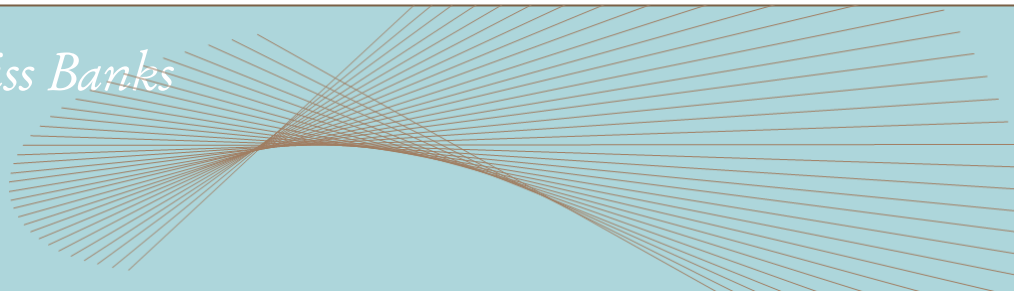


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Bonus Index Swiss Banks

2009
July 25, 2010



About the Bonus Index

The Obermatt Bonus Index provides recommended levels of executive bonuses based on indexing operating performance. This rewards true operating performance only – free from external factors which distort most bonus plans.

The Bonus Index is a fair and motivational solution for executives. Even in a recession, out-performers can be rewarded with high bonuses. It is also fair for shareholders as it is objective and provided by an independent third party and – in the long term – rewards sustainable management practices only.

The Obermatt Bonus Index measures a company or division of a company relative to a customized peer group. Actual period performance is compared to the corresponding period in the previous year (year-over-year comparison) in a percentile rank calculation. This percentile rank is converted into a Bonus Rating and a Bonus Multiplier to assess deserved variable executive compensation.

The Bonus Index is provided free of charge to shareholder proxy advisories, institutional investors and the media. Customers get quarterly updates on the Obermatt Bonus Index. List of references: obermatt.com/references/

How to use the results

Obermatt recommends using the Bonus Index for those variable executive compensation components that are based on financial performance.

Obermatt recommends complementing the Bonus Index with a bonus that is based on a subjective, personal assessment of performance.

A long-term sustainable compensation package for executives and key people should also include a significant portion of long-term blocked company stock.

In exceptional situations, e.g. restructuring, bankruptcy avoidance and large acquisitions, the Obermatt Bonus Index requires additional interpretation support from Obermatt which is available upon request.



Thomas Werder
thomas.werder@
obermatt.com



Daniel Wiederkehr
daniel.wiederkehr@
obermatt.com

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I. Executive Summary

Only available in German (see German report)

II. Method

1 Purpose

The purpose of the Obermatt Bonus Index is to calculate deserved bonuses based on indexed operating performance for public companies and their significant divisions (business segments). Indexed bonuses have the advantage that they pay appropriate bonuses that are neither too high nor too low. Traditional non-indexed bonus plans typically pay excessively high bonuses in up-cycles and bonuses that are too low in downturns. Indexed bonuses avoid this by assessing performance relative to peers, thereby measuring true operating performance only, not the economy's performance (external factors such as business cycles, resource price changes, customer demand or market sentiment at the stock exchanges etc.).

This is why indexed bonuses stay fairer for executives and fairer for shareholders even in strong up or down-cycles. Indexed bonuses do not need pre-negotiated financial targets. Therefore, they can be assessed outside-in by the objectively derived independent Obermatt Bonus Index. Indexed bonuses for assessed companies or divisions are determined in a three stage process:

1. The Obermatt proprietary search algorithm selects a peer universe of comparable companies which defines the relevant market of the assessed company.
2. Obermatt determines the actual performance of the assessed company as Operating Rank.
3. Based on the achieved Operating Rank, Obermatt calculates the deserved bonus as a Bonus Rating and a Bonus Multiplier.

