UBS

Our *compensation* in 2012

Contents

Our 2012 compensation at a glance

In 2012, we implemented far-reaching changes to our compensation framework aligning our plans to our strategy and strengthening the link between compensation and the firm's medium to longer-term performance. We believe our new compensation structure will help to promote a stronger pay-for-performance culture and will discourage excessive risk-taking.

Overview of key changes to compensation framework for performance year 2012[1]

Group Executive Board (GEB)	All other employees with total compensation above CHF/USD 250,000
– GEB overall performance award pool capped at 2.5% of the firm's adjusted pre-tax profit for each year. – Minimum number of UBS shares to be held up from 200,000 to 350,000 shares for each member, and from 300,000 to 500,000 shares for the Group CEO. – Cap on immediate cash paid as part of performance award reduced to CHF/USD 1 million (down from CHF/USD 2 million). – Deferred compensation mix now half in form of Equity Ownership Plan (EOP) awards and half in form of new Deferred Contingent Capital Plan (DCCP) awards. Total percentage of deferred compensation increased to at least 80%, from at least 76%. – DCCP awards consist of a notional bond which replicates many of the features of UBS contingent loss-absorbing bond placed in the market in 2012, with annual interest payments. Awards vest in their entirety after five years, provided no trigger or viability event occurs. 20% of the award may be forfeited for each year the firm does not achieve an adjusted pre-tax profit. 100% of award at risk of forfeiture. Interest will only be awarded for each year in which the firm achieves an adjusted pre-tax profit. – Vesting of EOP awards occurs in years 3 to 5, previously in years 1 to 5. – New compensation framework increases average deferral period for the GEB to 4.5 years (from 2.7 years for 2011). – More stringent performance conditions for EOP awards based on Group and divisional performance, so that 100% of the award is at risk of forfeiture (previously up to 50% at risk). – Discontinuation of Cash Balance Plan and Performance Equity Plan. – Enhanced harmful acts provisions.	– Cap on immediate cash paid as part of performance award reduced to CHF/USD 1 million (down from CHF/USD 2 million). – Deferred compensation mix now half in form of EOP awards and half in form of new DCCP awards. – DCCP awards consist of a notional bond which replicates many of the features of UBS contingent loss-absorbing bond placed in the market in 2012, with annual interest payments. Awards vest in their entirety after five years, provided no trigger or viability event occurs. Interest will only be awarded for each year in which the firm achieves an adjusted pre-tax profit. – Vesting for EOP awards occurs in years 2 and 3, previously in years 1 to 3. – New compensation framework increases the average deferral period to 3.8 years (from 2.0 years for 2011). – More stringent performance conditions for EOP awards based on Group and divisional performance apply to Group Managing Directors, Key Risk Takers and Highly Paid Employees (i.e employees with a performance award of CHF/USD 2 million or more), so that 100% of their awards are at risk of forfeiture (previously up to 50% at risk). – Enhanced harmful acts provisions.

1 There are variations in plans for Global Asset Management employees, which are not reflected in this table.

Following the advisory vote on UBS's Compensation Report at last year's Annual General Meeting (AGM), we consulted widely with our shareholders to better understand your views with regard to improving our compensation plans and disclosures. We incorporated the findings from these consultations into our review process and have implemented wide-ranging changes for performance year 2012. We have strengthened the link between compensation and medium- to longer-term performance, and streamlined our compensation framework by eliminating a number of plans for the Group Executive Board (GEB) and replacing them with two universal plans that apply to all employees with total compensation above CHF/USD 250,000: the revised Equity Ownership Plan (EOP) and the new Deferred Contingent Capital Plan (DCCP).

Both plans reinforce the firm's commitment to delivering sustainable performance while allowing our employees the opportunity to benefit from improved longer-term performance. We increased the deferral periods under the EOP and have added multi-year Group and divisional performance conditions that apply to our key leaders and risk takers. We believe these simplified plans will discourage excessive risk-taking and at the same time reward sustainable performance behavior that we believe is in the interests of all the bank's stakeholders.

Performance awards granted for 2012

For 2012, UBS reported a pre-tax loss of CHF 1,774 million. The result included a number of items relating to the acceleration of our strategy, which we announced in October 2012. We recorded CHF 3.1 billion of goodwill impairments and CHF 0.4 billion of restructuring costs. Own credit charges were CHF 2.2 billion resulting from the tightening of our credit spreads as the perceived creditworthiness of our debt improved, partly in reaction to the accelerated implementation of our strategy. We also had positive effects of CHF 846 million related to changes to our Swiss pension plan and to our retiree medical and life insurance plan in the US.

Adjusting for the above items (all of which are outside the control of divisional management or result from strategic decisions), provides a clearer picture of UBS's underlying performance. On this basis, the Group would have recorded an adjusted pre-tax profit of CHF 3.0 billion, which is after fines and disgorgements of CHF 1.4 billion in relation to LIBOR.

There have been many positive developments during the year, including the following:

– the firm's strong share price performance, which was up 28% over the year;
– significant progress in building our industry-leading capital ratios;
– the firm's target for reducing risk-weighted assets being exceeded;
– substantial net new money inflows; and
– sufficient progress in executing the firm's strategy set out in 2011 to enable UBS to announce an acceleration of its implementation in October 2012.

In determining the overall performance award pools, the Human Resources and Compensation Committee (HRCC) considered all these factors. Consequently, UBS's performance award pool was reduced to CHF 2.5 billion, a 7% decrease compared with 2011, and a 42% decrease compared with 2010, and the lowest level since the financial crisis. The reduction must also be viewed in the context of the wide-ranging changes we have made to our new compensation plans, including increased deferral periods, the elimination of leveraged plans, the introduction of the Deferred Contingent Capital Plan, which has a five-year vesting period, and the halving of the maximum immediate cash component of any performance award. Taken in conjunction with the firm's achievements in building its industry-leading capital ratios and the proposed 50% increase in dividend payments to shareholders for 2012, it demonstrates the continuing shift in the relationship between compensation, capital and dividends.

Group Executive Board (GEB) members

To ensure that overall GEB compensation is sufficiently tied to the firm's profitability, we have introduced a cap on the total GEB performance award pool. The pool will not exceed 2.5% of the firm's adjusted pre-tax profit. As the Group's adjusted pre-tax profit for 2012 was CHF 3.0 billion, applying the newly introduced 2.5% cap meant the GEB performance award pool was capped at CHF 75 million for 2012. The actual GEB award pool for 2012 was CHF 52 million, representing 1.7% of the adjusted pre-tax profit. Furthermore, 100% of a GEB member's deferred compensation is subject to performance conditions. Under the EOP, GEB awards will be fully forfeited if the Group and/or relevant business division does not make an average adjusted pre-tax profit during the performance period. Further, performance below specific thresholds will also cause partial forfeiture. Awards granted under the new DCCP will be forfeited if our Basel III CET1 ratio falls below 7% or if a viability event occurs. In addition, 20% of DCCP awards, including the relevant notional interest, will be forfeited for each year in which UBS does not achieve an adjusted pre-tax profit. Thus, GEB members' full DCCP awards are at additional risk of forfeiture.

For GEB members who were in office for both the full year 2011 and 2012, performance awards were down 10% and total compensation was down 7% year on year. While the firm's compensation framework provides for up to 20% of the performance award to be paid immediately in cash to GEB members, in light of the firm's overall results for the year, and based on a recommendation from the Group CEO, it was deemed appropriate that performance awards for the firm's most senior leaders be fully deferred for 2012. Consequently, the cash component of the award was delivered in the form of deferred equity under the EOP, and makes up 60% of GEB performance awards for 2012 (the other 40% being the new DCCP). Therefore 100% of every GEB member's performance award for 2012 is deferred and subject to forfeiture if performance conditions are not achieved.

Group CEO Sergio P. Ermotti was granted a performance award of CHF 6.1 million reflecting his achievements in his first full year as Group CEO. As such, his total compensation was CHF 8.9 million. The full amount of the performance award is deferred, with 60% in deferred equity under the EOP vesting in years three to five, and 40% deferred under the DCCP vesting in year five.

The highest paid GEB member in 2012, apart from the Group CEO, was Robert J. McCann, with total compensation of CHF 8.6 million. The full amount of the performance award is deferred, with 60% in deferred equity under the EOP vesting in years three to five, and 40% deferred under the DCCP vesting in year five.

Chairman of the Board of Directors' compensation

Our compensation framework provides for the Chairman of the BoD, Axel A. Weber, who was elected at the AGM in May 2012, to receive annually a base salary of CHF 2 million 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. The number of shares that Mr. Weber received for 2012 was pro-rated to take into account that he assumed the role of Chairman in May. At grant, the pro-rated number of shares he received (133,333) was valued at CHF 2,003,995. Accordingly, his total compensation, including benefits in kind and pension fund contribution for his services as Chairman from May to December 2012, amounted to CHF 3,568,341.

Dear shareholders,

Following the advisory vote on UBS's Compensation Report at last year's Annual General Meeting (AGM), we consulted widely with our shareholders to better understand your views with regard to improving our compensation plans and disclosures. We incorporated the findings from these consultations into our review process and have implemented wide-ranging changes for 2012. I and the rest of the Board of Directors (BoD) are convinced that the revamped compensation framework will help us achieve our primary objective of delivering attractive and sustainable returns over the medium to longer-term to our shareholders.

Our compensation philosophy is to provide our employees with compensation that recognizes their individual contributions and that clearly links their pay not just to the delivery of business targets but also to demonstrating the right behaviors. It is also important to recognize that UBS is undergoing a fundamental transformation which takes time to achieve and it remains critical that we continue to attract, motivate and retain the right people in order to execute our strategy.

The 2012 changes to our compensation framework start with the elimination of all plans with upside leverage and a complete alignment of our model for all employees, by having just two deferred variable compensation plans – a deferred share plan and a new deferred contingent capital plan (DCCP). These instruments incorporate:

- longer deferral periods (share plan with three to five years for full vesting and DCCP with five-year cliff vesting);
- more challenging multi-year performance conditions and forfeiture triggers;
- enhanced "harmful acts" provisions; and
- no leverage.

Furthermore, in relation to Group Executive Board (GEB) members specifically, we have:

- increased the UBS share retention requirement by 67% for the Group CEO, and 75% for other GEB members;
- introduced a cap on the GEB performance award pool of up to 2.5% of adjusted pre-tax profit – for 2012 the actual size of the award pool was well below the cap at 1.7% of the adjusted pre-tax profit; and
- introduced additional performance conditions such that 100% of GEB deferred compensation is subject to forfeiture if performance conditions are not met.

The far-reaching changes to our compensation framework and the alignment of our plans to our strategy strengthen the link between compensation and the firm's medium to longer-term performance. Put simply, we believe our new compensation structure will help to promote a stronger pay-for-performance culture and will discourage excessive risk-taking.

With regard to the actual awards for 2012, the HRCC and the BoD have tried to balance the many positive developments during the year, including:

- the firm's strong share price performance, which was up 28% over the year;
- significant progress in building our industry-leading capital ratios;
- the target for reducing risk-weighted assets being exceeded;
- substantial net new money inflows; and
- sufficient progress in executing the firm's strategy set out in 2011 to enable UBS to announce an acceleration of its implementation in October 2012,

with the disappointing loss for the year, which was primarily driven by goodwill impairment charges, increased charges for litigation and regulatory matters, including the cost of the LIBOR settlement, as well as own credit losses.

Taking all these factors into consideration and recognizing the tremendous efforts of our people to make progress towards achieving the firm's targets, we have reduced the overall performance award pool to CHF 2.5 billion (a 7% decrease on 2011 and a 42% decrease on 2010). The performance award pools for individual business areas reflect their particular performance. In some business areas within the Investment Bank and the Corporate Center, pool funding has shrunk by as much as 20%, while other business areas have seen modest rises in the size of their pools.

In addition, we determined that the GEB would receive no part of their 2012 performance awards in cash. Therefore 100% of every GEB member's performance award for 2012 is deferred and subject to forfeiture if performance conditions are not achieved.

Taken together, we believe 2012's reduced performance award pool and the significant adjustments we have made to UBS's compensation plans demonstrate our commitment to strengthen employee focus on and accountability for longer-term performance. We recognize that certain features in our plans such as the longer deferrals are more demanding when compared with others in the industry. However, we are convinced that the framework is the right one for the firm and provides a balanced approach whereby we reward employees who execute the firm's strategy successfully and responsibly.

The BoD and I would like to thank our shareholders for the time they took to meet with us and share their views on compensation. Over the following pages you will find the details on UBS's compensation for 2012, for which we will seek your support at our AGM in May 2013. The BoD and I are committed to continually improving our reporting to you on compensation matters and we welcome your feedback on this report.

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

Our compensation governance

Ensuring we have strong governance and oversight of our compensation process is the responsibility of the Human Resources and Compensation Committee. Such governance is crucial to ensure that our compensation processes are transparent and fair, that we set appropriate incentives to attract and retain the best people, and that we support and reward sustainable value creation in the longer-term interests of our shareholders.

The Human Resources and Compensation Committee (HRCC) is a committee of the Board of Directors (BoD) and consists of four independent BoD members. On 31 December 2012, the HRCC members were Ann F. Godbehere, who chairs the committee, Rainer-Marc Frey, Wolfgang Mayrhuber and Helmut Panke.

➔ Refer to the "Board of Directors" section of the Annual Report 2012 for further information about the Human Resources and Compensation Committee

Overview of the HRCC's work

The HRCC meets regularly and works closely with the Risk Committee to ensure that risk considerations are embedded in our compensation framework and processes. Helmut Panke and Rainer-Marc Frey are members of both the HRCC and the Risk Committee and this affords the HRCC an invaluable risk perspective when considering compensation-related issues. The HRCC also appoints external advisors to provide impartial advice on compensation-related matters as well as data on market trends and benchmarks, including in relation to Group Executive Board (GEB) and BoD compensation.

Among its other responsibilities, the HRCC, on behalf of the BoD:
– reviews our Total Reward Principles;
– reviews and approves annually the design of the total compensation framework, including compensation strategy, programs and plans;
– reviews performance award funding throughout the year and

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
Independent BoD members (remuneration system and fees)	Chairman of the BoD and HRCC	BoD	Chairman of the BoD
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	Responsible GEB member together with functional management team	Divisional pools: HRCC Overall pool: BoD	Line manager

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

proposes the final performance award pool to the full BoD for approval;

- together with the Group Chief Executive Officer (Group CEO), proposes base salaries and annual performance awards 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;
- approves the total compensation for the Chairman of the BoD;
- together with the Chairman, proposes the total individual compensation for independent BoD members for approval by the BoD; and
- ensures that there is an appropriate focus on talent development and management with respect to our business heads and key senior leaders.

It is important to note that the Group CEO and the Chairman of the BoD may not attend any parts of committee meetings at which specific decisions are made about their own individual compensation. These decisions are at the discretion of the HRCC and the BoD. 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 BoD.

If you would like more information regarding the responsibilities and authorities for compensation-related decisions illustrated in the table "Compensation authorities" on the previous page, please see "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. These can be found at *www.ubs.com.*

The Risk Committee's input is critical to ensuring our compensation plans continue to fully reflect our approach to risk management and control

Ours is a risk management business and our success depends on prudent risk-taking. We will not tolerate inappropriate behavior that can harm the firm, its reputation or the interests of our many stakeholders. The Risk Committee works closely with the HRCC to ensure our compensation plans reflect our approach to risk management and control. The Risk Committee supervises and sets appropriate risk management and control principles and receives regular briefings on how risk is factored into the compensation process. It also monitors Group Risk Control's involvement in compensation programs and reviews whether the risk-related aspects of the compensation process have been adhered to.

Human Resources and Compensation Committee – additional information

The HRCC held 13 meetings in 2012. Each meeting had an average attendance of 85%. External advisors attended 11 of those meetings. The Chairman of the BoD and the Group CEO were present at all 13 of those meetings, although they were absent during discussions related to their own compensation. 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. The HRCC reviewed the company's certification of its independence based on the factors outlined in the New York Stock Exchange listing rules. Compensation consulting firm Towers Watson, appointed by Group Human Resources, continued to provide the HRCC with data on market trends and benchmarks, including in relation to GEB and BoD compensation. Various subsidiaries of Towers Watson provide similar data to Group Human Resources in relation to compensation at lower levels of the organization. Towers Watson has no other compensation-related mandates with UBS.

Our Total Reward Principles

Our compensation philosophy and objectives are embodied in our Total Reward Principles. They influence how we structure compensation and provide funding for our performance award pool. They reflect our focus on pay for performance, sustainable profitability, sound governance and risk awareness, and support the firm's strategy by promoting and rewarding behavior that enhances the firm's position and reputation. The Total Reward Principles were reconfirmed by the Human Resources and Compensation Committee on 24 October 2012.

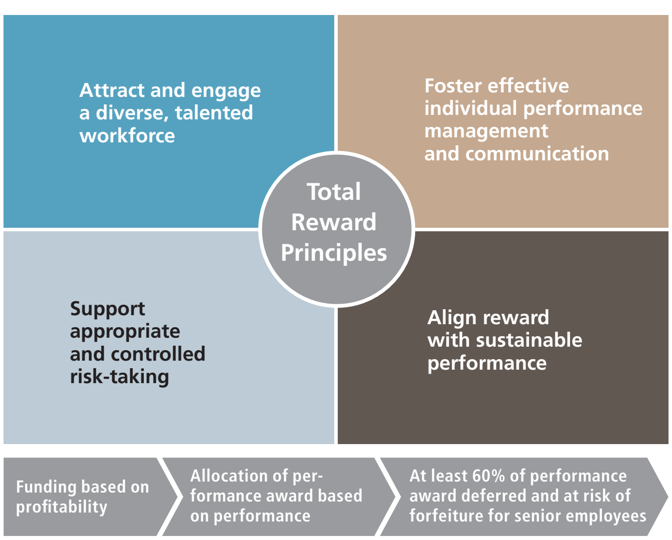
Ensuring we attract and engage a diverse, talented workforce

The success of the business is dependent upon attracting and retaining talented people who will help us successfully execute our strategy in a responsible manner and thus create longer-term, sustainable value for our shareholders. We aim to offer market-competitive compensation that strikes an appropriate balance between fixed and variable elements. We believe base salaries need to be sufficient to allow for a flexible policy when it comes to performance awards. We set performance award levels that encourage our 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

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 performance award pool. These principles apply to all employees, but may vary in certain locations due to local laws and regulations.



