UBS

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Fireside chat with Ralph Hamers, Group Chief Executive Officer
Moderator: Jerney Omahen, Goldman Sachs

Transcript. Replay is available at www.ubs.com/investors

Jernej Omahen

So good morning and welcome back to our next session of our third and final day of our 25th Annual European Financials Conference. It gives me a great pleasure to introduce our next speaker, Ralph Hamers. Ralph is the Chief Executive of UBS. He's been at UBS now for 9.5 months, and this is his first major conference in his capacity as the CEO of UBS, which is obviously terrific.

Ralph, you have chosen absolutely the correct conference to begin with. Can I just pause here, Ralph, on a serious note, and say, thank you for making the time today. I know it wasn't easy, and you had to work with your calendar. So therefore, thank you, and I hope we make you feel welcome over this session.

Ralph, I want to kick off with the first question. You've been at UBS now for 9.5 months. I think that still qualifies as being new to the job. And an open-ended question to start off with, so in that short period of time, if you take stock, what are you seeing? Of what you're seeing, what do you like? And what is surprising you?

Ralph Hamers

Well, I think what has certainly changed from my previous job here is that given the fact that we cater for different clients that you see, clients coming out with questions, the need for advice. I see that's still coming out, and they trust UBS in getting that advice, whether it's on the investor side with what to do coming out of the pandemic, what to -- how to do with geopolitical issues or the threat of inflation running up. Or whether it's on the corporate side, where basically, the corporates are also coming out of the pandemic realizing that our business model has really been impacted by the move to digital that they have a backlog and M&A. And from that perspective, need our advice as well. Or the emergence of green finance, so there is many different aspects there for which clients, whether investors on the wealth side or corporates on the more institutional asset management or investment banking side, they truly come to UBS for that advice. So, I think that's something that is very strong in our brand, and that has most likely only improved through the pandemic, the need for a trusted adviser there.

Then the second aspect is that whether through the pandemic or through our model that we -- what we built for, clearly, you see strong momentum. One is on the wealth side where you see the net new fee-generating assets in the first quarter already coming in at $36 billion, whereas it was $41 billion over the full last year. So you see really strong momentum there. Whether it is in the asset management sphere, where also in the first quarter, we see $26 billion of net new money coming in versus $80 billion last year. So you see even a bit of an acceleration there.

Also in the Investment Bank, lots of flows because of repositioning of portfolios, a lot of activities in the markets but also more and more activities on the banking side, which is more the capital market side and the advisory side.

So that momentum has been there for quite some quarters, and I think it is actually sustainable. It is sustainable because we have invested in delivering the whole firm towards our clients. We see that in the wealth side. We're delivering the Separately Managed Accounts, managed by the asset manager to our wealth clients. We see it in net new loan growth, which continues and totalled $36 billion over the same period. We're basically -- we're using our balance sheet in order to drive and support clients to get liquidity, to readjust their portfolios. So those are 2 strong messages. Trusted adviser on one side, and real good momentum on the other side.

Now looking forward as to the diagnosis and as to where to improve further and how to ensure that, that momentum is truly sustainable. That's why I came out with my 5 strategic imperatives.

The first one is that I truly believe UBS has the opportunity to build this ecosystem where investors on one side and capital -- and companies with capital need on the other side, really benefit from that ecosystem that we are working on.

The second one is the focus in terms of where you want to grow. And with that also, decisions as to where you don't want to grow. And it's clear that if you take wealth as a starting point of our analysis as to where you want to go, and where you want to grow, it is truly the 2 places where we are very strong, which is the U.S. and Asia, where most of the growth is expected, where the pools are already the largest, by the way, but we're also positive growth, both percentage-wise as well as money wise, is expected for the next 5 years. And that was again confirmed, by the way, this morning in the FT on the back of a study of BCG.

The third one as to where we can approve is certainly the technology and what technology does for us and how we can move it from being an enabler, which is what technology does for many banks, to a differentiator, which I really think has a place here in our business as well.

