

# Annual General Meeting

## April 14, 2010

**Speech by Oswald J. Grübel, Group Chief Executive Officer of UBS AG**

***Check against delivery.***

Dear Shareholders

A year ago, at my first Annual General Meeting as CEO of your company, I promised you that we would fundamentally change UBS so that you could again take pride in your bank.

Since then we have been making every effort to build a new UBS. Today, I can say with great satisfaction that we have succeeded. As a matter of fact, we are a different bank from a year ago, and in the next couple of minutes I will highlight for you everything we have achieved to date and the steps we have taken.

At the last Annual General Meeting, I named as the most urgent tasks reinforcing our capital base and restoring our profitability. With an above-average 15.4% Tier 1 capital ratio at the end of 2009, an operating pre-tax profit of 1.4 billion Swiss francs for 2009 and a profitable fourth quarter, we met these objectives. As you may have seen in our earnings update released at the beginning of the week, we expect to report a pre-tax profit of at least 2.5 billion francs for the first quarter of 2010. In short, your bank is back in business again.

We have also re-oriented structures and processes across the entire company, correcting weaknesses that contributed to the disastrous results of previous years. In addition, we have set our future strategy, which is based on new and binding values. None of this would have been possible without the huge commitment shown by our employees. I would like to take this opportunity to express my great respect and thanks for all the work they have put in. Facing a difficult situation with a lot of pressure from outside the company, they have fulfilled their tasks. I'm very proud of that.

However, we have not yet succeeded in restoring trust in our bank, especially in Switzerland. This comes as no surprise to me. I warned you 12 months ago that the path would be a long one. The fact that we will continually be confronted with mistakes from the past is a reality we have to live with.

As the largest global wealth manager, however, UBS continues to serve a huge number of clients all over the world who are loyal to us and appreciate us for the outstanding solutions our employees develop for them, and the very good service we offer. Every day we serve thousands of clients in our branches, process transactions of all sizes and execute a great number of client orders around the world.

All this is made possible by the individual efforts of our employees. They make up UBS, and our firm is now starting to show its full potential again. Witnessing this development provides daily satisfaction to me, and convinces me that we will win back trust even in our home market Switzerland.

I would now like to turn to the results of the financial year 2009 and our earnings update for the first quarter of 2010.

The external environment last year was challenging, marked by one of the deepest recessions since the war. Governments and central banks took various steps to stabilize markets and stimulate the economy. Client activity gradually began to recover at the end of the first quarter, and as the economic prospects brightened stock prices also rose again.

Against this background, UBS posted a pre-tax operating profit of 1.4 billion francs for 2009 as a whole. This is a pleasing result, even though we were obliged to report a bottom-line net loss of 2.7 billion francs, owing to certain significant items once again. The fact that we returned to making a net profit in the fourth quarter of 2009 for the first time in five quarters clearly demonstrates that we are on the right track in all our business divisions.

UBS's income from operations rose to 22.6 billion francs in 2009. At the same time, we were able to trim expenses from operations 12% to 25.2 billion francs. A strict savings program has reduced our annual fixed cost base by over 3 billion francs.

Assets under management at the end of 2009 were more than 2.2 trillion francs, roughly the same as at the end of 2008. This is due to the excellent investment performance we generated for clients last year, which compensated for the high level of asset outflows. Net outflows declined from 226 billion francs to CHF 147 billion in 2009, but obviously we are still not satisfied with this result. Stopping the net outflows completely is one of our key priorities. Our results in first quarter 2010 demonstrate that we are also making progress on this front.

As noted in the update we released on Monday, we will provide detailed first-quarter 2010 figures as scheduled on May 4. They will show, in addition to the announced pre-tax profit of at least 2.5 billion francs, significantly smaller asset outflows in all our business divisions. We are estimating first quarter outflows of around 8 billion francs in Wealth Management and Swiss Bank, around 7 billion francs in Wealth Management Americas and around 3 billion francs in Global Asset Management. These figures represent a significant improvement over the previous quarter. Realistically, we must however assume that we will have to accept further outflows before we can turn this trend around.

I would now like to talk about the many measures we took last year to put UBS back on track for lasting success.

In addition to improving our financial position in the last 12 months, we have also adapted our structures, processes and organization, dealt with many legacy issues and significantly improved company management.

In early 2009 we reoriented the governance structures in our home market and set up a new management body for UBS Switzerland. This integrated leadership covers all activities in the country: the private client and wealth management business; the business with corporate and institutional clients; investment banking; and asset management in Switzerland. This step represents a further commitment to our home market and our clients in Switzerland, who are very important to us.

At the start of 2009 we began to bring together our Group service and control functions into one overall Corporate Center. This job too is now almost complete. UBS today is managed much more efficiently and according to standard criteria that are valid for the whole company. Risk management has also been much improved, first structurally, and second by reworking our capital optimization model and reorienting the way we run our liquidity and balance sheet. What is of special importance to me is that our front-office units, and therefore our clients, are now supported much more effectively.

We set out our 2010 savings objectives for costs and personnel expenses in April 2009. By the end of the year we had largely achieved them; as mentioned fixed costs had been cut by over 3 billion francs. Effective cost management remains a high priority, and in addition to targeting growth in many areas we will continue to seize any savings potential we see in the future.

In June 2009 we further strengthened our capital base by placing 293 million shares from authorized capital. Together with the decrease in risk-weighted assets, this raised our Tier 1 capital ratio from 11.0% at the end of 2008 to 15.4% at the end of 2009, a very good level in comparison with our international competition. Our FINMA leverage ratio also improved over this period from 2.5% to 3.9%.

