

Annual General Meeting

UBS Group AG on 5 April 2023

Commentary to Agenda Item 1 by Lukas Gähwiler, Vice Chairman of the Board of Directors

Check against delivery.

Ladies and gentlemen, valued shareholders,

I would like to provide you with a few further points about the acquisition of Credit Suisse. The subject has given rise to many emotions – worldwide, but especially, of course, here, in Switzerland. I can understand why people are bewildered, even angry.

So allow me to add a few words of my own. The last three weeks have been intense for all concerned. I worked at Credit Suisse between 1990 and 2009. During that time, I got to know many outstanding colleagues. And I know that, especially over recent weeks and months, they have been doing their very best. I can well imagine that many of them are now worrying about their future. So we will be keeping people informed, regularly and transparently. But the announcement of the UBS takeover of Credit Suisse happened just over two weeks ago. On the weekend in question, we had only 48 hours to carry out our due diligence. So many questions remain unanswered.

In anticipation of an important question in this context – the question of jobs, particularly in Switzerland – I would like to state that it's too soon for speculation. Both banks have to be continued and integrated in the coming years. This is a Herculean task that will need more rather than fewer people in the short run. In the medium term, it is clear that we have to weigh various options. And it is also clear that, in the long term, there will be synergies.

Our primary priority is to stabilize Credit Suisse's client business. We did not go looking for this transaction. But everyone concerned agreed that a takeover of Credit Suisse by UBS would minimize the damage for Switzerland and the insecurity on international financial markets. The first few days since the bailout confirm this judgment: Credit Suisse has been stabilized, and with it, the Swiss financial sector.

However, until the transaction is completed, great uncertainty will remain. That's why we want to keep this period as short as possible and are working at speed to complete this transaction swiftly and successfully. In the best-case scenario, it would happen within a few weeks – but it will probably take a few months. So now we need a period of calm. Sometimes a well-intentioned suggestion about what should be done can lead to unnecessary uncertainty. During this very difficult stage, advisers need time to concentrate on their work – that is, looking after their clients.

So what does all this mean for Switzerland? Let me share my views on the two questions asked most frequently:

- Firstly: What will happen to Credit Suisse's business in Switzerland?
- And secondly: Isn't the combined bank too big for Switzerland?

First of all, to address Credit Suisse's business in Switzerland. As I said before, the transaction first has to be completed. Only in the next phase will it be a question of making strategic decisions. Essentially, all options are on the table. Before making any decisions, we want to study everything in detail, looking for the best outcome

- for you, our valued shareholders,
- for customers,
- for employees,
- and for the interests of Switzerland in general.

We are proud that UBS is part of the solution. UBS was already a strong company, with strong Swiss roots. This new combination will be even stronger.

Something else that we are certain about is that the Credit Suisse brand will continue to exist in Switzerland for the foreseeable future. The Swiss business is solid and has a strong customer base. We see a lot of potential.

I'd like to continue by sharing a few facts with you:

- There are around 250 banks in Switzerland, so there's plenty of competition. The market share of the two major banks has declined considerably since 2003.
- In terms of mortgages, customer deposits and corporate loans, the combined market share of UBS and Credit Suisse is below that of the regional banks.
- If we look at banking relationships, then Switzerland's major banks play an important but not dominant role: according to a survey last year by the University of Lucerne, only 20% of the Swiss population consider UBS or Credit Suisse to be their regular bank. That compares with more than 20% for Raiffeisen and almost 30% for the regional banks.
- And when it comes to branches, the Raiffeisen group has about twice as many branches as UBS and Credit Suisse combined. So you can see that, even after the takeover of Credit Suisse, the Swiss financial sector will remain diversified, with hundreds of financial institutions that are successful, safe and trustworthy.

Regarding the calls coming from various quarters for Credit Suisse's Swiss business to be hived off, people need to keep their expectations realistic. A split could be more difficult, time-consuming and financially unattractive than widely believed. Key factors here are complex and expensive IT systems, high refinancing needs, missing international links and so on. But, as already mentioned, we will, as UBS, examine and analyze all options free of bias.

Now to the second question: Isn't the combined bank too big for Switzerland?

The short answer is "no." The combined bank is indeed big, but this has to be put in context:

- Both major Swiss banks have massively reduced their balance sheets in recent years.
- In 2006, shortly before the start of the financial crisis, the combined balance sheet total of UBS and Credit Suisse was seven times Switzerland's annual gross domestic product.
- Today, the combined balance sheet is twice Switzerland's GDP. And we want to significantly reduce Credit Suisse's investment banking activities.
- Furthermore, capital and liquidity requirements have been increased significantly in the last 15 years. And already, the Swiss regulatory system has already planned in progressive capital requirements going forward.
- Ladies and gentlemen, what is more important than the absolute size of the bank is its business model, and the inherent risks in the balance sheet. We have, as UBS, learned our lesson and massively reduced the size of our investment bank. In the new combined bank, investment banking should only account for a quarter of risk-weighted assets and serve Wealth Management globally and the universal bank in Switzerland.
- There's a big difference between granting Mrs Meier in Allschwil a mortgage and setting up a complex derivative with a South Korean company for a term of fifty years.

The financial sector has always been and remains a central pillar of Switzerland's model for success. We have found a pragmatic solution to safeguard its stability. There's no doubt that Switzerland's reputation as a financial center has suffered, but the Swiss brand remains strong. We must work long and hard to rebuild that reputation. And we're prepared for that.

With that thought, I will close and hand you back to Colm Kelleher.