Second quarter 2025 results

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

Including analyst Q&A session

Transcript.
Numbers for slides refer to the second quarter 2025 results presentation. Materials and a webcast replay are available at www.ubs.com/investors

Sergio P. Ermotti

Slide 3: Key messages

Thank you, Sarah and good morning, everyone.

We sustained robust momentum during a quarter that started with extreme volatility by staying close to our clients and successfully executing the first wave of our Swiss client account migrations, a critical phase of our integration. This drove strong quarterly results which contributed to a first half underlying return on CET1 capital of 13.3%.

These results highlight the power of our differentiated business model and our diversified global footprint. Both of which are reinforced by our balance sheet for all seasons and our disciplined efforts to steadily improve risk-adjusted returns since the Credit Suisse acquisition.

Our clients continue to value the breadth of our advice and global capabilities. Our invested assets reached 6.6 trillion and private and institutional client activity was robust across all our regions. Global Wealth Management continued to attract flows into our discretionary solutions, and we are encouraged by another quarter of improving demand for loans. We've made significant progress in migrating portfolios and streamlining our fund shelf within Asset Management, positioning us to substantially complete the integration of this business by year-end.

These efforts are unlocking the benefits of greater scale and enhanced capabilities, particularly within our Unified Global Alternatives unit, where we have attracted 18 billion in client commitments year-to-date. Invested assets now exceed 300 billion and this momentum reinforces our standing as a top player in alternatives.

In Switzerland, we remain steadfast in our commitment to act as a reliable partner for the Swiss economy. During the quarter, we granted or renewed 40 billion Swiss francs of loans as we facilitated client activity and also partnered with our clients in their activities across the globe.

Meanwhile, the Investment Bank delivered a record second quarter in Global Markets. This reflects the strength of our Equities franchise, where we are benefitting from market share gains. It also highlights the value of our leading FX business, where our expertise helps our institutional clients and Swiss corporate clients navigate market volatility. In Global Banking, while I am encouraged by the continued strengthening of our deal pipeline, client execution of strategic plans was delayed once again this quarter due to ongoing market uncertainties related to international trade and economic policies.

Looking into the third quarter, we continue to prioritize the needs of our clients while further advancing our integration efforts. As we continue to see strong market performance in risk assets combined with a weak U.S. dollar, investor sentiment remains broadly constructive, albeit tempered by ongoing uncertainties and a degree of news fatigue. Having said that, clients are ready to deploy capital as soon as conviction around the macro outlook strengthens.

Moving to the integration, we remain on track to *[Edit: be]* substantially complete by the end of 2026. Recently we completed the migration of Credit Suisse client accounts booked outside Switzerland. We have also now moved 400,000 client accounts booked in Switzerland from the Credit Suisse platform, with minimal disruption and a positive response. We are on track to migrate around 500,000 clients more through, by the end of this year and the balance of the migration is set to be completed by the end of the first quarter 2026. At the same time, we further simplified our operations across the organization and made good progress in our active wind-down efforts in Non-core and Legacy, particularly around costs.

This also supports our strong capital position, with a CET1 capital ratio of 14.4%. This is allowing us to follow through on our 2025 capital return objectives as we accrue for a double digit increase in our dividend and are executing on our share buyback plans. As we said in June, we will communicate our 2026 capital return plans with our fourth-quarter and full-year results in February. As importantly, our continued momentum is generating capital, enabling us to strategically invest across the globe to support our clients and position UBS for the future.

We remain focused on our targeted investments in the Americas to support our financial advisors and improve profitability. At the same time, we aim to further leverage our position as the number one wealth manager in APAC to drive growth, while reinforcing our leadership in EMEA and Switzerland.

Supporting these objectives is a consistent investment in infrastructure and A.I. to increase resilience, enhance client service and support our employees. Following the rollout of our in-house assistant Red and the implementation of 55,000 Microsoft Co-pilot licenses, we saw four times as many GenAI prompts this quarter compared to the fourth quarter of last year. Building on this, we are now extending access to Co-pilot so that all of our employees will be able to integrate A.I. into their daily workflow. We will continue to invest in our global capabilities to capitalize on the benefits of our diversified business model and global footprint. This remains a critical priority as we look beyond the integration and prepare for long-term success.

Of course, one critical point defining our future will be the outcome of the ongoing debate on regulation in Switzerland. As this is the first time I am talking to you since the publication of the Swiss Federal Council's proposals on June 6th, let me start by reiterating a few points.

For over a decade, UBS has delivered enduring value to all its stakeholders, including Switzerland and its taxpayers, through a sustainable business model and a balance sheet for all seasons. This is underpinned by a robust risk management culture alongside a strong governance framework. We have done this while implementing regulatory requirements with rigor. This is why it is our obligation to contribute to the ongoing debate with facts and data.

In principle, we support most of the proposals as long as they are consistent with the Swiss Federal Council's aims of being targeted, proportionate and internationally aligned. However, the proposed changes to the capital regime do not meet those criteria and are even more extreme when you consider Switzerland's finalization of Basel III rules well ahead of other jurisdictions.

The proposals fail to recognize that UBS has had a consistently strong capital position, business model and risk management framework, and the fact that UBS has not relied on regulatory concessions or overly aggressive valuations of foreign participations. Further, it disregards the significant diversification value our foreign subsidiaries provide to all of our stakeholders, including our clients in Switzerland. We are strong thanks to our global footprint. Not in spite of it.

