

# Morgan Stanley European Financials Conference

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Speech by **Kirt Gardner**, Group Chief Financial Officer including Q&A session  
Moderator: Magdalena Stoklosa, Morgan Stanley

## Transcript.

**Numbers for slides refer to the 2020 Morgan Stanley European Financials Conference presentation. Materials and a webcast replay are available at [www.ubs.com/investors](http://www.ubs.com/investors)**

## Magdalena Stoklosa

Good morning. I'm delighted to be joined for today's fireside chat by Kirt Gardner, Chief Financial Officer of UBS, via a conference call from Zurich.

Now, our session will be slightly different in format today. Kirt will first present a few slides, and then we will continue to our fireside chat.

## Kirt Gardner

Thank you, Magdalena, and good morning to you all. We are happy to participate, and congratulations to you and your team on organizing this conference despite COVID-19.

Before I go on with my opening remarks, let me draw your attention to our usual cautionary statement, on the first slide.

### Slide 1 – Important information

With everything that is going on in the world around us, for me personally and for us as a bank the safety and well-being of our employees and their families are our utmost priority. Through their dedication and hard work, we continue to provide high-quality advice to our clients at the time when they need it most, while ensuring operational resilience.

Both me and the entire UBS management understand our role in society very well. We are committed to use our significant resources to provide support to our clients and the broader economy, which brings me to Slide #2.

### Slide 2– COVID-19 – an update

The social, health, market, and economic dislocations precipitated by the COVID-19 pandemic are unprecedented, requiring far-reaching changes to how we all work and interact socially. We are deeply concerned for the well-being of our clients, employees, and their families and public safety across the geographies in which we operate. These are very challenging times for all of us.

The impact of the virus and resulting policy responses are evolving fast, placing continued pressure and stress on our communities with significant implications for our industry. As a global business, we have been reacting to the virus since it first appeared in Asia, where we implemented flexible working and split teams early on. Since then and as the virus spread, we have been expanding our tech infrastructure capacities to accommodate an increased number of employees working from home, while maintaining our ability to serve our clients.

Following the Global Financial Crisis, we have structurally reduced our risk profile by having capital strength and asset gathering businesses at the core of UBS's strategy. Over the years, we have demonstrated this model handles adversity well.

Our conservative funding profile and highly liquid balance sheet make us well prepared for this environment. We have repeatedly passed stress tests and continue to lend to individuals and businesses across our franchises, facilitating investments to fuel the economy.

Prior investments in technology infrastructure are paying off for us. We have successfully, without interruptions, managed very high volumes across our businesses, particularly in our trading operations.

In terms of financial implications, it is too early to fully assess the impact on individual institutions in the industry. Some headwinds are unavoidable, but our revenue base is diversified both across geographies and income lines. We are managing the bank responsibly, preparing for different scenarios, and we'll provide further guidance on the revenue impact of lower equity markets and interest rates at our first quarter earnings.

We have a conservative risk profile, a high-quality credit portfolio, and relatively limited exposure to highly impacted industries like oil and gas or air transportation, at \$1.4 billion and \$1.9 billion, respectively.

While we have seen a significant increase in margin calls, we've experienced very few losses to date across our Lombard portfolio, where our average LTV was 50% as of the end of 2019. IFRS 9 expected credit losses will likely increase moderately.

Our capital-light investment bank model, with limited exposure to rates and credit while being overweight equities and FX, is also a plus in this environment. And with our newly integrated capital markets model, we have been able to effectively manage our risk exposures in hedging across asset classes in a dynamic and agile way.

Serving our clients remains a top priority, and we are actively engaged in facilitating their trading at a time when liquidity is at a premium, affecting our balance sheet. Also, as you know, higher market volatility and higher VaR lead to higher RWAs.

Many of you may ask how the current situation impacts our recently announced priorities. We address this on the next slide.

