	Credit Suisse (Schweiz) AG	UBS Europe SE	UBS Bank USA
IDRs	A/Stable/F1	A+/Stable/F1	A+/Stable/F1	A+/Stable/F1	A+/Stable/F1	A+/Stable/F1
VR	a	a	a	-	-	
Government Support Rating (GSR)	ns	ns	-	-	-	
Shareholder Support Rating (SSR)	-	-	a+	a+	a+	a+
Derivative Counterparty Rating (DCR)	-	A+(dcr)	A+(dcr)	A+(dcr)	A+(dcr)	-
Deposit ratings	-	-	-	-	-	AA-/F1+
Senior unsecured debt ratings	A/F1	A+/F1	-	-	-	-
Tier 2 debt	-	BBB+	-	-	-	
Additional Tier 1 (AT1) debt	BBB-	-	-	-	-	

Source: Fitch Ratings

	Credit Suisse International	Credit Suisse (Deutschland) AG	Credit Suisse Bank (Europe) S.A.	Credit Suisse (USA) LLC	UBS AG New York (Eleven Madison Avenue) Branch
IDRs	A+/Stable/F1	A+/Stable/F1	A+/Stable/F1	A+/Stable/F1	A+/Stable/F1
SSR	a+	a+	a+	a+	-
DCR	A+(dcr)	-	A+(dcr)	-	-
Senior unsecured debt ratings	-	A+/F1	-	A+	-

Source: Fitch Ratings

DCR, Senior Debt Aligned with IDRs, US Deposit Rating Uplift

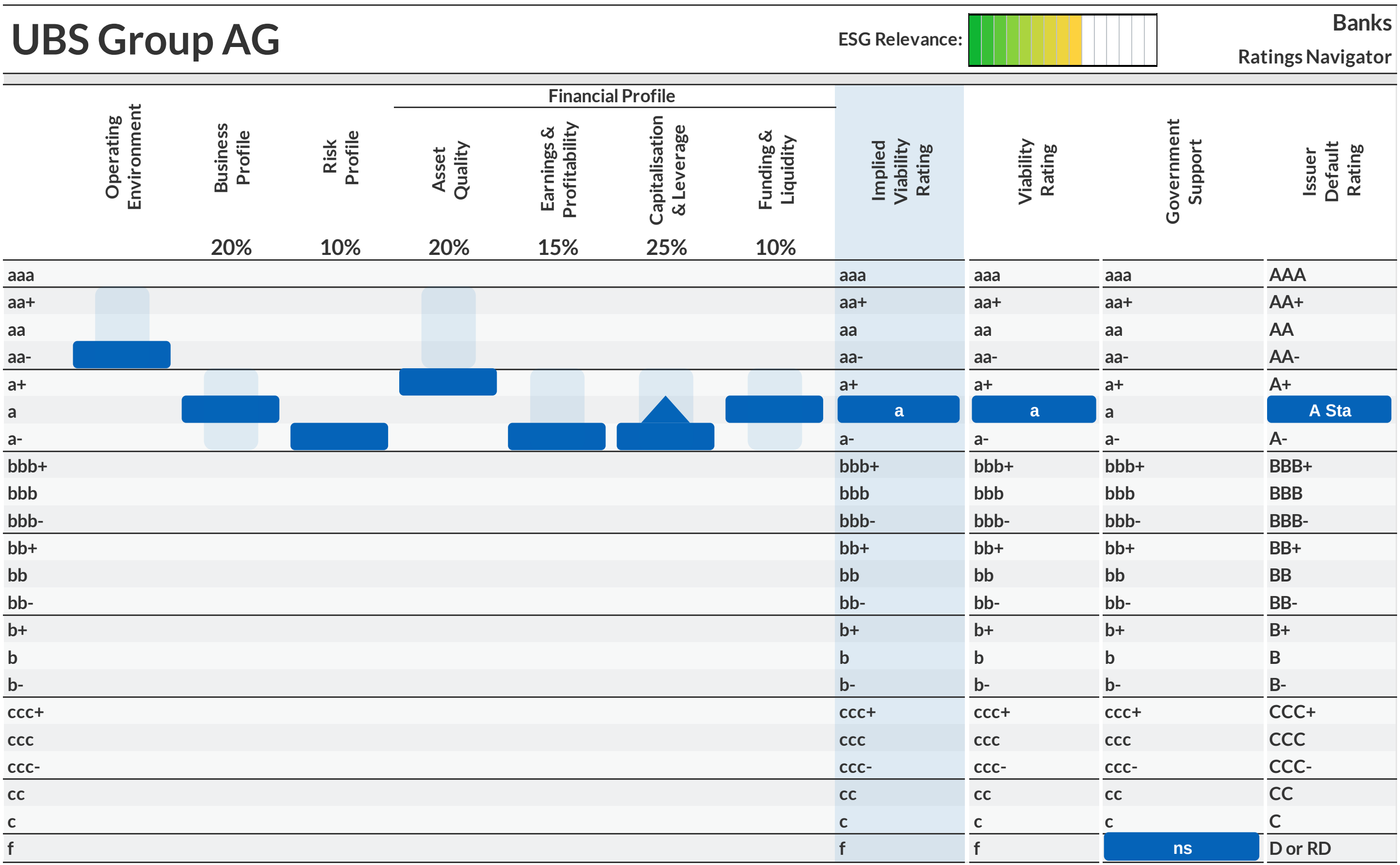
The DCRs are in line with the respective Long-Term IDRs because derivative counterparties in Switzerland, Germany, Spain and the UK have no preferential status over other senior obligations in a resolution. The senior unsecured notes are aligned with the respective IDRs. UBS Bank USA's uninsured deposits are rated one notch above the bank's IDRs because the depositor preference applicable in the US would result in superior recovery prospects upon default.

