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

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

Magdalena Stoklosa

Okay. Good morning, everyone. And of course, I'm delighted to have Ralph Hamers with us at the financials conference, of course, the CEO of UBS. And we're going to start our fireside chat with a polling question just to kind of see what the audience kind of think would be the most important driver for share price over the next 12 to 24 months. I'm not going to kind of read the answers, but we've got 10 seconds to vote, please.

Okay. I think we're going to cover pretty much all of this in our conversation, but thank you very much.

Magdalena Stoklosa

So Ralph, let's start kind of top down. What are kind of your thoughts on the current global backdrop, but of course, also on the events in the U.S. from -- kind of from last week and maybe let's address what you see as the impact on the industry and impact from UBS?

Ralph Hamers

Yes. Well, I think the developments are very unfortunate, right, let's start with that. In times like this, I think you have to pay a lot of attention as to what is truly happening, what is the root cause of what's happening and what effect does it have for us.

Basically, the first thing is, how do our clients kind of react to this, right? So for us, it is really important, such a client-focused institution, to be very close to your clients, make sure that they have the latest information, that they know what to do and advise them going through. And since we are a very large wealth manager in the U.S., where basically a lot of this is happening, it's been really important for us to stay very close to our clients, which we have done.

Now what we see there is that what we saw already in the fourth quarter and coming through in the first 2 months here as well is that you see a continuation of what we would call the mix shift from deposits into money markets, T-bills all within our own kind of platform. So -- but that's basically -- and it shows the sophisticatedness of our clientele, right, so that's a clear indicator as to the sophisticatedness.

We don't see that changing now either. I mean, that continues. The last couple of days, as you may expect, there is -- we've seen inflows, right? So -- but I mean, this -- you can't really draw conclusions from that in my view. It's a reaction at first is clearly a flight to safety from that perspective. But I think 3 days don't make a trend.

But yes, I mean, that's a normal reaction, I think, of the market to come to places like ourselves. But again, the underlying clientele stays the same clientele, so you can expect a very rational behavior as to how they kind of deal with that to go work further.

And then clearly, from our own particular bank situation, yes, I mean, our LCR is 164%. Our net stable funding ratio is 119% [Edit: 119.8%]. So yes, we have a highly liquid HQLA portfolio where cash is an asset, so highly invested in cash, \$170 billion of cash in our HQLA, so very prudent.

Magdalena Stoklosa

Perfect. We you've touched upon it a little bit, but let's talk about the client sentiment kind of in general. I know, the last couple of days kind of from providing a little bit more volatility. But of course, 2022 has been an incredibly uncertain year.

Of course, we had the war in Ukraine. We've got the rising energy prices. Of course, we had the inflation going up very significantly. How do you see kind of clients navigating 2023 or kind of the end of '22 because...

Ralph Hamers

No. So I think it's a very good question. I think what you saw in the -- in '22 started all fairly positively, right? We all remember that the year back just before the war, everything was very positive, whatsoever. And then a lot of uncertainty came.

The markets reacted heavily on it. The market moved from what we call micro, which is equities to fixed income in the second half and all that. Our clients were more in a wait-and-see patterns towards the second half. But nevertheless, if you stay close to your clients and you show that -- you have to advise them and guide them through also more difficult times really, that you saw that our flows were very strong, and that new fee generating asset of \$60 billion on the wealth management side.

Also on the asset management side, \$25 billion of net new money coming through for the year, so strong flows for being very well connected with your clients. We had a record year in markets last year as well. We outperformed on the banking side, although that was not kind of the best banking year, but we outperformed there as well, but very much on the advisory side as well.

So '22 was a very good year, although, clearly towards the end very much a wait-and-see pattern with our clients. And maybe towards the last part of it, you've got some more positive news coming from Asia, China opening up. And that basically showed them the markets to kind of return a bit going up again.

Equity markets, that we have seen not really continuing.

In the beginning of January, we saw a continuing rally. But if you look at where we are right now, markets are up a bit from the beginning of the year. And what expect going forward, the U.S. will have a difficult year, economically a difficult year, inflation coming through higher rates, industries, sectors getting used to higher rates in leverage businesses.

