

Annual General Meeting

of UBS Group AG on May 4, 2017

Speech by Sergio P. Ermotti, Group Chief Executive Officer

Check against delivery.

Ladies and gentlemen,
Dear shareholders,

I would also like to extend a warm welcome to all of you here in Basel!

Now, as you have already heard from our Chairman, 2016 was not an easy year. That's why we have done a lot to protect our profitability. Thanks to these measures we produced a solid performance, despite headwinds on the earnings front. We were also able to cut our costs even further. This resulted in an adjusted profit before tax of 5.3 billion francs.

Our adjusted return on tangible equity was 9%. If you exclude the significant effect of deferred tax assets, it was 11.4%. I am also pleased to report that in our wealth management units we generated net new money of more than 42 billion francs, while we absorbed 14 billion francs in cross-border outflows.

We have made good progress on our cost targets. We increased our net savings by 500 million to 1.6 billion francs, despite the rising expenses for regulatory matters. We are well on the way to reaching our annualized savings target of 2.1 billion francs by the end of the year.

At the same time, we are striving to become more effective and more efficient. But as mentioned earlier, this is not just about cost cutting. We are also investing in our infrastructure and our business to make ourselves even more attractive for our clients and for you as owners of the bank.

Ladies and gentlemen:
2016 showed once again the benefits of our balanced business model and our geographic diversification. This is an important factor that sets UBS apart from its peers.

There are several reasons for our success.

For example:

We are the world's largest and only truly global wealth manager, with a strong presence in both mature and high-growth markets.

We are the Number One among Swiss banks.

And we have competitive, focused Investment Bank and Asset Management units.

We received a lot of awards and recognition for our work in 2016 in the form of industry awards for all business divisions and regions.

In other words, our business model proved itself successful in 2016. Strong results in the US and in Switzerland offset most of the headwinds in Asia and Europe.

Let's take a brief look at the business divisions:

Wealth Management posted an adjusted profit before tax of 2.4 billion francs.

Wealth Management Americas achieved an adjusted profit before tax of 1.2 billion dollars, another record result.

Personal and Corporate Banking recorded an adjusted profit before tax of 1.8 billion francs, the best result since 2008.

Asset Management generated an adjusted profit before tax of nearly 600 million francs.

And the Investment Bank continued to use its resources with discipline and delivered an adjusted profit before tax of 1.5 billion francs. The adjusted return on attributed equity was almost 20%, with capital costs well covered yet again.

I am also pleased to report that we already achieved the minimum regulatory required tier 1 capital leverage ratio of 3.5% a full three years in advance.

And speaking of ratios, you can better understand the development of our capital strength as follows:

First, we have cut our balance sheet by more than half since 2007, from 2.5 trillion to 935 billion francs. Of this, 200 billion francs are high-quality liquid assets. This liquidity cushion is equal to almost one third of Switzerland's GDP – an interesting number for those who are always comparing our size to the total output of the Swiss economy.

Second, we have issued additional tier 1 capital of 2.5 billion francs and loss-absorbing bonds of 11.5 billion francs. Our total loss-absorbing capital has therefore risen to 73 billion francs. This is perhaps the best way to assess the strength of our capital position.

In addition to the progress in boosting our capital position, we also successfully completed measures to further improve the resolvability of UBS – a reaction to the regulatory "too big to fail" requirements in Switzerland and other countries.

Axel Weber has already touched on regulation. I would just like to add that it is right that banks are expected to think and act long term. But this is almost impossible without stable and finalized regulations. Almost ten years on from the financial crisis, and there is still no clarity on this issue. And it helps – neither us nor the economy at large – to keep banks in the penalty box.

Dear shareholders:

In the last few years we have worked hard and got a lot done. This has made UBS safer and stronger. That's good for everyone: the bank, our clients, our staff and society as a whole.

And for you, our shareholders:

Since 2012 we have been building up our capital base and returning capital to you in an amount of more than 15 billion francs.

We were able to add an additional 5.5 billion francs to our tier 1 capital, that obviously has a very positive influence on the bank's book value. Cumulative dividend payments amount to 9.7 billion francs. And this is despite expenses and provisions of almost 8.7 billion francs related to litigation and regulatory matters. We also incurred an additional 3.9 billion francs to cover for external fees for litigation and investigations as well as new regulations.

That means that if legal and regulatory costs start to fall, we will be in a position to return even more capital to you, our shareholders, whether in the form of dividends or share buybacks.

But as you surely know, we do not use our profits just to meet your short-term expectations. We also need capital to cover potential regulatory requirements, possible additional capital buffers, and investment for future growth.

New technologies are also a major topic – not only to improve our internal processes, but also our offering to customers.

A very current example in Switzerland that is already available: UBS TWINT. With this App you can trade and shop online or withdraw cash at ATM machines. Transferring money to private individuals with TWINT is as easy as sending an SMS. Try it out – you don't even need a UBS account... But I do hope of course that all of you here today are already UBS clients.

Ladies and gentlemen: What are the next steps?

There are three issues that stand out for you as shareholders:

We completed our transformation ahead of schedule.

Our capital position is excellent.

And since 2011 we have had strategic clarity and we know how we can continue to fulfil our strategic potential.

What we can control to make UBS successful we have done and will continue to do. But now it's about the following: a normalization of macroeconomic conditions including interest rates; a reduction in geopolitical uncertainties and closely related a normalization of client behavior.

We also need clarity in the resolution of outstanding legacy matters, and more certainty on regulatory requirements.

I am convinced that we are well positioned. But we will not rest on our laurels. You, our shareholders – also see it that way. This can be seen in the market value of your UBS shares, which is well above the book value. At many other banks, the situation is just the opposite.

Dear shareholders:

We are moving into the future together with you – and we want this path to pay off for you.

The results of the first quarter of 2017 have shown that we can be positive about the future. But of course, the challenges of the past few years have not gone away and that's why we cannot simply multiply the first-quarter results by four.

It is important that our priorities for 2017 and beyond are clear and consistent:

We will continue to focus on the sustainability of our business model.

That means: We will continue to execute our proven strategy in a disciplined manner, without any opportunistic actions just to get some short-term market applause.

We want to become even more effective and efficient so that we can free up resources to invest in further growth going forward.

And we want to continue to focus fully on the needs of our clients for whom we do our best every day.

Ladies and Gentlemen: In conclusion, I would like to give a word of thanks.

The first thank you goes to our employees, who have been performing so well for years in a difficult environment.

And I would like to thank the board of directors, and the Chairman of the board, who works with the Group Executive Board as a loyal, but also critical companion.

And above all, I would like to thank all our clients and you, our shareholders. Your trust is a major motivation for me and all 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.