Junior Debt Notched Down from VRs

UBS AG's Tier 2 and UBS Group AG's AT1 debt ratings are notched down from the group's VR to reflect their non-performance and loss severity risks relative to those captured in the VR. The Tier 2 debt ratings are notched twice for loss severity. The ratings of the AT1 notes are notched twice for loss severity and twice for non-performance due to discretionary coupon omission.

UBS AG has replaced Credit Suisse AG as the guarantor of the USD1 billion July 2032 senior note issued by Credit Suisse (USA), Inc, which has been renamed Credit Suisse (USA) LLC.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

UBS Group AG, UBS AG and UBS Switzerland's asset quality scores of 'a+' have been assigned below the implied 'aa' category score for the following adjustment reason: non-loan exposures (negative).

Company Summary and Key Qualitative Factors

Operating Environment

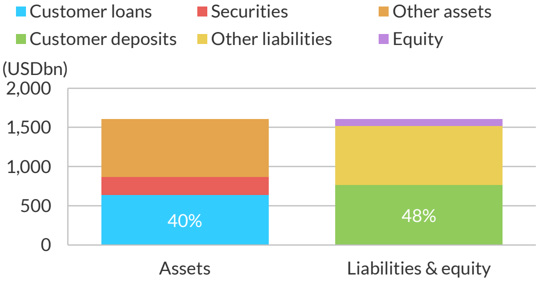
The Swiss government published a review of the "Too Big to Fail" regime for Swiss banks in March 2024, with recommendations to mitigate UBS's increased systemic importance, such as tighter requirements for banks' total loss-absorbing capacity and for backing of participations in foreign subsidiaries with capital. Other recommendations include a strengthening of the regulator's enforcement and sanction powers, the introduction of a senior manager regime, tighter liquidity requirements, aligning banks' access to the Swiss central bank's public liquidity backstop with international standards, and measures to improve banks' recovery and resolvability. We believe these recommendations are unlikely to be implemented (with phase-in periods where needed) before end-2024, when a parliamentary investigation into Credit Suisse's crisis is expected. The government could implement some of the proposed measures through ordinances, while others would have to be approved by the parliament.

