



UBS Group AG

Compensation Report 2014

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Dear shareholders,

This year's compensation decisions have been shaped by the need to balance a number of key objectives – rewarding our employees for an overall strong performance, ensuring that we appropriately consider matters related to our foreign exchange business (on an individual and collective basis) and maintaining an overall competitive compensation program which continues to support our ability to effectively attract and retain the best talent in the industry.

2014 performance

In 2014, UBS employees remained focused on delivering improved performance despite challenging market conditions. Net profit attributable to UBS shareholders was CHF 3.5 billion, up 9% compared with 2013. The firm also continued to strengthen its fully applied Basel III common equity tier 1 capital ratio to be the best in our peer group of large global banks, which supports the firm's commitment to return at least 50% of net profit attributable to UBS Group AG shareholders.

As a result, the UBS Board of Directors (BoD) intends to propose a dividend of CHF 0.50 for 2014. This is an increase of 100% on 2013 and represents 55%¹ of the Group's reported net profit for 2014. In addition, the firm is on track with the implementation of the new Group

holding company structure. As part of this process, the firm intends to propose a one-time supplementary capital return of CHF 0.25 per share.

Compensation funding and governance

While the 2014 performance award pool takes into account the firm's strong performance over the year, it also recognizes the effects of charges for provisions for litigation, regulatory and similar matters. During the fourth quarter of 2014, the firm continued to proactively manage these issues from the past as it reached resolutions with several regulatory authorities in connection with industry-wide investigations into foreign exchange markets.

The protection of the firm's reputation and the interests of shareholders and clients remain paramount. In consideration of the matters related to our foreign exchange business, the 2014 performance award pool has been reduced significantly, mainly in the Investment Bank, from what it would otherwise have been in the absence of these events. As a result, the firm's total performance award pool for 2014, which includes the Group Executive Board (GEB), is CHF 3.1 billion, down 5% compared with the prior year. This is aligned with a 6% reduction in the IFRS performance award-related expenses.

The BoD continues to recognize the importance of creating an environment that attracts and retains key contributors while holding our people accountable for their actions.

2014 compensation framework

We believe UBS has one of the most demanding performance award frameworks relative to its peers. This framework has remained broadly unchanged in 2014. We have built a robust compensation model premised on generating attractive and sustainable returns for shareholders. The firm's performance awards are designed to support this philosophy by emphasizing appropriate risk-taking and long-term performance, and by placing a substantial portion of compensation at risk. For instance, for 2014, we have over 5,000 employees with 54% of their performance award in deferred compensation that vests over two to five years.

With respect to the matters related to our foreign exchange business, in addition to the significant reduction in the 2014 performance award pool noted above, a further amount of CHF 14 million was forfeited. This includes employees who resigned or whose contracts were terminated, with an additional CHF 19 million in awards under legal hold pending the outcomes of investigations. Additionally, GEB members will forfeit

¹ Ordinary dividend per share as a % of diluted earnings per share.

56% of the 2015 vesting tranche of their Performance Equity Plan awards given the underlying targets of economic profit and relative total shareholder return were not fully achieved.

To further strengthen our capital position, we have enhanced certain features of our employee compensation framework in anticipation of increased focus on tier 1 capital instruments. Starting with compensation for 2014, Deferred Contingent Capital Plan (DCCP) awards will qualify as fully applied additional tier 1 capital under Basel III regulations. Consistent with the prior year, 40% of the deferred annual performance award will be deferred under the DCCP for five years and 60% will be deferred in UBS notional shares under the Equity Ownership Plan over two to five years.

In other developments in 2014, the EU Capital Requirements Directive IV which requires a cap on the fixed to variable compensation ratio for certain employees within the EU came into effect. As part of the implementation of such a cap, and in response to competitive practices, we have implemented role-based allowances as a feature of the fixed compensation for those employees.

Annual General Meeting 2015

In line with the Ordinance against Excessive Compensation in Switzerland, at the Annual General Meeting (AGM) 2015, shareholders will be asked to vote on:

- the maximum aggregate amount of remuneration for the BoD for the period from AGM 2015 to AGM 2016;
- the maximum aggregate amount of fixed compensation for the GEB for 2016; and,
- the aggregate amount of variable compensation for the GEB for 2014.

Further, on a voluntary basis, shareholders will again be asked for an advisory vote on the Compensation Report 2014.

Finally, the BoD and I would like to offer our sincere thanks to our shareholders for the time they took to share their views on compensation during the year. On the following pages you will find more information about UBS's compensation for 2014. We will seek your support for the compensation matters at our AGM on 7 May 2015.



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



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2014 performance and compensation funding

Our performance in 2014 demonstrated both the strength of our business model, which is designed to deliver attractive returns with an efficient capital and risk profile, and the disciplined manner in which we continue to implement our strategy. Overall, the performance award pool for 2014 was CHF 3.1 billion, 5% lower than in 2013, balancing our strong performance with the effects of charges for provisions for litigation, regulatory and similar matters.

Our performance in 2014

In 2014, we delivered net profit attributable to UBS Group AG shareholders of CHF 3.5 billion, a 9% increase on the prior year. At the same time, we continued to reduce risk-weighted assets (RWA) and improve our leverage ratio, and our 13.4% fully applied Basel III common equity tier 1 (CET1) capital ratio remained the best in our peer group of large global banks.

We owe our thanks to our employees for their continued dedication and hard work in delivering superior advice and service to our clients. Their achievements have enabled us to deliver on our commitment to significantly increase returns to our shareholders. As previously announced, we intend to propose an ordinary dividend of CHF 0.50 per share for the financial year 2014, an increase of 100% on the prior year and a payout ratio of 55%¹ of reported net profit. Reflecting progress in the establishment of the new Group holding company, including the successful completion of the share-for-share exchange offer, we fully accrued a supplementary capital return of CHF 0.25 per share in the fourth quarter of 2014. Subject to shareholder approval at the forthcoming Annual General Meeting (AGM), UBS Group AG intends to pay this one-time supplementary capital return upon successful completion of the squeeze-out procedure.

Our success in 2014 is highlighted by the fact that we have now achieved the key targets we set out in 2011 and 2012. We have reduced risk-weighted assets since 2011 by over CHF 160 billion, added almost 700 basis points to our fully applied Basel III CET1 capital ratio, surpassing our target of 13%, and our Investment Bank is less complex and delivering more consistent underlying returns.

In addition, the firm's leverage ratio on a fully applied basis for Swiss systemically relevant banks (SRB) increased in 2014 by 70 basis points to 4.1%, close to our 2019 regulatory requirement of 4.2%. UBS ended the year with CHF 216 billion in RWA, just CHF 1 billion above our target for the end of 2015.

Market conditions remained challenging throughout the year, with heightened geopolitical tensions, diverging monetary policy, and sharp falls in commodity prices causing increased volatility and greater investor caution. Our business divisions performed well in 2014, as they executed on our strategy with the intensity, agility and focus required to overcome the challenges we faced.

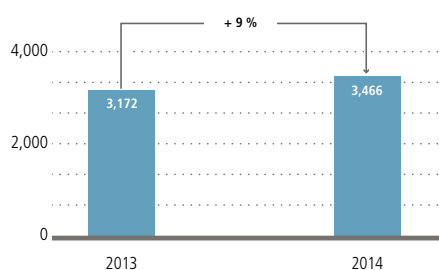
Our Wealth Management business delivered a strong performance, with adjusted profit before tax up 4% to CHF 2.5 billion. Net new money (NNM) was strong at CHF 34.4 billion, and although gross margin declined by 3 basis points to 85 basis points, this reflected the very rapid increase in invested assets, which rose

¹ Ordinary dividend per share as a % of diluted earnings per share.

Net profit attributable to UBS Group AG shareholders

CHF million

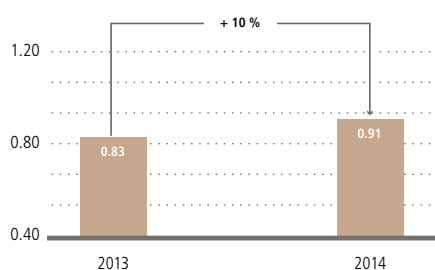
Full year 2014/2013



Diluted earnings per share (EPS)

CHF

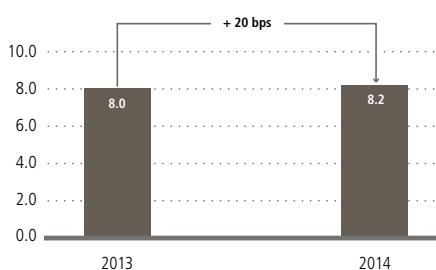
Full year 2014/2013



Return on tangible equity (RoTE)

in %

Full year 2014/2013



11% or CHF 101 billion in the year. The business also delivered high quality results, with recurring revenue up 6% despite regulatory headwinds, reflecting successful strategic initiatives to grow lending, increase mandate penetration and reprice certain products.

It was another record-breaking year for Wealth Management Americas, with operating income, gross loans, financial advisor productivity, invested assets and adjusted¹ profit before tax reaching all-time highs. Despite elevated charges for litigation, regulatory and similar matters, the business delivered USD 1 billion in adjusted¹ profit before tax for the second year in a row. The business's NNM performance was below its target range. However, we are confident that this is not indicative of future trends.

Our Retail & Corporate business delivered a 4% increase in adjusted¹ profit before tax, despite operating income, which was broadly unchanged from the prior year, and achieved all its targets for the year. Net new business volume growth for retail clients was 2.3% compared with a target range of 1% to 4%, and 2014 was our best year for new Swiss retail client acquisition since 2008.

Global Asset Management recorded a 13% decline in adjusted¹ pre-tax profits, mainly due to charges for provisions for litigation, regulatory and similar matters. However, the business division attracted strong NNM, excluding money market flows, of nearly CHF 23 billion compared with outflows of CHF 5 billion in 2013, resulting in a growth rate of 4.4%. This substantial turnaround was achieved largely through greater engagement and collaboration with our wealth management businesses.

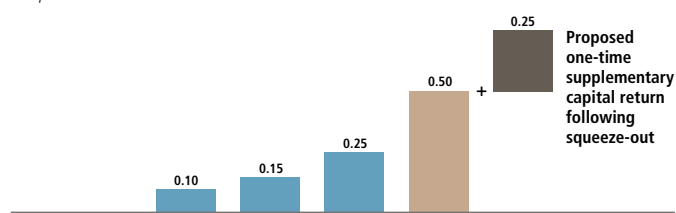
Client focus, improved productivity and resource efficiency remained important drivers of our Investment Bank's strong underlying performance, as the business recorded an adjusted¹ profit before tax, excluding charges for litigation, regulatory and similar

matters, of CHF 2,054 million. The business continued to grow its Corporate Client Solutions business, with revenues up 8% and operated within its targeted resource levels throughout the year.