On the Asia Pacific side, we actually do continue more positive momentum and sentiment. We will hear more, I expect, within the China Development Forum that is happening in 2 weeks' time there as well as to what kind of inputs that can give on the Asian side as well.

And then an important business for us is, of course, Switzerland as well, where Switzerland is kind of the one that seems to always be able to manage things in a more stable way. So rates still low, although we expect rate hikes, but still low.

Now if I then kind of projected to this -- to kind of translate this to business activity, markets where we play, like Asia Pacific and EMEA, the *[Edit: exchange]* trading flows in the markets are 25% to 30% down from last year. In the U.S. 10%, but we're overweight EMEA and APAC, and that's where you see markets having lower activity coming through.

Then on Asia Pacific, we think this will kind of give more race to -- more rise to more activity, transaction activity more in the second half of the year also from a wealth management perspective.

If you look at NII, also because of the rates movements and also the mix shift, we stand by our guidance for the first quarter, but on the lower end of single-digit growth versus the fourth quarter on NII. Clearly, Switzerland, underlying, still profiting from raising rates. But in the U.S., the mix shift and -- is having its impact, but in line with our guidance, but on the lower end of that guidance.

We still see flows coming in, so that -- also in terms of net new fee-generating assets, we see that coming through. So the 5% over the cycle, we also feel that, for this year, that is achievable. We don't see that necessarily hampering. But it's -- it doesn't look easy, let me put it that way, right? So I think that industries are challenged. Things are unclear. Clients are in a wait-and-see still.

Magdalena Stoklosa

Yes. Absolutely. Let's maybe take it a little bit more with the kind of regional lens. You've talked about kind of APAC, the transactional activity potentially returning in the second half of the year. But if we look at it, it is a little bit more kind of structural. You are the largest wealth manager in APAC, of course.

How do you think about building on that scale? How much of an advantage can that scale give you, particularly in wealth? And of course, also, let's augment the conversation with the investment banking franchise because it is very strong. And also on top of that, it provides that kind of extra layer from a perspective of potential growth of the business overall.

Ralph Hamers

Yes. So in Asia, clearly, I think we have double the investment there in invested assets in comparison to the next player, right? So we are a very large player. We are a top-quality brand. We have a very good client franchise, high net worth, but even more ultra-high net worth. And we have a strong investment bank, as you said, #1 in Equity Capital Markets last year. Best investment bank in Asia and Australia last year as well. #1 in cash equities -- or strong cash equities franchise as well.

And the reason why I'm mentioning that is that the interplay between wealth management and investment banking is probably even more important than in Asia than anywhere in the world. And that is by virtue of the sort of clients, the sort of wealth that is being created there, where, if you look across the different regions, you see, specifically also in Southeast Asia, a lot of family offices on the back of companies growing very fast because of demographic development, therefore, wealth being created very quickly over time.

However, those families are not necessarily having the right family infrastructure, looking for liquidity in the stakes they have. That's where the interplay with the investment bank comes either on the financing side, but also, just as an example, families that are looking for selling a minority stake where, basically, we get to manage for through on the banking side and actually bring another family in, that families like to support families, and that's the interplay that is important there.

Now if you then take a step back and so more strategic, China is, of course, very important to us, having been there for 40 years, the go-to investment bank in China as we are with now owning 67% of our securities business there. That will -- with a -- with the market coming back, that will be in a very good position to have.

The continuation of the buildup of a middle class in China through the common prosperity policy will be good in general for asset managers because all of that money will be have to be invested for not only the rich because, basically, the wealth buildup in Asia, we expect to move from a pyramid -- or in China, I should say, from a pyramid to more true as an oval. And with that, it is more widely spread. And therefore, professional asset management services are important for China as well.

On the wealth side, active already on the offshore side, also on the onshore, but the offshore is more active for us than in the onshore. We just launched a more digital play in WE.UBS. So that is more longer term.

