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Fireside chat with **Ralph Hamers**, Group Chief Executive Officer;
Moderator: Magdalena Stocklosa, Morgan Stanley

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

Magdalena Stocklosa

Okay. Well, thanks very much, and good afternoon, everybody, and welcome to the UBS session. I'm absolutely delighted to welcome Ralph Hamers, the CEO of UBS. Thank you very much for joining us today. And this session is going to -- I think we're going to probably do about half an hour of the fireside chat, and then we're going to open to questions, so please get ready.

Okay. Now, Ralph, big discussions throughout the entire yesterday and of course today are the repercussions of the kind of Russian invasion on Ukraine, and let's start with that. Of course, you have had your kind of strategic update not so long ago. The world looked very different. How do you assess, I suppose, first, exposure of UBS, but also the primary and secondary effects that you're watching? Maybe let's start with the markets.

Ralph Hamers

Sure, sure. Yeah, so let's first start by addressing this horrible war, I guess, that we, as UBS, condemn. We condemn the invasion, and I think our thoughts are certainly with the victims of this war, and also with the ones who suffer in this humanitarian crisis, right? So, we're focusing a lot on supporting that through our UBS Optimus Foundation, where we have grossed more than \$10 million already, and more to come. And I think that's kind of what is the least we can do, right?

Now, of course, as a bank, you also look at, what is your direct exposure? And we've come out with our direct exposure, and as you have seen, that is fairly limited. The activities that we have are all geared towards reducing risk for our clients, reducing our own risk. We haven't engaged into any new business since the -- even before the war, because we saw the tensions coming. So, we are not doing new business; we are de-risking ourselves and facilitating our clients, also, to de-risk, and that's what we're focusing on there.

And, you know, maybe to complete the picture there, and it may be interesting to discuss later as well, is there's many sanctions coming out, and for us, it is very important that we carefully follow up on those sanctions, make sure that we comply with them in a careful way, in order to -- well, make sure that they have the effect that they are supposed to have there.

Now turning to the business, I think what you've seen is that the way we deal with our clients, literally, we give daily updates now because it is so intense, what is happening. And it is, on one side, intense in terms of what comes out of Ukraine, but also the effect that it has on geopolitical tensions, and with that, maybe also economic impact. And that is not limited to that area. That is basically globally, right?

So, our advice to clients was already and is to continue to diversify. That's an important aspect there. In the first two months of this year, we saw still very good client activity, specifically in the US. Asia was already, and you saw that towards the end of last year, a little bit sidelining in terms of activity. That's basically what you hear from most. That was the same in the first two months. The US clients are also sidelining, basically, at the moment, just in a bit of a wait-and-see pattern.

And if you then translate that into basically the performance, clearly, on the recurring fee side, given the fact that the markets are lower, you see lower recurring fees, at least coming through now. In the first two months, that was still good. The same for asset management and wealth management -- lower performance fees on the asset management side as well. Lower transaction fees coming through as well because of the sidelining of investments at this moment and the wait-and-see pattern that our clients have. However, still all solid, in our view, still solid in the first two months net new fee-generating assets coming through in the first two months of this year. Clearly, you know, March is March. I can't give you any picture there because it's happening right now.

And then, for the markets businesses, it's quite positive, given the immense volumes coming through the system all the time and the rotation happening in the market, with investors changing the composition of their investment base.

So, yeah, pluses and minuses across the businesses that we run, the Swiss business doing really well.

Magdalena Stocklosa

Yeah. Ralph, let's pick up on that sanctions and responding to this, and kind of the just unprecedented levels of what is happening, of course, in Europe, in the UK, in the US from the perspective of new sanctions being enacted, and how you deal with this from an operational perspective, given the globality of your business.

Ralph Hamers

Yeah, I think for -- it's an operational challenge, really; new sanctions coming literally every day, new names added to the list every day, pretty general sanctions if it comes to people with Russian passports. That's on one side. Then, more specific sanctions on institutions on clearing or payments, I think they lead to operational risks as well, right? So, you have the sanctions themselves, and as I said, for us, it is to err on the side of caution, being very careful as to how we go about implementing them, making sure that we comply, and they have their effect. On the other side, they do create some operational challenges, but yeah, we're managing that every day.

