UBS

Fourth-quarter and full-year 2013 financial results

Sergio P. Ermotti, Group Chief Executive Officer

Check against delivery.

Slide 1 – 2013: A year of strong execution and noteworthy achievements

Thanks Martin, and thank you all for joining us. For those who follow us regularly, Caroline Stewart is currently on maternity leave, looking after her new baby boy George.

The momentum that we generated during the first nine months of the year continued into the fourth quarter. Our performance in Q4 was solid amid continued market volatility and lower client activity toward the end of the quarter.

All our business divisions contributed to the strong fourth quarter, despite some seasonal headwinds and one-off items. For the fourth quarter, we reported a net profit attributable to shareholders of 917 million Swiss francs, diluted earnings per share of 24 Rappen and net new money inflows of over 10 billion francs into our wealth management businesses.

As Tom will cover the fourth quarter results in detail, I will focus on the full year.

2013 was one of the most important years in the one-hundred and fifty-one year history of UBS, as it was the first full year in which we implemented and executed on our accelerated strategy. Thanks to the dedication of our employees, the trust and confidence of our clients, and the support of our shareholders, we made excellent progress in transforming UBS.

At this time last year, I said we would adapt our business to better serve clients, reduce risk, deliver more sustainable performance and enhance shareholder returns. I am pleased to report that in 2013, we accomplished all these goals.

As we expected, and indicated throughout the year, while 2013 was positive in terms of financial markets performance, the year was not without challenges. Turbulent macroeconomic conditions and unresolved geopolitical and fiscal issues all impacted client confidence. In addition, divergence across regulatory frameworks created uncertainty for our industry. We also addressed and resolved various issues, which required, and will continue to require, substantial effort and resources.

2013 was a year of strong execution and noteworthy achievements:

- We were profitable in every business division and in every quarter
- Our wealth management businesses combined delivered their best pre-tax profit since the financial crisis and attracted strong net new money
- Wealth Management Americas achieved its ambition of one billion dollars in adjusted pre-tax profits for the year, which is a record
- Retail & Corporate maintained its market leading position with robust growth
- We transformed our Investment Bank and delivered risk-adjusted returns well above target, demonstrating that our model works in different market environments

- We greatly reduced execution risk and finished the year well ahead of our plan to run down our Non-core and Legacy Portfolio
- We continued to strengthen our industry-leading capital ratios, as we substantially reduced risk weighted assets, increased our capital base and significantly reduced our balance sheet
- We increased our Swiss SRB leverage ratio to a level significantly above current requirements
- We also continued to improve efficiency and reduce costs while setting plans on how to achieve our targeted cost savings over the next two to three years. As announced in December, I have asked Tom Naratil to take on Chief Operating Officer responsibilities, where he will complete the transformation of our Corporate Center begun by Ueli Koerner
- As a result of this success and a clear expression of our confidence in the future, we will propose a 67% increase in our dividend to 25 Rappen per share at our upcoming AGM

Slide 2 – Successfully executing our strategy

Concluding a full year of strong execution we further improved our industry-leading, fully applied Basel III common equity tier 1 ratio to 12.8%, 300 basis points higher than at the end of last year. This includes the net effect of our exercise of the SNB StabFund option and the incremental operational risk risk-weighted assets.

Let me reiterate that our stronger capital position is due primarily to our success in reducing risk-weighted assets, which we achieved mainly through risk reductions and not model enhancements. Over the last 12 months, we reduced risk weighted assets by 33 billion francs, or 13%, to 225 billion, below our 2013 target of 250 billion and equal to our 2015 target.

In 2013 we reduced our balance sheet by 250 billion francs, or 20%, which helped improve our phase-in Swiss SRB leverage ratio to 4.7%, significantly above current requirements. We also remained well above regulatory requirements for funding and liquidity ratios throughout the year.

After a very strong performance in the first half, our model also performed well in what was an even more challenging second half. Compared with 2012, we grew adjusted profits by 44% to 4.1 billion Swiss francs and delivered an adjusted return on equity of 8.3%.

Slide 3 – Increased profits and well diversified business mix

Our wealth management businesses combined generated 3.3 billion Swiss francs in adjusted pre-tax profit, 25% higher than in 2012. In Wealth Management, profitability was driven by Asia Pacific, where in particular, the partnership between wealth management and the Investment Bank is a key competitive advantage for us, delivering holistic solutions and attracting clients.

