

# Annual General Meeting

UBS Group AG on 29 April 2020

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

## **Check against delivery.**

Dear shareholders,

In fact, today should be all about last year. But in these days and weeks of the Coronavirus crisis, we are living through extraordinary times that present us all with challenges, both personal and professional.

Fighting the pandemic has required, and continues to require, radical measures. In many cases this has brought – and continues to bring – economic life virtually to a standstill.

Twelve years ago, as President of a central bank, I experienced the global financial crisis at first hand. The Coronavirus pandemic is different, because it is a crisis that has affected all areas of life, at home and at work – consequently the financial sector is no exception.

At the moment, protecting people's health and lives is the top priority. As Chairman of the Board of Directors of UBS, I am pleased to tell you that this time the financial sector is not the root of the problem. No, this time, fortunately, the banks can be an important part of the solution. Now, thanks to some relaxation of the restrictions on our everyday lives, we can see the first glimmers of light on the horizon.

Nevertheless, in recent weeks the lockdown has caused serious damage to the economy. According to the International Monetary Fund, the global economy will shrink this year by 3%, and the Swiss economy by as much as 6%. But even then, Switzerland still comes off slightly better than all its neighboring countries.

However, these forecasts are extremely unreliable. Among other things, they assume that the pandemic will ease off in the second half of the year, and that gradually all the measures to contain it can be reversed. But if there are setbacks, the recession could turn out to be even worse.

I promise you, our esteemed shareholders, that UBS will do everything possible – not just in Switzerland, but mainly here – to ensure that those who have been affected get through these difficult times as well as they possibly can. For example, we have worked with the Swiss authorities on the package of measures that gives companies large and small some financial breathing space. As Switzerland's largest bank, of course we care most about the Swiss economy.

Ladies and gentlemen, given our strong presence in Asia, we had to face up to the implications of the Coronavirus crisis at an early stage. Both there and, later on, here in Europe and in the USA as well, we quickly introduced measures to protect our staff and our clients.

Unfortunately, some UBS employees have fallen ill with the virus, and a few have even lost their lives. Our thoughts and sympathies are with the families of those concerned.

I want to take this opportunity to thank, from the bottom of my heart, everyone at UBS – whether in management, in the front office or working from home – who are there for our clients, day in, day out. For us, overcoming this crisis is a question of the common good. Our focus is on providing help, rapidly and unbureaucratically – and not on making a financial profit. CEO Sergio Ermotti will have more to say about that.

Ladies and gentlemen, on this occasion in recent years I have talked repeatedly about sustainability. We were thinking mainly about our use of resources and our ecological and social footprint. As a global wealth manager, we want to be the preferred provider of financial services for clients for whom sustainability is important, who support the United Nations Sustainable Development Goals, and who want to see an orderly transition to a low-carbon economy. The foundations have already been laid: last year, UBS clients increased their sustainable investments by over 56%, to nearly USD 490 billion.

We, as a bank, are also very active in this area: during 2019, UBS again halved its involvement with companies in the fossil fuel sector, reducing that to less than 1% of our total lending business.

I believe that dealing with the Coronavirus crisis will significantly broaden what we mean by sustainable behavior in our society:

- we will be putting global supply chains to the test;
- we will have to answer questions about what security of supply means in the 21st century;
- and we will need to talk about what modern methods of working together look like.

However, one thing is already clear: during the crisis, the cautious, sustainable management at UBS has proved its worth. We have occasionally been accused of being too conservative. But now everyone can see that this cautious and sustainable approach was exactly right.

That is the reason why UBS has such an extremely solid capital base. Our bonds have one of the lowest risk premiums in the industry. And our market valuation – although low – has held up better since the start of the year than those of our competitors.

Today, the last financial year already seems far away. However, if we do look back briefly, we can see that in 2019 UBS achieved remarkable results in a challenging environment. We had a net income attributable to you, the shareholders, of USD 4.3 billion. Our CEO will give more details about our annual results later.

What's important is that we have further strengthened our capital base, far exceeding the regulatory requirements. It is this solid base that helps us to get through even times as difficult as these. From that point of view, there would be no reason not to pay out a dividend. However, firstly, extraordinary situations such as this require us to show extraordinary caution. And, secondly, there has been a clear call from the supervisory authority to show extreme restraint in paying out dividends. Nevertheless, we believe that, in these financially difficult times, completely canceling the dividend would be the wrong thing to do for many shareholders.

That's why we propose to pay, half the planned dividend on 7 May, namely 36.5 cents per share. There will be an Extraordinary General Meeting to vote on payment of the second half, also of 36.5 cents per share. That will be held after the results for the third quarter have been published on 19 November 2020, which would mean our shareholders would still receive the full dividend this year.

However, if the second tranche is not paid out, the performance-based compensation of the Group Executive Board for 2020 will not include a cash component.

In this context, valued shareholders, I would also like to draw your attention to our Compensation Report for 2019. With regard to the compensation for management and the Board of Directors, we have certainly taken

on board the position that you expressed last year and, as a direct consequence, have modified our compensation model. We have also reduced the bonus pool for the Group Executive Board and employees by 14%, to a level that it was last at eight years ago. At the same time, we have reduced the compensation for the Board of Directors and the Chairman by 14%.

At last year's General Meeting, the UBS trial in France gave rise to a lot of discussion. Unfortunately, this historic liability, which dates back to the years 2004 to 2012, is still a matter of concern for us, with the case now before a higher court. On the basis of the evidence in the files, we are still convinced that we acted in accordance with the law at that time. You can find more details about this in our special report, which was published on our website in January.

We trust in French justice and are confident that the arguments that we put before the court of appeal will be listened to, assessed and found to be sound. Because of the Coronavirus crisis, it is not clear when the case will be heard. The courts in France are currently closed. So it could well be that we cannot expect to receive the judgement until next year.

For UBS, the year 2020 is a year of change, and not only because of the Coronavirus crisis. Our CEO, Sergio Ermotti, will leave us in the fall of this year. So I would like to take the opportunity to thank him once again for all that he has achieved. He took over the bank at a difficult time, worked with the Group Executive Board and the Board of Directors to impose a clear strategy and then implemented it consistently. I would also like to express my warm personal thanks to Sergio for the many years during which we have worked together in partnership and I wish him every success in his new role.

Last year, with the involvement of Sergio, we set about finding a successor for him. We drew up a clearly defined job profile and evaluated a wide range of internal and external candidates. At the end of this intensive process, we chose Ralph Hamers to be our new CEO.

Ralph has been CEO of the global bank ING, based in the Netherlands, for the last six years. He has an impressive record, including, and especially, on key issues for the future, such as technology, sustainability and agile management.

Ladies and gentlemen, valued shareholders! We do not know exactly what the world will look like after the Coronavirus pandemic. However, the Board of Directors is doing all it can to ensure that the bank is as ready for the future as it possibly can be. I personally am more convinced than ever that UBS will continue to play an important role in both the Swiss economy and the global finance industry in the future.

Thank you for your attention!