Magdalena Stocklosa

Yeah. So, let's kind of rewind back to the strategy to the kind of February announcement. And of course, one thing that came through kind of very clearly was the kind of one UBS across regional, across a kind of global delivery to clients. You've kind of -- you almost refuse to talk about your business in the business silos,

which is quite unusual. Could you kind of give us more color how you're thinking about that very, very global business across all that you do?

Ralph Hamers

Yeah. No, I mean, hey, the business divisions are there, right? And that's how we manage the business. And I think when we started as a top team looking at, okay, what do we do well, and where do we see additional opportunities, it is really, can we approach UBS in a more holistic way, and can we basically generate opportunities by that approach? So, how can we create one UBS vis-à-vis the client, and how can we recognize that client are playing different roles with us? And the only way to do that is by not necessarily looking at the business divisions, where we do execute our strategies, right? So that's not the point. The question is, what is your commercial approach to it?

And so, we felt that there was a real opportunity there to, on top of the business divisions, look at a different approach, recognize our strengths. As a consequence of that, we changed the KPIs of the top team already last year. We decided to focus more on a particular segment, where you have quite some cross-divisional activities, which is the global family and institutional wealth segment, which we came out with last month, as well as, how can we kind of cater for that segment even better?

And just to give you an example, I was in an IPO pitch with a client just three weeks ago, and that client was actually family owned, partially private equity owned. And I was there with our investment banking professionals, and you see that clearly, I mean, we have the capabilities to do that. That is what we do just as well as any other bank. But where we can differentiate vis-à-vis a client like that is that we have quite some distribution capabilities into the wealth segment. And also, recognizing the fact that on the other side of the table is a wealthy family office, right? And it's that connection in a deal that is primary an investment banking deal, but that wealth connection there on both sides that brings a different shading perspective to what we are to offer there.

And that is just one of the examples where I, actually, also play. And if you're then going to take a step back from that, you basically see that we are -- basically, we have clients as UBS and not per business division, and we have capabilities as UBS and not per business division. It is for us, now, to look at the opportunity to match the right capabilities with these clients, but also recognize that these clients play different roles with us. Because, just to go back to that example, a client like that, or like an entrepreneurial client selling his business is an investment opportunity for other wealthy families, but after that, this person will want to have the same opportunities. So, he plays different roles. He is an investment opportunity, but he is also an investor for us. Yeah?

And recognizing those two roles makes us believe that, you know, we have an ecosystem to develop here, because you have to recognize the different roles that these clients can play. And in order to really support these clients to the max of our abilities, we clearly have our own capabilities, like the connection between the wealth business and the asset management business in the US, for example, through or resume offering, which by the end of last year was up to \$127 billion of assets under management, but also in the alternative space, it is a very powerful play to do. And, clearly, most of these wealthy clients are, more and more, looking at the alternative space as connecting to the alternative players. Just with one player, we did \$20 [Edit: more than 10] billion over 24 months. Six weeks ago, admittedly before the war, we did \$1 billion of placement in an alternative fund within five days. And that shows you the power of UBS as being the largest global marketplace for private money.

And if you then start looking at our business not like a business division-organized business, but as the largest global marketplace for private markets, then it's a different story. And then you start thinking about different

opportunities, and then you have to manage it, to a certain extent, in a different way. But clearly, the capabilities need to be professional, and therefore, you keep those in the business divisions.

Magdalena Stocklosa

Yes. And just to follow up on this, I mean, you've talked about the key KPIs for your top management already kind of reflecting the view. How does it trickle down?

Ralph Hamers

In the same way. So, the first year was just with the top team, and this year we've brought that to two levels below the top team, to ensure that part of their key performance indicators are linked to the success of the whole, and not to the success of that individual department or that business division person.

Magdalena Stocklosa

Okay. Let's continue on the more strategic front, because of course, '21 was a kind of remarkable year for you, and you closed it with a very, very strong momentum. And of course, notwithstanding what's happening now kind of near-term volatility, but when you look a little bit kind of forward, where is that momentum coming for you? Because you've also, you've put out kind of targets out there as well, of course higher returns, growth targets, commercial targets. More kind of structurally, where do you see them?