Then on Southeast Asia, where we were, as I just alluded to, there's a lot of wealth creation on the back of entrepreneurial wealth, where there is many liquidity moments, either partial liquidity moments in order to reinvest in new initiatives, that's where we are basically focusing on growth through close relationships with these families, our, what we call, global family and institutional wealth approaches.

Family office competence centers that we basically develop and helping families setting up those family offices, how does it work. We have platforms where we connect different players. So that's the way we go about Asia. We're very confident about the potential of Asia.

Magdalena Stoklosa

Yes. Perfect. Now let's move on to Switzerland. We talked a little bit about it. There's this kind of very, very kind of stable high-return generator for you. But of course, kind of looking forward, where is growth there?

Ralph Hamers

Yes. So that's a good question because if you just look at who we are in Switzerland, right, so we bank about 1/3 of the households and 90% of the multinationals. Clearly, we are not the only bank with them, right, so there's more banks as well. That is good.

So we have a very stable base, a very strong market share there as well. We've been called the best bank in Switzerland by Euromoney for 8 years since 2012 or something like that. So a very good base and -- but I do think it can further be improved. And that's not only because of the rate movements, right, so that our revenues can improve. But literally, I mean -- so our team there is doing a really good job focusing on pockets of growth.

For example, in the more consumer area, where we see we can grow more in pension business, in mortgages, in sustainable finance, we expect to be able to also improve our digital offering. We are already kind of the digital leader. And one may expect for me that I think this is very important to build out that leadership where we have seen that with some small changes over the last couple of years, we have now 61% active mobile users and 30% mobile users that have -- that only use mobile, right, mobile-only users through the launch of key4, which is very successful. Just last year gaining 37,000 new consumer clients as well, not only through key4, in general, because of our positioning. So there is growth there.

But on the other side, digital also helps you keeping costs in the control. And I think that's what the team is doing effectively as well. We were the first area where we introduced agile 2 years ago already. So they have gone through the adjustment. So changes coming, smoother, faster, cheaper, et cetera, et cetera, et cetera.

So I think the Swiss franchise is a very important franchise for us. It is the foundation of what we have built also globally. It is a very healthy franchise. We do see prospects for growth literally growth, not only revenue growth on the back of NII, but also being able to keep costs under control by continuous digitization of our services.

Magdalena Stoklosa

Perfect. And then, of course, none of those conversations would have been complete without, of course, the Americas because you've got, I mean, a huge business for you, \$1.5 trillion in invested assets. Of course, also a biggest revenue contributor to the group. How do you capture the opportunity from here? And maybe also, how do you assess your competitive positioning in the U.S.?

Ralph Hamers

Yes. Clearly, we are very specific players, right. So if you just look at who we are, we are, I guess, the challenger, right, in the U.S., the #3 or 4 player in U.S., with 6,400 [Edit: approximately 6,200] FAs very much focused on high net worth and ultra high net worth. Those are the segments that we also grow -- we would well in globally, right?

So that's also where our global experience, our global products, our global approaches find fertile ground in the U.S. market, right? So the global connection really helps us on that as well. If you see what we have been able to pull over the last couple of years in the U.S., just over the last 5 years, our invested assets have grown 30%. Our profit before tax has grown 35%, right, and our FAs have gone down by 9%. So you see an amazing improvement in FA productivity and profitability as well.

Point now is where do we go from here, as you said. So where do we think we can continue? And how can we continue to grow in the U.S.? So first, the market will continue to grow. The U.S. wealth pool, specifically in the 2 wealth bands that we play in, we expect [Edit: the wealth pool] to continue to grow between 9% to 11% until -- this annual growth until '26. So we're already playing in the geography where growth is highest and in the wealth bands where we expect most growth. So that's one. So that helps us anyway. That's the tailwind, so to say.

But then the question is how do you make sure that you benefit from that tailwind. And there, our focus on what we call global family office and institutional wealth, so the whole setting that we have developed so successfully in Asia, now also implemented in Europe, but also now bringing it to the U.S., that should help us really at the top end where the combination of some of the investment banking services into the wealth business, into those really big lines, I think that's a winner. That's an absolute winner. So we're doing that as we speak.

