

Annual General Meeting

UBS Group AG on May 2, 2019

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

Check against delivery.

Ladies and Gentlemen,
Dear Shareholders,

A very warm welcome to the UBS Annual General Meeting.

I am delighted that so many of you have returned to Basel this year! Your visit shows how closely connected to the bank you feel.

Last year was not an easy year. Most market players were still optimistic at the beginning. A first setback in February was quickly recouped. In the fourth quarter, however, prices plunged massively and by the end of the year virtually all asset classes had suffered significant losses year-over-year.

Nevertheless, these difficult conditions in particular showed that our strategy is right:

- We increased our net profit by 16 percent to 4.5 billion dollars. By the way, the dollar is currently roughly equal to the franc.
- We increased our return on CET1 capital to 13.1 percent.
- And we were able to generate an additional 4 billion dollars of capital. Our total loss-absorbing capacity now stands at 84 billion dollars.

These are remarkable achievements on the part of management and the employees!

This puts us well ahead of our European peers and on a par with American banks. Let's not forget: compared with us, the US banks have the benefit of a better economic climate, higher interest rates and a more dynamic capital market.

From this perspective, our annual performance should be viewed positively. UBS's continued good financial results demonstrate the sustainability of our strategy.

You, as the owners of the bank, can also be pleased. We propose a further increase in the dividend. If the Annual General Meeting agrees, you will now receive 70 Rappen per share. We had promised that, as the owners of the bank, you will receive at least half of the profits. We kept that promise again this year.

What we on the Board of Directors are not satisfied with – and you presumably aren't either – is the share price. In fact, it is in surprising contrast to the results achieved. In our opinion, it does not reflect either the long-run value of our franchise or our market position.

The Board of Directors takes this development very seriously. We will do everything in our power to ensure that the Bank's earning power is also reflected in its market capitalization. We have not been inactive in this respect up to now: we bought back 750 million francs worth of shares last year.

As it happens – we are not alone. More than 90 percent of all bank stocks in Europe lost value last year.

The following questions now arise with regard to remuneration: Should the performance of employees be measured solely by the market capitalization of a company on the stock exchange? Or, is it measured by the operating result?

UBS takes both into account: The amount of the compensation is basically based on how the business performs operationally. But the stock market valuation matters to many employees, particularly in more senior and specialized positions. Shares can account for up to half of total compensation. These must be held for several years. Employees who are affected by this are, therefore, also consistently interested in a high valuation of the firm. The interests of the employees and the interests of the shareholders are thus aligned.

The contradictory development between the operating result and the stock market valuation is also reflected in the performance-related pay: total variable compensation last year for the CEO, the Group Executive Board and across the firm decreased slightly compared to 2017, also because of the share price and despite improved operating results.

Let's remind ourselves once again about our pay system:

- Firstly: For high amounts of variable compensation, large parts are only paid out after a certain period of time. That is only when the results have been confirmed as sustainable. This period may be up to five years.
- Secondly: although our bank has its roots in Switzerland, it is a global player. It is also in competition with other banks around the world. This also applies, more especially, in bidding to attract the best talent. We compete worldwide for this talent so that we can remain successful in the long term, in Switzerland, Europe, the USA and Asia. This is also reflected in the pay we offer.
- Thirdly, in 2012 we introduced caps on variable compensation for the Group Executive Board. The base salaries have also remained unchanged since then. Overall, total compensation for the Board of Directors and the GEB at UBS has been cut by more than half compared to the level before the financial crisis in 2006.

All in all, I am convinced that today we have a coherent compensation model that takes into account the different dimensions of UBS as a global bank in an adequate way. The model is discussed in detail by the Board of Directors each year. It is important to us that it always remains appropriate in the light of current developments and the situation of our competitors. And we will be happy to consider all suggestions in the run-up to next year's Annual General Meeting, as we have done for this year's.

Important to you, our valued shareholders: including the share buyback program, you will receive 76 percent of net profit. This equates to a total of 3.4 billion dollars. By the way, this is more than the sum of the variable compensation of UBS employees, which amounts to 3.1 billion dollars.

After all, here's how it works: The bank only works well if we have satisfied clients. And if the clients are happy, everyone benefits: you as shareholders just as much as the employees. And, ultimately, society also benefits from a well-functioning bank: UBS is directly and indirectly one of the biggest taxpayers in the country.

In addition to business performance, share price and compensation, the Board of Directors has also addressed many other issues. One of them was the court case in France involving UBS.

In the past, we were able to resolve legal cases quickly and on acceptable terms, including by reaching settlements. In the case of France, unfortunately, there was no acceptable way to settle out of court. Therefore, also in the interests of our shareholders, we had no choice but to go to court.

In our opinion, the trial in no way demonstrated that UBS had failed to comply with applicable laws in France and Switzerland at that time. And we are therefore of the opinion that our arguments will prevail in the court of appeal.