Ralph Hamers

Well, clearly, the strategy is built not on data that are only valid for a quarter, right? So, when we developed the strategy, we really looked at the starting point of our strength, which is the wealth franchise, and we looked at, how is the wealth revenue pool developing globally. And if you look at that, clearly you see that it develops the fastest in the US and Asia, and within Asia, also particular growth in China, but Asia as a whole, as well. The US is the largest revenue pool as we speak and the largest wealth pool as we speak. But with the growth in Asia, Asia will kind of be getting closer to that. So that's one fact. It's just a fact, and therefore, the focus on regions for us in terms of the investments going into the US and Asia.

If you then take a second level of trends as to, okay, so where is that wealth being created, we see that it is being created in the entrepreneurial space, in the new economy space. We also see a very important trend that women-controlled wealth is growing 1.5 times faster than men-controlled wealth. And if you then peeled off to an even lower layer, level, then you see that there's a massive, massive transfer of wealth. Fifty trillion of wealth will actually move from one generation to the next generation in the next 15 to 17 years. So, it's \$50 trillion of wealth passing from one generation to the others, which are all moments where you have to connect, which is also a moment to recognize that the next generation may want to be dealing with us as an institution in a different way from the way we have done it before, right? And then, maybe as a last trend, and you all recognize it as well, is a big trend into alternative and the sustainability space.

So, if you just look at all those trends, and these are, again, not trends for a quarter, also not for a year, but really for at least five years if it comes to growth and at least a decade if it comes to some of the other trends, then you know where to invest and how to prioritize. And that's where we are pretty confident that the position that we already have, and with this more focused investment and this more focused development of value propositions, that we can actually continue to keep that momentum. And of course, there will be

quarters where the market is a little bit volatile and all of that, but you have to look through that, because otherwise, don't call it a strategy.

Magdalena Stocklosa

That's right. Let's pick up on a couple of things more geographically. So, let's start with China. You've kind of mentioned APAC a little bit, but you've been in the region for a very long time, kind of through and through various policy changes -- and of course, with the latest one being of course the drive for the common prosperity. How do you assess your business in China at the moment? And how do you also assess your long-term investment in the country as well? And maybe kind of more in general, how do you feel positions effectively succeed in APAC from a perspective of wealth, from the perspective of the investment bank?

Ralph Hamers

Yeah. I should say, so we have been in the region for 60 years, and this is a region that, you know, just by -- in terms of demographics, you can kind of predict what is going to happen, right? So, it's not very difficult that this is the region to invest over time. But, with investing in a region like that, you also have to kind of accept the fact that it will not always be as predictable. So, again, you know you will have your dips and also your moments of acceleration, and that goes for the whole region, but it also specifically goes for China with policy changes, as well.

Now, focusing on China then specifically, I think we're really well set up for benefitting from further growth, further activity. We can all have a debate as to what is happening right now. But again, this is about strategy, and clearly, you can also temporarily invest a little bit less or a little bit more, whatsoever. But strategically, we are the leading international investment bank on the ground. On shore, we are the number one in cash equities. Offshore, we're in the top three in banking offshore as well for the Greater China area.

And if you then look at the other two businesses that we have, asset management and wealth management, and then you look at the change in policy in China, the common prosperity, that change comes with some tension, some hiccups and all of that. But if you really look at that change, you can actually expect the wealth pyramid to develop into a wealth oval. So, the build-up of wealth is very concentrated at the top, and we all know that. That's why this policy change comes with what it comes with. That's what we read in the paper. But in the end, if it becomes more and more of an oval, it becomes a much more interesting proposition for a player like ourselves, for both wealth management and asset management.

It also becomes a much more interesting proposition from a social stability perspective, because the common prosperity will ensure that some of the polarization that we see if you don't have a common prosperity -- and we see this in some of the countries in the West already -- that you don't want to run into that risk. And I understand that policy, so I actually think that that policy is a tailwind for our strategy, but it will come with some hiccups now and then.

Magdalena Stocklosa

Yeah, no, absolutely. Now, on Americas, because of course we had -- we've talked about a couple of things around US. But of course, the most headline-grabbing was, of course, your Wealthfront acquisition. Can you just kind of remind us and give the kind of context of rationale, but also, how does this impact, maybe longer term, your FA business?

