

# Our *compensation* in 2011



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# 2011 compensation at a glance

- Our compensation framework seeks to ensure that our employees' interests are aligned with those of our shareholders. Our incentives reward our employees for performing well and, together with the risk considerations that are integrated within the compensation process, keep them focused on the long-term profitability of the firm.
- In 2011, our compensation framework responded effectively to the decline in the firm's overall performance as well as the impact of the unauthorized trading incident.
- A number of improvements were made to strengthen how we identify key risk-takers and measure their performance. However, no specific changes were made to our overall compensation framework in 2011.

## Bonuses granted for 2011

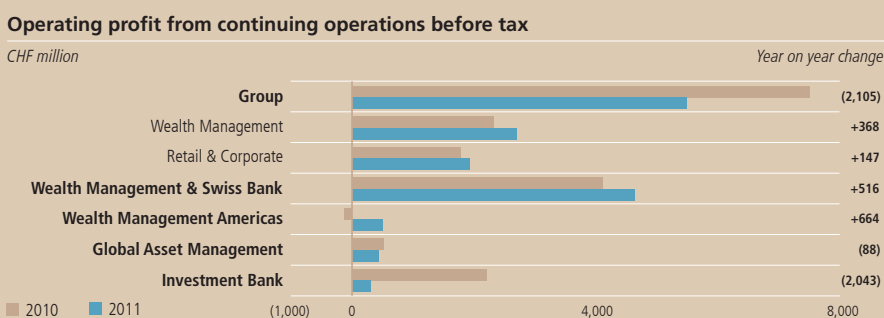
Our bonus pool for 2011 is CHF 2.6 billion, 40% lower than it was for 2010, consistent with a marked decline in our overall profitability last year in a demanding market environment. The bonus pool for the Investment Bank was reduced by approximately 60% due to the combined impact of the unauthorized trading incident and substantially weaker divisional performance last year. In other business divisions, where performance was stronger, the reduction in the bonus pool was less significant.

The vesting of certain awards granted in prior years that are subject to divisional profitability requirements has been affected as a result of the impact that the unauthorized trading incident has had on the Investment Bank's financial performance in 2011. At the Investment Bank, 50% of bonuses granted under the Senior Executive Equity Ownership Plan (SEEOP) and the Performance Equity Ownership Plan (EOP) in 2011 that were due to vest in 2012 were forfeited.

## Business performance over the last two years

Our performance was weaker in 2011, with a profit before tax of CHF 5,350 million compared with CHF 7,455 million in 2010.

Our pre-tax profit declined to CHF 5,350 million in 2011 from CHF 7,455 million in 2010, reflecting lower operating income primarily in the Investment Bank, partly offset by cost reductions across most of the businesses. During 2011 we continued to strengthen our already industry-leading capital position. At the end of the year, our Basel II tier 1 capital ratio stood at 19.6% and our Basel 2.5 tier 1 capital ratio was 15.9%. We also saw a marked improvement in our net new money performance across our wealth management businesses.



Bonus pools for 2011 were determined based on the financial performance as reported in the Group's fourth quarter 2011 financial report which was published 7 February 2012. The 2011 results have since been adjusted to account for subsequent events. These adjustments decreased the Group's pre-tax profit by CHF 103 million (from CHF 5,453 million to CHF 5,350 million). The Investment Bank's operating profit decreased by a net CHF 150 million (from CHF 304 million to CHF 154 million), including the benefit of CHF 17 million lower personnel expenses resulting from the HRCC deci-

sion to forfeit more of the Performance EOP tranche due to vest for the year 2011. Partially offsetting the net reduction in operating profit in the Investment Bank were increases in Wealth Management Americas of CHF 30 million (from CHF 504 million to CHF 534 million) and in Corporate Center of CHF 17 million (from a loss of CHF 380 million to a loss of CHF 363 million).

→ Refer to "Note 32 Events after the reporting period" in the "Financial information" section of the Annual Report 2011 for more information

## High levels of deferred bonuses for Group Executive Board members

The overall total compensation of Group Executive Board (GEB) members in office on 31 December 2011 was CHF 70.1 million, compared with a total of CHF 91.0 million in 2010.

At least 76% of a GEB member's bonus, including 60% in equity (under the Performance Equity Plan [PEP] and the

SEEOP), is deferred and at risk of forfeiture for periods of up to five years. Moreover, the vesting of these awards is subject to the fulfillment of specific performance conditions. A maximum of 24% of a GEB member's bonus (under the Cash Balance Plan [CBP]) is paid out immediately, subject to a cap of CHF/USD 2 million.

CHF, except where indicated	Base salary	Variable cash compensation under CBP		Annual bonus in equity under SEEOP & PEP	Effective deferrals in % of bonus for 2011	Benefits in kind	Contributions to retirement benefits plans	Total compensation
		Immediate cash	Deferred cash					
Group CEO Sergio P. Ermotti	1,394,445	553,200	1,290,800	2,766,000	88%	195,450	150,816	6,350,711
Highest paid GEB member: Robert J. McCann	1,321,538	1,869,233	1,246,155	4,673,082	76%	67,053	6,264	9,183,325
GEB aggregate pay	15,962,737	11,929,365	8,874,910	31,206,411	77%	1,165,601	995,290	70,134,314

- The Group CEO, Sergio P. Ermotti, received a bonus of CHF 4.6 million, bringing his total compensation for 2011 to CHF 6.4 million.
- Former Group CEO Oswald J. Grübel, who assumed full responsibility for the unauthorized trading incident within the Investment Bank, stepped down at the end of September 2011. He elected not to be considered for a bonus and did not receive one for 2011.
- The highest paid GEB member in 2011 was Robert J. McCann, with total compensation of CHF 9.2 million: 76% of his bonus was deferred, with 16% in deferred cash and 60% in deferred equity vesting over three to five years.
- The Chairman of the Board of Directors (BoD), Kaspar Villiger, chose to waive a substantial part of his share award and instead to accept a limited number of 38,700 UBS shares with a fair value of CHF 500,000. In addition, he decided to maintain the voluntary reduction in his annual base salary from CHF 2 million to CHF 850,000. Mr. Villiger is the highest paid member of the BoD, with total compensation of CHF 1,494,568.
- Base fees for independent BoD members remained unchanged in 2011.

## Key aspects of our compensation model in 2011

**Bonus deferral rate of 60%** – Above a total compensation (that is, base salary and bonus) of CHF/USD 250,000, all employees receive at least 60% of their bonus in UBS shares deferred over three years under the EOP. All deferred awards are subject to strict provisions that enable the bank to reduce or forfeit awards if an employee acts against the interests of the firm or when any applicable performance conditions are not met, or if he or she resigns voluntarily or is terminated for cause.

**Key risk-takers** – Our key risk-takers are individuals who can materially set, commit or control significant amounts of the firm's resources, and/or exert significant influence over its risk profile, and to whom specific stringent compensation measures apply. In line with evolving practice in the industry, we adapted our approach to identifying our key risk-takers. As a result, the number of identified key risk-takers more than doubled to around 450 in 2011 from around 200 in 2010.

**Performance condition for equity awards** – Similar to GEB members, the vesting of equity awards to certain categories of employees is subject to the fulfillment of specific performance conditions. This group comprises key risk-takers, Group Managing Directors and employees with total annual bonuses exceeding CHF/USD 2 million. Deferred equity awards granted to employees in these categories vest in full only if the employee's business division is profitable.

**Profitability as main basis for compensation funding** – Business performance is the basis of our compensation funding framework. Performance is measured by a variety of factors, including profit, or contribution before bonus and economic contribution before bonus (which reflects the relative riskiness of a business). Although profitability is the main factor in determining the size of the bonus pool, management may still apply its judgment and make adjustments to further assess the overall quality of earnings by looking at relevant key performance indicators and other qualitative measures, including risk factors.

# Dear shareholders,

As the new chair of the Human Resources and Compensation Committee (HRCC), I am pleased to submit our compensation report for 2011, for which we will seek your support at our Annual General Meeting in May 2012.

I would like to take this opportunity to thank my predecessor, Sally Bott, for her contribution to the Committee in the past, and to Helmut Panke, who stepped in as interim chair of the HRCC after Sally's departure and prior to my appointment. I also welcome Wolfgang Mayrhuber, who joined the Committee in 2011.

We firmly believe that successfully implementing our business strategy and improving our profitability can only be achieved by having the right people at the firm. As such, compensation remains of key strategic importance for us. By offering compensation that is competitive and features a balanced mix of fixed and variable elements, we can attract the talented professionals that we seek, as well as motivate them to perform well and encourage them to stay.

At the same time, we want to ensure that our employees' interests are aligned with those of our shareholders. Accordingly, a

significant part of the incentives that we award is deferred over several years and may be forfeited when employees act against the interests of the firm or when any applicable performance conditions are not met. These incentives reward our employees for performing well and, together with the risk considerations that are integrated within the compensation process, keep them focused on the long-term profitability of the firm.

## **Adapting to a new market environment**

Last year was a turbulent one for our industry, and many of the challenges that were present in 2011 will remain in 2012 and beyond. Financial firms, including UBS, continue to face volatility in the financial markets, which has dampened earnings in a number of businesses. Banks must also cope with the impact of substantial new capital requirements, which are widely expected to lead to lower returns on capital in the industry in the future.

We are keenly aware that the environment in which we operate is changing dramatically. It is therefore imperative that we adapt accordingly. We recognize that past levels of compensation will be

unsustainable in the future if profitability declines throughout the industry. In this new environment, we must find the right balance between the sometimes conflicting objectives related to compensation, namely, ensuring that we retain the qualified, competent people needed to deliver sustained success, keeping pay aligned with performance, and building up sufficient capital to meet the new regulatory requirements with which we must comply.

## **Applying our approach successfully in 2011**

Despite the new realities that we face, we are convinced that our approach to compensation remains appropriate. In 2011, our compensation framework responded effectively to the decline in the firm's overall performance as well as the impact of the unauthorized trading incident within the Investment Bank. Our significantly smaller bonus pool reflects our weaker performance last year, in particular at the Investment Bank, and demonstrates our commitment to ensuring that pay is appropriate in relation to performance.

Appropriately, our lower profitability affected compensation at an individual

level. In addition to the impact that our weaker share price performance had on the value of their awards, employees saw their share-based incentives further reduced last year due to the application of performance conditions in our variable compensation plans that enabled us to claw back unvested bonuses that had been awarded in previous years. At the Investment Bank, 50% of bonuses granted under the Senior Executive Equity Ownership Plan and the Performance Equity Ownership Plan in 2011 that were due to vest in 2012 have been forfeited.

The unauthorized trading within the Investment Bank represented a setback for us. Given the serious nature of this incident, we took disciplinary action against certain employees involved, including some in supervisory roles and in the relevant control functions. Such action included appropriate measures regarding their compensation. The substantial financial and reputational damage contributed to a 60% reduction in the bonus pool for the Investment Bank.

#### **Continuing to integrate risk perspectives**

The unauthorized trading incident served to underscore the importance of ensuring

that risk perspectives are adequately considered in making compensation decisions. Over the course of last year, we undertook more work to ensure that risk controls are integrated within our compensation framework. In line with evolving practice in the industry, we adapted our approach to identifying our key risk-takers, individuals in our organization who, by the nature of their role, can materially set, commit or control the firm's resources, and/or exert influence over the firm's risk profile, and to whom specific stringent compensation measures apply. As a result, the number of identified key risk-takers more than doubled to around 450 last year from around 200 in 2010.

#### **An effective and enduring approach**

Our compensation system was fundamentally revised in 2009, and we have made only minor adjustments to our variable compensation plans to reflect new requirements that have emerged in the years since. While a number of improvements were made to strengthen how we identify key risk-takers and measure their performance, no specific changes were made to the overall framework in 2011. It thus offers stability and continuity, as well as the necessary features that allow

us, on one hand, to motivate our employees by rewarding strong performance, and on the other hand, to withdraw or reduce incentives where performance has been weak or where employees act against the interests of the firm.

Nonetheless, we will keep our framework under review to ensure that it continues to meet our key goal of aligning employee and shareholder interests by rewarding people for delivering sustainable long-term profitability. While we are certain that it will evolve in response to new regulations and increased capital requirements, we are convinced that the approach we have adopted is fundamentally sound and that it will continue to serve us well as we position ourselves for the future.



Ann F. Godbehere  
Chair of the Human Resources  
and Compensation Committee of  
the Board of Directors

# Compensation governance

Given the significant role that compensation plays in attracting and retaining talent, and the strong impact that it thus has on the firm's future success, it is critical that we have appropriate compensation principles. Our compensation governance principles are designed to support long-term value creation and include appropriate checks and balances. They ensure that we continue to keep compensation aligned with the long-term interests of our shareholders and that we incentivize appropriate risk-taking.

The Human Resources and Compensation Committee (HRCC), as a committee of the Board of Directors (BoD), is mandated to develop recommendations regarding our compensation plans and programs and overall bonus funding.

→ Refer to the "Board of Directors" section of the Annual Report 2011 for further information about the Human Resources and Compensation Committee

UBS's corporate governance principles are in compliance with the relevant laws, rules and regulations, including the Swiss Financial Market Regulatory Authority (FINMA) Circular 2010/1 that sets minimum standards for the design, implementation and disclosure of remuneration schemes at financial firms.

## Human Resources and Compensation Committee

The HRCC is composed of four independent BoD members. On 31 December 2011, the HRCC members were Ann F. Godbehere, who chaired the committee following her reelection to the BoD at the Annual General Meeting (AGM) in April 2011, Bruno Gehrig, Wolfgang Mayrhuber and Helmut Panke. The committee held 13 meetings in 2011. Each meeting had an average attendance of 96%. External advisors attended nine of those meetings. The Chairman of the BoD and the Group Chief Executive Officer (Group CEO) were present at 10 and 11 of those meetings, respectively.

During the year, the HRCC reappointed Hostettler, Kramarsch & Partner to provide impartial external advice on compensation-related matters. The company has no other mandates with UBS. Compensation consulting firm Towers Watson, which was appointed by Group Human Resources, continued to provide the HRCC with data on market trends and benchmarks, including in relation to Group Executive Board (GEB) and BoD compensation. Various subsidiaries of Towers Watson provide similar data to Group Human Resources in relation to compensation at lower

## Compensation authorities

The BoD has the ultimate responsibility for approving the compensation strategy proposed by the HRCC, a BoD committee that determines the appropriate level of resources for compensation matters.

Recipients	Compensation recommendations developed by	Approved by	Communicated by
Chairman of the BoD	Chairperson of the HRCC	HRCC	HRCC
Group CEO	Chairman of the BoD and HRCC	BoD	Chairman of the BoD
GEB members	HRCC and Group CEO	BoD	Group CEO
Key risk-takers (excluding GEB members) <sup>1</sup>	Responsible GEB member together with functional management team	Divisional pools: HRCC Overall pool: BoD	Line manager
Independent BoD members (remuneration system and fees)	Chairman of the BoD and HRCC	BoD	Chairman of the BoD

Recipients	Variable compensation recommendations developed by	Approved by	Communicated by
Employees (excluding GEB members)	Responsible GEB member together with functional management team	Divisional pools: HRCC Overall pool: BoD	Line manager

<sup>1</sup> Additional performance condition applies.



levels of the organization. Towers Watson has no other compensation-related mandates with UBS.

### **Responsibilities and authorities of the Human Resources and Compensation Committee**

The HRCC reviews the Total Reward Principles – on which our approach to compensation is founded – annually, and submits any amendments to the BoD for final approval. In addition, the HRCC:

- reviews and approves the design of the total compensation framework, including compensation strategy, programs and plans, on behalf of the BoD;
- reviews variable compensation funding throughout the year on behalf of the BoD and proposes the final bonus pool to the BoD for approval;
- together with the Group CEO, proposes base salaries and annual bonuses for GEB members to the BoD, which approves the total compensation of the GEB;
- together with the Chairman of the BoD, proposes the compensation for the Group CEO; and
- approves the total compensation for the Chairman of the BoD.

Members of the GEB and BoD do not attend meetings at which decisions are taken about their individual compensation and have no right to say in or to otherwise influence such decisions.

The responsibilities and authorities for compensation-related decisions, illustrated in the table on the preceding page, are set out in “Annex B – Responsibilities and authorities,” and “Annex C – Charter of the Committees of the Board of Directors of UBS AG” of the Organization Regulations of UBS AG.

### **Risk Committee’s involvement in compensation matters**

The Risk Committee assumes an essential role in supporting the HRCC to ensure that compensation plans are aligned with our business strategy, and that policies are designed to enhance risk awareness and compliance with risk policies. The Risk Committee supervises and sets appropriate risk management and control principles, including those relating to credit, market, country and operational risks; treasury and capital management; and balance sheet management. In doing so, it also examines the possibility of reputational risk. The committee is also briefed by management regarding how risk has been factored into the compensation pro-

cess and how Group Risk Control has been involved in implementing compensation programs. In addition, the committee reviews whether the risk-related aspects of the compensation process have been adhered to.

The HRCC and Risk Committee meet periodically to discuss topics on which they have shared responsibility. Furthermore, Mr. Panke sits on both these committees, thereby providing a valuable risk perspective in considering compensation-related issues.

### **Decision-making process for Group Executive Board member compensation**

One of the HRCC’s main responsibilities is to make recommendations for the actual amount of variable cash and equity compensation awarded to each GEB member in each performance year. Its recommendations are submitted to the BoD for approval. This process relies on a detailed and balanced review, not only of the performance of the Group, but of the relevant business division and the impact of specific individuals. It considers Group and divisional performance information, including risk-adjusted profitability and other financial and non-financial factors such as client focus, leadership effectiveness, risk management and remediation, strategy execution and reputational impact. It also takes into account performance information from the businesses, initial compensation recommendations from the Group CEO, terms of employment contracts, regulatory requirements and relevant market data, such as that relating to industry compensation trends.

### **Shareholders’ advisory vote**

We value the opinions of our shareholders. As such, we will provide, as we have done the past three years, an opportunity for shareholders to express their views through an advisory vote on this compensation report at the AGM in May 2012. While such a vote is advisory in nature, we encourage our shareholders to participate in it as we regard it as a meaningful way of involving them in the compensation discussion and take its outcome seriously. Shareholders also have the opportunity to raise questions at the AGM, and can address their questions about compensation or related issues at any time to BoD members by contacting the Company Secretary. Contact details are provided at the end of this report.