In addition, the proposal at ordinance level only consumes surplus capital and cosmetically reduces the Group CET1 ratio. This would underrepresent the true capital strength of the firm on an absolute basis and relative to peers. As we said in June, after including the impact of integrating Credit Suisse and applying the current progressive add-ons, UBS would be required to hold 42 billion of additional capital.

While I have no doubt that our highly capital generative business model would allow us to meet these requirements over time, they would clearly impact our return on tangible equity, which I believe will become the more relevant return measure.

Theories that we can easily absorb or mitigate these capital increases and operate with a Group CET1 capital ratio only slightly above peers do not reflect reality. No matter how CET1 capital ratios are presented, the proposals still result in an increase of around 24 billion in capital at the parent bank. Of course we will evaluate all potential and appropriate measures to address negative effects for our shareholders, but any mitigation strategies, even if feasible, would come at a significant cost. This is not just our view; the expert opinions commissioned by the Federal Council also highlighted the significant risks these proposals present for Switzerland.

We are finalizing our assessment of all twenty-two proposals, including capital, liquidity, resolution and governance, for submission to the public consultation process which concludes at the end of September. As soon as we are ready, we also intend to provide a public explanation of our positions on some of the most relevant aspects.

Based on the fact that we are already operating with a robust capital buffer and we expect no changes before 2027, we maintain our 2026 underlying exit rate targets of a return on CET1 capital of around 15% and a cost/income ratio of less than 70%. We will provide an update on our longer-term return targets as soon as we have more visibility on timing and outcome from the ongoing political process.

In the meantime, I am confident that we can continue to deliver on what's within our control: serving clients, completing the integration, supporting all the communities where we live and work and positioning UBS for long-term success for the benefit of all stakeholders.

So summing up, I am very pleased with our performance in the quarter, and I am enormously proud of my colleagues for their continued dedication in a complex and uncertain environment.

With that, I hand over to Todd.

Todd Tuckner

Slide 5 – 2Q25 profitability driven by strong core revenue growth and positive jaws

Thank you Sergio, and good morning everyone.

Throughout my remarks, I'll refer to underlying results in US dollars and make year-over-year comparisons, unless stated otherwise.

Total group profit before tax in the second quarter came in at 2.7 billion, a 30% increase compared to the same period last year, with our core businesses growing their combined pre-tax profits by 25%. Group revenues increased by 4% to 11.5 billion and were up by 8% across our core franchises, while operating expenses decreased by 3% to 8.7 billion, as we continue to drive cost synergies across the group. Included in our performance is a litigation reserve net release of 427 million relating to the settlement announced in May in connection with Credit Suisse's legacy US cross-border business.

Our reported EPS was 72 cents and we delivered a 15.3% return on CET1 capital and a cost/income ratio of 75.4%.

Slide 6 – Net profit 2.4bn while integration continues at pace

Moving to slide 6. We delivered another quarter of strong financial performance, as clients turned to us for advice and solutions to navigate a volatile and uncertain market environment.

In Wealth Management and the Investment Bank, we grew pre-tax profits by 24 and 28%, respectively, offsetting net interest income headwinds in our Swiss business, while continuing to make strong progress reducing our non-core portfolio. In Group Items, our year-on-year comparative also benefitted from marks on hedge positions and own credit that affected the prior-year period.

On a reported basis, our pre-tax profit of 2.2 billion included 565 million of revenue adjustments from acquisition-related effects and 1.1 billion of integration expenses.

In the quarter, we recorded a tax benefit of 209 million mainly from recognizing additional DTAs related to the integration of Credit Suisse. We continue to expect our full-year 2025 effective tax rate to be around 20%, with a higher second-half tax rate influenced by our non-core unit's pre-tax results, including integration costs.

Slide 7 – Achieved 70% of gross cost save ambition, on track to achieve end-2026 target

Turning to our cost update on slide 7.

Over the second quarter, we delivered 700 million of incremental gross run-rate cost saves, bringing the cumulative total since the end of 2022 to 9.1 billion, or around 70% of our total gross cost save ambition.

The overall employee count fell sequentially by 2%, to 124 thousand, and by around 21% from our 2022 baseline.

By quarter-end, we nominally decreased our overall cost base by around 11% compared to 2022. Even more impressively, over this same period we've reduced our operating expenses by 22% when adjusting for variable compensation and litigation, and neutralizing for currency effects. On this basis our gross-to-net save conversion rate is 80%.

Slide 8 – Our balance sheet for all seasons is a key pillar of our strategy

Turning to slide 8. As of the end of the second quarter, our balance sheet for all seasons consisted of 1.7 trillion in total assets, up 127 billion versus the end of the first quarter.

On a deposit base of 800 billion, our loan-to-deposit ratio was 81%, up 1 percentage point sequentially.

At the end of June, our lending book reflected credit-impaired exposures of 0.9%, down sequentially by 10 basis points. The cost of risk increased to 10 basis points as we recorded Group CLE of 163 million. This reflected net charges of 38 million across our performing portfolio and 125 million on credit-impaired positions, largely driven by our Swiss business.

Our tangible equity in the quarter increased by [*Edit*: to] 82 billion, mainly driven by FX translation OCI and 2.4 billion in net profit. This was partly offset by shareholder distributions of 3 billion related to the 2024 dividend and 0.7 billion for share repurchases.

Our tangible book value as of quarter-end was 25 dollars and 95 cents per share, reflecting a sequential increase of 3%.

Overall, we continue to operate with a highly fortified and resilient balance sheet with total loss absorbing capacity of 191 billion, a net stable funding ratio of 122% and an LCR of 182%.