Ralph Hamers

Yeah. So, let's first go back to the strategy, and I just indicated how important the US as a market is, if you want to be, like ourselves, the largest private market, right, in the world. Then you have to be tapping into the largest wealth pool in the world as well, with growth numbers that are also beyond the average in the world. So, that's why we want to continue to invest in the US. I think the team, over the last couple of years, has done a really good job with grabbing that momentum to support the FA distribution channel as well. You've seen our cost-income ratio going down there as well, real true market momentum there as well.

And then, the next step is, okay, so again, based on some of these trends as to, okay, so how will this market develop? And how are we then best positioned to benefit from that trend? And clearly, the financial advisor business will continue to be really important, and we're investing a lot in supporting our financial advisors to be as effective and as productive as possible in the way they deal with their clients. But we also see that the segment of what we call the "*reactives*", which is a segment that generally represents a household wealth of anywhere between \$250,000 and \$2 million, is one that is not necessarily best serviced through a financial advisor network. And we also see that in the next generation, there is more and more clients that want to have a combination of being able to do it themselves with some confirmation from an advisor as well.

That's where we had our plan developed to tap into that opportunity, which is what we call the digitally customized value proposition, so we see that as a big opportunity there. It is between \$6 and \$8 trillion of wealth right now already in that market, in that segment, so it's a big opportunity. It's an opportunity that we think, from a behavioral perspective, will grow, and therefore, we have plans for that.

Then the Wealthfront opportunity came by, and in my discussions with the team there and what they're doing, that actually helped us accelerate our plans by about three years. They have excellent engineers that have a real good sense for digital user experience, if it comes to the wealth business They're a real wealth player. They are not a broker. They're not like a direct broker. They are a wealth player. That's what they believe in, long-term wealth. They are catering for clients that we would characterize as the innovators, the professionals, the ones that truly only want to do and interact digitally. But that is the basis for the additional value proposition that I just explained, where we see there is additional growth perspective.

And then, we have the opportunity that we already have 2 million clients in the Workplace Wealth space, which is basically the business that we do in terms of stock option management, stock option plans, as well as pension plans, that at a liquidity event, we currently don't have a good value proposition for to keep those assets under management with us. It's that combination that makes it such an interesting opportunity for us, and therefore, both from their side as from our side, we felt this was a good match.

Clearly, the transaction has to close. We're working on that. But strategically, it fits, and it will accelerate our plans by about three years, in my view.

Magdalena Stocklosa

Perfect. I have one more question on the US, and then I'll turn to the audience. It was another quite extraordinary two years in the business in the US for effectively two things: of course your SMA business, and your loan growth. And, how do you think about it going forward? Can that momentum be continued? Where do you see opportunities? On the wealth side, we've talked about mortgages, some Lombard lending, some structured lending. How do you see it going forward on that lending side, to start?

Ralph Hamers

Yeah, I mean, because clearly -- so, over the last -- and I was just kind of passing the compliments to my team there. For the last two, three years, they really turn around part of the business and showing the opportunity there. And one way they did it is also to developing some of these banking products, right? And that's where you saw the lending growth coming from. And there was a couple of interesting aspects that.

The first one is that, just in terms of numbers, we manage about 50% of the wealth of our clients, but only 15% of their liabilities. So, basically, just within our current client base, we have quite an opportunity there to do more on the lending front, right? That's one.

Second, there will be growth in that market, as I just said. The wealth market will grow; therefore, the leverage on the wealth will grow as well, and that's an opportunity in itself. But we have to invest in order to be able to benefit from that opportunity. That's why we're investing in developing more banking services, digitally supported, but through the financial advisor. Because, in the end, the financial advisor has that relationship with those clients, and it generates quite a good opportunity to do more lending, but also to get more deposits in, which, again, then makes us less dependent on just invested assets, or assets under management, and gives us some more exposure to a balance sheet that produces interest income as well. So, that is from a high-level UBS perspective in to see.

From a client intimacy perspective, for those financial advisors to be able to offer more banking products in terms of cash management and lending, it actually ties the relationship more with them, and that's why we're supporting it there. And, you know, just going by the numbers, we see that -- and again, you know, one quarter it could be lower than the other quarter, but if you just look at how the market is developing, and if you then look at our low penetration in that market, because the actual market penetration is only 5%, but even within the current client base that we only have 15% of their liabilities, whereas we have 50% of their assets, you see the opportunity there.