Corporate Center reported a loss before tax of CHF 2.7 billion, compared with a loss of CHF 4.2 billion in the prior year. Overall revenues were negative CHF 0.9 billion, with losses recorded primarily in Non-Core and Legacy Portfolio, which included negative funding and debit valuation adjustments on derivatives, as well as losses from unwind and novation activity. Expenses were reduced by CHF 1.7 billion, with CHF 0.3 billion related to our strategic cost savings initiatives. In the Non-core and Legacy Portfolio, we achieved significant reductions in RWA and leverage ratio denominator.

Total capital return per share

CHF per share



Financial year	2011	2012	2013	2014
Payout ratio	9%	N/M	30%	55% (ordinary dividend) ¹
CET1 capital ratio fully applied	-6.7%	-9.8%	12.8%	13.4%

■ Ordinary dividend ■ Proposed ordinary dividend for 2014

■ Proposed one-time supplementary capital return

¹ Ordinary dividend per share as a % of diluted earnings per share.

¹ Refer to the "Group performance" in the "Financial and operating performance" section of the Annual Report 2014 for more information on adjusted results.

Performance award pool funding

Our compensation funding framework is based on business performance, which we measure in a variety of ways. These include profitability, quality of earnings, contribution before performance award, and economic contribution before performance award, which is a risk-adjusted measure of performance. In addition, we use a number of criteria to assess the performance of our business divisions and Corporate Center, such as those in the chart below.

Certain risk-related objectives are common across all business divisions and Corporate Center, and include adherence to risk investment guidelines, Group risk policies, value-at-risk limits and the avoidance of significant operational risk events.

Each business division's performance award pool is accrued as a percentage of profit before performance award, which is risk adjusted by factoring in a risk capital charge. We also consider progress against our strategic initiatives, affordability and market positioning. Business division performance is adjusted for items which do not reflect their underlying performance, including gains or losses related to divestments or sales of real estate, restructuring charges, and gains or losses on own credit.

The accrual percentage increases or decreases as performance declines or improves. As a result, if a business division's profits increase, the proportion of profits we allocate to pay performance awards is generally reduced. In good years, this helps prevent excessive compensation and allows us to return more capital to shareholders. In lean years, it provides us with the flexibility to make adequate provisions to retain key employees.

2014 target report card

	2014 highlights	2014 targets	Target ranges	2014 results	
Wealth Management	– Adjusted PbT +4% to CHF 2.5 billion	NNM growth rate	3–5%	3.9%	●
	– Generated CHF 34 billion of net new money	Gross margin (bps)	95–105	85	●
	– Recurring income of CHF 5.9 billion, +6%	Adjusted cost / income ratio	60–70%	68.2%	●
Wealth Management Americas	– Adjusted PbT +4% to record level, >USD 1 billion	NNM growth rate	2–4%	1.0%	●
	– Invested assets +6% to record level, >USD 1 trillion	Gross margin (bps)	75–85	76	●
	– Recurring income +12% to a record USD 5.7 billion	Adjusted cost / income ratio	80–90%	86.6%	●
Retail & Corporate	– Adjusted PbT +4% to CHF 1.6 billion	NNBV growth rate (retail business)	1–4%	2.3%	●
	– Net interest margin +3 basis points to +159 basis points	Net interest margin (bps)	140–180	159	●
	– Best year for Swiss retail client acquisition since 2008	Adjusted cost / income ratio	50–60%	56.6%	●
Global Asset Management	– Generated CHF 22.6 billion of net new money excl. money market	NNM growth rate excl. MM	3–5%	4.4%	●
	– Invested assets +14% to CHF 664 billion	Gross margin (bps)	32–38	31	●
		Adjusted cost / income ratio	60–70%	73.2%	●
Investment Bank	– Strong performance in CCS with revenues +8% to 3.2 billion	Adjusted RoAE	>15%	2.6%	●
	– Strong performance in Equities with CHF 3.7 billion in revenues	Adjusted cost / income ratio	65–85%	97.6%	●
		Basel III RWA limit (CHF billion)	< 70	67	●
		Funded assets limit (CHF billion)	< 200	171	●
		Basel III RWA (CHF billion)	< ~40	36	●
Non-core and Legacy Portfolio	– RWA down 44% to CHF 36 billion, already meeting 2015 year-end target	Target is applicable for 31.12.15			
	– LRD down 42% to CHF 93 billion				

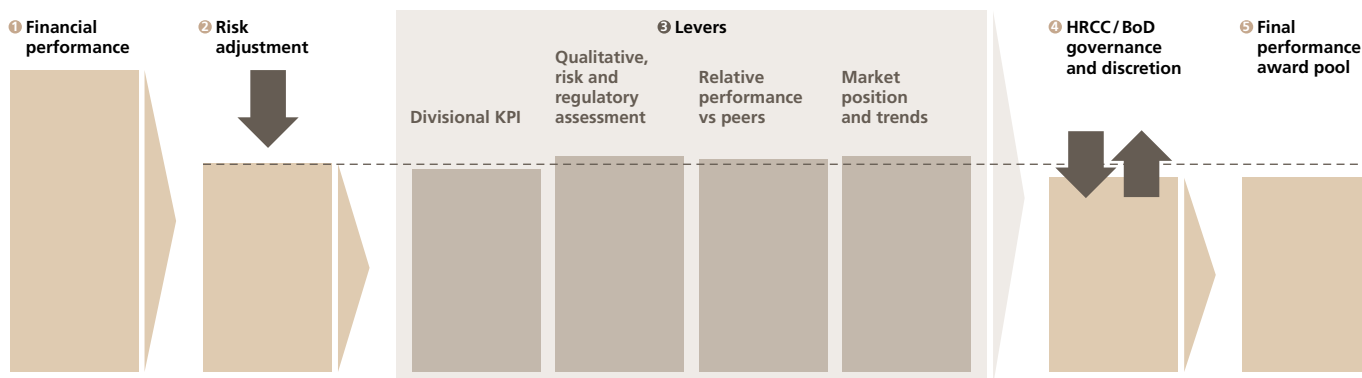
● = 2014 target not met

● = 2014 target met

We assess Group performance using criteria such as risk-adjusted profits, performance relative to the industry, and general market competitiveness. We also consider progress against our strategic initiatives, including RWA and balance sheet reduction, delivery of cost efficiencies, and capital accretion. We look at the firm's risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives.

The chart below illustrates the performance award pool funding process, the factors taken into account, and how the Human Resources and Compensation Committee (HRCC) applies its discretion before making its final recommendation to the Board of Directors (BoD).

Performance award funding process – illustrative overview



1	Financial performance	The preliminary performance award pool amount is driven by financial performance and assessed in light of a series of financial KPI.
2	Risk adjustment	Predetermined business division-specific performance award pool funding rates are applied to risk-adjusted performance. This takes into account credit, market, liquidity, funding, operational risk, including legal and compliance, reputational risk and the number of operational risks and audit recommendations that are effectively resolved.
3	Divisional KPI	Each division is assessed based on specific KPI (e.g., NNM growth rate, return on RWA, etc.).
	Qualitative, risk and regulatory assessment	Qualitative assessment (quality of earnings, industry awards, etc.), assessment of regulatory compliance and risk assessment. Qualitative assessment also ensures full alignment to our Total Reward Principles.
	Relative performance vs peers	Performance is also assessed relative to our peers.
	Market position and trends	Market intelligence based on internal and external advisors helps assessing the competitiveness of our pay level and compensation structure. It also provides a prospective view of market trends in terms of absolute compensation levels, compensation framework and industry practice.
4	HRCC/BoD governance and discretion	The performance award pool determination process results in a performance award pool recommendation from the Group CEO (after consultation with the business division Presidents), which is submitted to the HRCC for consideration. The HRCC, having monitored the forecasted full-year performance award regularly, has full discretion to adjust it (up- or downwards), as deemed appropriate. The HRCC considers the recommendation in the context of our overall performance, capital strength, risk profile, market positioning, as well as business and geographic trends. The committee ensures it is in line with our strategies embodied in our Total Reward Principles to create sustainable shareholder value.

2014 performance award pool and expenses

The performance award pool, which includes all discretionary, performance-based variable awards for 2014 was CHF 3.1 billion, a decrease of 5% compared with 2013. Overall, while our performance improved and we made further progress toward achieving our strategic and financial objectives, the potential increase in the performance award pool in 2014 was offset by a significant reduction, mainly in the Investment Bank, due to the impact of matters related to our foreign exchange business.

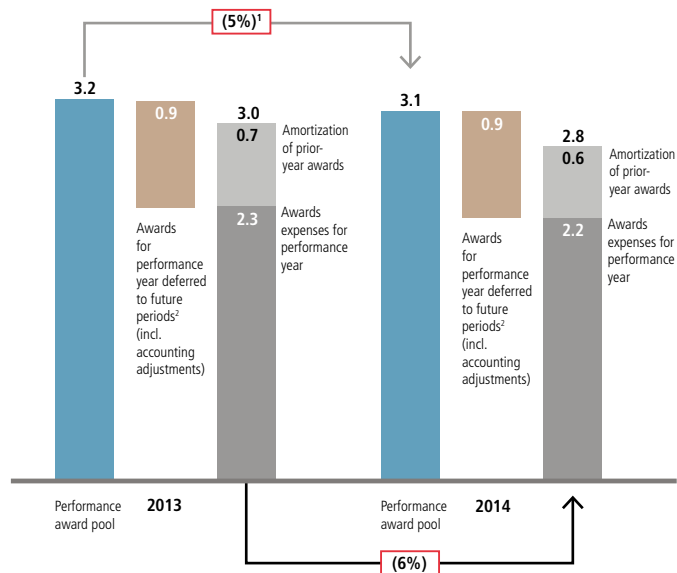
Performance award expenses for 2014 decreased 6% to CHF 2.8 billion. The reduction was mainly due to lower expenses for awards related to 2014 compensation, as well as lower expenses related to the amortization of awards from prior years. The "Performance award expenses" chart below compares the performance award pool with the performance award expenses.

Matters related to our foreign exchange business

In addition to the significant reduction in the performance award pool, 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. We continue to assess whether sanctions against other current and former employees should be taken based on our ongoing reviews. Potential sanctions include disciplinary measures, reductions in their compensation and forfeiture of part or all of their current outstanding deferred compensation.

Performance award expenses

CHF billion



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.

2014 compensation for the Group CEO and the other GEB members

Group Executive Board (GEB) performance awards are at the discretion of the Board of Directors (BoD). The overall amount of performance awards for GEB members for 2014 decreased 7% year-on-year, consistent with the 5% reduction in the performance award pool including all employees. At the Annual General Meeting (AGM) 2015, UBS's shareholders will vote on the proposed 2014 GEB performance award pool. The invitation to the AGM 2015 will set out the proposed aggregate amount.

