

Full Regular Transcription

UBS AG

Media Call of UBS

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COMPANY REPRESENTATIVES

Colm Kelleher, Chairman of the Board of Directors

Ralph Hamers, CEO

Sergio Ermotti, Designated CEO

Marsha Askins, Head of Media Relations

PRESENTATION

Marsha Askins

I'm Marsha Askins. Welcome to our Special Press Conference today. I'm joined by our Chairman, Colm Kelleher, our CEO, Ralph Hamers, and our incoming CEO, Sergio Ermotti. They will all make remarks followed by an opportunity to ask questions.

So with that, let me turn it over to Colm.

Colm Kelleher

Good morning, everybody, and thank you very much for coming at a short notice. As you can see, I'm joined on stage by Ralph Hamers and by Sergio Ermotti, both of whom you know well already. You all, of course, have seen this morning's press release, so you know that Sergio will take over as Group Chief Executive of UBS from Ralph Hamers. Ralph has been an outstanding CEO of UBS, driving the group to unprecedented success despite a challenging environment.

And on behalf of the whole board, I would like to express my deep respect and gratitude for all that Ralph has achieved over the last two and a half years and for his instrumental role in delivering the Credit Suisse deal.

Under his leadership, UBS built the strengths that have put us in a position to stabilize Credit Suisse and ensure a successful integration. While the acquisition will support UBS's existing strategy, it has created a new reality and it imposes new priorities on us. It is the board's view that with his unique experience, Sergio is ideally placed to deliver the successful integration that is so essential for both banks' clients, people, and investors, for Switzerland, and for the global financial system in general.

Since assuming the role in November 2020, Ralph, together with the Group Executive Board, has successfully led UBS through a challenging market environment and has delivered record results in 2 successive years. Ralph has encouraged a strong focus on clients and on shaping and executing our strategy while ensuring tight cost management and strong risk discipline. He has driven the digital and sustainability agenda across the firm to make them important differentiators for our clients.

The financial performance and capital strength of the group have allowed him to achieve record return for shareholders through dividends and share buybacks, which has also substantially benefited the share price.

Critically, Ralph was instrumental in successfully delivering the acquisition of Credit Suisse under extreme circumstances, at all times considering both the interests of UBS' shareholders and the stability of the Swiss Financial System. And now, we are grateful for his understanding of the current situation and his willingness to step down.

As you know, Sergio was the CEO of UBS for 9 years, from 2011 to 2020, and successfully repositioned UBS following the severe challenges arising from the global financial crisis. In particular, he built financial strength and improved resilience by putting the firm's leading global wealth management business and Swiss Universal Bank at its core.

Sergio swiftly transformed the investment bank by cutting its footprint and achieved a profound culture change within the bank, which allowed it to regain the trust of clients and other stakeholders while restoring people's pride in working for UBS. This unique experience, together with his deep understanding of the financial service industry in Switzerland and globally makes Sergio ideally placed to successfully lead the combined entity.

I know Sergio will hit the ground running, and I am pleased that Ralph has agreed to remain as an adviser during a transitional period to ensure the successful closure of the Credit Suisse acquisition and a smooth handover.

Now, let me hand over to Ralph and then, Sergio would like to say a few words.

Ralph Hamers

Thank you, Colm. Good morning, everyone. Good to see you here. Over the past two and a half years, the UBS team around the world worked very hard for our company to be faster, better, stronger, our clear strategy, our client focus, our client promise, our drive to making technology to be a differentiator that really created a different UBS.

Together, we were able to effectively manage out of the pandemic and also manage the Ukraine war with its second and first order effects, and also the latest banking crisis, I must say, we were very effective in managing that as well.

And then, as Colm was saying, the cost and risk discipline over the last couple of years really helped us to deliver record financial results and good shareholder returns.

I'm very proud of my team, I'm very proud of all my colleagues, who together made UBS so strong that we're actually in a position to save Credit Suisse, to stabilize the situation, to support the Swiss financial system, and to help Switzerland. It also made sure that, you know, it had its effect on the international financial markets and basically brought back some rest there.

I would like to thank our clients who have stayed loyal and had confidence in UBS also during that period and also at this moment in time. They trusted UBS, they trusted our people, they trusted our services, and I would like to thank my colleagues for their client focus, helping our clients through all of these different challenging periods of the pandemic and the war, and also the last couple of weeks in the markets. And those colleagues also delivered on my plans and that was very important as well in order to get UBS where we currently are. And I would like to thank my leadership team specifically to make this happen.