And then further simplification and moving on efficiencies and a culture that supports further client-focus and acting fast. I think those are kind of the improvement levers in order to ensure that the momentum that we have that, that is truly sustainable also going forward. And I think that will do the trick.

Jernej Omahen

Ralph, just taking a step back, maybe, again, just looking at your initial experience at UBS. Obviously, you were a Chief Executive of ING prior to this role, which is a GSIB, it's a Globally Systemic Important Bank *[edited: Global Systemically Important Bank]*. Now you switch to UBS, which is also a GSIB, but I guess that the complexity of the 2 businesses varies dramatically. Can I ask you, what part of your experience at ING is the most directly applicable to your current role as CEO of UBS?

Ralph Hamers

Well, if you actually go back to when I took over ING, it was still a bank and insurance company. It was actually still followed by insurance analysts rather than banking analysts. And at that moment, it was an incredibly complex organization still, because they're having to marry the two cultures and having to marry two complete different capital regimes. And I tried, by virtue of spinning the insurance activities, the asset management activities at that moment in time to make the organization much more simple. And after that, to go where I felt banking -- retail banking was going, which was the digital journey. Now that may all sound much more simple than what we have here. But the journey we went through there is of a complexity that I think is comparable to what we have here as well.

Where on one side, you have top-notch activities in Wealth, Asset Management, IB internationally and a true fully universal bank in Switzerland. That one where way you have to marry from a direction perspective from a culture perspective, and how you allocate your resources.

So the grasp for complexity and understanding complexity and making it simple from here, I think that is an experience I actually bring from ING, and in the first 2 years that I spent with ING.

Apart from that, you know, in the end, we're running a bank. It is about managing your balance sheet, it is about focusing on your clients, it is about looking forward as to where the trends are in terms of the segments that you cater for and making sure you're early on those trends rather than late on those trends. And just create this atmosphere of wanting to be there, ahead of the pack. And I think that's what I bring here as well.

So clearly, there's always issues here or there is functions here or there is activities here that are different from what, in the end, was part of the ING model. But, you know, we have 70,000 very well-trained professionals working and have a very strong team to support me on that as well so I think that's pretty well covered.

Jernej Omahen

So I want to pick up on a point that you brought up in your very first response. So, it relates to technology and you're laser-focused almost or obsessive-focused on technology. I recall -- and you will not remember this, I'm sure, but I recall listening to you at a session at the ECB. This was many years ago, [Daniel Louis] was still the Chairman, and you gave a speech on the future of banking, and 90% of that speech was about technology.

I know how important that is to you and how you put it front and center. So I want to ask you, from what you see at UBS, how does the technological capacity of UBS compare relative to peers, but more relative to what you've experienced so far? But more importantly, how does it compare to where you think it should be or where you want it to be?

Ralph Hamers

Yes. Actually, I think that the picture is more positive than I expected when I arrived. And it has to do with the fact that I do think that UBS did a really good job in building the foundational components of technology over the last couple of years. And that was clearly shown going into the pandemic, being there for our clients, being there for our staff that they could work from home very quickly, but also being able to cope with the incredible increase in volumes, specifically last year in March and April when the market was panicking. And none of that led to any operational issue. So it kind of shows that the foundation is really, really firm. So good job done there, better than many peers in my view. So a real strong basis to build from.

Now having said that, I think we're changing here and what the pandemic has also brought to our segments here is a change from seeing technology as the enabler - so basically, you have your client business and how can we enable the people to support their clients - to making technology a real differentiator, which basically means that it's only technology that can bring that intelligence to our client advisors through which they can differentiate themselves vis-à-vis others in terms of advice and being timely in responses, et cetera, et cetera, et cetera.

Now that's why -- that's where I think the biggest improvement potential is. That's why we put technology as a differentiator, as a third strategic imperative. That's why I promoted the CTO to become an executive Board member here. And that's also where I see the real strength coming through.

And honestly, if you look at some of the activities that we have in the investment bank, they're really laser-focused on technology as a differentiator already. And that's because the investment bank, generally in the market side, have felt the disruption for so many years already that if you are not with them in disrupting the market and using technology as a differentiator, then you will be lost forever. And our investment bank there has led the way within UBS and is now also for some of the other segments, including the domestic bank, to really follow through on this.