Business Profile

We believe that successfully integrating Credit Suisse will ultimately enhance UBS's diverse business model, which is underpinned by the group's leading global wealth management and Swiss franchises, and by its focused investment bank. In the short term, however, execution risk from the challenging integration of two complex banks with global footprints will weigh on the implementation of UBS's stable business model and prudent risk appetite. UBS has made rapid progress so far, and has just reached a major milestone by merging the two opcos, with complex integration work to follow, including aligning head office functions and systems and migrating Credit Suisse's clients onto UBS platforms. In early June, the group also completed the transition to a single US intermediate holdco. In addition, UBS intends to merge its two large Swiss domestic businesses, UBS Switzerland and Credit Suisse (Schweiz) on 1 July 2024.

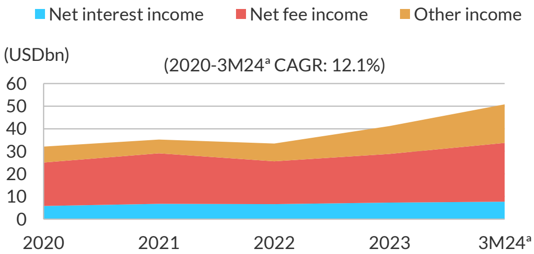
Balance Sheet

End-Mar 2024



Source: Fitch Ratings, Fitch Solutions, UBS

Revenue Breakdown

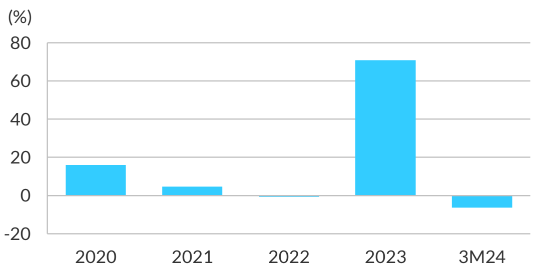


CAGR: compound annual growth rate
[a] Annualised
Source: Fitch Ratings, Fitch Solutions, UBS

Risk Profile

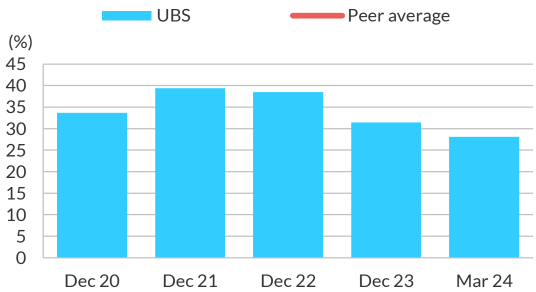
UBS has rapidly aligned Credit Suisse's operations with its own risk standards and continues to integrate both risk organisations. Over time, an upgrade of our risk profile assessment would require evidence of successful integration, with no remaining sizeable pockets of uncontrolled risk. We expect UBS to maintain prudent underwriting standards and modest appetite for credit risk. UBS and Credit Suisse's business models have structurally entailed lower credit risk than most GTUBs, with a loan book that is over 90% collateralised with securities and real estate (mostly housing in Switzerland and mortgage-backed loans to wealth management and corporate clients). UBS is accelerating the run-down of its non-core and legacy (NCL) division, which primarily houses Credit Suisse's investment banking assets that are not aligned with UBS's strategy and risk appetite. UBS's intention to limit the combined investment banking operations to 25% of the group's RWAs, in line with its focus on wealth and asset management, is rating positive.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, UBS

