

Annual General Meeting

of UBS Group AG on May 7, 2015

Speech by Axel A. Weber, Chairman of the Board of Directors

Check against delivery.

Ladies and Gentlemen,
Dear Shareholders,

A warm welcome to UBS's Annual General Meeting. I'm delighted that you've come to Basel.

This year, I can welcome you on behalf of the newly created UBS Group AG. At the same time, I'd also like to thank you for the support you gave to the share-exchange program we ran over the past few months, which was a success. By doing this, we have taken a major step towards early compliance with new regulatory requirements.

Ladies and gentlemen, you as shareholders are all joint owners of a successful bank, and the past financial year is evidence of this:

1. Earnings attributable to shareholders were up 9 percent to three and a half billion francs. We have reduced the bonus pool by 5 percent.
2. The dividend per share is to be doubled to 50 rappen.
3. And, according to the latest ranking, we are still the world's biggest asset manager, and now one of the world's most stable and best-capitalized banks.

You can find all the details in the annual report for the past year.

But before we look at the bank's position and at what's happening in the economy at the moment, and before we turn to the opportunities and challenges in the banking sector's future, I'd like to talk about a group of people who, at general meetings, are often mentioned only at the end of speeches: employees.

Over the past year, I set aside a lot of time for not only – as I do normally – getting to know our clients and shareholders better, but also for getting to know our employees better in the various countries in which we have a presence.

I met with employees in Sydney, visited the branch in Kreuzlingen, talked with UBS colleagues in Chicago, Frankfurt, London, Singapore, Istanbul and Tokyo – just as I did with those in Thun, Wiedikon, Lucerne, Lausanne, at Zurich airport, in Vevey, Chur, and Geneva, and here in Basel, too.

Visiting these places, I met employees from all levels, many of whom have been working for the bank for decades. I always enjoy these meetings, and I believe employees also value this sort of contact where hierarchy no longer counts.

I'd like to quote from a letter I received after one of these visits:

'Dear Mr. Weber, encounters of this sort have an extremely motivating effect and help us all not to lose focus or direction at a time when day-to-day business can often be full of upheavals.'

That is why I'm happy to keep on making these visits this year.

And I'll add at this point, for Sergio's benefit, that I have not forgotten his home canton; I will be visiting Ticino in August.

The main reason, above all others, why UBS is a successful bank is that it can count on talented and loyal employees.

So, why is it important to me to mention our employees right at the start of my speech today?

Well, ladies and gentlemen, we, at UBS, must be able to get the right people enthusiastic about us. And by the right people I mean people with integrity, people who are loyal, who are talented, and who are also focused on clients and on service, on sustainability, and who have the self-confidence to speak up for themselves. I'm sure you all agree with me.

In the past, whenever we got caught up in legal disputes, it was primarily to do with employees who did not obey the laws of the country in question and did not obey our bank's own rules and regulations. It is because of their misconduct that we had, last year as in years before it, to make big payouts or set aside large provisions to cover outstanding court rulings. And I can assure you we are working to sort out our remaining legacy issues as soon as possible.

We have defined our values in the UBS principles and codes of conduct. And we have consistently designed our personnel processes with them in mind. As I said, we want to hire the 'right' people, and we want to keep the many good people we already have. And those who still think they can stretch the boundaries of what is permitted can expect to be cut adrift. Recruiting is a core issue for us, and rightly so.

That's why I was especially pleased by the results from a survey carried out this year. It showed that, for students, UBS is second only to Google as the most attractive employer in any sector in Switzerland, and is by far their first choice in the financial sector. It is essential that we should be able to recruit the best people, the ones with the utmost integrity.

The message from the Board of Directors and the Group Executive Board is clear and unambiguous: we only want employees who will stand up for our values. And we want them at every level. There are no exceptions. It is the Board of Directors – and this is something that matters to me, personally, too – who, as the bank's top decision-making body, are responsible for ensuring that the corporate culture at UBS is healthy and sustainable.

And it's because the Board attaches so much importance to our values that we have realigned the committee that deals with these issues: it is now responsible for corporate culture and responsibility.

These values are not ends in themselves: we're firmly convinced that, with consistent action and sustainable performance, we will be able to build on our competitive advantage in the medium and long term.