Jernej Omahen

Right. But Ralph, technology costs money. We think that the budget for -- IT budget for UBS, I don't think it's explicitly disclosed, but we think it's around the $3 to $4 billion per year. We've kind of gotten used to technology, the technological spend amount just increasing every year.

You talk about the necessity of technology, it being at front and center of everything that UBS does and will do in the future. I mean to what extent should we expect this number to continue to grow?

Ralph Hamers

I think you're quite there in terms of your estimate as to our technology costs, so it's a good estimate. But that is not necessarily the part of the technology spend that you can truly, discretionary allocate to new opportunities, right? So in the number that you are quoting, you have just the run-the-bank cost as well from a technology perspective. And the change-the-bank, I think, as most of us call it that discretionary number is lower than the number that you quoted.

But even within that, I don't think that our technology costs necessarily go up from that perspective because I see quite some opportunity to just to work with the budget I have. And why is that? Because I really want to make technology the subject of the Board agenda, our Executive Board agenda.

At this moment, technology budgets are delegated into the organization. And basically, everybody manages their own budget. As I'm used to, this is actually something that should be done at the highest level on a quarterly basis.

I mean that's the agile way of working and it starts in the top. And I think that just through reprioritization between different divisions and different activities by looking for the better return on the better impacting technology spend. I think that's a saving light there that we can make that we can use in order to get more effect out of the money.

Second thing that we are working on is that -- and that is the program that we have on the technology side is that we really have to move to, what I call, an “engineering culture”. At this moment, we're doing it the way most players do, you're looking for source coders. They may not always be the best, but they have a price stack that is attractive. And I actually think that if you go for an engineering culture, where you have more experience coders and you do that over time, that you can actually deliver much more with less people. It's a program that I've done before. It truly works.

So from that perspective, I actually see some room here in the current technology budget. So the importance of technology is increasing, but it doesn't mean that for UBS for the foreseeable future, you would see the technology budget increasing because I think there is some room there to optimize.

Jernej Omahen

So it's all about technology. But now roll the clock forward for us 3 to 5 years, so if you invest this amount of money in technology that you were referencing to, if you get to the point where you want to be, what will you -- or what will be the biggest difference compared to today when all these technological spend and investment is complete? What will UBS be able to do better or able to do that is not able to do today when the technological investment cycle is done?

Ralph Hamers

In my view, if you believe that technology is a differentiator, it is differentiating vis-à-vis the client. So where we currently have a very successful coverage model of relationship managers, financial advisors and client advisors where they know their clients, and they know more or less what we have on the shelf in terms of products. And on meeting the need of a client with selecting the right product is something they do every day.

But the average client adviser and financial adviser can't comprehend all our products and can't thoroughly understand the need of our clients per se, not in terms of what is relevant for that client, not in terms of making it personalized and not in terms of delivering it on time and not in terms of delivering it in a seamless way. And that's where our client promise comes in.

Our client promise of delivering a personalized, relevant - which is you offer it when it is necessary -, on time - so that when the client actually wants to execute, we can execute and seamless that in the execution, nothing goes wrong. Those four components of our client promise will all be technologically driven, supporting the client relationship managers to be more effective and more productive. That's the picture that I have in my head, and that's what we can deliver.

Jernej Omahen

Right. So changing the flow of the debate to strategy, even though perhaps technology is a strategic direction in its own right, but still, we've gotten used to in Europe, and you alluded to this before, of a new CEO coming in, and one of the first decisions that, that CEO has to take is where he's going to cut either geographically, where he's going to cut in terms of business line. And you alluded to that yourself, in your previous experience, you came in, you had a bank assurer by the time you were done, it was a bank. So I think a very short question, are you going to be a CEO of cuts when it comes to UBS?