# Total Reward Principles

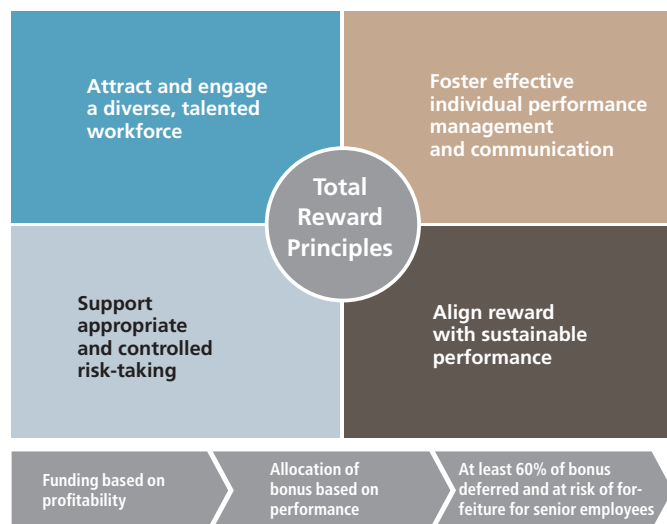
Our approach to compensation is based on our “Total Reward Principles.” These principles establish a framework for ensuring that performance is the key consideration behind our compensation policies and that risk control is appropriately integrated within our compensation processes. At the same time, they specify how we structure compensation and provide funding for our bonus pool. They reflect our focus on pay for performance, sustainable profitability, sound governance and risk awareness, and build on the UBS strategy of enhancing the firm’s reputation, increasing client focus and teamwork, and improving integration and execution. At the same time, they give full effect to the relevant regulatory requirements.

The Total Reward Principles apply to all employees across the Group globally. We provide specific guidance as to how the principles are implemented in practice, which may vary in certain locations due to local laws and regulations.

We remain fully committed to these principles. Over the course of the year, we continued to apply them to ensure that our performance and compensation objectives were achieved and that the governance processes with respect to compensation were firmly in place. The Total Reward Principles were reaffirmed by the Human Resources and Compensation Committee (HRCC) and reconfirmed by the BoD on 1 December 2011.

## Total Reward Principles

The four Total Reward Principles establish a framework for managing performance and integrating risk control. They also specify how we structure compensation and provide necessary funding for our bonus pool.



## Attract and engage a diverse, talented workforce

Our need to attract and retain talented, competent employees to help implement our business strategy and create sustainable value for our shareholders over the long term underpins our compensation policies. We offer market-competitive compensation that strikes an appropriate balance between fixed and variable elements. Base salaries should be sufficient to allow for a flexible policy when it comes to variable compensation. We set award levels that incentivize employees to perform and to be entrepreneurial, while at the same time placing an emphasis on strong risk management and measured risk-taking.

→ Refer to the “Overview of our compensation model” section of this report for more information about our compensation system

## Foster effective individual performance management and communication

We evaluate performance rigorously to ensure that compensation is fairly and appropriately allocated. Employees are assessed against a range of financial and non-financial objectives. In determining the annual bonus for employees, we not only consider their contribution to UBS’s business results and whether they have achieved their individual performance objectives, but also take into account whether they:

- observe our corporate values and principles;
- implement our strategic goals of enhancing reputation and improving integration and execution;
- demonstrate leadership when it comes to our clients, business, people and change;
- lead or support effective collaboration and teamwork;
- operate with a high level of integrity and in compliance with UBS policies;
- actively manage risk, including operational risk, and strike an appropriate balance between risk and reward; and
- exhibit professional and ethical behavior.

Employees are assessed not just absolutely against defined objectives, but also on a relative basis against their peers within UBS. This enables us to further differentiate performance, and consequently compensation, in a more objective, transparent and disciplined manner.

→ Refer to the “Our employees” section of the Annual Report 2011 for more information on our performance management processes

## Align reward with sustainable performance

Throughout UBS, sustainable performance is a key factor in determining compensation. Our assessment of performance goes beyond whether financial objectives have been achieved and

takes into account the long-term risk impact of employee actions and reputational issues.

Variable compensation funding is primarily based on risk-adjusted profitability, that is, a measure of profitability adjusted to consider risks associated with particular transactions. This performance metric, which takes into account the cost of capital, not only supports our objectives and business strategy, but is also in line with regulatory requirements.

Our framework is sufficiently flexible to allow management to apply its judgment if it deems it appropriate. Adjustments may be made based on considerations relating to risk, quality and reliability of earnings, relative industry performance, future strategic plans, and market competitiveness. The divisional Chief Executive Officers, the Group CEO and the HRCC regularly review and monitor progress against business performance targets and the foregoing considerations that affect annual variable compensation funding. The bonus pool proposed by the Group CEO is reviewed by the HRCC and ultimately approved by the BoD. To ensure that any risk-related issues are fully considered, risk control functions are involved in the performance reviews of key risk-takers, who are individuals who can materially set, commit or control significant amounts of the firm's resources, and other senior employees.

→ Refer to the **"Compensation governance"** section of this report for more information about responsibilities and authorities for compensation-related decisions

### Support appropriate and controlled risk-taking

We place a strong emphasis on sound risk control in our compensation policies as our long-term sustainable performance depends on prudent and balanced risk-taking.

Accordingly, our compensation system provides incentives that take specific account of risk. Our performance reviews recognize that different businesses have different risk profiles, and that additional factors should be considered, including the fact that earnings may vary in quality over time based on the risks taken, the full impact of which may only emerge in subsequent years. All employees are expected to demonstrate an appropriate understanding of the nature of their business and its associated risks, including operational risks, to consider their actions in light of UBS's reputation and risk appetite, and to accept responsibility for all risks that arise, which includes taking steps to manage and mitigate them. As part of their compliance training, employees are required to certify annually that they are compliant with various UBS policies.

In determining bonus funding, whether on a Group, divisional or business area level, we take the following key risks into account, where applicable: market risk; credit risk; liquidity risk; compliance risk; operational risk; and reputational risk. In 2010, our control functions introduced these quantitative risk measures for each business area that are relevant in determining their bonus pools. The risk metrics we use include, but are not limited to, the level of impaired lending, the number of days on

which the daily value at risk is exceeded, and the number of operational risks and audit recommendations that are effectively resolved. Our risk measures are supplemented by qualitative assessments conducted by Risk and Legal & Compliance regarding how the businesses manage such issues.

To keep our employees focused on the long-term profitability of the firm, we require that a significant part of their bonus be deferred for up to three years if their total compensation exceeds CHF/USD 250,000. In the case of GEB members, the deferral period is up to five years to reflect the additional commitment and long-term performance that is expected from them. Some or all of the unvested deferred portion may be forfeited in certain cases, including if an employee has acted contrary to the firm's interests by contributing to significant financial losses or restatements, causing reputational harm, or breaching risk policy, legal or regulatory requirements, all of which constitute "harmful acts".

In addition, we take measures regarding the compensation of our key risk-takers, who, as previously stated, are individuals who can materially set, commit or control significant amounts of the firm's resources. They are the most senior members of management, together with selected individuals who, by the nature of their role, exert significant influence over the firm's risk profile. We identify these individuals, whether they are in front office, control or logistics functions (such as IT) consistent with best practice in the industry and in line with specific regulatory guidance. During 2011 the number of individuals identified as key risk-takers more than doubled to around 450. Key risk-takers are subject to more rigorous scrutiny, which they receive in the form of performance evaluations from the control functions, and part of their compensation is subject to performance conditions. These compensation measures for key risk-takers, introduced in 2010, remained unchanged in 2011. Following the unauthorized trading incident within the Investment Bank, we reviewed these measures and determined that they remain appropriate.

To monitor risk, our control functions, primarily Legal & Compliance, Risk Control, Finance and Operational Risk, must be able to make independent decisions in overseeing our businesses. As such, compensation for these functions is determined independently from the revenue producers that they oversee, supervise or support. Bonus pool funding for our control functions is not based on the performance of the businesses that they support but reflects the performance of the firm as a whole. In addition, we consider other factors such as how well the function has in fact performed, together with our market positioning and the prevailing market trends. We do not permit bonus funding for these functions to be supplemented by funds from the business divisions. Decisions regarding individual compensation for the leaders of these functions are made by the function heads and approved by the Group CEO.

→ Refer to the **"Overview of our compensation model"** section of this report for more information about key performance indicators and key risk-takers

## Benchmarking against peers

We benchmark Group compensation and benefit levels against those of our peers. With respect to compensation for GEB members, we refer to a peer group of companies that are selected based on the comparability of their size, geographic spread, product and services scope, and staffing and pay strategy, among other factors. These companies, which are large European and US banks operating internationally, are our main competitors when it comes to hiring. They are Bank of America, Barclays, Citigroup, Credit Suisse,

Deutsche Bank, HSBC, JP Morgan Chase and Morgan Stanley.

In the view of the HRCC and the BoD, our executive compensation structure is appropriate relative to our peer group. We review the peer group regularly to ensure that the firms that constitute it remain relevant benchmarks for our purposes.

With regard to compensation for other employees, given the diversity of our businesses, the companies we use as

benchmarks vary with and are dependent on the relevant business divisions and locations, as well as the nature of the positions involved. For certain businesses or positions, we may take into account other major international banks, the large Swiss private banks, private equity firms, hedge funds and non-financial firms. Furthermore, we also benchmark employee compensation internally for comparable roles within and across business divisions and locations.

### Comparability assessment against main peers<sup>1</sup>

Benchmarking ensures that our executive compensation is appropriate relative to our peer group. The key benchmarking criteria are summarized in the following table.

Firm	Size <sup>2</sup>	Products and services scope <sup>3</sup>	Geographic scope <sup>4</sup>	Headquarters location <sup>5</sup>	Competitors for talent <sup>6</sup>	Regulatory/ political environment <sup>7</sup>	Staffing and pay strategy <sup>8</sup>
Bank of America	◐	◐	●	○	●	●	●
Barclays	●	◐	●	◐	●	●	●
Citigroup	◐	◐	●	○	●	●	●
Credit Suisse	●	●	●	●	●	●	●
Deutsche Bank	●	●	●	◐	●	●	●
HSBC	◐	◐	●	◐	●	●	◐
JP Morgan Chase	◐	●	●	○	●	◐	●
Morgan Stanley	●	●	●	○	●	◐	●

● Comparable ◐ Mostly comparable ◐ Moderately comparable ○ Less comparable

<sup>1</sup> Source: Towers Watson. <sup>2</sup> Size: impacts management complexity regardless of product and geographic scope. Expressed in terms of revenue, profitability, assets and employee base. <sup>3</sup> Product and services scope: impacts pay strategy, pay levels / approach and importantly, risk profile. <sup>4</sup> Geographic scope: impacts the definition of executive roles and management complexity. <sup>5</sup> Headquarters location: a key factor in determining peer group choices. <sup>6</sup> Competitors for talent: influences decisions relating to competitive requirements for pay structure and levels. <sup>7</sup> Regulatory environment: increasingly impacts pay structures (including deferral requirements) for executives. <sup>8</sup> Staffing and pay strategy: identifies peers with similar pay and staffing strategies.

# Overview of our compensation model

Our compensation model is consistent with and supports our Total Reward Principles. It rewards appropriate risk-taking and behavior that produces sustainable results.

## All UBS employees

The total compensation employees receive has two elements: a fixed element, which is generally the base salary; and a discretionary variable element, which is the bonus. In determining employees' pay, and in benchmarking pay both internally and externally, we focus on total compensation, rather than its individual elements, as it presents a more comprehensive picture of an employee's pay.

The amount of bonus that an employee receives depends on various factors, including our overall performance, the performance of the employee's business division, and his or her individual performance.

We do not impose an absolute cap on total compensation or set a maximum multiple between the lowest and highest total compensation levels in our organization. To do so would undermine our commitment to providing market-competitive and performance-related compensation. This approach allows us to have the flexibility required to respond to different circumstances, such as changing business and market conditions or retention needs. We do, however, set a cap on the maximum amount of cash that is paid out immediately in any year. Furthermore, each of our deferred variable compensation plans is capped in the sense that the maximum payout under each plan is fixed, either in absolute or

percentage terms. All monetary figures stated in the "Compensation" section are gross figures (compensation before applicable withholdings and deductions).

## Base salary

The base salary reflects an employee's particular skills, role and experience while taking market practices into consideration. Base salaries are fixed amounts of cash, typically paid monthly or semi-monthly. We review base salaries annually to ensure they remain competitive, comparing them with the relevant internal and external benchmarks.

Adjustments are made when there is a significant change in job responsibility. Furthermore, we make annual adjustments to base salaries that reflect performance and respond to movements in the marketplace.

Following our annual base salary review, we have decided to very selectively increase base salaries for 2012. With effect from March 2012, base salaries were increased by a total of CHF 86 million or 1% of the monthly salary run rate for February 2012. This compares with a base salary increase made for 2011 of approximately 5%. The increases for 2012 apply primarily to employees who were promoted and those whose base salary fell significantly short of the market benchmark for their role. This is in contrast to 2011 when, in line with changes that were being made in the industry, increases were made in certain cases to effect a shift in the mix between base salary and bonus. Our total salary expense for 2011 was CHF 6,859 million, down 2% from 2010 and down 7% from 2009.

## Compensation overview

A balanced mix of fixed and variable compensation ensures appropriate risk-taking and behavior that produces sustainable business results. A significant part of our compensation is paid in the form of deferred equity.

	Chairman of the BoD <sup>1</sup>	Board of Directors	Group Executive Board	Key risk-takers <sup>2</sup>	Other employees
Base salary	●		●	●	●
Cash bonus				●	●
Cash Balance Plan (CBP)			●		
Performance Equity Plan (PEP)			●		
Senior Executive Equity Ownership Plan (SEEOP)			●		
Equity Ownership Plan (EOP)				● <sup>4</sup>	● <sup>3,4</sup>
Base fee and committee retainer(s)		● <sup>5</sup>			

<sup>1</sup> The base salary of the Chairman of the BoD consists of cash and a fixed number of shares. <sup>2</sup> Bonuses granted to key risk-takers are also based on an additional evaluation of these employees' performance, in which their risk-taking activities are specifically considered. <sup>3</sup> All employees with a total compensation of CHF/USD 250,000 or more are eligible. <sup>4</sup> Additional profitability performance condition for key risk-takers, Group Managing Directors and other employees with total bonus exceeding CHF/USD 2 million. <sup>5</sup> At least 50% of the base fee is paid in blocked UBS shares.

### Bonus

The majority of permanent employees are considered for an annual discretionary bonus. The amount of bonus awarded depends on an individual's performance and role, as well as the performance of the Group and the relevant business division – on an absolute as well as relative basis.

#### *Key performance indicators*

Group and business division performance are relevant in determining the size of the divisional bonus pools, while the size of the business area pools depends on business division and business area performance. Although the amount of bonus that an individual is awarded necessarily depends on the available funding for his or her business area and business division, as well as on the achievement of his or her individual goals, we do not apply a formula or assign weightings to specific performance indicators in determining individual bonuses. Bonus levels can fluctuate significantly from year to year, such that it is possible that an individual receives no bonus in a given year. For example, for 2011, 17% of eligible employees at the Investment Bank received no bonus mainly as a result of the Investment Bank's poor performance, including the impact of the unauthorized trading incident. By way of comparison, 10% of eligible employees across the Group as a whole received no bonus for 2011.

→ Refer to the "Compensation funding and expenses" section of this report for more information

We assess Group performance using key criteria such as risk-adjusted profits, its performance relative to the industry and its general market competitiveness.

Key performance indicators for the business divisions vary. We assess the financial performance of business areas in our wealth management businesses using criteria such as the level of net new money over the year and the return on assets. At the Investment Bank, we consider factors such as revenue and profitability, the cost-income ratio and the return on risk-weighted assets, while at Global Asset Management the financial performance of business areas is assessed using criteria such as the level of assets under management and investment performance. Risk-related objectives include, in our wealth management businesses, the level of impaired lending and operational costs; in investment banking, the number of days during which the daily value at risk is exceeded; and in Global Asset Management, whether risk investment guidelines and Group and risk policies have been adhered to, and whether significant risk events occur. For a large

part of the Corporate Center, we apply broader qualitative indicators, while taking into account our market position and the prevailing market trends. In addition, we look at the organization's risk profile and culture, including the extent to which operational risks and audit issues are identified and resolved and the quality of its engagement in risk initiatives.

Members of the GEB have key performance indicators that are tied to Group and divisional goals. The Group CEO's bonus depends on the performance of the Group as a whole, while GEB members who are divisional Chief Executive Officers are assessed based on Group and divisional profitability. Those who lead Group control functions or who are regional Chief Executive Officers are assessed based on the performance of the Group and the regions that they oversee. We also apply various qualitative criteria in evaluating the performance of GEB members. These include their ability to manage risk, bring about change in the organization, establish strong teams and develop new leadership. GEB members are also assessed based on how effectively they adhere to our strategic principles and apply our values.

We evaluate performance on an ongoing basis. If performance is weak, we reduce our bonus pool accruals as appropriate.

#### *Deferral of bonuses*

We pay a significant part of our variable compensation in the form of equity that is deferred over several years. The unvested deferred amounts are forfeited if employees have committed harmful acts or if any applicable performance conditions are not met. Bonuses awarded to employees with a total compensation, that is, a base salary and bonus, of CHF/USD 250,000 or more, are partially deferred. Above this level, employees receive a portion of their annual bonus in shares granted under the Equity Ownership Plan (EOP). Furthermore, we place a cap of CHF/USD 2 million on the amount that can be paid out immediately in cash.

For the 2011 performance year, for employees across all business divisions and locations, the bonus was, on average, approximately 37% of the base salary. Among GEB members, it was, on average, 331% of a GEB member's base salary. In 2010, these figures were 60% and 510%, respectively. As previously stated, bonuses are fully discretionary and we do not set a fixed ratio between the bonus and base salary. The percentages stated above are based on the size of the bonus pools for 2011 and 2010, respectively.

→ Refer to the "Deferred variable compensation plans" section of this report for more information

## Impact of the unauthorized trading incident

The serious nature of the unauthorized trading incident that was uncovered at the Investment Bank in September 2011 and the strong negative financial and reputational impact it had on the firm called for a thorough review of what happened and for disciplinary action to be taken against the employees involved. These include Kweku Adoboli, who has been charged with fraud and false accounting in connection with the unauthorized transactions, and those who supervised or worked alongside him in his specific business area. As our internal investigations revealed deficiencies in our operational risk controls, certain individuals in the relevant support and control functions were also disciplined.

Following this incident, we terminated the employment of certain individuals, including Mr. Adoboli. Several others chose to resign. In the case of most other employees involved, we determined the appropriate financial and non-financial measures to be taken by means of the firm's internal disciplinary processes.

Our regulators in Switzerland and the UK are conducting a joint investigation into the unauthorized trading incident and have

commenced separate enforcement proceedings against UBS in relation to this matter. We are cooperating fully with them.