But as Colm said, the situation in Swiss Banking has changed very rapidly over the last 2 weeks. I understand the need to make the combination of the 2 Swiss largest financial companies a success, not only for those companies, but also its importance for Switzerland, I understand that as well.

I respect the board's reason to change leadership, given the new priorities that we currently have. And I step aside in the interest of the new combined entity, its stakeholders, including the country and the financial sector here.

I will fully support Sergio. As you know, we know each other quite well. We sat here about 3 years ago and we have...we knew each other before that. We have stayed in contact over the last couple of years as well. We have a lot of respect for each other and we can work very well together. Therefore, Sergio and Colm and all of UBS can rely on me and supporting this transition, making sure that we make this deal successful, that we get to closure of the deal and make sure that Sergio really takes it further from there.

So with that, you know, Sergio, I wish you all the best and good luck. The floor is yours.

Sergio Ermotti

Thank you, Ralph. Thank you, Colm. And welcome also from my side. Again, my thanks and... first of all, let me say that I feel very honored to be asked to manage this transition. And at a point in time that is so important for all our stakeholders and the financial centers and in general, also for the business community in Switzerland. I have to thank Colm and the Board of Directors for putting their trust in me to master this challenging and urgent task.

I have to say that I want to echo both Colm, but also Ralph that we are in a position to do this integration only because of the work that Ralph has been doing in the last 2 years in strengthening further the bank and allowing us to be part of a solution rather than a problem. So I was very pleased to see that UBS could play that role during the weekend. And so, thank you to Ralph and Colm for that.

I'm fully aware that the responsibilities that are coming with this important task and the expectations, and I'm fully aware that we need to work very hard here to avoid any consequences for the taxpayers in Switzerland. So I think you have my word and commitment that I... together with my team, we will work and do everything that it takes to make this transaction successfully and to make... to write another very important and successful chapter of UBS's history.

I'm convinced that together with my colleagues, you know, by focusing very hard on the needs of our clients, taking in consideration also the needs of all the employees that I'm sure they are right now somehow concerned about their future, and also the interest of our shareholders by balancing at best those 3 stakeholders. We will be able also to make all the rest of society and the rest of the stakeholders in Switzerland pleased with what we do.

So I'm looking forward to work with Ralph on this transition, and I now give the floor back to you, Colm. Thank you.

Colm Kelleher

I think we'll open up for questions.

QUESTION & ANSWER

Marsha Askins

Yes, we'll take a question from the room. Okay. Right here. Wait for the mic, please.

Analyst

AWP. Thank you. I was wondering, has there been any... is there any timing regarding the CEO position? Have you talked about this? If this may be only for a limited time, maybe 3 years to 5 years during the transformation and integration of CS, and will someone else take over afterwards? I was wondering if you have talked about this.

Colm Kelleher

No, there has been no talk on timing, the priority is to get a successful integration of what is a single and huge deal. And I think that will be the priority of Sergio and Ralph in the transition period. So we are not underestimating the amount of execution risk that will be involved here.

Marsha Askins

Okay.

Analyst

Thank you. 3 question. Mr. Ermotti, when did you receive the call, if you were ready to come back? Mr. Kelleher, is there any link in that change of CEO to this ongoing inquiry in the Netherlands, which is still furthering around? Is there anything you can tell us on there? And for you, Mr. Hamers, aren't you not quite disappointed, because you succeeded, you had record results, and now you're just thrown away for another one? Thank you.

Colm Kelleher

Well, that's 3 questions in one, I admire you for your economy. I'll answer the first and second, and Sergio will then confirm that. I called Sergio on Monday of last week to explore the possibility of this, and things moved on from there.

The second question was what, sorry?

Analyst

The Dutch case.

Colm Kelleher

There is absolutely no relationship whatsoever to the Dutch case. And let's just reaffirm, the board has all along supported Ralph on this issue. So there is no connection at all.

Ralph Hamers

Thank you, Holger. I think that in these times where things change so quickly, it is all about making sure that first, a week-and-a-half ago, we actually did the deal. That was 5 days of day and night working on seeing how we could be helpful to stabilize the situation. And I have to have my full focus at that moment in time. And that's where Colm and I worked together with a larger team as well. That was absolutely my first focus. Then the last week was very much focused on making sure that we got the right organizations in place in order to start working to the extent we allowed on plans for further integration. Now clearly unrealistic from the perspective that things have changed, the circumstances have changed. These are 2 large Swiss Banks that need to be integrated and have to lead to stabilization of the Swiss financial world. And it's very important for Switzerland.

