



Rigorously implementing our growth strategy

Speech by Peter Wuffli, Group Chief Executive Officer, at the Annual General Meeting of Shareholders of UBS AG in Zurich on April 18, 2007

Valued Shareholders

Ladies and Gentlemen

The famous golfer Tiger Woods once said: "I measure success not by my victories, but by whether I am getting better every year." – This wisdom holds true for our firm as well.

2006 – another record year

The results of our financial businesses have seen a steady rise in the past four years. Net profit was a record 11.253 billion francs, an increase of 19 percent over the prior year. All business groups contributed to this growth. Here is an overview of individual contributions before tax:

Global Wealth Management & Business Banking	8,141 million
Wealth Management	
International & Switzerland	5,203 million
Business Banking	2,356 million
Wealth Management US	582 million
Investment Bank	5,993 million
Global Asset Management	1,392 million

In our annual reports you will find more information about the results for specific businesses, so I will not go into any further details at this point.

Of course, what counts for us are not only the absolute figures but also how they have developed compared to our targets. These targets are designed to create value for you, our shareholders, and you should be able to measure us against them. Since the creation of UBS in its current form, we have had four main objectives:

First, double-digit growth in earnings per share, the benchmark for the profitable growth of a company.

Second, a return on equity of more than 20% (until two years ago the target was 15-20%). This key figure measures how well we are using the capital you have entrusted to us.

Third, an attractive cost-to-income ratio compared with the competition. This ratio allows us to measure our competitiveness and the efficiency of the services we offer.

And fourth, a continued increase in net new money. This indicator tells us a lot about client satisfaction and the momentum in our asset management business.

In the table, you will see that all targets are showing green. Here, too, additional details are available in our written report.

I would like to mention in particular the increase of more than 150 billion francs in net new money. This is equal to an annual growth rate for the asset base as at year-end 2005 of almost 6% and is more or less comparable to that of a medium-sized private bank. Wealth Management International & Switzerland contributed about two-thirds of this inflow. The strongest inflows came from Asia and Europe. Every one of our wealth management units reported positive net new money. In view of the rapid growth in recent years in particular, this achievement is a remarkable testimonial from our clients regarding the quality of our work and the positive perception of our brand throughout the world.

Key figures

Diluted earnings per share	5.58 francs (previous year 4.66 francs)
Return on equity (from continuing operations, before goodwill)	26.5 % (previous year 27.6%)
Cost/income ratio	69.7 (previous year 70.1)
New money financial businesses	151.7 billion francs (previous year 148.5 billion)

Ladies and Gentlemen

Record earnings and the progress we have made toward reaching our targets are certainly very satisfying. But more important from the point of view of management are the strategic steps that we took last year to develop and expand our business on the basis of our growth targets.

Formulating and implementing a strategy of organic growth was until recently one of our main management challenges. An initial phase of mergers and acquisitions of major firms, which lasted until the turn of the century, has been followed by a subsequent phase involving inculcating a growth culture within the company. The key features of this growth culture are performance-oriented thinking with ambitious goals, confidence in our entrepreneurial talents, the willingness to make capital available over a longer period of time – accepting certain risks and the possibility of no immediate return – and the optimal use of our resources by working in partnership within the company across organizational and cultural boundaries. While four or five years ago these plans were still in their infancy, and raised many question marks both within and outside the company, today we can say with some satisfaction and pride that UBS has without a doubt become a growth company.

At the end of last year we employed 8,500 more people than in the prior year. The total headcount is now more than 80,000. All our business groups in all major regions of the world showed considerable growth momentum. About 80% of the headcount growth came via organic initiatives and only 20% via takeovers.

Marcel Ospel has already mentioned some examples from the emerging growth markets of Latin America and Asia as well as Russia. But we are also powering ahead in the mature economies of the west and east, and we are doing this through organic growth supplemented by targeted acquisitions. Here are a few examples:

In Wealth Management, our European domestic business broke into the profit column for the first time after an intensive period of preparation, and achieved a substantial contribution to earnings. Since 2001 we have tripled the number of European branch offices to 45 and more than doubled the number of client advisors.

We have also invested heavily in our American wealth management business. Thanks to the integration of the branch networks acquired from Piper Jaffray and McDonald Investments and the opening of a new branch in New York City, we are one of the leading wealth managers in the United States, with 440 branches and 7,800 financial advisors. We were also able to raise our profitability considerably last year in the US. The pre-tax contribution to earnings almost doubled to 580 million francs. We are particularly pleased with the segment of clients with more than 10 million dollars in assets with us. We now manage more than 100 billion dollars in client assets in this segment, with an annual growth rate of over 30%.

A third example is our Investment Bank. It has continued to invest in the expansion of our service offering for clients in areas such as structured real estate financing, commodities, high-yield credit products and credit derivatives, as well as customized service packages for hedge funds and private equity firms. We are also making major investments in information technology in order to enhance our capacities, boost efficiency and streamline our technical infrastructure.

And our institutional asset management business has taken additional important steps on the way to becoming a diversified investment manager with a wide variety of traditional and alternative investment forms and styles. With improved cost efficiency, this business has more than tripled its pre-tax income in the last five years and more than doubled its net new money over the same period. The especially attractive area of alternative investments rose in the same period from about 10 billion dollars in assets under management to 50 billion.

Sustainable, profitable growth is crucial for the long-term success of our company. But it also entails very special challenges. The integration of so many new employees into our company, while also keeping the day-to-day business running at full speed, demands a lot of all of us. And outside the company, we have to earn the trust of investors and analysts each and every day. We are judged in particular on our ability to manage resources carefully during growth phases and to find a balanced relationship between investing for the future and returning profits to shareholders.

We will maintain our successful growth strategy going forward. We have the right qualities to do so – a unique combination in our industry of global size and strength

focused on worldwide business activities that offer above-average long-term growth. The priority will be placed primarily on implementing and integrating the firms and business activities we acquired last year and less on new growth initiatives and takeovers.

Our motto to this end will be the words of the British literary figure and twice UK prime minister Benjamin Disraeli, who said: "The secret of success is constancy of purpose."

The current business year has also started very well for UBS. Investor confidence as well as the appetite of our corporate clients for takeovers, mergers and IPOs continue uninterrupted despite occasional turbulence in the markets.

We will continue to work hard going forward to earn your trust through successful business activities and solid results, from which you as a shareholder will benefit in particular.

I would like to thank my colleagues on the Group Executive Board and the Board of Directors as well as all our staff worldwide for their committed support for our efforts and their major contribution to our results last year.

And I would also like to thank you, our valued shareholders, for the trust you have placed in us.

Check against delivery