2 Definition of the Peer Universe

Selecting the appropriate peer universe for indexing operating performance is paramount to the Bonus Index results. The Obermatt proprietary search algorithm for peer universes involves selecting companies which are in the same line of business or are subject to the same economic cycles as the rated company or division. This includes, but is not limited to, direct product competitors. For statistical purposes, peer universes ideally comprise between 50 and 100 companies. However, in some cases the number of peers can divert from this range.

For Obermatt Bonus Index customers, Obermatt individually reviews relevant peers and measures cycle correlation on additional historic data. Obermatt customers have full transparency of the Peer Universe and the financial data used for calculating their Bonus Index. Obermatt guarantees that the Bonus Index result of its customers has been provided under the **Obermatt Bonus Index Declaration of Independence**.

More information can be found on obermatt.com/knowledge/indexing/tools/peer-universe/ and regarding the declaration of independence on obermatt.com/bonus-index/independence/.

3 Operating Rank

Operating Rank shows the operating performance on any financial metric of a company against those metrics of all peer companies in a percentile rank calculation. Operating Rank is calculated using actual historic metrics or deltas of those metrics from one period to the next. Operating Rank is part of Obermatt's indexed operating performance approach to indexed performance management and investing. For the Obermatt Bonus Index, Operating Rank is calculated on delta values from one year to another. For Obermatt Bonus Index customers, Operating Rank is provided on year-to-date metric values (first quarter, first half year, nine month and full year).

More information can be found at obermatt.com/knowledge/indexing/tools/operating-rank/.

4 Performance Metric

For the Bonus Index, actual performance is based on organic EBITDA, or EBIT where EBITDA is not available. For financial institutions, EBITDA is replaced by Operating Income. Organic EBITDA (or organic Operating Income, not separately mentioned thereafter) is free from extraordinary effects, such as mergers and acquisitions activity and restructuring. Obermatt uses organic EBITDA as reported by the Thomson Reuters Worldscope database. This database adjusts for non-operating activities such as sales of divisions, one-off depreciation, restructuring costs and other special items. To further increase the quality and reliability of the Bonus Index, financial data of all rated companies were manually verified and, if necessary, adjusted. For Obermatt Bonus Index customers, other financial metrics such as Delta Economic Profit or Sales Growth may be used in the Bonus Index. In such situations, peer data may not be derived from the Thomson Reuters Worldscope database but is compiled manually by Obermatt instead.

Obermatt indexes EBITDA (or EBIT or Operating Income) by calculating the Operating Rank of *Delta EBITDA*. This value is standardized by Sales or Invested Capital to make peers of different size comparable ($\Delta EBITDA ./.$ Sales or $\Delta EBITDA ./.$ Invested Capital). This figure is robust against influences by accounting decisions and not affected by base level effects of EBITDA and thus works for negative EBITDA levels as well. Increasing this metric always increases the theoretical enterprise value in the long term. Therefore, management can maximize this value in the long term because more EBITDA in the long term is always more valuable than less. This is not the case for other financial ratios such as margins (EBIT Margin) or returns (RONOA, ROCE, etc.). For financial institutions, the Sales standardization is replaced by Average Equity standardization.

5 Bonus Rating

The Operating Rank for a rated company is converted into a Bonus Rating using the following table:

Rank	Rating	Description	Rank	Rating	Description
90-100%	H+	High Bonus	40-60%	M-	Median Bonus
80-90%	H	High Bonus	30-40%	B	Below Average Bonus
70-80%	A+	Above Average Bonus	20-30%	B-	Below Average Bonus
60-70%	A	Above Average Bonus	10-20%	L	Low Bonus
50-60%	M	Median Bonus	0-10%	L-	Low Bonus

The Bonus Rating is used to assess an actual bonus payment. In Banks, it is used to assess the size of the bonus pool of a company. Such assessments are provided by proxy advisors, institutional investors and board of directors.

