

Annual General Meeting of UBS AG on May 2, 2013

Speech by Sergio P. Ermotti, Group Chief Executive Officer

Check against delivery.

Ladies and gentlemen,
Dear shareholders,

I would like to wish you a very warm welcome to the UBS Annual General Meeting. I am very pleased to see you here again in Zurich's Hallenstadion.

We have rolled up our sleeves.

We have worked hard.

And we will continue to do so.

We are rebuilding UBS. In fact, we have even managed to accelerate this process. And whenever you set about renovating a house, if you have to do more than repaint a few walls, it is sometimes necessary to tear down some walls before the rebuilding begins.

2012 was a challenging year – and not just for UBS, but for the entire banking industry. Axel Weber has already spoken about:

- the uncertain economic environment;
- government debt in Europe and the US;
- questions over growth in the emerging markets; and
- far-reaching regulatory changes.

All of these factors unsettled markets and clients

Against this backdrop, we focused on what we believe to be of absolute importance.

Recognizing the needs and demands of our clients. Then meeting and, wherever possible, going beyond these. Day in, day out.

Our employees really rose to this challenge. They demonstrated complete commitment to our clients and worked very hard.

Thanks to them, we were able to build on the solid foundations that we have laid in recent years for the new UBS.

As a result, I am personally very optimistic about the future.

First of all, I would like to talk about the results for the 2012 financial year. Then I will go on to explain how we are continuing to implement our strategy and where our journey is taking us.

At first glance, our overall result for 2012 appears disappointing.

We posted a loss of 2.5 billion francs. This is primarily a direct result of implementing our strategy at a faster pace than originally planned. I presented this strategy to you a year ago.

We want to strengthen our position:

- as the world's leading wealth manager
- the strongest universal bank in Switzerland
- complemented by focused activities in Global Asset Management and the Investment Bank.

We made good progress in 2012 and we announced the acceleration of our strategy last October. It was clear to us that this would involve additional costs and we stated this at the time.

I will go into detail about these one-off costs later on.

Unfortunately, this loss makes it harder to recognize the significant progress we actually made last year. Progress that we planned and implemented.

Thanks to the performance of our business divisions, we made a pre-tax operating profit of 3 billion francs in 2012.

3 billion francs – given the difficult market conditions, this represents a solid performance.

And this belief in our strategy is also reflected in our share price.

A year ago, I outlined the following three priorities for 2012 to you:

- Building up our capital
- Cost management
- Risk management.

And we stuck to these priorities.

Let us first look at the issue of building up our capital:

As a Swiss bank, UBS is subject to the strictest capital requirements for major international banks anywhere in the world.

In 2012, we exceeded our capital targets, thereby allowing us to build on our position as one of the world's best-capitalized banks.

We increased our core capital ratio under Basel III by over three percentage points to 9.8% on a fully applied basis. In the first quarter of this year, it continued to rise to 10.1%. This means that we have already achieved the requirement for 2019.

We also reduced our risk-weighted assets – one of the key risk indicators used by banks – by 120 billion francs in 2012. And we have continued to shrink our balance sheet, by 11%. Our funding and liquidity ratios comfortably exceed those required under the new Basel III standards.

This means that we are excellently positioned in the industry.

Regulatory requirements are not the only reason why we want to build up our capital reserves. Having a solid equity base also creates trust among our clients.

This helped our wealth management businesses attract around 47 billion francs of new money from clients in 2012. This is 11 billion francs more than in the previous year. This encouraging trend also continued into the first quarter of 2013.

Now to our next priority, costs:

Last year, I said that we have to keep our costs under control in order to deliver the best services in an effective and lean manner.

And we have also made significant progress in this area.

However, our income statement was impacted by the non-recurring items I mentioned earlier:

- First: The market has a better view of us as a borrower. This means that the markets rate our creditworthiness as better, which is actually positive. However, this contributed to our booking an own credit loss of 2.2 billion francs.
- Second: The restructuring and realignment of the Investment Bank affected our costs in 2012, as we had to book write-downs and net restructuring costs totaling 3.5 billion francs.

These non-recurring items did not impact either our capital position or, as you know, our ability to pay dividends. They are merely an accounting procedure.

- And third, we booked a number of costs in settling various legal cases and regulatory matters from the past. This also includes the Libor case. These costs do hurt – this is something I recognize. But settling the issues of the past is an important step in moving UBS forward.

We further strengthened our control processes in 2012. We continue to do everything we can to ensure that these processes are effective over the long term, and therefore able to increase security. And this brings us to our other priority: risk management. We have put into practice what we promised.

UBS is today a very safe bank.

We have tightened our operating controls further. And we have taken additional measures to promote a culture of personal responsibility.

Nevertheless, we are not going to become complacent. We will remain alert and will ensure that our control mechanisms are swift and reliable.

Let us now take a look at the individual business divisions. In 2012, we made good progress overall.