### Bonus pool funding

This incident had a significant effect on the financial performance of UBS, and of the Investment Bank in particular, in 2011. Accordingly, it led to substantially lower bonuses for 2011, in particular at the Investment Bank. The bonus pools for all other business divisions and the Corporate Center were considerably less affected, largely in line with their business performance, and, in the case of the Corporate Center, overall Group performance.

→ Refer to the "Compensation funding and expenses" section of this report for more information

### Deferred compensation and bonuses

A key feature of our compensation framework is the inclusion of forfeiture provisions in our deferred compensation plans which enable the firm to forfeit the unvested, deferred portion of an employee's bonus if he or she resigns voluntarily, is terminated for cause, or commits certain harmful acts that cause financial or reputational damage to the firm.

Accordingly, certain employees whose employment was terminated in connection with the unauthorized trading incident have forfeited their unvested deferred compensation. In addition, we are currently reviewing whether the unvested deferred compensation of additional employees should be forfeited in connection with the incident. Some of these decisions will also depend on the outcome of investigations by our regulators.

The vesting of certain awards granted in prior years that are subject to divisional profitability requirements has been affected as a result of the impact that the unauthorized trading incident has had on the Investment Bank's financial performance in 2011. As a result, 50% of the first installment of the Senior Executive Equity Ownership Plan (SEEOP) award granted in 2011 to Carsten Kengeter, CEO of the Investment Bank, was forfeited, as was 50% of the first installment of EOP awards granted in 2011 to Investment Bank employees who are key risk-takers, Group Managing Directors, or whose total bonus for 2010 exceeded CHF/USD 2 million. Consequently, these employees only received 50% of these unvested awards that were due to vest in March 2012.

### Incident & Consequences Process

Any disciplinary action taken against an employee as a result of poor performance, inappropriate behavior and violations of controls or policies is considered during the year-end performance review, and may give rise to financial or non-financial consequences. Financial consequences include a reduced or no bonus, a reduced or no base salary increase and potential forfeiture of unvested deferred compensation. Non-financial consequences include a less favorable performance evaluation and cancellation of a promotion. These decisions are audited through an internal disciplinary process known as the "Incident & Consequences Process". If the measures to be applied in a case with regard to base salary, bonus, promotion and performance rating are outside the established guidelines, the business is asked to review its decisions. Exception requests are presented to the Incident & Consequences Committee, which is comprised of the Group Chief Financial Officer, the Group Chief Risk Officer, the Group Head of Human Resources and the Global Head of Compliance. Requests are accompanied by a factual justification for the exception. The committee can grant or decline to grant an exception.

In 2011, 400 employees were subject to disciplinary reviews, though disciplinary action was not taken in all cases. These employees include those who were considered to have been potentially involved in the unauthorized trading incident.

### Impact on the GEB

The unauthorized trading incident was also considered in evaluating the performance of certain members of the GEB.

Former Group CEO Oswald J. Grübel, who assumed full responsibility for the matter, resigned at the end of September 2011. He elected not to be considered for a bonus and did not receive one for 2011. Likewise, Mr. Kengeter elected to receive no bonus for 2011.

→ Refer to the discussion in the "2011 compensation for the Group Executive Board and Board of Directors" section of this report for more information

### Compensation for financial advisors in Wealth Management Americas

In line with market practice in the US for the brokerage business, the compensation system for financial advisors in Wealth Management Americas is based on commissions. The commissions, paid monthly, are based on revenue and other strategic performance measures and objectives. We reduce payout rates if financial advisors make repeated or significant client account or transaction errors. In addition to these commissions, advisors may also qualify for year-end awards, most of which are deferred over either a six- or 10-year period. The size of these awards may be based on length of service, the amount of net new money brought in, or the amount of revenue generated from Wealth Management-based services or products. For 2011, we paid a total of CHF 2,866 million in compensation to financial advisors in Wealth Management Americas.

### Other variable compensation

To support hiring or retention, particularly at senior levels, we may offer certain incentives. These include the following:

- replacement payments, which compensate employees for deferred awards forfeited as a result of joining UBS;
- guarantees, which are fixed incentives, either in cash or in equity awarded under a plan, paid regardless of future events, and are limited to one year;
- sign-on payments, offered to important top-level candidates to increase the chances of their accepting an offer; and
- retention payments, made to key senior employees to induce them to stay, particularly during critical periods for the firm.

Replacement payments, guarantees and sign-on payments are usually agreed at the time of hiring. The table on the following page shows the amount of such payments made in 2011, together with the number of beneficiaries.

Employment contracts for those holding the rank of Director and above generally contain a notice period of between one and six months, depending on the location, which such employees must serve and during which time they are paid their base salary. We provide for severance payments in redundancy cases when employees are asked to leave as part of a retrenchment program or a reduction in workforce. These are governed by location-specific severance policies. At a minimum, we offer severance terms which comply with the applicable local laws (“legally obligated severance”). In certain locations, we may provide severance packages that are negotiated with our local social partners that go beyond these minimum legal requirements (“standard severance”). In addition, we may make severance payments that ex-

ceed legally obligated or standard severance payments (“supplemental severance”) where we believe that they are appropriate under the circumstances. For example, we may award bonuses on a pro-rated basis to employees who have performed well but have been made redundant after the third quarter of the year. In the exceptional cases that special payments are made outside the circumstances described above, or where substantial severance payments are made, a further stringent approval process applies.

With the exception of severance payments made in redundancy cases, all the payments described above, though typical in our industry, are only offered in special circumstances. They are highly restricted, take into account the specific circumstances of each case and are normally one-time payments with substantial deferral. They generally require the approval of the divisional Chief Executive Officers and Human Resources heads, and, in certain circumstances, the Group Head of Human Resources, Group CEO or the Human Resources and Compensation Committee. Furthermore, such payments may be forfeited or reduced should an employee subsequently act in a manner detrimental to the interests of the firm.

### 2012 Special Plan Award Program for the Investment Bank

Making the Investment Bank more focused and less complex and substantially reducing our risk-weighted assets are key elements of our business strategy. To ensure that we succeed in doing so, it is crucial that we retain key staff at the Investment Bank to help us execute our plans. As part of our efforts to motivate senior managers and encourage them to stay, we have decided to make a one-off strategic award to certain Managing Directors and Group Managing Directors in the Investment Bank in April 2012. The award, made in UBS shares, will vest three years after the date of grant (that is, in 2015). Vesting is subject to performance conditions, strict forfeiture conditions and continued employment with the firm.

Consistent with our strategy of reducing our risk-weighted assets, the vesting of Special Plan awards is subject to performance conditions based on the level of reduction in risk-weighted assets achieved and the average published return on risk-weighted assets in the Investment Bank in 2012, 2013 and 2014.

We will award a total of CHF 300 million under this program, the financial impact of which will be reflected in 2012 and in subsequent years. Special Plan awards represent an investment in critical staff. As such, they do not relate to or arise from performance in 2011, and do not form part of our 2011 bonus pool. Members of the Investment Bank’s Executive Committee received a significant part of their variable compensation in the form of Special Plan Awards, thereby further aligning their interests with those of our shareholders.



## Sign-on payments, severance payments and guarantees

<i>CHF million, except where indicated</i>	Total	Of which expenses recognized in 2011 <sup>5</sup>	Of which expenses to be recognized in 2012 and later
<b>Total sign-on payments<sup>1</sup></b>			
Amount	183	50	133
Number of beneficiaries	828		
<i>of which Group Executive Board (GEB) members<sup>2</sup></i>			
Amount	0	0	0
Number of beneficiaries	0		
<i>of which key risk-takers<sup>3</sup></i>			
Amount	62	13	49
Number of beneficiaries	36		
<b>Total guarantees</b>			
Amount	237	102	135
Number of beneficiaries	359		
<i>of which GEB members<sup>2</sup></i>			
Amount	0	0	0
Number of beneficiaries	0		
<i>of which key risk-takers<sup>3</sup></i>			
Amount	84	33	51
Number of beneficiaries	34		
<b>Total severance payments<sup>4</sup></b>			
Amount	239	239	0
Number of beneficiaries	1,530		
<i>of which GEB members<sup>2</sup></i>			
Amount	0	0	0
Number of beneficiaries	0		
<i>of which key risk-takers<sup>3</sup></i>			
Amount	5	5	0
Number of beneficiaries	4		

<sup>1</sup> For the purpose of this table we consider replacement payments as sign-on payments. <sup>2</sup> Expenses for GEB members are reported on a pro rata basis. As for 2011, no severance or sign-on payments were made to GEB members for 2010. <sup>3</sup> Expenses for key risk-takers are full-year amounts for individuals in office on 31 December 2011. <sup>4</sup> Includes legally obligated and standard severance payments, as well as supplemental severance payments of CHF 23 million which are expensed as discretionary bonus. <sup>5</sup> Expenses before post vesting transfer restrictions.

### Pensions and benefits

As part of our efforts to attract and retain the best employees, our total compensation includes, in addition to a base salary and bonus, certain benefits such as health insurance and retirement benefits. These benefits vary depending on the location, but are competitive within each of the markets in which we operate.

The main aim of pensions is to give employees and their dependents a level of security after their retirement or in the event of disability or death. While pension plans may vary across locations in accordance with local requirements, pension plan rules in any one location are generally the same for all employees in that location, including management.

We recently announced changes to our Swiss pension plan. These changes, which were made to reflect higher future life expectancy and the changed market environment, will take effect in 2013 and will apply in their entirety to all employees in 2021. The main changes are an increase in the retirement age and a reduc-

tion in the conversion rate used to calculate the pension on retirement.

→ Refer to “Note 29 Pension and other post-employment benefit plans” in the “Financial Information” section of the Annual Report 2011 for more information

### Employee share purchase program

To enable our employees to invest in UBS and have a personal stake in the success of the firm, our employee share purchase program, the Equity Plus Plan, allows employees to contribute between 1%–30% of their base salary and/or 1%–35% of their bonus toward the purchase of UBS shares. All employees except those holding the rank of Managing Director and above are eligible to participate. Employees purchase UBS shares at market price, but receive one free share for every three purchased through the program. These free shares vest after three years, with vesting subject to continued employment at UBS.

## Key risk-takers

As it constitutes sound business practice, particularly in relation to our efforts to ensure that we incentivize appropriate risk-taking, and in compliance with regulatory requirements in major jurisdictions, we identify the key risk-takers at our firm. These are around 450 individuals who, by the nature of their role, have been determined to be able to materially set, commit or control significant amounts of the firm's resources and / or exert significant influence over its risk profile, whether they are in the front office, logistics or control functions. All GEB members are key risk-takers.

Key risk-takers are subject to an additional level of performance evaluation by the control functions. Additionally, the vesting of their deferred awards is partially contingent on the profitability of the business division in which they work, or, in the case of Corporate Center employees, on the profitability of the Group as a whole. Like all other employees, key risk-takers also face forfeiture or reduction of the deferred portion of their compensation if they commit harmful acts.

The same compensation measures apply to all Group Managing Directors regardless of whether they are determined to be key risk-takers or not, and to all employees with a total bonus exceeding CHF/USD 2 million. These two groups of employees receive their annual bonuses under the EOP, with the vesting of their deferred awards partially contingent on the same performance conditions to which key risk-takers are subject.

With effect from 2012, employees with a bonus exceeding CHF/USD 2 million will also be considered key risk-takers if they

have not already been identified as such based on our overall criteria for identifying key risk-takers. This category of employees, who, as mentioned, are already subject to the deferral measures that apply to key risk-takers, will in future also receive performance evaluations from the control functions.

→ Refer to the discussion "Support appropriate and controlled risk-taking" in the "Total Reward Principles" section of this report for more information

While we comply with the relevant FINMA requirements regarding risk-takers, we also consult with our other regulators on this topic. In accordance with guidance from the UK Financial Services Authority (UK FSA), we have identified senior management and employees whose professional activities could have a material impact on the firm's risk profile in the UK, so-called "Code staff". Of the approximately 180 Code staff, about two-thirds are also part of our wider population of key risk-takers. Compensation measures that apply to Code staff are generally similar to those applied to key risk-takers. However, due to specific UK FSA requirements, 50% of Code staff bonuses that are paid out immediately are delivered in shares. Furthermore, any shares granted to Code staff under the EOP for their performance in 2011 will be subject to an additional six-month blocking period upon vesting.

In the US, the Federal Reserve has recommended a more expansive approach for identifying such employees. Based on guidance from the Federal Reserve Bank of New York we have identified those employees, known as "covered employees". They are ap-

## Fixed and variable compensation<sup>1</sup>

	Total for the year ended 2011		Not deferred		Deferred <sup>3</sup>	
	amount	%	amount	%	amount	%
<i>CHF million, except where indicated</i>						
<b>Group Executive Board (GEB) members<sup>2</sup></b>						
<b>Total compensation</b>						
Amount	75	100	33	44	42	56
Number of beneficiaries	15					
<b>Fixed compensation</b>						
Base salary	20	27	20	100	0	0
<b>Variable compensation</b>						
Cash Balance Plan (CBP)	55	73	13	24	42	76
Performance Equity Plan (PEP)	23		13	56	10	44
Senior Executive Equity Ownership Plan (SEEOP)	10		0	0	10	100
	22		0	0	22	100

## Key risk-takers

<b>Total compensation</b>						
Amount	656	100	362	55	294	45
Number of beneficiaries	448					
<b>Fixed compensation</b>						
Base salary	194	30	194	100	0	0
<b>Variable compensation</b>						
	462	70	168	36	294	64

<sup>1</sup> The compensation of GEB members who assumed their role in 2011 is reflected in the GEB and key risk-taker numbers above on a pro-rated basis. <sup>2</sup> The figures refer to all GEB members in office as of 31 December 2011 and all GEB members who stepped down during 2011. <sup>3</sup> This is based on the specific plan vesting which may differ from the accounting expensing.

proximately 1,000 senior executives, employees who manage revenue-producing lines of business and revenue producers in the US who individually or collectively expose the firm to material amounts of risk. About 100 of these covered employees identified using the wider Federal Reserve Bank of New York definition also form part of our global population of key risk-takers.

## Group Executive Board

### Base salary and bonus

GEB members receive a base salary. In addition, they are eligible to receive a bonus. While GEB bonuses are at the discretion of the BoD, they are tied to the overall performance of the Group and dependent on the available bonus pool funding.

→ Refer to the discussion in the “2011 compensation for the Group Executive Board and Board of Directors” and “Compensation funding and expenses” sections of this report for more information

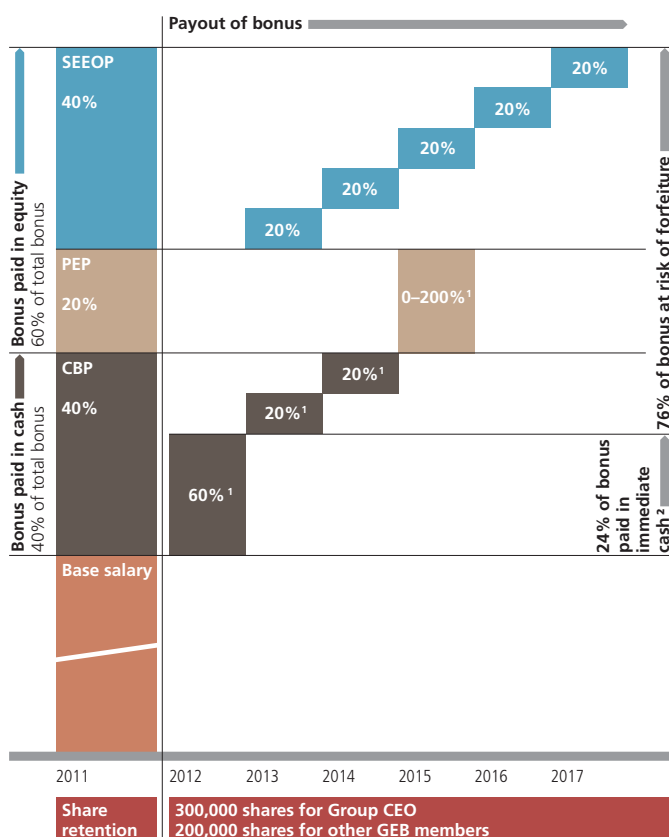
At least 76% of a GEB member’s bonus is deferred. Of the annual bonus, 40% is awarded in cash under the Cash Balance Plan (CBP): a maximum of 24% is paid out immediately, subject to a cash cap of CHF/USD 2 million. Vesting of the deferred cash portion is in equal installments over the following two years, with the amount vesting dependent on the return on equity achieved by the Group (Group RoE) in the financial year prior to vesting. The remaining 60% of a GEB member’s bonus is paid in equity, with 20% delivered under the Performance Equity Plan (PEP) and 40% under the Senior Executive Equity Ownership Plan (SEEOP). CBP awards vest over two years, PEP awards after three years, and SEEOP awards over five years. The deferred portion of all these awards is subject to forfeiture under certain conditions. The overall reduction in the leverage element in our compensation plans since 2009 further discourages excessive risk-taking.

→ Refer to the “Deferred variable compensation plans” section of this report for more information

## 2011 compensation framework for GEB members

Of the annual bonus, 40% is paid in cash and 60% in equity; 76% of a GEB member’s bonus is deferred.

Illustrative example



- UBS shares awarded
- Award vests in one-fifth installments over five years
- Subject to forfeiture in the event of financial loss, harmful acts or termination of employment

- Performance shares awarded<sup>1</sup>
- Award vests after three years. Number of shares that vest may be between 0-2x the original number of performance shares awarded, depending on whether certain targets have been met
- Subject to forfeiture in the event of a harmful act or termination of employment

- 60% paid out immediately, subject to cash cap of USD/CHF 2 million, remainder paid out in equal installments of 20% over subsequent two years
- Annual adjustment in line with Group RoE: upward adjustment only if RoE exceeds 6%. Maximum adjustment capped at 20%
- Subject to forfeiture in the event of harmful acts or termination of employment

- GEB members are required to hold a certain number of UBS shares as long as they are in office. This holding has to be built up within a maximum period of five years from the date of their appointment to the GEB.

<sup>1</sup> Subject to possible change, dependent on plan rules. <sup>2</sup> Subject to cash cap of CHF/USD 2 million.

### Share retention

To further align their interests with those of our shareholders, GEB members are required to retain long-term ownership of UBS shares. Each must hold a minimum of 200,000 shares, while the Group CEO is required to hold 300,000 shares. These shareholdings are to be built up within a maximum period of five years from the date a GEB member is appointed and must be retained for as long as he or she remains in office. The number of UBS shares held by each GEB member is determined by adding any vested or unvested shares to privately held shares.

