

Extraordinary General Meeting of 27 February 2008

Speech by Marcel Ospel, Chairman of the Board of Directors, at the Extraordinary General Meeting of Shareholders of UBS AG in Basel on 27 February 2008

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Blackout period for media: until Wednesday, 27 February 2008, 11:00 a.m.

Ladies and Gentlemen,
Valued Shareholders

We have invited you to this Extraordinary General Meeting at what is a very difficult time for UBS.

In the following five points I would like to summarize how recent events have unfolded.

1. Last year, the major securities markets in the United States experienced a sharp and unexpected downturn.
2. Prices of previously highly-rated securitized loans dropped sharply and liquidity in the market promptly dried up, subsequently affecting credit markets worldwide.
3. Market risks changed with incredible speed and on a scale that could never have been expected. Even seasoned financial experts see the current phase in the market as possibly the most difficult one for the financial services industry since the crash of 1929.
4. So far, this financial crisis has resulted in writedowns worldwide of more than 300 billion US dollars.
5. As a result, in recent months UBS has had to recognize writedowns of more than 21 billion Swiss francs in several stages, resulting in a loss for the 2007 business year of 4.4 billion francs.

At the same time, the UBS share price, which had reached an all-time high back in May 2007, came under enormous pressure.

I fully understand – and we are likely to hear it often today – that you are extremely disappointed by what has happened.

The way in which this crisis in the markets has hit our bank has caused me, in particular, a lot of distress.

Until very recently we had the reputation of being a cautious, even risk-averse bank.

We took the management of our credit, market and operational risks extremely seriously.

Over the years UBS often turned down business that we thought was too risky.

We were cautious, for example, in extending financing for international mergers and acquisitions. Even with the indirect financing of sub-prime and other similar investments via special vehicles – so-called SIVs or conduits – we did not take on any substantial liabilities. And today we no longer have any exposure whatsoever to these investments.

At times we were so cautious that we were occasionally criticized by you for it. This is why we looked for and found ways of being more active in dynamic market segments without abandoning our risk policies.

We were therefore all the more disappointed that we had failed to recognize the signals from the US housing market in time – early enough to allow us to take appropriate action that would have kept UBS out of the storm that then broke over the financial markets.

We were not, of course, the only bank to be affected by these events. But this fact does not make the situation any better.

I am not trying to gloss over the situation. There is no doubt that we judged a number of developments wrongly.

In a situation like this the spotlight naturally falls on the Board of Directors, and on the Chairman of the Board in particular. I understand that, and that in times like these people are calling for action to be taken.

At my request the Board of Directors has discussed this question in great detail.

For the Board of Directors, and for me personally, responsibility means primarily duty.

Being the head of a company not only means doing one's duty but also acting with loyalty, endurance and courage.

Popularity is not the benchmark by which I or the Board of Directors measure our actions. We have to live with the fact that we are currently a media target and that public opinion has turned against us.

We must accept these reactions. They are unpleasant, at times even hurtful, but they are not crucial.

You, the shareholders of UBS, are the crucial factor.

It is crucial that we have secure leadership in place, that we assess the situation without emotions, that we carefully consider our course of action and that we act quickly but not precipitously.

For many years I have had the honor to help shape this bank. I would never thoughtlessly relinquish my responsibility, and I intend to ensure that UBS gets back on the road to success – a road which, in most areas of our activity, it never actually left.

As a co-architect of this company, which in the last decade has seen an unprecedented rise to become a leading global wealth manager and financial services firm, I believe it is my supreme duty to be there on the front lines, helping the bank tackle and overcome its current troubles.

In the past 10 years your bank has posted earnings of 66 billion francs. But on April 23 of this year, we will report a loss of four and a half billion francs.

This is extremely painful, but nothing can be done now to change it. And it is not the reason why we are meeting here today. We will discuss this loss at the Annual General Meeting on April 23.

Today's Extraordinary General Meeting is about the future of your bank. A future that we have to shape together.

Today, we need your backing for a massive strengthening of our capital base to support the steps that have already been taken in other areas.

Today, we need you to approve the Board of Directors' proposals.

The Board of Directors has acted rapidly and has taken all the measures possible in the given situation.

Nevertheless, at this juncture, I would like, without prejudicing the discussion tabled for the Annual General Meeting, to briefly summarize our bank's current status.