How we foster effective individual performance management and communication

Throughout the firm, sustainable performance is the key factor in determining compensation. Our assessment of an employee's performance goes beyond the achievement of financial objectives and takes account of the longer-term risk impact of an employee's actions and any relevant reputational issues. In determining an employee's performance award, we not only consider their contribution to UBS's Group or business division results and whether they have achieved their individual performance objectives, but also take into account whether they:

- adhere to our corporate values and principles;
- implement our strategic goals of client focus, excellence and sustainable performance;
- 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 ensure compliance with UBS policies;
- actively manage risk, including reducing operational risk, and strike an appropriate balance between risk and reward; and
- exhibit professional and ethical behavior.

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

➔ Refer to the "Our employees" section of the Annual Report 2012 for more information on our performance management processes

Ensuring rewards are aligned with sustainable performance

Throughout the firm, sustainable performance is the key factor in determining compensation. Refer to the following sections of this report for more details.

How we support and promote appropriate and controlled risk-taking

We place a strong emphasis on sound risk control in our compensation policies.

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. Employees are required 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 performance award funding, whether on a Group, divisional or business area level, we take the following key risks into account, where applicable: credit risk; market risk; treasury risk; operational risk, including legal and compliance risks; and reputational risk. The quantitative risk measures we consider when determining performance awards include, but are not limited to, the liquidity-adjusted stress ratio, 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 reinforced by qualitative assessments conducted by Risk and Legal & Compliance relating to how the businesses manage such matters.

To keep our employees focused on the longer-term profitability of the firm, we require that a significant part of their performance award be deferred for up to five years if their total compensation exceeds CHF/USD 250,000. Part, or all, of the unvested deferred portion may be forfeited in certain cases. Examples include where 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 specific measures regarding the compensation of our Key Risk Takers. 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 specific regulatory guidance and best practice in the industry. During 2012, the number of individuals identified as Key Risk Takers increased to more than 500. 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.

To monitor risk effectively, our control functions, primarily Legal & Compliance, Risk Control and Finance, must be independent. To support this, their compensation is determined independently from the revenue producers that they oversee, supervise or support. Their performance award pool is not based on the performance of these businesses, but instead reflects the performance of the firm as a whole. In addition, we consider other factors such as how well the function has performed, together with our market positioning. Decisions regarding individual compensation for the leaders of these control functions are made by the function heads and approved by the Group CEO.

Additionally, we have an internal disciplinary process which is relevant to all employees, the Incident & Consequences Process, that evaluates the behavior of employees involved in disciplinary events, incidents in which controls have been violated and cases of financial loss each year, and imposes compensation-related sanctions on the employees concerned.

➔ **Refer to the "Overview of our compensation model" section of this report for more information about key performance indicators and Key Risk Takers**

Updated benchmarking against peers

We benchmark GEB compensation and benefit levels against those of our peers by referring to a peer group of companies selected based on the comparability of their size, business mix, geographic mix, and the extent to which they are our competitors for talent. We also consider the regulatory environment, and the culture and practices of these peers that may have an impact on their pay strategy and pay levels. These companies, which are predominantly large European and US banks operating internationally, are our main competitors when it comes to hiring.

In 2012, the HRCC reviewed our peer benchmarking process. The committee decided that to improve comparability, it was appropriate to expand our peer comparison group by adding BNP Paribas, Goldman Sachs, Julius Baer, and Nomura. Consequently, our peer comparison group now consists of the following companies: Bank of America, Barclays, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan Chase, Julius Baer, Morgan Stanley and Nomura. The committee decided that a more diverse comparison group is appropriate given the wider variation in business models that is emerging across financial services and thus the broader array of competitors, particularly for talent.

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

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, additional 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.

We believe that the extended length of our deferral periods and the scope of employees subject to the DCCP five-year cliff-vesting will go further than comparable requirements at many firms in our peer group. While these changes, coupled with reduced performance award pools in certain business areas, will require close management focus, we are confident that our compensation framework is right for the firm and reinforces our focus on medium- and longer-term performance.

Comparability assessment against main peers[1]

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[2]	Business mix[3]	Geographic mix[4]	Competitors for talent[5]	HQ location: regulatory[6]	HQ location: geography[7]
Bank of America	○	◐	○	●	◐	◐
BNP Paribas	◐	○	◐	◐	○	◐
Barclays	◐	◐	●	●	◐	◐
Citigroup	○	○	◐	●	◐	◐
Credit Suisse	●	●	●	●	●	●
Deutsche Bank	●	●	◐	●	◐	●
Goldman Sachs	◐	○	◐	◐	◐	○
HSBC	○	○	◐	●	◐	◐
JP Morgan Chase	○	○	○	●	◐	◐
Julius Baer	○	○	○	◐	●	●
Morgan Stanley	●	●	◐	●	◐	◐
Nomura	○	◐	○	◐	◐	○

○ Less comparable ◐ Moderately comparable ● Comparable

1 Source: Group Corporate Development assessed the criteria Size, Business and Geographic Mix and Group HR assessed the criteria Competitors for Talent and HQ locations. 2 Size: evaluated in terms of revenue, profitability, assets and employee size. This would potentially impact management complexity outside of the impact of product mix and geography. 3 Business mix in terms of type and size of major businesses would impact pay strategy, pay levels and approach and, importantly, risk profile. 4 Geographic mix: evaluated not only in terms of mix, but also from a European HQ perspective. Impacts executive role definition and management complexity. 5 Competitors for talent: firms from which UBS recruits and / or firms which recruit from UBS. 6 HQ location / regulatory: impact of the regulatory environment based on home regulator. 7 HQ location / geography: culture and practice that impacts pay strategy, levels.

Overview of our compensation model

Our strategy places our clients' best interests at the center of everything we do and is designed to help us deliver attractive and sustainable returns to our shareholders. Our success in doing so will ultimately depend on the efforts of our employees and we believe it is essential to provide them with the opportunity to participate in the firm's longer-term success. However, we must clearly link pay with performance. To reinforce this link, the key performance indicators we use to measure our progress in executing our strategy are taken into account when determining the size of each divisional performance award pool and used as a basis for setting the performance conditions of our compensation plans.

Overview of key changes to compensation framework for performance year 2012[1]

Group Executive Board (GEB)	All other employees with total compensation above CHF/USD 250,000
– GEB overall performance award pool capped at 2.5% of the firm's adjusted pre-tax profit for each year. – Minimum number of UBS shares to be held up from 200,000 to 350,000 shares for each member, and from 300,000 to 500,000 shares for the Group CEO. – Cap on immediate cash paid as part of performance award reduced to CHF/USD 1 million (down from CHF/USD 2 million). – Deferred compensation mix now half in form of Equity Ownership Plan (EOP) awards and half in form of new Deferred Contingent Capital Plan (DCCP) awards. Total percentage of deferred compensation increased to at least 80%, from at least 76%. – DCCP awards consist of a notional bond which replicates many of the features of UBS contingent loss-absorbing bond placed in the market in 2012, with annual interest payments. Awards vest in their entirety after five years, provided no trigger or viability event occurs. 20% of the award may be forfeited for each year the firm does not achieve an adjusted pre-tax profit. 100% of award at risk of forfeiture. Interest will only be awarded for each year in which the firm achieves an adjusted pre-tax profit. – Vesting of EOP awards occurs in years 3 to 5, previously in years 1 to 5. – New compensation framework increases average deferral period for the GEB to 4.5 years (from 2.7 years for 2011). – More stringent performance conditions for EOP awards based on Group and divisional performance, so that 100% of the award is at risk of forfeiture (previously up to 50% at risk). – Discontinuation of Cash Balance Plan and Performance Equity Plan. – Enhanced harmful acts provisions.	– Cap on immediate cash paid as part of performance award reduced to CHF/USD 1 million (down from CHF/USD 2 million). – Deferred compensation mix now half in form of EOP awards and half in form of new DCCP awards. – DCCP awards consist of a notional bond which replicates many of the features of UBS contingent loss-absorbing bond placed in the market in 2012, with annual interest payments. Awards vest in their entirety after five years, provided no trigger or viability event occurs. Interest will only be awarded for each year in which the firm achieves an adjusted pre-tax profit. – Vesting for EOP awards occurs in years 2 and 3, previously in years 1 to 3. – New compensation framework increases the average deferral period to 3.8 years (from 2.0 years for 2011). – More stringent performance conditions for EOP awards based on Group and divisional performance apply to Group Managing Directors, Key Risk Takers and Highly Paid Employees (i.e employees with a performance award of CHF/USD 2 million or more), so that 100% of their awards are at risk of forfeiture (previously up to 50% at risk). – Enhanced harmful acts provisions.

1 There are variations in plans for Global Asset Management employees, which are not reflected in this table.

How we determine an individual's pay

We focus on an employee's total compensation, which consists of two elements: a fixed element, generally the base salary; and an annual discretionary performance award. The level of performance award depends on several factors, including the firm's overall performance, the performance of the employee's business division, and the individual's performance.

To safeguard against excessive pay in 2012, we introduced a cap on the size of the GEB performance award pool of up to 2.5% of the Group adjusted operating profit. We also capped the amount of immediate cash that can be paid as part of the total performance award granted to any employee at CHF/USD 1 million, which is a 50% reduction on the previous cash cap.

Base salary

The base salary reflects an employee's skills, role and experience while taking local market practices into consideration. It is fixed and usually paid monthly or semi-monthly. We review base salaries every year to ensure they remain competitive, comparing them with relevant internal and external benchmarks. Adjust-

Compensation overview[1]

A balanced mix of fixed and variable compensation ensures appropriate risk-taking and behavior that produces sustainable business results.

	Chairman of the BoD	Board of Directors	Group Executive Board	Key Risk Takers	Other employees
Base salary[2]	●		●	●	●
Cash performance award			●	●	●
Equity Ownership Plan (EOP)[3, 4]			●	●	●
Deferred Contingent Capital Plan (DCCP)[3, 5]			●	●	●
Base fee and committee retainer(s)[6]		●			

1 All monetary figures stated in the "Compensation" section are gross figures (compensation before applicable withholdings and deductions)." 2 The base salary of the Chairman of the BoD consists of a cash amount and a fixed number of shares. 3 All employees with a total compensation of CHF / USD 250,000 or more are eligible. 4 Additional profitability performance condition for GEB members, Key Risk Takers, Group Managing Directors and other employees with a total performance award exceeding CHF / USD 2 million. 5 Additional performance condition if our Basel III common equity tier 1 ratio falls below 7% or if a viability event occurs. 6 At least 50% of the base fee is paid in blocked UBS shares.

ments are made when there is a significant change in job responsibility, and we may make annual adjustments to reflect performance and respond to movements in the marketplace.

In 2011, we made very limited salary increases, and we continued this approach in 2012 to keep our fixed-cost base down. With effect from March 2013, base salaries were increased by a total of CHF 62 million or 1% of the monthly salary run rate for February 2013. This compares with a base salary increase made for the 2012 performance year of approximately 1.5%. The increases for 2013 apply primarily to employees who were promoted and those whose base salary fell significantly short of the market benchmark for their role. Our total salary expense for 2012 was CHF 6,814 million, down 1% from 2011 and down 3% from 2010.

Performance award

The majority of our permanent employees are considered for an annual discretionary performance award. The amount of any performance award depends on the factors, including, but not limited to, those mentioned at the start of this section, and is at the complete discretion of the firm.

As previously stated, performance awards are fully discretionary. For the 2012 performance year, for employees across the Group, the performance award was, on average, approximately 37% of the base salary. Among GEB members in office at the end of 2012, it was, on average, 321% of a GEB member's base salary. For 2011, the comparable figures were 40% and 331%, respectively.

Key performance indicators

The performance of the Group is assessed using criteria such as risk-adjusted profits, performance relative to the industry and general market competitiveness.

In addition to the key performance metric of risk-adjusted profitability, we use a number of additional criteria to assess the performance of each of our business divisions.

For example:

- we assess the performance of business areas in our wealth management businesses using criteria such as the level of net new money over the year;
- in the Investment Bank, we consider factors such as revenue and profitability, the cost-income ratio and return on risk-weighted assets;
- the financial performance of business areas in Global Asset Management is assessed using criteria such as the level of assets under management and investment performance.

Risk-related objectives also vary between businesses and include:

- the client credit documentation and operational costs in our wealth management businesses;
- the number of days during which the daily value-at-risk limit is exceeded in the Investment Bank;
- whether risk investment guidelines and Group and risk policies have been adhered to, and whether significant risk events occur in Global Asset Management; and
- broader qualitative indicators taking into account our market position for a large part of the Corporate Center.

For the Group as a whole, we consider progress against our strategic initiatives, including, but not limited to, risk-weighted asset reduction, balance sheet reduction, delivery of cost efficiencies and capital accretion.

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.

On a business area level, the size of the pool depends on its performance and that of the business division to which it belongs. This means an individual's performance award depends on the available funding for their business area and business division, as well as on their personal achievements. However, any performance award is made at UBS's sole discretion and we do not apply a formula or assign weightings to specific performance indicators in determining individual performance awards. Performance award levels can fluctuate significantly from year to year and it is possible that an individual receives no performance award in a given year.

We evaluate performance on an ongoing basis. If performance is weak, we reduce our performance award pool accruals accordingly.

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

Deferral of performance awards

A significant part of our performance awards is deferred over several years. The unvested deferred amounts are forfeited or reduced if any applicable performance conditions are not met or if employees commit harmful acts. Employees with a total compensation of CHF/USD 250,000 or more receive 40% of their performance awards in cash, subject to the cash cap of CHF/USD 1 million. Above the total compensation threshold of CHF/USD 250,000, a minimum of 60% of their annual performance awards are deferred, with 30% in UBS shares that are deferred under the Equity Ownership Plan (EOP) with the remaining 30% granted under the Deferred Contingent Capital Plan (DCCP). Global Asset Management employees receive 45% of their performance awards in cash-settled notional funds under the EOP and the remaining 15% under the DCCP. A high-level overview of the framework is provided on the following page.

➔ Refer to the "Deferred variable compensation plans" section of this report for more information about the terms of our deferred variable compensation plans, including the forfeiture provisions to which they are subject, and the terms applicable to Global Asset Management employees

➔ Refer to "Note 31 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2012 for details of specific local plans with deferral provisions that differ from those described here

Other variable compensation

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

- replacement payments to compensate employees for deferred awards forfeited as a result of joining UBS. Such payments are standard industry practice and are often necessary to attract senior candidates who generally have a significant portion of their awards deferred at their current employer and where continued employment is required to avoid forfeiture. As a general principle, these "forfeited equity replacements" take into account the terms and features of any deferred award that an individual has forfeited upon joining UBS. As such, if, by joining UBS, an employee has forfeited deferred equity compensation, this will be replaced by an award under the EOP. Replacement awards are not considered part of an employee's total compensation although they constitute costs that the bank must incur to hire such employees.
- on a very limited basis, guarantees may be required to attract individuals with certain skills and experience. These awards, which are fixed incentives either in cash or in equity awarded under a plan, are paid regardless of future events, but are limited to the first performance year.
- sign-on payments are occasionally offered to important top-level candidates to increase the chances of their accepting an offer. Awards made to employees hired at the end of the year to replace performance awards that they have forfeited, as well as those offered to certain graduate hires, are also reported as sign-on payments.
- 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 generally agreed at the time of hiring. The table on page 282 shows the amount of such payments made in 2012, together with the number of beneficiaries.

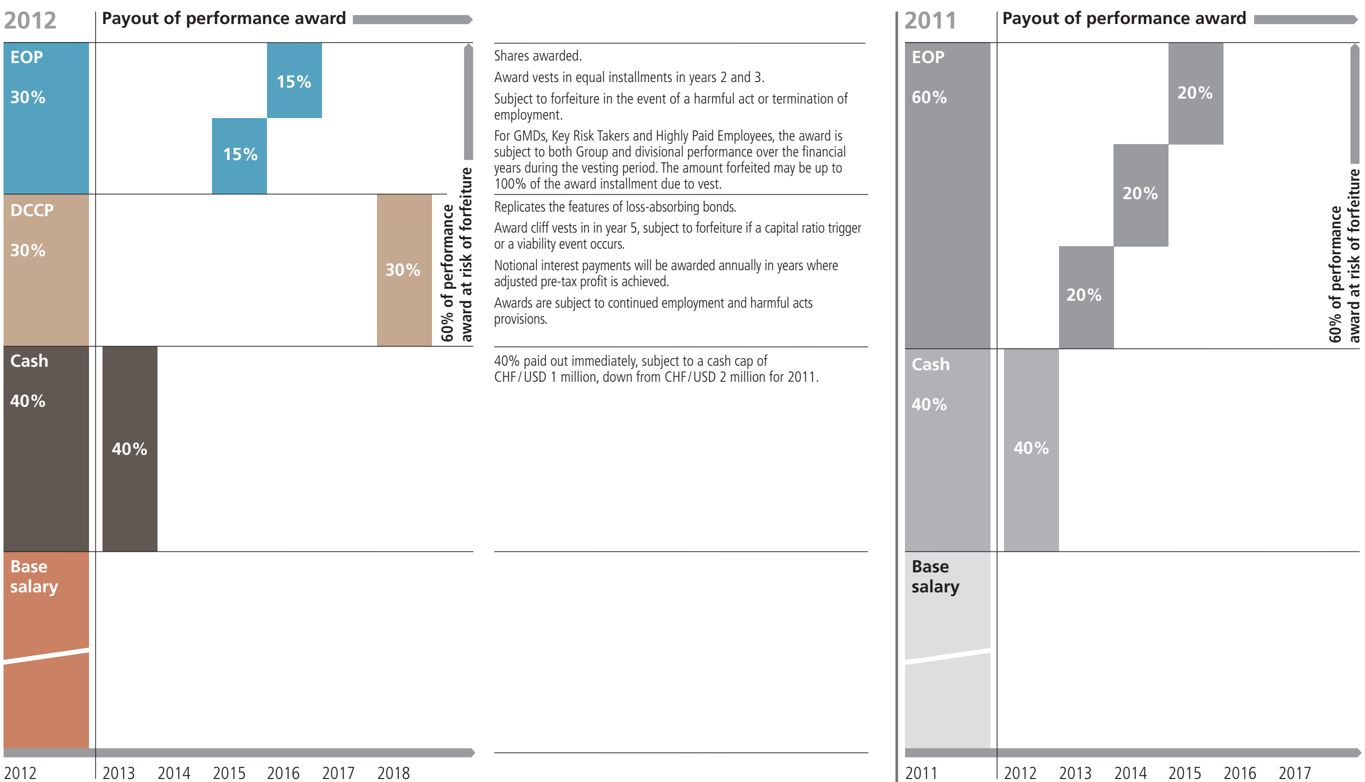
Employment contracts for those holding the rank of Director and above generally contain a notice period of between one and six months, depending on the location, which such employees must serve and during which time they are paid their base salary. We provide for severance payments in redundancy cases when employees are asked to leave as part of a reduction in the 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 exceed legally obligated or standard severance payments ("supplemental severance") where we believe that they are appropriate under the circumstances. For example, we may grant a performance award 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 CEO and Human Resources heads, and, in certain circumstances, the Group Head of Human Resources, the Group CEO or the HRCC. Furthermore, such payments may be forfeited or reduced should an employee subsequently act in a manner detrimental to the interests of the firm.

