



Media release

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Subprime Crisis: SFBC Investigation into the Causes of the Write-downs of UBS

The Swiss Federal Banking Commission (SFBC) has investigated the causes of the significant write-downs incurred by UBS. The investigation confirms that the write-downs were mainly caused by organizational weaknesses as well as by an insufficient assessment of the relevant risks in combination with the exceptional market environment. The investigation encompassed only the period prior to August 2007. The bank has developed a comprehensive and detailed remediation plan to eliminate the weaknesses it identified, and this plan is being or has already been implemented. The SFBC supports these remedial actions in coordination with other supervisory authorities and is following the implementation process closely.

Bern, 16 October 2008 – The SFBC has investigated the causes of the significant write-downs incurred by UBS on positions with exposure to US subprime mortgages (Subprime mortgages). It based its investigation on the inquiry conducted by UBS, its own inquiries and numerous discussions with the responsible persons at the bank. The SFBC's investigation in all relevant aspects confirms UBS's own conclusions.

UBS was not aware of the extent and the nature of its risk exposure to the Subprime mortgage market and related markets until the beginning of August 2007, and was thus unable to take appropriate measures in a timely manner. This lack of awareness was the result of organizational weaknesses that, given the exceptional market environment, had grave consequences. In retrospect, insufficient attention to the inherent risks related to the balance sheet growth and the over-confidence in the existing risk management and risk control mechanisms appear as significant failures on the part of the bank. The investigation of the SFBC did not, however, reveal any evidence that would lead to the conclusion that the bank's current corporate bodies do not meet the required standard for the proper business conduct of a bank.

The investigation encompassed only the period prior to August 2007. The measures that UBS has taken in response to the crisis after that time were not part of the scope of the investigation. The bank has developed a comprehensive and detailed remediation plan to eliminate the weaknesses it identified, and this plan is being or has already been



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