

Annual General Meeting

of UBS Group AG on May 3, 2018

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

Check against delivery.

Ladies and gentlemen,
dear shareholders,

A very warm welcome to the UBS Annual General Meeting.

I am delighted that so many of you have come to Basel!

Last year, I spoke here about the political uncertainties in the world. Those uncertainties have not gone away. On the contrary. Even 18 months after the US presidential elections, we can still not always predict what new initiatives may come out of Washington. And in Europe, too, the public's dissatisfaction with contemporary politics often makes itself felt.

By comparison, Switzerland is a haven of stability and reliability. And many of the people I talk to from abroad ask me why this is the case. My answer is always: sustainability. This is what makes us strong; this is what has made us successful over such a long period. Our political system is designed for sustainability. Voters generally have the long-term effects of their decisions in mind. And Swiss companies – despite the need for quarterly reporting – are more strongly focused on achieving good results over the long term. The same is true of UBS.

However, UBS is not just a Swiss bank. It is also part of the world and influenced in turn by developments around the globe. Esteemed shareholders, you can see an example of this in our year-end results. There you will find a correction to our deferred tax assets following the comprehensive tax reform in the US. We were obliged to reduce those assets. That has left its mark on the annual financial statements and it conceals what kind of a year 2017 really was for us: namely, a very successful one!

Profit before tax was up 29% at 5.3 billion francs. And net profit – excluding the tax effects in the US – rose 22% to 4 billion francs. The good news from the tax reform is that it will help us in the long term because corporate tax rates in the US have been significantly reduced. And our deferred tax assets will also continue to have a positive effect on our tax position in the US. These are purely accounting changes that have no effect on our CET1 capital ratio or on our ability to return capital to you, our shareholders.

For us banks, dealing with this kind of uncertainty is part of our business. It is good corporate governance to weigh up the risks and opportunities and introduce measures accordingly. The geopolitical risks remain high. There is also another risk that is often underestimated: the risk of inflation. We are emerging from an era of cheap money. That is gradually coming to an end and there is a danger that the vast amount of money will be taken out of the market too late and that this will drive the economy and inflation. Nor do we know whether the policies in the US – namely an expansionary monetary policy, low taxes and high debt – whether those policies really will lead to sustainable economic growth.

These questions show how important it is for a company to be diversified so that the opportunities and risks are always well spread. That is why we continue to be heavily engaged in the US, because, despite everything, we still take a positive view of the vigor of the economy there. We are in a very strong position, not only in Switzerland – where we are the clear number one – but also in Europe, and especially in Asia. You can see this both from last year's results and also from our very strong results in the first quarter of this year. I am convinced that Asia will continue to be important for UBS in the future because it is especially there that we expect to see continuing sustainable growth.

There are other developments that give me optimism. For 10 years now, the international community has been trying to make the financial services industry more secure through clear rules. Even though it has cost us a lot of effort – and a great deal of money – to implement these new regulations, we have fully supported those endeavors from the start. They have helped to make the financial sector more stable and they are in the interests of clients, shareholders and taxpayers.

It has now become clearer what the capital requirements will look like in the future. That gives us greater security when planning, even though we will have to invest billions over the next few years in implementing the regulations. In an uncertain world, we need some degree of stability, at least regarding the legal framework, if we are to position ourselves sustainably and for the long term.

For us, sustainability is not just a buzzword. We have focused our entire organization, from the individual employee right up to the Board of Directors, clearly in that direction. This is why all our employees must abide by a strict code of business conduct and ethics. And the bank has consolidated its global activities and expertise in sustainable investment and philanthropy and increased both significantly.

Our clients are also attaching more and more importance to the sustainability of their investments and to their societal impact. We see that as a huge opportunity. A modern bank today can no longer only play the role of strategic adviser and investment broker. It must also offer its own solutions that meet sustainable objectives.

This is why our clients have already invested 35% of the assets that we manage for them, amounting to nearly a thousand billion Swiss francs, on the basis of sustainability criteria. This of course covers a very broad spectrum of products. Within our range of core sustainability products, the volume of impact investing has more than tripled since 2015, just to name one example. And recently, in partnership with the World Bank, we were able to announce the introduction of groundbreaking investment opportunities in the field of sustainability.

We don't only talk about sustainability, we also act accordingly – for example on the important topic of climate change. Here UBS is leading the way in the financial sector in working for greater transparency and better solutions for climate protection. So – to give one example of very concrete action – UBS has committed itself to obtaining all its electricity from renewable sources by 2020.

And our commitment is being recognized. On the Dow Jones Sustainability Indices, UBS is number one in our sector for the third year in succession.