Our wealth management business achieved great success in growth markets, and I have already discussed the positive increase in new money. The macroeconomic environment, which continued to unsettle investors, had a negative impact.

In 2012, UBS Switzerland was again extremely successful. Net new business in our Retail & Corporate business grew at a rate of nearly 5%, a very good result and an indication that we are gaining market share. We saw client deposits grow by 14 billion francs in 2012. With regard to private clients who live here in Switzerland, the Private Clients area and Wealth Management Switzerland had their best year since the merger of the former UBS and the Swiss Bank Corporation.

Euromoney and *The Banker*, two of the world's leading financial publications, named UBS the best bank in Switzerland.

But I am particularly pleased to note that our clients are now as satisfied with UBS's services as they were before the financial crisis, as our surveys show.

Our clients' trust has, as such, returned.

I am optimistic that the public's trust will soon follow.

In 2012, our wealth management business in America generated a record result of almost 900 million francs. This exceeded the previous year's result by 40%. Two years ago, this business division posted a loss. I'm sure you will agree that this is quite a turnaround – as well as being confirmation of how strategically important this business is for UBS.

Global Asset Management was able to improve its investment performance even further, increasing its pre-tax profit by 33% to 570 million francs, despite it being a difficult year for the sector as a whole.

Finally, the Investment Bank exceeded the ambitious goals that we had set for risk reduction and its balance sheet. Risk-weighted assets alone were reduced by 80 billion francs over the course of the year. The Investment Bank businesses we intend to focus on in the future are very well positioned.

Ladies and gentlemen, I am aware that at first glance the Group's overall 2012 result does not reflect all the progress we have made. However, our share price paints a clear picture of everything we have achieved on an operational and strategic level.

The market was convinced by UBS's performance in 2012. UBS shares performed well in comparison to key indices rising by nearly 30%.

I see this as clear proof that a great many market participants are also convinced of UBS's strong position. This position is a result of our implementing our strategy – as already mentioned - more quickly than planned.

We have been moving ahead even faster in two key areas since October 2012:

- First: We have quickly and decisively reduced the risks and level of complexity at the Investment Bank. This has helped us prepare ourselves well in advance for a completely new world and select the right business model for UBS.
- Second: We are determined to increase our effectiveness, which will in turn further reduce our costs. As we have already announced, we are aiming to cut costs by a total of 5.4 billion francs by the end of 2015. We will also invest 1.5 billion francs in our future. This means that we are well equipped to face the changing market environment and we can be sure of generating a reasonable profit, even in tougher times.

UBS already has a unique position within the industry. Our business model already requires less capital and entails less risk. It is more focused and will aim to deliver attractive, sustainable returns for you, our shareholders.

As a sign of our strength and confidence in UBS's future, we have proposed that the dividend for 2012 be increased by 50%. In combination with the higher share price, this is a good outcome for you.

We have achieved this result because we refocused our strategy in a consistent way.

It is still too early to declare victory, however the progress we have made in recent months as well as our results for the first quarter of 2013 are clear proof that our strategy is working.

UBS - and this ultimately means you, our shareholders - is also giving something back to the communities in which we operate.

We decided last year that as part of our anniversary celebrations we would invest 150 million francs in education. The centerpiece of this initiative is the UBS Center for Economics in Society at the University of Zurich.

However, we also support a wide range of other educational projects, for school children, apprentices, employees and senior citizens.

Some other examples:

- Over one million people benefitted from our Swiss boat ride ticket promotion with Swiss Tourism
- Around 100,000 schoolchildren participated in the UBS Kids Cup
- We are supporting the terracotta warrior exhibition in Bern.

All of this underlines our commitment to society.

Ladies and gentlemen:

Our priorities for 2013 are fundamentally unchanged:

- Building up our capital;
- Controlling costs and increasing our effectiveness; and
- risk management.

These are the foundations on which our strategy is built.

At the same time, now that many of our projects are progressing well, we can turn our focus more sharply on the business itself.

- We will demonstrate even more commitment to our clients.
- We intend to achieve a sustainable positive performance.
- And our goal is to provide excellent services.

I am happy to be able to report just how far we have come in the past year.

I would like to thank all our employees for their great commitment and performance.

My thanks also go to the Chairman, Axel Weber, and the Board of Directors, for their excellent work and the support they have provided.

I would also like to thank our clients for their loyalty to UBS.

A big thank you also goes out to our shareholders – above all, to those of you here today. Your attendance highlights your interest in our firm. I very much appreciate the fact that you are getting actively involved with UBS, whether by giving praise or offering constructive criticism.

The whole UBS team and I personally will continue to do everything in our power to guide UBS to a successful future and create value for you, our esteemed shareholders.

We have rolled up our sleeves and are full of enthusiasm.

We will continue rebuilding our house.

We are making UBS fit for the future.

Thank you.