

# Annual General Meeting of 23 April 2008

**Speech by Marcel Ospel, Chairman of the Board of Directors, at the Annual General Meeting of Shareholders of UBS AG in Basel on 23 April 2008**

*Check against delivery.*

Ladies and Gentlemen,

It's been just two months since we last met in this room.

A lot has happened since then.

The measures you approved in February have proven to be correct and necessary.

The internal measures we announced in February have been resolutely implemented within the bank and are now beginning to show results.

Things have started to move more quickly over the last few weeks.

As a result of our exposure to the real estate market, we were forced to announce additional writedowns of around 19 billion Swiss francs, which led to a first quarter loss of around 12 billion francs for the current financial year.

We immediately put together a recapitalization plan totaling 15 billion francs which we will submit to you today for approval.

As things began to happen more quickly, we too moved ahead faster with the measures and solutions needed to solve the problems facing us.

That is why I have decided not to stand for re-election for another year.

This means I will be leaving UBS at the time I had originally intended and announced.

My departure from the company takes place under circumstances that none of us would have wanted.

The change in chairmanship did not go as smoothly as would normally have been expected.

On the whole, the financial markets are also still far from normal, although the evidence suggests that we are gradually re-approaching normality.

The sub-prime crisis put our shares under pressure. It tainted our reputation as a dynamic, innovative yet always risk-conscious financial institution.

And it also put our clients' trust to a severe test.

Allow me to use a metaphor which has already been cited on several occasions.

It is the image of a formidable ship which the crew has maneuvered into a dangerous storm and which is being tossed by the waves.

Many on board insist that, since the captain is responsible, he should take the consequences of his actions and immediately hand over the helm to someone else.

Others admonish the skipper that this is no time to leave the crew in the lurch.

Personally, I have chosen the latter of these two options.

I considered it my duty to do everything possible to find a viable way out of this crisis.

Striking sail the moment we enter stormy waters is not my way. So despite the fact that I am now leaving the helm, I do so with the conviction

that we have weathered the worst,

that the storm is gradually passing,

and that we will soon be sailing into calmer waters.

You might well ask what my conviction is based on.

Firstly, it is based on my many years of experience as the senior executive of a large bank and my fundamental confidence in the strength and resilience of the financial sector.

It is also based on my awareness of a set of far-reaching and effective measures initiated resolutely in the past weeks and months by the UBS Board of Directors and Group Executive Board.

Why do I have such unshakeable faith in the financial sector?

Over the last few weeks, a number of commentators have tried to put the current financial market crisis into the context of past financial crises.

Depending on the perspective and timeline we take, we could count as many as ten similar crises within the space of the past hundred years.

In each of these crises, the financial sector has learned its lesson and emerged even stronger.

I am convinced that this time will be no exception.

As a young Managing Director at Merrill Lynch in New York in the mid-1980s, I learned how to lead a modern financial firm and I also learned first-hand about the incredible dynamism of liberalized financial markets.

When I returned to my former employer, the Swiss Bank Corporation, at the end of that decade, the Swiss financial sector had just been through a major upheaval. During the real estate crisis, assets worth 50 billion francs were wiped out in Switzerland alone.

And at the same time, a series of spectacular business failures throughout Europe depressed the banks' credit business. Together with the deregulation of the financial sector, this shakeup caused a true paradigm shift. In place of the previous fixation on cash flow, there was a new and very clear focus in the business on meeting client needs and creating shareholder value.

At that time we developed a vision for our bank which still holds true today.

Our goal was to give the company a global orientation and concentrate on three core businesses:

global wealth management,

investment banking

and private client and corporate client business in the Swiss domestic market.

We wanted to position ourselves among the top players in international investment banking.

And we wanted to become the world's leading wealth manager, with a strong focus also on institutional investors.

This vision required a radical revision of our leadership philosophy.

Client focus,

innovative financial solutions,

the ability to develop structured products and services,

providing cutting-edge technology,

creating cost transparency as well as

a robust risk-management system:

That was our new credo.

Getting rid of the old bureaucratic mentality – the sort of attitude conjured up by the word “bank clerk” – bankers became managers who thought and acted like entrepreneurs.

But such a thoroughgoing organizational and cultural transformation could not be achieved organically, on our own.

It required considerable pressure from outside.

It required confrontation with other corporate cultures.

And just as today, back then it required an active approach to the leading financial markets in the US and England.

The path we chose involved transformational acquisitions and partnerships with specialized financial institutions.

O'Connor in Chicago,  
Brinson Partners in Chicago,  
and S.G. Warburg in London,  
were particularly important in this regard.