Loan Loss Allowances/Impaired Loans



Source: Fitch Ratings, Fitch Solutions, banks

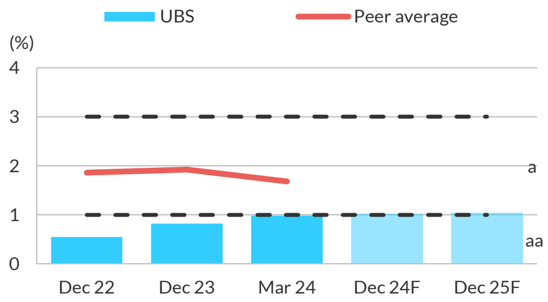
Litigation risk will remain inherent to UBS's business model. Several of UBS and Credit Suisse's litigation matters accumulated over the years are still pending, while others could emerge years after the banks tightened their risk and compliance practices. At end-1Q24, UBS had USD7.7 billion of provisions available to cover litigation-related charges that may emerge from Credit Suisse, but several past high-profile cases at both banks have caused losses equivalent to material proportions of this amount. Most recently, UBS announced it expects to record a provision of around USD0.9 billion in 2Q24 to voluntarily compensate investors in Credit Suisse's Supply Chain Funds, whose redemptions were suspended in 2021 following the insolvency of Greensill Capital. However, this is not expected to materially affect UBS's results or CET1 capital, as it will be covered by the USD7.7 billion of provisions already available.

Financial Profile

Asset Quality

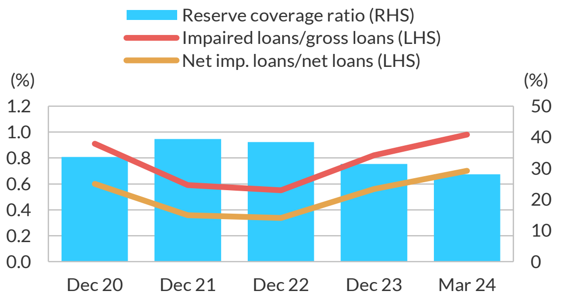
UBS's impaired loans ratio increased to 1% at end-1Q24, from 0.6% at end-2022, pre-acquisition. We expect impaired loans to remain broadly stable in a still-challenging economic environment as UBS runs down Credit Suisse's positions that are outside of its risk appetite. We expect asset quality will remain a rating strength, given that the vast majority of the loan book that is collateralised, and UBS's strong record of managing asset quality.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Asset Quality Summary



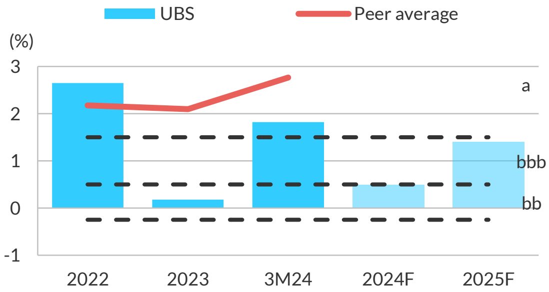
Source: Fitch Ratings, Fitch Solutions, UBS

Earnings and Profitability

UBS's operating profit/RWAs ratio (excluding large acquisition-related gains) declined sharply to 0.2% in 2023 (2022: 2.7%). We expect profitability to recover gradually in 2024 and more rapidly from 2025, although it is likely to remain below UBS's historically strong levels through the peak integration period to end-2026. UBS targets gross cost savings of at least USD13 billion by end-2026, and expects to incur similar cumulative integration costs to achieve these savings. In total, it had incurred USD5.5 billion of integration costs and achieved USD5 billion of cost savings by end-1Q24. However, the bank expects integration costs to be around USD2 billion higher than realised cost savings in 2024. This will keep profitability subdued, before picking up strongly in 2025 if UBS continues to deliver on its targets.

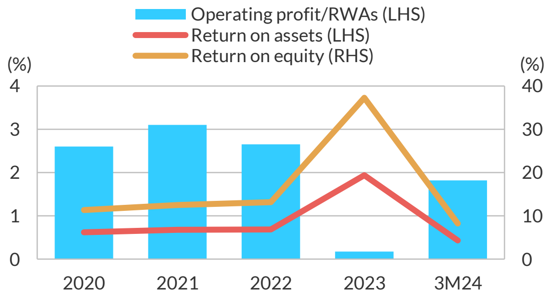
We expect revenue to rise by at least 10% in 2024 yoy as full-year results include Credit Suisse for the first time, the group progresses in restoring Credit Suisse's franchise and benefits from higher interest rates in wealth management, as well as in private and commercial banking. However, UBS's broad geographic and product mix does not insulate the bank from shifts in market sentiment and potential fee income attrition due to clients switching to a more defensive asset allocation amid an uncertain outlook for asset prices in a higher interest-rate, lower-growth environment, although there have been signs of improving investor sentiment in 1Q24, particularly in Asia. Loan impairment charges should remain low in light of UBS's robust secured loan book and benign loan loss history.