Marsha Askins

Great.

Analyst

I just want to clarify on one thing. This is not a Swiss solution. This is a global solution. We have the vast majority of UBS's business is outside of Switzerland. We have to integrate 2 banks globally. Sergio has huge experience of that. So you know, the fact that he's Swiss, it's a nice thing, but it was not the driving decision here on making sure we did this integration and made this decision. Okay. Sorry, Sir.

Marsha Askins

Great. Andre?

Andre

Yes. Good morning. Thank you for taking my question, too. Actually, it was a similar question that I was going to ask you. I mean, I haven't 100% understood so far why this change of CEO has been necessary. To a certain extent, I guess, but explain me. The passport plays a role in this change of management. Also cultural aspects, language, I guess, it's difficult to talk in English in Bern. Tell me a little bit about these aspects of the change. Thank you.

Colm Kelleher

Well, I apologize for not speaking the local language, but I can assure you Bern has got instantaneous translation booths, which work very well. The reason we did this, this is the biggest single financial transaction since 2008. And I would argue it's bigger than any deal that was done in 2008, because it's the first time 2G SIFIs have merged. That brings with it significant execution risk. We felt on that basis that whilst Ralph was capable of doing the job, we felt that Sergio was better suited to navigating these things, mainly because he already has downsized an investment bank of scale and has experience of that, which we have to do quickly.

Secondly, yes, at the margin, being Swiss helps, because there is a large Swiss part of this business. But again, the majority of our business is global, right? This was in no way inspired or designed to cover political risks. We are looking for the best solution for our shareholders, with the best person, in our opinion, to deal with this singularly exceptional transaction. I cannot reemphasize how big this deal is in terms of financial history and financial engineering that's required. And that's the decision we made. It's not about color of passports. It's not about communication in Bern or anything like that. It's about having the best person, in our opinion, to affect the execution of this merger.

Marsha Askins

Andre?

Andre

Yes, thank you. Quickly, just coming back still to this Swiss angle of the transaction, we have seen in the last week that there is growing pressure in Bern among parliamentarians on UBS, as it's a too-big-to-fail bank now. It's going to be so even more going forward. Maybe you could share 1 or 2 thoughts with us. How do you perceive this pressure right now? And how are you going to react to this pressure? It's not only about the question of breaking away the Swiss Bank. It's on several levels that this pressure is.

Ralph Hamers

That's true. And we take this very seriously as well. And we have been very clear as to a couple of things here. So first and foremost priority a week and a half ago was stabilize the situation. Make sure that we stabilize the Swiss situation, the client confidence in Credit Suisse, as well as, the potential further unrest in the financial markets outside of Switzerland as well. The alternative was not a very attractive one there either. So the combination is the combination.

And what we foresee in terms of the combination to ensure that from a risk perspective this is a digestible transaction is that we will, and Sergio will, manage down the investment bank.

In the way we have analyzed the transaction and where we are right now, we see that a large part of the investment banking activities that Credit Suisse has, we see that there's non-core for us as well. So the non-core book they have will actually be enlarged. And as far as important, that's why Colm and I already came out with a very strong message on Sunday night... that Sunday night, that the percentage of risk-weighted assets that will be used by the investment bank will actually decrease from our current 33 as UBS to 25% of the overall. So the overall in terms of risk-weighted assets will be bigger, but the part that goes to the more volatile risk in the book will actually be downscaled as a percentage. So on a relative basis, we feel that with that we are actually building a better bank and a safer bank.

Colm Kelleher

Sergio?

Sergio Ermotti

Yes, let me compliment what Ralph said. I think that we have to understand that there is an emotional reactions to what happened and this is part of the complexity that we will need to manage. Having said that, I do hope that by providing facts, supporting whatever we are going to do, we will be able to convince the majority of those external stakeholders, the governments, media, society at large, that what we do is in the best interest of Switzerland as well.

So the risk here is to throw the baby out with the bath water and hopefully we don't make this topic too much of an election campaign theme and in which... and we can also focus on other issues that are really concerning around Switzerland, and we will make our stakeholders comfortable that what we do is in the best interest of the taxpayers and the governments and also all the employees in Switzerland. We will make all our decisions based on facts and taking, as I mentioned before, always in consideration the interests of clients, employees, and shareholders.

And as a consequence of that, I am pretty convinced that if we do a good job balancing those 3, you will see the rest of society will regain confidence. We know we have to do that. We know we have to rebuild confidence. And there is, of course, a very important issue that has to be taken into consideration, a little bit of patience. We can't rush into making decisions that are regrettable. So give us a couple of months and then we will come with concrete answers to all those questions.