2012 compensation framework for all employees with total compensation of CHF / USD 250,000 or more, except GEB members[1]

The graph below provides an illustrative overview of the 2012 compensation framework for all employees with total compensation of CHF/USD 250,000 or more, excluding GEB members and Global Asset Management employees. It also provides a comparison with the framework for 2011.

Of the annual performance award, 40% is paid immediately in cash, 30% under the EOP and 30% under the DCCP.[2]



1 Except for Global Asset Management employees and employees in certain locations subject to specific local plans with different deferral provisions. 2 Code Staff receive 50% in the form of blocked UBS shares.

Pensions and benefits

We offer 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.

Pensions 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.

➔ **Refer to “Note 30 Pension and other post-employment benefit plans” in the “Financial Information” section of the Annual Report 2012 for more information**

Employee share purchase program

We believe it is important that all our employees have the opportunity to take a personal stake in the success of the firm. Our employee share purchase program, the Equity Plus Plan, allows employees to contribute up to 30% of their base salary and/or up to 35% of their performance award toward the purchase of UBS shares. All employees below the rank of Managing Director are eligible to participate. Employees can purchase UBS shares at market price, and receive one free share for every three purchased through the program. Shares purchased under the Equity Plus Plan are generally restricted from disposal for a maximum of three years from the time of purchase. The free shares vest after three years, with vesting subject to continued employment with the firm.

Compensation for financial advisors in Wealth Management Americas

In line with market practice in the US for brokerage businesses, 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, coupled with the amount of net new money brought in, or the amount of revenue generated from wealth management-based services or products. For 2012, we paid a total of CHF 2,793 million in compensation to financial advisors in Wealth Management Americas. These amounts are neither part of nor expensed in our discretionary performance award pools and are categorized as "Wealth Management Americas financial advisor compensation".

Identifying our Key Risk Takers

Identifying Key Risk Takers is important to ensure we incentivize only appropriate risk-taking. Key Risk Takers are defined as those employees who can materially set, commit or control significant amounts of the firm's resources and/or exert significant influence over its risk profile. This includes employees who work in front-office roles, logistics or control functions. There are currently more than 500 individuals classified as Key Risk Takers, including GEB members. We also include employees with a performance award exceeding CHF/USD 2 million (Highly Paid Employees) in this category if they have not already been identified as Key Risk Takers. All GEB members are Key Risk Takers, but disclosed separately in this report.

Compensation measures for Key Risk Takers and Highly Paid Employees

Key Risk Takers identified at the beginning of the performance year are subject to a 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, they also face forfeiture or reduction of the deferred portion of their compensation if they commit harmful acts.

Equivalent compensation measures for Group Managing Directors

The same compensation measures apply to all Group Managing Directors (GMDs) regardless of whether they are determined to be Key Risk Takers or not. They receive part of their annual performance award under the EOP and the DCCP, with the vesting of their deferred EOP awards contingent on the same performance conditions to which Key Risk Takers are subject. Furthermore, any immediate cash award in excess of the CHF/USD 1 million cap is deferred as shares under the EOP.

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

We believe that we are fully compliant with the relevant Swiss Financial Market Supervisory Authority (FINMA) requirements regarding risk-takers, and we also consult with our other regulators around the globe on the topic. We make separate disclosures about risk takers in our local annual reports in line with local disclosure requirements.

Identifying our UK Code Staff

In accordance with guidance from the UK Financial Services Authority (UK FSA), we have identified 185 employees, consisting of senior management and employees whose professional activities could have a material impact on the firm's risk profile in the UK, as so-called "Code Staff". 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 performance awards that are paid out immediately are delivered in UBS shares. Furthermore, any shares granted to Code Staff under the EOP for their performance in 2012 will be subject to an additional six-month blocking period upon vesting.

Identifying our Covered Employees

In the US, the Federal Reserve has recommended a more expansive approach for identifying employees who expose their firms to material amounts of risk. Based on guidance from the Federal Reserve Bank of New York, we have identified those employees, known as "Covered Employees". For 2012 there are 805 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.

Group Executive Board (GEB)

Performance objectives for GEB members are linked to Group and divisional key performance indicators. The Group CEO's performance award 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.

Key Risk Takers[1]

Classification	Location	Number of employees
GEB members	Global	11
Key Risk Takers	Global	501, excluding GEB members

1 Includes employees with a performance award exceeding CHF/USD 2 million (Highly Paid Employees).

Audited

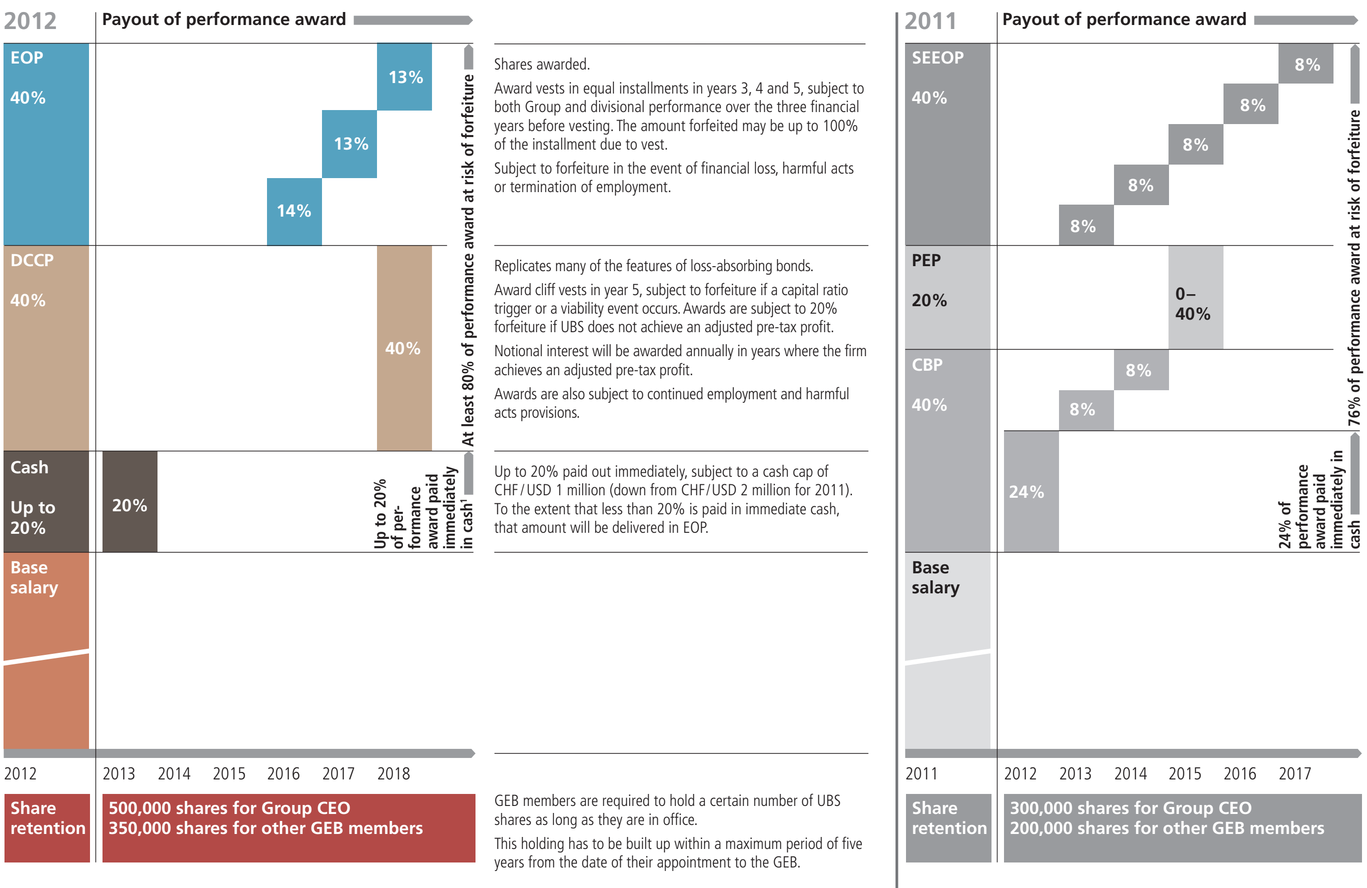
Sign-on payments, replacement payments, severance payments and guarantees

CHF million, except where indicated	Total 2012	Of which expenses recognized in 2012[4]	Of which expenses to be recognized in 2013 and later	Total 2011[1]
Total sign-on payments[1]				
Amount	17	11	6	29
Number of beneficiaries	182			342
of which Group Executive Board (GEB) members				
Amount	–	–	–	–
Number of beneficiaries	–			–
of which Key Risk Takers[2]				
Amount	4	2	2	3
Number of beneficiaries	5			2
Total replacement payments[1]				
Amount	96	23	72	154
Number of beneficiaries	203			518
of which GEB members[2]				
Amount	25	10	15	–
Number of beneficiaries	1			–
of which Key Risk Takers[2]				
Amount	32	6	26	59
Number of beneficiaries	16			35
Total guarantees				
Amount	40	15	26	237
Number of beneficiaries	68			359
of which GEB members				
Amount	–	–	–	–
Number of beneficiaries	–			–
of which Key Risk Takers[2]				
Amount	20	6	14	84
Number of beneficiaries	10			34
Total severance payments[3]				
Amount	319	314	5	239
Number of beneficiaries	2,321			1,530
of which GEB members				
Amount	–	–	–	–
Number of beneficiaries	–			–
of which Key Risk Takers[2]				
Amount	0.2	0.2	–	5
Number of beneficiaries	1			4

1 In 2011 sign-on payments and replacement payments were reported together. Total 2011 was restated correspondingly. 2 Expenses for Key Risk Takers are full-year amounts for individuals in office on 31 December 2012. Key Risk Takers include employees with a performance award of CHF / USD 2 million or more (Highly Paid Employees). 3 Severance payments include legally obligated and standard severance , as well as supplemental severance payments of CHF 16 million. 4 Expenses before post vesting transfer restrictions.

2012 compensation framework for GEB members

The graph below provides an illustrative overview of the 2012 compensation for GEB members, comparing it with the framework in 2011.
Of the annual performance award, up to 20% is paid immediately in cash, a minimum of 40% is deferred under the EOP and another 40% under the DCCP.



1 Code Staff receive 50% in the form of blocked UBS shares.

Those who lead Group control functions or who are regional CEOs 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 talent. GEB members are also assessed on how effectively they adhere to our strategic principles and apply our values.

➔ Refer to the "2012 compensation for the Group Executive Board and Board of Directors" section of this report for more information

Base salary and performance awards

GEB members receive a base salary and are eligible to receive an annual discretionary performance award. While GEB awards are at the discretion of the BoD, they take into account the overall performance of the Group and are dependent on the available performance award pool funding. Overall, the GEB performance award pool is limited to up to 2.5% of the Group's adjusted pre-tax profit.

➔ Refer to the discussion in the "2012 compensation for the Group Executive Board and Board of Directors" and "Compensation funding and expenses" sections of this report for more information

At least 80% of a GEB member's performance award is deferred in line with our focus on sustainable performance. Of this, 40% is awarded under the Deferred Contingent Capital Plan (DCCP), a minimum of 40% is awarded under the Equity Ownership Plan (EOP) and a maximum of 20% is paid out immediately, subject to a cash cap of CHF/USD 1 million (any amount above the cash cap is paid in UBS shares or notional shares under the EOP). For GEB members, EOP awards vest from year 3 to 5 in three equal installments, subject to the applicable performance conditions being met. DCCP awards vest in their entirety in year 5, although notional interest is awarded annually, provided that the firm achieves an adjusted pre-tax profit for that year. In addition to the capital ratio trigger of 7%, DCCP awards for GEB members will be subject to an additional performance condition. If UBS does not achieve an adjusted pre-tax profit during the vesting period, GEB members would forfeit 20% of the award for each loss-making year. As such, 100% of the award is at additional risk of forfeiture.

By discontinuing our previous deferred variable compensation plans, we have eliminated all leverage from our compensation plans, thereby further discouraging excessive risk-taking.

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

➔ A high-level overview of the 2012 compensation framework for GEB members is provided on the following page, which includes the 2011 framework (shaded) for comparison purposes

To further align their interests with those of our shareholders, as well as to further ensure that they remain focused on the longer-term success of the firm, we operate a formal share ownership requirement, under which GEB members must hold a minimum number of UBS shares. In 2012, the minimum holding requirement levels were increased. Each GEB member must now hold a minimum of 350,000 shares compared with the previous requirement of 200,000 shares. The Group CEO is now required to hold 500,000 shares compared with the previous minimum of 300,000 shares. These shareholdings must 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. GEB members are not permitted to sell their UBS shares until the abovementioned thresholds have been reached.

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. If a GEB member leaves the firm before the end of a performance year, he or she may be considered for a discretionary performance award based on his or her contribution during the time worked in that performance year. Such awards are at the full discretion of the firm, which may decide not to grant any awards.

Benefits

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

➔ Refer to the "2012 compensation for the Group Executive Board and the Board of Directors" section of this report for more information

Audited

Fixed and variable compensation[1]

CHF million, except where indicated	Total for the year ended 2012 amount	Total for the year ended 2012 %	Not deferred amount	Not deferred %	Deferred[3] amount	Deferred[3] %	Total for the year ended 2011[4]
Group Executive Board (GEB) members[2]							
Total compensation							
Amount	70	100	18	25	52	75	75
Number of beneficiaries	13						15
Fixed compensation							
Base salary	18	25	18	100	0	0	20
Variable compensation	52	75	0	0	52	100	55
Immediate cash	0		0	0	0	0	N/A
Equity Ownership Plan	31		0	0	31	100	N/A
Deferred Contingent Capital Plan	21		0	0	21	100	N/A
Discontinued deferred compensation plans[5]	N/A	N/A	N/A	N/A	N/A	N/A	55
Key Risk Takers[6]							
Total compensation							
Amount	790	100	403	51	387	49	656
Number of beneficiaries	501						448
Fixed compensation							
Base salary	218	28	218	100	0	0	194
Variable compensation	572	72	185	32	387	68	462

1 The compensation of GEB members who assumed their roles in 2012 is reflected in the GEB and Key Risk Taker numbers in this table on a pro-rated basis. 2 The figures refer to all GEB members in office in 2012 and all GEB members who stepped down during 2012. 3 This is based on the specific plan vesting which may differ from the accounting expensing. 4 Year 2011 as reported in Annual Report 2011. 5 Cash Balance Plan, Senior Executive Equity Ownership Plan and Performance Equity Plan. 6 Includes employees with a performance award of CHF / USD 2 million or more (Highly Paid Employees).

How the LIBOR-related settlements and fines have impacted our compensation for 2012

In December 2012, UBS reached a settlement with the UK Financial Services Authority (FSA), the US Department of Justice (DOJ) and the Commodity Futures Trading Commission (CFTC) resolving LIBOR and other benchmark-related investigations, under which UBS agreed to pay fines totaling approximately CHF 1.4 billion. At the same time, the Swiss Financial Market Supervisory Authority (FINMA) issued an order concluding its formal proceedings with respect to UBS, requiring UBS to pay CHF 59 million in disgorgements.

Shareholders, clients and our employees are understandably concerned about the conduct identified in the LIBOR investigations. From the time management discovered the wrongdoing and promptly reported it to regulators, we have fully cooperated with these regulators and taken significant remedial action to improve policies, protocols and controls.

Termination of employment and other disciplinary measures

We took disciplinary measures against those employees who were found to have been involved in the misconduct or who failed in their supervisory duties, including terminating their employment. 26 employees left UBS before disciplinary action could be taken. 25 employees had their employment terminated, either by separation agreement or termination for cause. 27 individuals were sanctioned with various warnings, reductions in their compensation and forfeiture of part of their deferred compensation, and by not being considered for promotions. We continue to assess whether sanctions against other current and former employees should be taken based on our ongoing reviews or information we receive from regulators.

Forfeiture of unvested deferred performance awards

In addition to the reduction or elimination of performance awards paid to individuals for 2011 and 2012, we estimate that approximately CHF 60 million of unvested deferred performance awards has been forfeited. These forfeitures were principally due to the following:

- terminations
- resignations
- performance conditions in our deferred variable compensation plans being deemed not to have been met
- the application of the harmful acts forfeiture provisions

Performance award pool funding

Given the serious nature of the matter and the financial and reputational impact that it had on the firm, the cost of the LIBOR-related settlements was taken fully into account in determining the size of the overall performance award pool for 2012. In addition, the HRCC recommended to the BoD that the performance award pools for the Investment Bank and the Corporate Center should be reduced to reflect the gravity of the matter. In doing so, they considered both the direct actions of those who attempted to influence LIBOR rates and the fact that UBS's controls and procedures did not detect or prevent these actions.