With financial advisors who generate on average 1 million dollars in annual revenue, our Wealth Management Americas team has built a business with one trillion dollars in invested assets.

Our capital strength and our ability to provide global capabilities and insights to clients are significant competitive advantages, which our clients value. A clear example of this is the 54 billion francs of net new money we attracted in 2013, 14% more than in 2012. Since 2011, these businesses have attracted 136 billion in total net new money.

As the largest and fastest growing large-scale wealth manager in the world, we are well positioned to gain from improving macroeconomic conditions, a gradual recovery in interest rates and any consequent improvement in client risk appetite.

Our Retail & Corporate business in Switzerland delivered stable adjusted pre-tax profits despite considerable pressure on net interest margins. This business maintained its market leading position, grew faster than GDP in Switzerland and remains an important source of new business for Wealth Management, the Investment Bank and Global Asset Management.

Global Asset Management delivered an 8% increase in adjusted pre-tax profit and an adjusted return on attributed equity of 33%. This business remains very attractive to us, especially in a world of increasing capital requirements. As announced previously, John Fraser has retired as CEO of Global Asset Management, staying on as Chairman. Let me take this opportunity to thank John for his dedication and commitment to UBS.

Ueli Koerner, formerly our Chief Operating Officer, has taken the reins at Global Asset Management and will build on John's legacy.

Our Investment Bank had an excellent year, delivering strong performance while efficiently operating with very strict risk limits, lower risk-weighted assets, a smaller balance sheet and fewer staff.
The Investment Bank produced 2.5 billion in adjusted pre-tax profits, and an adjusted return on attributed equity of 31%, significantly above our target of greater than 15%.

We maintained strong leadership positions globally in the key areas where we have decided to compete and serve our clients with best in class capabilities. We participated in several high profile deals, demonstrating that our intellectual capital, execution capabilities, and global relationships can serve clients in deals of any size and complexity.

Slide 4 – Firmly committed to returning capital to shareholders

This strong momentum underpins our confidence that we will deliver on our targets.

For 2014, we do not expect our unadjusted return on equity to deviate significantly from 2013, primarily due to costs associated with litigation, regulatory and other matters, restructuring charges and from the impact of Non-core and Legacy Portfolio exits and capital requirements. While we continue to target a Group return on equity of greater than 15% in 2015, given elevated operational risk RWA, we may not achieve it until 2016.

Despite this, our capital return objectives remain unchanged and our strategy supports an attractive capital returns program without compromising our ability to invest in our growth. The proposed dividend we announced this morning aligns with our commitment to progressive capital returns as we advance toward our target of a 13% fully-applied common equity tier 1 ratio, which we clearly expect to achieve this year. Thereafter, we intend to return at least half of our profits to shareholders in the form of a baseline dividend plus other forms of capital return.

For the performance year 2012, we announced substantial changes to our compensation framework based on the feedback we received during extensive engagement with shareholders. In 2013, we continued to engage with shareholders, who asked us to sustain the balance between value creation and the ability to attract and retain the right people to execute our strategy. In response, we have further enhanced our compensation framework to maintain the right balance between employees' and shareholders' long-term interests.

Consistent with our significantly improved performance and the delivery on our strategic objectives, the firm’s total performance award pool for 2013 increased to 3.2 billion francs. It is important to underline that, when comparing with competitive data on an IFRS basis, the costs associated with variable compensation remained flat versus last year.

Our variable compensation plans continue to require a substantial deferral of performance awards. For 2013, nearly 40% of the performance award pool will be deferred for up to five years. Of that deferral, a significant portion is in our Deferred Contingent Capital Plan, which has a five-year cliff vesting. Furthermore, 80% of performance awards for the Group Executive Board, and up to 75% for highly-paid employees, are at risk of forfeiture.

While the early macroeconomic signs for 2014 point toward an improvement over last year, we must remain vigilant because as we have seen in the last couple of weeks, leading indicators and forecasts are not always accurate. Against this backdrop, we expect clients, especially in the US and Europe, to remain cautious and would expect client risk appetite to increase only slowly.

A year ago, and throughout the year, I have said that I was confident we could execute our strategy and we did that well in 2013. We still have a lot to do and will not be complacent. We will continue to execute on our strategy in a disciplined manner in order to ensure the firm’s long-term success and deliver sustainable returns for our shareholders.

Thanks for your attention and now let me hand over to Tom who will cover the Q4 results.