Slide 9 – Maintaining a strong capital position

Turning to capital on slide 9. Our CET1 capital ratio at the end of June was 14.4% and our CET1 leverage ratio was 4.4%.

Our common equity tier 1 capital in the quarter increased by 4 billion principally due to earnings accretion and FX. As a reminder, the full 3 billion share buyback planned for 2025, including the 2 billion expected in the second half, was already reflected in our capital position at the end of the first quarter.

Risk-weighted assets rose by 21 billion sequentially, predominantly driven by FX, with 3 billion from asset growth. I would note that we presently operate unconstrained by the output floor, which during 2025 is equal to 60% of RWAs determined under the standardized approach. We are undertaking measures to minimize the impact as the output floor gradually increases to 72.5% of standardized RWAs by 2028.

Our leverage ratio denominator grew by 97 billion quarter-on-quarter, with over 90% of the uplift due to currency translation.

UBS AG's standalone CET1 capital ratio for 2Q was 13.2%, up from 12.9% in the prior quarter. The higher ratio is mainly due to an increase in CET1 capital, primarily reflecting its Swiss subsidiary's annual dividend payment, partly offset by an additional dividend accrual in the parent bank's own accounts. This brought UBS AG's total dividend accrual for the first half of 2025 to 8 billion and comes on top of the 6.5 billion accrued at the end of last year. The parent bank now expects to distribute this 6.5 billion to the holding company before the end of 2025.

I would highlight that in managing leverage ratios across Group entities, we may pace intercompany dividend accruals to maintain prudent capital buffers and offset the FX-driven headwind on leverage ratios across Group entities. While we maintain our intention to operate UBS AG standalone CET1 capital ratio between 12.5 and 13%, we'd expect the Parent Bank to remain above the upper end of the target range as long as dollar weakness persists.

Slide 10 – Global Wealth Management

Turning to our business divisions, and starting on slide 10 with Global Wealth Management, which continues to deliver strong net new assets, support clients with diversified and differentiated solutions, and drive higher revenues on capital deployed.

GWM's pre-tax profit was 1.4 billion, up 24% as revenue growth outpaced expenses by 5 percentage points. This translated to a year-over-year improvement in GWM's cost/income ratio of almost 4 percentage points to 77%.

One of GWM's enduring advantages is its unrivaled regional breadth. This enables us to deliver global connectivity to our clients at a time when wealth is increasingly mobile and investment capital is rotating across geographies, sectors and asset classes.

As illustrated in our regional disclosure on page 20, all regions delivered double digit profit growth, led by notable strength in the Americas and EMEA. In the Americas, our franchise delivered improvements across all revenue lines, driving profit growth of 48% and a pre-tax margin of 12.4%, while remaining focused on the execution of its strategic plan. In EMEA, profit before tax increased by 30%, driven by strong transaction-based revenues, coupled with higher recurring fees and continued cost discipline. APAC grew its profits by 12%, driven by double-digit growth in both transactional and recurring fees, and supported by sustained sales momentum across net new assets, mandates and deposits. Profitability in our Swiss wealth business rose by 10% on strong revenue growth.

Onto flows. GWM's invested assets increased by 7% sequentially from favorable market conditions, FX and positive asset flows.

With 55 billion of net new assets accumulated year-to-date, our performance reflects continued strong client momentum and broad-based contributions across regions. In the second quarter, we generated 23 billion of net new assets, representing a growth rate of 2.2%, or 3.2% excluding 11 billion of seasonal tax-related outflows in the Americas.

Our net new asset performance this quarter also reflects continued progress in managing the roll-off of preferential fixed-term deposits linked to our 2023 win-back campaign, which is now largely completed.

This campaign played a critical role in restoring confidence and stability in the Credit Suisse wealth franchise following the acquisition, as well as successfully winning-back client assets. Over the past 12 months, GWM expertly managed to retain over 80% of maturing preferential fixed-term deposits on our platform, converting these investments into higher margin solutions, including mandates.

Net new fee generating assets in the quarter were 8 billion with positive flows across all regions. Client engagement continues to deepen, reflected in the rising penetration of fee-generating assets across the division and by sustained momentum in our CIO-led signature solutions. At the same time, the uneven market backdrop in the quarter prompted the rebalancing of portfolios towards liquidity solutions, as clients deferred new investment allocations. As a result, we recorded 9 billion in net new deposit inflows in the quarter, enhancing our capacity to capture fee-generating assets when confidence and visibility improve.

Net new loans in the quarter were positive at 3.4 billion, driven by EMEA and the Americas. Our differentiated partnership between Wealth and the IB in delivering tailored lending solutions is a key driver of loan growth and revenue momentum.

Turning to revenues, which increased by 6%.

Recurring net fee income grew by 8% to 3.4 billion supported by positive market performance and over 60 billion in net new fee-generating assets over the past 12 months.

Transaction-based income was up by 11% to 1.2 billion, underscoring strong client engagement despite the moderating effects of the quarter's V-shaped market dynamics on investor sentiment. Amid heightened market turbulence, clients took advantage of short-term market opportunities to reposition tactically. This was particularly evident in our investment fund and cash equity offerings, where revenues increased by 27 and 17%, respectively.

As we entered the third quarter, risk assets continued to appreciate supporting portfolio rebalancing and broadly constructive investor sentiment. This said, with volatility returning to more typical levels and seasonal patterns normalizing, we expect growth in transactional activity in GWM to moderate relative to the third quarter of 2024 when elevated volatility had a more pronounced impact on client engagement and transaction volumes.