Ralph Hamers

I think I'm going to be a CEO that finds the right mix in order to bank on the unique position that we have. And the unique position that we have in terms of the strong content that we provide, the strong relationships that we have with our clients and a strong geographical footprint in the U.S. and Asia, that's where you can expect me to double down on resources, which clearly can't be done by just growing your cost. So you'll have to figure out ways to finance that. And that will come out from some regions where I actually feel the growth will not be there, at least not as attractively, not as attractive as in the two reasons I just mentioned. And it will come from reviewing some of the business models that we have with local footprint where I feel the profitability is just not good enough and may not make the cut going forward.

And an example: there is selling our Austrian franchise, which we did just a couple of months ago, were basically -- this is not a bad franchise. These are also good clients, it's just that in our model, it is very difficult to make it truly profitable and sustainably profitable.

So you can expect me to review the different activities that we have. And with every step to either include them going forward for growth or to shut them or sell them going forward. So it will be that mix in order to really position ourselves to benefit from the expected growth that we see in the U.S. with $25 billion of income growth expected in the next 5 years, and not for UBS, but for the market. And the same numbers almost in Asia, where we're very well positioned, and we truly want to kind of position ourselves to reap that opportunity.

Jernej Omahen

So Ralph, UBS is big. It's a massive institution. Obviously, one of the largest institutions in the world. Is scale of UBS an advantage?

Ralph Hamers

It is but I don't think you can always refer to scale as global scale.

So I think we have to be very honest around that. There's a couple of things that we can truly scale globally, which is the attractiveness of our brand, the content that we generate globally, the products that we either develop ourselves or the products that third parties want to contribute to our ecosystem in order to make them available to our clients.

So we have scale in terms of being, by far, the biggest asset and wealth manager, well, wealth manager globally with $3 trillion in wealth under management or $4 trillion if you combine the asset management. So we have that scale, which can be fed through third-party providers and products that we develop ourselves. That's one.

The delivery models, we have to be honest, are still run more locally or regionally because of the regulatory environment. And then you have to look for the operational -- for the operational scale more on a local basis. And therefore, it's good that we are strong in the U.S., which is a large market. So we have to scale, and we should benefit from that; Asia, where we have a good offshore model and opportunities onshore China, both provided for the right scale in terms of the number of clients that we have and the wealth and the management that we have.

So -- and then in Switzerland itself being a universal, the leading universal bank in Switzerland, so we have scale in these areas.

Across the investment bank, we have really moved to being a scale player in equities. And we have made those choices, but we are a skilled player in equities.

Now the last part and in terms of what you can deliver in terms of scale is on the technology side. And I think we've all learned, I have learned from that as well. And the only way to build scale and technology is by standardize coding, a very disciplined way of developing your code and reusing code. That is something that will be part of our model going forward in creating scale. But you can't escape local or -- yes, local, generally operations and delivery models, because that's where the clients are, that's where your client advisors are, that's where the regulators also want you to execute some of this stuff.

Yet, you really have to look at the local component. The other elements, the brand, the products, the fulfilment and the technology, you can look at from a much more global perspective.

Jernej Omahen

Okay. Let's stay with this debate of scale and size for a bit longer. So geographically, UBS, I think, is the only bank that's domiciled in Europe that has kept its capacity, both in terms of geographic reach. So notably, as you pointed out, UBS is very big in the U.S., a substantial player in wealth management, in particular. But as you also point out, you have kept capacity in terms of product lines, whilst others have exited or downsized, UBS has not. Well, at least not since the initial fixed income reduction many years ago.

And yet, when we look -- so when we look at, and I'm sure you've been faced with this question by now many, many times because it's the eternal question for UBS, when you look at the pure-play wealth managers, which are smaller and more focused, yes, the revenue line is smaller, the bottom line is smaller in absolute terms, but returns are extraordinarily high.
So as you go into your 10th month into the job having done the initial strategic assessment, what is the answer to this eternal question? Why is it a wrong thing to do to downsize some of the non-wealth management businesses and focus more on this extraordinarily high return on tangible equity platform that UBS has, namely private wealth management?

Ralph Hamers

Well, clearly...

Jernej Omahen

You're going to be getting this question a lot over the years.