Then you have the army of financial advisers, right, the ones that really know our clients well, and these are absolutely crucial for us, these ambassadors. How do you support them better than before? And -- so first, you do that through ensuring that the way they work is as smooth and as good and yes, as digital in the end as possible. Because they should really not lose time on operational issues, but they should really spend their time with their clients and advice.

So we launched a new FA workstation last year. That has landed well. We have an adoption rate of 95%, which is quite high because the FAs really know what they want. So they don't just accept things that you release. I mean, they are -- they really know what they want. However, we also have to make sure that all the functionalities that we need to release on that platform, that comes smoothly as well.

That's why we're changing also in the U.S. to agile, which, basically, moves away from waterfall, big releases to small releases or derisking the releases, making sure that we do it in a safe and a cheaper way as well. So that's one initiative in order to support the FAs.

The second one is more global product. You've seen that we're very successful on the SMA side, growing very fast, now over \$125 million [Edit: billion], which is an asset management product sold through the FAs, more structured products that we feel there is opportunity there as well. So supporting them the way they work, supporting them with more sophisticated products.

And then the third element of growth; how can we help them do more banking business. We launched our banking services a couple of years ago. We have [Edit: added] \$48 billion of deposits, \$41 billion of loans [Edit: from 2019] distributed through our FAs, but we need for a new product.

And also there, we have now moved to the agile way to deliver products as well. So new products on the banking side does not only help them to have a more strategic conversation sometimes with their clients, makes the client base also a little bit more sticky for them to be able to kind of develop that relationship as well. But it's also good for us on the balance sheet business, right?

So those are the real growth factors. And clearly, also there, we are looking at how to align some of the investment banking business that we have in order to support that, how do we further rely on the asset manager. Already done really successfully through SMAs and some of the alternative products in order to support our wealth business there.

Magdalena Stoklosa

And kind of give you a really nice kind of intro to my next question. I wanted to ask you about the ways of monetization between, of course, wealth investment bank and asset management. You gave me some of the examples.

SMAs in the U.S. have been very successful for years for you. What do those division effectively bring? You talked a little bit about Asia, but what do those divisions brings to wealth? And how are those opportunities in your mind kind of evolving?

Ralph Hamers

Yes. Well, actually, this goes back to what we really see ourselves, right, like -- so we feel ourselves -- we see ourselves as the leading global wealth manager. And for that, you have to be a very strong investment bank as well, not in everything, but in the particular products that are important.

That's why we're happy to be top 5 in equities and the top 3 in FX because these products are very important for our wealth businesses as well. And if we are not actually in the investment bank in these markets activities, then we have nothing to offer to our wealth clients because you can't be second-grade investment bank in offering our sort of wealth clients. You've got to be one of the best. That's just what it is. Otherwise, we should not do it, right? That's one.

Second, also for our investment banking business, we still feel that they should also stand on their own feet in terms of that they have to make their returns, right? And over the last 3 years, they have been really good at making the returns every year. Again, even with a weaker quarter last year, in the fourth quarter, they're making their returns on capital, which is really important to us.

And they are incredibly in the way Rob runs the investment bank is incredibly flexible as to the capital allocation that we have there. We basically want to be a capital-light business overall. Therefore, also, the investment bank is capital-light. And in order to be capital-light and being competitive, you've got to be very flexible in the way you use your capital. So -- and you see that coming through in the revenue over risk-weighted assets, which is the highest in comparison to all peers. They're doing a really good job there.

And then in terms of product, what is particularly important coming from the investment bank there is that the first one is direct market access. Our clients, certainly more on what we call the GFIW clients, the global family and institutional wealth clients, I mean, they're our institutional clients, semi-institutional clients. They want direct market access.