Net interest income at 1.6 billion was down 2% year-over-year and up 1% quarter-over-quarter, with the sequential trend reflecting FX tailwinds and higher current account balances, partly offset by the effects of lower Swiss franc and euro deposit rates.

Looking ahead, we expect NII to hold steady sequentially as support from a higher day count and currency effects will be largely offset by lower deposit rates. For full year 2025, we continue to expect GWM's net interest income to decrease by a low single-digit percentage compared to 2024.

Underlying operating expenses were up by 1%, with lower personnel and support costs more than offset by higher variable compensation tied to revenues. Looking through variable compensation, litigation and currency effects, costs were down 5% year-over-year.

Slide 11 – Personal & Corporate Banking (CHF)

Turning to Personal and Corporate Banking on slide 11, where my comments will refer to Swiss francs.

P&C delivered a second quarter pre-tax profit of 557 million, down 14%, driven by an 11% reduction in net interest income.

While the current zero interest rate environment in Switzerland in many respects is driving the narrative for P&C, the business is positioning itself for profitable growth once rate headwinds subside and the intensive Swiss client platform migration work is complete. This is evidenced by growth across net new investment products, loans and deposits, all while momentum in acquiring new clients in the affluent and corporate space is accelerating.

Non-NII revenues were down 3%, despite a resilient performance in our Personal Banking business. On the corporate side, in addition to headwinds from currency translation, the sharp dollar drop and the widening of dollar-Swiss interest rate spreads caused revenues from corporate FX hedging activity to slow, while trade and export finance activity also reduced. This was partly offset by higher revenues in corporate finance.

Sequentially, NII in Swiss francs decreased by 2% largely reflecting the effects of the 25-basis point rate cut announced in March, which was partly offset by targeted deposit pricing measures and lower funding costs.

With the SNB policy rate now at zero following the additional cut in June, as noted previously, rate movements up or down are expected to benefit our net interest income. This said, the implied forward curve has flattened over the last few months, suggesting the current rate environment could persist for some time, broadly keeping Swiss franc NII at current levels through the rest of the year. In US dollar terms at current FX, this translates to a sequential low single-digit percentage increase in 3Q and a mid-single digit percentage decline year-on-year for full year 2025.

Turning to credit loss expense. CLE in the second quarter was 91 million on an average loan portfolio of 249 billion, translating to a 15 basis point cost of risk, up 7 basis points sequentially but marginally down over the last 12 months. This included Stage 3 charges of 74 million mainly on smaller non-performing positions.

Operating expenses in the quarter were down 5% as the team remains focused on deflating its cost base while the Swiss client migration work remains ongoing.

Slide 12 – Asset Management

Moving to slide 12. Asset Management profit before tax was 216 million, down 5% year-on-year, reflecting the absence of a gain from disposal that contributed to the prior year quarter. Excluding that gain, Asset Management's pre-tax profits were up 8% on 4% higher revenues.

2Q marks the fifth consecutive quarter that the business delivered pre-tax profits exceeding 200 million – a testament to the business's strategic retooling and disciplined execution. This consistency, achieved despite secular headwinds and the integration, underscores its agility in adapting to evolving market dynamics and its ability to drive positive operating leverage in a transitional environment. This positions Asset Management well for future growth.

Net management fees increased by 3%, primarily driven by FX and higher average invested assets, which together outweighed the effects of margin compression from clients having rotated into lower-margin products over the past year. Performance fees were 39 million, up over a third year-over-year, mainly driven by our hedge fund businesses.

Net new money was negative 2 billion, primarily as outflows from Fixed Income and Multi-Assets more than offset flows into ETFs, SMAs and money markets.

Our investments in ETFs are yielding results, with 4 billion of inflows in the second quarter. We also recently launched our first active ETF, offering access to our Credit Investments Group – a leading platform specializing in non-investment-grade credit and multi-credit solutions. Our Unified Global Alternatives unit delivered 1.5 billion of institutional and wholesale new client commitments, which came alongside 7 billion in Wealth Management.

Operating expenses were 3% higher, or down 1%, excluding FX.

Slide 13 – Investment Bank

On to slide 13 and the Investment Bank.

In the IB we delivered a profit before tax of 526 million, up 28%, and a pre-tax return on equity of 11.5%, leading to a first-half pre-tax RoE of 13.6%.

Revenues increased by 13% to 2.8 billion, a record second quarter, driven by Global Markets.

Banking revenues decreased by 22% to 521 million, largely reflecting the effects of macroeconomic uncertainties affecting clients' strategic decisions, especially in the first part of the quarter. In Advisory, revenues decreased by 19% despite growth in M&A in the Americas and EMEA, where we outperformed the fee pools.

Capital Markets revenues declined by 24%, driven by LCM and reflecting a continuing trend from 1Q as the mix within the LCM fee pool in the Americas has shifted towards corporates and away from sponsors, where we're more concentrated. Also weighing on our performance this quarter was a markdown on a now largely de-risked LCM underwriting position. This, together with a markdown on hedging positions, drove a total 65-million headwind in the quarter. ECM grew by 45%, reflecting the benefits of targeted investments and pipeline strength as IPO activity began to recover. APAC was the standout regional contributor.

Looking ahead, we remain encouraged by improved market sentiment and by the strength of our pipeline, which continues to build and is expected to support our growth ambitions in Banking over the coming quarters, assuming a constructive backdrop.

