

Press Release

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Embargo:

Severe reduction in variable compensation at UBS

The Swiss Financial Market Supervisory Authority (FINMA), in its decision dated 3rd February 2009, allows UBS to distribute CHF 1.8 billion of variable remuneration for the year 2008. Besides the legally guaranteed payments, UBS shall be entitled to distribute discretionary payments. The reduction of the overall amount of the variable remuneration by UBS is massive in comparison to the international standards and to the past years. Besides the limitation of the variable remuneration relevant for the 2008 annual results, FINMA decided to limit the deferred components. The latter will be distributed over several years and shall be paid if very strict conditions are fulfilled.

Bern, 10 February 2009 – As part of the package of measures to strengthen Switzerland's financial system, FINMA has been appointed to approve UBS's variable remuneration for the year 2008. Switzerland is going much further than other states that had to support banks or other financial institutions as a result of the financial crisis. FINMA is the only supervisory authority worldwide to intervene so drastically in the remuneration practice of a bank. It considered the variable remuneration components at all levels of the UBS hierarchy, including components that are not payable immediately in cash.

By decision dated 3rd February 2009, FINMA authorised UBS to pay its employees variable remuneration in accordance with the following key points:

- **Guaranteed payments:** Payments for CHF 1.0 billion that UBS had undertaken to make at an earlier date, whereof CHF 0,7 billion in cash. The bank is legally obliged to fulfil these commitments
- **Discretionary payments:** UBS will pay out a further CHF 1.2 billion in cash, mostly to lower and mid-ranking employees.

Guaranteed and discretionary payments are relevant for the 2008 annual results. Altogether, the 2008 annual results will be charged with a maximum of CHF 1.8 billion as valuation adjustments for still running compensation programs before 2008 represent a credit of CHF 0,4 billion.

The amount of the discretionary payments is limited according to the functional level. The limit will largely affect employees in the middle and upper salary segments. Cash payments to employees will be reduced by over 80% compared with last year. Taking only Investment Banking into consideration, the reduction is of 95%.

In addition to the limitation of variable compensation components relevant for the 2008 annual result, FINMA has limited the deferred compensation components. This amount will be distributed over several years and ultimately only be paid if strict conditions are met. The deferred components are not charged against the 2008 annual result. One of the condition for the payments that could be made as of 2010 is the profitability of the bank in the next coming years.

Note: You will find FINMA's complete report on the variable remuneration www.finma.ch/d/aktuell/Documents/kurzbericht-ubs-variable-verguetungen-20090210-e.pdf

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