

# You & Us - UBS at the service of clients, shareholders and the community

Speech by Marcel Ospel, Chairman of the Board of Directors, at the Annual General Meeting of Shareholders of UBS AG in Basel on 19 April 2006

Valued Shareholders

Ladies and Gentlemen

A well-known Swiss social democrat recently complained in a magazine article that Switzerland's business community no longer loves its country. Big multinationals are only interested in money and do not care about the common good. There is no commitment to the state, to work, or to the welfare of the community. What brought this man to his conclusion was his analysis of the press conferences held to announce the financial results of the major Swiss corporations Novartis, Roche, Nestlé, UBS and Credit Suisse, all of which presented record profits.

In one respect, he is certainly right: business is about money. We need money in the form of equity capital to secure our firm over the long term and to finance the investments necessary for growth. Money is what investors seek as a return on their investment and what employees want in return for their work. And, ultimately, money is what the state is looking for, in order to fund services and infrastructure. Looked at in this way, there is nothing to complain about, provided all those involved are compensated appropriately.

It is certainly no exaggeration to say that our firm – UBS – currently lives up to the full financial expectations of its various stakeholders. We have yet another very successful year behind us. Our business was boosted by positive developments in the financial markets. In addition to this, our long-term, sustained strategy is continuing to pay off. As you know, over the past few years we have been focusing on our most profitable core businesses, which we are expanding organically and via acquisitions where appropriate opportunities present themselves.

Our activities in these financial businesses resulted in our highest ever result last year - 9.4 billion Swiss francs. When the proceeds of all the sales we effected are included, this

figure increases to around 14 billion Swiss francs. Peter Wuffli will look at this impressive result in greater detail later on.

It is, therefore, all about money. So far, so good. We do our duty. But is that enough? Or is there more to it than that? Is there more to a firm that has almost 70,000 employees, is active in 50 countries, looks after 5.5 million clients and manages assets in the region of 2,650 billion Swiss francs?

When asked about the deeper meaning of the economy, Adam Smith - philosopher, moralist, and "father" of the free market - had an answer that was as simple as it was striking: "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love..." In his work "The Wealth of Nations" Adam Smith laid the foundations for the modern market economy 230 years ago.

What he says may sound harsh today; for some, it may even amount to provocation. But I believe Adam Smith very much puts his finger on it. As a company, UBS also always acts in its own interest. That is why, right at the beginning of our corporate vision, we state: "*We are determined to be the best global financial services company.*"

At the same time, we know that we can only be the best if we provide what all our key partners want and need. This is why our vision encompasses clients as well, and why we channel all our resources into making our clients successful. Our vision encompasses employees, who we develop and motivate to deliver the very best. And, lastly, shareholders, who benefit from the value we create by virtue of satisfied clients and outstanding staff.

## **You & Us**

Clients, employees, shareholders – it is only when we are committed to their interests that we can act in our own interest. It is no coincidence that "You & Us" has been the central message of our advertising activities for the past few years. This tagline is used the world over, in television commercials, in newspapers and on the internet.

As you have no doubt already noticed, it is also the motto of this year's Annual General Meeting of Shareholders. This year, we want to reinforce this message even further. Because it is much more than just an advertising slogan. "You & Us" captures how we

think, how we work, and what we believe in. It is the philosophy we apply to our relationships with the outside world as well as within our organization.

I would now like to outline for you how we live out this philosophy in our relationships with clients and shareholders and how it shapes our relations with the wider community. Later on, Peter Wuffli will explain what it means for our staff and for our management.