### Employment contract terms

Employment contracts for GEB members do not provide for "golden parachutes", that is, special severance terms, including supplementary contributions to pension plans. All employment contracts with GEB members contain a notice period of six months, except for one which contains a 12-month notice period. Under employment contracts for GEB members, any bonus paid up to the date of termination is fully discretionary, and based on Group, business division and personal performance during the period of employment. Any discretionary cash bonus will generally be awarded under the CBP. Vesting of deferred bonuses to GEB members is not accelerated when they leave the firm, although exceptions may be made in cases of death or disability.

### Benefits

Benefits for GEB members are in line with local practices for other employees.

## Board of Directors

### Chairman of the Board of Directors

The Chairman of the BoD receives a base salary that consists of cash and a fixed number of UBS shares that are blocked for four

years. There is no variable or performance-related component in the Chairman's compensation package. However, the share component ensures that his pay is aligned with the long-term performance of the firm. The Chairman's employment agreement does not provide for special severance terms, including supplementary contributions to pension plans.

The Chairman's compensation is at the discretion of the Human Resources and Compensation Committee (HRCC), which conducts an annual assessment and takes into consideration pay levels for comparable roles outside of UBS.

### Independent Board of Directors members

With the exception of the Chairman, all BoD members are independent. Independent BoD members receive fixed base fees for their services in line with those of our peers globally, with 50% of their fees in cash and the other 50% in blocked UBS shares that are restricted from sale for four years and thus granted with a 15% discount. Alternatively, they may choose to have 100% of their remuneration paid in blocked UBS shares. In addition, independent BoD members receive fees known as committee retainers dependent on their workload in serving on the firm's various board committees. The Senior Independent Director and the Vice Chairman of the BoD each receive an additional payment of CHF 250,000. In accordance with their role, independent BoD members do not receive bonuses or benefits.

Base fees and committee retainers received by independent BoD members are subject to an annual review: a proposal is submitted by the Chairman of the BoD to the HRCC, which then submits a recommendation to the full BoD.

**→ Refer to the "2011 compensation for the Group Executive Board and the Board of Directors" section of this report for more information**

# Deferred variable compensation plans

Apart from the need to attract talented and motivated professionals, the key focus in designing our variable compensation plans is on maintaining a close link between pay and long-term sustainable performance.

To ensure that our employees' interests are aligned with those of our shareholders, we pay a large part of our bonuses in shares. To keep our employees focused on the long-term profitability of the firm, all of our variable compensation plans require a significant part of an employee's bonus to be deferred over three to five years. Our plans include forfeiture provisions that enable the firm to forfeit some or all of the unvested deferred portion if an employee has committed certain harmful acts, as well as performance conditions

that make the vesting of awards partially conditional on a certain level of performance being achieved. Consequently, while an employee's individual performance is a key factor in determining the amount of bonus (including deferred equity awards) he or she receives, the amount that is finally paid out under our deferred variable compensation plans largely depends on Group or divisional performance, subject to forfeiture provisions as previously noted.

Once an award has vested, we do not make any adjustments to it.

→ Refer to "Note 30 Equity participation and other compensation plans" in the "Financial Information" section of the Annual Report 2011 for more information on valuation principles and valuation of the awards granted

## Overview of variable compensation plans

Compensation is closely linked to long-term sustainable performance. All of our variable compensation plans feature performance provisions. A substantial part of variable compensation is deferred and at risk of forfeiture for several years.

		Cash Balance Plan	Performance Equity Plan	Senior Executive Equity Ownership Plan	Equity Ownership Plan	
<b>Beneficiaries</b>		GEB	GEB	GEB	Key risk-takers, Group Managing Directors and employees with total bonus greater than CHF/USD 2 million	Other employees with total compensation greater than CHF/USD 250,000
<b>Vesting schedule</b>		60% vests immediately. Remainder in installments of 20% each over following two years	Vests after three years. Number of shares that vest subject to fulfillment of performance conditions	Vests in equal installments over five years	Vests in equal installments over three years	
<b>Conditions influencing payout</b>	<b>Share price</b>		●	●	●	
	<b>Forfeiture clauses</b>	●	●	●	●	
	<b>Performance conditions</b>	Amount of cash delivered at vesting depends on the return on equity achieved by the Group during the vesting period	Number of shares that vest is subject to the achievement of economic profit and total shareholder return  Final number of shares delivered may be between 0–2 times the number of performance shares granted  Exposure to share price development	Vesting of awards is contingent on the profitability of a GEB member's business division, or on the profitability of the Group as a whole, if the GEB member in question does not head a division  Exposure to share price development	Only vests in full if employee's business division is profitable (or the Group as a whole in the case of Corporate Center employees)  Exposure to share price development	Exposure to share price development
<b>Profitability as funding driver</b>		●	●	●	●	
<b>Payout instrument</b>		Cash	UBS shares	UBS shares	UBS shares <sup>1</sup>	

<sup>1</sup> Deferred cash plan for Global Asset Management employees.

## Cash Balance Plan

### Plan type – Deferred cash plan

**Eligible employees:** Cash Balance Plan (CBP) awards are granted annually to GEB members.

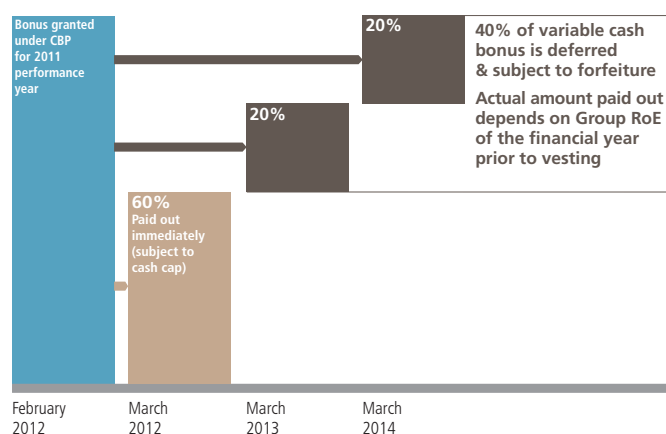
**Description:** Generally, 40% of a GEB member's annual bonus consists of cash awarded under the CBP. A maximum of 24% of the total bonus is paid out immediately, subject to a cap of CHF/USD 2 million. The balance is deferred and paid out in two equal installments over two years, subject to the performance condition described below.

The amount of cash delivered on vesting depends on the return on equity achieved by the Group (Group RoE) during the vesting period. If the Group RoE is below 6%, no adjustment will be made to the amount of cash delivered upon vesting. If the Group RoE exceeds 6%, the unvested amount will be increased. The increase will correspond in percentage terms to the Group RoE achieved, though it may not exceed 20%. If the Group RoE is negative, the unvested amount will be decreased accordingly, up to a maximum of 100%.

**No changes** were made to the plan design in 2011.

**Restrictions:** The CBP contains forfeiture provisions so that the deferred amount is partially or fully forfeited if a harmful act is committed. Even after a GEB member has left the firm, the deferred portion of the CBP award continues to be at risk of forfeiture. In addition, the deferred unvested portion of the award is forfeited if a GEB member voluntarily terminates his or her employment and joins another financial services organization.

### How the CBP works: an illustration



**Vesting for 2011:** The second installment of the CBP award granted in 2010 for the performance year 2009 vested in full in March 2012. The amount that vested was not adjusted as the RoE requirement described above only applies from 2011.

The first installment of the CBP award granted in 2011 for the performance year 2010 vested in March 2012. The amount that vested was increased by 8.6% in line with the Group RoE of 8.6% in the 2011 financial year.

## Performance Equity Plan

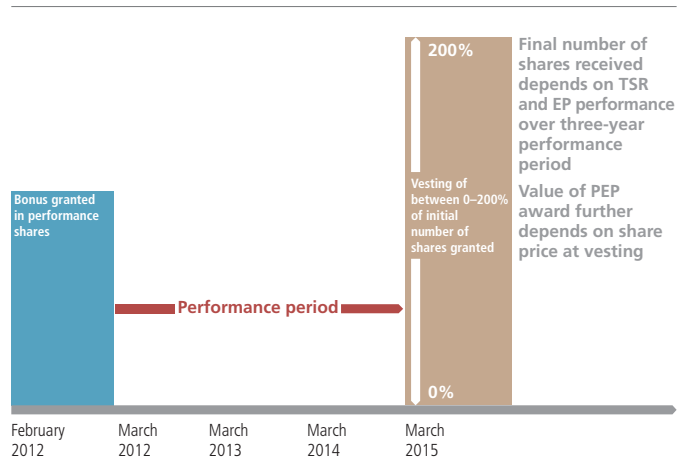
Plan type – UBS share plan

**Eligible employees:** Performance Equity Plan (PEP) awards are granted annually to GEB members.

**Description:** At the beginning of the three-year performance period, GEB members are granted a certain number of restricted performance shares. The actual number of UBS shares delivered at the end of the period can be between zero and two times the number of performance shares granted initially, depending on whether performance targets relating to economic profit (EP) and relative total shareholder return (TSR) have been achieved. EP is a measure of risk-adjusted profit that takes into account the cost of risk capital and is only realized when the entire return on capital that is achieved is higher than the firm's cost of capital. TSR measures the total return of a share to an investor, that is, both capital appreciation of the share price and the dividend yield. We measure our TSR over a three-year period relative to the companies in the Dow Jones Bank Titans 30 Index, an index representing 30 leading companies in the global banking sector.

To determine the number of UBS shares delivered at vesting, an EP multiplier, which changes in line with the level of three-year cumulative EP achieved, and ranges from 50%–150%, is multiplied with a TSR multiplier, which ranges from 50%–133%. If both are below the lowest threshold no shares will vest. If both are at or above the highest threshold the number of UBS shares delivered at the end of the performance period is twice that of the performance shares granted initially.

### How the PEP works: an illustration



*No changes* were made to the plan design in 2011.

**Restrictions:** PEP awards are subject to forfeiture in the event of a harmful act or if employment has been terminated voluntarily or for cause.

**Vesting for 2011:** No vesting will take place in 2012. As the PEP was introduced in 2010, it is due to vest for the first time in March 2013.

## Senior Executive Equity Ownership Plan

*Plan type – UBS share plan*

**Eligible employees:** Senior Executive Equity Ownership Plan (SEEOP) awards are granted annually to GEB members.

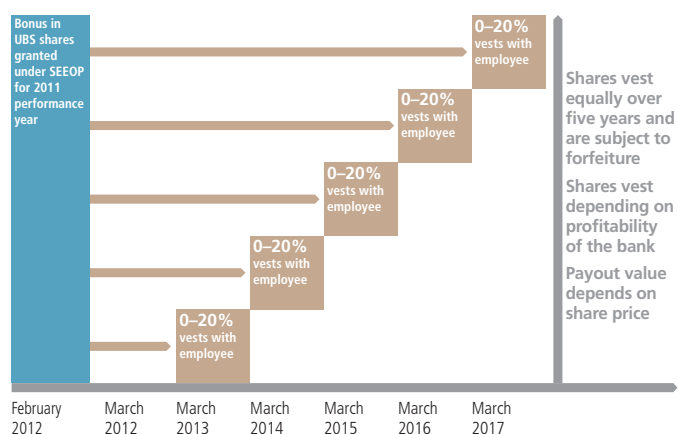
**Description:** SEEOP awards are granted in the form of UBS shares that vest in equal installments over five years. The SEEOP is similar to the EOP, described on the next page, but has a longer vesting period to reflect the additional level of commitment and long-term performance expected of GEB members.

**No changes** were made to the plan design in 2011.

**Restrictions:** SEEOP awards are subject to partial or full forfeiture in the event of a harmful act or if the business division to which a GEB member belongs makes a loss. Under the SEEOP, profitability is defined as an operating profit before tax adjusted for certain items such as disclosed own credit, restructuring charges, the profit and loss impact of strategic divestments or investments, goodwill-related foreign currency translation charges and certain unique, non-recurring costs that are not within the control of divisional or Group management. The amount forfeited depends on the extent of the loss and generally ranges from 10%–50% of the award portion due to vest.

SEEOP awards will be fully forfeited if employment is terminated voluntarily or for cause.

How the SEEOP works: an illustration



**Vesting for 2011:** The SEEOP profitability requirement was introduced starting from the performance year 2010. The first installment of the award granted in 2011 for the performance year 2010, which was due to vest in March 2012, vested in full for all GEB members except Carsten Kengeter, CEO of the Investment Bank. As the Investment Bank did not meet its profitability requirement in 2011, 50% of his SEEOP award installment was forfeited.



## Equity Ownership Plan

*Plan type – UBS share plan (deferred cash plan for Global Asset Management employees)*

**Eligible employees:** The Equity Ownership Plan (EOP) is a mandatory bonus deferral plan for all employees with total compensation of CHF/USD 250,000 or more. For 2011, around 7,000 employees received EOP awards. These employees include key risk-takers, Group Managing Directors and employees whose total bonus exceeds CHF/USD 2 million. EOP awards are granted annually.

**Description:** Employees with total compensation (that is, base salary and bonus) of CHF/USD 250,000 or more receive 60% of their bonus above that level in UBS shares that are deferred over three years under the EOP.

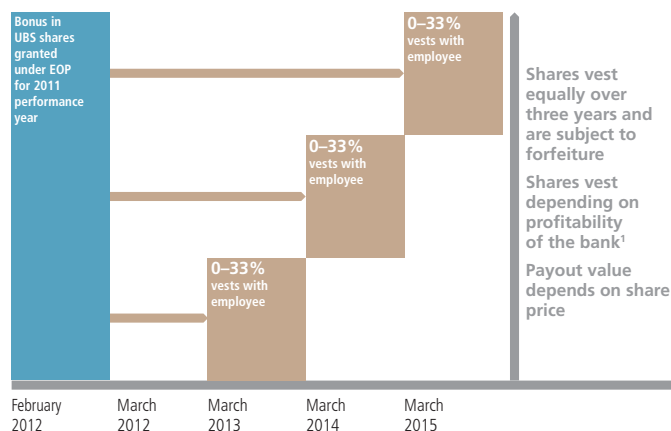
To align their compensation with the performance of the funds that they manage, Global Asset Management employees receive their EOP awards in the form of deferred cash, the amount of which depends on the value of the relevant underlying Global Asset Management funds in a designated alternative investment vehicle at the time of vesting. The vesting and forfeiture provisions of these awards are the same as for EOP awards made in the form of UBS shares.

*No changes* were made to the plan design in 2011.

**Restrictions:** The unvested portion of EOP awards is subject to forfeiture in the event of a harmful act or if employment is terminated voluntarily or for cause.

EOP awards granted to key risk-takers, Group Managing Directors and employees whose total bonus exceeds CHF/USD 2 million are known as Performance EOP awards. They vest in full only if the business division to which the employee belongs is profitable. If the business division incurs an operating loss in a given year, then the deferred portion of the EOP award due to vest in the following year will be partially forfeited. Under the EOP, profitability is defined as an operating profit before tax adjusted for certain items such as disclosed own credit, restructuring charges, the

### How the EOP works: an illustration



<sup>1</sup> Profitability performance conditions are in place for key risk-takers, Group Managing Directors and other employees with a total bonus exceeding CHF/USD 2 million.

profit and loss impact of strategic divestments or investments, goodwill-related foreign currency translation charges and certain unique, non-recurring costs that are not within the control of divisional or Group management.

The amount forfeited depends on the extent of the loss and generally ranges from 10%–50% of the award portion due to vest. In the case of Corporate Center employees, the vesting of their awards is partially conditional on the profitability of the Group as a whole.

**Vesting for 2011:** Performance EOP awards were granted for the first time in 2011 for the 2010 performance year. The first installment of that award, which was due to vest in March 2012, vested in full for employees in all divisions except the Investment Bank. For Investment Bank employees, 50% of their award installments were forfeited as the Investment Bank did not meet its profitability requirement in 2011.

## Discontinued deferred compensation plans

The following table sets out the details of discontinued compensation plans, including those under which stock options, stock appreciation rights and other instruments were granted in the past. UBS has not granted any options since 2009. The strike price for stock options awarded under prior compensation plans has not been reset.

→ Refer to “Note 30 Equity participation and other compensation plans” in the “Financial Information” section of the Annual Report 2011 for more information

Plan	Conditional Variable Compensation Plan (CVCP)	Deferred Cash Plan (DCP)	Incentive Performance Plan (IPP)	Key Employee Stock Appreciation Rights Plan (KESAP) and Key Employee Stock Option Plan (KESOP)	Senior Executive Stock Appreciation Rights Plan (SESAP) and Senior Executive Stock Option Plan (SESOP)
Year granted	2009 only	2011 only	2010 only	2002–2009	2002–2009
Eligible employees	Selected employees (approximately 9,500 employees), excluding GEB members	Investment Bank employees whose total compensation exceeded CHF 1 million	GEB members and other senior employees (approximately 900 employees)	Selected employees (approximately 17,000 employees between 2002 and 2009)	GEB members and Group Managing Board
Instrument	Cash	Cash	Performance shares	Share-settled stock appreciation rights (SAR) or stock options with a strike price not less than the fair market value of a UBS share on the date of grant	SAR or stock options with a strike price not less than 110% of the fair market value of a UBS share on the date of grant
Performance conditions	No financial loss incurred (vesting based on disclosed full-year results) and no need for additional capital injection by government	None	Dependent on share price at the end of the five-year period	None	None
Restrictions / other conditions	<p>Subject to continued employment, non-solicitation of clients and employees and non-disclosure of proprietary information</p> <p>The first tranche of the CVCP was forfeited in its entirety as the Group was not profitable in 2009</p> <p>The second tranche of the CVCP vested on 12 April 2011 following the announcement of UBS's 2010 profit (paid to employees in all business divisions except Wealth Management Americas, which recorded a full-year loss)</p> <p>The third tranche of the CVCP vested in April 2012 following the announcement of UBS's 2011 profit. It was paid to employees in all divisions</p>	Subject to continued employment and harmful acts provisions	Subject to continued employment and harmful acts provisions	Subject to continued employment, non-solicitation of clients and employees and non-disclosure of proprietary information	Subject to continued employment, non-solicitation of clients and employees and non-disclosure of proprietary information
Vesting period	Vests in one-third installments over a three-year period	Vests in one-third installments over a three-year period	Vests in full at the end of five years. Number of shares that vest can be between one and three times the number of performance shares initially granted	Vests in full three years after grant. SAR and options expire 10 years from the date of grant	Vests in full three years after grant. SAR and options expire 10 years from the date of grant

# Compensation funding and expenses

## How we determine our bonus pool

Each business division plans its bonus pool annually based on the funding framework and process that has been reviewed by the Human Resources and Compensation Committee (HRCC). Over the course of the year, each division makes accruals to ensure that sufficient funds are available to pay bonuses at the end of the year. However, the actual size of the final bonus pool depends on the various factors outlined below and is subject to the approval of the BoD.