Revenues in Markets increased by 26% to 2.3 billion, tracking the exceptional levels of volatility experienced at the start of the quarter. The dynamic trading environment and elevated client activity levels in Equities and FX were once again particularly supportive of our strategic positioning and business mix, boosting our ability to capture growth and market share. Equities revenues were 20% higher than the prior-year quarter, driven by a record 2Q across Cash Equities, Equity Derivatives, and Financing. In Financing, top line growth of 27% was supported by Prime Brokerage delivering record-level revenues and client balances. FRC increased by 41%, primarily driven by FX delivering its best second quarter, up 52%. Notably, our leading FX trading capabilities helped us to capture client demand for hedging products amid FX volatility in the quarter.

Looking ahead, we expect our markets performance in 3Q to reflect seasonality and more normalized levels of trading activity and volatility, both sequentially and versus the prior year quarter.

Operating expenses rose by 7%, largely reflecting increases in personnel expenses and currency effects. Excluding FX, costs were up 4%.

<u>Slide 14 – Non-core and Legacy</u>

On slide 14, Non-core and Legacy's pre-tax profit was 1 million with negative revenues of 83 million.

Funding costs of around 120 million were partly offset by revenues from position exits in securitized products and credit.

Operating expenses in the quarter were negative 83 million driven by the litigation release I mentioned earlier. Excluding litigation, costs were down 46% year-on-year and 25% sequentially, as the team continues to make strong progress in driving out costs.

For the second half of the year, we expect NCL to generate an underlying pre-tax loss excluding litigation, of around 1 billion, including negative revenues of around 200 million, mainly from funding costs. Revenues from carry, continued exits and remaining fair value positions are expected to net around zero, and underlying operating expenses, given the ongoing strong progress, should now average around 400 million per quarter.

Slide 15 – NCL run down continuing at pace

Onto slide 15. Since the second quarter of 2023, NCL has reduced its non-operational risk RWAs by over 80%, including by another 1 billion this quarter, in total freeing up over 7 billion of capital for the Group.

In addition to significantly strengthening our capital and risk position, the wind-down efforts expertly executed by the team over the past several quarters have led to a reduction of the divisional cost base by over two-thirds.

Also, as of the end of June, NCL closed 83% of the 14 thousand books they started with and decommissioned over half of its IT applications.

Slide 16 – Continuing to make progress towards our 2026 exit rate targets

To sum up, with an underlying return on CET1 for the first half of the year of 13.3% and strong execution across key integration milestones, we remain firmly on track to achieve our financial targets by the end of 2026: an underlying return on CET1 capital of around 15% and an underlying cost/income ratio of less than 70%.

With that, let's open up for questions.

Analyst Q&A (CEO and CFO)

Kian Abouhossein, JPMorgan

Yes. Thank you for taking my questions. The first question is related to the parent bank, UBS AG, where you gave us the number of 14.5 billion dollars of accruals. Also clearly understand the special dividend reserve of 6.5 billion, I'm just wondering the 8 billion accrual that is remaining, so to say, can you discuss that part and what you will do with this part in terms of distribution, double leverage or any other usage?

And the second question is related to Wealth Management US, Americas, you have advisors down quarter-on-quarter, can you please talk about where you are in the process of the improvement in pretax margin in Wealth Management in the US and the initial thinking and thoughts post the adjustment of advisor incentives? Thank you.

Todd Tuckner

Hi, Kian. Thanks for the questions. Regarding the 8 billion you highlighted, which is our 1H25 accruals at the parent bank, the expectation is that they'll be upstreamed, hence the accrual. And we will – our expectation is that our equity double leverage ratio which we'll print in the parent in the group accounts in the coming days, will be sub 110% at the end of 2Q and with what we intend to pay up in the second half of the year, which is the 6.5 billion I highlighted in my comments, the equity double leverage ratio group will be sub 105% by the end of the year and moving towards the targets that we set out, which is to align with an equity double leverage ratio of around 100%, which is where we were pre-Credit Suisse.

In terms of Wealth Management US and in your comments, thank you for recognizing the improvement in the pretax margin and your question around advisors. So first, we are making progress improving the pretax margin in the business. As I've said in the past, we have the array of initiatives that we reset strategically and announced in 4Q and we're chipping away and making strong progress. You know, in terms of the FA point, look, our platform in the US remains highly attractive for advisors as we continue to invest in technology and as I've highlighted before, the availability of best-in-class CIO insight and joint teaming with the Investment Bank is giving us a competitive advantage. And we're also seeing that our platform, Kian, remains a compelling source of asset and profit growth for advisors who are aligned to our strategy and that's evidenced by the exceptional same-store net new money growth we've seen in the first half, which is substantially above levels in each of the last three years.

I'd also highlight that 90% of our FAs are up in T12 production. But in terms of headcount, look, the second quarter is typically seasonally more active in terms of FA moves across the street and the changes we've introduced, which I think you were referring to and which I've highlighted previously, means that we could see some continued movement across firms and to the independent channel. Having said that, we're actively recruiting and we're also seeing more FAs commit to stay and retire at UBS than at any time since we've introduced this retention program several years ago.

Kian Abouhossein, JPMorgan

Thank you.

Anke Reingen, RBC

Thank you very much for taking my questions. The first is on the output floor, you mentioned that you're looking into your ability to mitigate the currently around 48 billion of RWAs. Can you talk a bit more potentially about the magnitude you think you can mitigate?

And then secondly, sorry, on the FX derivatives point, can you sort of try to size the matter for us as much as it's possible and did Q2 already see some impact of potential compensations? Thank you very much.

