

Financial Analysis: UBS - 2025 FY summary

Executive Summary

Executive Summary: Quarterly Performance Review (Q1-Q3 2025)

This summary provides a high-level overview of the Group's performance across the first three quarters of 2025, focusing on revenue trends, headcount changes, and key write-offs/risk factors.

****Overall Performance:****

The Group demonstrated a mixed performance across the first three quarters of 2025. While Q1 saw a slight year-on-year revenue decline, Q2 and Q3 reported strong year-on-year net profit growth (111% and 74% respectively), driven by effective cost management, integration synergies, and significant one-off legal settlement releases in Q3. However, underlying pressures on core net interest income persist, and substantial regulatory and legal uncertainties present ongoing challenges.

****Revenue Trend:****

* ****Q1 2025:**** Total revenues were ****USD 12.557 billion****, a 1% year-on-year decrease, primarily due to a significant reduction in net interest income (NII) and other net income from financial instruments.

* ****Q2 2025:**** Revenues showed resilience, increasing 2% year-on-year to ****USD 12.112 billion****. However, NII continued to face pressure in Global Wealth Management and Personal & Corporate Banking due to margin contraction and lower central bank interest rates. The Non-core and Legacy division reported negative revenues.

* ****Q3 2025:**** Revenues grew robustly by 5% quarter-on-quarter and 3% year-on-year, reaching ****USD 12.760 billion****. This growth was significantly bolstered by positive market performance and substantial provision releases from legacy legal settlements. Despite this, NII in core banking segments continued to decline year-on-year, indicating persistent challenges in traditional interest-earning activities.

****Headcount Changes:****

The Group has demonstrated a consistent and significant reduction in headcount throughout the year, reflecting ongoing integration efforts and a focus on operational efficiency:

* ****Q1 2025:**** Total headcount stood at ****106,789****.

* ****Q2 2025:**** Headcount decreased to ****105,132****, a reduction of 1,657 from Q1.

* ****Q3 2025:**** Headcount further reduced to ****104,427****, marking a total reduction of 2,362 employees since the beginning of the year. This trend aligns with the Credit Suisse integration strategy and has contributed to substantial gross cost savings, reaching USD 10 billion cumulatively by Q3 (77% of the 2026 ambition).

****Write-offs and Risk Profile:****

The risk landscape remains dynamic, characterized by fluctuating write-offs, significant regulatory proposals, and critical legal developments.

*** **Write-offs & Credit Loss Provisions:****

* ****Q1:**** Reported write-offs of ****USD 121 million**** and credit loss provisions of ****USD 100 million****.

* ****Q2:**** Write-offs increased to ****USD 163 million****. Credit loss provisions saw a substantial spike to ****USD 2,966 million****, though the quarter also saw a net release of USD 427 million of provisions related to a legacy Credit Suisse Services AG DOJ resolution.

* ****Q3:**** A positive development saw ****zero write-offs**** reported, with credit loss provisions returning to a normalized level of ****USD 102 million****. This quarter benefited from significant provision releases (e.g., USD 673 million from RMBS settlement, USD 321 million from French cross-border matter), which positively impacted profitability.

* ****Regulatory Risk (Swiss Capital Proposals):**** This is the most significant and recurring risk. The Swiss Federal Council's Financial Stability Proposals, particularly those concerning the deduction of investments in foreign subsidiaries from CET1 capital, could require UBS AG to hold an ****additional estimated USD 24 billion in CET1 capital****. This is *in addition* to the USD 18 billion incremental capital from the Credit Suisse acquisition, potentially totaling around ****USD 42 billion**** in additional CET1 capital requirements. These proposals, expected to be phased in from 2027-2029, introduce considerable uncertainty regarding future capital requirements and the Group's reported CET1 ratio.

* ****Legal Risk (Credit Suisse AT1 Write-off):**** A critical new legal risk emerged in Q3 with the Swiss Federal Administrative Court revoking FINMA's decree for the write-off of CHF 16 billion of Credit Suisse AT1 capital instruments. Both FINMA and UBS intend to appeal this decision, creating significant unresolved legal uncertainty and potential future financial implications.