Magdalena Stocklosa

So, literally, in house.

Ralph Hamers

Sorry?

Magdalena Stocklosa

So, in house very much.

Ralph Hamers

Exactly, in house already, a large opportunity, so you don't even have to compete out there to go after new clients, so it is.

Magdalena Stocklosa

All right. Can I just turn to the audience? Do we have any questions? Right here on the second bench, please.

Audience Member

Just a question on -- actually, two ESG questions, one on your Russian disclosure, I mean in terms of the individuals that have been sanctioned. You mentioned that it's quite minimis. My question is, I mean, did you go to like second derivatives in the sense, you know, companies that are controlled by them that you can have, I don't know, coded accounts? I guess my concern is that, you know, if then it's discovered that actually, they have UBS accounts, I mean, how convinced are you that, actually, the disclosure is the right one? Because it seems quite low for the number of individuals that have been sanctioned.

Ralph Hamers

So, we have the direct Russia exposure that we disclosed, and then the number of individuals sanctioned. Now, that is changing by the day because new sanctions are coming out, so that was at the moment of disclosure. And we are working with our clients, including Russian clients, to see how to manage their business and how to de-risk their own situation.

So, I can't give a further update on the number of sanctioned clients because that literally changes every day, because new lists come out every night. So, and then, we just go through the list, and we match it against -- but, in principle, every Russian -- every person with a Russian passport is semi-sanctioned, so that you realize that, right, in the UK, EU, and Switzerland, yeah?

Audience Member

Yes, but I'm trying to understand the mechanics of that. I mean, do you have then to disclose to the authorities? Do you freeze any business with those clients? You know, what are the mechanics, because my concern...

Ralph Hamers

Yeah, a sanction is generally freezing the activities and creating reporting to the activities, like every sanction, to the authorities as well. And then, depending on how the authorities want to deal with that situation, there will be a solution at a certain moment in time, or it will continue to be frozen. I mean, it's no different from Iran or some other exposures that some of the banks have, right?

Audience Member

Yeah, that's why I'm asking the question. I mean, we saw BNP, you know, on the last big sanctions. Then, it was discovered that there was transactions, there was things, and particularly, US authorities were quite heavy on those. So, what I'm trying to assess is that --

Ralph Hamers

Yeah, but that was not about complying with the sanctions. Complying with the sanctions is what we do, and if you don't comply with sanctions, you run the risk of being fined, right? And therefore, what I said is that we take the sanctions very carefully. I mean, as I said, with the fact that the sanctions come out every day, and some are less clear in the way they are described as others, and then you have the US sanctions, the UK sanctions, the EU sanctions, and the Swiss sanctions. Basically, we take the most conservative perspective there to ensure that we comply with sanctions. That is one thing, and that is to ensure that we deal in an effective way with sanctions, on one side, and that you also kind of manage the risk of being fined in a couple of years when people come back and say, well, you know, we have looked at how you interpreted these ones. And so, that's why we're -- why everybody, I guess, errs on the side of conservatism there.

But once sanctioned, the situation, initially, is frozen, until it affects a running business that maybe the authorities may not want to impact. And, I mean, you know, the ones from the papers, so it's -- but the look-through is important as well.

Magdalena Stocklosa

Okay, thanks for that. Any other questions? Vicky, just the lady in the eighth row.

Audience Member

Hi. Can I go back to your US operations? How do you feel about the scale you have there, and what is your competitive advantage versus the US peers?

Ralph Hamers

Yeah, so I'm very -- I'm quite happy with our scale. I'm even happier with our opportunity and our brand in the US, and maybe to complete the picture, I'm even more happy with the momentum that we have. And as I said, the team has done a really good job over the last couple of years to move the business into a more productive business, a more efficient business, and a business that is really supporting the financial advisors in terms of being able to cater for wealthier clients, and with additional product. So that's one part of it.

In terms of dealing with the scale specifically on the financial advisor side, you know that we have a joint venture with Broadridge in developing a platform which is particularly developed for financial advisors that, in the end, can also be shared with other networks of financial advisors so that, rather than trying to improve the scale just by what you can influence, that you actually have the scale coming through by having third parties on the same platform. So, that is about the financial advisor part.

