

Goldman Sachs European Financials Conference

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Q&A discussion

Speakers: **Iqbal Khan**, co-President Global Wealth Management and Jernej Omahen, Goldman Sachs, head of European banks research

Transcript.

A webcast replay is available at www.ubs.com/investors

Jernej Omahen

Ok, so first of all, welcome back to our European Financials Conference, but more importantly, welcome to our next session. This is a session on UBS. And we're delighted to be able to welcome Iqbal Khan. Iqbal is the Co-President of UBS's Global Wealth Management business.

And I think neither Iqbal nor UBS's wealth management operation need particular introduction. But just by way of very brief context: so, Iqbal joined UBS at the end of last year. Previously, he ran Credit Suisse's International Wealth Management business for a period of just shy of four years. And UBS's wealth management operation, as I think you all know, is the largest wealth management operation globally, and is unique in the sense that it has a truly global reach, essentially present on all key continents and it also has a full product suite.

Iqbal and I are going to structure this conversation along the four topics that you see on the screen.

But before I go into Q&A let me just pause here and say: Iqbal, thank you for finding the time to join us here today at our conference even though it is organized virtually. Thank you on behalf of Goldman Sachs and also on behalf of the clients that are joining us today. I am certainly looking forward to this conversation and I also hope that we make you feel welcome.

So with that, let me go into the first question.

So, Iqbal, you've joined UBS in what was a normal time at the start of your tenure but became a highly unusual time over the course of it. And I was just wondering: so, from your perspective as the co-president of the largest global wealth management business in the world, what are the factors that were really occupying you the most over this recent period and, in a sense, how have you spent your time?

Iqbal Khan

So thank you, Jernej, thank you for having me. Look, being able to run and co-head the largest wealth manager globally, as you mentioned, Jernej, together with Tom Naratil, is really a true privilege, especially in these unusual times. It is a privilege because this is the time where we get the opportunity to differentiate ourselves vis-à-vis our clients and to really demonstrate how we deliver value to clients. And I do feel that as I joined in October last year, we have a phenomenal franchise, it's a rock-solid franchise. I think Sergio, Tom and the team have done a phenomenal job in building this franchise. Three words that come to mind when I think about your question is: fascinating, challenging and equally extremely rewarding.

Fascinating why? So, I've grown up in Switzerland, studied in Switzerland, worked quite a bit of my life in Switzerland, known UBS from before, worked as a competitor to UBS, admired UBS, but getting the opportunity to look under the hood at the largest global wealth manager is absolutely fascinating.

If I think about the depth and breadth of this franchise, the investment content, and the unprecedented client access, and true global diversification – it really is very fascinating.

Now the environment is challenging. The operating environment specifically is very challenging. At the same time, I have to say, looking at the franchise, looking at the investments that Sergio and team have made over the past in technology, we've been able to be here for clients and serve our clients in a very undisturbed fashion, despite having needed people to work from home. And having very elevated volumes and interactions, specifically at the height of the crisis and volatility – we had more than 95% of people working from home, we've had two to three times more volumes in March, two to three times more interactions, and thousands of client portfolios.

Why is it extremely rewarding? It's extremely rewarding because, if you think about wealth management, people think about wealth management as sort of a finance business, or a business where we're just thinking about how we help clients invest, but if you think about it, it is a people business, it's an emotional business.

At this time you can really, really prove yourself as an organization, as a franchise, and what really I think drives anybody who works in wealth management, is 'how do you add value and how do you help clients navigate through a time like this'?

I think it's a defining moment for this industry, I think it's a defining moment for this franchise as well.

Because this is when clients realize who is actually adding value to them and who's not. And who is actually proactively working with them, bringing them ideas, navigating them through a storm, and making every interaction count. That really, I think, makes it truly rewarding.

What do I spend my time on the most? It's really mainly two things: clients and talent.

It's extremely important to get that pulse from clients and where they are in their respective life journey, and their respective evolution, and getting that direct feedback in terms of: are we differentiating ourselves, are we adding value, and what is it that we can be doing with our clients.