* ****Integration-Related Expenses:**** While substantial (USD 894 million in Q1, USD 1,032 million in Q2), these expenses are part of the planned integration and are expected to decrease as the Credit Suisse integration progresses towards substantial completion by the end of 2026.

* ****Macroeconomic Headwinds:**** The outlook acknowledges ongoing macro uncertainties, a strong Swiss franc, and higher US tariffs, which could impact future performance and capital market activities.

****Conclusion:****

The Group is making strong progress on the Credit Suisse integration, delivering significant cost synergies and headcount reductions. While profitability has seen strong year-on-year growth in Q2 and Q3, partly due to one-off legal settlements, underlying net interest income remains a challenge. The most pressing concerns are the substantial potential capital increases mandated by new Swiss regulatory proposals and the significant legal uncertainty surrounding the Credit Suisse AT1 write-off revocation, both of which require close monitoring and strategic planning.

Quarterly Metrics

Metric	Q1	Q2	Q3
Quarterly Revenue Bn	12.557	12.112	12.76
Eps	0.51	0.72	0.76
Net Interest Income Millions	1629	1965	1981
Dividend Per Share	0.9	0.9	0.0
Assets Under Supervision Bn	6153.0	6618.0	6910.0
Total Headcount	106789	105132	104427
Write Offs Millions	121.0	163.0	0.0
Credit Loss Provisions Millions	100	2966	102
Operating Expenses Bn	10.324	9.756	9.831
Return On Equity Bn	7.9	0.0	0.0
Return On Equity Tier1 Captial Bn	9.6	0.0	0.0
Net Profit Growth Percentage	-3.6	110.9	74.2
Liquidity Coverage Ratio Percentage	181.0	182.3	182.1
Risk Weighted Assets Bn	483.276	504.5	504.897

Qualitative Insights

Key Highlights

[Q1]: UBS Group reported a net profit attributable to shareholders of USD 1,692 million for the first quarter of 2025, with diluted earnings per share (EPS) of USD 0.51. Total revenues reached USD 12,557 million, contributing to an operating profit before tax of USD 2,132 million. The bank's return on equity stood at 7.9%, while its return on common equity tier 1 capital was 9.6%.

Strategic progress on the Credit Suisse integration remains on track for substantial completion by the end of 2026. The Group realized an additional USD 0.9 billion in gross cost savings during Q1 2025, bringing cumulative savings to USD 8.4 billion, representing approximately 65% of the USD 13 billion annualized exit rate gross cost savings ambition by the end of 2026. The Non-core and Legacy business division achieved a 60% reduction in risk-weighted assets (RWA) since the second quarter of 2023.

Invested assets saw an increase, reaching USD 6,153 billion. In terms of capital and liquidity, the Common Equity Tier 1 (CET1) capital ratio remained broadly stable at 14.3%, and the Liquidity Coverage Ratio (LCR) was 181.0%. Risk-weighted assets decreased by USD 15.3 billion during the quarter. Shareholders approved a dividend of USD 0.90 per share at the Annual General Meeting, and the Group completed USD 0.5 billion in share repurchases, with further plans for USD 0.5 billion in Q2 2025 and USD 2 billion in H2 2025.

[Q2]: UBS Group reported a strong second quarter of 2025, with net profit attributable to shareholders increasing by 42% quarter-on-quarter and a significant 111% year-on-year, reaching USD 2,395 million. Diluted earnings per share rose to USD 0.72. Total revenues for the quarter increased by 2% year-on-year to USD 12,112 million, while operating expenses saw a 6% decrease over the same period, contributing to improved profitability.

The integration of Credit Suisse remains on track for substantial completion by the end of 2026, with the first main wave of Swiss business migrations successfully completed, covering approximately one-third of targeted client accounts. The Group realized an additional USD 0.7 billion in gross cost savings during Q2 2025, bringing cumulative gross cost savings to USD 9.1 billion, representing about 70% of the USD 13 billion annualized exit rate ambition. The Non-core and Legacy business division has also achieved a 62% reduction in risk-weighted assets since Q2 2023.