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Profitability Summary



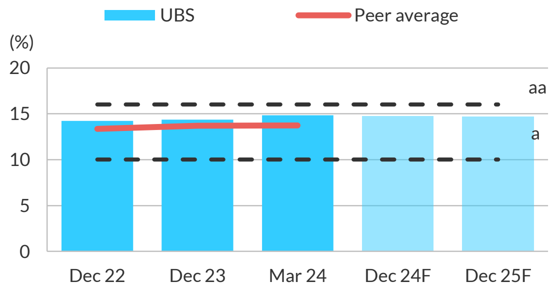
Source: Fitch Ratings, Fitch Solutions, UBS

Capital and Leverage

UBS's regulatory CET1 and Tier 1 leverage ratio requirements are the most constraining for its capital deployment. The bank comfortably met its consolidated Swiss Tier 1 requirements, both leverage-based (5.8% versus 5.0% requirement) and RWA-based (17.8% versus 14.8% requirement) at end-1Q24. It also comfortably meets its gone-concern requirements. It is aiming for a pro-forma CET1 ratio of about 14% through 2026, and our capitalisation assessment assumes that the group will not manage down its CET1 ratio to close to its pre-acquisition long-term guidance of about 13% until integration risks decrease considerably.

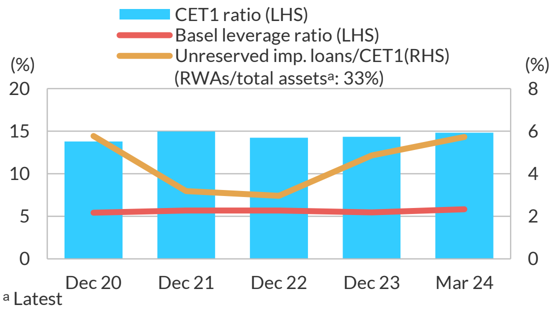
UBS maintains its planned progressive dividend distribution and has reinstated its annual share buyback programme, with targets of USD1 billion for 2024 and buybacks exceeding the pre-acquisition level of USD5.6 billion for 2026, subject to a potential increase in regulatory capital requirements that could be imposed by the Swiss regulator. We expect UBS to be able to deliver these progressive distributions while maintaining a CET1 ratio above 14%, provided it achieves its cost-efficiency measures and continues to reduce RWAs as planned through the NCL wind-down and balance-sheet-efficiency initiatives. In our view, UBS's capital remains exposed to the risk of higher-than-expected integration and litigation costs, especially through 2025, when we expect capital generation to start rapidly improving.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Capitalisation & Leverage Summary



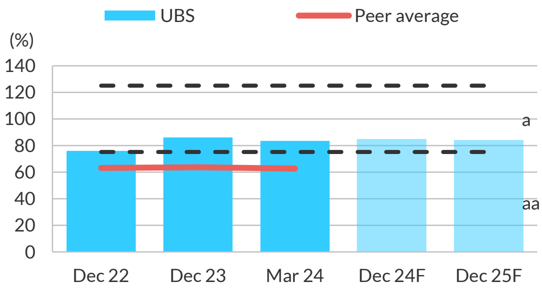
[a] Latest
Source: Fitch Ratings, Fitch Solutions, UBS

Funding and Liquidity

The acquisition initially increased UBS's loans/deposits ratio to 96% at end-2Q23, well above its five-year average of 75% pre-acquisition. We expect the ratio to remain moderately above this historical average in the short term as the higher-rate environment incentivises depositors to move excess liquidity to more remunerative alternatives. We view UBS's historic deposit base as mostly stable, but Credit Suisse's crisis has highlighted the vulnerability of concentrated wealth-management deposits. Progress in reversing some of Credit Suisse's deposit outflows, and the rapid reduction in NCL assets, have contributed to improve UBS's funding position.

