Annual General Meeting

UBS Group AG on 24 April 2024

Speech by Sergio P. Ermotti, Group Chief Executive Officer

Check against delivery.

Grazie, Colm.

Ladies and gentlemen, dear shareholders,

A warm welcome to all of you here in Basel – as well as to everyone joining us virtually.

Though unexpected, I am pleased to be here with you again as we execute this new chapter in the history of UBS.

Over the last decade, UBS has stood out among its global systemically important banking peers for its favorable mix of businesses and unique model, which leverages our cost discipline and risk management capabilities.

The fact that we were asked to step in last March to be part of the solution and stabilize the Swiss and global financial system was – and is – the ultimate testament to our strengths.

As mentioned previously, the Credit Suisse acquisition provides UBS with a complementary client base and regional presence, more products and services, as well as many talented people.

Our clients now have access to enhanced capabilities and expertise, our people have a better platform to grow their careers, and you, our dear shareholders, today own an even stronger franchise. I am convinced that all of our stakeholders and the communities where we operate will benefit from the value we create, especially here in Switzerland.

The last 12 months have been very intense. But we have made great strides thanks to the exceptional focus of our dedicated colleagues during this period of significant change and uncertainty.

Not only did we help our clients to manage the ongoing and rapidly evolving geopolitical and macroeconomic backdrop. We are also swiftly progressing on our integration plans.

As you can see on this slide, since closing the transaction in June, we stabilized the client franchise, with USD 77bn of new asset inflows. We brought our funding costs down to the levels that UBS enjoyed before the acquisition. And we quickly began exiting non-core positions and activities, making the combined franchise even safer.

Despite the substantial losses at Credit Suisse, in our first full quarter as one firm we achieved underlying profitability and realized USD 4 billion of the USD 13 billion in cost savings we aim to deliver by the end of 2026.

Together with the strong capital and liquidity position of UBS, this allowed us in August to forego the extraordinary liquidity support Credit Suisse received during the crisis and to voluntarily terminate the loss-protection agreement guaranteed by the Swiss government.

We also finalized our target operating model, including the decision to fully integrate Credit Suisse (Schweiz) AG.

But the integration is a marathon and not a sprint. Given that Credit Suisse was structurally loss-making, much restructuring and optimization must take place before we can harvest the full benefits of the combination.

2024 is shaping up as a pivotal year to allow us to deliver on our targets of an underlying return on CET1 capital of around 15% and a cost/income ratio of less than 70% as we exit 2026.

To achieve the targets and ambitions you see on the slide, we may have to sacrifice some reported profitability and growth in the short-term. But we are convinced this will further strengthen the quality and stability of our long-term earnings potential.

Key priorities for the first half of 2024 include the merger of our parent banks and the establishment of a single intermediate holding company (IHC) in the US. The merger of our Swiss bank entities should occur before the end of the third quarter.

Completing these legal-entity mergers will enable us to realize cost, capital and funding benefits. They are also a pre-requisite for the first wave of account migrations, which will be undertaken with great care to continue to provide a seamless experience for clients. This will allow us to begin decommissioning legacy platforms in the second half of 2024. This process will continue into 2025 before we begin the transition towards our target state in 2026.

During this journey, our progress will not be measured in a straight line, but our strategy is clear and we remain realistic about the magnitude and complexity of the task ahead.

Our chairman has given his views, which I share, about the Federal Council's proposals to strengthen the too-big-to-fail regime. I trust that the results of the parliamentary investigation commission will contribute to fully understanding what happened and will be duly considered instead of jumping to conclusions.

The future of the regulatory framework for Switzerland's financial sector is an important discussion for the nation to hold, but it must be based on facts, comprehensive analysis and full transparency. For example, some insights about the specificities of Credit Suisse's capital situation which have been analyzed by the Swiss Expert Commission on Banking Stability, and highlighted by the Federal Council's too big to fail review report, are not yet properly reflected in the public discussion.

And while some modifications to the regulatory regime may be necessary, the phasing-out of regulatory concessions previously granted to Credit Suisse already leads to a significant increase of UBS's capital requirements. This has to be taken into consideration when calibrating potential new requirements.