Capital and liquidity positions strengthened, with Common Equity Tier 1 (CET1) capital increasing by USD 3.6 billion to USD 72.7 billion, and the CET1 capital ratio rising to 14.4%. The liquidity coverage ratio improved to 182.3%. Demonstrating confidence in its financial health, UBS launched a new program to repurchase up to USD 2 billion of shares in the second half of 2025. Business divisions showed robust performance, with Global Wealth Management's profit before tax increasing by 38% year-on-year and the Investment Bank's revenues growing by 6% year-on-year, primarily driven by Global Markets.

[Q3]: UBS Group reported a strong third quarter in 2025, with net profit attributable to shareholders significantly increasing by 74% year-on-year to USD 2,481 million, and diluted earnings per share reaching USD 0.76. Total revenues saw a healthy rise of 5% quarter-on-quarter and 3% year-on-year, totaling USD 12,760 million. Profitability metrics also improved, with Return on Equity at 11.1% and Return on Common Equity Tier 1 Capital at 13.5%.

The integration of Credit Suisse remains well on track, demonstrating substantial progress in cost synergies. The Group realized an additional USD 0.9 billion in gross cost savings during Q3, bringing cumulative savings to USD 10 billion, which represents approximately 77% of the targeted USD 13 billion by the end of 2026. Furthermore, the Non-core and Legacy business division achieved a 64% reduction in risk-weighted assets since Q2 2023, successfully meeting its 2025 ambition.

Client-related activities showed positive momentum, with invested assets growing by USD 202 billion to USD 4,714 billion, primarily driven by favorable market performance and robust net new asset inflows. The quarter also saw the successful resolution of significant legacy legal matters, including Credit Suisse's residential mortgage-backed securities settlement with the US Department of Justice and a cross-border business matter in France, which resulted in substantial provision releases and contributed positively to the financial results.

Critical View

[Q1]: Despite positive integration progress and cost savings, UBS experienced a year-on-year decline in key financial metrics. Net profit growth was negative 3.6%, and total revenues decreased by 1% (USD 182 million) compared to Q1 2024. This revenue decline was primarily driven by a significant USD 556 million reduction in net interest income and other net income from financial instruments, indicating pressure on core banking revenues. The outlook for Q2 2025 projects further sequential declines in net interest income for Global Wealth Management and Swiss francs NII in Personal & Corporate Banking.

Integration-related expenses remain substantial, totaling USD 894 million in Q1 2025, and are projected to be USD 1.1 billion in Q2 2025, continuing to weigh on reported profitability. While credit loss expenses were lower than the previous quarter, they still amounted to USD 100 million, with USD 121 million attributed to net expenses on credit-impaired positions, highlighting ongoing credit quality considerations.

Regulatory uncertainty poses a significant, unquantified risk. Proposals from the Swiss Federal Council regarding capital treatment of foreign participations 'could require UBS Group AG and UBS AG to hold a significantly higher level of capital,' with the ultimate impact currently 'not yet assessed.' This broad range of possible outcomes introduces considerable uncertainty regarding future capital requirements. Furthermore, the report acknowledges 'rapid and significant changes to trade tariffs, heightened risk of escalation and significantly increased macroeconomic uncertainty' in early April, leading to 'major market volatility,' which could impact future performance.

[Q2]: Despite strong reported profits, UBS faces significant potential capital increases due to new Swiss regulatory proposals. The Swiss Federal Council's Financial Stability Proposals could require UBS AG to hold an additional estimated USD 24 billion in CET1 capital, mainly from the deduction of investments in foreign subsidiaries. This would be in addition to the previously communicated USD 18 billion incremental capital required due to the Credit Suisse acquisition, potentially totaling around USD 42 billion in additional CET1 capital. These proposals could also lead to a reduction in the Group's reported CET1 capital ratio to around 17% due to misaligned capital recognition for deferred tax assets and capitalized software, potentially underrepresenting its capital strength.

Net interest income (NII) experienced pressure in key business segments. Global Wealth Management's NII decreased by 7% year-on-year, primarily due to margin contraction in loan revenues and lower deposit revenues resulting from

lower central bank interest rates. Personal & Corporate Banking also saw a decrease in NII for similar reasons. While overall operating expenses decreased, integration-related expenses remained substantial at USD 1,032 million in Q2 2025, continuing to impact reported profitability.