It is product solutions, but very specific product solutions, which are close to also institutional products, but then the first derivative for a smaller client. Portfolio solutions, portfolio analysis that we develop algorithms in the investment bank for the institutional clients, and that we can also use the derivative of those for smaller portfolios in order to detect abnormalities in investment portfolios for our wealth clients and see how we can further optimize that as well.

Then quantitative investment strategies that we develop on the investment banking side as well, financing, banking, all of that as well. So you see that the whole product range of the investment bank is crucial for our wealth manager there.

On the asset management side, it goes maybe even a step further. 1/3 of our asset management products is basically distributed through our own wealth manager, right? And we are open architecture, so these must be damn good products because, otherwise, we can't just distribute our own product. That's not what we believe in.

We distribute our own product. But if we feel this is best in class, right? So -- and the asset manager, we manage on one side for scale in those areas where scale makes a difference. But on the other side, the asset manager really looks at what is it that is needed in the market. And therefore, you see that, for example, on the specialties for them, which is sustainability, we have \$170 billion of invested assets, in our asset management on alternatives, \$150 billion. As amazed as it was just separately managed accounts, as we call them in the U.S., \$125 billion. Money market is \$120 billion.

You see that it's very, very specific, a very focused business there, making sure that we have really good and best-in-class products and services there that we can also distribute to our own clients. So -- and that is basically what we want from the asset manager as well within our portfolio of capabilities, as I call it, not so much divisions because, yes, we have to run the business in divisions, but what we need for our clients is capabilities. And the way we organize the capabilities is in the divisions.

Magdalena Stoklosa

Yes, yes. Okay. I'll stop. Yes, exactly. I'll stop here and kind of -- and take some questions. Maybe the gentleman at the back.

Audience member

Your main competitor is literally collapsing today again, and I can imagine that the Swiss Central Bank has already had conversations with you for potential scenarios. So I would like to understand if you have any red lines, any areas of interest in a potential breakup, on a potential rescue, on a potential whatever are the key scenarios there. I can imagine a disorderly collapse of your main competitor would be very bad for the Swiss economy. So what is your view on the current situation?

Ralph Hamers

I think we have many competitors, by the way. So -- and I think what is important for you is that we're truly focused on our strategy, which is an organic strategy. That's what we do. And I can't kind of answer hypothetical questions. So it's -- I've always learned in my trainings not to go into hypothetical questions, right? So yes, we are focused on ourselves, and that's what is really important at this moment in time, I think, as well.

Magdalena Stoklosa

Fair enough. Do we have more questions from the audience? Right up front.

Audience member

Can you talk about the stickiness of your deposits, especially given the specificity of the wealth management business?

Ralph Hamers

So we have a very diverse deposit base, right? So in Switzerland alone, we have \$180 billion in P&C and \$50 billion additional -- it's \$180 billion, plus \$50 billion in Switzerland alone, right? So it's -- so our deposit base is highly diverse across the globe. And with the large part, I think \$540 [Edit: around 530] billion and then \$180 billion in the consumer bank in Switzerland and another \$50 billion in the wealth manager in Switzerland there as well.

So it's pretty sticky. Having said that, what is important is that you manage your liquidity rates as well. And as I said, our HQLAs invested in cash alone is \$170 billion as well. So it's -- we see cash as an asset class there. And the way we replicate our deposits, we have a bit of a barbell, as well, where we are very much in the short and a bit on the back end. So it's -- so that's what I can say about that.

But clearly, I mean, given the high net worth individuals, we have a bit of a higher deposit beta normally, right? So it's on that side, not so much in the Swiss business.

Magdalena Stoklosa

Any more questions from the audience? Okay. I'll be -- I think I'll have time to be back. So a couple of more things, which I think we cannot just not catch. So one is, of course, capital. Year after year, you would generate very substantial organic capital. And of course, you're trading above book value.

What at kind of -- so 2 things. How do you see your kind of current share buyback kind of program? Is there a potential foreign kind of upside in that one? But also, at what point would you consider M&A to be more attractive versus the capital returns or organic growth?