#### Slide 3 – 2020-2022 priorities

In January, we presented a clear path forward to drive higher and superior returns by further developing the strengths of our businesses, as well as enhancing collaboration and delivering more as one firm to our clients. While we adjust our operations to the new reality, these priorities remain firmly on our agenda, and we are actively executing on them. Next slide, please.

#### Slide 4 – Elevate our Global Wealth Management to new heights

Growing Global Wealth Management is instrumental to our plans. Iqbal and Tom have developed their priorities for taking the business to the next level and are now implementing what we announced in January. We are progressing with the onboarding process in Global Family Office and are on track to meet our goal of 1,500 clients. This will allow us to make more out of the collaboration between GWM and the IB in a segment where it is an essential differentiator.

We are also happy with the progress we made following our decision to introduce zero investment advisory fees on separately managed accounts. As a result of this collaborative effort between GWM and Asset

Management, inflows into SMA products have exceeded our initial expectations, attracting roughly \$6 billion in net new money for Asset Management quarter to date and a total of \$15 billion since we communicated this initiative.

As I said back in January, we are implementing actions to offset the impact of negative Swiss franc and euro interest rates. We are offering clients with concentrated cash positions in these currencies options to invest, reduce their balances, or reprice. We have seen around \$8 billion of outflows related to this initiative quarter to date, benefiting our NII while reducing LRD. Moving to Slide #5.

#### Slide 5 – Our sustainability drive

Sustainability is one of our top strategic priorities, both as a way to address our clients' increasing interest and as a way of managing the bank. We were a pioneer and are a recognized leader in the area, topping industry rankings in the Dow Jones Sustainability Index for five years running.

We are also a leader in providing sustainable finance solutions for our clients. And as a result, our core sustainable assets have more than doubled since 2018, to nearly \$0.5 trillion. Also, our first 100% sustainable cross-asset portfolio for private clients has recently surpassed \$10 billion in assets. But we are not stopping here. As we speak, we are expanding our thematic offering with a new series of sustainability-driven investment strategies. The first one, focusing on waste management and built around waste reduction bonds, was launched in February.

As to our own contribution, through strategic choices and decisions to tighten financing for certain industries we reduced exposure to carbon-related assets by two-thirds in the last two years. Also, going forward, we will refrain from financing new greenfield projects related to thermal coal, oil sands, and Arctic offshore oil drilling. Next slide, please.

#### Slide 6 – Balance sheet strength

Since 2012, UBS has increased its CET1 capital by a-third, to nearly \$36 billion, and with around \$90 billion in total loss-absorbing capacity, building a balance sheet that is for all seasons.

Our resilience is further supported by a highly capital-generative business model, which delivered nearly \$5 billion in CET1 capital before buybacks and dividends in 2019 alone. Our capital position is reflected in top-class ratings from major credit rating agencies. Moving on to the next slide.

#### Slide 7 – UBS at a glance

To summarize, we have an unparalleled Wealth Management franchise, complemented by our premier Universal Swiss Bank, Asset Management, and our Investment Bank. High-quality advice and collaboration for the benefit of our clients are in our DNA.

The full implications of the virus for our industry and the global economy are very hard to assess, but they will be profound. 2020 will be a transformative year that we will all remember for a very long time.

UBS is strong, resilient, with well-diversified sources of revenues, and we manage risk prudently. We care for our staff, our clients and are conscious of UBS's role in the economies and societies. The last few weeks demonstrated our ability to quickly adjust and offer advice and solutions to meet clients' evolving needs. We are working hard to bring the best of UBS to them every day.

With that, Magdalena, I'm happy to take questions.

## Q&A

### Magdalena Stoklosa

Thanks very much, Kirt. You've touched upon the impact of COVID-19 right in the beginning of the presentation, but let me come back to that. Because given the volatility in the markets, given the policy shifts, kind of the ever-changing policy shifts, how do you see those impacting how the clients interact with you, kind of both on the Wealth and Investment Banking side? And how do you risk-manage?