The Non-core and Legacy division continues to be a drag on overall performance, reporting negative total revenues of USD 82 million (compared to positive USD 401 million in Q2 2024) and an operating loss before tax of USD 250 million. Furthermore, the Group remains exposed to significant litigation and regulatory risks, including the ongoing French cross-border tax case (with a retrial for confiscation and damages), Madoff-related claims, and inquiries related to Archegos Capital Management. While provisions are made, the ultimate financial outflows from these matters are uncertain and could be substantially greater than currently estimated.

[Q3]: Despite overall revenue growth, a critical look reveals underlying pressures in core interest income streams. Net interest income in Global Wealth Management and Personal & Corporate Banking experienced year-on-year decreases of 2% and 9% respectively. This decline is primarily attributed to the impact of lower central bank interest rates on deposit revenues and margin contraction, which were only partially offset by lower liquidity and funding costs and positive foreign currency effects. This trend in a key revenue component warrants close monitoring, as it suggests challenges in maintaining profitability from traditional banking activities.

The report also indicates a decrease in total assets by USD 37.7 billion and a notable USD 16.9 billion reduction in customer deposits, driven by net new deposit outflows in Global Wealth Management and Personal & Corporate Banking. While some asset movements are market-driven, sustained deposit outflows could signal client attrition or shifts in client behavior, potentially impacting future funding stability and growth. The positive impact on operating expenses from "net releases of provisions and acquisition-related contingent liabilities" should be viewed as one-off gains from resolving past legal issues rather than sustainable improvements in underlying operational efficiency.

Looking ahead, the outlook section acknowledges "macro uncertainties along with a strong Swiss franc and higher US tariffs are clouding the outlook for the Swiss economy, and a prolonged US government shutdown may delay capital market activities." These external headwinds could pose significant challenges to future performance, potentially impacting transactional activity and deal pipelines. Furthermore, the ongoing legal uncertainty surrounding the Swiss Federal Administrative Court's decision to revoke FINMA's write-off decree for Credit Suisse's AT1 instruments, with both FINMA and UBS intending to appeal, represents a material unresolved risk that could lead to significant future liabilities.

Regulatory

[Q1]: In Switzerland, amendments to the Capital Adequacy Ordinance (CAO) incorporating final Basel III standards became effective on January 1, 2025, resulting in an USD 8.6 billion reduction in UBS Group's Risk-Weighted Assets (RWA). However, the Swiss Federal Council is expected to launch a public consultation in June 2025 on measures to strengthen financial stability, with certain proposals, particularly concerning the capital treatment of foreign participations, potentially requiring UBS to hold significantly higher capital levels. The ultimate impact of these proposals remains uncertain.

Internationally, the Swiss Parliament approved the Berne Financial Services Agreement (BFSA) with the UK in March

2025, aiming to facilitate cross-border financial activities. Regarding Basel III implementation, the UK Prudential Regulation Authority (PRA) postponed its implementation by one year to January 1, 2027, while in the EU, final Basel III requirements became applicable on January 1, 2025, with the Fundamental Review of the Trading Book (FRTB) implementation delayed until at least January 1, 2026. The US banking agencies are still discussing amendments to their Basel III proposals, with timing and content uncertain.

In other regulatory areas, the European Commission published proposals in February 2025 to simplify EU environmental, social, and governance (ESG) regulations, including the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD), with the impact on UBS yet to be assessed. The US Securities and Exchange Commission (SEC) announced in March 2025 that it would end its legal defense of its 2024 climate disclosure regulation, which had been suspended due to legal challenges. UBS will monitor state-level climate risk disclosure requirements.

Legal developments include the US Department of Justice (DOJ) extending the Deferred Prosecution Agreement (DPA) related to the Mozambique matter by one year in January 2025. In France, the Supreme Court upheld the conviction of UBS AG for unlawful solicitation and aggravated laundering but overturned the confiscation, penalty, and civil damages, remanding the case for retrial on these elements. In the Bulgarian former clients matter, the Swiss Federal Court of Appeals acquitted UBS AG in November 2024, annulling the fine and compensatory claim, though the Office of the Attorney General has appealed to the Swiss Federal Supreme Court.