Todd Tuckner

Hi, Anke. Thanks for the questions. On the output floors, you know, I mentioned in my comments, we're operating unconstrained presently. You're asking about where we see the potential for the output floor to cause an increase in the RWAs we operate with. So we are hard at work in developing mitigants to address the output floor wherever possible. And, it's way too early to us to prejudge where we'll come out but we'll keep posted in our disclosures and in my comments from time to time to talk about the progress that we're making. But it's a clear focus for us and we still obviously have the better part of the next two years to continue to make progress in that respect.

On the FX matter, our comments previously in this is that we've completed a comprehensive review of this matter, we've determined that a very small number of clients, fewer than 200 in just a few locations in Switzerland who had exposure to a product outside our standard asset allocation framework or their particular individual risk capacity, experienced losses mainly arising from US tariff related market volatility in April at the beginning of the quarter. But from the outset, we've taken the matter very seriously and where appropriate, we've reached agreements with affected clients. The financial impact from these agreements is substantially captured in our second quarter results.

Anke Reingen, RBC

Thank you.

Chris Hallam, Goldman Sachs

Yeah. Good morning, everybody. Just two quick questions. So, first of all, what are your latest expectations regarding the deduction elements of the capital proposals, including whether or not they may get wrapped into the broader legislative package, i.e., taken out the ordinance? Do you expect to have sufficient clarity on any potential phasing or delays in time to be able to calibrate the 2026 distribution ambitions later or I guess, early next year with the fourth quarter results?

And then secondly, just sort on the longer term, I guess, slide 26, the bar chart, it's a pretty powerful image, I just, I wonder when you show that to people who you're engaging with in this topic, what's their response, you know, how receptive are they to understanding the longer run competitive impact on the business from these proposals rather than the nearer term recalibration of the rules per se? Thank you.

Sergio P. Ermotti

Thank you. Well, first of all, I think that, as I mentioned before, we're going to see exactly how things play out. Honestly, I don't think we have a clear insight here on what's going to happen. The economic committee of the Upper House will also have to opine on this proposal to basically put everything into one package. Then it's still very open if the parliament will follow the recommendation, should also the Upper House Committee propose any change. So that really remains something that is not predictable, is not in our control. I think that's the only thing I can say is that, as I mentioned, that we will now finalize our assessment of the proposals and try to identify how potential positive strengths of the proposal, but also its weaknesses, but also making sure that people understand that capital goes with liquidity and goes with recovery and resolution and should also somehow be related to the business model that a bank is pursuing. So in that sense, trying to have a comprehensive set of facts before coming to a decision would be probably a good way to handle the problem. But, you know, this is a political problem and a political process, we fully respect what's going on and our aim is simply to contribute to the debate. So as I said early on in September, most likely we will be able to comment on this proposals publicly.

In respect of this chart, yes, thanks for highlighting this, because unfortunately, you know, we also saw some other graphic representation of what the new regime would mean and they were confusing a little bit capital requirement with the actual level of capital held by other banks under-representing the impact in relative terms to us. This, we feel, is the best way to fully highlight what I think is important – it's minimum requirement versus minimum requirement. If a bank decides to have a buffer above its minimum requirement, it is its own decision, they may have their own idiosyncratic reasons, but the binding constraints for all of us is always minimum requirement. Therefore, here you have a clear picture, so the average is 11.5%, sorry 10.9% and when you compare it to the de-facto minimum proposal of 19%, it tells you the story.

Chris Hallam, Goldman Sachs

Okay. Thank you.

Giulia Aurora Miotto, Morgan Stanley

Good morning. Thank you for taking my questions. I have two on capital again. So I know that you want to run with a double leverage of 100%, which makes sense. But if these capital proposals were to go ahead as it is currently written, which completely removes any subsidiary double leverage, would you consider running with higher levels of double leverage between group and parent?

And then secondly, the stress test results in the US, you know, showed an improvement year-on-year and the capital requirement should come down, could you give us an update of how much capital do you expect to upstream from the US? I think you said vaguely that you were expecting some upstreaming, but I don't know if you can quantify that. Thank you.

Sergio P. Ermotti

Let me take that, quickly, because somehow the technicalities as we say, you know, we are running our business and our capital plan and capital returns as communicated in the past. So, we are going to take down the equity double leverage ratio at group level, as Todd just mentioned, to around 100%, which is where we were before the acquisition pending the finalization of these proposals. If and when these proposals are fully adopted, we will need to then understand exactly how to mitigate and how to act. But it's now premature to talk about one item without knowing the entire package. So this is the only thing I can tell you so we're not going to engage into mitigation, remediation, you know, whatever you want to call it before we know exactly what the final rules are. So, Todd, maybe you want to take that.

Todd Tuckner

Sure. Thanks, Sergio. Hi, Giulia. On the second, appreciate you bringing that up, let me unpack it a little bit in terms of the US stress tests just to ensure clarity here. So first thing I'd say is that, look, the lower drawdown from the stress tests that were published, highlights for me, our improved strength and resilience in the US intermediate holding company, including the profitability prospects that it has. Secondly, I'd say that those DFAST results happen to align with our own internal capital assessment in terms of direction of travel, which is to say, we too are seeing improvement. And it's also important to remember that our internal assessment governs if it's higher than the Fed's CCAR results. I would also mention that we manage with appropriate buffers to support growth and also align with supervisory expectations, that's an important point.