### Kirt Gardner

I think maybe, firstly, just an overall comment. We've seen of course responses globally from central banks, policymakers, and regulators, and much of that has been coordinated through dialogues with our industry. And certainly, that response has been helpful for broader economies, for us as an industry and our ability to be able to serve clients, manage our risks, and also to maintain levels of liquidity that are needed when liquidity is certainly at a premium, in addition to providing some relief to specific segments. And that's been very positive.

And now onto us, specifically, as UBS. Naturally, as this has evolved very, very quickly, we, too, have adopted how we interact with our clients. And I think the first realization – and we saw this in Asia – was that face-to-face interaction was no longer appropriate. And so, therefore, we have adopted a remote protocol for how we interact with our clients. And what we've found is that that's been very, very effective, well accepted. It's not impeded our ability, at all, to be able to provide advice and to actually present proposals, respond to RFPs. And we've found that it really has not impeded business, over all. So, we've been pleased with how that's worked.

We've also adopted of course formal remote meetings. We've used technology and other channels, like WeChat, which we just deployed in Asia-Pacific, and Zoom, along with online forums for presentations from our CIO. We've adopted a number of podcasts that are thematic and appropriate. Another interesting one, we actually created an online viewing room for Art Basel in Hong Kong for our clients that were interested in purchasing art, and we found that this was very, very well received.

Now, of course we've seen extreme spikes in volumes. We've seen drawdowns in credit facilities. We've seen extensive margin calls across the industry, and that's been both with our institutional clients as well as our Wealth Management clients. Fortunately, to date, and thanks to the technology and the infrastructure investments we've made, there have been no disruptions, and we've been able to accommodate all of that for our clients on their behalf.

Now, over all, if I just turn to risk, I think, firstly, of course, like I'm sure many of our peers, we are operating with a daily task force. In fact, we have two: one to address business continuity management and one to address risk, liquidity, and finance.

In addition to that, in terms of lending, we've had a significant spike in margin calls, again, as you would expect. We've seen extreme volumes and we've managed those on a daily basis. Thus far, we've seen limited losses, as I commented. And fortunately, going into this our loan-to-value ratios on our Lombard loans was at 50%. In addition to that, as I highlighted, across our loan portfolio – and again, as an effect of the focus of our Investment Bank, which is capital light – we have relatively limited exposure to the industries that are most affected.

Now, on the market side – and I commented on this, as well – we've benefited from the reorganization that we made. As a consequence of integrating across asset classes – so, integrating fixed income as well as equities – we've been able to look at correlations across all of our asset classes and dynamically manage the trade-offs as correlation moves with the unprecedented level of market disruptions. And that has allowed us to dynamically manage our hedging in our capital allocations.

In terms of liquidity, I highlighted of course that there is stress on liquidity, very broadly. We have daily liquidity calls, and we've been well coordinated to date. And since we entered, again, this crisis with extensive liquidity across our businesses, we feel good with where we are in a liquidity basis.

And then, finally, I just might mention our Swiss portfolio. Firstly, concentrated in mortgages naturally; that could be a second-order effect. We've not seen it to date. But I would highlight that our loan-to-value ratios in that portfolio are at 54%. A 20% drop in housing prices would only – we'd see 99% of our loans covered by their housing values. And on the corp and SME side, we've got about \$24 billion in exposure, and that's an area where we continue to assess.

## **Magdalena Stoklosa**

Perfect. Thank you. Now, with the changing backdrop and the markets and kind of macro disruption, the group strategy, which you again talked about in the slides, kind of involves growth in revenues against broadly flat costs. Now, is there a flex in the operating cost base to accommodate that weaker revenue environment that we're expecting, given the economic kind of disruption? What can be done to manage the cost base down, kind of similarly to some of the kind of savings that we have seen back kind of last year?