Business performance is the basis of our compensation funding framework. At business division level, performance is measured by a variety of factors, including profit, or contribution before bonus and economic contribution before bonus. Economic contribution before bonus deducts the cost of capital based on the equity allocated to a business, which is a reflection of the relative riskiness of that business.

We derive the initial divisional bonus pools by multiplying the so-called divisional compensation funding rate with the divisional adjusted contribution before bonus. In determining our funding rates, we consider various factors such as the appropriate change in pay that reflects the change in performance over the year, affordability and our need to be competitive in the market. Funding rates are directly linked to the level of profitability in each division. As profits within a business division increase, the proportion of profits allocated for the payment of bonuses is reduced. This approach allows us to protect the firm in years of downturn or recovery by retaining key employees, while providing additional shareholder return in good years by preventing excessive capital usage for compensation.

Although profitability is the main factor in determining the size of our bonus pool, and while we apply funding rates that provide

an initial basis for determining divisional bonus pools, management may still apply its judgment and make adjustments to further assess the overall quality of earnings by looking at relevant key performance indicators and other qualitative measures, including risk factors. If the bonus pool for a business division is deemed not to fully reflect its performance, the Group CEO may apply his discretion and make recommendations to increase or reduce the size of the pool. These recommendations are reviewed by the HRCC. Such discretionary adjustments may be made, for example, where a business division is in the process of restructuring or investing heavily in growth, both of which have a strong negative short-term financial impact, but provide for sustained profitability over the longer term. Furthermore, we recognize the strategic importance of maintaining a competitive position in the labor market, and may also make adjustments to variable compensation funding determined by competitive benchmarking. This involves considering our market position, both from a performance and a compensation perspective, together with industry compensation trends, including at senior management levels, based on a comparison among peer groups and across regions. Finally, particularly given our need to build up capital to meet new, more stringent capital requirements, we also consider the capital impact when determining the size of our bonus pool.

At a business division level, each CEO proposes funding and allocation, taking into account input from Group Risk. These are discussed with the Group CEO together with the underlying contribution before bonus and other relevant performance indicators. The HRCC reviews the rationale provided for the divisional bonus pools. It also considers performance indicators and risk factors specific to each business division when assessing performance and earnings quality, before recommending the size of the final bonus pool to the BoD.

## Sustainable profitability is key to compensation funding

Primary basis for funding across UBS is profitability. The following describes how we determine our bonus pools.

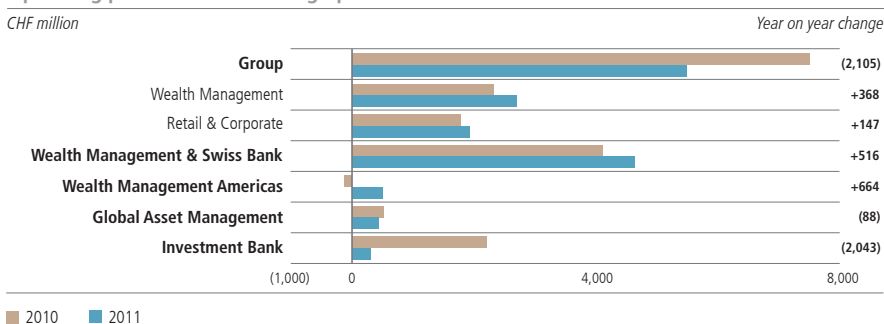


## Business performance over the last two years

Our performance was weaker in 2011, with a profit before tax of CHF 5,350 million compared with CHF 7,455 million in 2010.

Our pre-tax profit declined to CHF 5,350 million in 2011 from CHF 7,455 million in 2010, reflecting lower operating income primarily in the Investment Bank, partly offset by cost reductions across most of the businesses. During 2011 we continued to strengthen our already industry-leading capital position. At the end of the year, our Basel II tier 1 capital ratio stood at 19.6% and our Basel 2.5 tier 1 capital ratio was 15.9%. We also saw a marked improvement in our net new money performance across our wealth management businesses.

### Operating profit from continuing operations before tax



Bonus pools for 2011 were determined based on the financial performance as reported in the Group's fourth quarter 2011 financial report which was published 7 February 2012. The 2011 results have since been adjusted to account for subsequent events. These adjustments decreased the Group's pre-tax profit by CHF 103 million (from CHF 5,453 million to CHF 5,350 million). The Investment Bank's operating profit decreased by a net CHF 150 million (from CHF 304 million to CHF 154 million), including the benefit of CHF 17 million lower personnel expenses resulting from the HRCC deci-

sion to forfeit more of the Performance EOP tranche due to vest for the year 2011. Partially offsetting the net reduction in operating profit in the Investment Bank were increases in Wealth Management Americas of CHF 30 million (from CHF 504 million to CHF 534 million) and in Corporate Center of CHF 17 million (from a loss of CHF 380 million to a loss of CHF 363 million).

→ Refer to "Note 32 Events after the reporting period" in the "Financial information" section of the Annual Report 2011 for more information

## Bonuses granted for the 2011 performance year

Our bonus pool for 2011 is CHF 2.6 billion, 40% lower than it was for 2010 (compared with adjusted contribution before bonus which was 37% lower), consistent with a marked decline in our overall profitability last year in a demanding market environment. The bonus pool for the Investment Bank was reduced by approximately 60% due to the combined impact of the unauthorized trading incident and substantially weaker divisional performance last year. In other business divisions, where performance was stronger, the reduction in the bonus pool was less significant.

The "Total variable compensation" table shows the amount of variable compensation awarded to employees for the performance year 2011, together with the number of beneficiaries for each type of award granted. We define variable compensation as the discretionary, performance-based bonus pool for the given year.

In the case of deferred cash and share awards, the final amount paid to an employee is influenced by forfeiture provisions and the performance conditions to which these awards are subject. The deferred share award amount is based on the fair value of these awards on the date of grant.

The accounting adjustment column in the "Total variable compensation" table shows the difference between the bonus amount granted to employees and the expensed fair value amount according to the International Financial Reporting Standards (IFRS) 2 accounting standard. This adjustment is made to reflect that the fair value of shares that have vested for accounting purposes, but are still subject to sale or transfer restrictions, is lower than the market

value of unrestricted shares. For example, an EOP award vests for accounting purposes immediately when an employee retires, while the shares remain blocked over the original vesting period. In this case, the fair value of the blocked EOP award is less than the current market value of an unrestricted share. Where a performance condition under EOP applies, the expensed amount reflects a discount for expected forfeitures which is true-up to reflect the actual outcome.

The "Deferred compensation" table shows the current intrinsic value of unvested outstanding deferred variable compensation awards that are subject to ex-post adjustments. For share-based plans, the intrinsic value is determined based on the closing share price on 30 December 2011. For fund-linked plans, it is determined using the latest available market price for the underlying funds, and for cash-settled awards, it is determined based on the outstanding amount of cash owed to award recipients.

All awards made under our deferred compensation plans listed in the "Deferred compensation" table on the following page are subject to ex-post adjustments, whether implicitly, through exposure to share price movements, or explicitly, for example, through forfeitures made by the firm. Accordingly, their value can change over time. The amounts shown in the column "Relating to awards for prior years" in fact already take into account ex-post implicit adjustments that have occurred as a result of share price movements between the respective dates on which these awards were granted and 30 December 2011.

→ Refer to "Note 30 Equity participation and other compensation plans" in the "Financial Information" section of the Annual Report 2011 for more information

**Total variable compensation<sup>1</sup>**

	Expenses		Expenses deferred to future periods		Accounting adjustment		Total		Number of beneficiaries	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<i>CHF million, except where indicated</i>										
Cash discretionary bonus	1,514	2,079	0	0	0	0	1,514	2,079	50,620	51,522
Deferred cash plans	34	64	3	236	0	0	37	300	62	576
UBS share plans	234	440	635	1,271	54	60	923	1,771	6,514	7,516
UBS share option plans	0	0	0	0	0	0	0	0	0	0
Equity Ownership Plan – fund-linked	25	28	69	67	0	0	94	95	515	579
<b>Total discretionary bonus pool</b>	<b>1,807</b>	<b>2,611</b>	<b>707</b>	<b>1,574</b>	<b>54</b>	<b>60</b>	<b>2,568</b>	<b>4,245</b>	<b>50,635</b>	<b>51,535</b>
<b>Total variable compensation – other<sup>2</sup></b>	<b>335</b>	<b>399</b>	<b>247</b>	<b>337</b>	<b>0</b>	<b>0</b>	<b>582</b>	<b>736</b>		
<b>Total WMA financial advisor compensation<sup>3</sup></b>	<b>1,842</b>	<b>1,980</b>	<b>1,024</b>	<b>698</b>	<b>0</b>	<b>2</b>	<b>2,866</b>	<b>2,680</b>		

<sup>1</sup> The total “discretionary bonus” awarded to employees for the performance years 2011 (CHF 2,568 million) and 2010 (CHF 4,245 million). Expenses under “total variable compensation – other” and “Total WMA financial advisor compensation” are not part of UBS’s discretionary bonus pool. <sup>2</sup> Replacement payments, guarantees for new hires, forfeiture credits, severance payments and retention plan payments. <sup>3</sup> Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure, assets and other variables. It also includes costs related to compensation commitments and advances granted to financial advisors at the time of recruitment, which are subject to vesting requirements.

**Deferred compensation<sup>1,2</sup>**

	Relating to awards for 2011	Relating to awards for prior years <sup>3</sup>	Total	of which exposed to ex-post adjustments
<i>CHF million, except where indicated</i>				
Cash discretionary bonus	0	0	0	0%
Cash Balance Plan	10	19	29	100%
Equity Ownership Plan	884	2,298	3,182	100%
Senior Executive Equity Ownership Plan	22	46	68	100%
Performance Equity Plan	10	14	24	100%
Equity Ownership Plan – fund-linked	94	576	670	100%
Discontinued deferred compensation plans	0	577	577	100%
<b>Total</b>	<b>1,020</b>	<b>3,530</b>	<b>4,550</b>	

<sup>1</sup> This is based on the specific plan vesting which may differ to the accounting expensing. <sup>2</sup> For more information, refer to “Note 30 Equity participation and other compensation plans” in the “Financial Information” section of the Annual Report 2011. <sup>3</sup> This takes into account the ex-post implicit adjustments, given the share price movements since grant.

### Bonus expense in the 2011 performance year

The bonus pool for a given performance year includes all discretionary, performance-based variable awards for that performance year. Certain awards that form part of the bonus pool, mainly discretionary cash awards, are already expensed in the same year while deferred awards are largely expensed in subsequent years. The chart “2011 bonus pool down 40% year on year” illustrates how the bonus pool for the 2011 performance year reconciles with the bonus expense in the 2011 financial year. The bonus expense includes all immediate expenses related to 2011 compensation awards and expenses related to awards made in prior years.

As illustrated in the chart, the bonus pool declined by CHF 1,677 million or 40% in 2011, while the 2011 bonus expense under the IFRS accounting rules declined by CHF 690 million or 17%. The reduction in the size of the bonus pool is more pronounced than the reduction in the bonus expense for the following reasons:

- The amount of new deferred awards granted in 2012 for the performance year 2011 is CHF 867 million lower than the amount of new deferred awards granted in 2011 for the performance year 2010.
- Amortization for prior year awards in 2011 increased by CHF 114 million from 2010. This reflects an increase in amortizations of deferred awards, which have become a more significant part of our compensation system. Since 2010, a larger part of compensation has consisted of deferred awards granted primarily under the EOP.
- The impact of accounting adjustments is lower for 2011 than it was for 2010.

At the end of 2011, the amount of unrecognized awards to be amortized in subsequent years was CHF 1.7 billion. Together with the Special Plan awards to be granted to senior managers at the Investment Bank in spring 2012, the total sum of unrecognized awards is CHF 2.0 billion, compared with CHF 2.8 billion at the end of 2010. The chart “Amortization of deferred compensation” shows that this reduction is due to the reduction in unamortized awards and significantly lower new awards granted for 2011.

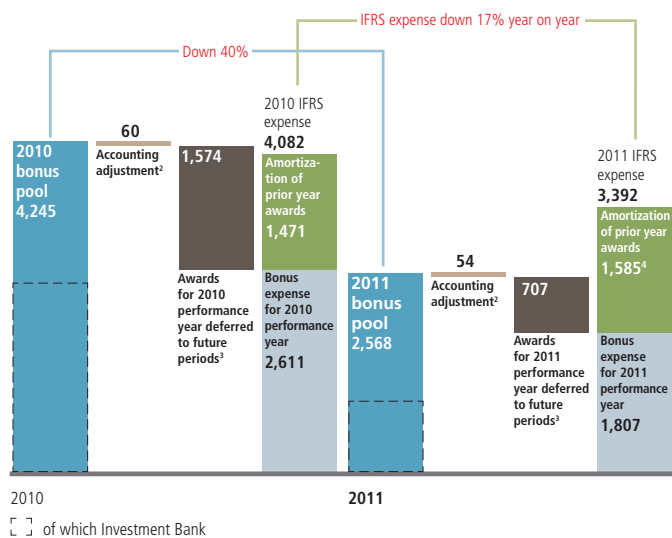
→ Refer to the “Overview of our compensation model” section of this report for more information about the Special Plan Award Program

The table on the next page shows the value of actual ex-post explicit and implicit adjustments to outstanding deferred compensation in the 2011 financial year. Ex-post adjustments occur after an award has been granted. Ex-post explicit adjustments occur when we adjust compensation by forfeiting deferred awards. By contrast, ex-post implicit adjustments are unrelated to action taken by the firm and occur as a result of share price movements that impact the value of an award.

The total value of ex-post explicit adjustments made to UBS

### 2011 bonus pool down 40% year on year<sup>1</sup>

CHF million



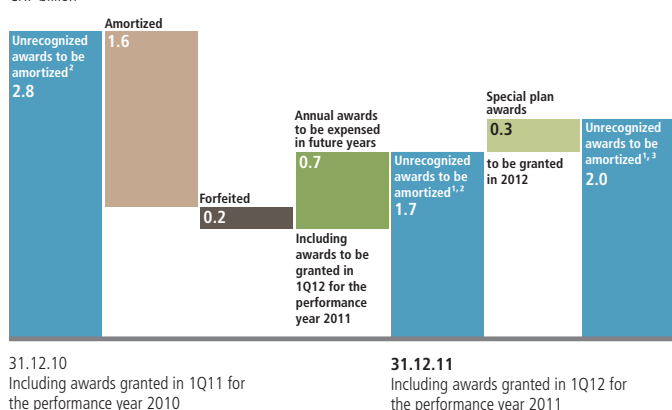
of which Investment Bank

<sup>1</sup> Excluding bonus add-ons such as social security. <sup>2</sup> Post vesting transfer restrictions and adjustments related to performance conditions. <sup>3</sup> Estimate. The actual amount to be expensed in future years may vary, for example due to forfeitures. <sup>4</sup> Includes CHF 54 million of restructuring costs related to these awards.

### Amortization of deferred compensation

We expect a CHF 0.5 billion reduction in the awards to be amortized in 2012 (CHF 1.1 billion) vs 2011 (CHF 1.6 billion)<sup>1</sup>

CHF billion



<sup>1</sup> Estimate. The actual amount to be expensed in future years may vary, for example due to forfeitures. <sup>2</sup> Related to discretionary bonus. <sup>3</sup> Estimate. Includes Special Plan awards to be granted in 2012.

shares in 2011, based on the 15,132,302 shares forfeited during 2011, is CHF 171 million. The total value of ex-post explicit adjustments made to UBS options in 2011, based on the 3,756,444 options forfeited during 2011, is CHF 22 million. The size of implicit adjustments is mainly due to a decline in the share price. The lower share price also means that many of the options previously granted are out of the money. Hence, the majority of outstanding option awards currently hold no intrinsic value.

## Ex-post explicit and implicit adjustments to deferred compensation in 2011<sup>1</sup>

CHF million	Ex-post explicit adjustments <sup>4</sup>	Ex-post implicit adjustments to unvested awards <sup>5</sup>
UBS shares (EOP, IPP, PEP, SEEOP) <sup>2</sup>	(171)	(1,432)
UBS options (KESOP) and SAR (KESAP) <sup>2</sup>	(22)	(290)
UBS fund-linked plan (EOP) <sup>3</sup>	(11)	(50)

<sup>1</sup> Compensation (discretionary bonus and other variable compensation) relating to awards for previous performance years. <sup>2</sup> IPP, KESOP and KESAP are discontinued deferred compensation plans. For CBP no ex-post adjustments were made in 2011. <sup>3</sup> Awards granted under this plan are cash-settled and 100% susceptible to ex-post implicit adjustments. <sup>4</sup> Ex-post explicit adjustments are calculated as units forfeited during the year, valued at the share price on 30 December 2011 (CHF 11.18). For the UBS fund-linked plan this represents the forfeiture credits recognized in 2011. <sup>5</sup> Ex-post implicit adjustments for UBS shares are calculated based on the difference between the weighted average grant date fair value and the share price on 30 December 2011. For UBS options they are calculated based on the difference between the fair value at grant and the aggregated intrinsic value on 30 December 2011. For the fund-linked plan they are calculated using the mark-to-market change during 2011.

## Total personnel expenses for 2011

The following table shows our total personnel expenses in 2011 for our 64,820 employees and includes salaries, pension and other personnel costs, social security contributions and variable compensation. Variable compensation includes discretionary cash bonuses paid in 2012 for the 2011 performance year, the amortization of unvested deferred awards granted in previous years and the cost of deferred awards granted to employees who are eligible for retirement at the date of grant.

The bonus pool reflects the value of discretionary bonuses granted relating to the 2011 performance year, including awards that are paid out immediately and those that are deferred. To determine our variable compensation expense, several adjustments are required in order to reconcile the bonus pool to the

accounting costs recognized in the Group's financial statements prepared under IFRS:

- reduction for the unrecognized future amortization of unvested deferred awards granted in 2012 for the performance year 2011; and
- addition for the amortization of unvested deferred awards granted in previous years.

As a large part of compensation consists of deferred awards, the amortization of unvested deferred awards granted in previous years forms a significant part of both the 2010 and 2011 accounting costs.