The next point I would just highlight is that the lower capital ratio we're working towards, you know, has always been part of our planning assumptions at the end of 2023, including repatriating additional capital as a result of integrating Credit Suisse and otherwise driving greater profitability. And so all this is allowing for capital repatriation upside, but all that is factored into our planning from the beginning as we see an opportunity for the capital ratio to move down and for us to upstream capital as a result. And just I would make one other point, just about the current ratio, because sometimes this gets overlooked and of course the current ratio that will print in our Pillar 3 at around 20% is on a trajectory down since Credit Suisse and it was, you know, as high as 27%. But one point that we shouldn't lose sight of is that the capital ratio in the US is structurally higher than the equivalent ratio under Swiss banking law, primarily due to the absence of things like capital consumed by operational risks, dividend accruals and lower DTA threshold, so the Swiss SRB equivalent ratio could be 5 to 8 percentage points lower. So that's also important to keep in mind when looking like-for-like at our US ratio, say, versus other ratios within the group.

Giulia Aurora Miotto, Morgan Stanley

Thank you. Can I just follow-up? So if I understand what Sergio said correctly, it's premature to comment on mitigating actions and you will only comment on them when we have clarity on the proposals, but in my understanding it will take quite a while to get clarity on the proposal, potentially a couple of years or so, is that the timeline we should expect? Thanks.

Sergio P. Ermotti

Yeah. But if it takes a couple of years, it means the new regulation is not enforced, so we would not have to implement it. So we're not going to front-run any new capital regime, that's clear. So we will wait and see exactly what it is and when it happens, we will then take the appropriate time to phase in whatever will be phased in. So we do expect, it has already been communicated, that any changes will be done with an appropriate time frame that allows the bank to manage the process smoothly. So I think that's the reason why I don't think it's necessary for us to start to comment on single measures.

Giulia Aurora Miotto, Morgan Stanley

Clear. Thank you.

Jeremy Sigee, Exane BNP Paribas

Good morning. Thank you. Just a clarification, please, on the double leverage question, the UBS Group AG standalone, because it looks to me that it’s down to 108% at first half and if I add in the 6.5 billion dividend that's coming, it would actually be below 100%. Are there any contra, any offsets to that that I need to think about? Because it looks to me like that dividend fully eliminates the double leverage even before you then receive more dividends that you're accruing this year. So that would be helpful to clarify.

And then secondly, a question moving to Wealth Management, just really on conditions in Asia and what client behavior you're seeing, because it looks to me that the flow number was very good but the revenues were a little bit softer. So I just wondered if you could describe how Asian clients are behaving in this environment.

Todd Tuckner

Hi, Jeremy. Thanks for your questions. So on the double leverage, just to reiterate my comments earlier, so we expect that the double leverage ratio will be around 109% at the end of 2Q. As I mentioned, we will pay up the 6.5 billion from parent bank to group in the second half of the year and that would bring the double leverage ratio to around 103% because we still, you have to account for share repurchases both on the first and second trading line as well that offsets the upstream dividends, so you get to a level that, as I mentioned, was sub 105%, but to be more precise 103%.

In terms of your second question, yeah, I appreciate you bringing that up, I mean, we're seeing sustained client momentum in APAC, the business is doing very well across all the metrics. I think in Asia, in particular, some of the comments that I was making in my prepared remarks about, you know, there being somewhat some rebalancing of portfolios, some more tactical repositioning of portfolios, which is to say that, you know, potentially a little bit sideline sentiment. It's hard to obviously characterize, you know, sophisticated investors across that mass geography in one sentence but, you know, if I had to, you know, I would say that there is a bit of a wait-and-see just given some of the uncertainty in the environment, in the macro environment and certainly with trade policies and what's happening in the States and obviously, that's a big determinant of investor sentiment in APAC. We have seen mobility, you know, away from the US to an extent, you know, I don't want to overemphasize that, but we have seen that. So we're seeing some of the macro trends playing out in particular. But the activity was robust but you can expect that, you know, once there is more certainty priced in and more conviction around markets normalizing that, you know, that business is poised to really capitalize.

Jeremy Sigee, Exane BNP Paribas

That's great. Thank you.

Amit Goel, Mediobanca

Hi. Thank you. So two questions from me. One, just to clarify, I think the comment earlier in terms of the parent bank CET1 ratio that whilst dollar weakness persists, you would look to remain above the top end of the 12.5% to 13% ratio. So I just wanted to understand why or what exactly drives that and so when you think, or at what level of dollar weakness or strength would mean that you could be back into that range?

And then secondly, I guess, a broader question again on kind of strategy, I mean, just it would be good, actually, if we could get a bit more color or it'd be helpful if we get more color in terms of the synergies between the US Wealth business and the rest of the group. I mean, obviously, there's a lot of commentary about how the breadth of the business is helpful, because I guess what I'm just curious about or wondering is, you know, whilst clearly it's core and it's part of the group, you know, how you would react if, for example, there was a credible, you know, unsolicited bid for that business. You know, how you would be able to explain to investors and the market why, that remains core and why it's synergistic. If you could give a bit more color in terms of the synergies with the IB, Asset Management, et cetera. Thank you.