[Q2]: In June 2025, the Swiss Federal Council published Financial Stability Proposals aimed at strengthening banking stability. Key legislative measures, expected to be submitted to Parliament in H1 2026 (with earliest entry in 2028), include excluding investments in foreign subsidiaries from CET1 capital and adding requirements for recovery and resolution. Ordinance-level measures, currently in public consultation until September 2025 and expected to enter into force in January 2027, propose excluding capitalized software and deferred tax assets on temporary differences from CET1 capital, stricter prudential valuation adjustments, and permitting mandatory suspension of AT1 interest payments in the event of cumulative losses. UBS AG estimates these proposals could require an additional USD 24 billion in CET1 capital, primarily from foreign subsidiary deductions, potentially leading to a consolidated CET1 ratio of around 19%, but reduced to 17% due to DTA/software exclusions, underrepresenting capital strength. This is in addition to USD 18 billion incremental capital from the Credit Suisse acquisition, totaling around USD 42 billion in potential additional CET1 capital.

Regarding the implementation of final Basel III standards, the European Commission proposed delaying the Fundamental Review of the Trading Book (FRTB) by another year to January 1, 2027. Similarly, the UK Prudential Regulatory Authority proposed delaying the FRTB internal models approach to January 1, 2028, while standardized approaches will apply from January 1, 2027. In Switzerland, the FRTB became effective on January 1, 2025.

In other developments, the Swiss Federal Council paused the revision of the Ordinance on Climate Disclosures. Germany published a draft bill to implement the EU Corporate Sustainability Reporting Directive (CSRD), making it mandatory for large companies, including UBS AG, for the 2025 financial year. The European Commission also adopted amendments to the European Sustainability Reporting Standards (ESRS) to simplify disclosure requirements for wave one companies in 2025 and 2026.

Finally, Credit Suisse Services AG resolved a legacy cross-border tax-related investigation with the US Department of Justice (DOJ) in May 2025, pleading guilty to one count of conspiracy to aid and assist in false income tax returns. A

non-prosecution agreement was also reached for the legacy Credit Suisse Singapore booking center. The resolution involved penalties, restitution, and forfeiture totaling USD 511 million. UBS recorded a net release of USD 427 million of provisions and contingent liabilities in its Non-core and Legacy division, which included a new provision for the estimated costs of UBS's ongoing obligations with the DOJ.

[Q3]: Significant regulatory developments in Switzerland are poised to impact UBS's capital structure. The Swiss Federal Council initiated a public consultation on proposed legislative amendments that would require the deduction of investments in foreign subsidiaries from common equity tier 1 (CET1) capital, potentially increasing UBS AG's CET1 capital requirement by approximately USD 24 billion. Further proposals include deducting capitalized software and deferred tax assets from CET1 capital, imposing stricter prudent valuation adjustments, and mandating the suspension of interest payments for additional tier 1 (AT1) capital instruments in the event of cumulative losses. These measures, expected to be phased in from 2027-2029, highlight a tightening regulatory environment.

In its 2025 resolution report, FINMA concluded that while UBS remains resolvable, its Swiss emergency plan requires further development to better integrate into the global resolution plan, reflecting lessons learned from the Credit Suisse crisis. Conversely, in the US, the Federal Reserve Board reduced the stress capital buffer (SCB) for UBS Americas Holding LLC to 5.2% from 9.3%, effective October 1, 2025, lowering its total CET1 capital requirement to 9.7%. The UK also adopted changes to senior management and material risk taker compensation schemes, generally reducing mandatory deferral periods, with UBS currently assessing the impacts.

Key legal resolutions during the quarter included UBS paying USD 300 million to the US Department of Justice to settle Credit Suisse's legacy residential mortgage-backed securities obligations, resulting in a USD 673 million gain from provision release. Additionally, UBS resolved a legacy French cross-border business matter, agreeing to pay a fine of EUR 730 million and EUR 105 million in civil damages, leading to a USD 321 million gain from a related provision release. However, a critical development emerged with the Swiss Federal Administrative Court revoking FINMA's decree for the write-off of CHF 16 billion of Credit Suisse AT1 capital instruments, citing a lack of sufficient legal basis. Both FINMA and UBS intend to appeal this decision, indicating ongoing legal uncertainty and potential future financial implications.