

Annual General Meeting on May 3, 2012

Speech by Sergio P. Ermotti, Group Chief Executive Officer of UBS AG

Check against delivery.

Dear shareholders,

I am delighted to address you today for the first time as CEO of UBS.

Our bank, UBS, has been through a turbulent period and has many challenges ahead of it. I have complete confidence that we are on the right track.

We want to be committed to our clients. We want to achieve good results. We are determined to provide the best services.

One ability will help us to do all this: Our ability to constantly adapt.

This is why I am standing before you, and why I am looking forward to the future.

I am pleased to be able to explain our results and key events in the 2011 financial year. I would also like to outline my ongoing priorities.

And I would like to briefly touch on what made us strong in the past. This year, we are celebrating our 150th anniversary. It is important to me personally that people do not forget their roots and that they recognize the accomplishments of previous generations, because our historical strengths are also the basis of our success in the future.

2011: What a year for our industry!

- Sovereign debt in the eurozone
- The US budget deficit
- Economic growth problems – to mention but a few examples

These factors have impacted client trust. Clients were accordingly cautious in their activities.

The bank itself faced its own difficulties: we uncovered unauthorized trading in London in September, which led to losses of CHF 1.8 billion. I will come back to this later.

Despite all these adverse circumstances, we posted a pre-tax profit of CHF 5.5 billion in 2011. Net profit was CHF 4.2 billion. This is a respectable result given the challenging environment.

We were also able to further build up our capital position – our industry-leading capital position. Our tier 1 capital ratio under Basel 2.5 has improved to 18.7%.

We have also reduced our costs.

We have done our homework, and will continue to do so. We are adapting to the new circumstances.

However, what pleases me most is the proof of our clients' loyalty and their trust in us: In this difficult environment, we had an inflow of CHF 42 billion of new money in 2011.

And even our Swiss private clients entrusted their money to us again. Inflows from them have grown tremendously and were actually higher last year than in the boom years before the financial crisis. This is an important sign. It shows that we are in fact regaining the trust of clients, and not just talking about it. We must still convince the Swiss general public.

I would like to thank our clients for their loyalty and trust. And last but not least, I would like to thank our employees for their tremendous commitment.

The progress made in 2011 continues. We also posted a very strong adjusted operating result in the first quarter of 2012, of CHF 2.2 billion. On this basis, all business divisions improved their performances, which is a major success.

We also further reduced our risks and continued to strengthen our capital base, as planned.

The new money that our private clients have brought in amounted to almost CHF 11 billion in this quarter alone. This is further confirmation for us that clients are trusting us again.

And, as promised, we are on the right track in implementing our strategy.

I am extremely pleased with what we have achieved to date.

Now to UBS's strategy

The Board of Directors and the Group Executive Board reassessed the Group strategy in 2011. We presented the results in November.

In the future, we will focus more on our leading global wealth management business and the business in our home market of Switzerland. We want to grow successfully here. We therefore want to operate both a strong and competitive Investment Bank and an effective Asset Management business. Our Investment Bank should therefore be less complex and capital-intensive, and be sustainably profitable in the future. It will focus fully on client business.

Our Chairman Kaspar Villiger stressed in his address: It is the responsibility of the banks to support the real economy. We also do so through our Investment Bank.

The Investment Bank supports and advises corporate clients in financing their activities. It also advises and supports governments and the public sector. It provides services for institutions such as pension funds.

We finance private, public and mixed projects. We offer consulting services that strengthen the economy, and we ensure that there is sufficient liquidity in the equity and bond markets.

We are the gateway to the international capital markets for international companies as well as many medium-sized Swiss firms. Even other banks use our infrastructure. Perhaps you have exchanged foreign currency at a regional bank, without being aware that the services of an investment bank are behind this.

Our Investment Bank will focus on this client demand in the future. To support our clients in their business activities, we of course also have to take on risks on our balance sheet.

And what is extremely important to us is that the Investment Bank makes a considerable contribution to our ability to serve our wealthy private clients in Wealth Management worldwide, and does so better than our competitors.

However, this is only possible if we are seen to be stable and strong, if we do our best to prevent setbacks, if we have operational risks under control, and if we deliver our services efficiently.

My three immediate priorities for 2012 are therefore:

- First, building up capital: We want to create trust, so that our clients and new clients are happy to entrust their money to us.
- Second, cost management: We want to keep costs under control, so that we deliver the best service in an efficient manner.
- Third, risk management: We want to accurately assess all risks in the bank, so that we can be successful over the long term. To do so, we must draw the right lessons from the unauthorized trading activities last fall. This point is very important to me personally.