Nevertheless, we have increased our provisions, for reasons of correct accounting and good management. Even after intensive consultation with independent experts, we consider the amount to be appropriate.

It goes without saying that annual results are of great importance and, of course, issues such as coping with legacy issues burden us. But we should not only look behind us, we should also look ahead. And sustainability is written very clearly on one of the signposts there.

We, the Board of Directors of UBS, firmly believe that sustainability is the order of the day. This is also shown by the worldwide campaigning by young people for climate protection. And no, we are not acting on the assumption that this is a passing trend. Quite the contrary, in fact: future growth of the economy and thus of the bank will only be possible by treating nature, people and society in a responsible manner. And we have been supporting that for years.

Firstly, UBS is committed to meeting the climate targets of the 2015 Paris Accord, to which 196 countries – including Switzerland – have signed up.

It is obvious that we have to do something about global warming:

- when records are broken every summer,
- when polar ice is disappearing and
- when the glaciers are melting at record speed.

We can also see evidence of this particularly here in Switzerland.

And secondly, we firmly believe that the future of our business also lies in the area of sustainability. We have been promoting sustainable investment for years with lots of energy and commitment. We see that more and more investors – all over the world – are paying attention to good governance and the sustainability of the business model. And if you don't, you're at risk of business setbacks. To put that in other words: we are convinced that sustainability pays off.

More than 30 trillion dollars have already been deliberately invested in sustainability worldwide, an unimaginable figure – around 60 times Switzerland's economic output. The volume of sustainable investments has risen by more than a third since 2016, and the trend is still increasing rapidly.

We are not the only bank that wants to be sustainable. However, we are among the leaders in the banking sector: at UBS, more than a third of all client investments are based on sustainable criteria.

At the same time, we are withdrawing from areas of business that pollute the environment. For example, at the beginning of the year we decided not to finance new coal-fired power plants in the future. We have reduced the proportion of our carbon-related credit exposure in our balance sheet to 1.2 percent, or 2.7 billion dollars, with the trend still falling.

UBS has clear criteria as to which businesses we will finance in the future – and which we will finance less or stop financing altogether. It is very important for us to remain in dialog with the companies in order to

support them in making their activities even more sustainable. Then everyone wins: the company, the clients, us as the intermediary bank – and of course our environment and thus society as a whole.

Here at UBS, we see ourselves as part of our society, as part of Switzerland, as part of the city of Zurich. As you no doubt know, we have reconstructed our headquarters at Bahnhofstrasse 45 in Zurich – the Münzhof, or the Mint. The Münzhof is a very important building historically. It was important to us to be as sustainable, environmentally friendly and sparing with resources as possible.

We have opened the Münzhof and made the building accessible to everyone. Spaces have been created that encourage people to come together and talk to one another. Face to face and real life, and not via social media. Drop by and have a look for yourself!

Dear Shareholders,

Whether it's sustainable investment or sustainable remodeling – both show that without the right use of money, it is often not possible to steer development in the right direction. But what money do we actually manage? What are savings, and what is wealth? It is our clients' future! And the future of UBS for that matter, too.

Our clients can use the money they have saved, inherited or borrowed to realize their dreams, buy a house or start a business. It is the future of their family because they use it to finance their children's education. Or it is security for old age that they want to enjoy carefree.

Millions of clients entrust UBS with their dreams, big and small alike. We have to demonstrate that we deserve their trust day after day – through our performance, high standards of professionalism and competence. And competent advice is very important, especially in today's uncertain markets.

I am sure that we at UBS are well placed to continue to be very successful in the future:

- We have a strategy that's right. And which we can adapt to current conditions, if necessary. A strategy that works well even under challenging conditions, such as last year. A strategy that many competitors are now trying to copy.
- Secondly, we have competent and highly motivated management teams at all levels of the firm who are constantly developing and refreshing their skills.
- Thirdly, we have highly qualified employees who, with their expertise, enable clients to carry out their daily financial business and also live their dreams.
- Fourthly, we are at the forefront of technology and are thus shaping the digital future.
- And finally, our thoughts and actions are geared towards sustainability, because this is the only way we can secure the future of all of us, and thus of the bank as well.

I am convinced that our thinking and actions will enable us to achieve UBS's long-term goals, which will benefit you, our shareholders, in particular.

Ladies and Gentlemen, I would like to take this opportunity to thank our CEO Sergio Ermotti and the Group Executive Board for successfully managing the bank.

Thanks to all our colleagues for their great effort.

I would also like to thank all our clients for the faith they have shown in UBS.

And I would like to thank you, our dear shareholders, for your backing, which I always feel strongly in discussions.

Thank you very much for your attention!

I am now delighted to hand over to our Group CEO, Sergio Ermotti.

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.