Last year we asked our employees what "You & Us" meant to them. The answers we received were extremely illuminating. You will find some of them in our Annual Review for 2005. I will focus here on only one example that, for me, expresses clearly what "You & Us" is all about. When Central Switzerland was hit by flooding last summer, attention was focused on calls for donations and emergency aid. Many small and medium size companies were also affected, as staff battled to clear up after the flooding and with infrastructure wiped out in places. With pay-day coming up, it was clear that, on top of having to cope with the flooding, many people would be left waiting for their wages. In this critical situation, our Corporate Clients team in Lucerne took the initiative and contacted the affected firms, proposing straightforward, creative solutions that would allow employees' salaries to be paid into their accounts on time. In the words of one of our corporate client advisors: "This was not about us or UBS coming across as saving the day; we just wanted clients to know that we are there for them, both in bad and good times."

### **Focusing on clients**

Let's be honest: nowadays every successful company talks about how client-friendly its products and services are and how much importance it attaches to what clients want. Consequently, it is difficult to use these factors as a basis for a competitive advantage. But, precisely for a services company such as UBS, competing on such grounds is vital. For this reason, we wanted to find out exactly what a positive client experience with a finance company consists of. And over the past year we have used the insights we have gained to enhance our advisory processes in the various business segments. What does "You & Us" mean for our clients? It means that we engage intensively with their needs, their goals, and their risk profiles. It means that we offer individual and tailored solutions that we monitor continually and, where necessary, amend. Our clear commitment to protecting the privacy of our clients is naturally another important element of a positive client experience. Thanks to the positive outcome of last summer's referenda on the

bilateral agreements between Switzerland and the EU, we can continue to provide this protection for law-abiding clients who have nothing to hide.

But the best advice in the world is worth nothing if it is built around products that are ineffective or out of date. Which is why, in the banking business, innovation is a must. Our business units are leaders in innovation, and are continually developing new financial products and solutions. You will find more information on this in our annual reporting for 2005.

Last but not least, to expand our client base we need the strategic foresight of our management team. Our main focus last year was on the dynamic developments in the Asian markets, particularly China. Gaining a foothold in China is still proving difficult. But, with our initiatives in place, we are now in the starting blocks and ready to secure a leading role in both asset management as well as investment banking. The sale of major stakes outside our core businesses last year – I am referring here to Motor Columbus and the group of private banks we sold – was likewise part of the targeted focusing of our client base.

Finally, the full integration of our global private client business with our U.S. business marked a key strategic step. This will allow our clients in the U.S. to benefit from the full spectrum of the UBS product and advisory platform around the world.

### **Our relationship with our shareholders**

I have been talking about what we have been doing on the client front. You may ask, what this has to do with you, the shareholder? The answer is: a lot. First, we know that around 65% of our shareholders are also clients of UBS. This shows that, as a general rule of thumb, the trust a person places in a company is not limited to one area only. If you have a good experience as a client, you want to benefit as an investor as well. And if, as an investor, you are rewarded with high returns, you know you can entrust the rest of your financial affairs to us. Second, success for our clients means success for us and, ultimately, you. As you can see in the documentation for today's meeting, this success was substantial for the 2005 business year. We are proposing payment of a regular dividend that is 7% higher than the previous year. On top of this, we want you to benefit from the sale of our private banks with a par value repayment of 60 centimes per share. If you add together par value repayments, dividends, and share buybacks,

over the past six years we have distributed to our shareholders a total of 38.8 billion Swiss francs. This corresponds to some 63% of the cash flow generated over this period.

Naturally, a good relationship with you encompasses more than this. Which is why we provide you with regular information on how our business is developing, and hope that in doing so we can make your role in the decision-making process easier.

We take our duties to you seriously. When I look out across this hall, I see an impressive number of UBS owners. 36% of our share capital belongs to shareholders in Switzerland, 24% belongs to shareholders in North America, 22% to shareholders in the UK, 11% in the rest of Europe and 7% grouped together in "other countries".