Ralph Hamers

Well, I know, I know. I have got a (inaudible).

Jernej Omahen

Eternal question.

Ralph Hamers

And I think it is not so much about downsizing because I don't think you can. You're either in or you're not, given that -- generally, you're talking about capabilities, global capabilities, either on the asset management side or on the investment banking side. Capabilities that if you have them, you need to scale, and if you need to scale, you've got to be active in the U.S., and you have to be active globally almost, right?
So it's either in or out almost for these kind of capabilities.

And actually, so I do think that, that discussion is a good discussion to have and we feel that if it comes to the equity business that we have chosen to be a top 5 player in, and we are a top 5 player in, and we can further extend there. The beauty of our franchise there, is that it is not a stand-alone franchise. It actually benefits from a lot of the flow that is generated on the back of our wealth business through -- and that flow was actually coming through the investment bank. And with that, we do have a competitive position vis-à-vis other players that have to get the flow out of the market. And with that have -- put much more capital into that business in order to generate that good flow out of the market by taking more positions than us. And that's what you see.

So from a value-at-risk perspective and with that related capital allocation, we are relatively capital-light and low on capital uses for the investment banking activities, if that is what you want to discuss. And therefore, we actually, from a -- the capital that we allocate to and a return perspective, we do a really good job. And why? Because we benefit from being an investment bank focused on equities tied to a wealth management franchise.

And I actually think that is a different model from the pure wealth players. And it's certainly also a different model from some of the more -- so investment banking players that had to put much more capital at work there.

Jernej Omahen

Let's talk about the private wealth management business a bit more. So I think we all got the distinct impression that a lot of the private wealth management strategies, and I think UBS is no exception, were liability led. And what I mean by that is that providing leverage to private wealth clients became increasingly important, particularly, I would say, perhaps over the past 24 or 36 months. And I think in -- indeed, if I recall correctly, in 2020, UBS even said publicly that they see capacity to essentially extend broadly $20 billion of private wealth loans or loans to private wealth clients per year.

So from today's perspective, obviously, we had a very turbulent development on that front recently. From today's perspective, I want to ask you two things. One, this -- is this -- does the private wealth management strategy remain liability led? Number one. Number two, is it -- is the target, the landing target, still achievable? And number three, is it desirable? Do you -- it's not whether you can get there, but whether you want to get there.

Ralph Hamers

No. It's a very good question. And I think let me first address, kind of, the turbulent event that you referred to. And that is the one that we have dissected completely in terms of -- to learn from that and adjust some of the procedures that we have. So are there any crowded long positions? Are there any concentrated positions? Are we sufficiently happy with the level of transparency that our clients are giving us as to the overall position? And although this happened on the prime brokerage side, I mean, many of these lessons are actually lessons in general, if it comes to, well, if you were to call it, margin lending or whatsoever, on the wealth side, whether it's really the top level wealth clients or just below the top level.

So we're taking those lessons learned very seriously. We are working with those going forward. We have reviewed the clients, by the way, on that side as well.

But now going back to the actual question of wanting to offer lending at all, and I do think that it has a role to play. It has a role to play for starters because we can. We have the capital base. We can actually support our clients through lending as well, but you need to know how to do it. That's certainly a point. It will actually give many of our players, and maybe increasingly so even, the perspective of making their assets more liquid. For example, if you look at the growth expected in the wealth space, it's very much coming from the entrepreneurial side. Now entrepreneurs generally have a single asset wealth generation.

Jernej Omahen

A stake in their company.

Ralph Hamers

Exactly. It's stake in their company. So in order to support them, somewhere in that life cycle to generate some liquidity, and with that, also creates some diversification for them from a wealth perspective and a risk perspective, I think lending has a role to play there and also helps us diversify some of our income as well.

Actually, in order to do that, that's why we have -- why we decided to make sure that the lending specialists that we have on the investment bank actually start playing that role also for our wealthy clients.

Now lending can never be subject to a target. I come from an institution that was a lender. I've always refused to accept targets on lending because you can always make them.