Investment Bank

In determining the size of the performance award pool for the Investment Bank, the HRCC considered the division's financial performance for the year, adjusted for items such as goodwill impairment and restructuring charges. To assist in its thinking, it factored in a discretionary adjustment equivalent to approximately 50% of the LIBOR-related costs for the year. Finally, the HRCC also took into account the Investment Bank's significant achievements in reducing its risk-weighted assets and balance sheet and accelerating the implementation of the firm's strategy. Taking all these factors into consideration, the HRCC determined that the Investment Bank's overall performance award pool should be reduced by approximately 20% compared to the level of performance awards for the division for 2011. In addition, unlike in 2012, no special awards will be granted to Investment Bank employees in 2013. The HRCC also determined that performance awards subject to performance conditions that were due to vest in March 2013 for the Investment Bank should be reduced by 10%. This 10% forfeiture, amounting to over CHF 14 million at the time of forfeiture, applied to over 300 individuals.

Corporate Center

The Corporate Center performance award pool was also reduced as a result of the LIBOR matter. However, no forfeiture of performance awards with performance-linked vesting conditions was deemed appropriate in the Corporate Center as the relevant performance condition, that is, the firm's overall profitability, as measured on an adjusted performance basis, was met.

Our deferred variable compensation plans

To ensure our employees' and shareholders' interests are aligned, we pay part of our performance awards in UBS shares. To keep our employees focused on the medium and longer-term profitability of the firm, all variable compensation plans require a significant part of an employee's performance award to be deferred for up to five years and include forfeiture provisions.

In 2012, we simplified and at the same time strengthened our compensation framework by eliminating a number of plans and introducing two universal plans that apply to all employees with a total compensation above CHF/USD 250,000 – the revised Equity Ownership Plan (EOP) and the new Deferred Contingent Capital Plan (DCCP). We have also extended the deferral period for our performance award plans. The introduction of the DCCP and changes to vesting conditions for the EOP have resulted in the average deferral period for the GEB increasing to 4.5 years (from 2.7 years for 2011) and to 3.8 years for other employees (from 2.0 years for 2011). The previous plans for members of the GEB, namely the Cash Balance Plan (CBP), Senior Executive Equity Ownership Plan (SEEOP) and the Performance Equity Plan (PEP) have been discontinued.

The forfeiture provisions in our deferred variable compensation plans, which have been enhanced, enable the firm to forfeit some, or all, of the unvested deferred portion if an employee commits certain harmful acts.
Generally, we regard the following as harmful acts:

– contributing substantially to a significant downward restatement of the Group's or a business division's results or to the Group incurring significant financial losses
– engaging in conduct and/or failing to discharge supervisory or managerial responsibilities that results in detriment to UBS, including reputational harm
– engaging in conduct that materially violates legal and regulatory requirements or internal policies and procedures
– disclosing confidential or proprietary information
– soliciting UBS employees or clients

As a result of the changes described above we believe we have the largest proportion of deferred compensation in our peer group, and that our employees would have more deferred compensation at risk than at any other competitor firm. Thus we provide greater protection to our stakeholders in the event of poor performance or harmful acts.

➔ Refer to "Note 31 Equity participation and other compensation plans" in the "Financial Information" section of the Annual Report 2012 for more information on valuation principles and valuation of the awards granted

Overview of variable compensation plans

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

		Equity Ownership Plan	Deferred Contingent Capital Plan
Beneficiaries		GEB members, Key Risk Takers and all employees with total compensation greater than CHF/USD 250,000	GEB members, Key Risk Takers and all employees with total compensation greater than CHF/USD 250,000
Vesting schedule		Vests in equal installments in years 3 to 5 for GEB members and in equal installments in years 2 and 3 for all other employees[1]	Vests in full in year 5
Conditions influencing payout	**Share price[2]**	●	
	Forfeiture clauses	●	●
	Harmful acts	●	●
	Performance conditions	For GEB members, GMDs, Key Risk Takers and Highly Paid Employees, the number of UBS shares delivered at vesting depends on the achievement of both Group and divisional performance conditions	Depends on whether a trigger event or viability event has occurred Awards for GEB members are also subject to 20% forfeiture for any year where UBS does not achieve an adjusted pre-tax profit
Profitability as funding driver		●	●
Instrument		UBS shares or notional shares[2]	Notional bond and interest

1 Except for Global Asset Management employees, whose awards vest in equal installments in years 2, 3 and 5, and employees in certain locations subject to specific local plans with different deferral provisions.
2 Cash-settled notional funds for Global Asset Management employees.

Equity Ownership Plan (EOP)

We have extended the vesting period and revised the performance conditions for the EOP. Awards granted for the performance year 2012 and onwards will vest in two equal installments in years 2 and 3 for all employees other than GEB members, and in three equal installments in years 3 to 5 for GEB members. For GMDs, Key Risk Takers and Highly Paid Employees, vesting is now also subject to multi-year performance conditions. In addition, the harmful act provisions have been enhanced to better ensure that awards can also be forfeited in the event that an employee fails to discharge his or her supervisory or managerial responsibilities. Up to 100% of the award due to vest may be forfeited. This plan provides no leverage.

Description

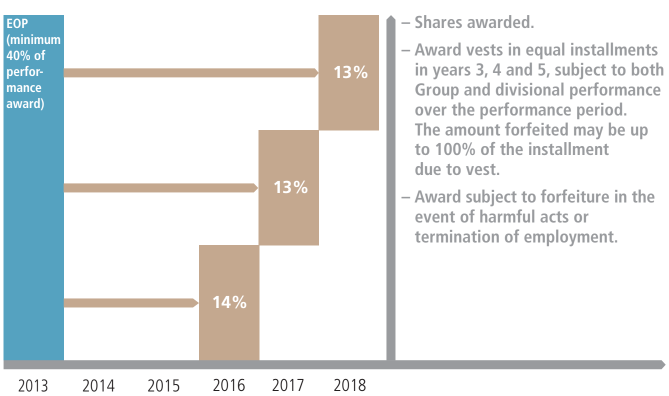
The EOP is a mandatory performance award deferral plan for all employees with total compensation of CHF/USD 250,000 or more. Such employees receive 30% of their performance award above that level in deferred UBS shares or notional shares under the EOP. GEB members receive at least 40% of their performance awards under the EOP. Global Asset Management employees receive 45% of their performance awards above the total compensation threshold under the EOP, the amount of which is linked to the value of designated underlying Global Asset Management funds (notional funds) at the time of vesting. Their EOP awards vest in three equal installments in years 2, 3 and 5. The EOP installments vesting in years 2 and 3 which were granted to Global Asset Management employees who are GMDs, Key Risk Takers or Highly Paid Employees are subject to the same performance conditions as those for other such employees.

For 2012, an estimated 6,372 employees received EOP awards. EOP awards are granted annually. Although the forfeiture provisions are the same for all EOP awards, the other terms of these awards vary depending on the category an employee falls into, as summarized in the table on the right.

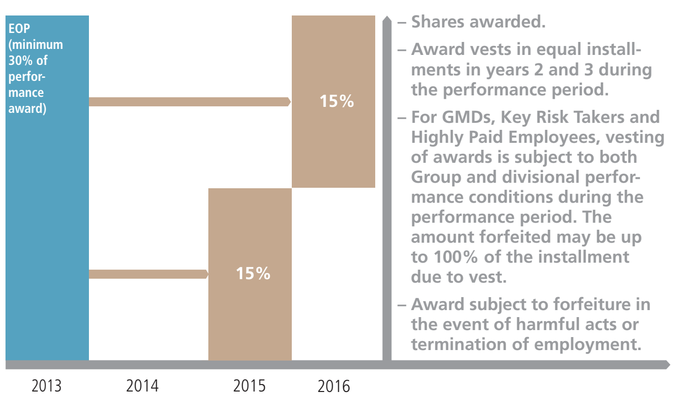
Employee categories[1]	Minimum percentage of performance award deferred under EOP	EOP vesting period	EOP performance conditions
GEB members	40%	Vests in equal installments in years 3 to 5	●
Group Managing Directors, Key Risk Takers and Highly Paid Employees[2]	30%	Vests in equal installments in years 2 and 3	●
All other employees with total compensation of more than CHF/USD 250,000	30%[3]	Vests in equal installments in years 2 and 3	

1 Excluding Global Asset Management employees and employees subject to different plans in certain locations. 2 Employees with a performance award of more than CHF/USD 2 million. 3 At least 30% of the performance award that is above CHF/USD 250,000 is deferred under the EOP.

EOP vesting schedule for GEB members



EOP vesting schedule for all employees except GEB members



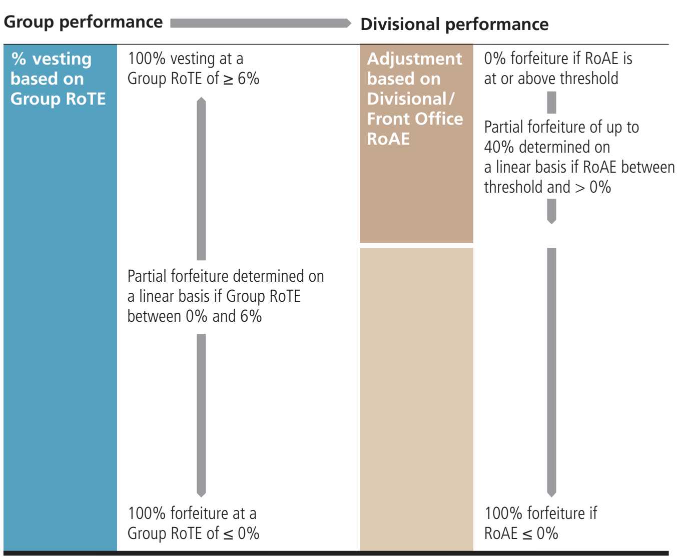
EOP performance conditions for GEB members, GMDs, Key Risk Takers and Highly Paid Employees: The vesting of an EOP award depends on both Group performance and divisional performance. Group performance is measured by the average adjusted Group return on tangible equity (RoTE) and divisional performance by the average adjusted divisional return on attributed equity (RoAE), or, for Corporate Center employees, the average of the RoAE for all business divisions, which excludes Corporate Center (Front Office RoAE). The percentage of an EOP award that vests is determined as follows.

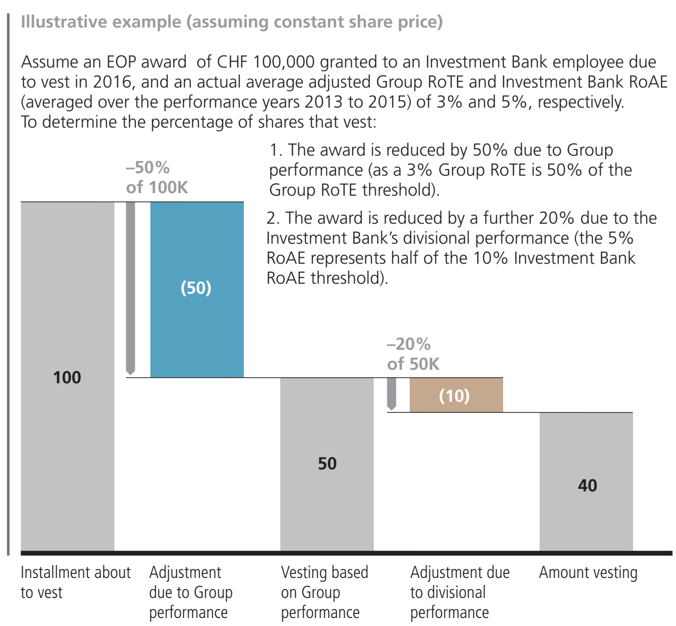
If the average adjusted Group RoTE achieved is greater than or equal to the 6% threshold, the award will vest in full, subject to the relevant divisional threshold also being met. If the Group RoTE is 0% or negative, the installment will be fully forfeited for the entire Group regardless of any division's particular performance. If the Group RoTE falls between 0% and 6%, the award will vest on a linear basis between 0% and 100%, again subject to the relevant divisional threshold being met.

The purpose of the divisional threshold is to reduce the amount of the EOP award that vests for any division that does not meet its divisional performance target. Therefore, if the divisional RoAE threshold (see table below) is met, no adjustment is made to the EOP award. If, however, the RoAE falls below the threshold but is above 0% for any division, a downward adjustment will be applied to the percentage of shares that would otherwise vest for that division. The extent of this downward adjustment depends on how much the actual RoAE falls below the threshold for that division, and will be up to 40%. If the actual RoAE for a division is 0% or negative, the installment will be fully forfeited for that division. The achievement of the performance conditions will be assessed by the HRCC.

An illustrative example of how we determine the percentage of shares that vest is provided below.

GEB members, GMDs, Key Risk Takers and Highly Paid Employees: EOP performance conditions





Divisional RoAE thresholds (or, for Corporate Center employees, Front Office RoAE thresholds)

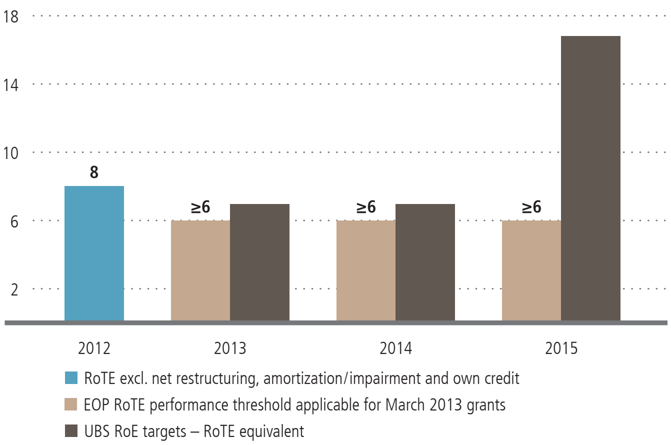
Wealth Management	≥ 40%	Investment Bank	≥ 10%
Retail & Corporate	≥ 15%	Global Asset Management	≥ 20%
Wealth Management Americas	≥ 20%	Corporate Center	≥ 10%

Performance periods for EOP awards granted in March 2013

	Installment vesting after	Applicable performance period
GEB	3 years	2013, 2014 and 2015
	4 years	2014, 2015 and 2016
	5 years	2015, 2016 and 2017
GMDs, Key Risk Takers and Highly Paid Employees	2 years	2013 and 2014
	3 years	2013, 2014 and 2015

Return on tangible equity – comparison with EOP performance thresholds

In %



The objective of linking the vesting of EOP awards with a return on equity over a two- to five-year time horizon is to focus our employees on developing and managing the business in a way that delivers sustainable returns. We believe that Group return on tangible equity (RoTE) is a better performance measure than the Group's return on total equity (RoE). The difference between the two is that tangible equity includes only shareholders' equity and excludes goodwill and intangibles and thus provides a more consistent basis to measure performance.

The Group's published RoE targets can be converted into RoTE targets by deducting the current balance of goodwill and intangibles from the Group's total equity base. On this basis, the Group's reported RoE target of mid-single digits for 2013 and 2014 would be approximately 1–2 percentage points higher in terms of RoTE. Our 2015 RoE target of more than 15% is the equivalent of RoTE of more than 17%, calculated based on our estimated tangible equity.

UBS began to report Group RoTE in its fourth-quarter 2012 report and will continue to do so on a quarterly and annual basis. UBS has reported RoAE for each business division (except the Corporate Center) for some time. This information is available in the Annual Report 2012 and will be included in subsequent quarterly and annual reports.

In determining the RoTE performance threshold for any year it will be important to set the threshold such that employees do not have to earn a performance award twice (once when granted and again during the vesting period). In establishing a threshold of 6% for the Group RoTE for the 2012 performance year we acknowledge that the bank is still in a transformational phase and take into consideration the financial effects of restructuring the bank during 2013 and 2014.

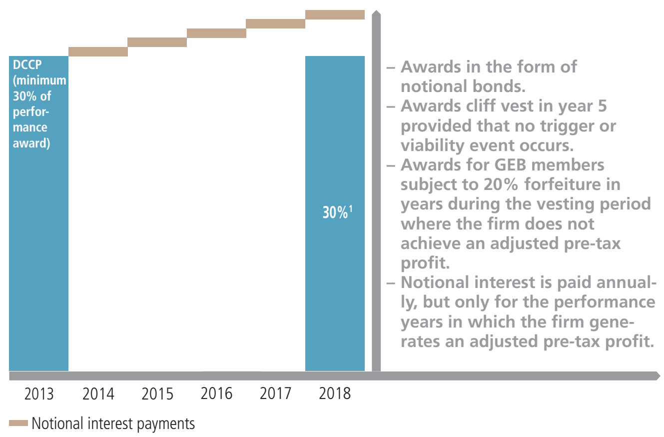
Deferred Contingent Capital Plan (DCCP)

The introduction of the DCCP as a key component of our compensation framework better aligns the interests of our senior employees with those of our stakeholders as the plan replicates many of the features of the loss-absorbing bonds that we issued to investors in 2012. It is subject to standard forfeiture and harmful acts provisions and provides no leverage.

We anticipate that over the next five years, we could build up to 100 basis points of high-trigger loss-absorbing capital from this program, which would act as an additional buffer against declines in capital.

Eligible employees: The DCCP is a mandatory performance award deferral plan for all employees with total compensation of CHF/USD 250,000 or more. Such employees receive 30% of their performance award above that level under the DCCP, with the exception of Global Asset Management employees, who receive 15% of their performance awards under the plan. GEB members receive 40% of their performance awards under the DCCP. For 2012, an estimated 6,317 employees received DCCP awards. DCCP awards are intended to be granted annually.

Deferred Contingent Capital Plan



1 40% for GEB members.

Description: Employees are awarded notional bonds with annual interest payments. UBS will only pay interest for the performance years in which the firm generates an adjusted pre-tax profit. For years in which UBS does not achieve an adjusted pre-tax profit no notional interest will be paid. Once paid, notional interest is not subject to clawback. The notional interest rate is set based on the yield to maturity of a market-traded loss-absorbing bond observed from 1 to 15 February 2013 for the awards granted on 15 March 2013. The notional interest rate is 6.25% for awards denominated in USD and 5.40% for awards denominated in CHF. These interest rates are lower than the rates paid to the holders of our loss-absorbing bonds issued in February 2012 and August 2012, which have coupons of 7.25% and 7.625%, respectively. Awards vest in full after five years, subject to the restrictions outlined in the following paragraph.