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6 Bonus Multiplier

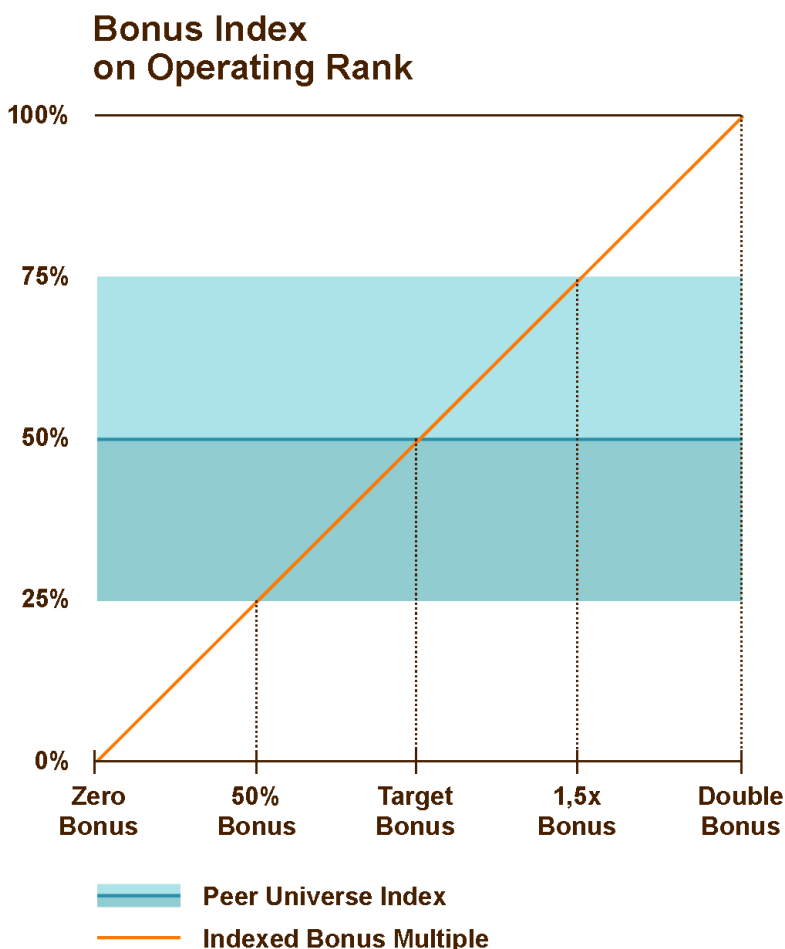
In order to calculate exact deserved bonus levels for the assessed period, the Obermatt Bonus Index provides the Bonus Multiplier. The Obermatt Bonus Multiplier is the factor by which market-typical or market-average individual bonus levels are multiplied to obtain the actually deserved indexed bonus for a certain period. For instance, if the market typical bonus for the assessed function is \$100,000 and the Obermatt Bonus Multiplier is 1.2, the deserved actual bonus is \$120,000 (1.2 times \$100,000).

The Bonus Index uses the following formula for calculating the Bonus Multiplier.

$$\text{Bonus Multiplier} = 2 * \text{Operating Rank}$$

This bonus formula pays no bonus for the worst performance, average or expected (1.0 x bonus) bonuses when the Operating Rank is 50%, and 2.0 times bonus when the Operating Rank is 100%.

Bonus Index customers may replace this formula with another previously agreed formula depending on their strategic goals and their compensation philosophy. For instance, a growth focused company may pay 100% bonus at an Operating Rank of 75%. Another company that pays bonuses only for outperformance might decide not to allocate a bonus below an Operating Rank of 50%. The bonus formula is typically determined by the board of directors at the beginning of the performance measurement period. The following graph illustrates how Operating Rank is converted into Bonus Multipliers:



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III. Bonus Index Swiss Banks – Full Year 2009