## **Kirt Gardner**

Magdalena, I think we've been quite clear on our cost guidance that we reiterated during our fourth quarter earnings, and that is we're committed to maintain our costs flat. You'll see on Slide 12, where we highlight, going forward, we actually expect about \$1 billion of investments this year that we've built into our plans. And that's investment in the business, investment in our infrastructure, and also of course investment to meet regulatory priorities. We're offsetting that with \$1 billion in saves. And over all, that maintains our trajectory flat.

And as you highlighted, in 2019, we were able to generate \$1 billion in saves, which included around \$400 million that related to what Sergio referred to as our fuel-saving mode, where we delayed investments and hiring in order to accommodate what was a more challenging revenue environment than we had anticipated. And that \$1 billion, it also included of course the natural hedge around our variable compensation, along with lower litigation, helped us to offset a large part of the revenue reduction that we saw.

And so, of course as we enter this year we still have that planned \$1 billion in investments. We will deliver on that \$1 billion in saves. And that \$1 billion in investments, as we look at how this is likely to impact the rest of the year, it does give us some flexibility to be able to delay or change the pace of our investments to deliver our saves, over all.

But I would like to re-highlight the importance of maintaining our investments in the franchise. I think you've seen that in our digital leadership position in Switzerland. You've seen it with what we're doing with Broadridge in the U.S., and we're deploying what we think is going to be the leading platform in that industry in the U.S. You've seen it in the investments in our electronic trading platforms in our Investment Bank, which have been critical for our business model, but also have been critical in terms of enabling us to absorb the volumes that we're seeing today. And also, broadly, the investments in our infrastructure, which has allowed us to accommodate the fact that we've had three times as many people working remotely. And also, we've had extreme operational events and volumes that we've had to absorb.

## **Magdalena Stoklosa**

Perfect. Kirt, you've also put up your '20 kind of – you've set up a series of targets for 2020 as a part of your longer-term goals which you have again reminded us of in today's presentation. How do you think about those goals and tracking towards them given what's happening at the moment?

## **Kirt Gardner**

I think this is going to be one of the most challenging consequences of what we're all facing in our industry. It's ensuring that we maintain our focus on delivering against our strategy and we make good progress while we're managing and reacting to very extreme movements in the market as a consequence of the pandemic.

And I feel good to date about how we've been able to accommodate that, and I talked a bit about the fact that this year was all about execution. And already, if you look at what we've accomplished year to date, I mentioned in GWM we're on progress to onboard 1,500 GFO clients, from a 600 base, and that's progressing very well.

We've implemented simplified SLA arrangements between the IB and GWM, which is allowing us to deliver better advice and better capital markets execution to our GWM clients, along with facilitating some of our lending priorities and objectives.

In addition to that, we've implemented the more simplified organization structure, which has eliminated and streamlined layers. We're in process of implementing our three regions across EMEA, which will make us much more responsive strategically to our client requirements.

I talked a little bit about the SMA initiative between GWM and Asset Management, and the fact that we've seen \$15 billion in inflows, which far exceeds our plan and what we expected.

In addition to that, I talked about the IB and some of the progress we're making on their reorganization towards the targets that we've established for the IB.

So, fortunately, year to date, I would say that we're pretty much either on schedule or ahead of schedule in terms of executing against our strategy, with an important caveat that of course the escalation of what we're seeing is developing in a very fluid way and we really have only seen it spike as we've gotten into March. And so, we'll know more later.

## **Magdalena Stoklosa**

Yes, no of course. Kirt, let's move on to kind of Wealth Management. As a part of the plan, kind of a lot revolved over the quite hard loan growth targets. Kind of in them we've talked about \$20 billion per annum of the extra volumes. Given that you've talked about kind of the behaviour of the Lombard loans kind of already, how do you manage the balance between this aspiration and pretty much recessionary risk?

## **Kirt Gardner**

I think, firstly, importantly, we of course announced at our 2018 Investor Update that lending was one of our core growth platforms and critical for us to be able to achieve the target growth, over all, in GWM PBT. And of course we remain committed, and we indicated a target of \$20 billion this year.