The merger of the Swiss Bank Corporation and the Union Bank of Switzerland to form UBS AG in 1998 marked our leap into the top ranks of global banks.

The acquisition of PaineWebber resulted in a significant expansion of our client base in the US.

More recently we turned our attention to the emerging markets of Asia and Latin America, where we had successful joint ventures and made 'bolt-on' acquisitions.

Today UBS enjoys a solid position as market leader in fast-growing markets such as China, India, Japan and Brazil,.

Pessimists might ask: How has all that helped us? My reply would be that a crisis as virulent as the one raging in the US financial markets demonstrates just how important geographic, global diversification has become.

Regardless of its current problems, your bank has no need to hang its head.

With around 3000 billion francs in assets under management, UBS is the world's largest wealth manager today. Even during this latest crisis, we still reported regular increases in net new money.

In the ten years since the merger, we have posted accumulated profits of over 60 billion francs. During that same period of time, we paid back another 29 billion francs in capital to our shareholders and took the acquired shares off the market.

We evolved into a major investment bank which, apart from the latest upheavals, has become a respected player at the global level. Last year, in fact, we were the market leader in mergers and acquisitions in the US and Great Britain.

Thanks to forward-looking leaders,  
thanks to vision and courageous decisions,  
thanks to the skill and untiring efforts of outstanding employees,  
we have transformed UBS into one of the world's strongest, most highly-renowned banks.

The bank has every chance of maintaining this position. Not only is this important for UBS, it's important for Switzerland as well.

As a financial center, Switzerland as a whole benefits from the dynamism and innovation of its banks.

No other country can boast such a large number of respected banks of all classes, including two global leaders.

Finally, all banks, indeed the entire sector, have benefited from the open and intense level of global competition for which we helped clear the way during the 1990s, even though it is currently presenting us with a challenge in one particular segment.

The financial sector has become the most important branch of our country's economy in the last few years.

The fact that this sector has long been one of the country's biggest sources of tax revenue is something that many only realized when a decline in tax receipts was predicted as one consequence of the current crisis. But in light of the fact that tax revenues in Switzerland these days far surpass the budget, the country will certainly be able to cope with this temporary drop.

Ladies and gentlemen,

I can understand that we are being publicly criticized now because we did not prepare ourselves in time for the looming financial crisis.

I am also aware of the fact that there are banks which were more cautious and did some things better than UBS. We made mistakes, and we have learned our first lessons from them. Our future management will continue to learn from the things we did wrong.

But I do not understand those people who are now fundamentally calling the financial sector into question – especially the Swiss financial sector as we know it today.

What we have achieved over the past few decades in the Swiss financial sector has not been lost in any way. Rather our achievements mark an important chapter in the future of this country.

We can also rightly claim that UBS has created new domestic markets outside Switzerland which are very important to the economies of those countries and also reflect positively on our country.

We are still on the defensive, but we have in the meantime done our homework.

Though we had to retrench, since our last meeting at the St. Jakobshalle, we have made good use of our time.

*Reculer, pour mieux sauter.* We take one step back in order to make the leap into a better future.

In his speech, Marcel Rohner will follow up with more detailed information on the measures we have taken in the past few months.

Ladies and gentlemen,

This brings me to the end of my introduction to today's Annual General Meeting of Shareholders.

Today more than ever, I would like to express my thanks to everyone who has repeatedly and continuously offered their support to both UBS and me as its chairman.

First and foremost, that means you, our valued shareholders,

but it also includes my colleagues on the Board of Directors and the Group Executive Board who have given me unwavering support through the difficulties of the past few months,

as well as all of the employees of this exciting company who, echoing our corporate motto, continue to achieve the outstanding at all levels of the organization. I would like to thank them, in particular, for their unshakeable dedication and their positive attitude toward the company, especially during these difficult times.

I would also like to take a moment to thank our clients. They are at the heart of everything we do at the bank, and we will do everything we can to affirm and support our clients in their relationship with UBS.

I take my leave from this company with mixed feelings.

On the one hand I feel a great sense of regret that I am not able to depart under better circumstances.

On the other hand, I am still proud of all the things that our 80,000 employees have achieved together in these past ten years.

And finally, there is an overwhelming sense of trust, of confidence that, once things have calmed down in a few months, we will all be able to look back on these difficult times and say:

It was a bad storm. It whipped our sails, yet it didn't throw us off course. And now we're back under full sail.

After all, whoever can't take the cold wind has no place at the summit.

Thank you.