Marsha Askins

Operator, will you enter the... open the call, please and let's take the first call from Hanna Ziady at CNN.

Hanna Ziady

Hi there. Good morning. Thanks very much. So just to pick up again on sort of issues with Switzerland, I'd be interested, Sergio, in your view of whether there is an argument to be made for spinning off the Swiss Bank. I know that Colm has been quite clear that UBS is keen to hang on to that asset of Credit Suisse, because it is a very good asset. But in terms of what might be in the best interest of Switzerland, do you have any immediate thoughts on whether it's spinning off the Swiss Bank or in some other way splitting up the bank in Switzerland and selling it just from a competition point of view, because there's been a lot of concerns raised, you know, aside from the kind of exposure for the Swiss economy, there's also a potential downside on competition for businesses and consumers, because now there's, you know, just less choice, especially for businesses. So we'd love some thoughts on that?

And then just another question on job cuts, whether you can give any indication of what the scale of those might be kind of beyond the 9,000 that we know sort of Credit Suisse had already flagged, whether you've done any more work on that. Thanks so much.

Colm Kelleher

Okay. Thank you, Hanna. So let's be clear. First the most important thing again, I come back to something that happened 9 days ago was to stabilize the situation. The only way to stabilize the situation 9 days ago was the full acquisition of Credit Suisse as a signal to the market that all of that was safe and there was no discussion about the future there. That's one.

Second, I understand the emotion that we have in the market and that's also quite normal after an acquisition like this, but if you go down and back to the facts, and you look at market shares and mortgages and house banking ship in SME loans, in cash management, in none of these segments we will be the 1. It's either the Cantonal Banks ahead of us a group or Refis even ahead of us.

There is only one segment that we have found where we may be bigger than the others and that is in what we would call the multinationals. Now, if you look at that segment from a Swiss perspective, you come to the conclusion that there is basically only 2 large banks working with these multinationals and that looks like a very big market share. But these multinationals work with 10 other international banks that are even bigger with them in many cases well.

So that's what we found on that one and clearly, you know, what Sergio was indicating that at this moment it is for us just to kind of put off some time, look at the different scenarios, also for the Swiss business but for everything and bear with us a little bit there before we come to decisions there.

And on jobs, it's a good point. Clearly, we want to take away uncertainty as soon as we can, but again we're day 9 after the closing plans. It can partially be developed because we can't access all of the information yet because Credit Suisse at this moment is still a separate company. So it's not like we can just go in and look at everything is there. We have to really be careful because the results of antitrust regulation that as long as we are not merged, we can't decide for them nor get all the information that could lead to antitrust issues for us.

And further, it's really important that we get the support of all regulators globally as soon as possible to close this transaction so that we can actually make this analysis and then on the back of that come out with our plans. And we have promised to all of our stakeholders including our staff but also to Credit Suisse future colleagues when we have the plans and we can be transparent, we will be transparent.

Colm Kelleher

Thank you, Ralph. Sergio...

Sergio Ermotti

Sure.

Colm Kelleher

Okay. Next question, please.

Marsha Askins

Operator, next question, please.

Operator

Bercetche Joumanna can you ahead from CNBC.

Analyst

Hi there. It's Elliott stepping in for Joumanna. Just a quick question for Mr. Ermotti, if possible. Just what was the motivation to come back at this critical juncture, I know, you are here for the long-haul?

Sergio Ermotti

Yeah, the motivation for me was simply that, you know, I think it's a very important moment for UBS and you know I have been working here for 9 years very hard together with my colleagues to put UBS to a place that could continue to grow and be successful like we did in the last 2.5 years. But coming back to manage this situation is a challenge but also there is a sense to me and I felt a sense of call of duty aspect.

And also frankly speaking, I always thought that despite all these discussions around the size of the bank, I always felt that the next chapter I wanted to write back then was a chapter of doing a transaction like this one. And it would be a little bit of contradiction for me not to accept the job to be asked to basically execute on what I believe was the right next move for UBS.

So, the motivation were those ones and I am fully excited and of course, when you go into jobs like this, you can't start on day one to think about the day you are going to leave. Otherwise, you are already gone. So I am going to stay as long they want me and for sure as long as I feel the job is done.

Marsha Askins

Thank you, Sergio. And we will take one more from the phone and we will go back to the room. Margot...