At the same time, since I joined in October, on a weekly basis I've had roundtables, one-on-one meetings with our talent, and continue to do so even in this time, we just do it virtually – very similar to the session we're having right now. It is so important to also have the pulse of your people and understand what is driving them, on a personal level but also specifically on a business level.

And why is it so important? Because Tom and I have a very clear job: we're here to create an environment and a set-up which makes it easiest for working with UBS or for UBS, at the same time making it rewarding for our clients as well as our people.

Jernej Omahen

Iqbal, so just sticking with the conversation that you're having with your wealth management clients – so clients in wealth management were very active in the first quarter of the year, for all the obvious reasons, portfolios were getting re-positioned and you alluded to the multiple conversations that you have in terms of portfolio reviews. How is a private wealth management client thinking right now?

What are the common themes in the discussions that you're having? What is your advice to these clients? And what kind of behavior do you expect in the near future?

Iqbal Khan

So let me just build on the client conversation I just had. Clients are looking for yield. Clients at the same time are looking for opportunities, given this crisis. And at the same time, they're also looking to be navigated through this time and looking at the equity markets, and where they are today, and what that specifically means for their specific positioning, right?

The client I was speaking to is an entrepreneur, very successful, and one of the things the client said, was: "Look, I can't just have piles of cash. And I'll do anything with it over the next 12-24 months. I can't just sit on cash. That's not really going to render me any respecting results."

So fundamentally, that automatically gets into the conversation of a holistic perspective across that client's business, that client's investment portfolio, the asset and liability side but more importantly, on the investment side we're seeing opportunities in credit, we're seeing more opportunities on the alternative side, distress opportunities are coming up and one of the things that I think we leverage on is, looking at us as the globally largest wealth manager, and also leveraging the investment bank, we get to see flows and what smart money is doing. What is smart money really doing right now?

Aside from our perspectives on the market, aside from our perspectives on where this market is going and how you should be invested, what is smart money doing? And we're really seeing that increase in terms of clients looking at alternative spaces and credit opportunities on the one hand side.

At the same time, if you think about more of the enduring opportunities post-COVID, or just because of COVID, it's clearly thematic: if you think about digital, digital transformation specifically – if you think about healthcare and sustainability.

Let me just touch on sustainability.

We've seen an increase in demand for sustainable investments. Just in the first quarter, a large proportion of the mandates that we were positioning with our clients were suitability-related mandates. We have a very, very strong offering wealth management for sustainability investments.

Also in Asia we've seen an uptick in sustainability-related investments.

So I think there are two problems here. One is: How do I get yield and how do I make my money work on the one hand side, how does that fit in to my liquidity-needs, my longevity goals as well as legacy, which is sort of like our 3-L approach, which is called Wealth Way.

How do you gear all of that together? And at the same time: what are the opportunities that are emerging, maybe with a mid to long-term perspective, given COVID?

Now you can argue digital transformation was already a topic before COVID-19, sustainability was one as well, and healthcare at medtech was as well. We've just seen a further secularization of some of these trends and secular trends through COVID-19.

Jernej Omahen

Iqbal, you opened an interesting topic before. You said, you know you talked to a large client and entrepreneur. He's obviously got resources and has cash, sitting in his wealth management portfolio.

Risk appetite is important for wealth managers. High risk appetite means ability to cross out product into your clients and generate revenue. Cash is kind of a pedestrian investment in the best of times, but today with negative rates certainly not accretive to revenues and returns.

Where is risk appetite? So Q1 so volatility drive repositioning of portfolio and clients engaging primarily because of that. But where do you see the risk appetite now in more general terms, and in the near term so let's say towards the end of the year? How do you see it evolving? And how important is it?

Iqbal Khan

So when we talk about risk appetite of our clients, I think let me step back for a second, because it's a very important question you're asking.