Now, as we look at our lending profile I think, first, it's important to note this does not imply at all that we're going to change our risk-reward profile. We will continue to retain the same level of risk acceptance criteria that we've always deployed over the years, which has given us the very conservative and strong balance sheet and credit profile that we have.

Secondly, if you look at the concentration of our lending and where a large portion of that \$20 billion is going to come from, it's Lombard and mortgages. And I would note, firstly, our clients are going to continue to look to leverage to help reflect on how they want to manage their investment portfolios and how they're going to generate returns. And we've seen that in this environment: we've seen demand for loans.

Now, we will likely, as well, with the reduction in markets, see some de-leveraging, and that's going to offset what otherwise would have been a good growth start to our lending volumes since we've gotten into the year.

I also mentioned the fact, of course, that we have the 50% average loan-to-value ratio. And that, again, helps us to retain – and even with the unprecedented drops in the markets that we saw, that are historic in many ways, we have relatively few losses. So, that should suggest as we continue to build growth in the Lombard lending portfolio it should be resilient to react to any changes in markets. And clients are going to still look to buy real estate; particularly, wealthy clients. And so, we still see demand for mortgage lending.

In addition to that, we've taken some other steps. I talked about simplification of the service level agreements and the joint venture between our IB and Wealth Management. And that's up and running, including deploying IB expertise to manage our loans, the complex loans, as well as to deploy expertise close to our clients so we can generate some of the structured, more complex lending, where again we see demand and we feel we can do that in a prudent way that's not going to compromise our risk-reward profile.

So, overall, I would just state that this continues to be even in this environment a very important part of our strategy. We'll remain very focused on generating loan and lending volumes as we go through the year.

I would also note that it becomes more critical to be able to offset some of the interest rate pressures that we see. We know deposit margins are going to crash on the U.S. dollar side, and if we're not generating good quality assets to offset part of that it's going to place further strain on our net interest income as we go through the year.

## **Magdalena Stoklosa**

Of course. Let's shift to the kind of net new money discussion, because of course the net new money goal shifted from volume to efficiency of deployment. The conversation we were having with you shifted that way. But also, has it become an industry kind of norm – that's one – i.e., that shift from the volumes to how the net new money is actually kind of deployed? And two is, what are you seeing in terms of kind of net new money now?

## **Kirt Gardner**

Yes Magdalena, first, let me highlight that actually the way we've managed net new money and flows has been consistent. It really hasn't changed. It's always been focused on quality and ensuring that the net inflows are ones that are reflective of our clients' overall investment portfolio and where we are actively advising to ensure that we're benefiting our clients and we're also benefiting our own margins.

What's changed, though, is just what we communicated externally. And we believe that the market has always overplayed net flows. I look at it on – every time we announce earnings, the first thing that you see announced is how did we do versus consensus. The second thing is the headline number around net new money. And then the market trades on that, which is, frankly, crazy and not really reflective of what impacts the overall trajectory of the business.

And if you look at interest rates and the fact that interest rates now with the U.S. dollar moves, it's very clear that they're going to be zero or negative for quite the foreseeable future. It further deemphasizes the value of net new money just as a headline number. And so, we reflected that by deemphasizing that, by removing it as a target, but it remains an important input mechanism for how we look at and manage the business.

Now, I think you already saw Julius Baer come out with a similar announcement after we did. Of course you already see in the U.S., U.S. banks don't even report net new money. So, it's never been a factor in terms of what they've reported externally or what they use to gauge and manage their business. It's all around PBT growth.

And also, case in point, as I highlighted in my speech and as I mentioned during our fourth quarter earnings, we are implementing this program for clients that are highly concentrated in euro and Swiss francs, where we have a drag on NII and on capital, to offer them an opportunity to redeploy that or else we will price them. We did see the \$8 billion in outflows. Naturally, that's going to impact and lower our net new money number, but it will be very accretive to net interest income.