Margot Patrick

Hi, thanks so much. I guess, I am wondering how UBS is international investor are feeling about the bank being used as a tool by the Swiss, and it increasingly looks like just as (unintelligible) sort of domestic reason and I guess the further question how do the UBS shareholders feel about these changes in strategy, and I guess I just wanted to hear little bit more about the vision because it is sort of incredibly put so whether this is a full-scale integration or sort of an M&A situation with a lot of pieces that maybe broken out. So just wanted a comment on those key segments. Thank you.

Colm Kelleher

You are lucky Margot because I can't hear you, because (unintelligible).

Sergio Ermotti

So the way I detected is how are shareholders... they are looking at this transaction and Colm and I have had a full week of sessions... week and half even of sessions.

And I think I understand it. Clearly, there were surprised by it because we were very clear as to where our strategy was going in terms of the organic way we would basically put the strategy in execution. We have explained them that the way we go about this acquisition is that we want to build a bigger UBS, which basically means that we are looking at how we have our strategy which is building that global wealth management platform, where we already indicated that we wanted to grow from 4 trillion to 6 trillion in terms of invested assets and this gets us to the 5 trillion, so they see that we are actually increasing scale here as well.

They also see that some of the organic plans that we communicated to them over the 2 years that we are actually filling in those white spots in our coverage from a wealth perspective for example in South East Asia, in the Middle East, in Latin America, that we're actually filling these white spots in and with that we can accelerate our organic growth by 5 to 7 years. They appreciated it as well. They also appreciate that the wealth business will be one that is the easiest to migrate clients to our platform because our platform is a standard global platform already. So it comes at a low cost income ratio there. So that is one part of the strategy.

The second part of the strategy that they find important is what to do with the investment bank. I think we alluded to that already. We feel that the investment bank function is want to support what we do on that investment platform, which has everything to do with equities, equities execution, risk management on it as well, as well as foreign exchange.

And so... and then comes the third part I guess, which is the Swiss part and the asset management which is strategic anyway and they come with alternative... skills in the alternative business. So honestly, explaining the investors is one-of, okay guys, there is not going to be an organic to implement our strategy, it's actually now an inorganic move to implement our strategy. It is not perfect, but it does a lot for us. And there is one part where we want to continue and need to continue our organic growth, and want to also protect the plan which is in the US and further grow our wealth business in the US.

Colm Kelleher

So Margot, I just want to add, in a nutshell, investors, our shareholders by and large, see significant upside in this transaction, but they are very concerned about execution risk and we have a lot of execution risk here. So this is not in any way an easy deal to do. And that is why we are where we are today. This is no judgment on Ralph versus Sergio. It was the opinion of the Board that for this massive integration exercise, Sergio would be the better pilot for this next voyage of UBS.

An execution risk is what people do not understand. You can't just put numbers together and reach a sum. You have to understand there is a huge amount of risk in integrating these businesses.

Marsha Askins

Okay. Thank you. And we've got a question back here, in the back of the room. Okay. I think there is another microphone here, then Marion we will come back to you.

Colm Kelleher

So who is going?

Marsha Askins

Go ahead Marion.

Analyst

Okay. I'll go ahead. Two questions. One, Ralph, how long will you be staying to do the transition. And secondly, was there any conversation with the Swiss government or the regulators during the deal formation about who would lead the combined bank later on.

Colm Kelleher

What's the second question, please?

Analyst

Whether the regulators in the government were in discussions with you about this executive change basically as part of the negotiations.

Colm Kelleher

Well, Ralph will talk about it his. It is the responsibility of the Board to decide executional strategy and its held accountable for that by our shareholders and by our regulators. So, in many ways, we inform regulators when we make a decision and if they are sound, the regulators are perfectly comfortable with those, the regulatory input into this was after the event... after the Board had made its decision, okay?

Ralph Hamers

Very clear. So, what is important now is that we continue to focus on closing the transaction that has our last priority. There was a lot of legal stuff that we need to arrange. There was a lot of regulatory approvals that we need to get.

Antitrust waivers and approvals that we need to get as well across 58 countries we're speaking. So, that's what I will be concentrating on in order to make sure that Sergio can also start focusing on other things as well. And I'll be around to ensure a good transition so that Sergio can take this role and run with it.

Colm Kelleher

And just to clarify clearly regulators have a right of saying, no. So, we have to make sure that there is an approval and Sergio is approved for this role.

Marsha Askins

Okay, great. We are back in the room here the mic.

