

Annual General Meeting

of UBS Group AG on May 4, 2017

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

Check against delivery.

Ladies and Gentlemen,
Dear Shareholders,

Welcome to the UBS Annual General Meeting.

I am delighted to see so many of you here in Basel!

Following landmark votes in two major countries last year, 2016 will definitely go down in history. In June last year, the UK voted to leave the European Union, or for Brexit. In November, the US voted for Donald Trump – a political outsider – to be their president.

These events created an atmosphere of uncertainty in the markets and among investors, in both the run-up to the votes and afterwards. It's in this context we must also judge UBS's annual results.

Given the challenging environment, high risk aversion among clients, and the various political shocks, the Board of Directors considers these to be solid results.

Net profit attributable to shareholders for 2016 amounts to CHF 3.2 billion, with earnings per share of 84 rappen. The results prove again that UBS is pursuing the right strategy and delivering good results in a difficult environment with highly divergent market conditions.

Let's look again at recent political developments. In addition to the two events I mentioned earlier, Switzerland held a vote on tax reform in February this year, and now the elections in France show that we are dealing with widespread insecurity and a crisis of confidence. In other words: people and markets are now driven increasingly by political, not economic motives.

This has ramifications for a global bank like UBS too. The final outcome of these developments cannot be predicted. But we must take this confidence crisis seriously.

In the past, UBS had to work hard to regain the trust it had lost. And one lesson we learned from this is that you cannot compel people to trust. It starts with what one does, but also what we don't do, every single day. Winning back people's trust requires time and perseverance.

Five years ago, when I took on this position, I said that my election was a long-term commitment to put the bank back on the right track and keep it there. This is why for the entire UBS management team and myself, responsible and sustainable behavior has always served as a moral compass. Accordingly, we've drawn up key rules of conduct that define our behavior. We demand and encourage our people to show integrity, collaborate and Challenge critically. And we'll continue to do so.

But it's not just up to individuals to support sustainable conduct while building and maintaining trust. For UBS too, the focus is increasingly on sustainability – both within the bank and among investments driven by our clients. This approach is reflected in our decision to further incorporate the principle of sustainability into our investment processes.

But good intentions alone aren't enough if we don't take steps to implement them. I am therefore pleased to announce my findings from the various tours I conducted as Group Chairman, both within Switzerland and abroad – from Hong Kong to San Francisco, and from St. Gallen to Valais. During these visits, I see for myself the high level of confidence that clients, as well as employees have in UBS. This is vital if we want to continue to, be successful in future and grow sustainably.

A strong team is the key to success, which is exactly what we have at UBS, from the top to the roughly 60,000 employees in all departments of the bank. Whether it's the front office, back office or Group Executive Board led by Group CEO Sergio Ermotti, everyone works hard day in and day out to ensure the success of our bank. This persistence is paying off, as it creates certainty, reliability and – above all – trust.

The solid operating results and the challenging market environment are reflected in the variable compensation awarded to UBS employees. A reduction in performance compared to the previous year also led to a reduction in the bonus pool.

Our remuneration system works and is based on business performance. As always, a large part of remuneration is linked to long-term success and the bank's capital strength and is paid out over five years.

Salaries and compensation are once again the subject of intense discussion. The perfect system does not exist. In my opinion, an international company like UBS must offer remuneration that is competitive in the marketplace to ensure its success over the long term. I can also fully understand that there is plenty of debate in Switzerland and other European countries about levels of salaries and bonuses.

On the UBS Board of Directors we also increasingly discuss these diverging demands as well, and always try to strike a reasonable balance. Important for us is that performance is rewarded and that we find a balance between the expectations of employees and shareholders.

The bonus pool for employees was reduced by 17% compared to the previous year, while the ordinary dividend of 60 rappen per share remains unchanged. With this dividend we're paying out 71% of our net profit, and for the third year in a row, fulfilling our commitment to pay out a minimum 50% of net profit attributable to shareholders as dividends.

I would like to talk about the near future. As I said at the beginning, we are seeing the focus shift from the economy to politics. We are moving in an environment of growing uncertainty. Globalization, free trade and immigration are key issues the world over – and Switzerland is no exception. Political uncertainty will continue unabated worldwide and may lead to further surprises this year.

But for the first time in years, things are looking more positive – with the world economy on the upturn. This news is of course welcome, but we shouldn't kid ourselves that structural problems have gone away. Many countries are heavily indebted and are relying too heavily on extremely loose monetary policies. Their social security systems are not equipped to deal with demographic trends. Until these problems are dealt with seriously – and I see little appetite for that at present – the world economy will stay on shaky ground.

And all this leaves its mark on markets and investors: uncertainty is never a good operating environment. But at UBS we should also embrace this challenge. Because such a difficult environment gives us the perfect opportunity to prove the success of our business model and our advisory expertise.

Banking is one of Switzerland's core industries, something we need to reiterate again and again. And especially now, when the strength of the Swiss franc is putting pressure on exports and tourism, it's important not to hamstring other parts of the economy.

The current leadership at UBS has always advocated financial stability and the regulation needed to achieve this. But we must consider two risks before we introduce further regulation. The more banks alone are targeted for regulations, the more business will switch to unregulated market participants with the associated risks. And the more restrictive regulations are, the greater the overall economic costs, especially in relation to their benefit. Regulation must always be proportional and consider the international environment and Switzerland's competitiveness.

UBS is in favor of regulation that promotes stability. We have cut our balance sheet, reduced our risk-weighted assets and significantly strengthened our capital position accordingly – not only for regulatory reasons, but for strategic purposes too. Our "hard" tier 1 capital ratio today is 14.1%, making UBS one of the world's best-capitalized major banks. We have considerably boosted our ability to absorb losses. Sergio Ermotti will talk more about these impressive figures in a moment. We have also further improved the bank's resolvability. Following the establishment of the holding company and UBS Switzerland AG, last year, we set up UBS Americas Holding LLC.

Ultimately, all stakeholders – including politicians, regulators and banks, as well as clients, employees and shareholders – need to focus on finding a balanced combination of stability and a flexible framework. Everyone benefits from a good balance between the capital strength and risk capacity. Employees, who get to work in an attractive location; clients, who benefit from professional advice and financial success; the state, which reaps the resulting tax revenues from the success, and the owners of the bank, its shareholders, who enjoy attractive returns on their invested capital.

And here, we've almost reached the key issue of today's event – approval of the annual report, results, compensation, and dividend payouts.

The business results and capital growth have prompted ratings upgrades from the three leading credit rating agencies, placing UBS once again among the highest rated banks in the world.

This is down to our highly motivated workforce, satisfied clients and loyal shareholders. I would like to thank you all for your support and commitment over the last year.

I have been in office for five years and we have achieved a lot together. We are determined to continue building a successful future for UBS. And I am confident that the best is still ahead, if we stay disciplined continue to do our homework und win back trust!

Thank you for your attention.

Let me now hand over to 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.