

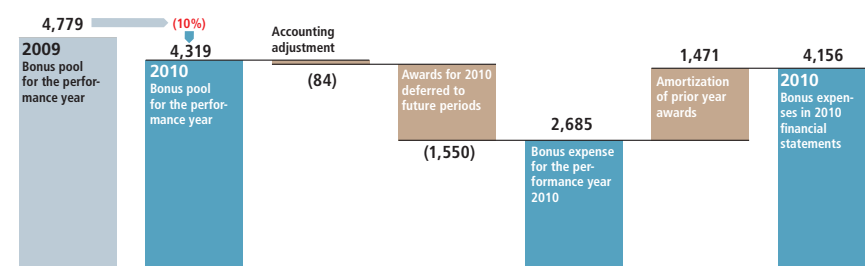
Bonus pool and compensation model for 2010

Bonus pool 10% lower

The Board of Directors has approved a total UBS bonus pool of CHF 4,319 million for the 2010 financial year. This is 10% lower than the bonus pool of CHF 4,779 million in 2009. Of the total bonus pool for 2010, CHF 1,550 million will be deferred to future years. The key factors in determining UBS's bonus pool are risk-adjusted profits, general market competitiveness and the firm's performance relative to the industry. As disclosed, UBS's performance reflected an improvement of CHF 10 billion, with 2010 net profit attributable to shareholders of CHF 7,161 million compared with a loss of CHF 2,736 million a year earlier.

Bonus pool for the performance year 2010 and bonus expense

CHF million



The compensation model for 2010

UBS is committed to rewarding employees for sustainable performance. In order to align employee incentives with the interests of UBS's shareholders, significant deferrals of equity bonuses are a central feature of UBS's compensation model. These awards have strict forfeiture rules that enable UBS to forfeit or reduce unvested awards when employees behave in a way that results in financial, reputational or other harm to the bank. They are also deferred for three to five years, with those awarded to senior management subject to the fulfilment of specific performance conditions. UBS's compensation model has been refined in conjunction with shareholder representatives and takes into account the guidance of FINMA and the major international bank regulators.

→ More details on the next page

Key aspects of the model in 2010

High levels of deferred bonuses for Group Executive Board (GEB) members

Seventy-six percent of a GEB member's bonus, including 60% in equity (under the 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 fulfilment of specific performance conditions. A maximum of 24% in cash (under the CBP) is paid out immediately, subject to a cap of CHF/USD 2 million.

Sixty percent bonus deferrals

Above total compensation (that is, base salary and bonus) of CHF/USD 250,000, all employees will receive at least 60% of their bonus in shares deferred over three years under the Equity Ownership Plan (EOP). In addition, a number of employees in the Investment Bank will be subject to higher levels of deferrals. All deferred awards are subject to strict provisions that enable the bank to reduce or forfeit awards if an employee behaves in a way that contributes or leads to financial, reputational or other harm to UBS.

Performance condition for equity awards

Like the vesting of equity awards to GEB members, the vesting of equity awards to certain categories of employees is subject to the fulfilment of specific performance conditions. This group comprises key risk takers and controllers, around 200 individuals who can materially commit, execute or control the bank's resources and/or exert significant influence over UBS's risk profile. Also subject to this requirement are Group Managing Directors (GMDs) and employees with total annual bonuses exceeding CHF/USD 2 million. Deferred awards granted to each employee in one of these groups will only vest in full if the employee's business division is profitable (for Corporate Center employees, the Group as a whole needs to be profitable).

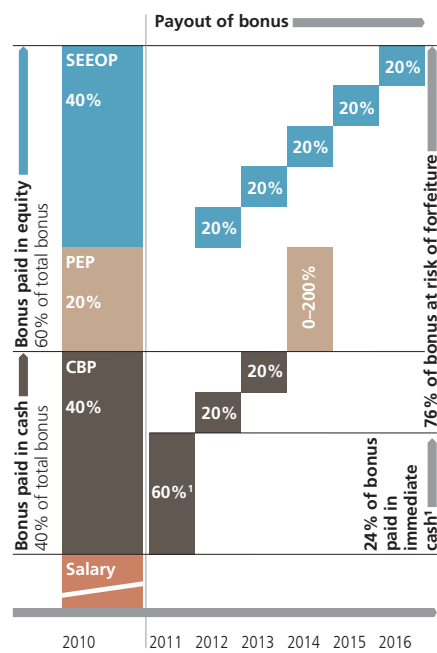
Reduction of leverage – The use of leverage in equity awards has been significantly reduced for all GEB members, and eliminated for all remaining employees. IPP, a one-time equity plan, has been discontinued.

→ More details about UBS's compensation model will be provided in the Compensation Report 2010, which will be published as part of the Annual Report 2010 in March 2011

2010 compensation framework for GEB members

40% of a GEB member's annual bonus is paid in cash, 60% in equity. 76% of a GEB member's bonus is deferred.

Illustrative example



¹ Subject to cash cap of CHF/USD 2 million.

SEEOP – Senior Executive Equity Ownership Plan
 PEP – Performance Equity Plan
 CBP – Cash Balance Plan

The features described apply globally to compensation for the performance year 2010, though the terms of awards may vary in certain locations due to local requirements.