Todd Tuckner

So just quickly on the first one, yeah, just to unpack the dynamics there. So with the FX volatility we saw in the quarter, to be specific dollar weakness that as you saw in or heard in my commentary, even just group level around LRD, where LRD was, you know, up over 100 billion and most of that was due to FX. We have that dynamic in many of our subsidiaries as well, including UBS AG. And so it made its Tier 1 leverage marginally more constraining this quarter, it needed to be managed just given the, you know, if you think about the ratio, just with the leverage rate, the leverage ratio denominator being so massively impacted by FX. So that's why I made the comment about pacing intercompany dividend accruals with the thought being that we could have actually accrued more of a dividend at the parent bank in Q2, if not constrained a bit more, marginally constrained on the leverage side. So, you know, that's the dynamic that was driving why the parent bank CET1 on a standalone basis drifted above 13%. And my comment about sort of managing at above or operating above the target level, i.e., where it is now or in that vicinity is a result of the fact that, we would continue to see leverage being marginally constraining at current FX, say 0.80 dollar-Swiss levels.

You asked what levels would that change? I think it's fair to say that everything that we talk about in terms of target levels is done on a planning basis. And so if you go back to the end of last year, when we finalized our three-year plan, including 2026 operating plan, you know, dollar-Swiss was around 0.90, so, you know, 10% or 12% stronger from a dollar perspective and so, you know, that's an assumption you could think about sort of getting back to our planning levels in managing what we think would be the appropriate time to move back into the target range of capital.

Sergio P. Ermotti

So thank you for the second question. So I think that, you know, as I mentioned before, it's one of the strengths for UBS is to have both in terms of businesses, but also a regional footprint, a diversified business model. So when I look at our US operation, I think that it's fair to say that in Wealth Management we are not yet there where we should be in terms of profitability but as you could see from the recent developments, we are tackling the issue, we are convinced that in the medium term we will be able to achieve a double-digit, a mid-teens return on pretax profit margins. And that being then a base to go to a higher and notwithstanding the fact that we do recognize that on a like-for-like basis it's going to be very difficult for us to close the gap to our peers – but we can narrow the gap substantially. Particularly when you look at the wealth management operation in the US, basically the FA-based business model compared on a like-for-like to other peers which are benefiting from ancillary activities around their Wealth Management business, which contributes to a higher margin.

So in a nutshell, what I want to say is that when I look at kind of mid-teens, high-teens pretax profit margins as part of our diversified business model, as part of what is the global, the leading franchise in Wealth Management globally in terms of diversification, I see only value creation for our shareholders. This is a highly profitable business. By the way, the US operation benefits from this status as being an international player with strong capabilities, international capabilities that we bring to our US clients. We are sharing cost of the CIO, sharing, I mean, cost of coming up with best products and research and so on and so forth. So we also have synergies within Wealth Management. So, you know, that's the reason why this is a strategic, important component of our strategy.

Now in respect of your second question, you will appreciate that I am not going to go into speculations or commenting even remotely on hypothetical approaches or situations.

Amit Goel, Mediobanca

Yeah. Thank you.

Benjamin Goy, Deutsche Bank

Yes. Good morning and two questions to follow-up. One is on the cost base where your underlying cost base continues to track down now just about 36 billion, just wondering what is the outlook here and how much more we should expect in the second half as you probably keep on decommissioning?

And then secondly, net interest income in GWM was stable in the second quarter and now you also guide to broadly flat in Q3. Is this not a trough or you want to see how the Fed cuts potentially more later on and this could impact net interest income going forward, or is volume growth strong enough? Thank you.

Todd Tuckner

Hi, Benjamin. Thanks for your questions. First on the cost base, and thanks for recognizing the achievement to-date. You know, we still have a ways to go, even though we're, of course, 70% in and around 9 billion of the 13 billion. The 4 billion that we have to go on constant FX, you know, is going to be kind of split half-and-half between technology as you mentioned, so decommissioning of our tech stack is going to be critical and the other half would be people related, capacity related or driving the, getting the additional 4 billion of gross cost saves. So what you should expect in terms of gross is that we're going to stay focused on achieving this additional 4 billion, it's not a straight line, as we said many times in many quarters, that the tech decommissioning can only happen after the Swiss client migration process is complete around the end of 1Q26 and then that process starts there, so you can expect that really in the second half of 2026, we'll see a fair bit of the cost base come out on the tech side and related capacity freed up as a result. So, and then in terms of what that means from a net perspective, of course, you know, we're going to stay focused on delivering an underlying cost income ratio below 70%, as we've consistently said and that's going to be the driver of the net outcome.

On the NII outlook in Wealth, I mean, I mentioned that it's flattish with higher loan volumes we see and higher SBLs offset by lower deposit rates and volumes as we're deploying some of the dry powder into investment solutions on our platform. We see sweep balances and current accounts broadly stable. On the volume side, we see NNL, net new loans, expected uptick in each of the next couple of quarters, so we're looking at a 4% annual growth rate in NNL for, you know, for the business, so we're broadly optimistic there. Again, this is all based on expectations around rates. We're pricing in two 25 basis point rate cuts by the Fed over the course of the second half of the year, let's see, where that comes in but that's also, you know, impacting on the balance sheet dynamics as the way we look at it. So in terms of just troughing, I would say, look, on the basis of what we see here, you know, we see moderate upside in 2026 but of course, it's too early to call that and we'll come back as we approach 4Q and give you know more specificity around the 2026 outlook.

Benjamin Goy, Deutsche Bank

Perfect. Okay. Thank you.

Sergio P. Ermotti

So thank you. This was the last question. As I mentioned, we are now working on finalizing our response to the proposals. As soon as we are ready to go, you know, probably towards the end of August, early part of September, we will organize a public event in order to basically explain our position that we will submit in the public consultation. So in the meantime, enjoy the rest of the summer and thanks for calling in. Thank you.

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