It is not only our clients and employees that come from all over the world – our shareholders too are a global community. If we take our "You & Us" credo seriously, we have to show equal consideration to all these stakeholders, and their different needs. We are a bank with strong Swiss roots. And we continue to have very strong ties to this country. The mere fact that, last year, the majority of the direct and indirect taxes and duties we paid – approximately 4 billion Swiss francs – was paid in Switzerland shows this to be the case. UBS is the most important firm in the Swiss financial industry and, thus, one of the mainstays of the Swiss economy. On the other hand, we are increasingly under obligation to the various groups of stakeholders in those places where we do business, obtain our funds, and where our employees live.

### **Corporate responsibility**

This brings me back to the beginning of my talk to you today: to the criticism that the Swiss business community no longer loves Switzerland or is committed to the common good.

I believe this criticism begs the real question. For a global firm such as UBS, responsibility toward society *as a whole* is much more important than a love for individual countries or institutions.

Today we would no longer be able to do business anywhere in the world if we did not take unfailing account of the many different needs and demands of our environment. This begins with the different legal and political frameworks at the national level. It is

connected with the major cultural and historic differences within our client structure. And it ends with the radical social change some parts of the world are experiencing. This change challenges us not only in terms of our ability to innovate and move quickly, but also in terms of the consideration we show toward the needs of populations in these parts of the world.

At last year's Annual General Meeting, we were called upon to engage even more intensively in supporting public issues. At that time I promised I would look into this. Today I can assure you that over the past few years we have continuously increased our commitment to and support for society.

Corporate responsibility has been an important part of our culture, our identity, and our business practice for some time now. Behaving responsibly means many different things. We provide our employees, for instance, with a working environment based on equal opportunity, diversity and meritocracy. We uphold high ethical standards in dealings with our clients and suppliers. We try to work in a way that is as environmentally responsible as possible. And we support the communities we are part of both directly through donations as well as indirectly by giving our employees the opportunity to engage in volunteer work. Last year, for example, a number of UBS employees were involved in the clean-up and reconstruction efforts in areas hit by the tsunami. Other employees carry out regular volunteer work in the places where they work or live, working as teachers for example, or helping care for those in need.

In 2005, UBS donated around 50 million Swiss francs to support charitable causes and immediate disaster relief. Our charitable foundations also contributed to this amount. With our UBS Cultural Foundation, we support contemporary artistic creativity and do our bit toward helping preserve contemporary expressions of culture. The UBS Foundation for Education and Social Welfare enables us to support talented people, create job and training opportunities for the less fortunate and develop business and leadership training.

Besides the engagement of our firm and employees, we also give our clients the opportunity to contribute to various charitable programs and aid projects via our Optimus Foundation.

In my view, efforts to prevent money laundering and terrorist financing are important contributions to society. Our policy here is not to restrict ourselves to minimum legal requirements. After all, what is at stake is the integrity of the global financial system, and therefore the good name of the economy as a whole. This is why we take our duties extremely seriously and do everything we can to protect the system at large as well as our own operations.

Our commitment to socially responsible investments is another area that is growing in importance. Global Asset Management offers private and institutional clients a wide range of such investments. In the past year, assets invested in such vehicles rose 28% to some 51 billion Swiss francs, accounting for close to 2% of all our invested assets.

Lastly, let me look at another important contribution we make to society - our commitment to the environment. We apply a systematic environmental management system. Part of this entails issuing detailed and certified key indicators for our environmental performance (energy consumption, water consumption, CO2 emissions, and so on). It also involves systematically managing environmental risks in all our business transactions and setting our own ambitious targets for reducing our impact on the environment.

All this can be summed up quite simply: for us, behaving responsibly means that, when doing business, we look not only at profit-oriented considerations and legal requirements but constantly address the issue of social compatibility as well.

I am convinced we can only secure our long-term success if we take adequate account of the interests of all our stakeholder groups and of the community. It is only in this way that we can serve those who own our firm.

I would like to thank you - our valued shareholders - for your loyalty and support. Your capital and your trust are what enable us to tackle the challenges of the future. I would also like to take this chance to thank all our employees and managers for their outstanding performance in 2005.