Number one: We need to think about how do we advise our clients. Because, if you think about what has gone on in the markets, I think what it has done is clearly created more need for advice, quality advice – advice that is not transactional, it is holistic. And when I talk about holistic, it's assets and liabilities, liquidity, longevity, legacy – and it also takes the perspective of "What is your bankable situation?" and "What is your non-bankable situation?". Because we cannot just focus on the invested assets with a given institution.

We need to think about all the other components in the entirety of the wealth of our clients.

So that on its own without risk appetite, or without the talk going into right now quickly in the details of risk appetite, but I think that is the most important piece – right? That is, what I think, differentiates us and through the volatility we've seen in the market and the way the markets have moved, has actually created more need for that advice and proactivity towards clients.

So I think that's number one.

And if you look clients, in terms of your specific questions around risk appetite, I think it's a bit of a bifurcation in terms of clients: so, some clients have higher risk appetite and see opportunity in this current market; and others see more risks or are more conservative, given, where for example the equity markets are – right?

So clearly more caution related to the equity market but at the same time, clients who will put money to work are looking at, as I mentioned before, alternatives, distressed assets, credit, private markets – private markets on its own is a huge opportunity.

Think about the networking effect a UBS can bring to bear for our clients. Now I build on the same conversation I just had this morning with this client. One of the things he was particularly interested was the network we have. Because within our network we can source private opportunities and we can distribute private opportunities, which in my view is very valuable to clients and can deliver additional investment opportunities on the private side.

Sustainability globally remains a focus also for clients.

The more cautious clients are thinking about: “How do I diversify?”, “How do I diversify more broadly?”, “How can I hedge?”.

Just had a client interact with us in a transaction where we did, we helped the client re-enter with a structured solution.

So risk appetite clearly is mixed in terms of how clients are positioned, what their respective situations are, and it is differentiated. But equally it has a lot of opportunities, as I just mentioned.

Jernej Omahen

Drawing on that, I think you outlined well how, what the immediate effects of this public health crisis are and how it's changing your interaction with clients, and how it's changing the immediate thinking of clients. Is it too early to make slightly longer term conclusions as to how you expect, when things normalize – and eventually they will – how you expect the longer term client demand for wealth management services to change or to be impacted by what we are currently going through?

Iqbal Khan

When we were going into this year and we set out our plans, our CIO and the team brought out the decade ahead, and that decade ahead was titled 'The Decade of Transformation', and listing a number of secular trends, be that digital, be that sustainability, be that thematic and so on. And more importantly, that we believe that advice is going to be very important. And we will be seeing through COVID-19 and this crisis situation that all of these secular trends have actually accelerated.

We believe that the need for advice is more relevant today than was even before, and clients are willing to pay for advice, and willing to pay a premium for quality advice.

We look ahead, I think there are a couple of things that become clear with everything that's going on in the market: the world will be more indebted, it'll probably be less global and more digital.

Now, how's that relevant for client demand? Well, if the world is becoming more indebted, and rates remain low, and we do see higher inflation, potentially higher physical charges, the demand on our client side will have to take all of that in consideration, whilst planning is going to become very relevant, search for yield is going to become very relevant for our clients. Just holding cash is not going to be an option mid-to-long term.

If you think about the world becoming less global, you could argue that if you take specific regions for our clients, their specific region-specific risks are increasing potentially. So global diversification, how you diversify your clients assets, and how you support them, is going to become even more relevant. Multi-shoring is going to be even more relevant; so if you think about that, who is better positioned than UBS when it comes to global diversification, given global reach and regional mix of businesses that we have.

I think it's pretty obvious that things are going to become more digital, because we did see a technological adoption over a couple of months that would have otherwise taken years.

So investments in technology and digital transformation are just going to become more relevant. Once again also there, either from a business perspective or client demand perspective, that is something we believe we can help our clients with. We believe that now more than ever, and even mid-to-long term, clients are going to value a relationship based on who is adding value and who is not.