Restrictions: Awards granted under the DCCP forfeit if our Basel III common equity tier 1 (CET1) ratio falls below 7%. This is a higher trigger than for our bondholders who would only see their bonds written down if our Basel III CET1 ratio falls to 5%. In addition, awards are also forfeited if a viability event occurs, that is, if FINMA provides a written notice to UBS that the DCCP must be written down to prevent the insolvency, bankruptcy or failure of UBS, or if UBS receives a commitment of extraordinary support from the public sector that is necessary to prevent such insolvency, bankruptcy or failure.

Furthermore, DCCP awards for GEB members are subject to an additional performance condition. In any years during the vesting period where UBS does not achieve an adjusted pre-tax profit, GEB members would forfeit 20% of the award. As such, 100% of GEB DCCP awards are at additional risk of forfeiture.

Vesting of outstanding awards granted in prior years impacted by performance conditions

The following provides an overview of the impact of the financial performance in 2012 on the vesting of outstanding awards granted in prior years which were due to vest in 2013.

Vesting of Performance Equity Plan awards granted in 2010

The vesting of awards granted under the Performance Equity Plan (PEP) depends on the cumulative economic profit (EP) over 2010–2012 and the relative total shareholder return (TSR) over the same period as compared to the constituent banks in the Dow Jones Banks Titans 30 Index at the time of grant. Based on the actual cumulative EP and relative TSR ranking over the performance period, and following validation by PricewaterhouseCoopers, the HRCC has determined that 52% of the performance shares granted to GEB members in 2010 have vested, that is, 48% has been forfeited.

Vesting of Senior Executive Equity Ownership Plan and Performance Equity Ownership Plan 2010/11 and 2011/12 awards

The vesting in 2013 of installments of the Senior Executive Equity Ownership Plan (SEEOP) and Performance Equity Ownership Plan (Performance EOP) 2010/11 and 2011/12 awards is dependent on the adjusted operating profit before tax of the business division or, for Corporate Center employees, adjusted Group operating profit before tax. Performance EOP awards vested in full for all business divisions, except for the Investment Bank.

Although the Investment Bank generated an adjusted operating profit in 2012, the HRCC determined that the number of shares due to vest on 1 March 2013 would be reduced by 10% for Investment Bank employees. The HRCC's determination was based on the profitability of the Investment Bank, including adjustments for goodwill impairment, restructuring charges and own credit losses, as defined in the plan rules. The HRCC, at its discretion, took into consideration approximately 50% of the fines and related costs in connection with the LIBOR matter. The HRCC's intention in applying its discretion is to ensure that the mechanistic outcome of performance conditions relating to awards will be subject to review to avoid outcomes which could be seen as contrary to the intention of the plans and to shareholders' interests. Accordingly, Investment Bank employees received 90% of the shares awarded under the Performance EOP that were due to vest on 1 March 2013. The same determination was also made regarding the outstanding SEEOP award in the Investment Bank for Carsten Kengeter, that is, 10% of the second installment of the SEEOP award granted to him in 2011 was forfeited.

Vesting of Cash Balance Plan 2011 and 2012 awards

The outstanding unvested amounts of Cash Balance Plan (CBP) awards granted in February 2011 and February 2012 are adjusted based on the Group RoE during the financial years prior to vesting. If Group RoE is below 0%, the actual Group RoE determines the extent of the downward adjustment. If Group RoE is between 0% and 6%, no adjustment will be made. Should Group RoE exceed 6%, the unvested amount is adjusted upwards in line with the actual Group RoE, up to a maximum of 20% (that is, any upside adjustment is capped at 20%).

For Cash Balance Plan (CBP) awards granted in February 2011, the last installment which vested in 2013 was adjusted in line with the actual Group RoE over 2011 and 2012. As such, the award was adjusted upwards by 9.1% (reflecting 2011 performance) and then downwards by 5.2% (reflecting 2012 performance). For the CBP awards granted in February 2012, the first installment that vested in 2013 was adjusted downwards by 5.2% (reflecting 2012 performance). The last installment which is due to vest in 2014 will be adjusted based on the actual Group RoE over 2012 and 2013.

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. No grants were made for the 2012 performance year under the discontinued plans (see below).

➔ **Refer to "Note 31 Equity participation and other compensation plans" in the "Financial Information" section of the Annual Report 2012 for more information**

Plan	Cash Balance Plan (CBP)	Performance Equity Plan (PEP)	Senior Executive Equity Ownership Plan (SEEOP)	Special Plan Award Program (SPAP)	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)
Years granted	2010–2012	2010–2012	2010–2012	2012 only	2011 only	2010 only	2002–2009	2002–2009
Eligible employees	GEB members	GEB members	GEB members and Group Managing Board	Selected Managing Directors and Group Managing Directors in the Investment Bank	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	Performance shares	Shares	Shares	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	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
Performance conditions	CBP 2011 and 2012: dependent on the return on equity CBP 2010: dependent on UBS being profitable	The number of UBS shares delivered can be between zero and two times the number of performance shares granted, depending on whether performance targets relating to economic profit (EP) and relative total shareholder return (TSR) have been achieved	Dependent on whether the business division makes a loss (the amount forfeited depends on the extent of the loss and generally ranges from 10% – 50% of the award portion due to vest)	Dependent 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	None	Dependent on share price at the end of the five-year period	None	None
Restrictions / other conditions	Subject to continued employment and harmful act provisions	Subject to continued employment and harmful act provisions	Subject to continued employment and harmful act provisions	Subject to continued employment and harmful act provisions	Subject to continued employment and harmful act provisions	Subject to continued employment and harmful act 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 equal installments over a two-year period	Vests in full three years after grant	Vests in equal installments over a five-year period	Vests in full three years after grant	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

2012 performance summary

The Group reported an overall loss last year, in part reflecting our decision to accelerate the firm's strategy, which contributed to a significant goodwill impairment and restructuring costs. The results were also impacted by legal and regulatory costs, including the costs of the LIBOR settlement. However, we made substantial progress towards achieving our strategic objectives, including building our capital ratios, reducing costs and remediating operational risk events. Further progress was made in many areas of the business as we continued to address the challenges of the past.

As a Swiss bank, UBS is subject to the most stringent regulatory requirements in the world. In 2012, we exceeded the capital targets we set ourselves for the year and enhanced our position as one of the world's best capitalized banks. On a fully applied basis, our Basel III common equity tier 1 (CET1) capital ratio rose by 310 basis points to 9.8%, meaning we have almost achieved our regulator's minimum 2019 requirement of 10%. Our Basel III phase-in CET1 capital ratio increased by 460 basis points to finish the year at 15.3%. We achieved these increases primarily through reductions in risk-weighted assets, with total reductions of over CHF 120 billion, or 32% for the year. We also made good progress in relation to our balance sheet, which was reduced by CHF 158 billion over the year. Our Basel III funding and liquidity ratios remain above our regulator's 100% requirements and place us ahead of our peers.

We firmly believe that capital strength is the foundation of our success. It allows us the flexibility to execute our strategy and it reinforces client confidence while allowing us to address the challenges of the past. As a sign of that strength and of our confidence in our continued ability to execute our strategy in a disciplined manner, the BoD is recommending a 50% increase in the dividend for shareholders for the year to CHF 0.15 per share.

On costs, we experienced higher than expected legal costs and adverse foreign exchange movements, but our underlying progress on cost reduction is on track.

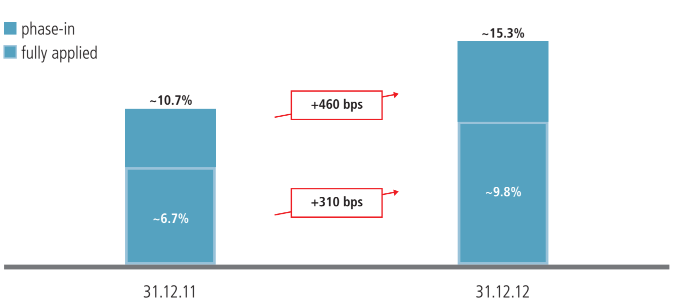
Our performance in 2012

We made solid progress across all businesses in 2012. Notably, our Wealth Management business continued to see success in the fastest growing global markets while adapting to the new cross-border paradigm. Together, our wealth management businesses attracted strong net new money inflows totaling almost CHF 47 billion, an increase of over CHF 11 billion on 2011 and a demonstration of our clients' continued trust. Wealth Management Americas continued to make strong progress and achieved a record pre-tax profit of USD 873 million, an increase of 40% on 2011. Our Retail & Corporate business delivered a resilient pre-tax performance in difficult markets and continued to regain market share. It performed exceptionally well in relation to net new business volume growth, which reached almost 5%, and recorded deposit inflows of CHF 14 billion, including the highest net new client assets for retail clients in Switzerland since 2001. Global Asset Management recorded an increased pre-tax profit as it delivered stronger investment performance to its clients. The Investment Bank beat our targets in relation to risk-weighted asset and balance-sheet reduction, allowing the firm to reach its current industry-leading capital ratios. It performed well in many of its traditional areas of competitive strength, expanding in equity and debt capital markets and global syndicated finance where revenues increased 16%. Its foreign exchange business continued to benefit from the investments we made in cutting edge e-trading systems, enabling it to grow volumes significantly.

Overall for 2012, the Group reported a disappointing pre-tax loss of CHF 1,774 million, a net loss attributable to UBS shareholders of CHF 2,511 million and diluted earnings per share of negative CHF 0.67. The result includes a number of items relating to the acceleration of our strategy, which we announced in October 2012. We recorded CHF 3.1 billion of goodwill impairments

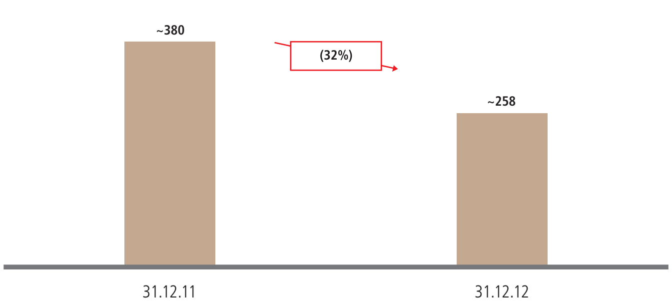
Basel III CET1 ratio

CHF billion Phase-in Basel III CET1 ratio up ~460 bps



Basel III RWA

CHF billion Basel III RWA reduced by ~32%



and CHF 0.4 billion of restructuring costs. In addition we recorded own credit charges of CHF 2.2 billion which resulted from the tightening of our credit spreads as the perceived creditworthiness of our debt improved, partly in reaction to the accelerated implementation of our strategy. We also had positive effects of CHF 846 million related to changes to our Swiss pension plan and to our retiree medical and life insurance plan in the US. Adjusting for the items listed above (all of which are outside the control of divisional management or result from strategic decisions), one can get a clearer picture of our underlying performance. On this basis, the Group would have recorded a pre-tax profit of CHF 3.0 billion, which includes fines and disgorgements of CHF 1.4 billion in relation to LIBOR.

UBS's performance award pool was reduced to CHF 2.5 billion, a 7% decrease compared with 2011, and a 42% decrease compared with 2010. The overall decrease in the performance award pool year-on-year puts it at the lowest level since the financial crisis. The reduction in the pool must also be viewed in the context of the wide-ranging changes we have made to our new compensation plans, including increased deferral periods, the elimination of leveraged plans, the introduction of the Deferred Contingent Capital Plan, which has a five-year vesting period, and the halving of the maximum immediate cash component of any performance award. Taken in conjunction with the firm's achievements in building its industry-leading capital ratios and the proposed 50% increase in dividend payments to shareholders for 2012, it illustrates the continuing shift in the relationship between compensation, capital and dividends.

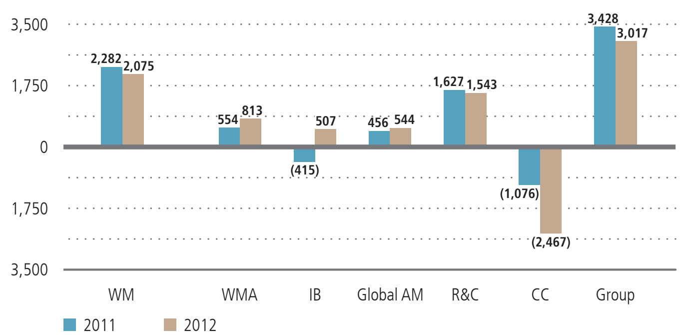
Summary of financial performance for 2012 and 2011

CHF billion	2012	2011
Pre-tax profit/(loss) as reported	**(1.8)**	5.3
Impairment of goodwill, intangibles and PPE	3.1	0.0
Own credit	2.2	(1.5)
Net restructuring charges	0.4	0.4
Other	(0.8)[1]	(0.7)[2]
Adjusted pre-tax profit	**3.0**	3.4

1 Includes credit for changes to a US retiree medical life insurance benefit plan of CHF 116 million and credit for changes to the UBS's Swiss pension plan of CHF 730 million. 2 Includes gain on the sale of our strategic investment portfolio (SIPF).

Adjusted pre-tax performance[1] for the Group and business divisions

CHF million



1 Each of the following items has been excluded on a Group and relevant business division or Corporate Center level: own credit loss on financial liabilities designated at fair value for the Group CHF 2,202 million for 2012 (own credit gain of CHF 1,537 million in 2011), restructuring charges CHF 371 million for the Group in 2012 (net charge of CHF 380 million in 2011), impairment losses of CHF 3,064 million on goodwill and non-financial assets in the Investment Bank in 3Q12, credit to personnel expenses related to changes to a US retiree medical and life-insurance benefit plan of CHF 116 million in 2Q12, changes to the Swiss pension plan of CHF 730 million for the Group in 1Q12 and the gain on the sale of strategic investment portfolio of CHF 433 million in Wealth Management and CHF 289 million in Retail & Corporate in 3Q11.

Our compensation funding and expenses for 2012

The performance award pool for 2012 is CHF 2.5 billion, 7% lower than for 2011 and 42% lower than 2010.

Business performance is the basis of our compensation funding framework and we measure our business divisions' performance in various ways, including profitability, quality of earnings, contribution before performance award and economic contribution before performance award. The latter is calculated by deducting the cost of capital based on equity allocated to the business and reflects the relative risks of each business.

Funding rates are linked to a division's level of profitability and reflect factors such as changes in performance during the year, affordability and the need to remain attractive as an employer.

If a business division's profits increase, the proportion of profits we allocate to pay performance awards is reduced. This approach has several benefits. In good years it helps to prevent excessive compensation and allows us to return capital to shareholders. In lean years, it provides management with the flexibility to ensure we can make adequate provisions to retain key employees.

We believe it is important that our management can exercise its judgment and make recommendations, which are then reviewed by the HRCC. If management feels a division's performance award pool does not fully reflect its performance, the Group CEO can recommend a change to the size of the pool. For example, if a division is restructuring or investing significantly in its business this would have a material short-term financial impact, but it may also be seen as contributing to the firm's longer term goal of delivering sustainable performance. In the case of variable compensation funding, management may make recommendations to ensure the firm remains attractive as an employer. Such recommendations would take into account the firm's market position from a performance and compensation perspective, and industry compensation trends, including at senior management levels, based on peer comparisons. This year, we have broadened the scope of our peer benchmarking to ensure as far as possible that it provides like-for-like comparisons to aid the decision-making process.

To the extent that discretion is exercised in any year, the HRCC undertakes to UBS's shareholders that it will be applied judiciously and in a manner that is aligned with our strategy to create sustainable shareholder value.

Sustainable profitability is key to compensation funding

The primary basis for funding across UBS is profitability. The following describes how we determine our performance award pools.

Performance awards granted for the 2012 performance year

Our performance award pool for 2012 is CHF 2,522 million, 7% lower than for 2011. This reflects our overall profitability, quality of earnings, and our progress towards achieving our strategic objectives, including strengthening our capital ratios and reducing risk-weighted assets.

The "Total variable compensation" table shows the amount of variable compensation awarded to employees for the performance year 2012, together with the number of beneficiaries for each type of award granted. We define variable compensation as the discretionary, performance-based award pool for the given year. In the case of deferred awards, the final amount paid to an employee is dependent on performance conditions to which these awards are subject and consideration of relevant forfeiture provisions. The deferred share award amount is based on the fair value of these awards on the date of grant.

The "Deferred compensation" table on the following page shows the current intrinsic value of unvested outstanding deferred variable compensation awards subject to ex-post adjustments. For share-based plans, the intrinsic value is determined based on the closing share price on 30 December 2012. For notional funds, 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 variable

Audited

Total variable compensation[1]

	Expenses		Expenses deferred to future periods		Adjustments[2]		Total		Number of beneficiaries	
CHF million, except where indicated	**2012**	2011[3]	**2012**	2011[3]	**2012**	2011[3]	**2012**	2011[3]	**2012**	2011
Cash performance awards	**1,411**	1,554	**0**	0	**0**	0	**1,411**	1,554	**46,709**	50,620
Deferred Contingent Capital Plan	**145**	0	**361**	0	**0**	0	**506**	0	**6,317**	0
Deferred cash plans[4]	**5**	34	**10**	3	**0**	0	**15**	37	**58**	62
UBS share plans	**135**	234	**383**	750	**24**	54	**542**	1,038	**5,866**	6,514
UBS share option plans	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0
Equity Ownership Plan – notional funds	**28**	25	**20**	69	**0**	0	**48**	94	**506**	515
Total performance award pool	**1,724**	1,847	**774**	822	**24**	54	**2,522**	2,723	**46,732**	50,635

	Expenses		Expenses deferred to future periods		Adjustments[2]		Total	
CHF million, except where indicated	**2012**	2011[3]	**2012**	2011[3]	**2012**	2011[3]	**2012**	2011[3]
Total variable compensation – other[5]	**424**	295	**494**	132	**(137)[6]**	0	**781**	427

	Expenses		Expenses deferred to future periods		Adjustments[2]		Total		Number of beneficiaries	
CHF million, except where indicated	**2012**	2011[3]	**2012**	2011[3]	**2012**	2011[3]	**2012**	2011[3]	**2012**	2011
Total WMA financial advisor compensation[7]	**2,087**	1,842	**706**	1,024	**0**	0	**2,793**	2,866	**7,059**	6,967

1 The total "performance award" paid to employees for the performance years 2012 (CHF 2,522 million) and 2011 (CHF 2,723 million). Expenses under "Total variable compensation – other" and "Total WMA financial advisor compensation" are not part of UBS's performance award pool. 2 Adjustments relating to post-vesting transfer restrictions. 3 In 2012, costs related to guarantees for new hires were reclassified from "Total variable compensation – other" to "Total variable compensation – performance award". In addition, costs related to both supplemental severance and certain retention payments were reclassified from "Total variable compensation – performance award" to "Total variable compensation – other". 2011 was restated. 4 Deferred cash plans include specific regional deferred cash plan which is not part of the Group's compensation delivery framework. 5 Replacement payments and retention plan payments including the Special Plan Award Program. 6 Included in expenses deferred to future periods is an amount of CHF 137 million relating to future interest on the Deferred Contingent Capital Plan. As the amount recognized as performance award represents the present value of the award at the date granted to the employee, this interest amount is adjusted out in the analysis. 7 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 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.