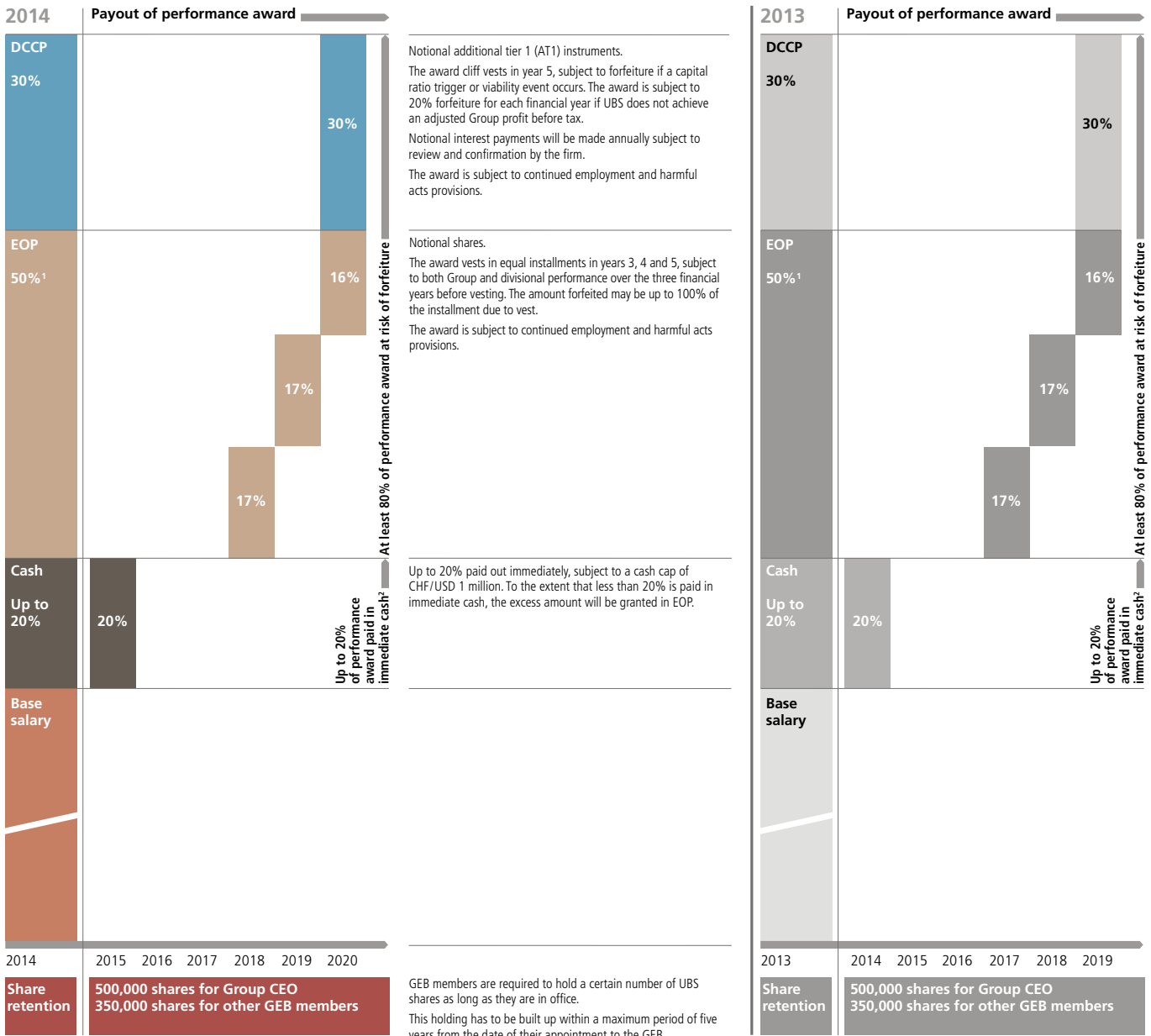
Key features of our 2014 compensation framework for the Group CEO and the other GEB members

Pay for performance	Safeguards
<p>The Human Resources and Compensation Committee (HRCC) reviews the performance of our Group CEO and other GEB members against the Group's performance targets. The GEB's performance awards are based on quantitative and qualitative performance measures and consider performance of the individual and the Group overall.</p> <ul style="list-style-type: none"> – The Group CEO / GEB performance scorecard is based on a set of quantitative and qualitative measures, and provides a framework for a balanced assessment. Group level, business division, regional, functional and qualitative performance measures are included in combination, depending on the individual GEB member's remit. – Compensation plan forfeiture provisions enable the firm to reduce the unvested deferred portion if the compensation plans' relevant performance conditions are not achieved. This means <ul style="list-style-type: none"> – the vesting of Equity Ownership Plan awards depends on both Group and divisional performance – Deferred Contingent Capital Plan awards only vest in full if the firm delivers an adjusted profit before tax and our phase-in tier 1 capital ratio does not fall below 10%. The firm may, at its discretion, elect to cancel any interest payments. 	<p>Our compensation framework contains a number of features designed to ensure that risk is appropriately managed with safeguards to limit inappropriate risk-taking. Our framework has</p> <ul style="list-style-type: none"> – a balanced mix of shorter-term and longer-term performance awards with a focus on deferral – a cap on the total GEB performance award pool of 2.5% of adjusted Group profit before tax – individual caps on the proportion of fixed to variable pay for the Group CEO and other GEB members – a share ownership policy under which each GEB member must build up and hold a minimum of 350,000 shares. The Group CEO must build up and hold a minimum of 500,000 shares – an evaluation of the risk control effectiveness and adherence of each GEB member as part of their individual qualitative assessment – employment contracts that include a six-month notice period – provisions that enable the firm to trigger forfeiture of some, or all, of the unvested deferred performance award if an employee commits certain harmful acts, or if the employment is terminated for cause. Generally, we regard the following as harmful acts <ul style="list-style-type: none"> – 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 – improperly disclosing confidential or proprietary information

2014 compensation framework for GEB members

Of the annual performance award, up to 20% is paid in the form of immediate cash and 80% is granted as a longer-term performance award, with 50% paid in deferred equity and the remaining 30% in deferred notional instruments.

Illustrative example



¹ At least 50% of the performance award is granted under the Equity Ownership Plan (EOP). ² UK Code Staff receive 50% in the form of blocked shares.

Base salary, role-based allowance, pensions and benefits

Each GEB member receives a fixed base salary, which is reviewed annually by the Human Resources and Compensation Committee (HRCC). Since the Group CEO's appointment in 2011, his annual base salary has remained unchanged at CHF 2.5 million. Other GEB members' salaries were unchanged at CHF 1.5 million (or local currency equivalent).

One GEB member is considered as UK Code Staff and receives a role-based allowance in addition to his base salary. This allowance reflects the market value of a specific role and is only paid as long as the GEB member is considered to be UK Code Staff. The introduction of this allowance represents a shift in the compensation mix between fixed and variable compensation and is not an increase in total compensation. The allowance consists of a deferred UBS notional share award which is granted annually. This deferred award vests in equal portions in years 3, 4 and 5, respectively.

Pension contributions and benefits for GEB members are in line with local practices for other employees. No enhanced or supplementary pension contributions are made for GEB members. Beginning at the AGM 2015, the GEB members' aggregate fixed compensation will be subject to shareholder approval. Shareholders will prospectively vote on the maximum aggregate amount of such fixed compensation for the GEB to be paid in 2016.

→ Refer to "Our compensation governance framework" section of this report for more information on the shareholders' vote on the GEB compensation

→ Refer to "Note 28 Pension and other post-employment benefit plans" in the "Financial information" section of the Annual Report 2014 for more information on the major post-employment benefit plans established in Switzerland and other countries

How we set variable performance award levels for our Group CEO and other GEB members – performance scorecard assessment

The Group CEO and other GEB members are eligible to receive an annual performance award, which is at the full discretion of the BoD and, in aggregate, subject to shareholder approval at the AGM. Our performance assessment is based on a balanced scorecard, which allows us to assess an individual's performance against a number of quantitative and qualitative key performance indicators (KPI).

The quantitative measures for the Group CEO are based on overall Group performance. For other GEB members, they are split between Group and the individual's business division and/or regional performance. Those who lead Group control functions, or who are solely regional Presidents, are assessed on the performance of the Group and of the functions/regions they oversee. Quantitative measures include business division financial, regional, and functional measures, and account for 65% of the assessment. Qualitative measures account for 35% of the assessment and are the same for all GEB members, including the Group CEO. The table on the following page provides an overview of the quantitative and qualitative KPI on which the scorecard is based.

The weighting between Group, business division, regional, and functional KPI varies depending on a GEB member's role. There is a significant weighting on Group KPI for all GEB members.

The degree to which an individual has achieved these quantitative measures, coupled with an assessment of performance against qualitative measures, provides an overall rating. This is the starting point for a GEB member's annual performance award. In addition, target total compensation is reviewed against the market value of the respective role. This approach is not intended to be mechanical, as the HRCC can exercise its judgment and, in exceptional circumstances, may apply an appropriate degree of discretion. The HRCC's final compensation recommendations for GEB members are based on the performance assessment, the assessment against the market value for the role, and the Group CEO's recommendation (the Group CEO makes no recommendation on his own award). For 2014, the HRCC also considered the nature and impact of matters related to our foreign exchange business. Therefore, the final HRCC recommendations on the GEB member's performance awards were lower than performance would otherwise have called for. The HRCC's recommendations are then reviewed, and must be approved, by the BoD. The BoD retains full discretion in determining the variable compensation levels for GEB members. The HRCC and then the full BoD go through a similar process in setting the compensation for the Group CEO. The final 2014 performance award for the GEB in aggregate is subject to shareholder approval at the AGM 2015. The individual variable performance awards for each GEB member will only be granted following shareholder approval at the AGM.