Then, in terms of the overall scale, you see that connecting again here the investment banking business as well as the asset management business. That shows that you can actually create additional value propositions, and with that, offerings like the separately managed accounts that are very popular with our clientele, through which you can fully grow as well. So, from many perspectives, I think we are in a good shape. Clearly, we will continue to invest to improve scale, but it's not like we are subscale to the extent that we don't see this as an interesting future. On the contrary, again, we have the momentum, we have the brand, and we have a real -- we have a commercial momentum, but also an internal momentum.

Magdalena Stocklosa

And capital. Thanks very much. Do we have any more questions for now? Arancha, please.

Audience Member

I guess my question is a bit more micro related. So, obviously, the US dollar has been weaponized in certain ways, you know. I mean, do you see, from your clients in Asia, different reaction to -- I mean, how do they see their wealth, you know, managed? I mean, do they care by the currency where it sits, by the geography where it sits? Because, I mean, Russia -- dealing with Russia is probably easier for you, because you've dealt for a while. If ever anything happens to China, God forbid us, I'm not sure how you deal with that. So, how do you assess that risk, basically?

Ralph Hamers

Well, I mean, just to come back to maybe on the last part of your question there, I do think that the reaction of the West in terms of the fact that the West has been so united on both economic sanctions as well as on the military side, right -- not to react in a military way, but being very united there, I think that is a -- that is a very good signal to ensure that we avoid wars in the future. I think that's where I derive a lot of comfort from what has happened and the reaction that the West has shown, and I think that's a signal to the rest of the world as well that, you know, we should try to sort our issues in a diplomatic way and not in a military way. And then you see that economic sanctions can be incredibly powerful.

And for our Asian clients specifically, Asian clients, to a large extent, are still Asian-focused, right? Because they also see the demographics, they also see the development of the middle class as the biggest opportunity for many entrepreneurial investments they want to do. Asset diversification is always interesting, but having - - they have been sidelining most of their investments already for the last couple of months. So, I guess when some of this tension is over, you will see them coming back into the market in all directions.

Magdalena Stocklosa

Thanks very much. Do we have any other questions? Okay, we're probably going to have an opportunity in a couple of minutes, but actually, I wanted to follow up on Vicky's question about scale, because of course, we talk about scale in various dimensions. And when you think about your positioning, your competitive positioning and consolidation, you're also very capital generative. It's quite a luxurious position to be in. So, first, internally, can you generate kind of global savings versus local costs, because that's really the reality of some of our business? And two, consolidation-wise, where would you potentially see opportunities?

Ralph Hamers

Yeah, so, I mean, this really depends on the different businesses that we have, right? So, clearly, in the investment bank, in the market side, I mean, that's a global business, and therefore, you need to have global scale, and we're very focused on investing in digital propositions in the market side. And we have done so for a while, and we've done so successfully for a while as well. So, in the investment banking business, particularly on the market side, global scale is important, and we're top five, four player, as you know, in the equity space, top three, four in the exchange space. So, we have the scale where we need to have it in what we would call investment banking capabilities.

Then, in the other businesses, honestly, even if you want to be a digital player, I do think that specifically digital players, increasingly so, still need to have first local scale to build a value proposition that is successful and, over time, value creating. That's why digital propositions, generally in the world, come from either China or the US, because these are very large markets, right? Whether it's the banking business or whether it is any other business, I mean, that's where they originate, because digital propositions need quite some investment, need quite some volume to create scale. And therefore, from a pure digital proposition perspective, you can expect us to look at more the local component of scale.

Then we have markets like -- then we have a business like the wealth management business, which is a bit of a mix, right? So, you have the global scale you're seeking in the CIO advice, the scale in order to be able to be competitive on the placement side, to be attractive for alternative players to link into our platform. That's why we have \$4.6 trillion, \$4.6 trillion of invested assets globally. There is just no other party that has that, globally, to this extent into the wealth space, right? So we have the scale there. But even there, to a certain extent, that global scale is important. But if you want to play more locally, sometimes, because of local regulations, local tax rules, whatsoever, you have to invest locally, and then local scale also becomes an important part. And then you have to make the judgment as to whether some of that add-on products and service, beyond the cross-border business that we do in the wealth, is worth its while. And that's where we came out with conclusions on the Austrian business and the Spanish business that basically, it was not worth our while. We were not the best owner for that business to develop it to the next stage. And then you have to decide to sell it.