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Deferred compensation[1,2]

CHF million, except where indicated	Relating to awards for 2012	Relating to awards for prior years[3]	Total	of which exposed to ex-post adjustments	Total deferred compensation year end 2011[4]
Deferred Contingent Capital Plan	506	0	506	100%	0
Equity Ownership Plan	542	3,383	3,925	100%	3,182
Equity Ownership Plan – notional funds	48	534	582	100%	670
Discontinued deferred compensation plans[5]	0	420	420	100%	698
Total	1,096	4,337	5,433		4,550

1 This is based on specific plan vesting which may differ from the accounting expensing. 2 For more information, refer to "Note 31 Equity participation and other compensation plans". 3 This takes into account the ex-post implicit adjustments, given the share price movements since grant. 4 Year 2011 as reported in Annual Report 2011 adjusted for discontinued deferred compensation plans. 5 Cash Balance Plan (CBP), Senior Executive Equity Ownership Plan (SEEOP), Performance Equity Plan (PEP), Incentive Performance Plan (IPP), Deferred Cash Plan (DCP).

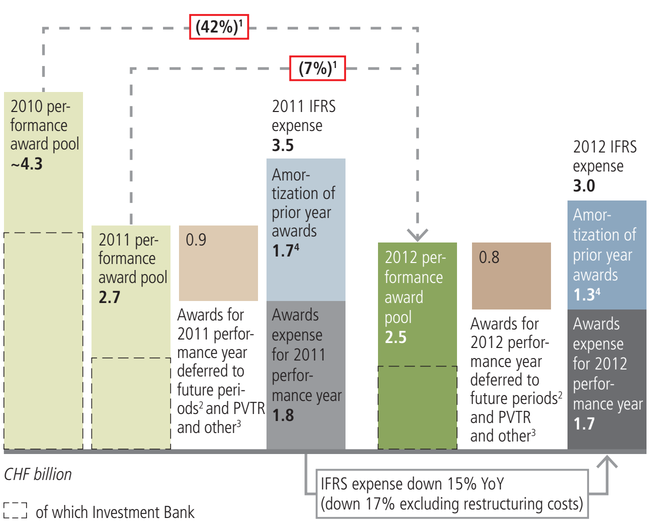
compensation plans listed in the "Deferred compensation" table are subject to ex-post adjustments, whether implicitly, through exposure to share price movements, or explicitly, for example, through forfeitures instigated by the firm. Accordingly, their value can change over time. The amounts shown in the column "Relating to awards for prior years" already takes 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 2012.

➔ **Refer to "Note 31 Equity participation and other compensation plans" in the "Financial Information" section of the Annual Report 2012 for more information.**

Performance award expenses in the 2012 performance year

The performance award pool includes all discretionary, performance-based variable awards for 2012. Certain awards that form part of the performance award pool, mainly discretionary cash awards, are already expensed in the same year while deferred awards are largely expensed in subsequent years. The "Performance award expenses" chart illustrates how the performance award pool for the 2012 performance year reconciles with the performance award expense in the financial year 2012. The performance award expense includes all immediate expenses related to 2012 compensation awards and expenses related to awards

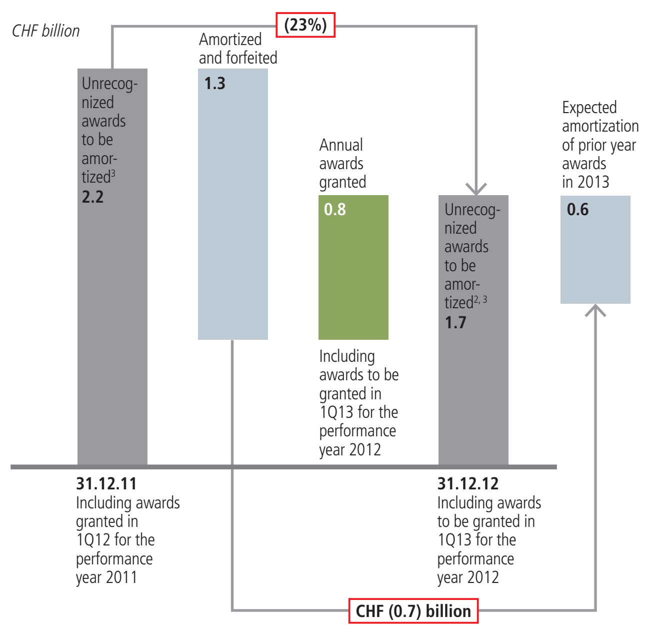
Performance award expenses



1 Excluding add-ons such as social security. 2 Estimate. The actual amount to be expensed in future periods may vary, for example due to forfeitures. 3 Post vesting transfer restrictions and adjustments related to performance conditions of CHF 54 million in 2011 and CHF 24 million in 2012. 4 Includes restructuring costs of CHF 54 million in 2011 and CHF 115 million in 2012.

Amortization of deferred compensation[1]

23% reduction in awards to be amortized over future periods



1 This graph reflects improvements in estimates compared with the numbers included in our fourth quarter 2012 results presentation on 5 February 2013. 2 Estimate. The actual amount to be expensed in future periods may vary, for example due to forfeitures. 3 Related to performance award pool.

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Ex-post explicit and implicit adjustments to deferred compensation in 2012[1]

	Ex-post explicit adjustments[4]		Ex-post implicit adjustments to unvested awards[5]	
CHF million	**2012**	2011	**2012**	2011
	31.12.12	31.12.11	**31.12.12**	31.12.11
UBS shares (EOP, IPP, PEP, SEEOP)[2]	**(211)**	(171)	**(178)**	(1,432)
UBS options (KESOP) and SARs (KESAP)[2]	**(16)**	(22)	**0**	(290)
UBS notional funds (EOP)[3]	**(8)**	(11)	**52**	(50)

1 Compensation (discretionary performance award and other variable compensation) relating to awards for previous performance years. Cash deferred plans (i.e. CBP Cash Balance Plan) are not included in this analysis. 2 IPP, PEP, SEEOP, KESOP and KESAP are discontinued deferred compensation plans. 3 Awards granted under this plan are cash-settled and 100% susceptible to ex-post implicit adjustments. 4 Ex-post explicit adjustments are calculated as units forfeited during the year, valued at the share price on 28 December 2012 (CHF 14.27) and on 30 December 2011 (CHF 11.18) for UBS shares and valued with the fair value at grant for UBS options. For the notional funds awarded to Global Asset Management employees under the EOP, this represents the forfeiture credits recognized in 2012 and 2011. 5 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 at year end. For UBS options they are calculated based on the difference between the fair value at grant and the aggregated intrinsic value at year end. The value of notional funds is calculated using the mark-to-market change during 2012 and 2011.

made in prior years. As illustrated in the chart, the performance award pool declined by CHF 201 million or 7% in 2012, while the 2012 performance award expense under the IFRS accounting rules declined by CHF 516 million or 15%.

At the end of 2012, the amount of unrecognized awards to be amortized in subsequent years was CHF 1.7 billion, compared with CHF 2.2 billion at the end of 2011. The "Amortization of deferred compensation" chart shows that this reduction is due to the reduction in unamortized awards and lower new awards granted for 2012 as well as lower unamortized balances from previous years carried forward.

The table above shows the value of actual ex-post explicit and implicit adjustments to outstanding deferred compensation in the 2012 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 shares in 2012, based on the approximately 15 million shares forfeited during 2012, is negative CHF 211 million. The total value of ex-post explicit adjustments made to UBS options and share-settled stock appreciation rights (SARs) in 2012, based on the approximately 2 million options/SARs forfeited during 2012, is negative CHF 16 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).

Total personnel expenses for 2012

The table on the following page shows our total personnel expenses in 2012 for our 62,628 employees and includes salaries, pension and other personnel costs, social security contributions and variable compensation. Variable compensation includes discretionary cash performance awards to be paid in 2013 for the 2012 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 performance award pool reflects the value of discretionary performance awards granted relating to the 2012 performance year, including awards that are paid out immediately and those that are deferred. To determine our variable compensation expense, the following adjustments are required in order to reconcile the performance award 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 2013 for the performance year 2012; 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 2011 and 2012 accounting costs.

➔ **Refer to "Note 31 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2012 for more information**

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Personnel expenses

	Expenses				
CHF million	**Relating to awards for 2012**	Relating to awards for prior years	**Total 2012**	2011	2010
Salaries	**6,814**	0	**6,814**	6,859	7,033
Cash performance awards	**1,411**	(38)	**1,373**	1,466	2,173
Deferred Contingent Capital Plan	**145**	0	**145**	0	0
Deferred cash plans	**5**	149	**154**	343	314
UBS share plans	**135**	1,067	**1,202**	1,490	1,428
UBS share option plans	**0**	14	**14**	100	145
Equity Ownership Plan – notional funds	**28**	84	**112**	118	111
Total variable compensation – performance award[1,2]	**1,724**	1,276	**3,000**	3,516	4,171
of which guarantees for new hire[2]	**15**	119	**134**	173	135
Variable compensation – other[1,2]	**424**	(57)	**367**	191	141
of which replacement payments[3]	**15**	94	**109**	121	107
of which forfeiture credits	**0**	(174)	**(174)**	(215)	(167)
of which severance payments[2,4]	**303**	0	**303**	239	80
of which retention plan and other payments[2]	**107**	21	**128**	46	121
Contractors	**214**	0	**214**	217	232
Social security	**729**	39	**768**	743	826
Pension and other post-employment benefit plans[5]	**18**	0	**18**	831	834
Wealth Management Americas: financial advisor compensation[1,6]	**2,087**	786	**2,873**	2,518	2,667
Other personnel expenses	**659**	23	**682**	758	1,127
Total personnel expenses[7]	**12,670**	2,067	**14,737**	15,634	17,031

1 Refer to "Note 31 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2012 for more information. 2 In 2012, costs related to guarantees for new hires were reclassified from "Total variable compensation – other" to "Total variable compensation – performance award". In addition, costs related to both supplemental severance and certain retention payments were reclassified from "Total variable compensation – performance award" to "Total variable compensation – other". Prior periods were adjusted for these changes. The combined impact of these changes resulted in a net increase to "Total variable compensation – performance award" of CHF 125 million and CHF 89 million for the year ended 31 December 2011 and for the year ended 31 December 2010, respectively, with a corresponding net decrease to "Total variable compensation – other". 3 Replacement payments are payments made to compensate employees for deferred awards forfeited as a result of joining UBS. This table includes the expenses recognized in the financial year (mainly the amortization of the award). 4 Includes legally obligated and standard severance payments, as well as supplemental severance payments. 5 Refer to "Note 30 Pension and other post-employment benefit plans" of the "Financial information" section of the Annual Report 2012 for more information. 6 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. 7 Includes restructuring charges of CHF 358 million for the year ended 31 December 2012 and CHF 261 million for the year ended 31 December 2011. Refer to "Note 37 Changes in organization" in the "Financial information" section of the Annual Report 2012 for more information.

2012 compensation for the Group Executive Board and Board of Directors

How we set compensation levels for our Group Executive Board (GEB)

The HRCC reviews the Group CEO's recommendations for GEB members' compensation. It makes its final compensation recommendations for individual GEB compensation based on an assessment of these management recommendations together with an independent assessment of overall performance of the individual and their respective businesses. The HRCC's recommendations are then reviewed and approved by the BoD.

In setting total compensation levels for GEB members for 2012, the HRCC and the BoD considered the following factors:
- the performance of each individual in the context of each business division's operating performance for 2012 on an absolute and relative basis
- specific key performance indicators for each individual relevant to their role, including risk-adjusted profitability, management of risk-weighted assets, the strengthening of capital ratios, growth in net new money, operating effectiveness and cost efficiency
- the impact each individual and, if applicable, his respective business, has had on our clients globally
- the overall progress of the Group towards our medium and longer-term strategic goals
- each individual's contribution to safeguarding and enhancing our reputation, effecting change, promoting delivery of the integrated bank and building and retaining high-performing teams
- the degree to which the individual anticipates and effectively manages risk
- balancing employee interests with the need to ensure an appropriate return to our shareholders
- our compensation structures and our overall market positioning from a competitiveness perspective

To ensure that overall GEB compensation is sufficiently tied to the firm's profitability, we have introduced a cap on the total GEB performance award pool. The pool will not exceed 2.5% of the firm's adjusted pre-tax profit. As the Group adjusted pre-tax profit for 2012 was CHF 3.0 billion, the GEB performance award pool is capped at CHF 75 million for the 2012 performance year. The actual award pool for 2012 (included in the overall pool) was CHF 52 million, representing 1.7% of the adjusted pre-tax profit. Furthermore, 100% of a GEB member's deferred compensation is subject to performance conditions. Under the Equity Ownership Plan (EOP), GEB awards will be fully forfeited if the Group and/or relevant business division does not make an average adjusted pre-tax profit during the performance period. Further, performance below specific thresholds will also cause partial forfeiture. Awards granted under the new Deferred Contingent Capital Plan (DCCP) will be forfeited if our Basel III CET1 ratio falls below 7% or if a viability event occurs. In addition, 20% of DCCP awards, including the relevant notional interest, will be forfeited for each year in which UBS does not achieve an adjusted pre-tax profit. Thus, GEB members' full DCCP awards are at additional risk of forfeiture.

For GEB members who were in office for both the full year 2011 and 2012, performance awards were down 10% and total compensation was down 7% year on year.

While the firm's compensation framework provides for up to 20% of the performance award to be paid immediately in cash, in light of the firm's overall results for the year, and based on a recommendation from the Group CEO, it was deemed appropriate that performance awards for the firm's most senior leaders be fully deferred. Consequently, the cash component of the award was delivered in the form of deferred equity under the EOP, and makes up 60% of GEB performance awards for 2012. Therefore, 100% of the GEB's 2012 performance award is deferred over three to five years.

We have reserved judgment on the introduction of fixed caps on the proportion of fixed to variable pay as important regulatory debates have not been concluded.

Group Chief Executive Officer (Group CEO)

Sergio P. Ermotti joined UBS in April 2011, initially as Regional CEO for EMEA. In November 2011, he was appointed Group CEO with immediate effect. In determining his compensation for 2012, the HRCC and the BoD considered his performance objectives to implement the firm's strategy, namely driving financial performance, strengthening capital ratios, managing costs and improving the operational risk environment. The Group's overall financial loss for 2012 was disappointing, but was clearly impacted by significant goodwill impairments related to our decision to accelerate the Group's strategy, the LIBOR settlement and own credit. Despite these developments, the Group made significant progress under Mr. Ermotti's leadership. He successfully led the firm in the implementation of its strategy, enabling it to accelerate the implementation of the strategy as announced in October 2012 (see 2012 performance summary for more details on the firm's success in 2012). Mr. Ermotti has also navigated the challenges the firm faced during the year, while still achieving strong results in many business divisions. The firm continued to strengthen its industry-leading capital ratios and is on track to achieve its capital targets. Risk-weighted assets on a Basel III fully applied basis were reduced 32% compared to the end of 2011. The firm's wealth management businesses attracted net new money inflows of approximately CHF 47 billion, an increase of over CHF 11 billion and a sign of clients' continued trust in the firm. The firm also continues its efforts to reduce costs and drive efficiencies and delivered underlying reductions in the run rate of costs compared to mid-2011. UBS has also strengthened its operational risk control framework, which allows it to better manage and deploy risk to serve our clients. These achievements, particularly in relation to capital, have allowed the BoD to recommend a 50% increase in the Group's dividend for 2012 to CHF 0.15 per share. Overall, the progress made by the firm during the year is reflected in the 28% increase in its share price, up from CHF 11.18 at the end of 2011 to CHF 14.27 at the end of 2012.

For the performance year 2012, reflecting his achievements in his first full year as Group CEO and at the firm, Mr. Ermotti was granted a performance award of CHF 6.1 million, making his total compensation for the year CHF 8.9 million. Consistent with other GEB members, for the performance year 2012, 100% of his performance award was deferred, with 40% under the DCCP and 60% under the EOP. (For 2011, in which Mr. Ermotti joined the firm, the HRCC and BoD determined his overall compensation for the eight months he was at the firm by deciding the appropriate compensation for each of the two roles he performed during that year. The table "Total compensation for GEB members" shows his compensation for 2011.)

➔ **Refer to the "2012 performance summary" section of this report for more information**

Highest paid GEB member

The highest paid GEB member in 2012, apart from the Group CEO, was Robert J. McCann, with total compensation of CHF 8.6 million. As shown in the "Total compensation for GEB members" table, 100% of his performance award for 2012 is deferred, with 40% under the DCCP and 60% under the EOP.