Ralph Hamers

Yes. So first, go back to the way we manage capital. So we are highly capital generative, as you said, and the reason for that being is the type of business that we do, but also the fact that we have a very high discipline and not using too much capital for the business that we want, right, and that's one.

Second, the way we go about the allocation of our capital first is to ensure that we have a very safe balance sheet. So we have high CET1. We strive to have a balance sheet that is there for all weather circumstances. And therefore, we always want to manage it around 13%. We're currently at 14.2%. So that's the first allocation of capital generation that we have is ensuring that we have a strong balance sheet also going forward.

Second then is if we can grow or we want to grow, and if it needs a bit of capital, we don't mind giving it a bit of capital. But as I said, we want to be disciplined in the use of capital for our growth. And that's also where the comparison with if there is inorganic growth opportunity, you would want to compare it to that side, right, where if you would normally grow organically versus inorganically, that's the comparison that we would make there.

And then the third one is, clearly, we want to pay an attractive dividend, which is progressive over time. And then whatever is left and what we feel -- if we feel that we are still attractively valued to do share buybacks, which we feel, we think that we have some upside in our share price, we continue buybacks, right?

So just last year, we generated \$7.6 billion of net profit. We paid out \$7.3 billion in a combination of dividends and a share buyback of \$5.6 billion. Now for this year, we have guided our share buyback to be over \$5 billion. We are currently at \$0.8 billion, so \$800 million for that purposes and \$600 million for hedging purposes on the personnel side. So we are progressing in our buyback, and we will see how the year comes whether we can give updates there.

Magdalena Stoklosa

As it comes, okay. All right. I'm going to look at the audience. Any more? Okay. So let's -- the last things we haven't kind of talked about is the costs because, of course, you've controlled costs kind of particularly over kind of '22. There are no doubt, quite kind of large inflationary pressures, we're all kind of -- we're all dealing with. So could you tell us about the areas you're most focused on to kind of to keep up that kind of cost discipline?

Ralph Hamers

Yes. So I maybe going back, when I start, we -- one of the first things we did is looking at the cost opportunity, right? And then we came out with this \$1 billion savings program in order to fund to the extent we would expect the returns to come from, as well, our own growth, and that's what we have been doing. That's why we have been able to keep our cost under control, while growing and, with that, generating a cost-income ratio of just over 72% last year.

Now we are basically performing under that \$1 billion cost program. We have even increased that cost savings program to \$1.1 billion in terms of the opportunity that we see. And if you then kind of translate that

to what are these that we are guiding in terms of cost growth for this year, it is 2% to 3% ex-foreign exchange and litigation, right?

Now the way we go about cost is, truly, that if the revenues are there, we would allow a little bit more spending in investment. If the revenues are not there, we will look at how we can maintain our cost base, and that's -- that's -- we literally separate the 2, right? So we just don't manage on cost/income ratio and hope it will end there.

We have also, in our KPIs, and you can see that also in the annual report, we separate revenues from cost. So the cost is a separate target from the revenues. However, if the revenues are better, we would allow a bit more. If the revenues are a bit less, then we would look for further cost measures as well. And that's the way we, as a team, have agreed to continue our discipline on cost.

Magdalena Stoklosa

Okay. Let's maybe talk about kind of margins as well because we've talked about various kind of -- various revenue kind of potential. And how do you think about defending your revenue margins, particularly in wealth? Maybe let's...

Ralph Hamers

Yes. So I think there's a couple of things. So first, -- so the first thing is, where do you really grow, right? So I think the first thing for us is if you want to grow, where do you want to grow? And we want to grow in those areas where we also have the most tailwind, right, which is Asia and U.S.

The U.S. *[Edit: wealth pool]* is expected to grow between 9% to 11% until '26, a CAGR -- that's a CAGR. And I think in Asia, the CAGR is like 7% until '26. So having exposure to those 2 regions helps you, at least, in the growth and with that also your margins, because the margins are also a matter of cost versus revenues, right? So -- and if you grow, then you gain in scale as well. So that's one.