So, you can expect us to continue to look at our portfolio from a perspective of, where can we maybe sell activities because we don't see the scale happening there? But you can also expect us to continue to look at bolt-on acquisitions where we feel we can actually accelerate some of the business, and also accelerate the scale that we need for the businesses. But always, always explainable in view of our strategy. We will be very consistent here.

Magdalena Stocklosa

And on the consolidation front? You thought you were going to avoid that one, did you?

Ralph Hamers

On the consolidation front, I mean, just look at -- I don't think there is a player like ourselves that you could see as a consolidation play. So, again, you know, every player that one could look at as a consolidation player, you would always have to look at the specific activities of that player whether that will actually help us, in view of our strategy. Because, you know, the strategy is the strategy, and the strategy is developed on the back of those trends that I was just explaining, and we're not moving away from that. So, even a consolidation play would be more in a specific market, then, to create maybe more local scale within that, or to add local capabilities to benefit from the opportunity that we see, or to reap the opportunity that we see.

Magdalena Stocklosa

Of course. Loud and clear.

Ralph Hamers

Yeah?

Magdalena Stocklosa

Loud and clear. The last kind of more macro question, of course translating into the operations, is of course, you know, we are facing kind of increased inflationary pressures, which of course are going to come through on the cost side in various formats over -- particularly kind of near term. How do you see your costs developing? There's been this kind of disciplined cost control over the last two years. Where are kind of potential risks? How do you see that side of the...

Ralph Hamers

Yeah, that's a very good one. So, for us, as I said about the first thing I did is just look at the cost opportunity that we have, right, in terms of simplifying the way we run the business, making the organization more agile, put some de-layering prospect there as well, look at our footprint as well. And that constitutes that \$1 billion program that we launched, basically, two, three months after I became CEO, which is a very important program from two perspectives. First, it is supporting the fact that I think that in order to be successful in executing our strategy, we have to be more agile and nimble. On the other side, it actually helps us to create the opportunity to invest more where we feel we can create the value, that \$1 billion.

Now, clearly, just going back then to your question, we also see some inflation coming through, right? So, we see tension in the labor markets in the US, in banking, some in Asia as well. But again, we do feel that next to that, we do have quite some programs that can offset that pressure by investing in further efficiencies, but also, just saving cost, that that will not impact the guidance that we have given, that we feel we can manage our cost base within the 2 percent before foreign exchange --

Magdalena Stocklosa

And variables?

Ralph Hamers

Yeah, and litigation.

Magdalena Stocklosa

Yeah. All right, perfect. Thank you. I suppose we probably have --

Ralph Hamers

He had a question there on the --

Magdalena Stocklosa

-- yes, have a space for one question.

Audience Member

Thank you very much. Could you give us a comment on how you have navigated the first two months of the year and volatility we have seen in the market in the investment bank? And also, how you see the trends in your equities business, and particularly prime brokerage? Have you seen any market share gains over the past year?

Ralph Hamers

Market what?

Audience Member

Market share gains.

Ralph Hamers

Well, some are retracting completely, right? So, overall, the ones who remain in the business, they gain. We have been on the back of also our experience, Archegos, being very clear as to with what kind of parties we want to do business, and therefore, we have exited some. But we also have onboarded several that we feel represent the quality of clients and counterparties that we want to do prime brokerage with. So, overall, that's a growing business for us. The financing business is a growing business for us.

Then, going back to your other question, actually, the first two months -- and actually, the third month as well -- from a Markets' perspective, has been very constructive. You know, and the third month, regrettably, for something that nobody wishes, which is basically the war and the market reaction on the back of that, but the first three months have been very constructive for our Markets business.

On the Banking side in terms of M&A, ECM, I mean, you can expect that some of the deals that were in the pipeline closer to execution are all being executed. Pitching is still happening. Mandates are still being given. But the execution of some of these deals is being postponed.

Magdalena Stocklosa

Of course. And I think on that point, we'll close out our sessions. Ralph, thank you very much for being here with us and sharing your thoughts. Thank you.

Ralph Hamers

You're welcome.

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