Jernej Omahen

Right. That's true. You just have to adjust the risk management process.

Ralph Hamers

Exactly. And that's what I don't like about it. So we don't have targets and we don't have targets here. And to the extent people would see them as targets, then we really have to start working on that because we don't have lending targets.

However, if you look at the lending penetration in terms of our wealth portfolio versus many of our peers, we quite -- we still have some upside in terms of lending growth by truly supporting the relationship and the broader relationship with that.

And you actually see it with -- we just had a client that also had a lot of their wealth in their own company wanted to make an acquisition. But in order to get that acquisition done, needed to lever up their wealth in that company. And those are situations that if you play in the champions league of wealth management, and that's where we play, you've got to have that offer.

Jernej Omahen

I want to -- Ralph, we have 10 minutes left, and I really want to cover at least 2 additional topics. So I'm going to slightly fast forward to the topic of capital and the topic of return to shareholders. As you said just before, your previous institution was a lender. It was in the context of banking a reasonably balance sheet-intense business model. UBS is not, right? So by the very nature of things, UBS is that strange animal that can achieve growth that consumes very little capital. So by its very nature, once you fill up the bucket of capital that you need in terms of dollars, the scope for payout ratio to be extremely high is there.

So I was just thinking in terms of capital return to shareholders, I mean, we are all aware that there's two litigation issues still outstanding, which have capacity to have an impact on the capital position. How do you think about the scope to return capital to shareholders once that is behind you?

Ralph Hamers

Yes. So just to confirm your intro here. Just last year, we generated $8 billion in capital, just last year, in one year. And we're committed to return the capital to the extent we feel we can't use it, at least the returns that we promised to our shareholders ourselves, right? So -- and therefore, we came out with a new share buyback program that will -- that is actively being run at CHF 4 billion for the next 3 years. And that's also why we already – basically we are active into that program and are active in the program and already did CHF 1.4 billion of it year-to-date, which, by the way, is 2.5% of our market cap, right? So it's quite sizable there.

And actually, if you then look at the historical numbers, and whether it's over the last 3 years in a combination of dividend and share capital and capital buybacks, or you take it over the last 5 years, you see that our capital return has been anywhere between 2/3 and 3/4. So 76% to 75%, even sometimes topping 80% of capital generated. So it's a rich capital return policy that we have. It's certainly something that I think we will continue to have. Again, in absence of any opportunities for us to grow and which we make at least the returns that we promised to our shareholders as well.

So you can expect that. And you can expect this to continue to be focused on a relatively capital-light strategy going forward.

So there is an event that we have to be -- you should expect us to be pretty, what, cautious around in order to be preserving capital if it hits us, which we don't expect, and that's why we provided for it in a different way. But if it happens, I mean, we should be able to support our clients and still return capital as well. So we have to be cautious around that.

But the commitment around returning the capital going forward and the commitment around continue to have a relatively capital-light strategy going forward and capital-generative strategy going forward is absolutely there. It is where we put our money. The money is going into asset and wealth management growth. With that, there will certainly also be some capital going into some more lending and maybe also -- and also to support on some of the other products that may use capital, but it will be a similar capitalized strategy.

Jernej Omahen

Okay. So finally, turning to the competitive position of UBS, which I think many of your competitors, particularly the U.S.-based institutions are very envious of. I want to ask the question this way. So the U.S. banks tend to dominate every subsegment of global capital markets, pretty much, apart from one, and it tends to be the most profitable one, which is non-U.S. wealth management, in particular, right? So here, virtually, I would say, virtually none, but let's say, very limited inroads have been made in the overall position of European banks, but the Swiss banks, in particular.

And I want to ask you, you mentioned at the very side of our conversation, how the one thing that really struck you is this global brand recognition of UBS, the only wealth -- truly global wealth manager in the world, by far, the largest wealth manager in the world. When you think about the market position of UBS, are you one of those CEOs that consistently worries about how to maintain it? Or do you think that the competitive moat around UBS in the context of global wealth management is just so wide that this competitive advantage is set in stone and it's there to stay?

