

# Annual General Meeting

UBS Group AG on May 2, 2019

Speech by Sergio P. Ermotti, Group Chief Executive Officer

## **Check against delivery.**

Ladies and Gentlemen,  
Dear Shareholders,

I too would like to wish you a very warm welcome to Basel!

You have read and heard a lot about the financial services industry in general, and UBS in particular, in recent weeks and months. In addition to positive coverage, there was also some criticism to be found, which, of course, often attracts more attention.

In my view, the glass at UBS is three-quarters full.

And why's that?

Our strategy works – in good as well as in more challenging times. And as you've heard, it's producing good results, also financially:

- Our net profit has increased by 16 percent year-on-year to 4.5 billion dollars.
- The bank has become more efficient: in 2018, we improved operating leverage by three percent.
- That means we have increased revenue and reduced costs at the same time.
- And with a reported return on CET1 of 13.1 percent, we are one of the best banks in the world.

From the outside, the cost/income ratio is often regarded as the sole measure of efficiency. However, as already mentioned, our focus is on RoCET1. We want to increase earnings, but at the lowest possible cost and with the best possible use of capital. We must strike a balance between these three metrics.

Last year, we were successful with this formula – in an environment that was not exactly favorable.

Even though markets have recovered, this unsteady environment has made a deep impression on clients and investors, which we still feel today.

That is compounded by macroeconomic and geopolitical uncertainties. This makes me all the more proud of what we have achieved. The strength of our business model and our strategic focus were, once again, great advantages for us. This is also reflected in the pre-tax results of the bank's business divisions:

- In our core business, Global Wealth Management, we achieved a profit of over 3.2 billion dollars.  
That's a strong performance.
- Our Swiss business, Personal and Corporate Banking, achieved a profit of over 1.7 billion Swiss francs.
- Our asset management unit made more than 420 million dollars in profits.
- And our Investment Bank also had a very good year, with a profit of more than 1.4 billion.

So, we have achieved solid results, despite the difficult environment. Now how did we achieve that? One main reason is that we are not focused solely on quarterly results and annual profits. Instead we strive for sustainable performance – in the interests of our clients, employees and shareholders who think long term.

The following figures tell you what has happened since the Investor Day we held five years ago:

- We have made 19 billion dollars in profits.
- We have built up 9 billion in additional capital.
- At the same time, we have spent close to 6 billion dollars to deal with legacy issues.

By the way: That doesn't even include costs for outside counsel. And bear in mind: this has all been done without raising additional capital.... and without diluting shareholders when paying dividends, for example.

- Over the same period, we have returned 14 billion dollars to you, our shareholders, in the form of dividends and share buybacks.
- Total shareholder return is an impressive 42 percent, taking into account the payment of dividends (time period from 15/11/2011 – 14/03/2019).
- As already explained, we have increased our total loss-absorbing capacity by more than 40 billion, to 84 billion.
- We have absorbed additional costs of 3.5 billion for the implementation of regulations and also redesigned the legal structure of the bank.
- And, just as important as the raw figures, we have continued to improve the way we work together within the bank.

The fact is that we already do a lot of things right at UBS. But we are not yet where we want to be and must improve further. Because we again and again have to adapt to new challenges. None of this is new to us. The environment in recent years has not always been benign; in fact it has often been quite the opposite. Let me give you some examples:

- Swiss banks have been faced with negative interest rates for five years.
- In addition, there are regulations that make growth increasingly difficult and expensive, even in less capital-intensive businesses.

There are other challenges, such as increasing competition, especially in Asia and the USA, risk-averse customers, and generally declining margins. I have not even mentioned the fact that many banks have overcapacity and no longer even cover their cost of capital. And that includes banks in Switzerland. We are delighted to be an exception here.

Switzerland remains the heart of the bank. But we also have leading positions in key markets worldwide. This requires foresight and an international approach to leadership. We employ some 21,000 people here. But UBS is more than that:

- The US has been a second home market for us for decades where we have about the same number of employees as in Switzerland.
- In Asia / Pacific we have more than 12,000 employees working for us, and just as many in Europe.

We also need this broad view and this global thinking when it comes to our national framework conditions, in order for Switzerland to remain attractive. But, unfortunately, we have a regulatory environment in this country that is unpredictable and often tries to solve the problems of the present with the remedies of the past. That's most regrettable.

Incidentally, the issue has always been about protecting the taxpayer. The best protection for taxpayers is that we pay taxes. This requires growth and sustainable profitability. We have achieved both. We have delivered around 5 billion francs to the tax authorities since the financial crisis. UBS is once again among the largest taxpayers in Switzerland, if not the largest.

Ladies and Gentlemen, enough about regulation, now I would rather talk about innovation and competitiveness! Because both are needed so that we can continue to take care of the most important thing: our clients! There's lots of talk about client focus. But at UBS that's how we work. Just see for yourself!

I would like to see our clients continue to talk in this positive way about UBS in five or 10 years' time!

In order for us to succeed, we should always keep an eye on the long-term success of the bank, as our top priority. However, at the same time we must focus on the current challenges that we face. If the markets weaken, we have to take action. But because UBS is in good shape, we are flexible enough to adapt to any situation. For example, we recently decided to identify at least another 300 million dollars of additional savings. But that does not change our strategic direction or our goals. We invest wherever it is most beneficial for our clients and shareholders.

Technology is one example, it's helping us to become more efficient and to provide better, tailor-made solutions for our customers. As the number one universal bank in Switzerland, UBS is the clear leader in digital banking for private and corporate clients.

I'll give you a few examples:

- More than 40 percent of our e-banking private clients are already doing their banking business solely via their smartphones.
- And our online credit service for SME clients allows them to apply for loans of up to 500,000 francs within 15 minutes.

Digital customers are extremely attractive customers for us: we generate 80 percent more business with them than with those in traditional channels. In our Evidence Lab we use artificial intelligence to analyze vast quantities of data. That helps our clients to make quick and well-informed decisions in a complex market environment. We are now rolling out this approach for the whole bank.

So, we are well placed to grow in the medium and long term. At UBS we are all highly motivated and convinced that the best days lie ahead of us! That's not wishful thinking. There are good reasons to support it:

- We believe that we can grow our revenues at more than the average rate of global economic expansion.
- We see great potential in the US and Asia/Pacific, in particular.
- Ultra high net worth clients in the US offer us considerable opportunities.
- We also want to build our share of wallet with US persons outside the US.
- And in China we have become the first foreign bank to acquire a majority stake in a securities joint venture.

Dear Shareholders, let's recap: At UBS we have a solid strategy that delivers strong returns year after year. And we expect to generate almost as much capital for you in the next three years as we did in the previous six.

- Because we can count on great employees in Switzerland and around the world;
- we have loyal clients, as you have seen in the video;
- and we have a sound shareholder base with you.
- I would like to thank each and every one of you.

I also would like to thank our Board of Directors and in particular Chairman Axel Weber for the good and trusted collaboration and partnership.

We are on the right path.

It may be bumpy now and again – after all, no way is easy all the time. The important thing is to go in the right direction. And to keep staying positive.

We want to continue to do both.

Thank you!

**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.