→ Refer to "Note 30 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2011 for more information

## Personnel expenses

CHF million	Expenses				
	Relating to awards for 2011	Relating to awards for prior years	Total 2011	2010	2009
Salaries	6,859	0	6,859	7,033	7,383
Variable compensation – discretionary bonus <sup>1</sup>	1,807	1,585	3,392	4,082	2,809
Variable compensation – other <sup>1,2</sup>	335	(19)	316	230	699
of which replacement payments <sup>3</sup>	31	90	121	107	41
of which guarantees for new hires	88	85	173	135	56
of which forfeiture credits	0	(215)	(215)	(167)	(81)
of which severance payments <sup>4</sup>	216	0	216	69	433
of which retention plan payments <sup>5</sup>	0	21	21	85	250
Contractors	217	0	217	232	275
Social security	697	46	743	826	804
Pension and other post-employment benefit plans <sup>6</sup>	788	0	788	724	988
Wealth Management Americas: financial advisor compensation <sup>1,7</sup>	1,842	676	2,518	2,667	2,426
Other personnel expenses <sup>2</sup>	726	32	758	1,127	1,159
<b>Total personnel expenses</b>	<b>13,271</b>	<b>2,320</b>	<b>15,591<sup>8</sup></b>	<b>16,920</b>	<b>16,543</b>

<sup>1</sup> Refer to "Note 30 Equity participation and other compensation plans" of the Annual Report 2011 for more information. <sup>2</sup> In 2011, we reclassified the costs related to our voluntary employee share ownership plan (Equity Plus) from Variable compensation – other to Other personnel expenses. Prior periods were adjusted for this change. As a result, Other personnel expenses were increased by CHF 80 million and CHF 132 million for the year ended 31 December 2010 and for the year ended 31 December 2009, respectively, with a corresponding decrease in Variable compensation – other. <sup>3</sup> Replacement payments are payments made to compensate employees for deferred awards forfeited as a result of joining UBS. <sup>4</sup> Includes legally obligated and standard severance payments. <sup>5</sup> Retention plan payments related to strategic retention programs. <sup>6</sup> Refer to "Note 29 Pension and other post-employment benefit plans" of the Annual Report 2011 for more information. <sup>7</sup> Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure, assets and other variables. It also includes costs related to compensation commitments and advances granted to financial advisors at the time of recruitment, which are subject to vesting requirements. <sup>8</sup> Includes restructuring charges of CHF 261 million. Refer to "Note 37 Reorganizations and disposals" of the Annual Report 2011 for more information.

# 2011 compensation for the Group Executive Board and Board of Directors

## Group Executive Board compensation

In 2011, total compensation for Group Executive Board (GEB) members reflected the performance of each executive in the context of each business division's operating performance, overall Group progress towards our medium-term strategic goals and each GEB member's individual contribution to effecting change, building high-performing teams and managing risk. We consider specific key performance indicators for individual GEB members that are relevant to their role, including risk-adjusted profitability, management of risk-weighted assets, growth in net new money and cost efficiency. In setting compensation levels for GEB members, the Human Resources and Compensation Committee (HRCC) and the Board of Directors (BoD) also considered their collective achievements in advancing our strategy, together with the compensation structure and levels of our main peers and the firm's relative performance.

The overall total compensation of GEB members in office on 31 December 2011 was CHF 70.1 million, compared with a total of CHF 91.0 million in 2010. Following a re-organization in the fourth quarter of 2011, which resulted in the combination of certain roles, there were 12 GEB members in office on 31 December 2011, compared with 13 on 31 December 2010. Aggregate compensation for the three GEB members who stepped down in 2011 was CHF 7.0 million, compared with CHF 3.3 million for the one GEB member who did so in 2010.

The highest paid GEB member in 2011 was Robert J. McCann, with total compensation of CHF 9.2 million. As shown in the table "Total compensation for GEB members", 76% of his bonus was deferred, with 16% in deferred cash and 60% in deferred equity vesting over three to five years. In 2011, Mr. McCann led the turnaround in profitability in Wealth Management Americas, despite market volatility and a challenging market environment, with significant net new money, a significant reduction in financial advisor attrition rates and the leading position in financial advisor productivity.

In 2011, the Group Chief Executive Officer (Group CEO), Sergio P. Ermotti, was granted a bonus of CHF 4.6 million. As such, his total compensation was CHF 6.4 million. As shown in the table "Total compensation for GEB members", 88% of his bonus was deferred, with 28% in deferred cash and blocked shares and 60% in deferred equity vesting over three to five years. In considering this award, the HRCC and the BoD considered both his contribution and his achievement against stated objectives as Group CEO since the end of September 2011 and his prior performance as Chairman and CEO for Europe, the Middle East and Africa following his joining the firm in April 2011. As Group CEO, Mr.

Ermotti has been quick to grasp the leadership challenges presented, including finalizing and presenting the Group strategy on Investor Day and reestablishing investor and regulatory confidence in the wake of the unauthorized trading incident within the Investment Bank. A number of transformation initiatives have been launched within the firm related to both the operating environment and controls and to promoting the delivery of the full firm across our client franchises in each region. Before assuming the role of Group CEO, Mr. Ermotti was instrumental in further improving the firm's impact in a number of our Europe, Middle East and Africa locations and advancing an enhanced regional governance strategy.

The previous Group CEO, Oswald J. Grübel, who assumed full responsibility for the unauthorized trading incident, stepped down at the end of September 2011 and elected not to be considered for a bonus for 2011. The HRCC accepted and the BoD agreed with his decision.

## Base salary

Base salaries are fixed for all GEB members and reviewed annually by the HRCC. Early in 2011, following a review of market trends with regard to the mix between fixed and variable compensation and the balance of awards within the compensation framework, the HRCC set the base pay at an annual level of CHF 1.5 million or equivalent in relevant local currency for GEB members other than the Group CEO. With respect to the Group CEO, the HRCC reviewed his base salary level upon his appointment and set it at an annual level of CHF 2.5 million. Following a further review in the first quarter of 2012, the HRCC decided that there will be no adjustment in base salary levels for the GEB in 2012. Base salaries received over the year by GEB members are fully taken into account when considering their total compensation levels.

## Benefits

There were no changes to the terms of GEB benefits.

- Refer to "Note 29 Pension and other post-employment benefit plans" in the "Financial Information" section of the Annual Report 2011 for details on the various post-employment benefit plans established in Switzerland and other major markets
- Refer to the "Compensation funding and expenses" and "Overview of our compensation model" sections for information concerning the Human Resources and Compensation Committee's determination of the discretionary bonus for 2011, and to the "Deferred variable compensation plans" section for details of the compensation plans awarded to Group Executive Board members



## Board of Directors compensation

### Chairman of the Board of Directors

For 2011, the total compensation awarded to the Chairman of the BoD, Kaspar Villiger, was CHF 1,494,568. Our compensation framework provides for the Chairman to receive a base salary and 200,000 UBS shares, blocked for four years, as well as benefits in kind. Such shares are not designed or intended as variable compensation. Mr. Villiger chose to waive a substantial part of the share award and instead to accept a limited number of 38,700 UBS shares with a fair value of CHF 500,000. In addition, he decided to maintain the voluntary reduction in his annual base salary from CHF 2 million to CHF 850,000. The HRCC gratefully accepted and agreed with Mr. Villiger's decision.

### Highest paid Board of Directors member

The Chairman of the BoD, Mr. Villiger, is the highest paid BoD member, with total compensation of CHF 1,494,568.

### Axel A. Weber's compensation

In July 2011, we announced that Axel A. Weber would be nominated for election to the BoD as non-independent Vice-Chairman at the 2012 Annual General Meeting (AGM) and that if reelected in 2013, he would likely succeed Mr. Villiger as Chairman of the BoD. In November 2011, Mr. Villiger decided that he would not stand for reelection to the BoD at the AGM in 2012. As such, should Mr. Weber be elected to the BoD in 2012, he will succeed Mr. Villiger as Chairman of the BoD in 2012.

In line with the BoD's compensation structure, Mr. Weber will receive a base salary, blocked UBS shares and benefits in kind. In the event that he is elected to the BoD at the AGM in 2012 and succeeds Mr. Villiger as Chairman of the BoD, his annual compensation will be CHF 2 million, together with 200,000 UBS shares that are blocked for four years.

As previously announced, the BoD agreed that Mr. Weber will receive a one-time payment upon his election to the BoD at the 2012 AGM. This consists of one year's total compensation or CHF 2 million and 200,000 UBS shares that are blocked for one year.

### Independent Board of Directors members

The table "Remuneration details and additional information for independent BoD members" shows the compensation received by independent BoD members between the 2011 and 2012 AGM. Fees for 2010 to 2011 remained unchanged. As the chair of the Corporate Responsibility Committee is now held by an independent BoD member, a retainer of CHF 100,000 has been awarded to that function.

### Compensation for former Board of Directors and Group Executive Board members

No compensation or benefits in kind were paid to former BoD and GEB members for 2011. In 2010, part of such compensation paid related to legacy agreements with GEB members who left several

years ago that were still honored by UBS. Benefits provided for under such agreements have been discontinued for all BoD and GEB members who stepped down after 1 January 2008.

## Transactions in 2011

In accordance with the applicable rules and regulations, management transactions in UBS shares by BoD and GEB members are publicly disclosed.

From 1 January until 31 December 2011, five share sales were disclosed with a total value of CHF 7,760,461.<sup>35</sup> Swiss stock exchange rules do not require disclosure of individual names of GEB or BoD members making such transactions.

UBS executives receive a substantial portion of their compensation in UBS equity-based awards. For this reason, management transactions generally see sales outweighing purchases. Blackout periods and synchronized dates for unblocking or vesting of shares or options granted as compensation may lead to transactions being concentrated in short time periods.

In addition, and in accordance with normal practice, two BoD members chose to receive their full pay in UBS shares. These shares, representing a value of CHF 650,000, will be allocated in March 2012.

## Loans

BoD and GEB members are granted loans, fixed advances and mortgages. Such loans are made in the ordinary course of business, on substantially the same terms as those granted to other employees, including interest rates and collateral, and do not involve more than the normal risk of collectability or contain other unfavorable features.

→ Refer to "Note 31 Related parties" in the "Financial information" section of the Annual Report 2011 for information concerning loans granted to current and former executives

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Audited **Total compensation for GEB members**

Name, function	For the year	Base salary	Variable cash compensation under CBP					Benefits in kind <sup>e</sup>	Contributions to retirement benefit plans <sup>f</sup>	Total
			Immediate cash <sup>b</sup>	Deferred cash <sup>5, b</sup>	Annual bonus under PEP <sup>c</sup>	Annual bonus under SEEOP <sup>d</sup>				
<i>CHF, except where indicated<sup>a</sup></i>										
Sergio P. Ermotti, Group CEO <sup>1</sup>	2011	1,394,445	553,200	1,290,800	922,000	1,844,000	195,450	150,816	6,350,711	
Oswald J. Grübel, former Group CEO <sup>2</sup>	2011	2,191,667	0	0	0	0	35,971	0	2,227,638	
Oswald J. Grübel, former Group CEO	2010	3,000,000	0	0	0	0	25,600	0	3,025,600	
Robert J. McCann, CEO Wealth Management Americas (highest-paid)	2011	1,321,538	1,869,233	1,246,155	1,557,694	3,115,388	67,053	6,264	9,183,325	
Carsten Kengeter, CEO Investment Bank (highest-paid)	2010	874,626	1,002,496	2,339,158	1,670,827	3,341,654	92,547	0	9,321,308	
Aggregate of all GEB members who were in office on 31 December 2011 <sup>3</sup>	2011	15,962,737	11,929,365	8,874,910	10,402,137	20,804,274	1,165,601	995,290	70,134,314	
Aggregate of all GEB members who were in office on 31 December 2010 <sup>3</sup>	2010	14,705,894	15,588,145	14,451,756	15,019,951	30,039,901	381,851	843,402	91,030,900	
Aggregate of all GEB members who stepped down during 2011 <sup>4</sup>	2011	4,155,602	509,201	1,166,759	0	962,768	171,954	80,499	7,046,783	
Aggregate of all GEB members who stepped down during 2010 <sup>4</sup>	2010	755,950	1,380,000	920,000	0	0	78,817	118,334	3,253,101	

<sup>1</sup> Sergio P. Ermotti was appointed on 1 April 2011 as GEB member and regional CEO of Europe, the Middle East and Africa. He was appointed on 24 September 2011 the new Group CEO ad interim and confirmed on 15 November 2011. <sup>2</sup> Oswald J. Grübel stepped down on 24 September 2011 as Group CEO. <sup>3</sup> Number and distribution of GEB members: 12 GEB members were in office on 31 December 2011, 13 GEB members were in office on 31 December 2010. <sup>4</sup> Number and distribution of former GEB members: 2011: includes five months in office as a GEB member for John Cryan, nine months for Oswald J. Grübel and 11 months for Maureen Miskovic. 2010: includes three months in office as a GEB member for Francesco Morra. <sup>5</sup> In 2011, for Sergio P. Ermotti, due to applicable UK FSA regulations, deferred cash includes blocked shares. In 2010, for John Cryan, Carsten Kengeter and Alexander Wilmot-Sitwell, due to applicable UK FSA regulations, deferred cash includes blocked shares.

Audited **Explanation of the tables outlining compensation details for GEB and BoD members**

- Local currencies are converted into CHF using the exchange rates as detailed in Note 38 "Currency translation rates" in the "Financial information" section of the Annual Report 2011.
- Of the cash award, 60% is paid out immediately (representing 24% of a GEB member's total annual bonus). The balance is paid out in equal installments of 20%, each over the subsequent two years, and is subject to forfeiture.
- Value of each performance share at grant: CHF 13.26 for PEP awards granted in 2012 relating to the performance year 2011; CHF 18.70 for PEP awards granted in 2011 relating to the performance year 2010. These values are based on valuations for accounting purposes which take into account the performance conditions and the range of possible outcomes for these conditions.
- SEEOP awards vest in equal installments over five years and are subject to forfeiture. The grant date accounting value per share granted under SEEOP is: CHF 12.76 or USD 14.14 (actual shares) and CHF 12.36 or USD 13.70 (notional shares) for SEEOP awards granted in 2012 relating to the performance year 2011; CHF 18.43 or USD 19.94 (actual shares) and CHF 18.30 or USD 19.80 (notional shares) for SEEOP awards granted in 2011 relating to the performance year 2010.
- Benefits in kind are all valued at market price, for example, health and welfare benefits and general expense allowances.
- Swiss executives participate in the same pension plan as all other employees. Under this plan, UBS makes contributions to the plan, which covers compensation of up to CHF 835,200. The retirement benefits consist of a pension, a bridging pension and a one-off payout of accumulated capital. Employees must also contribute to the plan. This figure excludes the mandatory employer's social security contributions (AHV, ALV), but includes the portion attributed to the employer's portion of the legal BVG requirement. The employee contribution is included in the base salary and annual incentive award components. In both the US and the UK, senior management participates in the same pension plans as all other employees. In the US, there are separate pension plans for Wealth Management Americas compared with the other business divisions. There are generally two different types of pension plans: grandfathered plans and principal plans. The grandfathered plans, which are no longer open to new hires, operate (depending on the abovementioned distinction by business division) either on a cash balance basis or a career average salary basis. Participants accrue a pension based on their annual compensation limited to USD 250,000 (or USD 150,000 for Wealth Management Americas employees). The principal plans for new hires are defined contribution plans. In the defined contribution plans, UBS makes contributions to the plan based on compensation and limited to USD 245,000 (USD 250,000 as from 1 January 2012). US management may also participate in a 401(k) defined contribution plan (open to all employees), which provides a limited company matching contribution for employee contributions. As from 2 January 2012 the match is not available anymore for Wealth Management Americas employees with compensation in excess of USD 250,000. In the UK, management participates in either the principal pension plan, which operates on a defined contribution basis and is limited to an earnings cap of GBP 100,000, or a grandfathered defined benefit plan which provides a pension upon retirement based on career average base salary (individual caps introduced as of 1 July 2010).

Share and option ownership / entitlements of GEB members on 31 December 2010 / 2011<sup>1</sup>

Name, function	For the year	Number of unvested shares / at risk <sup>2</sup>	Number of vested shares	Total number of shares	Potentially conferred voting rights in %	Number of options <sup>3</sup>	Potentially conferred voting rights in % <sup>4</sup>
Sergio P. Ermotti, Group Chief Executive Officer	2011	0	0	0	0.000	0	0.000
	2010	–	–	–	–	–	–
Oswald J. Grübel, former Group Chief Executive Officer <sup>5</sup>	2011	–	–	–	–	–	–
	2010	0	0	0	0.000	4,000,000	0.181
John Cryan, former Group Chief Financial Officer <sup>5</sup>	2011	–	–	–	–	–	–
	2010	221,879	185,975	407,854	0.018	382,673	0.017
Markus U. Diethelm, Group General Counsel	2011	358,042	91,506	449,548	0.021	0	0.000
	2010	178,619	75,700	254,319	0.012	0	0.000
John A. Fraser, Chairman and CEO Global Asset Management	2011	460,707	280,414	741,121	0.034	1,088,795	0.050
	2010	326,702	316,541	643,243	0.029	1,088,795	0.049
Lukas Gähwiler, CEO UBS Switzerland and co-CEO Wealth Management & Swiss Bank	2011	252,293	37,517	289,810	0.013	0	0.000
	2010	110,000	850	110,850	0.005	0	0.000
Carsten Kengeter, Chairman and CEO Investment Bank	2011	971,575	556,016	1,527,591	0.070	905,000	0.041
	2010	916,201	363,047	1,279,248	0.058	905,000	0.041
Ulrich Körner, Group Chief Operating Officer and CEO Corporate Center	2011	389,090	95,597	484,687	0.022	0	0.000
	2010	177,592	95,597	273,189	0.012	0	0.000
Philip J. Lofts, Group Chief Risk Officer	2011	377,614	150,772	528,386	0.024	577,723	0.026
	2010	200,009	144,603	344,612	0.016	577,723	0.026
Robert J. McCann, CEO Wealth Management Americas	2011	330,047	0	330,047	0.015	0	0.000
	2010	138,598	540,866	679,464	0.031	0	0.000
Maureen Miskovic, former Group Chief Risk Officer <sup>5</sup>	2011	–	–	–	–	–	–
	2010	–	–	–	–	–	–
Tom Naratil, Group Chief Financial Officer	2011	221,238	193,836	415,074	0.019	1,046,122	0.048
	2010	–	–	–	–	–	–
Alexander Wilmot-Sitwell, co-Chairman and co-CEO Group Asia Pacific	2011	495,553	220,955	716,508	0.033	353,807	0.016
	2010	274,739	213,613	488,352	0.022	353,807	0.016
Robert Wolf, former Chairman and CEO, UBS Group Americas / President Investment Bank	2011	–	–	–	–	–	–
	2010	242,805	635,382	878,187	0.040	948,473	0.043
Chi-Won Yoon, co-Chairman and co-CEO Group Asia Pacific	2011	306,515	350,311	656,826	0.030	623,253	0.029
	2010	184,858	318,332	503,190	0.023	623,253	0.028
Jürg Zeltner, CEO UBS Wealth Management and co-CEO Wealth Management & Swiss Bank	2011	306,487	11,756	318,243	0.015	205,470	0.009
	2010	113,609	9,405	123,014	0.006	205,470	0.009

<sup>1</sup> This table includes all vested and unvested shares and options of GEB members, including related parties. <sup>2</sup> Includes shares granted under variable compensation plans with forfeiture provisions. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to "Deferred variable compensation plans" in this section for more information on the plans. <sup>3</sup> Refer to "Note 30 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2011 for more information. <sup>4</sup> No conversion rights are outstanding. <sup>5</sup> GEB members who stepped down during 2011.