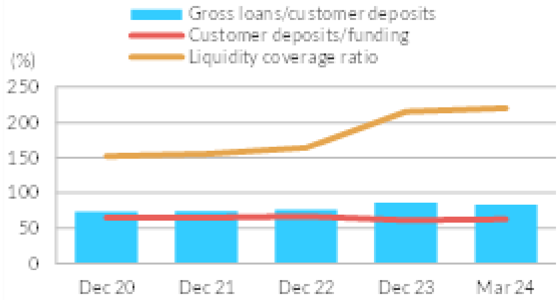
UBS has significantly increased its liquid asset buffers to meet tightened Swiss regulatory requirements: in 1Q24, its high-quality liquid assets amounted to 26% of total assets on average (4Q22: 21%), and its liquidity coverage ratio of 220% was materially higher than other European GTUBs'. UBS's wholesale funding maturities have risen to USD30 billion–USD35 billion a year for the next few years (USD10 billion–USD20 billion for UBS standalone pre-acquisition), but should be manageable in light of the bank's ability to regain market confidence since the acquisition: its recent additional Tier 1, senior unsecured and covered bond issuance has been heavily oversubscribed, with material subsequent spread tightening.

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding & Liquidity Summary



Source: Fitch Ratings, Fitch Solutions, UBS

Additional Notes on Charts

The dashed lines in the charts above represent indicative ranges and implied scores for Fitch's core financial metrics for banks operating in environments scored in the 'aa' category. The light-blue columns are Fitch's forecasts.

Peer averages include The Goldman Sachs Group, Inc. (VR: a), Morgan Stanley (a+), Barclays plc (a), BNP Paribas SA (a+), Societe Generale S.A. (a-), HSBC Holdings plc (a+), JPMorgan Chase & Co. (aa-), Bank of America Corporation (aa-), Citigroup Inc. (a). Unless otherwise stated, financial year (FY) end is 31 December for all banks.

Financials

Financial Statements

	31 Mar 24 3 months - 1st quarter (USDm) Unaudited	31 Dec 23 Year end (USDm) Audited - unqualified	31 Dec 22 Year end (USDm) Audited - unqualified	31 Dec 21 Year end (USDm) Audited - unqualified	31 Dec 20 Year end (USDm) Audited - unqualified
Summary income statement					
Net interest and dividend income	1,940	7,297	6,621	6,705	5,862
Net fees and commissions	6,492	21,570	18,966	22,387	19,186
Other operating income	4,309	11,937	7,827	6,172	7,110
Total operating income	12,741	40,804	33,414	35,264	32,158
Operating costs	10,256	38,804	24,930	26,058	23,955
Pre-impairment operating profit	2,485	2,000	8,484	9,206	8,203
Loan and other impairment charges	106	1,037	29	-148	694
Operating profit	2,379	963	8,455	9,354	7,509
Other non-operating items (net)	-3	27,776	1,149	130	646
Tax	612	873	1,943	1,998	1,583
Net income	1,764	27,866	7,661	7,486	6,572
Other comprehensive income	-2,009	991	-4,494	-2,367	1,740
Fitch comprehensive income	-245	28,857	3,167	5,119	8,312
Summary balance sheet					
Assets					
Gross loans	637,578	680,460	398,132	401,150	383,265
- Of which impaired	6,225	5,560	2,188	2,375	3,469
Loan loss allowances	1,749	1,747	842	936	1,168
Net loans	635,829	678,713	397,290	400,214	382,097
Interbank	22,143	21,161	14,792	15,480	15,444
Derivatives	159,229	176,084	150,108	118,142	159,617
Other securities and earning assets	386,742	392,387	277,266	294,858	308,587
Total earning assets	1,203,943	1,268,345	839,456	828,694	865,745
Cash and due from banks	271,527	314,148	169,445	192,817	158,231
Other assets	131,650	134,753	95,463	95,671	101,789
Total assets	1,607,120	1,717,246	1,104,364	1,117,182	1,125,765
Liabilities					
Customer deposits	763,959	792,029	525,051	542,007	524,605
Interbank and other short-term funding	98,424	131,302	60,807	68,109	71,354
Other long-term funding	303,741	321,694	162,416	156,379	139,395
Trading liabilities and derivatives	198,800	226,340	184,421	176,694	217,767
Total funding and derivatives	1,364,924	1,471,365	932,695	943,189	953,121
Other liabilities	143,192	147,284	103,380	99,514	98,465
Preference shares and hybrid capital	13,238	11,958	11,071	13,477	14,414
Total equity	85,766	86,639	57,218	61,002	59,765
Total liabilities and equity	1,607,120	1,717,246	1,104,364	1,117,182	1,125,765
Exchange rate	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1