In 2012, Mr. McCann continued to drive the successful development of. Wealth Management Americas. The business made strong progress throughout 2012 and achieved a record pre-tax profit for the year of USD 873 million, an increase of 40% on 2011. The improved performance resulted from a 9% increase in revenues compared with 2011. Clients have recognized the business's achievements and continued to entrust it with their assets, with full year net new money inflows of over USD 22 billion, the highest recorded since 2007. Low advisor attrition rates illustrate the continued confidence that industry professionals have in the business and the progress it is making, and its financial advisor force delivered record levels of productivity in 2012. The business has also made strong progress in its lending initiatives. It performed well in relation to its cost/income ratio, gross margin and annualized net new money growth rate performance targets.

➔ **Refer to the table "Total compensation for GEB members for the performance years 2011 and 2012" for more information**

Notes on replacement awards

During 2012, Andrea Orcel joined UBS after a 20-year career with Bank of America/Merrill (BAC), and was appointed to the GEB on 1 July 2012 as co-head of the Investment Bank. On 1 November, he became sole CEO of the division. In line with market practice, he received awards as a replacement for deferred compensation and benefits forfeited by his previous employer as a result of his joining UBS. As a general principle, in making such replacement awards, we aim to match the terms and conditions of the awards granted by an employee's previous employer which are forfeited upon the employee joining UBS. Given his most recent roles at BAC, he was subject to high effective deferral rates. Mr. Orcel's replacement award consisted of a deferred cash award in the amount of USD 6.364 million, and an award of 1,755,691 UBS shares (denominated in CHF) deferred under the EOP with a grant date total fair market value of CHF 18.5 million. Both the deferred cash and deferred share awards vest in installments in 2013, 2014 and 2015. All these awards are subject to the firm's harmful acts provisions.

Base salary

Base salaries are fixed for all GEB members and reviewed annually by the HRCC. GEB salaries were not changed from the level set by the BoD in early 2011. Thus the annual level of salary for GEB members, with the exception of the Group CEO, will remain at CHF 1.5 million or the equivalent in the relevant local currency. 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 at the beginning of 2013, the HRCC determined that the level previously set remains appropriate. 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 30 Pension and other post-employment benefit plans" in the "Financial Information" section of the Annual Report 2012 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 performance award for 2012, 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

Our compensation framework provides for the Chairman of the BoD, Axel A. Weber, who was elected at the AGM in May 2012, to receive annually a base salary of CHF 2 million 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. The number of shares that Mr. Weber received for 2012 was pro-rated to take into account that he assumed the role of Chairman in May. At grant, the pro-rated number of shares he received (133,333) was valued at CHF 2,003,995. Accordingly, his total compensation, including benefits in kind and pension fund contribution for his services as Chairman from May to December 2012, amounted to CHF 3,568,341.

The share component ensures that the Chairman of the BoD's pay is aligned with the longer-term performance of the firm. The Chairman's employment agreement does not provide for special severance terms, including supplementary contributions to pension plans. Benefits for the Chairman of the BoD are in line with local practices for other employees. Determining the Chairman's compensation is the responsibility of the HRCC, which conducts an annual assessment and takes into consideration fee and/or compensation levels for comparable roles outside of UBS.

Highest paid member of the BoD

As Chairman of the BoD, Mr. Weber is the highest paid BoD member. As previously announced, the BoD approved a one-time payment to Mr. Weber upon his election to the BoD at the 2012 AGM. This payment, equivalent to one year's total compensation, consisted of CHF 2 million in cash and 200,000 UBS shares that are blocked for one year. At grant, these shares were valued at CHF 2,268,000.

Remuneration for the former Chairman of the BoD

Kaspar Villiger, former Chairman of the BoD, did not stand for reelection at the AGM in May 2012, and retired from UBS at the end of May 2012. As in previous years, Mr. Villiger chose to waive a substantial part of his share award and decided to maintain the voluntary reduction in his annual base salary, that is, to only accept CHF 850,000 of the CHF 2 million to which he was entitled. On a pro-rated basis (from 1 January – 31 May), the base salary he received for 2012 consisted of CHF 354,167 in cash, and a limited number of 12,762 UBS shares with a fair value of CHF 200,000.

Independent BoD members

With the exception of the Chairman, all BoD members are deemed to be independent directors and receive fixed base fees for their services, with 50% of their fees in cash and the other 50% in blocked UBS shares that are restricted from sale for four years. Alternatively, they may choose to have 100% of their remuneration paid in blocked UBS shares. In all cases, the number of shares that independent directors are entitled to receive is calculated using a discount of 15% below the prevailing market price. In addition to the base fee, independent BoD members receive fees known as committee retainers that reflect their workload in serving on the firm's various board committees. The Senior Independent Director and the Vice Chairman of the BoD each also receive an additional payment of CHF 250,000. In accordance with their role, independent BoD members do not receive performance awards, severance payments or benefits. Base fees, committee retainers and any other payments 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 BoD.

The "Remuneration details and additional information for independent BoD members" table shows the remuneration received by independent BoD members between the 2012 and 2013 AGM. Fees for 2012 to 2013 remained unchanged. Remuneration levels for BoD members, other than the Chairman, ranged from CHF 525,000 to CHF 1,075,000. Total remuneration for the independent BoD members for the period between the 2012 to 2013 AGM was CHF 7.6 million, up from CHF 7.0 million for the prior period. This increase is due to the number of BoD members, which increased from 11 to 12, and also due to increasing the membership of the Audit Committee by two new BoD members.

Compensation for former Board of Directors and Group Executive Board members

Generally, no compensation or benefits in kind were paid to former BoD and GEB members for 2012. The only exception was a payment to compensate one former GEB member for benefits agreed in his original employment agreement. The value of this payment amounts to CHF 25,465.

Transactions in 2012

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 2012, no share sales were disclosed.

In accordance with normal practice, two BoD members chose to receive 100% of their fees in UBS shares. These shares, representing a value of CHF 625,000, will be allocated in March 2013.

Loans

BoD and GEB members may be 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 32 Related parties" in the "Financial information" section of the Annual Report 2012 for information concerning loans granted to current and former key management personnel**

List of tables

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Total compensation for GEB members for the performance years 2011 and 2012

CHF, except where indicated[a]

Name, function	For the year	Base salary	Immediate cash (for 2011 under CBP)[b]	Annual performance award under EOP[c]	Annual performance award under DCCP[d]	Deferred cash under CBP[1, b]	Annual performance award under PEP[e]	Annual performance award under SEEOP[f]	Benefits in kind[g]	Contributions to retirement benefit plans[h]	Total
Sergio P. Ermotti, Group CEO	2012	2,500,000	0	3,660,000	2,440,000	–	–	–	69,500	201,088	8,870,588
Sergio P. Ermotti, Group CEO[2]	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[3]	2011	2,191,667	0	–	–	0	0	0	35,971	0	2,227,638
Robert J. McCann, CEO Wealth Management Americas (highest-paid after Group CEO)	2012	1,373,130	0	4,278,673	2,852,449	–	–	–	45,004	6,110	8,555,366
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
Aggregate of all GEB members who were in office at the end of the year[4]	2012	16,273,460	0	31,355,592	20,903,728	–	–	–	640,683	1,233,719	70,407,181
	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 stepped down during the year[5]	2012	1,593,288	0	0	0	–	–	–	105,865	14,799	1,713,952
	2011	4,155,602	509,201	–	–	1,166,759	0	962,768	171,954	80,499	7,046,783

1 In 2011, for Sergio P. Ermotti, due to applicable UK FSA regulations, deferred cash includes blocked shares. 2 Sergio P. Ermotti was appointed on 1 April 2011 as GEB member and Regional CEO of Europe, Middle East and Africa. He was appointed as the new Group CEO ad interim on 24 September 2011 and confirmed as Group CEO on 15 November 2011. 3 Oswald J. Grübel stepped down on 24 September 2011 as Group CEO. 4 Number and distribution of GEB members: 11 GEB members were in office on 31 December 2012 and 12 GEB members were in office on 31 December 2011. 5 Number and distribution of former GEB members: 2012: includes three months in office as a GEB member for Alexander Wilmot-Sitwell and 10 months in office as a GEB member for Carsten Kengeter. 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.

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

a. Local currencies are converted into CHF using the exchange rates as detailed in Note 38 "Currency translation rates" in the "Financial information" section in the Annual Report 2012.
b. For performance year 2012, no immediate cash was paid. For performance year 2011, 40% of the 2011 performance award was granted in the form of Cash Balance Plan awards, of which 60% is paid out immediately (representing 24% of a GEB member's performance award). The balance is paid out in equal installments of 20%, each over the subsequent two years, and is subject to performance adjustments.
c. For EOP awards for the performance year 2012, the number of shares allocated at grant will be determined by dividing the amount communicated with the average price of UBS shares over the 10 trading days prior to and including the grant date (15 March 2013), which for notional shares is adjusted for the estimated value of dividends paid on UBS shares over the vesting period. As the grant date occurs after publication, no share price is yet available at the time of publication.
d. DCCP awards vest in full after year 5 of the five-year vesting period. The amount reflects the amount of the notional bond excluding future notional interest. The notional interest rate is set at 6.25% for awards denominated in USD and 5.40% for awards denominated in CHF.
e. For PEP awards for the performance year 2011, the number of performance shares allocated at grant has been determined by dividing the amount communicated with CHF 12.52 or USD 13.75 (based on the average price of UBS shares over the last 10 trading days of February 2012 adjusted for the estimated value of dividends paid on UBS shares over the vesting period).
f. For SEEOP awards for the performance year 2011, the number of shares allocated at grant has been determined by dividing the amount communicated with CHF 12.92 or USD 14.19 (for actual shares) and with CHF 12.52 or USD 13.75 (notional shares), based on the average closing price of UBS shares over the last 10 trading days of February 2012, which for notional shares is adjusted for the estimated value of dividends paid on UBS shares over the vesting period.
g. Benefits in kind are all valued at market price, for example, health and welfare benefits and general expense allowances.
h. 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 (CHF 842,400 as from 1 January 2013). 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 250,000 (USD 255,000 as from 1 January 2013). 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. In 2012, Wealth Management Americas employees with a compensation in excess of USD 250,000 did not receive a company match. Effective 1 January 2013, the match was reinstated for these employees. 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).

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Share and option ownership / entitlements of GEB members on 31 December 2011 / 2012[1]

Name, function	For the year	Number of unvested shares / at risk[2]	Number of vested shares	Total number of shares	Potentially conferred voting rights in %	Number of options[3]	Potentially conferred voting rights in %[4]
Sergio P. Ermotti, Group Chief Executive Officer	2012	220,928	41,960	262,888	0.013	0	0.000
	2011	0	0	0	0.000	0	0.000
	2012	506,132	126,098	632,230	0.030	0	0.000
Markus U. Diethelm, Group General Counsel	2011	358,042	91,506	449,548	0.021	0	0.000
John A. Fraser, Chairman and CEO Global Asset Management	2012	617,529	315,270	932,799	0.045	884,531	0.042
	2011	460,707	280,414	741,121	0.034	1,088,795	0.050
Lukas Gähwiler, CEO UBS Switzerland and CEO Retail & Corporate	2012	412,199	95,537	507,736	0.024	0	0.000
	2011	252,293	37,517	289,810	0.013	0	0.000
Carsten Kengeter, former co-CEO Investment Bank[5]	2012	–	–	–	–	–	–
	2011	971,575	556,016	1,527,591	0.070	905,000	0.041
Ulrich Körner, Group Chief Operating Officer, CEO Corporate Center and CEO Group EMEA	2012	605,284	121,837	727,121	0.035	0	0.000
	2011	389,090	95,597	484,687	0.022	0	0.000
Philip J. Lofts, Group Chief Risk Officer	2012	542,402	169,789	712,191	0.034	536,173	0.026
	2011	377,614	150,772	528,386	0.024	577,723	0.026
Robert J. McCann, CEO Group Americas and CEO Wealth Management Americas	2012	658,470	18,112	676,582	0.032	0	0.000
	2011	330,047	0	330,047	0.015	0	0.000
Tom Naratil, Group Chief Financial Officer	2012	340,757	233,603	574,360	0.027	935,291	0.045
	2011	221,238	193,836	415,074	0.019	1,046,122	0.048
Andrea Orcel, CEO Investment Bank	2012	1,755,691	0	1,755,691	0.084	0	0.000
		–	–	–	–	–	–
Alexander Wilmot-Sitwell, former co-Chairman and co-CEO Group Asia Pacific[5]	2012	–	–	–	–	–	–
	2011	495,553	220,955	716,508	0.033	353,807	0.016
Chi-Won Yoon, CEO Group Asia Pacific	2012	478,986	370,760	849,746	0.041	578,338	0.028
	2011	306,515	350,311	656,826	0.030	623,253	0.029
Jürg Zeltner, CEO UBS Wealth Management	2012	522,500	38,329	560,829	0.027	203,093	0.010
	2011	306,487	11,756	318,243	0.015	205,470	0.009

1 This table includes all vested and unvested shares and options of GEB members, including related parties. 2 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 the "Deferred variable compensation plans" section in this report for more information on the plans. 3 Refer to "Note 31 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2012 for more information. 4 No conversion rights are outstanding. 5 GEB members who stepped down during 2012.

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Compensation details and additional information for non-independent BoD members

CHF, except where indicated[a]

Name, function[1]	For the year	Base salary	Annual performance award (cash)	Annual share award	Benefits in kind[g]	Contributions to retirement benefit plans[h]	Total
Axel A. Weber, Chairman	2012	1,322,581	–	2,003,995[2]	69,867	171,898	3,568,341
	2011	–	–	–	–	–	–
Kaspar Villiger, former Chairman	2012	354,167	–	200,000[2]	54,926	–	609,093
	2011	850,000	0	500,000[2]	144,568	0	1,494,568

1 Axel A. Weber was the only non-independent member in office on 31 December 2012; Kaspar Villiger did not stand for reelection at the AGM on 3 May 2012. Kaspar Villiger was the only non-independent member in office on 31 December 2011. 2 These shares are blocked for four years.

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Remuneration details and additional information for independent BoD members

CHF, except where indicated[a]

Name, function[1]	Audit Committee	Human Resources & Compensation Committee	Governance & Nominating Committee	Corporate Responsibility Committee	Risk Committee	For the period AGM to AGM	Base fee	Committee retainer(s)	Benefits in kind	Additional payments	Total	Share percentage[2]	Number of shares[3, 4]
Michel Demaré, Vice Chairman	M		M			2012/2013	325,000	300,000		250,000[5]	**875,000**	50	34,233
	M		M			2011/2012	325,000	300,000		250,000[5]	**875,000**	50	39,845
David Sidwell, Senior Independent Director			M		C	2012/2013	325,000	500,000		250,000[5]	**1,075,000**	50	42,057
			M		C	2011/2012	325,000	500,000		250,000[5]	**1,075,000**	50	48,952
Rainer-Marc Frey, member		M			M	2012/2013	325,000	300,000			**625,000**	100	46,367
	M				M	2011/2012	325,000	400,000			**725,000**	100	62,635
Bruno Gehrig, former member						2012/2013	–	–			**–**		
		M	M			2011/2012	325,000	200,000			**525,000**	50	23,907
Ann F. Godbehere, member	M	C				2012/2013	325,000	500,000			**825,000**	50	32,276
	M	C		M		2011/2012	325,000	550,000			**875,000**	50	39,845
Axel P. Lehmann, member			M		M	2012/2013	325,000	300,000			**625,000**	100	46,367
			M		M	2011/2012	325,000	250,000			**575,000**	100	49,632
Wolfgang Mayrhuber, member		M		C		2012/2013	325,000	200,000			**525,000**	50	20,539
		M		C		2011/2012	325,000	200,000			**525,000**	50	23,907
Helmut Panke, member		M			M	2012/2013	325,000	300,000			**625,000**	50	24,452
		M			M	2011/2012	325,000	300,000			**625,000**	50	28,460
William G. Parrett, member	C			M		2012/2013	325,000	350,000			**675,000**	50	26,408
	C					2011/2012	325,000	300,000			**625,000**	50	28,460
Isabelle Romy, member	M		M			2012/2013	325,000	300,000			**625,000**	50	24,452
						2011/2012	–	–			**–**		
Beatrice Weder di Mauro, member	M			M		2012/2013	325,000	250,000			**575,000**	50	22,496
						2011/2012	–	–			**–**		
Joseph Yam, member				M	M	2012/2013	325,000	250,000			**575,000**	50	22,496
				M	M	2011/2012	325,000	250,000			**575,000**	50	26,183
Total 2012											**7,625,000**		
Total 2011											**7,000,000**		

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

1 There were 11 independent BoD members in office on 31 December 2012. Isabelle Romy and Beatrice Weder di Mauro were appointed at the AGM on 3 May 2012 and Bruno Gehrig did not stand for reelection at the AGM on 3 May 2012. 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. 2 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. 3 For 2012, shares valued at CHF 15.03 (average price of UBS shares at SIX Swiss Exchange over the last 10 trading days of February 2013), and were granted with a price discount of 15% for a new value of CHF 12.78. These shares are blocked for four years. 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), and were granted with a price discount of 15% for a new value of CHF 10.98. These shares are blocked for four years. 4 Number of shares is reduced in case of the 100% election to deduct social security contribution. All remuneration payments are subject to social security contributions / withholding tax. 5 This payment is associated with the Vice Chairman or the Senior Independent Director function, respectively.

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Total payments to BoD members

CHF, except where indicated[a]	For the year	Total
Aggregate of all BoD members	2012	11,802,434
	2011	8,494,568

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Number of shares of BoD members on 31 December 2011/2012[1]

Name, function	For the year	Number of shares held	Voting rights in %
Axel A. Weber, Chairman[2]	2012	200,000	0.010
	2011	–	
Kaspar Villiger, former Chairman[3]	2012	–	
	2011	49,440	0.002
Michel Demaré, Vice Chairman	2012	116,179	0.006
	2011	76,334	0.003
David Sidwell, Senior Independent Director	2012	149,199	0.007
	2011	100,247	0.005
Rainer-Marc Frey, member	2012	162,677	0.008
	2011	100,042	0.005
Bruno Gehrig, former member[3]	2012	–	
	2011	54,409	0.002
Ann F. Godbehere, member	2012	81,286	0.004
	2011	41,441	0.002
Axel P. Lehmann, member	2012	139,603	0.007
	2011	89,971	0.004
Wolfgang Mayrhuber, member	2012	38,957	0.002
	2011	15,050	0.001
Helmut Panke, member	2012	137,792	0.007
	2011	109,332	0.005
William G. Parrett, member	2012	91,078	0.004
	2011	62,618	0.003
Isabelle Romy, member[2]	2012	0	0.000
	2011	–	
Beatrice Weder di Mauro, member[2]	2012	0	0.000
	2011	–	
Joseph Yam, member	2012	26,183	0.001
	2011	0	0.000

1 This table includes blocked and unblocked shares held by BoD members, including related parties. No options were granted in 2011 and 2012. 2 Axel A. Weber, Isabelle Romy and Beatrice Weder di Mauro were appointed at the AGM on 3 May 2012. 3 Kaspar Villiger and Bruno Gehrig did not stand for reelection at the AGM on 3 May 2012.