Overview of the quantitative and qualitative measures on which the performance scorecard is based

Quantitative measures (65% weighting)	Qualitative measures (35% weighting)
<p>The quantitative measures are aligned with the Group's strategic plan. They are mainly based on the Group measures, supplemented with business division, regional or functional KPI for business division, regional or Corporate Center GEB members, and include the following:</p> <ul style="list-style-type: none"> – Group Return on Equity – adjusted Group profit before tax – CET1 capital ratio – business division and/or regional KPI (if applicable) – functional KPI (for Corporate Center GEB members) <p>Both regional and functional KPI may include qualitative measures.</p>	<p>The qualitative measures utilized in assessing the effectiveness of the Group CEO and other GEB members are the following:</p> <p>Pillars:</p> <p>Capital management – establishes and maintains capital strength and CET1 capital ratio. Generate efficiencies and deploy our capital more efficiently and effectively.</p> <p>Efficiency & effectiveness – contributes to the development and execution of our strategy. The measure also looks to ensure that there is success across all business lines, functions and regions.</p> <p>Risk management – ensures risk management through an effective control framework. Captures the degree to which risks are self-identified and focuses on the individual's success in ensuring compliance with all the various regulatory frameworks. Helps shape the firm's relationships with regulators through ongoing dialogue.</p> <p>Principles:</p> <p>Client focus – increases client satisfaction and maintaining high levels of satisfaction over the long term. This includes promoting cross-business division collaboration and fostering the delivery of the whole firm to our clients.</p> <p>Sustainable performance – Brand and Reputation – protects the Group's reputation and ensures full compliance with our standards and principles. – Culture – takes personal role in making Principles and Behaviors front and center of the requirements of the business. Furthermore, this measure evaluates the individual's ability to reinforce a culture of accountability and responsibility, demonstrating our commitment to be a responsible corporate citizen and to act with integrity in all our interactions with our stakeholders.</p> <p>Excellence – Human Capital Management – develops successors for the most senior positions, facilitates talent mobility within the firm and promotes a diverse and inclusive workforce. – Product and Service Quality – strives for excellence in products and services we offer to our clients.</p> <p>Behaviors:</p> <p>Integrity – is responsible and accountable for what they say and do; caring about clients, investors and colleagues; acting as a role model.</p> <p>Collaboration – puts benefits of clients and the firm before their own and those of their business; working across the firm; respecting and valuing diverse perspective.</p> <p>Challenge – encourages self and others to constructively challenge the status quo; learning from past mistakes and experiences.</p>

Weightings of quantitative and qualitative measures

<i>in %</i>	Group CEO	Business division / regional Presidents	Functional heads
Key performance indicators (KPI)	Weighting		
Group RoE, adjusted Group profit before tax and Basel III CET1 capital ratio (fully applied)	65	35	45
Business division / regional KPI		30	
Functional KPI			20
Quantitative	65	65	65
Qualitative	35	35	35
Total	100	100	100

Caps on compensation

The total potential GEB performance award pool is capped at 2.5% of the adjusted Group profit before tax. This links overall GEB compensation to the firm's profitability. As the Group's adjusted profit before tax for 2014 was CHF 2.8 billion, the GEB 2014 performance award pool was capped at CHF 69 million.

The actual total GEB performance award pool for 2014 was CHF 58 million or 2.1% of the Group's adjusted profit before tax compared with CHF 63 million or 1.5% in 2013. Furthermore, 100% of a GEB member's deferred compensation is subject to performance conditions.

Last year we introduced individual compensation caps on the proportion of fixed pay to variable pay for all GEB members. The Group CEO's performance award was capped at five times his base salary. Performance awards of other GEB members were capped at seven times their base salaries.

For 2014, performance awards for GEB members and Group CEO were, on average, 3.1 times the base salary.

Benchmarking against peers

The HRCC reviews GEB compensation levels against those of a peer group of companies selected for the comparability of their size, business and geographic mix, and the extent to which they are our competitors for talent. The HRCC also considers the practices of these peers that may influence their pay strategies and pay levels as well as their respective regulatory environments.

In 2014, the HRCC reviewed our peer group and determined that it remained appropriate. The peer group consists of: Bank of America, Barclays, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan Chase, Julius Baer, Morgan Stanley, and Nomura.

Overall, total compensation for GEB members is targeted at market pay for market performance.

Comparability assessment against main peers

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

Firm	Size ¹	Business mix ²	Geographic mix ³	Competitors for talent ⁴	HQ location: regulatory ⁵	HQ location: geographical ⁶
Bank of America	○	●	○	●	●	●
Barclays	●	●	●	●	●	●
BNP Paribas	●	○	●	●	○	●
Citigroup	○	○	●	●	●	●
Credit Suisse	●	●	●	●	●	●
Deutsche Bank	●	●	●	●	●	●
Goldman Sachs	●	○	●	●	●	○
HSBC	○	○	●	●	●	●
JP Morgan Chase	○	○	○	●	●	●
Julius Baer	○	○	○	●	●	●
Morgan Stanley	●	●	●	●	●	●
Nomura	○	●	○	●	●	○

● Mostly comparable ● Moderately comparable ○ Less comparable

¹ Size: evaluated in terms of revenue, profitability, assets and number of employees. This would potentially impact management complexity outside of the impact of product mix and geographical. ² Business mix: in terms of type and size of major businesses. This would impact pay strategy/levels and approach and, importantly, risk profile. ³ Geographic mix: evaluated not only in terms of mix, but also from a European Headquarters (HQ) perspective. Impacts executive role definition and management complexity. ⁴ Competitors for talent: firms from which UBS recruits and/or firms which recruit from UBS. ⁵ HQ location/regulatory: impact of the regulatory environment based on home regulator. ⁶ HQ location/geographical: culture and practice that impacts pay strategy/levels.

2014 deferral of performance awards and vesting of awards granted in prior years impacted by performance conditions

At least 80% of a GEB member's performance award is deferred and is only granted following shareholder approval on the overall performance award pool at the AGM. For performance year 2014, a minimum of 50% of the overall performance award is granted under the Equity Ownership Plan (EOP), which vests in three equal installments from year 3 to 5, subject to performance conditions being met.

The remaining 30% is granted under the Deferred Contingent Capital Plan (DCCP). Under the DCCP, GEB members are awarded notional additional tier 1 (AT1) instruments that vest in year 5, with discretionary annual interest payments. In addition to a phase-in tier 1 capital ratio trigger of 10%, DCCP awards granted to GEB members are subject to a further performance condition. If UBS does not achieve an adjusted Group profit before tax for any year during the vesting period, GEB members forfeit 20% of the award for each loss-making year. This means that 100% of the award is subject to risk of forfeiture in addition to the phase-in tier 1 capital ratio trigger.

For each GEB member, a maximum of 20% of the overall performance award can be paid out in the form of immediate cash, subject to a cap of CHF/USD 1 million (or local currency equivalent).

Any amount beyond this cap is granted in notional shares under the EOP. In addition, for GEB members who are considered UK Code Staff for the year 2014, 50% of any immediate cash must be delivered in vested shares which are blocked for six months and each EOP installment vesting on 1 March of years 3 to 5 will be subject to additional blocking for a further six months.

The average deferral period for deferred awards for GEB members in 2014 is 4.4 years (in line with 2013). Our compensation plans have no upward leverage, such as multiplier factors, and therefore do not encourage excessive risk-taking.

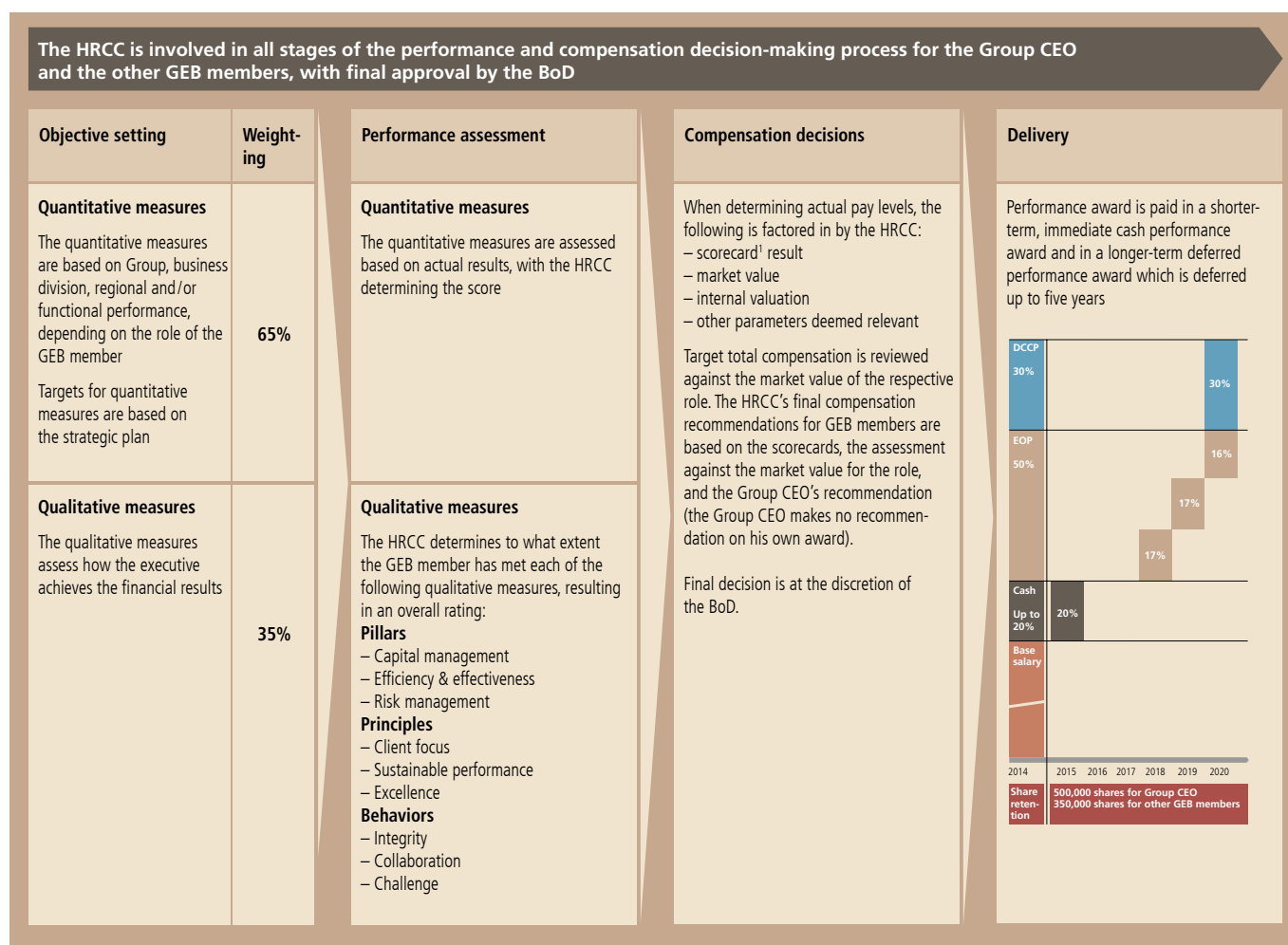
The HRCC has determined that 56% of the Performance Equity Plan (PEP) 2012 for GEB members was forfeited as a result of the economic profit and total shareholder return targets not being fully achieved. All other awards for GEB members due to vest in March 2015 will vest in full based on the performance conditions having been met.