1 Sorted by Bonus Multiplier

	Bonus Rating	Bonus Multiplier	Company Name	Ranked by Metric	Metric Value	Operating Index	Operating Alpha	Operating Rank	Number of Peers
High Bonus	H+	2.0	Postfinance	Operating Income	34.4%	0.7%	33.7%	100%	35
	H+	1.9	Banque Cantonale de Genève	Operating Income	2.6%	0.7%	1.8%	97%	35
	H+	1.9	Basler Kantonalbank	Operating Income	2.4%	0.7%	1.7%	94%	35
	H+	1.8	Migrosbank	Operating Income	1.8%	0.7%	1.1%	91%	35
	H	1.8	Banque Cantonale Vaudoise	Operating Income	1.3%	0.7%	0.6%	88%	35
	H	1.7	Basellandschaftliche Kantonalbank	Operating Income	1.3%	0.7%	0.6%	85%	35
	H	1.6	Aargauer Kantonalbank	Operating Income	1.3%	0.7%	0.5%	82%	35
Above Average Bonus	A+	1.6	Graubündner Kantonalbank	Operating Income	1.3%	0.7%	0.5%	79%	35
	A+	1.5	Walliser Kantonalbank	Operating Income	1.2%	0.7%	0.5%	76%	35
	A+	1.5	Credit Suisse	Operating Income	6.2%	0.8%	5.4%	74%	39
	A+	1.5	Schwyzner Kantonalbank	Operating Income	1.2%	0.7%	0.5%	73%	35
	A+	1.4	Bank Linth	Operating Income	1.1%	0.7%	0.4%	70%	35
	A	1.3	Luzerner Kantonalbank	Operating Income	1.0%	0.7%	0.3%	67%	35
	A	1.3	Nidwaldner Kantonalbank	Operating Income	0.9%	0.7%	0.2%	64%	35
	A	1.2	VP Bank	Operating Income	2.8%	0.8%	2.0%	62%	39
	A	1.2	Berner Kantonalbank	Operating Income	0.9%	0.7%	0.2%	61%	35
	A	1.2	Liechtensteinische Landesbank	Operating Income	1.7%	1.1%	0.6%	61%	37
Median Bonus	M	1.2	Urner Kantonalbank	Operating Income	0.8%	0.7%	0.1%	58%	35
	M	1.1	Obwaldner Kantonalbank	Operating Income	0.8%	0.7%	0.0%	55%	35
	M	1.0	Vontobel	Operating Income	1.1%	0.8%	0.2%	52%	39
	M	1.0	St. Galler Kantonalbank	Operating Income	0.7%	0.7%	0.0%	52%	35
	M-	1.0	Raiffeisen	Operating Income	0.7%	0.7%	0.0%	48%	35
	M-	1.0	Julius Bär	Operating Income	0.6%	0.8%	-0.2%	48%	39
	M-	0.9	Appenzeller Kantonalbank	Operating Income	0.7%	0.7%	0.0%	45%	35
	M-	0.9	Bank Sarasin	Operating Income	0.2%	0.8%	-0.6%	45%	39
	M-	0.8	Banque Cantonale Neuchâteloise	Operating Income	0.5%	0.7%	-0.3%	42%	35
M-	0.8	Partners Group	Operating Income	-3.4%	-0.3%	-3.1%	42%	107	