### Audited Compensation details and additional information for non-independent BoD members

CHF, except where indicated<sup>a</sup>

Name, function <sup>1</sup>	For the year	Base salary	Annual bonus (cash)	Annual share award	Benefits in kind <sup>e</sup>	Contributions to retirement benefit plans <sup>f</sup>	Total
Kaspar Villiger, Chairman	2011	850,000	0	500,000 <sup>2</sup>	144,568	0	1,494,568
	2010	850,000	0	500,000 <sup>2</sup>	141,308	0	1,491,308

<sup>1</sup> Kaspar Villiger was the only non-independent member in office on 31 December 2011 and 31 December 2010, respectively. <sup>2</sup> These shares are blocked for four years.

### Audited Remuneration details and additional information for independent BoD members

CHF, except where indicated<sup>a</sup>

Name, function <sup>1</sup>	Audit Committee	Human Resources & Compensation Committee	Governance & Nominating Committee	Corporate Responsibility Committee	Risk Committee	For the period AGM to AGM		Benefits in kind	Additional payments	Total	Share percentage <sup>2</sup>	Number of shares <sup>3,4</sup>
						Base fee	Committee retainer(s)					
Michel Demaré, Vice Chairman	M					2011/2012	325,000	300,000	250,000 <sup>5</sup>	<b>875,000</b>	50	39,845
	M					2010/2011	325,000	300,000	250,000 <sup>5</sup>	<b>875,000</b>	100	52,631
David Sidwell, Senior Independent Director			M		C	2011/2012	325,000	500,000	250,000 <sup>5</sup>	<b>1,075,000</b>	50	48,952
					C	2010/2011	325,000	400,000	250,000 <sup>5</sup>	<b>975,000</b>	50	30,893
Sally Bott, former member						2011/2012	–	–	–	–	–	–
			C	M	M	2010/2011	325,000	450,000	–	<b>775,000</b>	50	24,556
Rainer-Marc Frey, member	M				M	2011/2012	325,000	400,000	–	<b>725,000</b>	100	62,635
	M				M	2010/2011	325,000	400,000	–	<b>725,000</b>	100	43,583
Bruno Gehrig, member			M	M		2011/2012	325,000	200,000	–	<b>525,000</b>	50	23,907
			M	M		2010/2011	325,000	200,000	–	<b>525,000</b>	50	16,634
Ann F. Godbehere, member	M		C		M	2011/2012	325,000	550,000	–	<b>875,000</b>	50	39,845
	M				M	2010/2011	325,000	250,000	–	<b>575,000</b>	50	18,219
Axel P. Lehmann, member				M	M	2011/2012	325,000	250,000	–	<b>575,000</b>	100	49,632
					M	2010/2011	325,000	200,000	–	<b>525,000</b>	100	31,519
Wolfgang Mayrhuber, member			M		C	2011/2012	325,000	200,000	–	<b>525,000</b>	50	23,907
			M		M	2010/2011	325,000	150,000	–	<b>475,000</b>	50	15,050
Helmut Panke, member			M		M	2011/2012	325,000	300,000	–	<b>625,000</b>	50	28,460
			M		M	2010/2011	325,000	300,000	–	<b>625,000</b>	50	19,803
William G. Parrett, member	C					2011/2012	325,000	300,000	–	<b>625,000</b>	50	28,460
	C					2010/2011	325,000	300,000	–	<b>625,000</b>	50	19,803
Joseph Yam, member				M	M	2011/2012	325,000	250,000	–	<b>575,000</b>	50	26,183
						2010/2011	–	–	–	–	–	–
<b>Total 2011</b>										<b>7,000,000</b>		
<b>Total 2010</b>										<b>6,700,000</b>		

Legend: C = Chairperson of the respective Committee; M = Member of the respective Committee

<sup>1</sup> There were 10 independent BoD members in office on 31 December 2011. Joseph Yam was appointed at the AGM on 28 April 2011 and Sally Bott stepped down on 11 February 2011. There were 10 independent BoD members in office on 31 December 2010. Wolfgang Mayrhuber was appointed at the AGM on 14 April 2010, and Sergio Marchionne and Peter Voser stepped down from the BoD at the AGM on 14 April 2010. <sup>2</sup> Fees are paid 50% in cash and 50% in blocked UBS shares. However, independent BoD members can elect to have 100% of their remuneration paid in blocked UBS shares. <sup>3</sup> For 2011, shares valued at CHF 12.92 (average price of UBS shares at SIX Swiss Exchange over the last 10 trading days of February 2012), included a price discount of 15%, for a new value of discount price CHF 10.98. These shares are blocked for four years. For 2010, shares valued at CHF 18.56 (average price of UBS shares at SIX Swiss Exchange over the last 10 trading days of February 2011), included a price discount of 15%, for a new value of discount price of CHF 15.78. These shares are blocked for four years. <sup>4</sup> Number of shares is reduced in case of the 100% election to deduct social security contribution. All remuneration payments are submitted to social security contribution/withholding tax. <sup>5</sup> This payment is associated with the Vice Chairman or the Senior Independent Director function, respectively.

**Total payments to BoD members**

<i>CHF, except where indicated<sup>a</sup></i>	For the year	Total
Aggregate of all BoD members	2011	8,494,568
	2010	8,191,310

**Number of shares of BoD members on 31 December 2010/2011<sup>1</sup>**

Name, function	For the year	Number of shares held	Voting rights in %
Kaspar Villiger, Chairman	2011	49,440	0.002
	2010	22,500	0.001
Michel Demaré, Vice Chairman	2011	76,334	0.003
	2010	23,703	0.001
David Sidwell, Senior Independent Director	2011	100,247	0.005
	2010	69,354	0.003
Sally Bott, former member <sup>2</sup>	2011	–	–
	2010	39,542	0.002
Rainer-Marc Frey, member	2011	100,042	0.005
	2010	56,459	0.003
Bruno Gehrig, member	2011	54,409	0.002
	2010	37,775	0.002
Ann F. Godbehere, member	2011	41,441	0.002
	2010	23,222	0.001
Axel P. Lehmann, member	2011	89,971	0.004
	2010	58,452	0.003
Wolfgang Mayrhuber, member	2011	15,050	0.001
	2010	0	0.000
Helmut Panke, member	2011	109,332	0.005
	2010	89,529	0.004
William G. Parrett, member	2011	62,618	0.003
	2010	42,815	0.002
Joseph Yam, member	2011	0	0.000
	2010	–	–

<sup>1</sup> This table includes blocked and unblocked shares held by BoD members, including related parties. No options were granted in 2010 and 2011. <sup>2</sup> Sally Bott stepped down on 11 February 2011 as BoD member.

Audited **Compensation paid to former BoD and GEB members<sup>1</sup>**CHF, except where indicated<sup>a</sup>

Name, function	For the year	Compensation	Benefits in kind	Total
Alberto Togni, former BoD member	2011	0	0	0
	2010	0	20,493	20,493
Aggregate of all former GEB members <sup>2</sup>	2011	0	0	0
	2010	0	57,229	57,229
Aggregate of all former BoD and GEB members	2011	0	0	0
	2010	0	77,722	77,722

<sup>1</sup> Compensation or remuneration connected with the former member's activity on the BoD or GEB that is not at market conditions. <sup>2</sup> Includes zero former GEB member in 2011 and one former GEB member in 2010.

Audited **Total of all vested and unvested shares of GEB members<sup>1,2</sup>**

	Total	Of which vested	Of which vesting				
			2012	2013	2014	2015	2016
<b>Shares on 31 December 2011</b>	<b>2,863,887</b>	1,988,680	408,037	290,631	88,269	88,269	0
			2011	2012	2013	2014	2015
<b>Shares on 31 December 2010</b>	<b>4,409,345<sup>3</sup></b>	2,922,411 <sup>3</sup>	582,787	411,339	282,754	105,027	105,027

<sup>1</sup> Includes related parties. <sup>2</sup> Excludes shares granted under variable compensation plans with forfeiture provisions. <sup>3</sup> Includes 22,500 vested shares of the Chairman.

No individual GEB member holds 1% or more of all shares issued.

Audited **Total of all blocked and unblocked shares of BoD members<sup>1</sup>**

	Total	Of which unblocked	Of which blocked until			
			2012	2013	2014	2015
<b>Shares on 31 December 2011</b>	<b>698,884</b>	72,775	9,349	115,690	225,995	275,075
			2011	2012	2013	2014
<b>Shares on 31 December 2010</b>	<b>440,851<sup>2</sup></b>	46,010 <sup>2</sup>	4,266	9,349	127,970	253,256

<sup>1</sup> Includes related parties. <sup>2</sup> Excludes 22,500 vested shares of the Chairman.

No individual BoD member holds 1% or more of all shares issued.

Vested and unvested options of GEB members on 31 December 2010/2011<sup>1</sup>

For the year	Total number of options <sup>2</sup>	Number of options <sup>3</sup>	Year of grant	Vesting date	Expiry date	Strike price	For the year	Total number of options <sup>2</sup>	Number of options <sup>3</sup>	Year of grant	Vesting date	Expiry date	Strike price
<b>Sergio P. Ermotti, Group Chief Executive Officer</b>							<b>John A. Fraser, Chairman and CEO Global Asset Management (continued)</b>						
2011	0						2010	1,088,795	76,380	2002	31/01/2005	31/01/2012	USD 21.24
2010	–								127,884	2002	28/06/2005	28/06/2012	CHF 37.90
<b>Oswald J. Grübel, former Group Chief Executive Officer<sup>4</sup></b>									127,884	2003	31/01/2006	31/01/2013	USD 22.53
2011	–								170,512	2004	01/03/2007	27/02/2014	USD 38.13
2010	4,000,000	4,000,000	2009	26/02/2009	25/02/2014	CHF 10.10			202,483	2005	01/03/2008	28/02/2015	USD 44.81
<b>John Cryan, former Group Chief Financial Officer<sup>4</sup></b>									213,140	2006	01/03/2009	28/02/2016	CHF 72.57
2011	–								170,512	2007	01/03/2010	28/02/2017	CHF 73.67
2010	382,673	21,362	2002	31/01/2003	31/01/2012	CHF 36.49	<b>Lukas Gähwiler, CEO UBS Switzerland and co-CEO Wealth Management &amp; Swiss Bank</b>						
		20,731	2002	31/01/2004	31/01/2012	CHF 36.49	2011	0					
		20,725	2002	31/01/2005	31/01/2012	CHF 36.49	2010	0					
		5,454	2002	28/02/2003	28/02/2012	CHF 36.65	<b>Carsten Kengeter, Chairman and CEO Investment Bank</b>						
		5,294	2002	28/02/2004	28/02/2012	CHF 36.65	2011	905,000	905,000	2009	01/03/2012	27/12/2019	CHF 40.00
		5,292	2002	28/02/2005	28/02/2012	CHF 36.65	2010	905,000	905,000	2009	01/03/2012	27/12/2019	CHF 40.00
		23,626	2003	01/03/2004	31/01/2013	CHF 27.81	<b>Ulrich Körner, Group Chief Operating Officer and CEO Corporate Center</b>						
		23,620	2003	01/03/2005	31/01/2013	CHF 27.81	2011	0					
		23,612	2003	01/03/2006	31/01/2013	CHF 27.81	2010	0					
		5,526	2003	01/03/2004	28/02/2013	CHF 26.39	<b>Philip J. Lofts, Group Chief Risk Officer</b>						
		5,524	2003	01/03/2005	28/02/2013	CHF 26.39	2011	577,723	11,445	2002	31/01/2003	31/01/2012	CHF 36.49
		5,524	2003	01/03/2006	28/02/2013	CHF 26.39			11,104	2002	31/01/2004	31/01/2012	CHF 36.49
		17,072	2004	01/03/2005	27/02/2014	CHF 44.32			11,098	2002	31/01/2005	31/01/2012	CHF 36.49
		17,068	2004	01/03/2006	27/02/2014	CHF 44.32			1,240	2002	28/02/2003	28/02/2012	CHF 36.65
		17,063	2004	01/03/2007	27/02/2014	CHF 44.32			5,464	2002	28/02/2004	28/02/2012	CHF 36.65
		14,210	2005	01/03/2006	28/02/2015	CHF 47.58			1,199	2002	28/02/2005	28/02/2012	CHF 36.65
		14,210	2005	01/03/2007	28/02/2015	CHF 47.58			9,985	2003	01/03/2004	31/01/2013	CHF 27.81
		14,207	2005	01/03/2008	28/02/2015	CHF 47.58			9,980	2003	01/03/2005	31/01/2013	CHF 27.81
		5,330	2006	01/03/2007	28/02/2016	CHF 65.97			9,974	2003	01/03/2006	31/01/2013	CHF 27.81
		5,328	2006	01/03/2008	28/02/2016	CHF 65.97			1,833	2003	01/03/2004	28/02/2013	CHF 26.39
		5,326	2006	01/03/2009	28/02/2016	CHF 65.97			1,830	2003	01/03/2005	28/02/2013	CHF 26.39
		17,762	2007	01/03/2008	28/02/2017	CHF 67.00			1,830	2003	01/03/2006	28/02/2013	CHF 26.39
		17,762	2007	01/03/2009	28/02/2017	CHF 67.00			35,524	2004	01/03/2005	27/02/2014	CHF 44.32
		17,760	2007	01/03/2010	28/02/2017	CHF 67.00			35,524	2004	01/03/2006	27/02/2014	CHF 44.32
		53,285	2008	01/03/2011	28/02/2018	CHF 32.45			35,521	2004	01/03/2007	27/02/2014	CHF 44.32
<b>Markus U. Diethelm, Group General Counsel</b>									117,090	2005	01/03/2008	28/02/2015	CHF 52.32
2011	0								117,227	2006	01/03/2009	28/02/2016	CHF 72.57
2010	0								85,256	2007	01/03/2010	28/02/2017	CHF 73.67
<b>John A. Fraser, Chairman and CEO Global Asset Management</b>									74,599	2008	01/03/2011	28/02/2018	CHF 35.66
2011	1,088,795	76,380	2002	31/01/2005	31/01/2012	USD 21.24	2010	577,723	11,445	2002	31/01/2003	31/01/2012	CHF 36.49
		127,884	2002	28/06/2005	28/06/2012	CHF 37.90			11,104	2002	31/01/2004	31/01/2012	CHF 36.49
		127,884	2003	31/01/2006	31/01/2013	USD 22.53			11,098	2002	31/01/2005	31/01/2012	CHF 36.49
		170,512	2004	01/03/2007	27/02/2014	USD 38.13			1,240	2002	28/02/2003	28/02/2012	CHF 36.65
		202,483	2005	01/03/2008	28/02/2015	USD 44.81			5,464	2002	28/02/2004	28/02/2012	CHF 36.65
		213,140	2006	01/03/2009	28/02/2016	CHF 72.57			1,199	2002	28/02/2005	28/02/2012	CHF 36.65
		170,512	2007	01/03/2010	28/02/2017	CHF 73.67							

<sup>1</sup> This table includes all options of GEB members, including related parties. <sup>2</sup> No conversion rights are outstanding. <sup>3</sup> Refer to "Note 30 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2011 for more information. <sup>4</sup> GEB members who stepped down during 2011.

