



COVID-19: Our contribution to overcoming the crisis

Possible scenarios, their impact and how we can support you
Banks, insurance companies, and asset managers

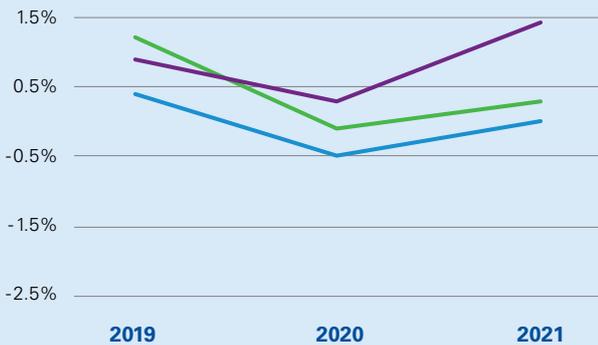
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[kpmg.ch/covid19](https://www.kpmg.ch/covid19)

Three economic scenarios in view of COVID-19

Basic scenario

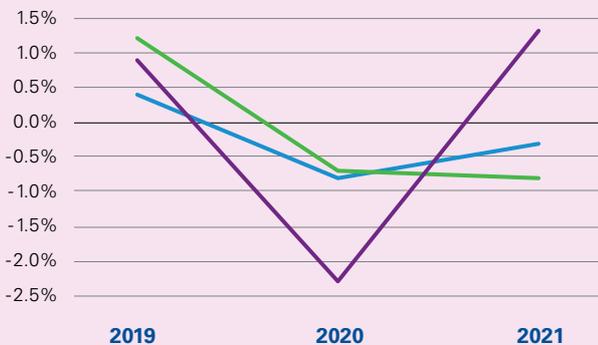
Economy is significantly compromised in 2020



- Sharp decrease in private consumption and corporate investments and a reduction in production could bring about an economic slump in Q1 and Q2 for nearly all industries.
- A limitation in production could result in bottlenecks along the value chain in the course of the year.
- An increase in employment in Q1 is followed by three quarters with lower employment.
- Governmental stimulus packages will mitigate the economic impact in Q3 & Q4, short-time work and other measures prevent mass lay-offs.
- The containment of the virus will bring a catch-up effect in production and consumption for Q4/2020 and Q1/2021.

Negative scenario

Economy is compromised significantly in the short to medium term



- Because a substantial part of the population will fall sick, the economic performance slows down sharply in H1/2020, and Switzerland's most important trading partners experience a deep recession.
- Despite a comprehensive governmental economic package, production gaps can only partially be made up.
- Increasing liquidity shortages will lead to bankruptcies and lay-offs, thus increasing the unemployment ratio, possibly causing a financial crisis.
- In view of the uncertainty, high budget deficits, difficulties in delivery as well as liquidity short-ages in Switzerland and abroad, Switzerland's economy cannot catch up even in the second half-year but only starts to grow again as of Q2/2021, albeit accompanied by unemployment that remains constant also in 2021.

Mild recession scenario

Unexpectedly few economic implications



- Measures already taken as well as new ones, or a better outlook for Covid-19 treatment together with actual governmental interventions mitigate an economic crisis and limit the impact on the economy to Q2.
- In some cases, loss of production in the first half of the year will have been overcome before they hamper the value chain further.
- A small depression regarding employment taking place in H1 is quickly compensated.
- Production that could not be delivered in H1/2020 is caught up in H2/2020.
- However, in view of a divergent development in a few stable countries, a slowdown of the world economy should be expected in the medium-term.

Legend (changes in %): — Gross domestic product — Employment in FTEs — Consumer price index

Source: Department of Economic Research at ETH Zurich "Economic scenarios, Spring 2020", 17.3.2020

Business Continuity: Proving resilience

The current situation with the spread of COVID-19 and the important restrictions from international, federal, cantonal, and local authorities is challenging in many respects.

Business Continuity Management: Comprehensive preparedness

As the crisis unfolded, our primary objective was – and still is – to protect the health of our people and client and safeguard business continuity.

KPMG is following a well prepared **business continuity plan** that is in line with the decisions of the federal, cantonal, and local governments. That includes remote working from home for our people, who are supported by various **digital tools and conferencing solutions**. Whenever possible we use telephone and video conferences in place of meetings. We’re dedicated maintaining the highest level of Audit, Tax & Legal and Advisory services, helping our clients going through these challenging times. **We are fully operational** and in compliance with all respective laws.

How we can support you:



Do you have staff shortages in key positions due to the current situation? At KPMG we offer more than 1400 suitable specialists to efficiently cover short-term needs over any given time period.