Against this background, I would like to focus on one critical point which is often mentioned in the public debate, but which is a source of great concern: the factually inaccurate claim that UBS enjoys an implicit state guarantee.

The facts are clear. With USD 93bn of going concern capital and USD 107bn of loss-absorbing debt, for a total of some USD 200bn of loss-absorbing capacity, UBS's risks are borne by shareholders and the owners of our subordinated debt – and not the taxpayer. You, dear shareholders, annually pay 250 basis points, or around USD 3bn, in net additional funding costs above the rate of Swiss government bonds as a substitute for a state guarantee.

As you can see on this slide, rating agencies do not factor in government support in UBS's rating, neither explicitly nor implicitly. In this respect UBS differs from most state-owned banks. That's why the ratings UBS received from those agencies are lower than those of banks that benefit from an explicit or implicit state guarantee.

As a result, UBS's funding costs are structurally much higher compared to banks that have a state guarantee. The absence of such a guarantee is clearly evident in the fluctuation in funding costs during moments of stress. That was plain to see during the COVID pandemic as well as before and after the rescue of Credit Suisse, when UBS's and CS's funding spreads temporarily significantly spiked.

As part of the broader discussion, we should also consider the many benefits that a thriving, globally competitive UBS at the heart of the Swiss financial center brings to the nation. Let me enumerate some of them as also outlined on the slide behind me.

The financial sector pays about 40% of all corporate taxes in Switzerland and UBS is a substantial contributor. When adding corporate taxes to those paid by our combined staff, over the past decade, UBS and Credit Suisse paid around CHF 25 billion in Swiss taxes – including CHF 2.6bn in 2023 alone, which is about the estimated cost of the second Gotthard tunnel.

We also contribute to the health of the economy by purchasing some CHF 3.9 billion in goods and services in Switzerland every year, which in turn generates further tax income.

In respect to our contribution to the labor market in Switzerland, it’s fair to say that there are - and will continue to be - some difficult decisions ahead as we restructure Credit Suisse. Despite our efforts to lessen the impact, in the short to medium term we will need to part ways with some colleagues.

But I firmly believe that our longer-term plans to grow will create even more high-quality jobs in Switzerland in the future. This is the reason we have maintained our robust apprentice and internship programs, collectively hiring more than 2,300 trainees last year. I was pleased to see that the next generation has a positive view of UBS, and we are now the preferred employer of university business graduates in Switzerland.

There are also other ways in which UBS and its employees substantially contribute to the places where we live and work. Last August we announced that we will maintain, for at least two years, all educational, sports and cultural sponsorship commitments in Switzerland undertaken by both UBS and Credit Suisse, like the Swiss national football teams, Kids Cup and Swiss Skills, to name a few.

All this is made possible by the strengths derived from an internationally competitive bank, with a diversified business model and balance sheet for all seasons.

We will continue to oversee the integration of Credit Suisse and the future of UBS with the highest care and prudence and ensure that UBS remains a well-managed bank as you know it, with a strong culture and a sustainably profitable business model.

Just over a year since coming back, I am even more convinced that UBS and Switzerland have an opportunity to turn a very difficult situation into something valuable and sustainable that will benefit our financial center and the nation as a whole. The financial sector is an important driver and growth engine for the economy. We must do everything we can to preserve and strengthen this powerful combination for the next generation.

Before closing, I would like to thank our Board of Directors, and in particular our Chairman, Colm Kelleher, and our Vice-Chairman, Lukas Gähwiler, for their strong collaboration and partnership. I would also like to thank our clients for their continued trust, and our employees for their hard work and dedication – in particular during the challenging period over the last 18 months.

Last but not least, I extend a big thank you to you, our shareholders, for your ongoing support of our ambition to remain a globally leading player. It has allowed us since 2012 to generate over USD 50 billion in capital for shareholders – nearly equal to our average market capitalization over that period – while also investing in enduring, long-term growth. Our commitment is to do everything we can to continue this journey for many years to come.

Grazie.