Source: Fitch Ratings, Fitch Solutions, UBS Group AG

Key Ratios

	31 Mar 24	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%; annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	1.8	0.2	2.7	3.1	2.6
Net interest income/average earning assets	0.6	0.7	0.8	0.8	0.7
Non-interest expense/gross revenue	80.9	94.3	74.7	74.1	74.7
Net income/average equity	8.2	37.3	13.2	12.5	11.4
Asset quality					
Impaired loans ratio	1.0	0.8	0.6	0.6	0.9
Growth in gross loans	-6.3	70.9	-0.8	4.7	16.0
Loan loss allowances/impaired loans	28.1	31.4	38.5	39.4	33.7
Loan impairment charges/average gross loans	0.1	0.2	0.0	0.0	0.2
Capitalisation					
Common equity Tier 1 ratio	14.8	14.4	14.2	15.0	13.8
Fully loaded common equity Tier 1 ratio	14.8	14.4	14.2	15.0	13.8
Tangible common equity/tangible assets	4.3	4.2	3.9	4.2	4.3
Basel leverage ratio	5.8	5.5	5.7	5.7	5.4
Net impaired loans/common equity Tier 1	5.7	4.9	3.0	3.2	5.8
Funding and liquidity					
Gross loans/customer deposits	83.5	85.9	75.8	74.0	73.1
Gross loans/customer deposits + covered bonds	80.1	82.5	74.6	72.6	71.4
Liquidity coverage ratio	220.2	215.7	163.7	155.0	152.0
Customer deposits/total non-equity funding	62.9	61.3	66.6	64.9	65.1
Net stable funding ratio	126.4	124.7	119.8	119.0	119.0

Source: Fitch Ratings, Fitch Solutions, UBS Group AG

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Positive
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

No Sovereign Support Factored In

UBS Group AG's and UBS AG's Government Support Ratings (GSRs) of 'no support' reflect our view that the group's senior creditors cannot rely on receiving full extraordinary support from the sovereign if the group becomes non-viable, because Swiss legislation and regulation include provisions to bail in senior creditors in case of failure. An upgrade of the GSRs would require a positive reassessment of the Swiss sovereign's propensity of support. However, the resolution regime makes this highly unlikely, in our view.

Subsidiaries and Affiliates

UBS Switzerland AG

Core Subsidiary, Leading Domestic Bank

The VR of UBS Switzerland, which houses UBS's Swiss private and commercial banking, reflects its leading domestic franchise, moderate credit risk and sound funding profile. Our assessment of UBS Switzerland's capitalisation, funding and liquidity reflects the bank's deep integration with UBS AG, and the high fungibility of liquidity and capital within UBS AG.