Wealth management is not a quarter-by-quarter business, it is not a week-by-week business, it is all about life-long relationships anchored around delivering value to our clients. And the two fundamental principles that we run our business by is: whenever we do anything, the questions people need to ask themselves on a regular basis, is "How is this beneficial to the client?", "What is the value to be delivered to the client?" and "How does that result in a better outcome versus the institution?"

If I go through a presentation with the team or Tom and I are having conversations with the team, and somebody comes up with a presentation that starts with a structural discussion, we just put the presentation aside.

The two fundamental questions that always have to be answered in a business that is there to serve clients, is "How is this better in adding value to our clients?" and "What is the commercial outcome?" and that's not going to change fundamentally.

Jernej Omahen

Here's a question I'm generally interested in in your answer: Global Wealth Management chases GDP growth around the world. Particularly for an institution like UBS, GDP growth means value creation and that's good for wealth management businesses.

I've done this for a long time – this is the first time when we see a synchronized decline in GDP, GDP contraction around the globe. Can a global wealth manager do well in a world where GDP is contracting? And, perhaps, a follow-on that is even less intuitive: can a global wealth manager grow into a contracting GDP?

Iqbal Khan

Jernej, so, if you look at GDP and yes, there is GDP contraction in a low-yield environment. Are those challenges for a wealth manager? Absolutely, they are challenges and pose headwinds for global wealth managers. At the same time, if I step back and think about UBS and its global footprint, its size, scale, regional diversification – the focus on advice: it's more about growing share of wallet with our client and productivity. So there's clearly opportunity to mitigate headwinds and to grow. I think they are multiple levers. And the two main levers that we are focusing on right now is to share that wallet with our clients – leveraging off the back of our unprecedented client access that we have globally, using the benefits of our network, as I mentioned the example of private markets earlier, and last but not least focusing on productivity.

Jernej Omahen

Right, when you start analyzing banks, one of the first things that you are taught is: banking is a scalable business. Unit costs fold the bigger you get. And you should try to scale out as much as you can. We look at UBS and its scale, and compare it to wealth manager competitors in your markets, you know, where you compete around the world – all of them are much smaller than UBS. Some of them have returns that are lower. Some of them have returns that are on par with UBS, and some of them have returns that are higher.

Why doesn't scale translate into superior returns? Or why hasn't it today? And what is the scope to get there in the future? Or to just boil it down to a single, very short question: what is the benefit of being big in wealth management?

Iqbal Khan

So look, scale can be your friend but scale can also be your enemy. And one of the things Tom Naratil and I are very focused on is making sure scale is our friend. The larger an organization gets, it can lead to complexity to some extent: multiple management layers, layers within the value chain, some of the things that we have initiated – Tom and myself – which are not new things, they are building on a very, very strong franchise and a lot of work that has been done, and ideas that have been there: we are focusing on faster execution.

The initiative that we launched it's called 'Elevate' and it's relating to how do you elevate the business to the next level, which is very much building on what you're saying.

Some of the things that we did center around: 'simplified' presentation and more tailored segmentation of our client base, focusing very much on their needs and not just their asset base per se.

The second thing we've done is really getting closer to clients, giving our businesses more autonomy, but also entrepreneurial responsibility. We've delayered our management hierarchy on a horizontal basis by multiple layers, bringing decision making closer between client and the business, and at the same time, looking at the value chain.

One of the things that Tom Naratil implemented in the US very early on was thinking about our business in a bit of a different way.

So let's look at our value chain: its capability, content, coverage. What is very important? Client getting through that value chain as quick as possible, as seamlessly as possible, to get to a solution.

How do you do that? Unify your capabilities. One example of that is 'Unify global markets' together with the investment bank.

Which leads me to the third point, which is 'One UBS' – that is the third key emphasis that we are very much focusing on.

