

Annual General Meeting

of UBS Group AG on May 7, 2015

Speech by Sergio P. Ermotti, Group Chief Executive Officer

Check against delivery.

Ladies and Gentlemen,
Dear Shareholders,

I'd like to join Axel in welcoming you to Basel.

2014 was a successful year for UBS. Not only because we reported a handsome profit – net profit attributable to shareholders totaled 3.5 billion francs – but also because we completed the firm's strategic transformation.

- Over the last three years, we have reduced our risk-weighted assets by more than 160 billion francs.
- Our common equity tier 1 ratio at the end of 2014 was 13.4 percent, which means that we have effectively doubled this ratio over the past three years.
- And, what's more, we also met with a great deal of success in restructuring the Investment Bank during the same period. The Investment Bank is now more secure and generates a return that exceeds both our target and results within the industry.

This success has also earned us a great deal of respect and praise externally. For example, Euromoney, the financial magazine awarded us the title of "Best Global Bank" in 2014. Three years ago, you would have been hard pressed to find anyone who would have thought us capable of that.

All our businesses achieved a solid performance in 2014, doing so in a challenging environment with low interest rates and high levels of volatility throughout the world.

- With 2,000 billion Swiss francs, we are the world's biggest wealth manager. However, it is not just about size.
- Wealth Management is already delivering excellent client service and healthy profitability. It increased adjusted profit before tax by 4 percent to 2.5 billion Swiss francs.
- Virtually every key figure reported by Wealth Management Americas hit a new record high: Higher income, higher levels of productivity and an increase in the number of loans. The bottom line is that the business delivered an adjusted profit before tax of one billion dollars for the second year in a row.
- Retail & Corporate, which represents a large part of our Swiss business, achieved all of its targets and acquired more new clients this year than in any year since 2008. The business also recorded a 4-percent increase in adjusted profit before tax, which totaled 1.6 billion francs.
- Global Asset Management was once again profitable and accomplished a substantial turnaround in terms of net new money, which totaled almost 23 billion francs. This was made possible by greater engagement and collaboration with our wealth management businesses.

- Client focus and resource efficiency remained important drivers for our Investment Bank's success. And the business achieved this without diminishing its competitiveness. The return on capital employed by the Investment Bank was one of the highest in the industry in 2014.

It's clear we are moving UBS forward. We are working hard. And we are meeting with a great deal of success.

Our intention now is to fully unlock the potential of UBS.

Let me tell you a story connected to this. This small plastic box of 250 10-rappen coins has stood in my office for three years. I received it from one of our shareholders, Peter Lampart, at the 2012 Annual General Meeting.

At the time he owned 250 UBS shares and found the 10-rappen dividend to be – and I quote – “homeopathic”. Although this was the first dividend paid out since the financial crisis, Mr. Lampart was sending me a message that, as well as being funny, was resoundingly clear:

We, the shareholders, expect more from UBS.

I could only agree with him. As a result, this box has stood on my desk ever since and serves as a reminder of my responsibility to you, our shareholders – to preserve and increase the value of UBS.

Today, we are reaching an important milestone, namely the distribution of over 50 percent of our net profit in the form of dividends. This is in line with the plans we drew up and announced more than two years ago.

And it means I could now return the box to Mr. Lampart – and indirectly to you all: in this box, there are 1,250 10-rappen coins, which symbolize the dividend we are paying out this year – 50 rappen per share. In addition to this, there will also be a 25-rappen per share one-time supplementary capital return, on which you will also vote today.

While we are slowly approaching the level that I envision for our bank, it is important that our dividend policy and distributions do not jeopardize our current and future capital strength, and that they also do not put our ability to grow and make investments at risk.

This is because we want to be even better.

I am therefore – if I may Mr. Lampart – going to continue to use your box as a source of motivation.

Becoming better also means improving our commitments as part of our wider society.

I say this time and time again: it is not just what we do, but also how we do it. It is therefore not just about returns, but also about conducting ourselves professionally and responsibly, recognizing our role in society.

It therefore gives me great pleasure to present you – very briefly and in addition to the usual figures – with a few examples from a different set of results.

These results include UBS being awarded the highest accolade in the UK for responsible entrepreneurship – the “CommunityMark”, the Corporate Social Responsibility Award from the American Foreign Policy Association, and the progress of the Education Initiative, which we launched to mark our 150-year anniversary.

You can find further details and examples in our annual report.

The obligation to create added value for our shareholders responsibly and sustainably is symbolized, for us, in the three keys in our logo. These keys are, therefore, of great importance to us.

The first key represents the pillars. These make up the foundations of a successful bank.