The authorities have filed charges of fraud and abuse of position against the trader concerned in the London case. Due to UK criminal law and the ongoing proceedings being conducted by the supervisory authorities, we are unable to comment in detail on the case.

Following my appointment as CEO, my very first concern was of course to ensure that we improve our internal processes. The risk of employees carrying out unauthorized transactions must be as small as possible. Should this happen again, however, such activities must be detected and stopped swiftly. We have taken the appropriate measures based on our own investigations: We have improved internal monitoring and controls. We have replaced the people who made serious mistakes or who behaved unreasonably, or have docked their pay. And we have also addressed the deficiencies in the internal control system for financial reporting. We confirmed this yesterday in our report on the first quarter.

The impending legal proceedings in September will likely generate unfavorable headlines in September. If we are, at that point, confronted with the details, I want to be able to say: "These details describe a situation in the past."

I would like to make it clear that no employee or opportunity for profit is worth putting the reputation of this bank at stake. However, upholding our reputation does not mean that we will avoid risk at any price and thereby sacrifice sustainable earnings. Instead, I would like to make sure that risk and return are balanced. This we managed quite well in the first quarter of 2012.

And now, let us take a look back. Which strengths have always defined UBS?

We are celebrating our bank's 150th anniversary this year, and at the same time defining the path we want to pursue in the future. We are not celebrating our long history with over-the-top parties. Yet neither are we shying away from taking a proud look at what today's and yesterday's UBS employees have achieved.

From our beginnings in the year 1862 as a small regional credit institution, we have developed to become a global financial services provider. The last 150 years have been characterized by ups and downs. There were many successes, but also setbacks.

However, a successful company is strong enough to constantly adapt and improve itself. UBS has proved time and again in the past that it has these qualities. Thanks to our capacity for renewal and our strong roots, we have overcome setbacks, and emerged more often than not even stronger than before.

This also holds true in our most recent years. Just take a look at where UBS stands today.

We have completed our strategic positioning and decided on important measures. But success will only come if we foster our corporate culture as well.

Our culture consists of three elements, and these elements are also what characterized our predecessors:

- We want to be committed to our clients.
- We want to achieve sustainable performance.
- We are determined to provide outstanding service.

These elements should guide us. We also wish to build on traditional Swiss values: sincerity, professionalism, stability, and reliability.

UBS is an international bank, and we are proud of this aspect of our identity. To take an example, our history in the US also goes all the way back to the 19th century. We now employ more people there than companies like Facebook and Google. We have also been present in important European countries for over a hundred years. We have not been active in Asia for so long, but our core businesses have a leading position in the markets there. Nevertheless, every globally successful company has a home market in which it must be strong in order to attain international success.

Our most important roots lie in Switzerland. We feel a special commitment to Switzerland and our clients living here. We are the country's largest bank. With our extensive branch network, we serve all client groups, private as well as corporate. We are also an important employer and professional training provider. And not only do we take responsibility for promoting business-friendly conditions, but we will also support those who champion this cause in Switzerland.

Switzerland is particularly dear to our hearts here at UBS, and to me, as a Swiss citizen, especially.

It is also in Switzerland's best interests to see the banks flourish.

We need to have equal advantage when competing internationally so that our business can continue to make a contribution to our country's prosperity.

Ladies and Gentlemen, the world and our industry are caught up in the winds of change. The new market and regulatory environment will change our future business opportunities and options. As such, we have adapted our business accordingly.

UBS has successfully mastered the setbacks suffered during the financial crisis and learned from them. We have made an early start in adapting our bank consistently to the changed circumstances – perhaps precisely because of the events of the recent past.

We stand strong today, with solid positions in Switzerland and in our core global markets. We are the best capitalized bank among our main competitors and have great clients who trust us.

There is still a great deal for us to do, but we look to the future with confidence. One way we are expressing this is through our decision today to again recommend a dividend for you.

I would like to close with some “thank you”s. First, I would like to thank the members of our Board of Directors for their trust in me. A special thanks goes to Kaspar Villiger, with whom I have cooperated closely.

I would also like to thank my predecessor, Oswald Grübel, who led the bank in recent years to a new position of strength, as well as my colleagues on the Group Executive Board.

I am very much looking forward to working with the new members of the Board of Directors up for election today, in particular Axel Weber, its future Chairman.

Your UBS team and I myself will keep on doing all we can to be a committed and trustworthy partner for our clients and the communities in which we work.

I would like to extend my special thanks to you, dear shareholders, for your loyalty to UBS. I am aware, however, that you cannot yet be fully satisfied.

We will do our utmost to implement our strategy successfully and without incident. This will help us create value and release capital that will benefit you, dear shareholders.

Thank you very much.