And unifying global markets – why is that so differentiating for clients and why should that deliver more scale, more productivity and better outcome for our clients, and give us a better shot at gaining share of wallet? Well, simple: largest global wealth manager, truly global, we see all private flows. Now you're marrying that up with institutional flows, so unify global markets team is one team serving institutional clients and private clients

Now think about that: if you marry that up with a house view with quality advice, holistic advice, asset and liability – focusing on liquidity, longevity, legacy – what you're doing is you have a market view, you're having this very valuable conversation centred around advice with your client.

But at the same time, coming back to the client conversation I just had earlier this morning – you can tell that client "What are we seeing?", "What are other clients doing?" – "What are other clients doing? Is that on private client flow or institutional flow?", "What is smart money doing?" That is differentiating. And if you build upon that, clearly that does bring material scale advantage.

Now, another example why scale is important is: think about technology investments. I think it's very clear, and more clear today than it was potentially earlier, you need to make technology investments, you need to build out digital capabilities.

I think Sabine Keller-Busse, our group COO, and Mike Dargan, our head of technology, have done a phenomenal job, because we were able to manage through this crisis undisturbedly. We were open for business, we were there for our clients, we were exchanging with our clients, just give me one stat: we had CIO, the regional team and myself, we hosted a webinar with clients with 6,000 active participants at that webinar.

So technology's been very strong, but we need to invest with digital interaction, omnichannel, so you need scale, you need the size to afford that.

Jernej Omahen

I don't think you can be a global wealth manager without being present in the largest economy in the world, obviously in the US: well over a trillion of invested assets in the United States for UBS, but part of the global wealth management business which we, from the analytical side, sometimes struggle with: growth has come from appreciation of assets, rather than net new money.

The margin is sometimes thinner than elsewhere in the world. Why is it so important that UBS has scale in the United States?

What is the operating plan for the US? And what is the forward for that particular part of the business?

Iqbal Khan

If I look at the US business and what the team has done over the last couple of years, and I just look at the improvement of profitability and productivity in that business, looking at PBT of the last four quarters, compared to 2016, we see a CAGR of 11%, and a productivity increase of the advisors by roughly 1/3 from 1.1m to 1.5m.

So I think the trajectory in terms of productivity and gaining share of wallet from clients is on the right track in the US and to be very candid, some of the things that Tom and team have executed in the US, we've also imported outside of the US: one of the examples was Unified Global Markets. Another example is actually this emphasis on productivity and gaining share of wallet.

If we then think about what you were mentioning in terms of profitability or thinner margins to some extent, I mean, there's an industry, there's a market in the US, and it has its own specificities. Nevertheless, if we look at a number of the initiatives that we're working on, be that in the Ultra-High space, be that in the Private Market space, be that in the financing space, be that around the platform in the US, these are all measures that we believe will continue to improve productivity and profitability in that business and support growth.

Jernej Omahen

We started off by saying UBS is the largest wealth management business in the world and we covered scale. We then said UBS is the only wealth management business in the world that is truly global. And I think we covered the key geography and the necessity for that.

But you also said that UBS is the one global wealth management business that has a full product suite. Within the product suite, leverage, ability to offer loans, Lombard loans to your high-net worth clients seems to have become more important as time goes on.

And I wanted to ask you two questions: so one, you're quite explicit on your guidance for Lombard lending recently. I was wondering to what extent guiding or targeting a certain volume of newly oriented loans still makes sense, just given just how much the operating environment has changed.

And the second question I want to ask you is: how do you think about this Lombard loan portfolio from a risk perspective. How likely is it that the environment incrementally deteriorates from here? And it's an open question whether it will or not.

How likely is it that the Lombard loan book becomes a source of uncomfortable credit risk for the group?

Iqbal Khan

So a couple of things on lending: number one, the target that was set was, is a target that existed already since '18. The emphasis on using leverage is a target that's actually fundamentally unchanged, and was here before I even joined UBS.

But thinking about this again from a client's perspective, why does it matter? Does it make the outcome better for the client? Is it valuable for the client? And then the second question is: "Is it valuable for the shareholder?"