Johannes Ritter

Johannes Ritter, Frankfurter Allgemeine Zeitung. You stressed many times that there are high execution risks. Can you be more precise what kind of risk... which are called as the main risks you see in the execution of this merger. And then Sergio Ermotti, did I understand you well that at your time... was UBS... you were already keen on putting up a merger with Credit Suisse? Did I understand that correctly. And if so, now and then, what are the main advantages in this you know, having this couple now coming into reality? I mean, analyst was talking about this being the best deal ever. So, maybe also a word on that not only on the risk but also on the chances maybe?

Ralph Hamers

Yes, so. Thank you. So, on the execution risk, clearly we are going from 2 banks to 1 bank, and in the end what you need to do is you have to choose the target systems to migrate the business too, and be able to decommission the other systems in order to get your synergies. It is about forming 2 organizations together, so that will cause some unrest with people as well and that uncertainty is already there. That you have to manage with retention, which is a large part of the execution risk as well on this one.

And the third element of the execution risk is about managing the customer banking book, non-core book down in a sensible way, but nevertheless also in a convincing way to show the market that we want to keep this risk under control. That's an important element. And the last one, not the least one honestly in our view is to ensure that the culture that gets in the combination is the UBS culture from a risk perspective. So, those are the 4 biggest elements in execution risk that Sergio will have to work with.

Sergio Ermotti

Thank you. No, actually you implied the Credit Suisse name, I'd say that I was keen to do a transaction and you know, were a few candidates for this kind of transformational transaction with different characteristics. And as you know, in M&A you have basically... the candidates can be measured towards industrial sense, financial sense and then feasibility. And with... you know, by using those 3 categories and evaluating any partners is clear that for UBS, it was never a reality to think about... at least that would go beyond 5 or 6 banks in the world without changing completely our strategy.

So, I do believe that scale matter. Focus scale matter. You know, for example in the wealth management industry you know that despite being the second, third largest wealth manager player in the world, the fragmentation is huge. The concentration of the 3 major players is probably not even 15% together in the world. So, it tells you the story. So, if you look at the investments necessary in technology, in people, you need to fund it by creating economy of scales. The combined bank by the way, it's... ranks around 21, 22 in the G.C. Fischer list still. So, I do believe that for Switzerland it is also important to have a strong GCF banks because if Switzerland aims to be a strong financial center in the world, we need to have a strong bank with strong private banks, with strong cantonal banks, with a strong Raiffeisen with strong small private banks and independent asset managers.

You can just construct financial center's expertise based on medium-sized operations. And by the way having that kind of scale, and presence globally allows us to bring also workforces in Switzerland or develop or train workforces that are then eventually going back to the rest of the industry... the financial services industry. So, in a nutshell, I do think that scale and size is not a problem, if it's focused and well managed. I always say that for me the debate now a days, is not too big to fail. It's rather too small to survive. And we want to be a winner out of this.

Marsha Askins

Okay. I have a question over here.

Lukas Hässig

Lukas Hässig Inside. Thank you for taking my questions. I have 3, Mr. Kelleher, can you give us an update on the job situation about the cuts. And how do you want to stop this somehow bleeding that we see at Credit Suisse that is still going on regarding client advices and clients. And then your 2 pilots, which role does each of you have in this huge thing? Thank you.

Colm Kelleher

So, the first question was an update on what's...

Analyst

On the job cuts...

Colm Kelleher

On the dark situation. There is no update on the dark situation. I mean everything is still bending... on the job situation. I think we've said this already. Our 1 priority is stabilizing the situation. This is a risky integration. We need to stabilize once we then taken stock of all the risks, all the possible permutations and we need our new CEO to look at that afresh, at that stage, then we will have a sense. Our intention is to disclose the market as much as we can when we can, but stabilization first.

Secondly, you're absolutely right. There are somebody mentioned before, there are cultural issues between Credit Suisse and UBS. We do not want to import a bad culture into UBS. UBS thanks to these 2 Gentlemen has a very strong culture and culture is something that I am particularly interested in, coming from a bank with a very strong culture as well. It is a huge differentiator. There are clearly parts of Credit Suisse that have had a bad culture, right? I think primarily that was focused in the investment bank. By definition, there will be some spillover into some of the control functions, but I think if I will get the Swiss Retail Bank, if I look at Wealth Management, if I look at other parts of the business, I think they are probably really quite clean. So, but we need to then look and see what can we bring in, what can we merge, what makes sense. Ralph has been very clear and we were very clear on Sunday that we are not using this as an opportunity other than to downsize the role of the investment bank and risk capital at play.