At the same time, we achieved a further substantial reduction in our risks and balance sheet: at the end of 2009, both were more than 30% below the corresponding level in the previous year. Besides our own intensive efforts, this also reflects the transfer of certain assets to the Swiss National Bank's stabilization fund. This transaction resulted in a net charge of 115 million francs in the 2009 income statement. To date, the Swiss National Bank has not realized any loss on the transferred assets and, on the basis of expected cash inflows from the fund's assets, no losses should occur in the future. Some months ago, we made an offer to the Swiss National Bank to buy back the investments in due course. They declined this offer, though we remain ready to initiate discussions about a repurchase.

In the third quarter of 2009 the Swiss government sold its holding in UBS at a profit of CHF 1.2 billion. We are most grateful to the government for supporting UBS during a difficult period.

Also in the third quarter of 2009 we reached a settlement with the US IRS in the so-called "John Doe summons" case. After the unexpected decision of the Federal Administrative Court of Switzerland, the Swiss Federal Council decided to submit the agreement between Switzerland and the US to our Parliament for approval as an international treaty. I clearly recognize that this is difficult and extremely unpleasant for our political institutions. I also understand the annoyance repeatedly expressed with UBS – after all, our bank's activities triggered this situation. Even so, it is a fact that there is nothing more we at UBS can do. We will naturally continue to meet in full our obligations under the settlement. Above all, we will see to it that UBS never finds itself in such a situation again.

At this point I would like to look in more detail at our strategy and values.

We presented our new strategy and its associated goals for the first time at our Investor Day in November 2009.

- Our primary goal is: UBS will be a leading client-oriented bank.
- In wealth management, we will further consolidate and expand our position as the leading global provider.
- We will focus our Investment Bank on client business and generate further business with products that carry a high liquidity and a low level of risk.
- Sustainable profits are to be the goal in all segments, markets and business areas in which we operate.
- In Switzerland, we intend to retain our leading position in all client segments.
- UBS will continue to be one of the best service providers in every growth region in which we operate.
- We will continue to increase our operating results significantly, step by step.

These goals are in my opinion absolutely realistic; the course for the new UBS is set; and our competitive position is strong again. If we continue to apply ourselves and enhance our efforts on behalf of our clients, I am convinced that we can achieve our objectives.

With regard to our business portfolio, we are setting new key priorities and we will work much more closely across our Wealth Management, Asset Management and Investment Banking businesses to offer our clients added value.

In Wealth Management we will continue to expand our local on-shore business in Europe and Asia-Pacific in particular, and we also see considerable potential for growth in the business with ultra high net worth clients.

We are making the Investment Bank much more client-oriented, building on its strong and less capital-intensive trading and commissions business. This includes high-volume trading in simple, unstructured and highly liquid products on behalf of our clients. This enables us to generate income without increasing our balance sheet.

In Global Asset Management, we will focus on improving our investment performance in a sustainable way, and on generally increasing efficiency.

These strategic modifications are deliberately evolutionary rather than revolutionary. Extensive cutbacks in our business areas would not be promising, nor are they necessary. Instead, the enormous changes being made center on *the way* we do business.

We have defined clear principles for achieving the necessary transformation and behavioral changes, and thus for advancing the implementation of our strategy. They will safeguard our reputation, better integrate the individual elements of UBS, set the highest standards for executing client orders and create a strong corporate culture.

Our reputation is our most valuable asset, and it ultimately depends on how all of us at UBS act and make decisions in our daily work. We have seen how quickly a reputation can be lost – and how difficult it is to gain it back. This is why we are committed to basing our decisions and our actions in the new UBS on three key values: truth, clarity and performance.

We have installed strict and effective management processes to lend force to these values and thereby enhance our reputation. We have also revised our code of business conduct and ethics, which is binding for all our staff. This code underlines the importance of personal responsibility for every individual. Our management team is committed to implementing these principles and – naturally – living up to them.

Integration of the bank is essential and crucial to providing our clients with all-around service, offering them what they really need and boosting efficiency throughout the bank. For example, we have created a new unit which bundles investment products and services across all divisions, to provide even more comprehensive service to clients with more complex needs. We have also standardized our client advisor service in the various units of the Investment Bank to improve the flow of information, deepen relationships with our clients and ensure that they have optimal access to our services.

In executing client orders, we aim to consistently meet the highest standards and deliver first-class service at all times. These are the standards you can and should measure us by.

To ensure that we live up to our values and basic principles, we are creating a strong, fair and performance-oriented corporate culture. This includes recruiting, promoting and retaining talented employees, as well as paying them market-oriented compensation to promote performance and responsible behavior undertaken in the best interest of the bank.

The Board of Directors and management have the responsibility of leading your business so that it operates successfully. To do so we need specialists and executives, whose price is determined by the global market. That is a reality we must acknowledge if we want UBS to compete globally, generate value for shareholders and remain an attractive employer. We cannot set the standards for this market, but we can see to it that most of the compensation we pay is tied to the future success of our company. We have ensured this. UBS has proven and engaged talent at all levels, which is vital to achieving our goals.

And this brings me to the end of my presentation.

As I have shown, your company is on course. At the end of 2009, UBS was back in the black, with solid capitalization, and we expect very good results for the first quarter. The progress we have made in improving our operating efficiency, reducing risk and reorienting our businesses will continue to bear fruit in the months to come. We have learned from past mistakes and cleaned house. UBS today is focused, efficient and robust, and armed with the right strategy to have lasting success in its businesses.

We have moved ahead decisively in transforming the company. Our measures have laid a solid basis for increasing our profitability, regaining the trust of our clients and generating added value for you as shareholders. We have every reason to be optimistic.

We cannot undo what has happened at UBS. But we have worked to ensure – and I and my colleagues are fully committed to continuing to ensure – that UBS has a bright future ahead of it.

I thank you all for your loyalty, your constructive criticism, and your support.