Ralph Hamers

Well, I think you should never think that because that is -- that creates complacency, which always -- arrogance and complacency come before the fall, right? So that is certainly something I don't think.

But I'm turning around. We do see that the U.S. performed really well over the last years and certainly the last year. Asia performed incredibly well last year with our P&L increasing, our operating income increasing by 28%, just Asia. Switzerland and the Swiss internationally-booked wealth business has grown really well. And those three areas of growth need to be fed in general.

But within that, you have to make your choices even. And therefore, we will double out in the U.S., we will double out in Asia in order to make sure that the position that we have, and the reputation that we have and the momentum that we have that we continue that. And we know the competition is fierce and increasing. So by no means are we going to rest on our laurels, not at all. I actually do think that we have an opportunity that no one else has, and that is that our brand is so strong and that we truly have this opportunity to create this -- the sense of an ecosystem that, you know, being a client of UBS gets you to other opportunities, gets you in touch with other influentials, gets you into touch with other thought leaders that, that creates momentum in itself for clients who want to -- for potential clients who wanted to become our client, but also contributors like third-party product providers to wanting to onboard there.

And honestly, if we do that well, if we build that platform that way, and that's what my strategy is aimed to do, we can actually create a separate category there. But it needs work. So by no means are we complacent, by no means do we take things for granted, but we have a very good starting position from here. But we have to make our choices. And as I said, it's a geographic focus, it's a wealth and asset management focus with supporting capabilities across and is a focus on creating the true UBS brand and strength, building an ecosystem around it.

Jernej Omahen

Excellent. Ralph, we have come to the end of our conversation. I feel that we could keep going for a long, long time. Maybe next year, we're just going to allocate a longer slot, and we can keep talking for longer. But I want to say two things.

First of all, again, thank you for choosing our conference to make your first appearance. I do hope that it's -- that we're going to see each other again next year.

And the second thing I want to say is, as I'm sure you know, we all wish you every success in this role. And it's obviously very important, not just for UBS, but also for the role of European banks and European banking in a global context that you succeed. So we wish you lots of luck and talk to you soon.

Ralph Hamers

Thank you very much.

Jernej Omahen

Thank you very much.

Ralph Hamers

Bye.

Cautionary statement regarding forward-looking statements: This document contains statements that constitute "forward-looking statements," including but not limited to management's outlook for UBS's financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development. and goals or intentions to achieve climate, sustainability and other social objectives. While these forward-looking statements represent UBS's judgments, expectations and objectives concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations. The outbreak of COVID-19 and the measures being taken in response to the pandemic have had and may continue to have a significant adverse effect on global economic activity, and an adverse effect on the credit profile of some of our clients and other market participants, which has resulted in and may continue to increase credit loss expense and credit impairments. In addition, we face heightened operational risks due to remote working arrangements, including risks to supervisory and surveillance controls, as well as increased fraud and data security risks. The unprecedented scale of the measures to respond to the pandemic creates significantly greater uncertainty about forward-looking statements. Factors that may affect our performance and ability to achieve our plans, outlook and other objectives also include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (iii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions; (iv) developments (including as a result of the COVID-19 pandemic) in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS's clients and counterparties as well as on client sentiment and levels of activity; (v) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (vi) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS's business activities; (vii) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments; (viii) UBS's ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (ix) the uncertainty arising from the UK's exit from the EU; (x) changes in UBS's competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS's ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS's cross-border banking business of tax or regulatory developments and of possible changes in UBS's policies and practices relating to this business; (xiv) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS's ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks and systems failures, the risk of which is increased while COVID-19 control measures require large portions of the staff of both UBS and its service providers to work remotely; (xix) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS's operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xx) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS's ability to maintain its stated capital return objective; and (xxi) uncertainty over the scope of actions that may be required by UBS, governments and others to achieve goals relating to climate, environmental and social matters as well as the evolving nature of underlying science and industry and governmental standards, and (xxii) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS's Annual Report on Form 20-F for the year ended 31 December 2020 and UBS's First Quarter 2021 Report on Form 6K. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

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