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Compensation paid to former BoD and GEB members[1]

CHF, except where indicated[a]				
Name, function	For the year	Compensation	Benefits in kind	Total
Former BoD members	2012	0	0	0
	2011	0	0	0
Aggregate of all former GEB members[2]	2012	0	25,465	25,465
	2011	0	0	0
Aggregate of all former BoD and GEB members	2012	0	25,465	25,465
	2011	0	0	0

1 Compensation or remuneration that is connected with the former member's activity on the BoD or GEB or that is not at market conditions. 2 Includes one former GEB member in 2012 and no former GEB member in 2011.

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Total of all vested and unvested shares of GEB members[1, 2]

	Total	Of which vested	Of which vesting				
			2013	2014	2015	2016	2017
Shares on 31 December 2012	**3,414,568**	1,531,295	952,668	583,281	347,324	0	0
			2012	2013	2014	2015	2016
Shares on 31 December 2011	**2,863,887**	1,988,680	408,037	290,631	88,269	88,269	0

1 Includes related parties. 2 Excludes shares granted under variable compensation plans with forfeiture provisions.

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Total of all blocked and unblocked shares of BoD members[1]

	Total	Of which unblocked	Of which blocked until			
			2013	2014	2015	2016
Shares on 31 December 2012	**1,142,954**	56,624	302,118	204,792	231,501	347,919
			2012	2013	2014	2015
Shares on 31 December 2011	**698,884**	72,775	9,349	115,690	225,995	275,075

1 Includes related parties.

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Vested and unvested options of GEB members on 31 December 2011 / 2012[1]

Sergio P. Ermotti, Group Chief Executive Officer

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
2012	0					
2011	0					

Markus U. Diethelm, Group General Counsel

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
2012	0					
2011	0					

John A. Fraser, Chairman and CEO Global Asset Management

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
2012	884,531	127,884	2003	31.01.2006	31.01.2013	USD 22.53
		170,512	2004	01.03.2007	27.02.2014	USD 38.13
		202,483	2005	01.03.2008	28.02.2015	USD 44.81
		213,140	2006	01.03.2009	28.02.2016	CHF 72.57
		170,512	2007	01.03.2010	28.02.2017	CHF 73.67
2011	1,088,795	76,380	2002	31.01.2005	31.01.2012	USD 21.24
		127,884	2002	28.06.2005	28.06.2012	CHF 37.90
		127,884	2003	31.01.2006	31.01.2013	USD 22.53
		170,512	2004	01.03.2007	27.02.2014	USD 38.13
		202,483	2005	01.03.2008	28.02.2015	USD 44.81
		213,140	2006	01.03.2009	28.02.2016	CHF 72.57
		170,512	2007	01.03.2010	28.02.2017	CHF 73.67

Lukas Gähwiler, CEO UBS Switzerland and CEO Retail & Corporate

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
2012	0					
2011	0					

Carsten Kengeter, former co-CEO Investment Bank[4]

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
2012	–					
2011	905,000	905,000	2009	01.03.2012	27.12.2019	CHF 40.00

Ulrich Körner, Group Chief Operating Officer, CEO Corporate Center and CEO Group EMEA

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
2012	0					
2011	0					

Philip J. Lofts, Group Chief Risk Officer

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
2012	536,173	9,985	2003	01.03.2004	31.01.2013	CHF 27.81
		9,980	2003	01.03.2005	31.01.2013	CHF 27.81
		9,974	2003	01.03.2006	31.01.2013	CHF 27.81
		1,833	2003	01.03.2004	28.02.2013	CHF 26.39
		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

Philip J. Lofts, Group Chief Risk Officer (continued)

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
		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
2011	577,723	11,445	2002	31.01.2003	31.01.2012	CHF 36.49
		11,104	2002	31.01.2004	31.01.2012	CHF 36.49
		11,098	2002	31.01.2005	31.01.2012	CHF 36.49
		1,240	2002	28.02.2003	28.02.2012	CHF 36.65
		5,464	2002	28.02.2004	28.02.2012	CHF 36.65
		1,199	2002	28.02.2005	28.02.2012	CHF 36.65
		9,985	2003	01.03.2004	31.01.2013	CHF 27.81
		9,980	2003	01.03.2005	31.01.2013	CHF 27.81
		9,974	2003	01.03.2006	31.01.2013	CHF 27.81
		1,833	2003	01.03.2004	28.02.2013	CHF 26.39
		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

Robert J. McCann, CEO Group Americas and CEO Wealth Management Americas

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
2012	0					
2011	0					

Tom Naratil, Group Chief Financial Officer

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
2012	935,291	63,942	2003	31.01.2006	31.01.2013	USD 22.53
		4,262	2003	28.02.2005	28.02.2013	USD 19.53
		145,962	2004	01.03.2007	27.02.2014	USD 38.13
		166,010	2005	01.03.2008	28.02.2015	USD 44.81
		142,198	2006	01.03.2009	28.02.2016	CHF 72.57
		131,277	2007	01.03.2010	28.02.2017	CHF 73.67
		181,640	2008	01.03.2011	28.02.2018	CHF 35.66
		100,000	2009	01.03.2012	27.02.2019	CHF 11.35
2011	1,046,122	35,524	2002	31.01.2003	31.01.2012	USD 21.24
		35,524	2002	31.01.2004	31.01.2012	USD 21.24
		35,521	2002	31.01.2005	31.01.2012	USD 21.24
		4,262	2002	29.02.2004	28.02.2012	USD 21.70
		63,942	2003	31.01.2006	31.01.2013	USD 22.53
		4,262	2003	28.02.2005	28.02.2013	USD 19.53

1 This table includes all options of GEB members, including related parties. 2 No conversion rights are outstanding. 3 Refer to "Note 31 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2012 for more information. 4 GEB member who stepped down during 2012.

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Vested and unvested options of GEB members on 31 December 2011/2012[1] (continued)

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
Tom Naratil, Group Chief Financial Officer (continued)						
		145,962	2004	01.03.2007	27.02.2014	USD 38.13
		166,010	2005	01.03.2008	28.02.2015	USD 44.81
		142,198	2006	01.03.2009	28.02.2016	CHF 72.57
		131,277	2007	01.03.2010	28.02.2017	CHF 73.67
		181,640	2008	01.03.2011	28.02.2018	CHF 35.66
		100,000	2009	01.03.2012	27.02.2019	CHF 11.35
Andrea Orcel, CEO Investment Bank						
2012	0					
2011	–					
Alexander Wilmot-Sitwell, former co-Chairman and co-CEO Group Asia Pacific[4]						
2012	–					
2011	353,807	53,282	2005	01.03.2008	28.02.2015	CHF 47.58
		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
		35,521	2006	01.03.2009	28.02.2016	CHF 65.97
		106,570	2007	01.03.2010	28.02.2017	CHF 73.67
		85,256	2008	01.03.2011	28.02.2018	CHF 35.66
Chi-Won Yoon, CEO Group Asia Pacific						
2012	578,338	8,648	2003	01.03.2004	31.01.2013	USD 20.49
		8,642	2003	01.03.2005	31.01.2013	USD 20.49
		8,635	2003	01.03.2006	31.01.2013	USD 20.49
		4,262	2003	28.02.2005	28.02.2013	USD 19.53
		3,374	2003	01.03.2004	28.02.2013	USD 19.53
		3,371	2003	01.03.2005	28.02.2013	USD 19.53
		3,371	2003	01.03.2006	28.02.2013	USD 19.53
		6,200	2004	01.03.2005	27.02.2014	CHF 44.32
		4,262	2004	27.02.2006	27.02.2014	CHF 44.32
		6,198	2004	01.03.2006	27.02.2014	CHF 44.32
		6,195	2004	01.03.2007	27.02.2014	CHF 44.32
		10,659	2005	01.03.2006	28.02.2015	CHF 47.58
		10,657	2005	01.03.2007	28.02.2015	CHF 47.58
		10,654	2005	01.03.2008	28.02.2015	CHF 47.58
		21,316	2006	01.03.2007	28.02.2016	CHF 65.97
		21,314	2006	01.03.2008	28.02.2016	CHF 65.97
		21,311	2006	01.03.2009	28.02.2016	CHF 65.97
		8,881	2007	01.03.2008	28.02.2017	CHF 67.00
		8,880	2007	01.03.2009	28.02.2017	CHF 67.00
		8,880	2007	01.03.2010	28.02.2017	CHF 67.00
		42,628	2008	01.03.2011	28.02.2018	CHF 32.45
		350,000	2009	01.03.2012	27.02.2019	CHF 11.35

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
Chi-Won Yoon, CEO Group Asia Pacific (continued)						
2011	623,253	11,577	2002	31.01.2002	31.01.2012	USD 21.24
		11,229	2002	31.01.2004	31.01.2012	USD 21.24
		11,227	2002	31.01.2005	31.01.2012	USD 21.24
		2,252	2002	28.02.2002	28.02.2012	USD 21.70
		6,446	2002	29.02.2004	28.02.2012	USD 21.70
		2,184	2002	28.02.2005	28.02.2012	USD 21.70
		8,648	2003	01.03.2004	31.01.2013	USD 20.49
		8,642	2003	01.03.2005	31.01.2013	USD 20.49
		8,635	2003	01.03.2006	31.01.2013	USD 20.49
		4,262	2003	28.02.2005	28.02.2013	USD 19.53
		3,374	2003	01.03.2004	28.02.2013	USD 19.53
		3,371	2003	01.03.2005	28.02.2013	USD 19.53
		3,371	2003	01.03.2006	28.02.2013	USD 19.53
		6,200	2004	01.03.2005	27.02.2014	CHF 44.32
		4,262	2004	27.02.2006	27.02.2014	CHF 44.32
		6,198	2004	01.03.2006	27.02.2014	CHF 44.32
		6,195	2004	01.03.2007	27.02.2014	CHF 44.32
		10,659	2005	01.03.2006	28.02.2015	CHF 47.58
		10,657	2005	01.03.2007	28.02.2015	CHF 47.58
		10,654	2005	01.03.2008	28.02.2015	CHF 47.58
		21,316	2006	01.03.2007	28.02.2016	CHF 65.97
		21,314	2006	01.03.2008	28.02.2016	CHF 65.97
		21,311	2006	01.03.2009	28.02.2016	CHF 65.97
		8,881	2007	01.03.2008	28.02.2017	CHF 67.00
		8,880	2007	01.03.2009	28.02.2017	CHF 67.00
		8,880	2007	01.03.2010	28.02.2017	CHF 67.00
		42,628	2008	01.03.2011	28.02.2018	CHF 32.45
		350,000	2009	01.03.2012	27.02.2019	CHF 11.35
Jürg Zeltner, CEO UBS Wealth Management						
2012	203,093	4,972	2004	01.03.2007	27.02.2014	CHF 44.32
		7,106	2005	01.03.2006	28.02.2015	CHF 47.58
		7,103	2005	01.03.2007	28.02.2015	CHF 47.58
		7,103	2005	01.03.2008	28.02.2015	CHF 47.58
		93	2005	04.03.2007	04.03.2015	CHF 47.89
		161	2005	06.06.2007	06.06.2015	CHF 45.97
		149	2005	09.09.2007	09.09.2015	CHF 50.47
		127	2005	05.12.2007	05.12.2015	CHF 59.03
		7,106	2006	01.03.2007	28.02.2016	CHF 65.97
		7,103	2006	01.03.2008	28.02.2016	CHF 65.97
		7,103	2006	01.03.2009	28.02.2016	CHF 65.97
		110	2006	03.03.2008	03.03.2016	CHF 65.91
		242	2006	09.06.2008	09.06.2016	CHF 61.84
		230	2006	08.09.2008	08.09.2016	CHF 65.76

1 This table includes all options of GEB members, including related parties. 2 No conversion rights are outstanding. 3 Refer to "Note 31 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2012 for more information. 4 GEB member who stepped down during 2012.

Audited

Vested and unvested options of GEB members on 31 December 2011 / 2012[1] (continued)

For the year	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
Jürg Zeltner, CEO UBS Wealth Management (continued)						
		221	2006	08.12.2008	08.12.2016	CHF 67.63
		7,105	2007	01.03.2008	28.02.2017	CHF 67.00
		7,105	2007	01.03.2009	28.02.2017	CHF 67.00
		7,103	2007	01.03.2010	28.02.2017	CHF 67.00
		223	2007	02.03.2009	02.03.2017	CHF 67.08
		42,628	2008	01.03.2011	28.02.2018	CHF 35.66
		90,000	2009	01.03.2012	27.02.2019	CHF 11.35
2011	205,470	809	2002	31.01.2003	31.01.2012	CHF 36.49
		784	2002	31.01.2004	31.01.2012	CHF 36.49
		784	2002	31.01.2005	31.01.2012	CHF 36.49
		4,972	2004	01.03.2007	27.02.2014	CHF 44.32
		7,106	2005	01.03.2006	28.02.2015	CHF 47.58
		7,103	2005	01.03.2007	28.02.2015	CHF 47.58
		7,103	2005	01.03.2008	28.02.2015	CHF 47.58
		93	2005	04.03.2007	04.03.2015	CHF 47.89
		161	2005	06.06.2007	06.06.2015	CHF 45.97
Jürg Zeltner, CEO UBS Wealth Management (continued)						
		149	2005	09.09.2007	09.09.2015	CHF 50.47
		127	2005	05.12.2007	05.12.2015	CHF 59.03
		7,106	2006	01.03.2007	28.02.2016	CHF 65.97
		7,103	2006	01.03.2008	28.02.2016	CHF 65.97
		7,103	2006	01.03.2009	28.02.2016	CHF 65.97
		110	2006	03.03.2008	03.03.2016	CHF 65.91
		242	2006	09.06.2008	09.06.2016	CHF 61.84
		230	2006	08.09.2008	08.09.2016	CHF 65.76
		221	2006	08.12.2008	08.12.2016	CHF 67.63
		7,105	2007	01.03.2008	28.02.2017	CHF 67.00
		7,105	2007	01.03.2009	28.02.2017	CHF 67.00
		7,103	2007	01.03.2010	28.02.2017	CHF 67.00
		223	2007	02.03.2009	02.03.2017	CHF 67.08
		42,628	2008	01.03.2011	28.02.2018	CHF 35.66
		90,000	2009	01.03.2012	27.02.2019	CHF 11.35

1 This table includes all options of GEB members, including related parties. 2 No conversion rights are outstanding. 3 Refer to "Note 31 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2012 for more information.

Audited

Loans granted to GEB members on 31 December 2011 / 2012[1]

CHF, except where indicated

Name, function	For the year	Loans[2]
Markus U. Diethelm, Group General Counsel[3]	2012	5,564,012
Jürg Zeltner, CEO UBS Wealth Management[3]	2011	5,387,500
Aggregate of all GEB members	2012	18,862,820
	2011	17,539,601[4]

1 No loans have been granted to related parties of the GEB members at conditions not customary in the market. 2 All loans granted are secured loans, except for CHF 311,308 in 2012 and CHF 45,435 in 2011. 3 GEB member with the highest loan granted. 4 Includes a forgivable loan of CHF 3.3 million, subject to the GEB member's continued full-time employment with UBS and a performance satisfactory and commensurate with his responsibilities. The loan was fully repaid in 2012, as the GEB member stepped down during the year.

Audited

Loans granted to BoD members on 31 December 2011 / 2012[1]

CHF, except where indicated[a]

Name, function	For the year	Loans[2]
Axel A. Weber, Chairman[3]	2012	0
	2011	–
Kaspar Villiger, former Chairman[4]	2012	–
	2011	0
Michel Demaré, Vice Chairman	2012	500,000
	2011	850,000
David Sidwell, Senior Independent Director	2012	0
	2011	0
Rainer-Marc Frey, member	2012	0
	2011	0
Bruno Gehrig, former member[4,5]	2012	–
	2011	798,000
Ann F. Godbehere, member	2012	0
	2011	0
Axel P. Lehmann, member	2012	0
	2011	0
Wolfgang Mayrhuber, member	2012	0
	2011	0
Helmut Panke, member	2012	0
	2011	0
William G. Parrett, member	2012	0
	2011	0
Isabelle Romy, member[3]	2012	0
	2011	–
Beatrice Weder di Mauro, member[3]	2012	0
	2011	–
Joseph Yam, member	2012	0
	2011	0
Aggregate of all BoD members	**2012**	**500,000**
	2011	1,648,000

1 No loans have been granted to related parties of the BoD members at conditions not customary in the market. 2 All loans granted are secured loans. 3 Axel A. Weber, Isabelle Romy and Beatrice Weder di Mauro were appointed at the AGM on 3 May 2012. 4 Kaspar Villiger and Bruno Gehrig did not stand for reelection at the AGM on 3 May 2012. 5 Secured loan granted prior to his election to the BoD.

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 operating environment and strategy; our financial and operating performance; risk, treasury and capital management; corporate governance, responsibility and compensation, including compensation to the Board of Directors and the Group Executive Board members; 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 our compensation framework and provides information on compensation to the Board of Directors and the Group Executive Board members. 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* 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* provides the following information on UBS: news 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.*

Messaging service/UBS news alert

On the *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,* 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 *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 AG.

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.

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Corporate calendar

Publication of the first quarter 2013 report
Tuesday, 30 April 2013

Annual General Meeting
Thursday, 2 May 2013

Publication of the second quarter 2013 report
Tuesday, 30 July 2013

Publication of the third quarter 2013 report
Tuesday, 29 October 2013

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