It is consistent thinking and action that got the bank back on course over the past three years. Today, UBS is stronger and more secure.

- We have been consistent in executing our strategy, which builds on the strengths of all our businesses while concentrating on those areas in which our performance is outstanding.
- We have adapted our legal and organizational structure. From now on, UBS consists of the Group holding and companies within the Group like UBS Switzerland AG.
- We have invested in processes and controls. Risk management has, in our view, the highest priority, and is a permanent feature of our business model.

All that is the result of our maxim: think long term, act early and consistently. Only if we do that will we be able to perform sustainably. The results we achieved last year and in our successful first quarter of this year confirm clearly our choice of direction:

- Our businesses have delivered performances that range from solid to outstanding throughout the year.
- We have reduced our risk-weighted assets further and improved our leverage ratio. And, our common equity tier 1 ratio increased from 13.4% at the end of 2014 to 13.7%,
- and continues to be the highest in our peer group of global banks.

This solid result is also reflected in the compensation for the members of the Group Executive Board, which has been approved by the Board of Directors. When we get to items 4 and 5 on the agenda, you will have a chance to decide on this for yourselves. As always, our successes must also hold up in the long term. At least 80 percent of the performance-based pay allocated to the Group Executive Board is deferred and at risk of forfeiture for up to five years. Our deferment period is thus one of the longest in the industry.

UBS is now in a better state than it was three years ago. But there is still much to be done. If we keep consistently to the course we have set and live out our principles with the same consistency, we will become an even better bank.

That is made all the more important by the challenging conditions under which we are still operating. The global economy is still not getting up to speed. Inflation rates are low – too low, indeed, despite extreme monetary policy measures. More than ever, national economies, markets, and exchange rates are driven hither and thither by the actions of central banks. In the meantime, the mountains of debt piled high by governments are getting bigger all around the world, while interest rates are heading towards zero or below.

Negative interest rates put banks engaged in the traditional lending business under pressure. So far, banks have, generally, managed to avoid passing on the negative interest rates to clients. The consequence for banks has been increasing pressure on their margins.

Although I understand the decision made by the Swiss National Bank to discontinue the Swiss franc / euro exchange rate floor from a macroeconomic point of view, it has since led to Switzerland having the world's lowest interest rates, which represents a huge challenge for us as the largest universal bank in Switzerland.

All in all, conditions are anything but ideal for a bank. But, as we acted early and in a consistent manner, we were nevertheless able to record a very strong first quarter 2015.

The regulatory environment likewise continues to remain extremely challenging. We are constantly being confronted with new regulation proposals which, although reasonable for the most part, include some points that are less reasonable and overstep the mark.

I am personally involved in the 'Advisory Board for the Future of the Financial Center', which is further developing the regulatory framework for the Swiss financial center. As a former regulator myself, I believe that a stable and competitive financial center is very important. For Switzerland, it is a question of accommodating the uniqueness the country where necessary – without pursuing superfluous separate paths at the same time. Good solutions are those that provide more stability but do not increase the costs of financial services for households, pension funds and companies. It is important to ensure that there is an appropriate balance between the responsibility of the Group Executive Board and the Board of Directors, and that of the authorities. As an open and liberal country with a globally oriented economy, Switzerland should not impose unnecessary restrictions on itself in this regard.

On a global level, work is being carried out in preparation for the introduction of the automatic exchange of information. Switzerland is actively involved in this work, which I feel is a correct and reasonable step to take. We also acted early and in a far-sighted manner here, and completely clarified relationships with clients from the US and Germany.

The persistent uncertainty caused by the markets and regulatory issues is unfortunately putting pressure on the share price, too. Nevertheless, there is one thing we should not overlook: in comparison to other global banks, UBS shares are significantly better valued on the market precisely because we have done our homework. For example, the price-to-book ratio of UBS shares was greater than 1.4 at the end of the first quarter 2015, and therefore significantly above the average.

We cannot and must not address only the past, however. You cannot act in a forward-thinking manner if you are constantly looking backwards. As the people responsible for this bank, we have to look to the future. Let's take a look at our industry: changes are constantly being made here – and I don't just mean at top management level.