Here in Switzerland, we don't have to look far to see the effects of global warming: glaciers are melting, mountains are crumbling – it is in all our interests to stop this trend. And if we can succeed in convincing our clients of these issues – so much the better!

There are also risks and opportunities in digitization: we see in it a great many opportunities for further growing our business and also for working more efficiently. For example, we are already using blockchain and artificial intelligence today and view them as technologies with tremendous potential. Because, after all, everything that makes processes simpler, faster and more secure is beneficial to all of us: client, shareholder or bank.

But new technologies also create new dangers. We are aware of these dangers and are therefore investing a great deal of money in ensuring that our clients and the firm are protected from digital misuse.

Not all aspects of blockchain and digital currencies are desirable. For example, we take a critical view of crypto-currencies such as Bitcoin and the like. They are often not transparent and are therefore open to abuse. At best, they are highly speculative investment vehicles, and, at worst, they facilitate the financing of terror, money laundering and other criminal activities. We need to be aware of these risks. Switzerland as a financial center needs to be careful not to take any risks that could damage its reputation.

Nevertheless, there is no doubt that UBS must actively embrace digitization. Nowadays, our clients expect digital interfaces. In the firm itself, the latest technologies can be used to make our processes as streamlined and cost-effective as possible. That is why, in each of the next few years, we shall be investing about 10% of our profits in further technological development.

I am increasingly asked: Do banks actually have a future, when fintech, robo-advisors and artificial intelligence could soon render many bank employees and services superfluous? UBS not only takes this challenge seriously, we are also trying to actively shape it. Because I am convinced that we as a bank have a future!

The more complex the world becomes – and it is doing so with every year that passes – the more important it is for every individual to know that they have a competent partner by their side; a partner who, in this complicated world, keeps an eye on the bigger picture and is able to offer the right resources and solutions to overcome that complexity. Here at UBS, we are trusted partners to our clients and well placed to do just that!

The management team led by our CEO, Sergio Ermotti, is doing a good job in all respects, focusing consistently on the needs of our clients. Our capital strength and the concentration of resources on strong revenue drivers are delivering very good results. The permanent focus on efficiency is also making the bank leaner.

And – we have highly motivated employees who are well trained. All of these factors together form the foundation for the success of UBS.

This is also reflected in pay. The same principle applies here: we only reward sustainable success. The returns have to be sustained for a number of years. When it comes to remuneration, we always exclude special effects like deferred tax assets – whether they have a positive effect on operating results – as they have done in the past – or a negative one, as they do this year.

You as shareholders will be able to vote on pay in a separate agenda item. I would just like to say this: this year, once again, we have consistently stuck to our principles. When the results for 2016 were poorer, variable compensation was lower. For 2017, we are reporting considerably higher operating profit. So compensation is going up, though only slightly.

Now – where will UBS go next? We can look back on over 150 years of history. During that time, we have experienced highs and lows, such as during the financial crisis 10 years ago. We then set the firm on a new course and gave it a clear strategy – and in recent years we have demonstrated that our success is sustainable. We don't have to announce a new strategy every year – because our existing strategy is working. That is not to say that we don't regularly review the strategy and also, when necessary, modify it.

But, ladies and gentlemen, the biggest threat to our continuing success is complacency. We must guard against it!

Of course, for you, our valued UBS shareholders, as owners of the bank, it is what we do with the capital entrusted to us that is important. On the one hand, we need to strengthen our capital base while at the same time investing in the future. On the other, you want to share substantially in the bank's success. In view of the good results, we are proposing to increase the dividend 8% to 65 Swiss rappen per share. And, over the next three years, we are planning to buy back shares amounting to a total of 2 billion Swiss francs, of which 550 million this year. So, once again, we are fulfilling one of our promises. That is good news.

Finally, let me thank you for your support and your trust in us. Only with a stable shareholder base that is wholeheartedly behind the bank, and supports our sustainable approach, has it been possible, and will it continue to be possible, to follow this course. I am in constant dialogue with many of our investors, and I know that they support our policy of sustainability.

My thanks go also to our ever-growing number of clients in Switzerland and worldwide, who rely on the expertise and solidity of UBS.

I would also like to thank all the bank's employees, from the client advisors at the counter to the most senior management led by Sergio Ermotti, who day after day all strive to do their best for the bank and its clients.

And I would like to thank the Swiss people. Through their wise decisions at the ballot box over the years, they have created a stable environment. This enables UBS, and many other companies as well, to operate successfully not only in this country, but also all around the world.

Thank you for your attention!

Now I am pleased to hand over to our 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.