



MARKETS

UBS Exceeds Expectations Despite Challenging First Quarter

Net profit at Switzerland's largest bank topped analyst expectations



UBS CEO Sergio Ermotti said trading conditions improved toward the end of the quarter and into April. PHOTO: WALTER BIERI/SHUTTERSTOCK

By *Brian Blackstone and Pietro Lombardi*

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ZURICH— **UBS Group AG** [UBS 1.73% ▲](#)'s net profit fell in the first quarter compared with one year earlier but exceeded expectations, capping a solid first quarter for Swiss banks despite tough conditions in the early part of the year.

Net profit at Switzerland's largest bank was \$1.14 billion compared with \$1.57 billion a year earlier, UBS said Thursday, topping analyst expectations of around \$900 million. Operating income fell to \$7.22 billion from \$8.17 billion "due to the challenging market environment and a very strong prior-year performance," it said.

"These results are likely to be met with some relief," said analysts at Citi. UBS shares were up 1.1% in late-morning trading Thursday.

Chief Executive Sergio Ermotti flagged some of this weakness in late March when he warned of "one of the worst first-quarter environments in recent history" for wealth management and investment banking. Uncertainty over the global economy weakened global equities at the turn of the year while the U.S. government shutdown contributed to a reduced flow of corporate deals.

Mr. Ermotti said Thursday that conditions improved toward the end

of the quarter and into April, echoing comments from [Credit Suisse](#) CEO Tidjane Thiam on Wednesday after his bank [reported a net profit of 749 Swiss francs \(\\$734 million\)](#), the highest in more than three years.

UBS's key global wealth management unit posted a 21% decline in adjusted pretax profit to \$873 million. It attracted \$22.3 billion in net new money. Adjusted pretax profit fell 64% at UBS's investment bank operations.

In recent years, UBS and Credit Suisse have shifted their businesses toward managing money for wealthy clients while streamlining their investment banks. UBS began this process a few years before Credit Suisse did.

UBS has faced other challenges. In February, [a French court fined UBS](#) €3.7 billion (\$4.1 billion) for helping wealthy French clients evade taxes. UBS is appealing the ruling and has taken \$516 million in provisions related to the case. "We are preparing for the next stage," Mr. Ermotti said Thursday.

Despite the uncertainty, UBS said it would resume its share buyback program this quarter. In January it said it was targeting a share buyback of up to \$1 billion in 2019, a target that Mr. Ermotti confirmed on Thursday.

"This is positive as some market participants had feared no more buybacks due to the French litigation matter," said analysts at Vontobel Research.






In a conference call with reporters, Mr. Ermotti declined to comment on recent reports that it is considering a deal with [Deutsche Bank](#)'s asset-management arm, DWS. Officials with DWS have discussed a potential deal to combine with UBS's asset management business, among other options, The Wall Street Journal reported on Tuesday, citing people familiar with the matter. Such a deal would likely see Deutsche Bank remain DWS's biggest shareholder with a goal of growing the merged entity, with UBS owning a stake.

UBS's asset-management unit "fits well into the business mix we have," Mr. Ermotti said.






"I don't see the merit for us to do anything that doesn't keep it intact as both a value creation for shareholders and at the same time our affinity and proximity with that business," he said.

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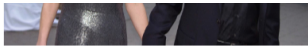


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