One example that I'd like to go into in more detail today is Fintech – which provides innovative digital applications for financial transactions. Apple, Google and Amazon are also focusing more on payment systems, while small start-ups in Silicon-Valley want to revolutionize the lending business, mortgages and investment markets. The idea behind this is that technology is also able to do a lot of what humans can do today.

Here at UBS, we take these developments very seriously, as many other industries have had to, or are having to radically adjust their business models due to new competition from the digital world – think of the music industry, the travel industry and, most recently, the taxi business. We are not afraid of this development, however – quite the opposite, and I will gladly explain why.

We recognize this development as an opportunity. We have intelligent people working for us who actively get to grips with technology issues. Here at UBS, one in five jobs is in IT, so we can now also consider ourselves a technology company which, for example, is conducting research with over 100 start-up firms. Another example is the field of wealth management, where innovations and technologies are tested in the lab and – if they are deemed to be promising – they are incorporated into existing business models.

We are already now offering our clients intelligent solutions – take UBS Advice, for example. This solution safeguards the quality of the client portfolio and guarantees that clients do not deviate from the course they specified in advance for achieving their investment goals. The program was developed by UBS IT and can digitally review 650,000 portfolios every night. Clients are responding very well to this offering, with around 15 billion Swiss francs having been invested in UBS Advice solutions by the end of 2014.

Our initiatives have helped us to become the Swiss market leader for digital solutions within a short space of time. Winning the highest accolade for e-banking, the 'Master of Swiss Web Award', serves as an encouraging acknowledgment for all this hard work.

Finally, technology also helps us to monitor and ensure our adherence to all rules and provisions, and it is becoming increasingly important for risk management and compliance.

As I said at the outset, our bank is all about people. Technology should carry out the work in those areas where it makes sense to do so. However, humans also need to be involved wherever there is a need for intuition, expertise, empathy and an alert mind.

Here at UBS, we have such people with the experience – both professionally and in their outside life – and the right attitude. We have forged a link between high-tech and 'high-touch'. What differentiates us from the competition is our combination of leading-edge technology and outstanding advice. We have never experienced such high demand for advisory services as we have in these times of great uncertainty. And the combination works: the evaluations that we carried out for private clients in Switzerland over the course of last year revealed that clients who prefer to use digital channels recorded revenues almost 25% greater than those with a more traditional focus.

I would like to end my speech by taking a look at this year's business and at the future. At the beginning of the year, I hoped for three things:

- That business would run well.
- Satisfied clients and shareholders.
- No surprises from the past.

I am delighted to say that we got off to an excellent start this year, which should also please you as shareholders. We closed the first quarter with very strong results.

We have achieved our aim of distributing at least 50 percent of our net profit to you, as owners of the bank. We are proposing distribution of a dividend of 50 rappen per share, which will ensure that our shareholders participate in more than half of UBS's profits. There is also a vote as to whether a one-time supplementary capital return of 25 rappen per share should be distributed once UBS Group AG has acquired all of the outstanding UBS AG shares.

All of these points show that we have steered the company into calmer waters, despite the fact that we are currently faced with still challenging conditions. This means that it will be even more necessary in future for everyone at UBS to give of their best. This will ensure that we can make further improvements and enjoy sustainable success.

I would like to finish with a few thank yous.

I would like to thank our investors and shareholders, all of you, for your support and for the trust you have placed in the UBS Board of Directors and Group Executive Board.

I would like to thank all of our clients around the world who have shown a great deal of confidence in Switzerland's biggest bank.

I would also like to say a huge thank you to our Group Executive Board under the leadership of Sergio Ermotti. They work hard and demonstrate great skill in ensuring the success of the bank.

I would like to thank my colleagues on the Board of Directors for the help they have provided in the past and continue to provide in keeping UBS on the right track.

And as I have already covered in great detail, I would like to say an enormous thank you to our employees, who give of their best day in, day out. They make UBS what it is and give UBS a face when dealing with our clients. They are UBS.

Ladies and gentlemen, thank you for your attention.

Language versions | This document was produced for the convenience of our English-speaking investors and various other stakeholders. The German version takes precedence in questions of comprehension as it serves as the official document.