- Capital strength
- Efficiency and effectiveness
- Risk management

As I have already mentioned, we have further increased our capital. We maintained our position as the best-capitalized firm among large global banks, with a fully applied Basel III Common Equity tier 1 ratio of 13.7% at the end of March 2015.

We have made further cost reductions and have increased efficiency, despite higher-than-expected regulatory-related expenditure.

Cost management is important, as margins in the financial industry are getting smaller. We are therefore going to continue to address this topic.

We have made additional improvements to our control environment by optimizing and standardizing processes.

We are doing everything to keep risks to a minimum.

The second key represents our three principles.

- Our clients are the focus of everything we do. We do our best to satisfy their needs.
- The excellent service we provide can be seen, for example, in our new digital offerings and in the training we provide to our employees.
- Our third principle is sustainability, which means that we think and act with a long-term perspective and in the interest of all stakeholders.

The third key represents our behaviors, which are part of our culture and have to be observed by all UBS employees.

- Integrity
- Collaboration
- Challenge

This is why the adoption of these behaviors plays a very important role in the evaluation of our employees.

They have a direct influence on overall compensation, promotions and, sometimes, on whether an employee has a future with the firm.

Unfortunately, not all of our employees behaved in the way that we would have expected of them in the past. We – and other banks – have paid a high price, both in financial and reputational terms.

In 2014, we resolved a series of legal cases and set aside further provisions.

We are working intensively on finding the best possible solutions to a number of important pending cases in the near future, and hope that we will be able to say more on this soon.

I would like to make something very clear: the behavior of some individuals in the past was not acceptable.

However – and this is very important to me – such misconduct is not in keeping with UBS's culture and does not reflect the changes we have made in recent years. It is therefore difficult to accept when it is depicted otherwise.

The overwhelming majority of our employees embody the right values and are doing an excellent job. And I am glad that most of our regulators recognize this fact and the progress we have made.

I am now going to show you a short version of a film that we've showed to our employees. The film is just one of many tools we use to emphasize the significance we ascribe to the three keys internally. The film was made in English so that all of our 60,000 employees could understand it. However, there are German subtitles.

You will find a longer version of the film on our website and on YouTube.

Ladies and gentlemen, the door to sustainable value-added for you can only be opened using all three keys – our pillars, our principles and our behaviors.

In order to create added value in the long term, however, we also need to be able to operate in a stable and predictable environment.

Even though we operate globally, we remain a Swiss bank, the biggest in Switzerland. Last year, I said that it was important for us to have a strong home base. We are facing fierce international competition, which means that the financial center also needs a strong Switzerland with the right frameworks.

We have done our homework and we also want the financial center to be more than secure.

Let me be clear: I am not calling for current regulations to be abolished or made less strict. And I am not against them being subject to reasonable amendment either.

Nevertheless, we should not overstep the mark. I am therefore sometimes surprised by how academically or dogmatically new regulations are put forward.

And it concerns me when proposals are discussed superficially without giving any real thought to the effect they will have on the real economy.

In order to give you an idea of what we're facing, here are a few examples: you will hear terms being used in the media like corporate tax reform III, withholding tax reform, corporation law reform, FMIA, FFSA, FinIA and Swiss Finish.

Each of these brings with it new regulations.

Although there may be arguments in favor of each regulation, overregulation will ultimately lead to the weakening of our economy and will thus jeopardize Switzerland's prosperity.

What I would wish for is that politicians maintain a sense of proportion when making decisions and ensure that their decisions are implemented correctly.

I am not just concerned for UBS and the financial industry. As a proud citizen of Switzerland and CEO of our nation's third-largest private employer – as well as in the interests of our clients – I am concerned for our country's entire economy.

We must all strive to leave behind a better Switzerland for the next generation.

Back to the present now. We generated very strong results in the first quarter of 2015, which underscores the fact that we're on the right track.

So far, so good. However, one quarter is not a year. We have to be aware that we continue to operate in a difficult environment. It is therefore comforting to see that our strategy continues to be successful. We drew the correct conclusions at an early stage and acted accordingly.

Ladies and gentlemen, dear shareholders, it is important to me to express my thanks to a number of people at the end of my speech.

The success of UBS is always a result of the global interaction between a wide range of people and forces.

I would like to thank the Board of Directors under the leadership of Chairman Axel Weber for the confidence it places in the Group Executive Board. Without this support, we would not be able to work calmly or in such a level-headed fashion.

I would like to thank our 60,000 employees.

They repeatedly show their commitment to our bank day in, day out. They are UBS.

I would like to thank all of our clients for the trust they have placed in our bank.

And, of course, I would like to thank you, dear shareholders, for the support that you provide to each and every one of us at UBS.

Grazie!

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.