→ Refer to the "Our deferred variable compensation plans" section in this report for more information

→ Refer to the "Our compensation model for employees other than GEB members" section in this report for more information on UK Code Staff

→ Refer to the "Vesting of outstanding awards granted in prior years impacted by performance conditions" section in this report for more information

Overview of the compensation process for the Group CEO and the other GEB members



¹ See graph for scorecard for the Group CEO on the following pages.

Share ownership requirements: aligning GEB members' interests with those of our shareholders

We require the Group CEO to hold a minimum of 500,000 UBS shares and other GEB members to hold a minimum of 350,000 UBS shares. These shareholdings must be built up within five years from the date a GEB member is appointed and must be retained for as long as the GEB member 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 mem-

bers are not permitted to sell their UBS shares until the above-mentioned thresholds have been reached. At the end of 2014, all GEB members had met the required share ownership level.

Overview of GEB compensation determination process

The illustration above shows how GEB compensation is determined under the governance and oversight of the HRCC and the BoD.

2014 compensation for the Group Chief Executive Officer

As described earlier in this section, the performance awards for the Group CEO, Sergio P. Ermotti, and each member of the GEB are based on the achievement of both quantitative targets and qualitative performance objectives.

In Mr. Ermotti's performance assessment, there is a 65% weighting for quantitative performance based on Group financial performance, and a 35% weighting based on his performance against qualitative measures.

The table below summarizes the criteria according to which Mr. Ermotti's performance was assessed as Group CEO for 2014 by the full BoD.

The BoD recognized that under Mr. Ermotti's continuing sound leadership, the Group's financial performance for 2014 was strong although tempered by charges for provisions for litigation, regulatory and similar matters, as outlined in the "2014 performance and compensation funding" section of this report. The BoD also considered the continued reduction in RWA, where progress was ahead of target, and further improvements in the firm's fully applied Basel III CET1 capital ratio as important achievements. In addition, UBS's book value increased from CHF 12.74

per share at year-end 2013 to CHF 13.94 per share at year-end 2014, representing a 9% increase.

The BoD also noted that, under Mr. Ermotti's leadership, the firm continued to reach key milestones in the ambitious strategic transformation of the bank. The BoD was pleased that Mr. Ermotti successfully steered the firm through turbulent market conditions, demonstrating the strength and resilience of the firm's strategy and operating model as well as the value of continued de-risking of businesses and the emphasis on our wealth management capabilities globally. The BoD also appreciated the disciplined manner in which he worked to address legacy issues and positively acknowledged his proactive and personal engagement not only in the review and investigatory process, but also in reaching resolutions with several regulatory authorities, as well as putting in place processes to ensure appropriate remediation.

Net profit attributable to UBS shareholders was CHF 3.5 billion, up 9% compared with 2013. Further, the Group return on equity increased to 7.0%. UBS further enhanced its position as one of the world's best-capitalized banks, exceeding its year-end capital ratio targets, combining an ambitious capital strategy with disciplined execution. Tier 1 capital ratio targets were achieved ahead of schedule, including being above the post-stress capital ratio tar-

Scorecard for the Group CEO

Quantitative measures ¹		2014 results	Weighting	Assessment relative to plan	
				Target	
Group (65%)	Group RoE	7.0%	20%	●	
	Group profit before tax ²	CHF 5 billion	25%	●	
	Basel III CET1 capital ratio (fully applied)	13.4% ³	20%	●	
Qualitative measures		Weighting		Assessment	
				Target	
Capital management, efficiency & effectiveness, risk management, client focus, sustainable performance, excellence, integrity, collaboration, challenge		35%		●	

¹ Quantitative measures and target levels were based on internal performance objectives in our 2014 Operating Plan. ² Adjusted Group profit before tax excluding certain charges for provisions for litigation, regulatory and similar matters. ³ Additionally above the objective of 10% on a post-stress scenario basis.

get of 10%, while increasing dividend accruals for shareholders. The firm surpassed its Basel III RWA reduction target for the year and also continued to successfully deleverage its balance sheet. The firm's Basel III funding, liquidity and leverage ratios remained comfortably above regulatory requirements in 2014.

In a challenging environment, UBS's business divisions demonstrated strong performance throughout the year. UBS further strengthened its position as the world's largest Wealth Manager, successfully targeting the fastest growing wealth segments and high-quality revenues. Clients continued to have great confidence in UBS's strategy, as demonstrated, for example, by NNM inflows into the firm's wealth management businesses.

Mr. Ermotti drove strong performance against the key quantitative metrics, as outlined above, even after litigation provisions are considered.

Regarding the qualitative measures, the BoD considered the progress of the cultural change in the bank under Mr. Ermotti's leadership. The UBS principles and behaviors have been embedded deeper into the organization and have become an important element of the firm's promotion and compensation considerations. The BoD's performance assessment also recognized his drive to build a strong risk management culture with more effective operational risk management, a stronger compliance function and a comprehensive end-to-end control environment, all of which are essential in supporting UBS's sustainable success.

In addition to the strategic, quantitative and qualitative accomplishments noted above, the BoD also recognized Mr. Ermotti's leadership in the transformation of the Group legal structure to meet future regulatory requirements, with the establishment of UBS Group AG as a first step.

Reflecting Mr. Ermotti's overall achievements in 2014, and including consideration of the impact of litigation provisions, the BoD approved the proposal by the HRCC (subject to shareholder approval as part of the aggregate GEB 2014 variable compensation) to grant him a performance award of CHF 8.4 million, bringing his total compensation for the year (excluding benefits and contributions to his retirement benefit plan) to CHF 10.9 million. Additionally, the BoD approved the recommendation that the Group CEO would not receive an immediate cash performance award and that any approved performance award would instead be delivered 100% in deferred instruments subject to performance conditions. The performance award therefore will be deferred under EOP (70% of his performance award) and under DCCP (30% of his performance award). The future actual payouts under EOP and DCCP are dependent upon the firm's future performance, as described in more detail in later sections.

→ Refer to the "Our deferred variable compensation plans for 2014" section of this report for more information on about the terms of our deferred variable compensation plans

Total compensation for GEB members for the performance years 2014 and 2013

The table on the next page shows the total compensation for GEB members for the performance years 2014 and 2013. At the AGM 2015, UBS's shareholders will vote on the overall 2014 GEB performance award pool.

- Refer to the "Our compensation governance framework" section of this report for more information on the shareholders' vote scheme in relation to GEB compensation
- Table: "Total compensation for GEB members for the performance years 2014 and 2013"
- Refer to the "Supplemental information" section of this report and "Note 34 Related parties" in the "Financial information" section of the Annual Report 2014 for information on vested and unvested shares and options for GEB members

Employment contracts

The employment contracts of the GEB members do not include special severance terms, sometimes referred to as golden parachutes, or supplementary pension plan contributions. All employment contracts for GEB members are subject to a notice period of six months. If a GEB member leaves the firm before the end of a performance year they may be considered for a discretionary performance award based on their contribution during that performance year in line with the approach outlined earlier in this report. Such awards are at the full discretion of the BoD, which may decide not to grant any awards.

Loans

In line with article 38 of our Articles of Association, 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 neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. The total amount of such loans shall not exceed CHF 20 million per GEB member.

- Refer to the "Supplemental information" section and "Note 34 Related parties" in the "Financial information" section of the Annual Report 2014 for more information on loans granted to current and former GEB members
- Refer to our corporate governance website at www.ubs.com/governance for more information

Audited | Total compensation for GEB members for the performance years 2014 and 2013

CHF, except where indicated¹

Name, function	For the year	Base salary ²	Contribution to retirement benefits plan ³	Benefits ⁴	Total fixed compensation	Immediate cash ⁵	Annual performance award under EOP ⁶	Annual performance award under DCCP ⁷	Total variable compensation	Total fixed and variable compensation ⁸
Sergio P. Ermotti, Group CEO (highest-paid)	2014	2,500,000	202,822	60,525	2,763,347	0	5,880,000	2,520,000	8,400,000	11,163,347
Sergio P. Ermotti, Group CEO	2013	2,500,000	202,822	127,300	2,830,122	1,000,000	4,530,000	2,370,000	7,900,000	10,730,122
Andrea Orcel, President Investment Bank (highest-paid)	2013	1,500,000	202,822	727,048	2,429,870	1,000,000	5,300,000	2,700,000	9,000,000	11,429,870
Aggregate of all GEB members who were in office at the end of the year ⁹	2014	19,090,186	1,343,168	1,224,633	21,657,987	8,423,177	32,459,299	17,521,060	58,403,535	80,061,523
	2013	16,873,360	1,347,784	1,548,784	19,769,927	9,949,062	33,894,646	18,790,161	62,633,869	82,403,796
Aggregate of all GEB members who stepped down during the year ¹⁰	2014	0	0	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0	0	0

¹ Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of the Annual Report 2014. ² Includes role-based allowances that have been made in line with market practice in response to the EU Capital Requirements Directive of 2013 (CRD IV). ³ This figure includes the portion related to the employer's contribution to the statutory pension scheme. ⁴ Benefits are all valued at market price. ⁵ Under the 2014 and 2013 compensation framework, up to 20% of the performance award is paid out in immediate cash, subject to a cash cap of CHF / USD 1 million. The BoD approved the recommendation that the Group CEO would not receive an immediate cash performance award for 2014. As a consequence, his entire performance award will be deferred. Due to applicable UK Prudential Regulation Authority remuneration code, the immediate cash includes blocked shares for Andrea Orcel. ⁶ For EOP awards for the performance year 2014, the number of shares to be allocated at grant (on 8 May 2015), subject to shareholder approval, is determined by dividing the amount by CHF 16.50 or USD 17.41, the average closing share price of UBS Group AG shares over the last ten trading days in February 2015. For 2013, the value was CHF 18.60 and USD 20.88 based on the average closing share price of UBS AG shares over the ten trading days prior to and including the grant date which was 28 February 2014. ⁷ DCCP awards for 2014 to be granted on 8 May 2015, subject to shareholder approval, are due to vest in March 2020. The amount reflects the amount of the notional additional tier 1 (AT1) instrument excluding future notional interest. For DCCP awards for the performance year 2014, the notional interest rate is set at 7.125% for awards denominated in USD and 4.000% for awards denominated in CHF. For DCCP awards for the performance year 2013, the notional interest rate is set at 5.125% for awards denominated in USD and 3.500% for awards denominated in CHF. ⁸ This figure excludes the portion related to the legally required employer's social security contributions for 2014, which are estimated at grant for CHF 3,689,582, of which CHF 704,077 for the highest-paid GEB member. The legally required employee's social security contributions are included in the amounts shown in the table above, as appropriate. ⁹ 10 GEB members were in office on 31 December 2014 and 11 GEB members were in office on 31 December 2013, respectively. ¹⁰ During the years of 2014 and 2013 no GEB members stepped down. ▲

Fixed and variable compensation for GEB members¹

CHF million, except where indicated	Total for the year ended 2014		Not deferred		Deferred ²		Total for the year ended 2013 ³
	Amount	%	Amount	%	Amount	%	
Total compensation							
Amount	77	100	25	32	52	68	80
Number of beneficiaries	10						11
Fixed compensation⁴	19	25	17	87	3	13	17
Cash-based	17	21	17	100	0		17
Equity-based	3	3	0		3	100	0
Variable compensation	58	75	8	14	50	86	63
Immediate cash ⁵	8	11	8	100	0		10
Equity Ownership Plan (EOP)	32	42	0		32	100	34
Deferred Contingent Capital Plan (DCCP)	18	23	0		18	100	19

¹ The figures refer to all GEB members in office in 2014. ² This is based on the specific plan vesting and reflects the total award value at grant which may differ from the accounting expenses. ³ 2013 figures as reported in Annual Report 2013. ⁴ Includes base salary and role-based allowances, rounded to the nearest million. ⁵ Includes allocation of vested but blocked shares, in line with UK Prudential Regulation Authority remuneration code.