That is not the game UBS wants to play. We are... everybody talks about us having this enormous balance sheet, but as I said on Sunday all balance sheets are not equal. Our balance sheet is a balance sheet light, fee-paying wealth management, asset management business, right? So, we do not want to change the complexion of our balance sheet which means therefore by definition and answers your question, the areas where we will be looking to lighten up will be in the risk-taking parts of Credit Suisse, which is the investment bank. Having said that, there are clearly talented people in the investment bank, particularly on the banking side we would be interested in having, but we have to put everybody through a culture filter to make sure that we do not import something into our ecosystem that causes issues, right? Okay?

Marsha Askins

Great. Thank you. Right behind Lukas question.

Analyst

Yes, just coming back quickly on the passport question. I'm going to ask it in a different way this time. You said majority of your clients are outside in the world. Then again, 250 billion... more than 250 billion Swiss are invested in your... currently in your bank Swiss money. I guess, this is an issue as well. And my question there is, I mean, my observation is banks can be global as long as there is no crisis. Soon as a crisis comes, the banks become very local, because the lender of last resort is there and has to help out. You have been 2 in a Wall Street Bank. You could have jumped to 1 place but an American has taken your position. I mean, I am asking you, do you share my observation that the concept of global banks is somehow a relative thing, especially in times of crisis?

Colm Kelleher

Well, I think there has been... I don't share that, but I will tell you why. There is a resolution framework, right, which by the way deals with this very issue you are talking about, too big to fail. The reason that resolution was not triggered in Switzerland, and I think it's been very well laid out by the Finance Minister is because there are knock-on effects away from resolution itself.

Switzerland is the center of global wealth management. It's what Switzerland is known best for. For a Swiss bank to have undergone resolution would have serious knock-on effects in the whole financial system. It could have been done. It's a unique situation in Switzerland. I don't think in America, they would have hesitated to put a bank into resolution because it's more diffuse, right, the system itself. But what we decided was... again I come back to my point, is that whilst we are big, we are a different type of bank. We are a balance sheet like bank, okay, notional big balance sheet, but its fee-based assets, its wealth management, its asset management. It's a much less riskier bank when you look at it.

So, I think it's a particularly Swiss situation we had where resolution wasn't triggered, because the knock-on effect on the whole of Switzerland would have been profound and by the way according to the input we were getting that weekend, the knock-on effect globally could have been profound, because there are 30 SIFIs essentially and they are all interconnected anyway, which I think is a little bit of a broader point you are making rather than a Swiss point. And just for the record, the guy who is the 1, was Australian. He wasn't American, okay.

Sergio Ermotti

Yes, since we are talking about passports, the decisive factor for me being appointed was that I'm from Lugano, from Ticino not that I am Swiss. So, that was really the one that found that resonated very well with investors. And they really... that's...

Marsha Askins

We've got a question right here. Thank you.

Analyst

Thank you. Just one question to Mr. Ermotti. Ralph Hamers, thank to his team for the work done so far, managing transition now, do you feel that there are changes to be made into the management team of UBS under your...

Sergio Ermotti

I don't know. I will evaluate the situation and having to look at the team, you know, as Colm and Ralph explained very well, this is a different situation than the one we had 10 days ago or so. So, I will also need to look within the team and also on both sides, because Credit Suisse has a fantastic franchise, very strong businesses. There are very strong people there as well. So, I will look at this situation with open mind and do the best for, as I mentioned before you know, always the same. I do the best for the employees.

And when I talk about the employees, as of today, I'm talking about the employees of the combined entities. So, I will look at the combined entities' employees. There is no absolutely constraints in my point of view to address and manage the situation by having the best people available there.

Marsha Askins

Great, thank you. Speaking of being global, we are going to get back to the phone for a couple of questions. We've got Liam Proud from Reuters on.

Liam Proud

Hi, Sergio. Can you rule out returning, becoming Chairman after a few years?

Marsha Askins

And so, it began...

Sergio Ermotti

I haven't even started. My starting day is April 5th. You are asking me already what I'm going to do next.

Liam Proud

Yes, exactly?

Sergio Ermotti

So do you dislike me that much, Liam?

Marsha Askins

We do have a next question on the phone, Jamie...