## Magdalena Stoklosa

Perfect. Let's move on to the kind of Investment Bank, because of course strategically you talked about the ambition to lift returns in the IB. But of course, again given kind of where we are, let's maybe talk about kind of the markets business and the advisory business, what you're actually saying. Because from one perspective, the volumes – particularly, in equities – remained well supported. But from another perspective, on the advisory side, the transactional activity may not hold up as well. So, what's your assessment kind of now?

## Kirt Gardner

I think, as we announced, our indication is to look to the IB to return around the 11% level this year, and that rebounds from high-single digit last year. And just as a reference point, the IB returned around 12% after our equity push-out in 2016 and '18.

Now, 2019 was not a friendly year for our Investment Bank, where you saw that the Americas outperformed Europe and Asia, and we are overweight Europe and Asia. In addition, you saw that rates and credit performed quite well, while equities and FX performed less well; particularly, with very low volatility levels. And again, we're overweight equities and FX.

Now, there were some areas of underperformance we acknowledged during the year and we've addressed that through our investments. If we look at the start of this year and even with the crisis, our business is actually more resilient and better suited to what we've seen in the market so far at the start of this year.

In addition to that, we talked about the steps that we'd taken to improve the return profile; most notably, the reorganization of our banking business, where we've gone away from a regionally structured business to one that is globally focused around the industry sectors where we feel we have an advantage.

And secondly, on the market side, we talked about integrating the markets businesses, which allows us to manage risk, technology, and capital in a much more dynamic way, and that's served us very well, so far. We've seen – in fact, we're very pleased with our pipeline on the primary side. Although, as you said, we also acknowledge that primary markets are all but shut down and we'll have to see how they evolve as we go through the rest of the year. But as I said, our pipeline actually is in quite good shape.

And also, the collaborative efforts that I highlighted will also continue to benefit our Investment Bank as we go through the year and generate neutral revenue for both GWM as well as the IB.

Finally, we did launch our Private Markets initiative, and that's another area where we had seen very good momentum. Now again, we'll have to see how private markets behave as we get into this crisis a little bit further.

## Magdalena Stoklosa

Thanks very much for that. Now, Kirt, let's talk about the regulations and also the environment as it's changing now. So, of course, there are kind of two strands to this discussion. Pre-COVID, we would have talked about the kind of growing expectations in the market, that the regulatory environment – particularly, in Europe and Switzerland – may finally be easing. And the question kind of to you would be, has the regulatory mindsets slowly changing and are we at the end of the regulatory risk-rated inflation?

But of course, also, we are – things change almost every hour, but we are kind of seeing a very kind of significant kind of relief program coming out of the ECB, in particular, kind of last week. What do you make of kind of both the fundamental way the regulations went, but also the supervisory reaction that we are kind of seeing so far?



## **Kirt Gardner**

Well, first, as I mentioned when we talked a little bit about clients and risk management, I think the actions that have been announced across policymakers, central banks, and supervisory authorities have been needed and appropriate. And the fact that they've actually looked at the capital framework in a way that is reflective of how it should work, which is where if you do see crisis, rather than of course implement anything that's going to be procyclical, there's a release of buffers that can be used and deployed at times like this, in addition to measures to help reinforce liquidity. And I've been very pleased to see that, and I would hope and I expect that it will continue.

Now, if we reflect on the first part of your question, if you look at the trends that we were seeing prior to the policy response, I think, firstly, it's very clear that the Bank of England and the ECB have both indicated that they're extremely comfortable with the capitalization and the liquidity position of their banking markets. And also, I think you're seeing the resilience that shows up in this crisis. I think that's a testament to that comment.

Secondly, you did see an indication, therefore, that they don't see any need for increased capital across the sector. Now, that's not to say that they may not look at any individual institutions and view that there should be some level of increased capital that's required.