2014 compensation for the Board of Directors

Board of Directors (BoD) members receive fixed fees for their services, 50% of which they must use to purchase blocked UBS shares. Alternatively, they may elect to purchase blocked UBS shares using 100% of their fees. BoD members do not receive variable compensation. This reinforces their focus on long-term strategy, supervision and governance, and helps them remain independent of the firm's senior management. The Chairman, as a non-independent BoD member, receives a cash payment, UBS blocked shares and benefits. At the Annual General Meeting (AGM) 2015, UBS's shareholders will vote on the maximum aggregate amount of remuneration for the BoD, including compensation for the Chairman, for the period from the AGM 2015 to the AGM 2016. The invitation to the AGM 2015 will set out the proposed aggregate maximum amount.

Chairman of the BoD

As described in our 2013 Compensation Report, the HRCC has changed the contract for the Chairman to cap his total compensation at last year's amount of CHF 5.7 million. As this change became effective in May 2014, his total compensation for 2014 was a combination of four months under the old contract and eight months under the new contract. This corresponds to a cash payment of CHF 3 million and a share component of CHF 2,566,672, delivered in 155,556 UBS shares blocked from distribution for four years (at a share price of CHF 16.50). Accordingly, his total compensation, including benefits and pension fund contribution for his service as Chairman for the full year of 2014 was CHF 5,939,851 (down 2% from last year).

The share component ensures that the Chairman's pay is aligned with the longer-term performance of the firm. The Chairman's service agreement does not provide for special severance terms, nor supplementary contributions to pension plans. Benefits for the Chairman are in line with local practices for other employees. The HRCC annually approves the Chairman's compensation taking into consideration fee and/or compensation levels for comparable roles outside UBS.

Independent BoD members

With the exception of the Chairman, all BoD members are deemed to be independent directors and receive fixed base fees of CHF 325,000 for each year of service. 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 receive an additional retainer of CHF 250,000. As noted above, independent BoD members are required to use a minimum of 50% of their fees to purchase UBS shares that are blocked for four years. However, they may elect to use 100% of their fees to purchase blocked UBS shares. In all cases, the number of shares that independent BoD members are entitled to receive is calculated with a discount of 15% below the market price prevailing at the time of issuance. In accordance with their roles, independent BoD members do not

receive performance awards, severance payments or benefits. Base fees, committee retainers and any other payments to be received by independent BoD members are subject to an annual review with a proposal being submitted by the Chairman of the BoD to the HRCC, which in turn submits a recommendation to the BoD for approval. The BoD proposes the aggregate amount of BoD remuneration, including compensation for the Chairman, from AGM to AGM to shareholders for their approval.

The Remuneration details and additional information for independent BoD members table shows the remuneration received by independent BoD members between the AGM 2014 and 2015. Fees have remained unchanged during this period, and have been broadly flat since 1998. Remuneration levels for BoD members other than the Chairman ranged from CHF 475,000 to CHF 1,075,000. Total remuneration for the independent BoD members for the period between the AGM 2014 and AGM 2015 was CHF 7,100,000, down 7% year-on-year due to 10 independent BoD members in office in the reporting period compared with 11 independent BoD members in office in the prior year period.

In accordance with BoD compensation practice, one BoD member chose to use 100% of his fees, less applicable deductions, to purchase blocked UBS shares.

Loans

In line with article 33 of our Articles of Association, loans to independent BoD members are made in the ordinary course of business at general market conditions. The Chairman, as a non-independent member may receive a loan in the ordinary course of business on substantially the same terms as those granted to UBS employees, including interest rates and collateral, and neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. The total amount of such loans shall not exceed CHF 20 million per BoD member.

- Refer to the "Supplemental information" section of this report and "Note 34 Related parties" in the "Financial information" section of the Annual Report 2014 for more information on loans granted to current and former BoD members
- Refer to our corporate governance website at www.ubs.com/governance for more information

Audited | Total payments to BoD members

CHF, except where indicated ¹	For the year	Total ²
Aggregate of all BoD members	2014	13,039,851
	2013	13,694,516

¹ Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of the Annual Report 2014. ² This figure includes social security contributions paid by the BoD members, but excludes the portion related to the legally required social security contributions paid by UBS, which for 2014 are estimated at grant at CHF 623,790. ▲

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

CHF, except where indicated ¹	For the year	Base salary	Annual share award ³	Benefits ⁴	Contributions to retirement benefit plans ⁵	Total ⁶
Name, function ²	2014	3,000,000	2,566,672	113,109	260,070	5,939,851
Axel A. Weber, Chairman	2013	2,000,000	3,720,000	89,446	260,070	6,069,516

¹ Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of the Annual Report 2014. ² Axel A. Weber was the only non-independent member in office on 31 December 2014 and on 31 December 2013 respectively. ³ These shares are blocked for four years. ⁴ Benefits are all valued at market price. ⁵ This figure includes the portion related to UBS's contribution to the statutory pension scheme. ⁶ This figure excludes the portion related to the legally required social security contributions paid by UBS for 2014, which are estimated at grant to CHF 363,488. The legally required social security contributions paid by the non-independent BoD members are included in the amounts shown in the table above, as appropriate. ▲

Audited | Remuneration details and additional information for independent BoD members

CHF, except where indicated¹

Name, function ²	Audit Committee	Human Resources & Compensation Committee	Governance & Nominating Committee	Corporate Culture & Responsibility Committee	Risk Committee	For the period		Committee retainer(s)	Additional payments	Total ³	Share percentage ⁴	Number of shares ^{5, 6}
						AGM to AGM	Base fee					
Michel Demaré, Vice Chairman	M	M	M			2014/2015	325,000	400,000	250,000 ⁷	975,000	50	34,746
	M	M	M			2013/2014	325,000	400,000	250,000 ⁷	975,000	50	30,834
David Sidwell, Senior Independent Director			M		C	2014/2015	325,000	500,000	250,000 ⁷	1,075,000	50	38,310
			M		C	2013/2014	325,000	500,000	250,000 ⁷	1,075,000	50	33,997
Reto Francioni, member		M		M		2014/2015	325,000	150,000		475,000	50	16,928
				M		2013/2014	325,000	50,000		375,000	50	11,859
Rainer-Marc Frey, former member						2014/2015	-	-		-	-	-
		M			M	2013/2014	325,000	300,000		625,000	100	37,394
Ann F. Godbehere, member	M	C				2014/2015	325,000	500,000		825,000	50	29,401
	M	C				2013/2014	325,000	500,000		825,000	50	26,091
Axel P. Lehmann, member					M	2014/2015	325,000	200,000		525,000	100	35,388
					M	2013/2014	325,000	200,000		525,000	100	31,403
Helmut Panke, member		M			M	2014/2015	325,000	300,000		625,000	50	22,273
		M			M	2013/2014	325,000	300,000		625,000	50	19,765
William G. Parrett, member	C			M		2014/2015	325,000	350,000		675,000	50	24,055
	C			M		2013/2014	325,000	350,000		675,000	50	21,347
Isabelle Romy, member	M		M			2014/2015	325,000	300,000		625,000	50	22,273
	M		M			2013/2014	325,000	300,000		625,000	50	19,765
Beatrice Weder di Mauro, member	M				M	2014/2015	325,000	400,000		725,000	50	25,837
	M				M	2013/2014	325,000	400,000		725,000	50	22,928
Joseph Yam, member				M	M	2014/2015	325,000	250,000		575,000	50	20,491
				M	M	2013/2014	325,000	250,000		575,000	50	18,184
Total 2014/2015										7,100,000		
Total 2013/2014										7,625,000		

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

¹ Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of the Annual Report 2014. ² There were 10 independent BoD members in office on 31 December 2014. Rainer-Marc Frey did not stand for re-election at the AGM on 7 May 2014. There were 11 independent BoD members in office on 31 December 2013. Reto Francioni was appointed at the AGM on 2 May 2013, and Wolfgang Mayrhuber did not stand for re-election at the AGM on 2 May 2013. ³ This figure excludes UBS's portion related to the legally required social security contributions which for the period from the AGM 2014 to the AGM 2015 are estimated at grant to CHF 260,302. The legally required social security contributions paid by the independent BoD members are included in the amounts shown in the table above, as appropriate. ⁴ 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. ⁵ For 2014, UBS Group AG shares, valued at CHF 16.50 (average price of UBS Group AG shares at SIX Swiss Exchange over the last 10 trading days of February 2015), were granted with a price discount of 15% for a new value of CHF 14.03. These shares are blocked for four years. For 2013, UBS AG shares, valued at CHF 18.60 (average price of UBS AG shares at SIX Swiss Exchange over the last 10 trading days of February 2014), were granted with a price discount of 15% for a new value of CHF 15.81. These shares are blocked for four years. ⁶ Number of shares is reduced in case of the 100% election to deduct social security contributions. All remuneration payments are subject to social security contributions/withholding tax. ⁷ This payment is associated with the Vice Chairman or the Senior Independent Director function, respectively. ▲

Our compensation governance framework

Ensuring we have strong governance and oversight of our compensation process is the responsibility of the Human Resource and Compensation Committee (HRCC). The HRCC is a committee of the Board of Directors (BoD) and consists of four independent BoD members who are elected annually by the Annual General Meeting (AGM).

Human Resources and Compensation Committee

As determined in the Articles of Association and the Organization Regulations of the firm, the HRCC serves as the supervisory body for our human resources and compensation policies. The HRCC ensures that we have appropriate governance and oversight of our compensation process, that we have strong correlation between pay and performance, and that our compensation system does not encourage inappropriate or excessive risk-taking.