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	Bonus Rating	Bonus Multiplier	Company Name	Ranked by Metric	Metric Value	Operating Index	Operating Alpha	Operating Rank	Number of Peers
Below Average Bonus	B	0.8	Freiburger Kantonalbank	Operating Income	0.3%	0.7%	-0.4%	39%	35
	B	0.7	Banca dello Stato del Cantone Ticino	Operating Income	0.3%	0.7%	-0.4%	36%	35
	B	0.7	Banque Cantonale du Jura	Operating Income	-0.2%	0.7%	-1.0%	33%	35
	B	0.6	EFG International	Operating Income	-5.0%	0.8%	-5.8%	31%	39
	B	0.6	Zuger Kantonalbank	Operating Income	-0.3%	0.7%	-1.0%	30%	35
	B-	0.5	Schaffhauser Kantonalbank	Operating Income	-0.3%	0.7%	-1.0%	27%	35
	B-	0.5	Valiant	Operating Income	-0.4%	0.7%	-1.1%	24%	35
	B-	0.4	Baloise Bank Soba	Operating Income	-0.5%	0.7%	-1.2%	21%	35
Low Bonus	B-	0.4	Bank Rothschild	Operating Income	-6.9%	0.8%	-7.7%	21%	39
	L	0.4	Bank CA St. Gallen	Operating Income	-0.9%	0.7%	-1.6%	18%	35
	L	0.3	Thurgauer Kantonalbank	Operating Income	-1.0%	0.7%	-1.8%	15%	35
	L	0.2	Neue Aargauer Bank	Operating Income	-1.2%	0.7%	-1.9%	12%	35
	L	0.2	UBS	Operating Income	-9.8%	0.8%	-10.6%	10%	39
	L-	0.2	Clientis	Operating Income	-1.5%	0.7%	-2.2%	9%	35
	L-	0.1	Bank Coop	Operating Income	-1.7%	0.7%	-2.4%	6%	35
	L-	0.1	Zürcher Kantonalbank	Operating Income	-1.9%	0.7%	-2.6%	3%	35
L-	0.0	Glarner Kantonalbank	Operating Income	-4.6%	0.7%	-5.3%	0%	35	

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2 Sorted by Company

Company Name	Ranked by Metric	Metric Value	Operating Index	Operating Alpha	Operating Rank	Bonus Rating	Bonus Multiplier	Number of Peers
Aargauer Kantonalbank	Operating Income	1.3%	0.7%	0.5%	82%	H	1.6	35
Appenzeller Kantonalbank	Operating Income	0.7%	0.7%	0.0%	45%	M-	0.9	35
Baloise Bank Soba	Operating Income	-0.5%	0.7%	-1.2%	21%	B-	0.4	35
Banca dello Stato del Cantone Ticino	Operating Income	0.3%	0.7%	-0.4%	36%	B	0.7	35
Bank CA St. Gallen	Operating Income	-0.9%	0.7%	-1.6%	18%	L	0.4	35
Bank Coop	Operating Income	-1.7%	0.7%	-2.4%	6%	L-	0.1	35
Bank Linth	Operating Income	1.1%	0.7%	0.4%	70%	A+	1.4	35
Bank Rothschild	Operating Income	-6.9%	0.8%	-7.7%	21%	B-	0.4	39
Bank Sarasin	Operating Income	0.2%	0.8%	-0.6%	45%	M-	0.9	39
Banque Cantonale de Genève	Operating Income	2.6%	0.7%	1.8%	97%	H+	1.9	35
Banque Cantonale du Jura	Operating Income	-0.2%	0.7%	-1.0%	33%	B	0.7	35
Banque Cantonale Neuchâteloise	Operating Income	0.5%	0.7%	-0.3%	42%	M-	0.8	35
Banque Cantonale Vaudoise	Operating Income	1.3%	0.7%	0.6%	88%	H	1.8	35
Basellandschaftliche Kantonalbank	Operating Income	1.3%	0.7%	0.6%	85%	H	1.7	35
Basler Kantonalbank	Operating Income	2.4%	0.7%	1.7%	94%	H+	1.9	35
Berner Kantonalbank	Operating Income	0.9%	0.7%	0.2%	61%	A	1.2	35
Clientis	Operating Income	-1.5%	0.7%	-2.2%	9%	L-	0.2	35
Credit Suisse	Operating Income	6.2%	0.8%	5.4%	74%	A+	1.5	39
EFG International	Operating Income	-5.0%	0.8%	-5.8%	31%	B	0.6	39
Freiburger Kantonalbank	Operating Income	0.3%	0.7%	-0.4%	39%	B	0.8	35
Glarner Kantonalbank	Operating Income	-4.6%	0.7%	-5.3%	0%	L-	0.0	35
Graubündner Kantonalbank	Operating Income	1.3%	0.7%	0.5%	79%	A+	1.6	35
Julius Bär	Operating Income	0.6%	0.8%	-0.2%	48%	M-	1.0	39
Liechtensteinische Landesbank	Operating Income	1.7%	1.1%	0.6%	61%	A	1.2	37
Luzerner Kantonalbank	Operating Income	1.0%	0.7%	0.3%	67%	A	1.3	35
Migrosbank	Operating Income	1.8%	0.7%	1.1%	91%	H+	1.8	35
Neue Aargauer Bank	Operating Income	-1.2%	0.7%	-1.9%	12%	L	0.2	35
Nidwaldner Kantonalbank	Operating Income	0.9%	0.7%	0.2%	64%	A	1.3	35
Obwaldner Kantonalbank	Operating Income	0.8%	0.7%	0.0%	55%	M	1.1	35