And I think: yes, absolutely. If it's valuable for the client it's valuable for the shareholder, and also comes to build on the point that you were making around scale: it also provides support in terms of scale and operating leverage. I think it's no secret that if you look at client leverage compared to invested assets, we clearly are at the lower end of penetration.

Now, if you look at the target per se, it's not even 1% of our invested assets. So even if you look at the annual target, it's actually less than 1 percentage point in terms of penetration, so I do not feel this is a target that is unachievable, but very much is driven by client demand.

If we look at Q1, we actually saw a very good client demand. We did see an uptick in net-new lending, the gross amount was higher, we did see some deleveraging. And absolutely, again coming back to the point, it's not a quarter-on-quarter business, it's not a daily business, it's not a weekly business when we think about wealth management.

But it always follows the same fundamental principle: "Is this something that clients need?" and "Does it deliver value to our clients?"; and absolutely, more and more clients think about assets and liabilities, bankable and non-bankable.

And playing a role and being relevant for our clients, from a leverage perspective, is very relative because it is part of the holistic experience and it addresses needs that clients have.

A lot of our wealthy clients can be asset-rich at times, can be holding a lot of liquidity and sometimes they're more asset-rich than they are liquidity, and they have liquidity and they do then have respective liquidity needs.

Looking at some of the experiences we've gone through and working with our clients, a number of clients saw opportunities and did use leverage, as seen in Q1, as seen in the numbers.

So I believe, and we believe, fundamentally that it is not a new strategy, number 1; it is a target that we've had since 2018; it's less than 1 percentage point of penetration, when it comes to lending versus invested assets; it is something that is part of a holistic experience for a client, it is something that clients demand.

So first to be relative for the client, which is something that is just an add-on within the entire suite of services and solutions that we provide.

In terms of riskiness, again if we just take Q1, I think Q1 was a stress test for a number of situations around lending and balance sheet extent and I would say that we fared very well: the total CLE amount was, I think, roughly 50m, of which some of it was modelled and some of it was related to actual provisioning, which is a very small amount.

If we look at margin calls in Q1, specifically in March, which was really the height of volatility and correction of the market, we had I think roughly 3% of clients with Lombard loans that actually were confronted with a margin call. So I would think that we have a pretty conservative approach to lending. We do it on a collateralized basis, we look at the entire relationship of a client.

But fundamentally, we don't do it as an objective, we do it as a means to an end. Lending is part of the entire offering, and is one that is relevant to clients and for us to be relevant to clients, is something that we need to provide.

Jernej Omahen

Switching text slightly, I think I've lost count of how many times in this conversation you've mentioned technology and I've mentioned technology. The two of us are meeting virtually now, none of us are travelling, all the meetings are taking place in this format.

You've pointed out some of the benefits of technology: it's fully scalable. You had 6,000 clients join you on one of your calls, as per one of your previous comments.

It just feels that obviously this is disruptive and we'd like to go back to normal but it feels that the new normal is going to be different from what we were used to before.

It feels that we've frontloaded of what would otherwise have been a much longer process, of introducing technology and adapting our work processes along technology.

What parts of what we are using today, what part of leveraging the technology more, do you think are going to stick around and to what extent, do you think, some of the best practices that we've acquired now are likely to continue in the future?

Iqbal Khan

We are very much thinking about exactly that question and one thing that we've seen is, if you just look at the last couple of months, you could argue and say that we've had technology adoption that would have otherwise taken years. So in months, just in a couple of months, you've seen more technology adoption than you would have otherwise seen in years.

So coming back to the point that I made before: is digital transformation and technology relevant? Absolutely. And was it relevant before this situation? It was.

But it got accelerated to a point which makes it even more relevant in the future. You mention our interaction. Today, more or less every interaction is the way we are having this conversation.

And being able to use that and leverage that will lead to changes. And what is also interesting is, you know, again we need to think about the client in all of this. You also need to have the clients, and clients adopting technology and wanting to interact through omnichannels.

And I think that is very different, and has been different by regions and by markets: not all clients are digitally savvy, not all regions have the same digital usage and adoption but what happened through this situation was, everybody needed to use it.