Then the second element there is do you grow in what one could call more affluent businesses for which you need even more scale? Or do you grow in what we are very good at is high net worth and ultra-high net worth, right, where you may not need perfect skill certainly in the top? However, you also know that at the top, the margins are sometimes a little bit smaller.

Now the way it has, by the way, now been developing for us over the last 5 years is that we've actually been able to improve our margins. So we have a net margin improvement, whereas the gross margin has decreased by 4 *[Edit: 5]* basis points. The cost margin has improved by 9 -- by overall 7, so 7 *[Edit: 9 basis points]*. So the net margin has improved by 3 on 14 to 17, and that is because of the cost side of things as well, right?

So -- and that is more in what you do, looking at the cost discipline, looking at further digitalization and the efficiency. And of course, there is always an element of scale as well. And so exposure to growth helps always in margins in general because it is a scale effect. Then the type of clients that you're after where scale is relatively more or less important or where you can have specific volumes coming through, and then it is managing your margin. So -- and that's the recipe also going forward and see how we can defend it.

Magdalena Stoklosa

Exactly. One last chance before I -- before we wrap up. Okay. So do I actually have a couple of minutes. So my last one -- no, because you know what...

Ralph Hamers

You are very well prepared.

Magdalena Stoklosa

Good. Let's talk about the technology because it's one of the topics that you are quite vocal about. And of course, there's been a kind of shift from the perspective of the technology stack at UBS. And of course, whenever we talk about costs, whenever we talk about scale, whenever we talk about efficiency, there is this kind of technology angle to it.

So could you kind of tell us what has changed or kind of what the biggest changes you saw that kind of from your experience as an organization over the last kind of 3 years and the value it's bringing?

Ralph Hamers

Well, I think we're still in that change, right, and that change will never, never stop anyway. But I do think that the biggest change for us is not looking at technology as an enabler, but as a differentiator, right.

So if you manage a business, you want to look at your resources, and you have balance sheet resources, capital resources. You have people resources. And then technology is also a resource, and business people have to be more involved in deploying technology as a resource to do a better business rather than thinking, okay, yes, okay, I can play with the balance sheet and the capital, and I can play with my people and a bit of product development, and that's the way I manage our business.

And the rest is for the technology guy. That may have been good in the past, but we know that there is just no industry in the world that is not touched by the importance of technology, not only in terms of efficiency, but in terms of how you deliver to your clients. And therefore, now it is a resource that needs to be managed by the business and owned by the business. And that's a big change in terms of looking at technology as a differentiator rather than only an enabler. That's one.

Second, what we have been doing since is that, while we kept the budget more or less stable, we have been able, through the agile way of working front to back where we now have more than 18,500 people working that way. We have been able to be much more productive with the dollars going into the investments. That -- how do you do that? You move away from waterfall delivery, which are big projects with big mistakes and big tickets to agile delivery, which is quarterly planning and 2-week sprints. And every 2 weeks, checking, are we still going in the right direction, is it still worth continuing to investment, et cetera, et cetera, et cetera.

That's how you derisk it. That's how you make it more effective, and that's also how you can test whether things are literally having the effect that you had assumed would be the effect, either in terms of efficiency, in terms of client experience or whatsoever.

Then third, it is about bringing an engineering culture. So if at all of this you see technology as a resource, you should also have your own engineers and not necessarily see this as a cost, but you see it as a capability that you want to develop yourself because you want to influence what you do.

And with that, we have been able to also clean up our technology stack in terms of -- just last year, we decommissioned 600 applications. We're now 64% on the cloud, of which 60% on public cloud. So you see that the underlying technology, we're also just kind of renewing and improving and making more efficient and more flexible. So it is those 3 elements that are important.

Magdalena Stoklosa

And a huge value, ultimately.

Ralph Hamers

Sorry?

Magdalena Stoklosa

And a huge value, ultimately, for the entire organization.

Ralph Hamers

Exactly, exactly.

Magdalena Stoklosa

Superb. Ralph, thank you very much for being here with us today, and thank you -- yes. Thanks, everyone, for listening. Thank you.

Ralph Hamers

You're welcome.

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