Among its other responsibilities, the HRCC, on behalf of the BoD

- reviews our Total Reward Principles
- annually reviews and approves the design of the compensation framework, including compensation programs and plans
- reviews performance award funding throughout the year and proposes the final performance award pool to the BoD for approval

- together with the Group CEO, establishes performance targets, evaluates performance and proposes base salaries and annual performance awards for other GEB members to the BoD, which approves the total compensation of each GEB member
- together with the Chairman of the BoD, establishes performance targets, evaluates performance and proposes the compensation for the Group CEO to the BoD
- 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
- proposes, together with the BoD, the maximum aggregate amounts of compensation for the BoD and for the GEB, to be submitted for approval by the AGM
- reviews the Compensation Report and approves any material public disclosures of compensation matters

Activities of the HRCC for 2014/2015

For 2014, the HRCC spent a considerable amount of time on compensation-related matters. Besides their regular activities in relation to their role and responsibility, they also reviewed 2014 specific compensation-related topics.

Regular activities	Specific activities for 2014/2015
<ul style="list-style-type: none"> – Regular review of the accruals and full-year forecast for the performance award pool funding – Based on a balanced scorecard, establishment and review of the achievement of the quantitative and qualitative performance targets for each GEB member, including the Group CEO, and informing the BoD on the assessment as the basis for approval of the respective individual variable performance awards for the GEB members, including the Group CEO – Review and recommendation of the remuneration of the BoD members (including the Chairman) and of the compensation of the GEB (including the Group CEO), respectively – Review of the performance achievement in respect of the vesting of awards which contain specific performance conditions under the UBS compensation plans – Monitoring of market trends and regulatory developments in compensation matters and review of any proposals related to the implementation of the compensation framework for both GEB members and other employees – Review and approval of the UBS peer group for executive compensation benchmarking purposes – Periodic engagement with the Risk Committee to review risk management in the compensation processes – Regular engagement in stakeholder communication on compensation-related matters – Ensuring the preparation of the annual Compensation Report for UBS shareholders – Review of governance matters, such as the HRCC charter and its roles and responsibilities under UBS's Organization Regulations – Monitoring of progress in relation to specific human capital topics within UBS, for example, diversity 	<ul style="list-style-type: none"> – Detailed review and advice on the impact of matters related to our foreign exchange business to ensure that this was appropriately reflected in the final disciplinary decisions and in the related compensation decisions – Review the impact of the UBS share-for-share exchange on our deferred compensation plans – Regular engagement with key regulators on compensation matters – Review and approval of the compensation-related proposals in relation to the implementation of the Ordinance against Excessive Compensation in Listed Stock Corporations (binding say-on-pay vote) – Review and approval of the compensation-related proposals in relation to the implementation of the Capital Requirements Directive IV regime – Review and approval of any compensation framework-related changes such as the modifications to DCCP to make these awards additional tier 1 capital compliant

The HRCC meets at least four times a year. In 2014, the HRCC held seven meetings and three conference calls for UBS AG and one meeting and one telephone conference for UBS Group AG with an average attendance of 88%. The Chairman of the BoD and the Group CEO were present at all meetings, however, they were absent during discussions related to their own compensation. The Chairperson of the HRCC may also invite other executives to join the meeting in an advisory capacity. No individual is allowed to attend meetings during which specific decisions will be made about their own compensation. Such decisions are at the discretion of the HRCC and the BoD.

Following such meetings the Chairperson of the HRCC reports to the BoD on the activities of the HRCC and the matters debated. In addition, where necessary, the Chairperson submits proposals for approval by the full BoD. The minutes of HRCC meetings are made available to all members of the BoD.

On 31 December 2014, the HRCC members were Ann F. Godbehere, who chairs the committee, Michel Demaré, Reto Francioni and Helmut Panke.

External advisors

The HRCC may retain external advisors to support it in fulfilling its duty. In 2014, Hostettler, Kramarsch & Partner provided impartial advice on compensation matters. The company holds no other

mandates with UBS. The compensation consulting firm Towers Watson, appointed by 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 Human Resources in relation to compensation at lower levels of the organization. Towers Watson holds no other compensation-related mandates with UBS.

The Risk Committee's role in compensation

We are engaged in 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 various stakeholders. The Risk Committee, a BoD committee, works closely with the HRCC to ensure our approach to compensation reflects proper 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 Risk Control's involvement in compensation and reviews risk-related aspects of the compensation process.

→ Refer to our corporate governance website at www.ubs.com/governance for more information

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 ¹	HRCC
Independent BoD members (remuneration system and fees)	HRCC and Chairman of the BoD	BoD ¹	Chairman of the BoD
Group CEO	HRCC and Chairman of the BoD	BoD ¹	Chairman of the BoD
Other GEB members	HRCC and Group CEO	BoD ¹	Group CEO
Key Risk Takers	Respective 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	Respective GEB member together with functional management team	Divisional pools: HRCC Overall pool: BoD	Line manager

¹ Aggregate compensation for the GEB and aggregate remuneration for the BoD are subject to shareholder approval.

Shareholder engagement and say-on-pay vote at the AGM

The BoD and the HRCC are committed to maintaining an ongoing dialogue with our shareholders to ascertain their perspectives on developments and trends in compensation matters. In this context, we implemented the annual advisory vote on the Compensation Report already in 2009 to provide shareholders with the opportunity to express their views on our compensation framework for the GEB members and the BoD.

Beginning with the AGM 2015, and in line with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, we will also seek binding shareholder approval of the aggregate compensation for the GEB and aggregate remuneration for the BoD.

The say-on-pay requirements provided for in the Articles of Association (AoA) were approved at the AGM 2014.

The BoD believes that prospective approval of the fixed remuneration for the BoD and the GEB provides the firm and its governing bodies with the certainty needed to operate effectively. Further, the shareholders' approval of the GEB's variable compensation retrospectively is consistent with the alignment of the total compensation for the GEB to performance and contribution and to developments in the market landscape. The combination of the binding votes on compensation and the advisory vote on the compensation framework reflects our full commitment to ensuring that our shareholders have a true say-on-pay.

The table below provides details on the elements subject to shareholder approval at the AGM 2015. Further details on these votes will be provided in the invitation to the AGM 2015.

Say-on-pay – Compensation-related votes at the AGM 2015

Binding vote on BoD remuneration	The BoD proposes that the shareholders prospectively approve the maximum aggregate amount of remuneration for the BoD for the period from AGM 2015 to AGM 2016. This ensures that the term of office and the compensation period are aligned. The AGM 2015 invitation will set out the amount and details.
Binding vote on fixed GEB compensation	The BoD proposes that the shareholders prospectively approve the maximum aggregate amount of fixed compensation for the GEB for the financial year 2016. The AGM 2015 invitation will set out the amount and further details.
Binding vote on GEB variable compensation	The BoD proposes that the shareholders retrospectively approve the aggregate amount of variable compensation of the GEB for the performance year 2014. The AGM 2015 invitation will set out the amount and further details.
Advisory vote on Compensation Report	The BoD proposes that the shareholders approve the Compensation Report 2014. This provides us with valuable feedback on our compensation practice in relation to the Compensation Framework 2014, governance and policy.

Provisions of the Articles of Association in relation to compensation

Under the new say-on-pay provisions in Switzerland, shareholders of Swiss-listed companies have more influence over board and management compensation. This is achieved by means of an annual binding say-on-pay vote and additional provisions in the Articles of Association (AoA). The Group's revised AoA were approved at the AGM 2014 and include the following provisions related to compensation:

Say-on-pay: The AGM shall approve the proposals of the BoD in relation to the maximum aggregate amount of compensation of the BoD for the period until the next AGM, the maximum aggregate amount of fixed compensation of the GEB for the following financial year and the aggregate amount of variable compensation of the GEB for the preceding financial

year. The BoD may submit for approval deviating or additional proposals. In the event the AGM does not approve a proposal the BoD shall determine, taking into account all relevant factors, an aggregate amount or partial amounts for subsequent approval by shareholders.

Principles of compensation: compensation of the BoD comprises a base remuneration and may comprise other compensation elements and benefits. Compensation of the GEB consists of fixed and variable compensation elements. Variable compensation elements depend on quantitative and qualitative performance measures as determined by the BoD. Remuneration of the BoD and compensation of the GEB may be paid or granted in the form of cash, shares, financial instruments or units, in kind or in the

form of benefits. The BoD determines the key features such as grant, vesting, exercise and forfeiture conditions and applicable harmful acts provisions.

Additional amount for GEB members hired after the vote on the aggregate amount of compensation by the AGM: for the compensation of GEB members who will be appointed after the approval of compensation by the AGM, and to the extent that the aggregate amount of compensation as approved does not suffice, an amount of up to 40% of the average of total annual compensation paid or granted to the GEB during the previous three years is available without further approval of the AGM.

→ Refer to our corporate governance website at www.ubs.com/governance

Say-on-pay – Time-based delineation of BoD remuneration / GEB compensation, subject to shareholder approval

The following chart shows the prospective and retrospective elements of the say-on-pay votes

Shareholder approval requested at the AGM 2015	2014	2015	2016
Aggregate BoD remuneration (AGM 2015 to AGM 2016)		● Remuneration period	
Aggregate 2016 fixed compensation for the GEB		●	Compensation period
Aggregate 2014 variable compensation for the GEB	Performance period	●	
Advisory vote on the 2014 Compensation Report	Compensation Framework	●	

● Voting at the AGM 2015

Our compensation model for employees other than GEB members

We view compensation as a means to align employees' long-term interests with those of our clients, share- and debt-holders. Throughout the firm, the effect that an employee's role has on contributing to greater sustainable performance for UBS is a key factor in determining compensation. Our Total Reward Principles directly influence how we structure compensation. We strive to find the right balance of return for both our employees and our stakeholders. The elements that generally make up an employee's total reward typically consist of a base salary, a performance award and pension contributions and benefits. The performance award may comprise a shorter-term immediate cash performance award and a longer-term deferred performance award. This balanced mix of shorter-term and longer-term compensation encourages appropriate risk-taking and behaviors that produce sustainable performance.

Total Reward Principles

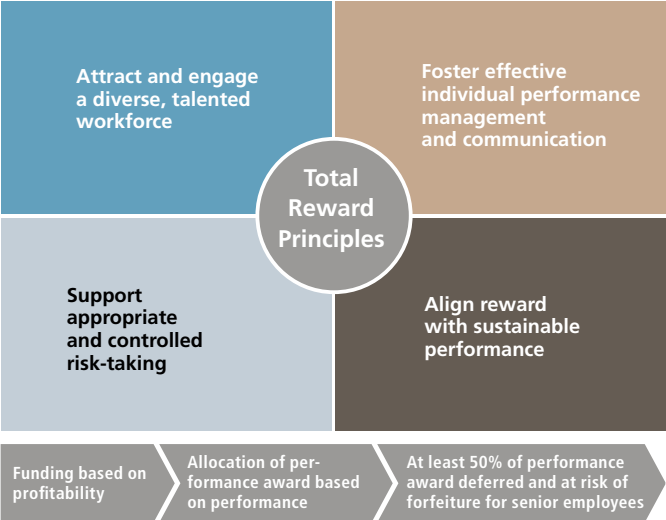
Our compensation framework is based on our Total Reward Principles, particularly in terms of integrating risk control and managing performance, as well as in specifying how we structure our compensation and performance award pool funding. Our Total Reward Principles reflect our focus on pay for performance, sustainable profitability, sound governance and risk awareness, and support the firm's strategy by promoting and rewarding behaviors that enhance the firm's position and reputation.