Debt Buffers Drive Uplift

UBS Switzerland's Long-Term IDR is one notch above its VR, because the group's buffers of junior and holdco debt provide senior creditors with additional protection in case of failure. Its Short-Term IDR of 'F1' is the lower option that maps to its Long-Term IDR, because it is constrained by the bank's funding & liquidity score of 'a'. The bank's Shareholder Support Rating (SSR) is aligned with UBS AG's Long-Term IDR as we view support from the group as extremely likely, if needed, given UBS Switzerland's core role for UBS.

Other UBS and Credit Suisse Entities

Critical Roles of UBS Entities

UBS AG's German entity UBS Europe SE houses most of UBS's wealth management and investment banking business in the EU. As a deposit-taker, UBS AG's subsidiary UBS Bank USA is a key part of UBS's American wealth management business. Both subsidiaries' IDRs and SSRs, and UBS Europe's DCR, reflect our view of an extremely high likelihood of support from UBS AG, if needed. This is based on both subsidiaries' core functions for important clients of the group, as well as high reputational risk for UBS, should either subsidiary default.

We align both entities' Long-Term IDRs with UBS AG's Long-Term IDR (rather than its VR) because their junior and internal bail-in debt buffers would provide their senior creditors with additional protection in a resolution.

Strong Incentive to Support Credit Suisse Entities

The SSRs and IDRs of former Credit Suisse subsidiaries, UK-based Credit Suisse International, Germany-based Credit Suisse (Deutschland) AG, Spain-based Credit Suisse Bank (Europe) S.A., and Credit Suisse (USA) LLC, are equalised with UBS AG's IDRs. We believe the group is extremely likely to support, in case of need, these historically core entities of Credit Suisse. Regardless of whether UBS decides to combine them with its own corresponding subsidiaries or wind them down, we believe that for reputational reasons, the group could not afford not to support them.

The IDRs of UBS AG New York (Eleven Madison Avenue) Branch (formerly Credit Suisse AG, New York Branch) are aligned with those of UBS AG. Because the branch is part of the same legal entity and, in our view, there are no country risk restrictions, we believe the branch's senior creditors would be treated identically to those of UBS AG.

The Short-Term IDRs of UBS Europe, UBS Bank USA, Credit Suisse International, Credit Suisse (Deutschland) AG, Credit Suisse Bank (Europe) S.A. and Credit Suisse (USA) LLC are the lower option mapping to their Long-Term IDRs as the Short-Term IDRs are constrained by the group's funding and liquidity score of 'a'.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of UBS AG's ratings would trigger a downgrade of UBS Switzerland's ratings given the latter's strong integration within the group, unless UBS Switzerland proves resilient to specific stress affecting the group.

The IDRs and SSRs of UBS Europe SE, UBS Bank USA, Credit Suisse International, Credit Suisse (Deutschland) AG, Credit Suisse Bank (Europe) S.A. and Credit Suisse (USA) LLC are primarily sensitive to changes in UBS AG's IDRs. We would also downgrade these entities' Long-Term IDRs if we no longer believe that their senior creditors would benefit from the group's junior and holdco senior debt in a resolution.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of UBS AG's ratings would trigger an upgrade of UBS Switzerland's IDRs and SSR, and could also trigger an upgrade of UBS Switzerland's VR, especially if we believe that the group's risk profile has stabilised and maintained its strong pre-Credit Suisse characteristics, and if we believe UBS Switzerland is benefiting from this stabilisation.

The IDRs and SSRs of UBS Europe SE, UBS Bank USA, Credit Suisse International, Credit Suisse (Deutschland) AG, Credit Suisse Bank (Europe) S.A. and Credit Suisse (USA) LLC are primarily sensitive to changes in UBS AG's IDRs.

Environmental, Social and Governance Considerations

FitchRatings **UBS Group AG**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

UBS Group AG has 5 ESG potential rating drivers

- UBS Group AG has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3' for all rated entities of the UBS group. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entities, either due to their nature or to the way in which they are being managed by the entities. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision.

For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

DISCLAIMER & DISCLOSURES