1. All businesses in Global Wealth Management & Business Banking posted the best results in the bank's history in 2007.
2. The results in our Global Asset Management business were only slightly below those of the prior year. Excluding the costs for the closure of DRCM, the results would have been a new record.
3. In the Investment Bank, both our equities and corporate advisory businesses posted record earnings.
4. Net new money inflows in Global Wealth Management & Business Banking rose to CHF 156.3 billion, 37% higher than a year earlier. Global Asset Management registered net money outflows of CHF 15.7 billion compared with a net money inflow of CHF 37.2 billion in 2006.
5. UBS is the world's leading wealth manager, and we are confident we will remain so.
6. The Investment Bank will soon be under new management. We have hired a new CEO for this division, one with several decades of experience who is highly regarded in the industry. He will take up his new position in March.
7. We have also made some changes to the Group Executive Board by adding three new members. One of the aims here is to involve the Investment Bank more directly in the bank's central management.

8. The bank is a reliable and sought-after employer for more than 83,000 highly qualified employees.
9. The problems have been recognized and addressed. The necessary action has been taken – except for the decisions that you will make today.

If you approve the Board of Directors' proposals, the bank will have a solid capital base with which to successfully tackle the crisis, grow stronger from it, and move ahead towards a new and positive future.

We are presenting a package of measures to you today that have, in the run-up to today's meeting, not only been greeted with goodwill. They have also unleashed some emotions.

Since the package was announced, however, views have generally become less emotional and more sober. I also invite you to take a level-headed look at the proposals, with some objective distance.

The Board of Directors' proposals to today's general meeting are the key to solving the problems that the bank currently faces.

In view of the ongoing uncertainties in the financial services industry, we are pleased that we have been able to find such a comprehensive solution in so short a time. This solution is equally important for both the present and future of our bank.

Let me summarize briefly:

1. The developments that took place last summer in specific financial markets in the United States are in many respects unique in economic history. These developments took us and others by surprise.
2. We judged certain markets wrongly. We subsequently noticed this error, but due to the rapid evolution of events were unable to act or react in time.
3. We took immediate action – action in terms of personnel, organization and financing.
4. Most of these measures are within the competence of the Board of Directors and the Executive Board to decide, and in fact they have already done so.
5. To bring in new capital to the bank we need your approval today. We believe that this measure is absolutely necessary.
6. I am in no way trying to window-dress the situation. I would nevertheless like to remind you that your bank posted record results in 2007 in practically all areas of its business. We therefore continue to have the right basis for success in our activities.
7. If you approve our proposals today, UBS will have the best chances of recovering quickly and continuing to grow upon a solid foundation.

There is one point I would particularly like to make here:

I have been asked repeatedly why we did not inform the public right away about the full extent of the required provisions and writedowns. Our communication policy was even accused of being “piecemeal” – a conscious withholding of information.

I hope you will excuse me for being blunt, but that charge is utter nonsense.

All the information we have provided to date was, at least in our view, relevant for the UBS share price. As such it is subject to regulations regarding ad hoc communication.

We interpret this concept very broadly, and in cases of doubt, we prefer to provide too much information too early, rather than too little, too late.

UBS was in many ways and on many occasions the first bank of its kind to provide information so quickly and completely.

UBS is viewed by experts in the field as a model in terms of communication because we always communicate all the information we have at the earliest possible moment.

We have been praised for the way in which we communicate by government agencies and regulatory authorities both at home and abroad – from the Swiss Federal Council to the relevant US government offices.

It is the market, however, that sets the tempo, not the communication.

In recent months we have had to continuously adjust the value of illiquid securities in connection with the US mortgage market to the changing market conditions. This naturally resulted in impairments.

The asset values that we reported were in line with the state of information at a specific point in time. These values did not have anything to do with other, unforeseeable developments in the financial markets.

In addition, we are also subject to specific accounting regulations that do not allow us to recognize excessive writedowns in advance.

We have always provided information as soon as possible and as completely as possible, and we will continue to do so going forward.

Before we deal with the items on the agenda, I would like to say a few more words about the measures that we have taken in recent weeks and months and what we plan to do in the near future.

We will redouble our efforts to manage down our holdings of mortgage-backed securities and derivatives in order to continue reducing the impact of our fixed income business on the balance sheet. We have set up a separate workout unit to handle this task.

We will make sure this year that the Investment Bank is once again focused on our client business and we will boost cooperation across the business groups within UBS. In particular, we will cut back our proprietary trading.

Based on what we have learned from recent events, we will restructure our management processes in risk management and risk control.

We will continue to strengthen our top management bodies such as the Board of Directors and the Executive Board with new members, and we will introduce regulations for an orderly and considered succession.

We must ensure that we recruit the best leadership talent there is for the bank. On the Board of Directors we want especially to broaden expertise in banking.

And we want to ensure that in those areas where our operations are successful the prerequisites for success remain in place.

Our most important task, ladies and gentlemen, will be to regain the full trust of our clients, employees and you, our shareholders.

We will now proceed to agenda item one.