And you saw that we also, there was a delay at least of one year in the implementation of Basel III finalization. And it was good for us to see that the Swiss regulator, FINMA, aligned with that, and we expect that Switzerland will not front-run, going forward, which is very important for us.

So, I do believe that there's going to continue to be a dialogue between the banks and the supervisory authorities about how Basel III ultimately will be implemented, including FRTB, where we have an open discussion around what the rules will be. And I would hope that the overall capital impact or increase in RWA requirement would be somewhat some moderated through those discussions.

Having said that, we did see the Swiss implement a new capital ordinance starting January 1 of this year. That actually created TLAC requirements for a subsidiary, including buffers, and it will increase the requirement that we have at a group level by around \$8 billion to \$10 billion, or around 75 basis points.

## **Magdalena Stoklosa**

Perfect. Kirt, I've got a couple of follow-up questions from the audience, as well. We've got probably kind of five minutes to go. And quite a lot of it is a follow-up to what you've said. How do you see the U.S. dollar liquidity and the general liquidity outlook now?

## **Kirt Gardner**

It's been remarkable to see how the market has reacted to the crisis, and it's been well documented that there's been hoarding of liquidity in anticipation of economic problems. So, what we're seeing is a first-order reaction to anticipating second-order effects. And we've seen that across the corporate sector. Drawdowns on facilities. We also, in addition to that, of course we've seen limited willingness on the buy side for any commitment of liquidity, while at the same time we've seen extensive margin calls as markets have dropped quite precipitously.

And that, over all, has placed an extreme stress on U.S. dollar liquidity; in particular, and distortions in how U.S. dollars are priced both in the short-term market as well as in the medium- and longer-term market. We've seen the U.S. dollar term – the structured markets all but shut down. The commercial paper markets have not been functioning properly, at all. And that places added stress on banks, particularly if you've got currency mismatches in liquidity and how you cover those mismatches with the pressure on the dollar side.

Now, it was good to see some of the actions today. Well, the Fed already made an injection into repo markets, and that psychologically was important. But then to see them follow up with the injections that

they're making in the CP markets, to see Bank of England follow some of that, I think has been positive. And what the authorities are telling us is they're going to do everything possible to prompt up the liquidity of the markets and they will also ensure and continue to work with the banks, that we're not going to run into a liquidity crisis as a consequence of the virus.

And I think that is really, really important for the banking sector. Because with these very rapid moves in liquidity requirements, what you're seeing is a very resilient sector that's struggling a little bit to react to how the liquidity impact is unfolding, and the additional aid that the authorities are providing is going to be important to be able to bridge to the point where the banking sector kind of adapts to the new reality and we hopefully see a little bit of settling in the markets.

## Magdalena Stoklosa

Thanks very much, because that has been on kind of investors' kind of minds, particularly over the last kind of couple of weeks, the questions about liquidity, particularly in the U.S. dollar kind of market.

Last kind of very quick question. What do you believe the monetary policy response will be of the Swiss central bank? I think they're meeting tomorrow, if memory serves me right. Do you –? What are your expectations kind of there?

## Kirt Gardner

Firstly, you did see the SNB made available a swap line that went operational today, a U.S. dollar swap line. And secondly, you've seen announced in the papers that there's been a dialogue between the banks and the SNB around particular measures that are very focused on the sectors that are likely to be most impacted. And I would expect by the end of the week or over the weekend we'll see some specific actions that will be announced by the monetary authorities, by the SNB, in Switzerland that will provide some aid and some support, that we welcome of course, and we've been very involved in those discussions.

## Magdalena Stoklosa

Brilliant. Kirt, thank you very much for your kind of insights today. Thank you very much for being here with us. And thanks, everyone, for listening.

**Cautionary statement regarding forward-looking statements:** This document This report 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. These factors 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), including to counteract regulatory-driven increases, liquidity coverage ratio and other financial resources, and the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (ii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions, developments 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; (iii) 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); (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the

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