**Vested and unvested options of GEB members on 31 December 2010/2011<sup>1</sup> (continued)**

Audited															
For the year	Total number of options <sup>2</sup>	Number of options <sup>3</sup>	Year of grant	Vesting date	Expiry date	Strike price	For the year	Total number of options <sup>2</sup>	Number of options <sup>3</sup>	Year of grant	Vesting date	Expiry date	Strike price		
<b>Philip J. Lofts, Group Chief Risk Officer (continued)</b>							<b>Alexander Wilmot-Sitwell, co-Chairman and co-CEO Group Asia Pacific (cont.)</b>								
		9,985	2003	01/03/2004	31/01/2013	CHF 27.81			35,524	2006	01/03/2008	28/02/2016	CHF 65.97		
		9,980	2003	01/03/2005	31/01/2013	CHF 27.81			35,521	2006	01/03/2009	28/02/2016	CHF 65.97		
		9,974	2003	01/03/2006	31/01/2013	CHF 27.81			106,570	2007	01/03/2010	28/02/2017	CHF 73.67		
		1,833	2003	01/03/2004	28/02/2013	CHF 26.39			85,256	2008	01/03/2011	28/02/2018	CHF 35.66		
		1,830	2003	01/03/2005	28/02/2013	CHF 26.39									
		1,830	2003	01/03/2006	28/02/2013	CHF 26.39									
		35,524	2004	01/03/2005	27/02/2014	CHF 44.32									
		35,524	2004	01/03/2006	27/02/2014	CHF 44.32									
		35,521	2004	01/03/2007	27/02/2014	CHF 44.32									
		117,090	2005	01/03/2008	28/02/2015	CHF 52.32									
		117,227	2006	01/03/2009	28/02/2016	CHF 72.57									
		85,256	2007	01/03/2010	28/02/2017	CHF 73.67									
		74,599	2008	01/03/2011	28/02/2018	CHF 35.66									
<b>Robert J. McCann, CEO Wealth Management Americas</b>							<b>Robert Wolf, former Chairman and CEO, UBS Group Americas / President Investment Bank</b>								
2011	0						2011	–							
2010	0						2010	948,473	287,739	2003	31/01/2006	31/01/2013	USD 22.53		
<b>Maureen Miskovic, former Group Chief Risk Officer<sup>4</sup></b>							<b>Chi-Won Yoon, co-Chairman and co-CEO Group Asia Pacific</b>								
2011	–						2011	623,253	11,577	2002	31/01/2002	31/01/2012	USD 21.24		
2010	–								11,229	2002	31/01/2004	31/01/2012	USD 21.24		
<b>Tom Naratil, Group Chief Financial Officer</b>															
2011	1,046,122	35,524	2002	31/01/2003	31/01/2012	USD 21.24			11,227	2002	31/01/2005	31/01/2012	USD 21.24		
		35,524	2002	31/01/2004	31/01/2012	USD 21.24			2,252	2002	28/02/2002	28/02/2012	USD 21.70		
		35,521	2002	31/01/2005	31/01/2012	USD 21.24			6,446	2002	29/02/2004	28/02/2012	USD 21.70		
		4,262	2002	29/02/2004	28/02/2012	USD 21.70			2,184	2002	28/02/2005	28/02/2012	USD 21.70		
		63,942	2003	31/01/2006	31/01/2013	USD 22.53			8,648	2003	01/03/2004	31/01/2013	USD 20.49		
		4,262	2003	28/02/2005	28/02/2013	USD 19.53			8,642	2003	01/03/2005	31/01/2013	USD 20.49		
		145,962	2004	01/03/2007	27/02/2014	USD 38.13			8,635	2003	01/03/2006	31/01/2013	USD 20.49		
		166,010	2005	01/03/2008	28/02/2015	USD 44.81			4,262	2003	28/02/2005	28/02/2013	USD 19.53		
		142,198	2006	01/03/2009	28/02/2016	CHF 72.57			3,374	2003	01/03/2004	28/02/2013	USD 19.53		
		131,277	2007	01/03/2010	28/02/2017	CHF 73.67			3,371	2003	01/03/2005	28/02/2013	USD 19.53		
		181,640	2008	01/03/2011	28/02/2018	CHF 35.66			3,371	2003	01/03/2006	28/02/2013	USD 19.53		
		100,000	2009	01/03/2012	27/02/2019	CHF 11.35			6,200	2004	01/03/2005	27/02/2014	CHF 44.32		
2010	–								4,262	2004	27/02/2006	27/02/2014	CHF 44.32		
<b>Alexander Wilmot-Sitwell, co-Chairman and co-CEO Group Asia Pacific</b>							<b>Chi-Won Yoon, co-Chairman and co-CEO Group Asia Pacific</b>								
2011	353,807	53,282	2005	01/03/2008	28/02/2015	CHF 47.58			6,198	2004	01/03/2006	27/02/2014	CHF 44.32		
		2,130	2005	04/03/2007	04/03/2015	CHF 47.89			6,195	2004	01/03/2007	27/02/2014	CHF 44.32		
		35,524	2006	01/03/2007	28/02/2016	CHF 65.97			6,959	2004	01/03/2007	27/02/2014	CHF 44.32		
		35,524	2006	01/03/2008	28/02/2016	CHF 65.97			10,659	2005	01/03/2006	28/02/2015	CHF 47.58		
		35,521	2006	01/03/2009	28/02/2016	CHF 65.97			10,657	2005	01/03/2007	28/02/2015	CHF 47.58		
		106,570	2007	01/03/2010	28/02/2017	CHF 73.67			10,654	2005	01/03/2008	28/02/2015	CHF 47.58		
		85,256	2008	01/03/2011	28/02/2018	CHF 35.66			21,316	2006	01/03/2007	28/02/2016	CHF 65.97		
2010	353,807	53,282	2005	01/03/2008	28/02/2015	CHF 47.58			21,314	2006	01/03/2008	28/02/2016	CHF 65.97		
		2,130	2005	04/03/2007	04/03/2015	CHF 47.89			21,311	2006	01/03/2009	28/02/2016	CHF 65.97		
		35,524	2006	01/03/2007	28/02/2016	CHF 65.97			8,881	2007	01/03/2008	28/02/2017	CHF 67.00		
		35,524	2006	01/03/2008	28/02/2016	CHF 65.97			8,880	2007	01/03/2009	28/02/2017	CHF 67.00		
		35,521	2006	01/03/2009	28/02/2016	CHF 65.97			8,880	2007	01/03/2010	28/02/2017	CHF 67.00		
		106,570	2007	01/03/2010	28/02/2017	CHF 73.67			42,628	2008	01/03/2011	28/02/2018	CHF 32.45		
		85,256	2008	01/03/2011	28/02/2018	CHF 35.66			350,000	2009	01/03/2012	27/02/2019	CHF 11.35		
2010	353,807	53,282	2005	01/03/2008	28/02/2015	CHF 47.58			2010	623,253	11,577	2002	31/01/2002	31/01/2012	USD 21.24
		2,130	2005	04/03/2007	04/03/2015	CHF 47.89									
		35,524	2006	01/03/2007	28/02/2016	CHF 65.97									
		35,524	2006	01/03/2008	28/02/2016	CHF 65.97									
		2,252	2002	28/02/2002	28/02/2012	USD 21.70									

<sup>1</sup> This table includes all options of GEB members, including related parties. <sup>2</sup> No conversion rights are outstanding. <sup>3</sup> Refer to "Note 30 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2011 for more information. <sup>4</sup> GEB members who stepped down during 2011.



Vested and unvested options of GEB members on 31 December 2010/2011<sup>1</sup> (continued)

For the year	Total number of options <sup>2</sup>	Number of options <sup>3</sup>	Year of grant	Vesting date	Expiry date	Strike price	For the year	Total number of options <sup>2</sup>	Number of options <sup>3</sup>	Year of grant	Vesting date	Expiry date	Strike price
<b>Chi-Won Yoon, co-Chairman and co-CEO Group Asia Pacific (continued)</b>							<b>Jürg Zeltner, CEO UBS Wealth Management and co-CEO Wealth Management &amp; Swiss Bank (continued)</b>						
	6,446	2002	29/02/2004	28/02/2012	USD 21.70				7,106	2006	01/03/2007	28/02/2016	CHF 65.97
	2,184	2002	28/02/2005	28/02/2012	USD 21.70				7,103	2006	01/03/2008	28/02/2016	CHF 65.97
	8,648	2003	01/03/2004	31/01/2013	USD 20.49				7,103	2006	01/03/2009	28/02/2016	CHF 65.97
	8,642	2003	01/03/2005	31/01/2013	USD 20.49				110	2006	03/03/2008	03/03/2016	CHF 65.91
	8,635	2003	01/03/2006	31/01/2013	USD 20.49				242	2006	09/06/2008	09/06/2016	CHF 61.84
	4,262	2003	28/02/2005	28/02/2013	USD 19.53				230	2006	08/09/2008	08/09/2016	CHF 65.76
	3,374	2003	01/03/2004	28/02/2013	USD 19.53				221	2006	08/12/2008	08/12/2016	CHF 67.63
	3,371	2003	01/03/2005	28/02/2013	USD 19.53				7,105	2007	01/03/2008	28/02/2017	CHF 67.00
	3,371	2003	01/03/2006	28/02/2013	USD 19.53				7,105	2007	01/03/2009	28/02/2017	CHF 67.00
	6,200	2004	01/03/2005	27/02/2014	CHF 44.32				7,103	2007	01/03/2010	28/02/2017	CHF 67.00
	4,262	2004	27/02/2006	27/02/2014	CHF 44.32				223	2007	02/03/2009	02/03/2017	CHF 67.08
	6,198	2004	01/03/2006	27/02/2014	CHF 44.32				42,628	2008	01/03/2011	28/02/2018	CHF 35.66
	6,195	2004	01/03/2007	27/02/2014	CHF 44.32				90,000	2009	01/03/2012	27/02/2019	CHF 11.35
	10,659	2005	01/03/2006	28/02/2015	CHF 47.58				809	2002	31/01/2003	31/01/2012	CHF 36.49
	10,657	2005	01/03/2007	28/02/2015	CHF 47.58		2010	205,470	784	2002	31/01/2004	31/01/2012	CHF 36.49
	10,654	2005	01/03/2008	28/02/2015	CHF 47.58				784	2002	31/01/2005	31/01/2012	CHF 36.49
	21,316	2006	01/03/2007	28/02/2016	CHF 65.97				4,972	2004	01/03/2007	27/02/2014	CHF 44.32
	21,314	2006	01/03/2008	28/02/2016	CHF 65.97				7,106	2005	01/03/2006	28/02/2015	CHF 47.58
	21,311	2006	01/03/2009	28/02/2016	CHF 65.97				7,103	2005	01/03/2007	28/02/2015	CHF 47.58
	8,881	2007	01/03/2008	28/02/2017	CHF 67.00				7,103	2005	01/03/2008	28/02/2015	CHF 47.58
	8,880	2007	01/03/2009	28/02/2017	CHF 67.00				93	2005	04/03/2007	04/03/2015	CHF 47.89
	8,880	2007	01/03/2010	28/02/2017	CHF 67.00				161	2005	06/06/2007	06/06/2015	CHF 45.97
	42,628	2008	01/03/2011	28/02/2018	CHF 32.45				149	2005	09/09/2007	09/09/2015	CHF 50.47
	350,000	2009	01/03/2012	27/02/2019	CHF 11.35				127	2005	05/12/2007	05/12/2015	CHF 59.03
<b>Jürg Zeltner, CEO UBS Wealth Management and co-CEO Wealth Management &amp; Swiss Bank</b>													
2011	205,470	809	2002	31/01/2003	31/01/2012	CHF 36.49			7,106	2006	01/03/2007	28/02/2016	CHF 65.97
		784	2002	31/01/2004	31/01/2012	CHF 36.49			7,103	2006	01/03/2008	28/02/2016	CHF 65.97
		784	2002	31/01/2005	31/01/2012	CHF 36.49			110	2006	03/03/2008	03/03/2016	CHF 65.91
		4,972	2004	01/03/2007	27/02/2014	CHF 44.32			242	2006	09/06/2008	09/06/2016	CHF 61.84
		7,106	2005	01/03/2006	28/02/2015	CHF 47.58			230	2006	08/09/2008	08/09/2016	CHF 65.76
		7,103	2005	01/03/2007	28/02/2015	CHF 47.58			221	2006	08/12/2008	08/12/2016	CHF 67.63
		7,103	2005	01/03/2008	28/02/2015	CHF 47.58			7,105	2007	01/03/2008	28/02/2017	CHF 67.00
		93	2005	04/03/2007	04/03/2015	CHF 47.89			7,105	2007	01/03/2009	28/02/2017	CHF 67.00
		161	2005	06/06/2007	06/06/2015	CHF 45.97			7,103	2007	01/03/2010	28/02/2017	CHF 67.00
		149	2005	09/09/2007	09/09/2015	CHF 50.47			223	2007	02/03/2009	02/03/2017	CHF 67.08
		127	2005	05/12/2007	05/12/2015	CHF 59.03			42,628	2008	01/03/2011	28/02/2018	CHF 35.66
									90,000	2009	01/03/2012	27/02/2019	CHF 11.35

<sup>1</sup> This table includes all options of GEB members, including related parties. <sup>2</sup> No conversion rights are outstanding. <sup>3</sup> Refer to "Note 30 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2011 for more information. <sup>4</sup> GEB members who stepped down during 2011.

**Loans granted to GEB members on 31 December 2010 / 2011<sup>1</sup>**CHF, except where indicated<sup>a</sup>

Name, function	For the year	Loans <sup>2</sup>
Jürg Zeltner, CEO UBS Wealth Management, co-CEO of Wealth Management & Swiss Bank <sup>3</sup>	2011	5,387,500
Jürg Zeltner, CEO UBS Wealth Management, co-CEO of Wealth Management & Swiss Bank <sup>3</sup>	2010	5,739,862
Aggregate of all GEB members	2011	17,539,601 <sup>4</sup>
	2010	20,696,569

<sup>1</sup> No loans have been granted to related parties of the GEB members at conditions not customary in the market. <sup>2</sup> All loans granted are secured loans, except for CHF 45,435 in 2011. <sup>3</sup> GEB member with the highest loan granted. <sup>4</sup> Includes a loan of CHF 3.3 million that will be forgiven in three equal installments over the next three years, subject to the GEB member's continued full-time employment with UBS and his performance being satisfactory and commensurate with his responsibilities.

**Loans granted to BoD members on 31 December 2010 / 2011<sup>1</sup>**CHF, except where indicated<sup>a</sup>

Name, function	For the year	Loans <sup>2</sup>
Kaspar Villiger, Chairman	2011	0
	2010	0
Michel Demaré, Vice Chairman	2011	850,000
	2010	850,000
David Sidwell, Senior Independent Director	2011	0
	2010	0
Sally Bott, former member <sup>3</sup>	2011	–
	2010	0
Rainer-Marc Frey, member	2011	0
	2010	0
Bruno Gehrig, member <sup>4</sup>	2011	798,000
	2010	798,000
Ann F. Godbehere, member	2011	0
	2010	0
Axel P. Lehmann, member	2011	0
	2010	0
Wolfgang Mayrhuber, member	2011	0
	2010	0
Helmut Panke, member	2011	0
	2010	0
William G. Parrett, member	2011	0
	2010	0
Joseph Yam, member	2011	0
	2010	–
Aggregate of all BoD members	2011	1,648,000
	2010	1,648,000

<sup>1</sup> No loans have been granted to related parties of the BoD members at conditions not customary in the market. <sup>2</sup> All loans granted are secured loans. <sup>3</sup> Sally Bott stepped down on 11 February 2011 as BoD member. <sup>4</sup> Secured loan granted prior to his election to the BoD.

# List of key terms in the compensation report

**Blocked share** – UBS share restricted from sale, transfer or other means of disposal.

**Bonus pool** – Total amount of bonus granted to all employees in the Group, a business division or a business area in a given year.

**Compensation plan** – Any compensation plan or program in which UBS employees (including members of the Group Executive Board) participate (other than pension and benefit plans), including equity compensation plans, cash compensation plans and local and business-specific compensation plans.

**Deferral** – Describes situation where awards that have been granted are paid out at a later date rather than immediately, and where such payment is subject to certain restrictions or the fulfillment of certain performance conditions.

**Ex-post explicit adjustment** – An adjustment to the value of invested awards that occurs as a result of forfeitures during the vesting period.

**Ex-post implicit adjustment** – An adjustment to the value of invested awards that occurs as a result of UBS share price movements during the deferral period.

**Forfeiture** – Loss of an employee's right to an award as a consequence of breaching certain terms under UBS compensation plans.

**Harmful acts** – Acts committed by employees during the vesting period which are contrary to the firm's interests and may lead to the forfeiture of unvested awards.

**Incident & Consequences process** – Internal disciplinary process that reviews decisions regarding financial and non-financial measures to be taken against employees as a result of their poor performance, inappropriate behavior or violation of controls or policies.

**Key risk-takers** – Individuals at the firm, who by the nature of their role, have been determined to be able to materially set, commit or control significant amounts of the firm's resources and/or exert significant influence over its risk profile.

**Performance condition** – Condition included in deferred variable compensation plans that makes vesting of awards dependent on a certain level of performance being achieved.

**Performance share** – Share granted under the Performance Equity Plan. The number of UBS shares delivered at vesting is determined at the end of a three-year period based on the level of performance achieved as measured by economic profit and total shareholder return.

**Total Reward Principles** – Core principles that specify how UBS structures its compensation and compensation funding.

**Vesting** – The point at which awards cease to be subject to forfeiture.

# Information sources

## Reporting publications

### Annual publications

*Annual report (SAP no. 80531)*: Published in both English and German, this single volume report provides a description of: our UBS Group strategy and performance; the strategy and performance of the business divisions and the Corporate Center; risk, treasury and capital management; corporate governance, responsibility and senior management and Board of Directors compensation; and financial information, including the financial statements. *Review (SAP no. 80530)*: The booklet contains key information on our strategy and financials. It is published in English, German, French and Italian. *Compensation Report (SAP no. 82307)*: The report discusses compensation for senior management and the Board of Directors (non-independent and independent). It is published in English and German.

### Quarterly publications:

*Letter to shareholders*: The letter provides a quarterly update from executive management on our strategy and performance. The letter is published in English, German, French and Italian. *Financial report (SAP no. 80834)*: The quarterly financial report provides an update on our strategy and performance for the respective quarter. It is published in English.

### How to order reports:

The annual and quarterly publications are available in PDF format on the internet at [www.ubs.com/investors](http://www.ubs.com/investors) in the "Financial information" section. Printed copies can be ordered from the same website by accessing the "Order print publications" panel on the left-hand side of the screen. Alternatively, they can be ordered by quoting the SAP number and the language preference where applicable, from UBS AG, F4UK-AUL, P.O. Box, CH-8098 Zurich, Switzerland.

## Other information

### Website

The "Investor Relations" website at [www.ubs.com/investors](http://www.ubs.com/investors) provides the following information on UBS: press releases; financial information (including results-related filings with the US Securities and Exchange Commission); corporate information, including UBS share price charts and data and dividend information; the UBS corporate calendar; and presentations by management for investors and financial analysts. Information on the internet is available in English and German.

### Result presentations:

Our quarterly results presentations are webcast live. A playback of most presentations is downloadable at [www.ubs.com/presentations](http://www.ubs.com/presentations).

### Messaging service / UBS news alert:

On the [www.ubs.com/newsalerts](http://www.ubs.com/newsalerts) website, it is possible to subscribe to receive news alerts about UBS via SMS or e-mail. Messages are sent in English, German, French or Italian and it is possible to state theme preferences for the alerts received.

### Form 20-F and other submissions to the US Securities and Exchange Commission:

We file periodic reports and submit other information about UBS to the US Securities and Exchange Commission (SEC). Principal among these filings is the annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934. The filing of Form 20-F is structured as a "wrap-around" document. Most sections of the filing can be satisfied by referring to parts of the annual report. However, there is a small amount of additional information in Form 20-F which is not presented elsewhere, and is particularly targeted at readers in the US. Readers are encouraged to refer to this additional disclosure. Any document that we file with the SEC is available to read and copy on the SEC's website, [www.sec.gov](http://www.sec.gov), or at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, DC, 20549. Please call the SEC by dialing +1-800-SEC-0330 for further information on the operation of its public reference room. Please visit <http://www.ubs.com/investors> for more information.

## Corporate information

The legal and commercial name of the company is UBS AG. The company was formed on 29 June 1998, when Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872) merged to form UBS.

UBS AG is incorporated and domiciled in Switzerland and operates under Swiss Company Law and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

The addresses and telephone numbers of our two registered offices are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, phone +41-44-234 11 11; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, phone +41-61-288 50 50.

UBS AG shares are currently listed on the SIX Swiss Exchange and the New York Stock Exchange.

## Contacts

### Switchboards

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### Investor Relations

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### Media Relations

UBS's Media Relations team supports global media and journalists from offices in Zurich, London, New York and Hong Kong.

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### Office of the Company Secretary

The Company Secretary receives queries on compensation and related issues addressed to members of the Board of Directors.

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### Shareholder Services

UBS's Shareholder Services team, a unit of the Company Secretary office, is responsible for the registration of the global registered shares.

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Calls from the US +866-541 9689  
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## Corporate calendar

Publication of first quarter 2012 results  
Wednesday, 2 May 2012

Annual General Meeting  
Thursday, 3 May 2012

Publication of second quarter 2012 results  
Tuesday, 31 July 2012

Publication of third quarter 2012 results  
Tuesday, 30 October 2012

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