Our expertise, with which we can support you ad hoc if required, covers a wide range of areas including risk management, accounting, legal, efficiency and cost management as well as business continuity. Please find more detailed information on the following pages.

Far-reaching impact for the Swiss financial industry

Regardless of the further trajectory of the Coronavirus disease, certain implications for the Swiss economy are already becoming apparent. Among other things, financial institutions are facing special challenges that need to be addressed without further delay.

General aspects	Business continuity & planning	Clients become more risk-adverse	Drop in new business	Adjustment of risk strategy & risk culture	Liquidity management	Reduction in capital buffer	Increase in governance
	Communication with stakeholders	Dependence on third parties	Increase in demand from regulators				
Banks	Lower net interest & commission income	Increased credit risk	Availability of secured loans	Insurance companies	Solvency assessments	COVID-19 Exposure to liabilities	Operational Excellence
Asset managers	Higher risk cost in asset classes	Equal treatment of investors (redemptions)	Adherence to deadlines for filings with authorities				

How we can support you

Our commitment is to support and work closely with you throughout this period of uncertainty. Our team of experts are on hand to support you to navigate the complex issues that this challenging situation presents.

Risk management

- Credit risk: Support in setting up and carrying out analyses and simulations of the credit portfolio to identify positions at risk and any concentration risks. Development and performance of a continuous review of collateralisation structures to identify collateral shortfalls.
- Liquidity management: Support in setting up and carrying out close and continuous monitoring of the Bank's own liquidity positions, a detailed driver analysis of liquidity outflows and a forecast for the coming days/weeks.
- Stress tests: Supplementing existing stress tests or scenario analyses for financial risks (credit, market, liquidity risks) with COVID-19 aspects and integrating changing macroeconomic parameters into the scenario analyses.
- Crisis risk reporting: Support in the preparation of an (intraday) "corona risk" reporting for credit, market or liquidity risks as well as risk concentrations (e.g. via PowerBI, tableau, etc.).
- Analysis of capital resources: Analysis and estimation of the effects of COVID-19 on the equity situation / capital ratio.

Accounting

- Assessment of the "going concern" and required disclosures.
- Questions regarding financial instruments:
 - Assessment of credit risk and impact on expected loss,
 - Disclosures on risk concentration and liquidity risks,
 - Classification of assets – Impact of divestments,
 - Accounting treatment of contract adjustments,
 - Fair value measurement of Level 3 financial instruments.
- Impairment / remaining useful life / residual value of PPE, leasing, intangible assets, goodwill.
- Discuss questions regarding financial instruments.
- Taxes – booking of tax relief, tax uncertainties.
- Government grants.
- Impact on pension obligation, other employee-related obligations.
- Provisions for restructuring, loss-making contracts.
- Reporting of events occurring after reporting date: What qualifies, what are adjusting events.
- Disclosure of estimates and critical assessments in connection with the corona virus.

Legal & Compliance

- Liquidity management and compliance re insolvency (contractual management, valuation of exposures and cash-flow facilitation).
- Assessment of the remote business setup in regard to compliance with FINMA guidelines and data protection requirements, labour law advice on questions concerning home office, ordering the reduction of overtime / accrued vacation, adjustment of expense regulations, etc.
- Strategic advice and implementation of cost-saving measures, from the introduction and administration of short-time work to the reduction of jobs (percentages).
- Worldwide consulting in connection with cross-border employee mobility (residence, tax and social security law).
- Regulatory watch of the decisions taken by the Swiss government in all dimensions.
- Monitoring of the most important clients in regards to their situation in and after the crisis.

Efficiency & cost management

- Review or re-prioritization of investment and project portfolios regarding cost optimization.
- Support in the expansion and digitalization of distribution channels.
- Support in communications and relationships with authorities re governmental support (i.e. credit sureties) or HR measures (among others, short-time work).
- Analysis of implications on accounting and reporting as well as support regarding measurements and postings.

Business Continuity & IT

- Support in the identification and stabilization of important operational areas and the assurance of daily business with improvement recommendations and a pre-selection of available tools.
- Monitoring of third parties regarding the assurance of agreed-upon services.
- Support in protecting banks and clients against cyber attacks (assessment, recommendations. Implementation of technical measures).
- Support for IT/business risk and business management areas with body lending of staff with relevant experience.
- Support in crisis communication to relevant stakeholders (shareholders, regulators, customers, employees, etc.).
- Perform a gap analysis of the crisis management framework and the operative needs – today, at short term and at long term.

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