And I can see it on myself, my own self – I realize it is pretty efficient. And once you've actually realized that it's efficient, it is something that does deliver the same level of value, you are going to use it. And this adoption is going to continue and this will lead to things like "Do you really need to travel as much as you travelled before?", "Will you need to have the same level of physical meetings as you did before?", I personally don't think that the physical interaction is going to go away. We are in a business of trust, and we are in a business of being able to express that trust. But you could argue, and I think we will be seeing that you will be doing materially more through technology than you did before.

What is also interesting is that a lot of the technology was already inhouse. You don't get to have this level of adoption in a very short period of time if that technology wasn't available, or deploy that technology without any significant disruption, to remain open for business and have those interactions with clients, and with your people. So that technology was there, it just wasn't being used to the same level as it could be used.

So I do believe that this is going to have a lasting impact in terms of how we interact, and how we do business.

Jernej Omahen

Which now brings me to the final question: we talked about UBS now, for the entire length of this conversation, but Iqbal, you are in a pretty unique position in that you have headed the International Wealth Management business of your largest competitor for a number of years, know it inside out, you've now been at UBS for nine, going on 10 months, so you are getting to get know UBS very well from a unique standpoint as the co-president of the global wealth business.

When you compare and contrast UBS versus the competition, and I don't want to ask you the question too directly because I'd like you to be able to answer it, but when you see comparatively the biggest opportunities for UBS, where do you think that you in your position can make the biggest difference, knowing what you know about the very broad competitive set?

Iqbal Khan

So, looking at UBS and looking at the franchise, and I need to apologize I might sound a little bit repetitive to what we have already been saying.

Number 1: global franchise, regional diversification, 2.3 trillion of assets. What gets me excited? A 1% move any way of those assets is hugely significant to bottom line.

The network of clients that can be globally connected, leveraging that network to the advantage of our clients and our shareholders can be extremely powerful, and what I've experienced having been at UBS and another wow experience is: when UBS and the teams are all aligned and we're delivering, it is pretty material and significant in terms of outcome and results.

We've seen some of that in Q1. So if I just look at all of these elements, I personally believe that there is significant potential in our Global Wealth Management franchise and Tom and I have one clear job: it is to execute and to deliver convenience to our people and to our clients, making it easier and rewarding for our clients as well as our people at UBS.

And I personally believe that that does give us a lot of potential as Global Wealth Management and as UBS on a go-forward basis, notwithstanding there are challenges and headwinds that we are all confronted with, either from a market environment perspective, be that do to fee contraction, or a lower yield environment, or what has been going on in the markets.

So absolutely, there are headwinds in this business, but I do believe there are multiple levers for Tom Naratil and myself to execute upon and execute seamlessly and fast.

Jernej Omahen

Excellent. Well, Iqbal, look, we've come to the end of this conversation. I think remarkably, we have covered everything that we set out to cover in the time that was allotted to us. It's certainly very convincing. And I'd just like to thank you again for this and I most certainly hope to see you hopefully in person, at some point in the near future. Thanks again.

Iqbal Khan

Thank you, Jernej, I really appreciated you having me and looking forward to seeing you one-on-one, not just through a digital channel.

Jernej Omahen

Thanks a lot.

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. While these forward-looking statements represent UBS’s judgments and expectations 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 globally to reduce the peak of the resulting pandemic will likely have a significant adverse effect on global economic activity, including in China, the United States and Europe, and an adverse effect on the credit profile of some of our clients and other market participants, which may result in an increase in expected credit loss expense and credit impairments. The unprecedented scale of the measures to control the COVID-19 outbreak create significantly greater uncertainty about forward-looking statements in addition to the factors that generally affect our businesses, but 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 and other changes related to the COVID-19 pandemic; (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, and the extent to which such changes will have the intended effects; (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 recently enacted and proposed 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) 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 2019. 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. © UBS 2020. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved

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