



UBS – successful in a dynamic environment

Speech by Marcel Ospel, Chairman of the Board of Directors, at the Annual General Meeting of Shareholders of UBS AG in Zurich on 18 April 2007

Valued Shareholders

Ladies and Gentlemen

Heraklit taught us that everything changes. Galileo showed us that the earth moves. It would appear, then, that movement and change shape our lives. And yet today we are surprised by how rapidly our business and social environment has changed over the past few years.

A few decades ago, economic processes were largely local. Now they span the entire globe. Before a yoghurt lands on the breakfast table in New York, cows have probably been milked in Quebec, berries picked on a farm in France, flavourings developed in a chemical laboratory in Switzerland, a packaging company in Mexico has hired new staff, a bank in Hong Kong has granted lines of credit and an advertising agency in Sydney has worked through a good few nights.

The WTO estimates that, between 1995 and 2005 alone, the value of global goods exports has doubled from around five trillion to 10 trillion US dollars. Financial flows have developed in step with the real economy. The opening up of national financial markets has ensured that more and more liquidity is made available at an ever increasing rate of speed for an ever increasing number of international transactions. For direct investment abroad, for example, which has increased from around 500 billion dollars in 1980 to over 9,000 billion dollars today, or for daily transactions in the foreign exchange markets. Over the past 25 years, these have grown from 60 billion to almost 2,000 billion dollars per day.

And today the benefits of such vigorous activity are no longer confined to the industrialized countries; increasingly, a growing share of the world's population is feeling the benefits, too. The BRIC countries of Brazil, Russia, India and China - home to

approximately 40 percent of the world's population - are seeing annual growth rates of between four and ten percent. And the "Next Eleven" - among them South Korea, Pakistan, the Philippines, Mexico, Egypt and Turkey - are already knocking on the door.

UBS spotted these global trends early on, and prepared itself with a smart expansion strategy. Last year, we were once again able to significantly expand our presence in these emerging markets.

In Latin America, 2006 saw us establish a strong base for wealth management and our investment bank with our acquisition of Brazil's Banco Pactual. And we intend to leverage further expansion in the region from this base. Banco Pactual was first consolidated into group accounts in the fourth quarter of last year, and is already making a significant contribution to our results. At the beginning of this year, we received the go-ahead from the Ministry of Finance in Mexico to offer banking services there.

In Asia, too, we are pushing ahead with the growing of our business. We received the green light in China for UBS Securities. We are thus the first foreign firm to invest directly in a Chinese securities house with a comprehensive range of services and take control of management. Our Beijing branch, opened in August 2004, also offers tailored solutions for managing interest and exchange rate risks to corporate and institutional clients in China.

In India, the acquisition of Standard Chartered's fund business has given us an entry point to an extremely attractive growth market. (The acquisition is awaiting approval by the authorities.) India's market is already estimated at some 91 billion Swiss francs, and grew by 62% last year alone. In coming years, we will be able to benefit from the liberalization of the pension fund market as well as the ongoing substantial increase in the requirements of the increasingly wealthy middle classes. We have been offering brokerage and advisory services in Mumbai for some time now, through UBS India Securities Private Ltd.

Lastly, last year we received a banking license in Russia, and can now expand fixed income and foreign exchange services locally, alongside our existing equity brokerage and investment banking activities.

Our integrated offering spanning all Business Groups, our innovative solutions and our highly qualified advisors on the ground will help us benefit from the rapidly increasing affluence of these dynamic growth markets.

New and attractive business opportunities are not confined to the emerging markets, however; they can be found in the traditional industrialized economies in western Europe and North America, too. The population aging issues these affluent societies face are causing political challenges. Life expectancy is increasing, and this is posing a major challenge to well-established social security systems and the labour market. In so far as state pension systems will no longer be able to cover all the requirements of the population, people will turn increasingly to private solutions. Higher savings volumes mean more business for the financial institutions that are ready and waiting with intelligent solutions and comprehensive advice. Last year, UBS placed a special focus on this market, which comprises more than 100 million households in North America and western Europe with estimated assets of 2,500 billion Swiss francs.

Ladies and Gentlemen

We can look back on last year with pride: we increased profit once again, this time just short of 20 percent, taking us to a new record of 12.25 billion Swiss francs. All business units posted results that were clearly up on the previous year. Peter Wuffli will provide you with more information on the exact figures and trends in his speech later on.

As much as we are delighted with our excellent results, we are aware that all the fast-moving developments in the global economy are not having just a positive impact. And we are prepared to live up to our responsibilities as a global group and do our share toward helping solve pressing social issues.

We, too, are concerned by the surge in energy requirements and the growing burden being placed on the environment and the climate, for example. And these are challenges that we take seriously. As part of its climate policy, UBS is making considerable efforts to impact the environment as little as possible and offset unavoidable impact. As a result, we decided that, in addition to our ongoing energy-saving measures, by 2012 we will reduce our group-wide carbon emissions by 40% compared with the level for 2004. To this end, we offset all CO₂ emissions caused by

the business-related air travel of our staff for the first time last year. As a countermeasure, we are investing in four environmental projects in Brazil, China, India and Russia aimed at reducing greenhouse gas emissions.

And given that our clients also have a growing interest in such sustainable investments, we have been offering private and institutional investors access to these markets for some time now. We launched the first index for the global emissions market some weeks ago. This will provide a suitable basis for structured financial products and give smaller investors access to such investments.

It's a fact: the globalization of the economy is leading to more prosperity for increasingly wider sections of the world's population. At the same time, we see that the gulf between the richest and poorest countries in the world is getting bigger. Consequently, innovative ideas for solutions to this major social challenge are needed. First and foremost, the right political measures have to be in place. Successful, integrated firms such as UBS can also do a great deal, however. This is perhaps a less well-known side of UBS, but as a leading wealth manager, we are not only specialized in building wealth. We are also there to offer our clients advice and practical assistance when it comes to putting their wealth to good use. In our specialized business unit in Wealth Management, we work with private and institutional clients to structure philanthropic projects sensibly and turn ideals into action. Our Optimus Foundation also supports aid projects that use unconventional methods to bring about changes for the good in society.

Ladies and Gentlemen

I have focused on just a few aspects of what we do, but they show clearly why we are so successful today. We have the right strategies, a vigorous, effective management team and committed, extremely well-qualified employees. You as a shareholder are an important part of this success story. You give us the trust we need to turn our ideas into reality in a dynamic environment.

And I thank you for that.

Check against delivery