Jamie Keaten

Good morning. Thank you for taking my call. Jamie from Associated Press. I just wanted to ask you about what you say to concerns expressed in some quarters? You've sort of addressed this already, but what do you say to concerns in some quarters that the merged entity could become too big to control for authorities in Switzerland with its holdings of derivatives and assets under management, other metrics that dwarfs the output of the Swiss economy overall. And it just seems to me that you mentioned that Mr. Kelleher about job 1 being stabilizing the situation. I was wondering if you could drill down on that a little bit please, because it seems to me that you have a lot of constituencies that you have to be thinking about, lawmakers...well, I guess I could just spell it out I guess very quickly, lawmakers, regulators, employees, bank customers, et cetera not to mention the bondholders and shareholders themselves. And if you could just mention how much for example, the AT1 bond situation is... I am trying to rectify that for both internationally and the importance of that, in your thinking going forward.

Colm Kelleher

Well, what I love about some of these questions is they just turned into about 8 questions. So, I have to... so, I'm trying to remember the various component parts. 1, I think, Jamie, we have talked about too big to fail. Not all banks are the same. Our balance sheet is a capital-light balance sheet. It is mainly a fee-based fiduciary balance sheet and that is what we will continue to do improve, and we have given you targets and how we're downsizing the RWAs in the business.

2, we are going to downsize as quick as we can the non-core units and ancillary businesses at Credit Suisse.

We are very comfortable with the size of the balance sheet dedicated to the bank in UBS for our investment bank. Of course, Sergio will look at that afresh, but we are... and we are going to disclose that on regular intervals. Sunlight is the best disinfectant. You will see the rundown of these positions and any revisions we can give on costs we will continue to do.

In terms of the integration, you summed it up. Absolutely right. We've got 2 storied franchises coming together, a lot of pride, a lot of people who are worried. We have to tread this delicately. We have to pick the right people and it will take us time, but we will be very sensitive. And it's one of the reasons why we've appointed Sergio. We're going to be very sensitive to all these constituencies. He is well known to both banks. He is well known globally. And in that sense, we will deal with this. And you mentioned a number of constituencies. Each is as important to us as every single one is an important stakeholder. So, I can only say this, wait and see how we're progressing. We will continue to disclose, and we will deal with the issues as they come up. Okay?

Marsha Askins

I think we've got time for one more question on the phone. Nathalie?

Nathalie Olof Ors

Yes. Hi. I would like to... my question would be in 2 parts. I would like to know how long the transition would last and what Mr. Hamers intends to do afterwards. And to understand, I completely get why you feel that Mr. Ermotti is the most appropriate person for this job. But if you could rephrase it, Mr. Hamers has a very good track record at ING for helping this Dutch Bank to get out of the financial crisis. Why is Mr. Ermotti more... the better pilot, as you put it in this specific situation?

Ralph Hamers

Well, so you take the second part, I'd take it. So, on the first part, clearly our focus is, Natalie... I mean, we're professionals around this table, really. And there's so much to do, really, that in the foreseeable months, there's... I'll work alongside Sergio, where he needs me and in order to get this deal closed. What I'm planning to do thereafter, we'll see but for the next couple of months for sure, I will be working here as well.

And may be on the second question, I can say that as well. Yes, of course, I restructured ING. I sold several insurance companies. I listed 2 of them. I sold some asset management companies as well. I integrated several retail banks, even before I then sold them in India and in Thailand as well. I sold operating...

I merged operating retail banks in countries as well, but you know, in the end, you also have to look at Sergio's CV and where he comes from, and that is where the Board made a decision. So... and I support the decision I think in the interest of what needs to be done here in Switzerland.

As I have already indicated between the 2 banks is one that, you know, I would certainly have loved to do clearly. And that commitment will continue until I'm gone. But I will continue to be committed to make that integration work. There is a reason why I supported the deal, and why we worked so hard to do the deal. And of course, you don't do that if you don't want to do the integration yourself. But Sergio was a very good contender, and I think he is a good candidate to take it further also specifically for some of the risk in the Investment Bank.

Colm Kelleher

I have very little to add. We have 2 very capable pilots. The Board decided in the round, balancing everything up that for this next phase of this singly most important and complicated transaction, Sergio would be the preferred executioner of that for us. We see significant integration risk and execution risk. And that was the decision the Board came to and it was no reflection on Ralph's capabilities. It's just that we felt we had a better horse.

Marsha Askins

Great, thank you. We are out of time. We can take further questions through the media team as normal. Colm, any final remarks from you?

Colm Kelleher

No... look, I know that this has been a flurry of news over the past 2 weeks, and hopefully what we're doing is the right thing. And I think we've got the right team assembled. We need to explain our story to all our stakeholders and explain why this is a great deal, if it's executed properly, but it comes with risk. And there are numerous stakeholders who need to be placated on this. So, we will continue to disclose more information as this deal is executed better. Thank you.

Marsha Askins

Alright. Thank you all.

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