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DEAL SNAPSHOT M&A

UBS / Credit Suisse: A state-brokered rescue merger

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UBS × CREDIT SUISSE

CHF 3bn
Consideration, all in shares

1 : 22.48
UBS shares per Credit Suisse share

CHF 16bn
AT1 capital written down

CHF 100bn
Public liquidity backstop, maximum

01 Executive summary

01 UBS acquired Credit Suisse in an all-share deal worth about CHF 3 billion: one UBS share for every 22.48 Credit Suisse shares, or about CHF 0.76 per share.

02 The deal rested on state support: a public liquidity backstop of up to CHF 100 billion and a CHF 9 billion federal loss guarantee above a first CHF 5 billion of losses borne by UBS. FINMA ordered the full write-down of about CHF 16 billion of AT1 capital.

03 UBS completed the acquisition on 12 June 2023 and voluntarily ended both the loss protection and the liquidity backstop on 11 August 2023.

02 Why it matters

By March 2023 Credit Suisse had lost the confidence of clients and markets after years of losses and setbacks, and outflows were accelerating. The Swiss authorities brokered a takeover by UBS rather than resolving a global systemically important bank.

04 The transaction

UBS Group → All-share, c. CHF 3bn → Credit Suisse Group

Announced	19 March 2023
Structure	All-share takeover; Credit Suisse Group merged into UBS Group
Exchange ratio	1 UBS share per 22.48 Credit Suisse shares
Consideration	c. CHF 3 billion (c. CHF 0.76 per Credit Suisse share)
AT1 capital	c. CHF 16 billion written down, ordered by FINMA
Loss protection	CHF 9 billion federal guarantee above CHF 5 billion first loss for UBS
Liquidity	Public liquidity backstop of up to CHF 100 billion

05 The assessment

PRICE

CHF 3 billion was a fraction of Credit Suisse's book equity. That discount is what made the deal attractive to UBS despite the risks it took on.

RISK TRANSFER

By ending the guarantees after two months, UBS signalled confidence in its own assessment of the Credit Suisse assets. The Confederation reported receipts of around CHF 200 million from the support measures and no losses.

SYSTEM

The combined bank is far larger relative to the Swiss economy than either bank alone. The policy debate has moved to how much capital UBS must hold.

WHAT TO WATCH

Integration costs and the run-off of non-core assets, the development of Swiss capital rules for systemically important banks, and legal challenges by AT1 holders.

SOURCES

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2. UBS, Form 6-K, 12 June 2023
3. UBS, ad hoc announcement on ending the loss protection, 11 August 2023
4. CNBC, UBS ends Credit Suisse state backstop, 11 August 2023
5. The TRADE, UBS' Credit Suisse takeover: what you need to know, March 2023
6. FI Desk, Did UBS/CS deal terms revalue the AT1 market?, March 2023

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