

Annual General Meeting

of UBS Group AG on May 3, 2018

Speech by Sergio P. Ermotti, Group Chief Executive Officer

Check against delivery.

Dear shareholders,

I, too, would like to warmly welcome you to Basel!

Ladies and gentlemen, today I can say with pride: operationally, 2017 was an excellent year for UBS. As you have heard, the changes to deferred tax assets in the US distort the picture somewhat.

If we look first at the operating performance, we see that UBS employees did outstanding work during the last year.

So, right at the very beginning, I would also like to say a big thank you to all my colleagues at the bank!

The Chairman of the Board of Directors, Axel Weber, has talked about sustainability in its various different dimensions.

For me, sustainable performance is encapsulated in a picture that I see every day in my office. The work by Edward Ruscha, an American artist, is part of the UBS collection. The picture is called Year After Year. You can see it behind me.

That is exactly how we approach our job at the bank: day after day, month after month, year after year: working hard, delivering results – and, in everything we do, constantly getting better. And always with an eye to the sustainability of our actions.

Once again, in 2017, we got better:

- UBS is extremely profitable: pre-tax profits increased by 29% to 5.3 billion francs.
- UBS is a very attractive destination: our Asset and Wealth Management clients entrusted us with over 100 billion francs of net new money. By the end of 2017 we were managing over 3,100 billion francs.
- UBS is a safe and solid bank. We have a strong common equity tier 1 capital ratio and we have increased our loss-absorbing capacity to nearly 80 billion francs.

We achieved positive results in all the bank's business divisions and regions:

- the wealth management business boosted its results to about 3.5 billion francs before tax, an increase of around 15% compared with the previous year.
- Personal & Corporate Banking delivered profits of 1.6 billion francs.
- Asset Management attracted nearly 60 billion francs of new money. Assets under management increased to 776 billion francs. That is the highest figure in the last nine years.
- The Investment Bank made 1.2 billion francs in pre-tax profit, with a return on equity of over 13%.
- Especially in Asia, UBS saw strong growth. All regions were profitable for us and showed positive development.
- We successfully completed our efficiency program, with targeted cost savings of 2.1 billion francs. And, incidentally, saving costs is not an end in itself; it also allows us to invest resources in the future.
- In addition, we also succeeded last year in resolving further legal issues from the past.

One of the indicators that shows us the strong position of UBS is how we are assessed by the four main agencies in their ratings: that is, as very good.

Another pointer is our valuation on the stock exchange, which remains significantly higher than the book value – and, as before, considerably better than many of our Swiss and European competitors and at the level of many US banks.

These are all very positive developments.

A journalist for the Financial Times wrote this about our annual results: "UBS is a Swiss bank. It is supposed to be cautious. Investors should be grateful it is sticking to its type-casting. The shares are expensive. So are tickets for the best Broadway shows."

Believe me – when the Financial Times writes that about UBS, it is a big compliment.

Yes, we are world-class. This allows us to be confident, but not complacent – and we do all we can to ensure that we continue on the same path.

Year after year.

In 2018, we want to achieve even better results and – with a pre-tax profit of 2 billion francs in the first quarter – we made a good start to the new year. That is an improvement of 17% in Swiss francs and 24% in US dollars.

The US dollar increase is higher because the dollar weakened in the last quarter in comparison with the prior year, which affects our profitability. We generate 60% of our revenue in dollars, but a large part of our costs is in other currencies.

This strong focus of our business on the dollar is one of the reasons why we are planning to change our reporting to dollars during the course of this year.

Incidentally: our return on equity of about 12% – nearly 18% when adjusted – is outstanding compared with our competitors.

I have said this before – we cannot, unfortunately, simply multiply the first-quarter result by four.

While the macroeconomic environment may have improved somewhat, the geopolitical position remains difficult. And the interest rate situation – particularly in Switzerland and Europe – continues to be a challenge.

As with many of our US competitors, the market may have too high short-term expectations. And some investors want to see more radical measures, for example on the costs side, to boost profits.

It would be easy to save a lot of money quickly by massively delaying IT projects or stopping the recruitment of new staff. But that would be to gamble with the quality of our services, our risk management and our medium-term growth targets.

Instead, we are working continuously to become more efficient. Every day, not just for a specific period defined by a particular program. Our aim is to reduce costs to significantly below the level of 75% of revenue.