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Company Name	Ranked by Metric	Metric Value	Operating Index	Operating Alpha	Operating Rank	Bonus Rating	Bonus Multiplier	Number of Peers
Partners Group	Operating Income	-3.4%	-0.3%	-3.1%	42%	M-	0.8	107
Postfinance	Operating Income	34.4%	0.7%	33.7%	100%	H+	2.0	35
Raiffeisen	Operating Income	0.7%	0.7%	0.0%	48%	M-	1.0	35
Schaffhauser Kantonalbank	Operating Income	-0.3%	0.7%	-1.0%	27%	B-	0.5	35
Schwyzner Kantonalbank	Operating Income	1.2%	0.7%	0.5%	73%	A+	1.5	35
St. Galler Kantonalbank	Operating Income	0.7%	0.7%	0.0%	52%	M	1.0	35
Thurgauer Kantonalbank	Operating Income	-1.0%	0.7%	-1.8%	15%	L	0.3	35
UBS	Operating Income	-9.8%	0.8%	-10.6%	10%	L	0.2	39
Urner Kantonalbank	Operating Income	0.8%	0.7%	0.1%	58%	M	1.2	35
Valiant	Operating Income	-0.4%	0.7%	-1.1%	24%	B-	0.5	35
Vontobel	Operating Income	1.1%	0.8%	0.2%	52%	M	1.0	39
VP Bank	Operating Income	2.8%	0.8%	2.0%	62%	A	1.2	39
Walliser Kantonalbank	Operating Income	1.2%	0.7%	0.5%	76%	A+	1.5	35
Zuger Kantonalbank	Operating Income	-0.3%	0.7%	-1.0%	30%	B	0.6	35
Zürcher Kantonalbank	Operating Income	-1.9%	0.7%	-2.6%	3%	L-	0.1	35

The Bonus Multiplier in the table is the multiplier by which individual target bonuses (typically expected bonuses or average historic bonuses) are multiplied to calculate the deserved indexed bonus for 2010.

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IV. Notes

Metric values used:

- UBS: Operating income of investment banking was excluded from total operating income
- Credit Suisse: Operating income of investment banking was excluded from total operating income

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VI. About Obermatt

Obermatt is an international financial research company focused on indexing corporate operating performance to measure rank and compare key financial ratios standardized and independent of external factors.

Obermatt helps corporations, private equity firms and investors add value for their shareholders and to their portfolios through products that make innovative use of indexed performance measurement. The company is employee owned and headquartered in Zurich, Switzerland.

Headquarter

Obermatt Inc.
Schifflande 26
CH-8001 Zurich
Switzerland

Phone: +41 (43) 344 88 22
E-Mail: info@obermatt.com

United Kingdom

MM & K Limited
1 Bengal Court
Birchin Lane
London EC3V 9DD

Phone: +44 (20) 7283 7200
E-mail: info@mm-k.com

United States

Obermatt (USA)
426 Ambrose Avenue
Los Angeles, CA 90027
USA

Phone: +1 (626) 487 8668
E-mail: info@obermatt.com

Sweden

Publicera
Stora Nygatan 44
SE 111 27 Stockholm
Sweden

Tel +46 (8) 107170
E-mail: otto@publicera.se