But we can't achieve that by cost reduction alone. Instead, we also intend to generate greater revenue and growth.

We have to prove ourselves through hard work and results – but always with an eye on sustainable performance.

Sustainable performance can only be achieved with a long-term strategy: a strategy such as the one that we have defined for UBS and that you as shareholders are familiar with.

We want to be the leading wealth manager worldwide as well as the leading universal bank in Switzerland, enhanced by competitive and focused Investment Bank and Asset Management units. These businesses complement each other and – together with our regional balance – give us good diversification.

We are sticking to this strategy, while continuing to develop it according to market conditions. Our publicly announced targets have also been set with this mind.

Our challenge is to find a balance between growing the day-to-day business and investing in the future.

But we also want to continue to increase the returns for our shareholders. We want to pay out an ordinary dividend that increases by a middle to high single-digit percentage every year. And as you have heard, we intend to return additional capital, primarily through share buybacks, which we already began last week.

This is possible partly because, at the end of 2017, we received greater clarity about the future regulatory framework.

This means we can look ahead and plan more specifically for the future.

So – what are we doing to prepare for the future?

We have entered a decade of innovation that will be driven by technology.

That's why we are continuing to invest heavily in our digital infrastructure. More than 10% of our revenue – that is, more than 3 billion francs per year – is invested in technology. This makes us more efficient and allows us to further develop our offering. All this, of course, has a short-term effect on our results.

It is important, however, that we are attractive to the next generation. And I don't just mean attractive to talented young people who want to work at UBS.

I am also thinking above all about the clients of the next generation, whose parents and even grandparents often were or still are clients of ours. We know that the young generation already has a positive view of UBS. And we want to build on that.

The world is changing faster than it used to – for our clients and thus also for our employees. That is why we are investing a great deal in further training for UBS employees. They need to be fit for the new challenges, for different client expectations, for an increasingly digitalized world. In the last year alone, our employees completed more than 750,000 training courses.

The world of work is changing. Many tasks are being taken over by machines. We want our employees to have to do fewer repetitive tasks in future. Their role should, above all, be to offer added value for our clients. Their jobs will also become more exciting, more interesting and more challenging.

The last 10 years were dominated by regulation and changes to banks' business models. The next 10 – and I'm convinced of this – will be dominated by digitalization. And in 10 years' time, dear shareholders, we will once again be amazed by how much everything has changed.

I can assure you: in the year 2028, UBS will be faster, more efficient and even more competent. Not just because we want to be – no, because we will have to be! The competition – for Swiss banks and Switzerland as a financial center – will not rest.

That's why UBS and Switzerland have every interest in creating attractive framework conditions for the future: in terms of education and further training, but also in terms of our digital infrastructure and the regulatory framework. I am committed to this, because it is my wish and hope that UBS will continue to be globally successful from its base in Switzerland in the future.

Everyone needs to understand that we are all competing with other providers and locations, all over the world. Nothing is guaranteed – Swiss companies large and small in many other sectors know this.

Ladies and gentlemen,

I have talked about 2017 and about what we have achieved; I have talked about our strategy and its long-term direction.

Now let's take a look into the near future.

Our priorities for 2018 and beyond are clear:

1. We want to become even more profitable in the global wealth management business.
2. We want to maintain our leading position in this area and continue to increase profits in our other businesses.
3. We want to capture growth opportunities, especially in Asia and the Americas, and reinforce our leading position in Switzerland.
4. By investing in technology, we want to continue to improve the client experience, our products and our efficiency and effectiveness. Efficiency and effectiveness are not secondary goals, but a top priority.

This safeguards the bank's future. These are our objectives.

These are what we work toward, year after year.

There are no shortcuts on the way to sustainable success. You can only be successful if you remain ambitious and hungry, but also realistic. We have lost none of the motivation that enabled us to bring about the bank's transformation so quickly and successfully. And, just like with the transformation, our objectives are ambitious, but realistic. That remains the way to achieve success.

Finally, I would like to express my gratitude.

I mentioned our employees at the beginning.

I would also like to thank the Board of Directors and the Chairman for their invaluable support.

Above all, I would like to thank our clients, both long-standing and new, who entrust UBS with their business.

Last but not least, of course, I thank you, our valued shareholders. Your trust and your constructive feedback are enormously motivating – for me and for everyone 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.