Base salary

Employees' base salaries reflect their skills, role, and experience, as well as local market practices. They are fixed and usually paid monthly or semi-monthly. Since 2011, salary increases have been limited. We offer our employees competitive base salaries, although salary levels will vary greatly between functions and locations. With effect from March 2015, total base salaries were increased by CHF 128 million, or 2.0%. Such increases will continue to be focused on those employees who were promoted, those with scarce or in-demand skillsets, or those who delivered a very strong performance or took on increased responsibilities.

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 globally, but may vary in certain locations due to local laws and regulations.



As a firm, we focus on total compensation. For example, 2014 performance award pools take account of salary increases granted earlier in the year. We will continue to review salaries and performance awards in light of market developments, performance, affordability and our commitment to deliver sustainable returns to our shareholders.

In addition to a base salary, some regulated employees may receive a role-based allowance as described in the UK Code Staff section of this report. The introduction of this allowance represents a shift in the compensation mix between fixed and variable compensation and is not an increase in total compensation.

Pensions, benefits, and employee share purchase program

We offer certain benefits such as health insurance and retirement benefits. While these benefits may vary depending on the employee's location, they are competitive within each of the markets in which we operate.

While pension contributions and pension plans vary across locations and countries in accordance with local requirements and market practice, pension plan rules in any location are generally the same for all employees in that location, including management.

The Equity Plus Plan is our employee share purchase program. It allows employees below the rank of Managing Director to contribute up to 30% of their base salary and/or up to 35% of their performance award (up to CHF/USD 20,000 annually) toward the purchase of UBS shares. Eligible employees may purchase UBS shares at market price and they receive one matching share for every three shares purchased through the program. Shares purchased under the Equity Plus Plan are generally blocked from sale for a maximum of three years from the time of purchase. The matching shares vest after three years, subject to continued employment with the firm.

→ Refer to "Note 28 Pension and other post-employment benefit plans" in the "Financial information" section of the Annual Report 2014 for more information on the various major post-employment benefit plans established in Switzerland and other countries

Performance award

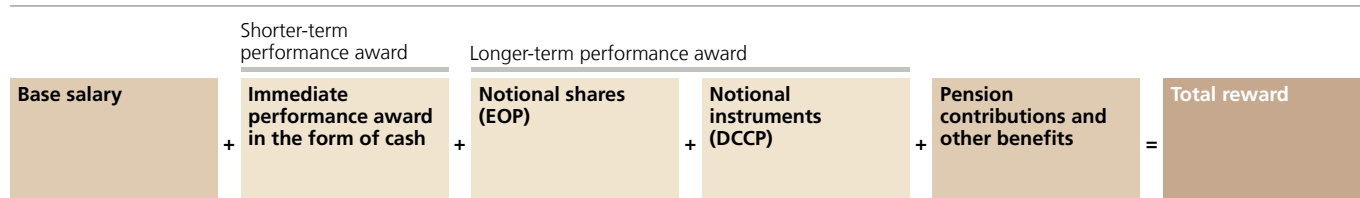
Most of our employees are considered for an annual discretionary performance award. The level of the award depends on the firm's overall performance, the employee's business division, and the individual's performance and reflects their overall contributions. The award is at the complete discretion of the firm. To link pay with performance, the key performance indicators used to measure our progress in executing our strategy are taken into account when determining the size of each divisional performance award pool. They are also used as a basis for setting specific performance conditions for vesting of certain deferred compensation plan grants.

Beyond the firm's principles around client focus, excellence and sustainable performance, on an individual level, behaviors such as integrity, collaboration and challenge are part of the performance management approach. As a result, we not only take the "what" into account when assessing performance, but also "how" such objectives were achieved, which are important to our long-term success.

Benchmarking

Because of 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.

Basic reward elements



Deferral of performance awards

If an employee's total compensation exceeds CHF/USD 300,000 a significant part of their performance award will be deferred for up to five years. Our goal is to focus our employees on the longer-term profitability of the firm.

In practice, this means that employees with the highest levels of compensation have a higher effective deferral rate. The deferral increases at higher marginal rates in line with the value of the performance award, with the lowest deferral rate set at 40% of the performance award and the highest rate at 75%. In addition, the portion paid out in immediate cash is capped at CHF/USD 1 million. Anything in excess of this cap is deferred as notional shares under the Equity Ownership Plan (EOP). The effective deferral rate therefore depends on the value of the performance award and the value of the total compensation.

Of the deferred annual performance award, 60% is deferred in UBS notional shares under the EOP and the remaining 40% is deferred in notional instruments under the Deferred Contingent Capital Plan (DCCP). Global Asset Management employees receive 75% of their deferred performance awards in notional funds under the EOP and the remaining 25% under the DCCP. The average deferral period of the deferred awards for employees below GEB level for 2014 was 3.5 years.

→ Refer to the "Our 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 29 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2014 for more information on specific local plans with deferral provisions that differ from those described here

Other variable compensation components

To support hiring and retention, particularly at senior levels, we may offer certain other compensation program components. These include:

- Replacement payments to compensate employees for deferred awards forfeited as a result of joining UBS. Such payments are 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.
- Retention payments made to key employees to induce them to stay, particularly during critical periods for the firm.
- On a very limited basis, guarantees may be required to attract individuals with certain skills and experience. These awards, which are fixed incentives to which our standard deferral applies, are paid regardless of future events, but are limited to the first performance year.
- Awards that may be granted to employees hired late in the year to replace performance awards that they would have earned at their previous employer, but have forfeited by joining UBS. These awards are structured with the same level of deferral as employees at similar level at UBS. In addition, in very exceptional cases, candidates may be offered sign-on payments to increase the chances of them accepting an offer.
- Severance payments made to employees in redundancy cases when they have been asked to leave as part of a reduction in workforce. These are governed by location-specific severance policies. 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,

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

	Total 2014	Of which expenses recognized in 2014 ³	Of which expenses to be recognized in 2015 and later	Total 2013 ⁴	Number of beneficiaries	
					2014	2013 ⁴
<i>CHF million, except where indicated</i>						
Total sign-on payments	20	13	7	18	162	165
of which: GEB members	0	0	0	0	0	0
of which: Key Risk Takers ¹	4	2	2	9	5	7
Total replacement payments	81	8	72	67	275	209
of which: GEB members	0	0	0	0	0	0
of which: Key Risk Takers ¹	27	1	25	30	17	15
Total guarantees	47	15	31	34	54	52
of which: GEB members	0	0	0	0	0	0
of which: Key Risk Takers ¹	18	4	14	15	6	7
Total severance payments²	176	171	5	138	1,667	2,291
of which: GEB members	0	0	0	0	0	0
of which: Key Risk Takers ¹	3	1	2	2	2	2

¹ Expenses for Key Risk Takers are full-year amounts for individuals in office on 31 December 2014. Key Risk Takers include employees with a total compensation exceeding CHF/USD 2.5 million (Highly-Paid Employees).
² Severance payments include legally obligated and standard severance, as well as supplemental severance payments of CHF 14 million. ³ Expenses before post-vesting transfer restrictions. ⁴ 2013 figures as reported in our Annual Report 2013.

we may make severance payments that exceed legally obligated or standard severance payments (“supplemental severance”) where we believe that they are aligned with market practice and appropriate under the circumstances.

Compensation for financial advisors in Wealth Management Americas

In line with market practice for US brokerage businesses, the compensation system for financial advisors in Wealth Management Americas is based on production payout and awards. Production payout, paid monthly, is primarily based on revenue generated. Advisors may also qualify for year-end awards, most of which are deferred for between six and 10 years. The awards are based on strategic performance measures which may include production, length of service, NNM brought in, and/or production related to advisory fees and financial planning. Production payout rates and awards may be reduced if financial advisors make repeated or significant transaction errors and/or demonstrate negligence or carelessness or otherwise fail to comply with the firm’s rules, standards, practices and policies and/or applicable law.

Key Risk Takers

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 and

control functions. Identifying Key Risk Takers is part of the Risk Control framework and an important element in ensuring we incentivize only appropriate risk-taking. We currently have 625 individuals classified as Key Risk Takers, including all 10 GEB members. This population also includes employees with a total compensation exceeding CHF/USD 2.5 million (Highly-Paid Employees) if they have not already been identified as Key Risk Takers during the performance year. This threshold has been converted to one of total compensation from the previous CHF/USD 2 million performance award threshold. Compensation of GEB members is disclosed separately in this report.

Key Risk Takers identified at any point in time in the performance year are subject to a performance evaluation by the control functions. The vesting of their deferred awards is contingent on meeting Group and/or divisional performance conditions. Like all other employees, Key Risk Takers also are subject to forfeiture or reduction of the deferred portion of their compensation if they commit harmful acts.

The same compensation measures apply to all Group Managing Directors (GMDs), regardless of whether they are classified as Key Risk Takers or not. GMDs receive part of their annual performance award under the EOP and the DCCP, with the vesting of their EOP awards contingent on the same performance conditions to which Key Risk Takers are subject.

All Key Risk Takers are subject to the mandatory deferral of at least 50% of their performance award regardless of whether or not the UBS deferral threshold has been met. This is in order to comply with regulatory requirements.

Fixed and variable compensation for Key Risk Takers¹

CHF million, except where indicated	Total for the year ended 2014		Not deferred		Deferred ²		Total for the year ended 2013 ³
	Amount	%	Amount	%	Amount	%	Amount
Total compensation							
Amount	1,178	100	540	46	637	54	1,041
Number of beneficiaries	615						543
Fixed compensation⁴	351	30	323	92	28	8	235
Cash-based	323	27	323	100	0		235
Equity-based	28	2	0		28	100	0
Variable compensation	827	70	217	26	610	74	806
Immediate cash	217	18	217	100	0		214
Equity Ownership Plan (EOP)	383	33	0		383	100	378
Deferred Contingent Capital Plan (DCCP)	227	19	0		227	100	214

¹ Includes employees with a total compensation exceeding CHF / USD 2.5 million (Highly-Paid Employees), excluding GEB members. ² This is based on the specific plan vesting and reflects the total value at grant which may differ from the accounting expenses. ³ 2013 figures as reported in our Annual Report 2013. ⁴ Includes base salary and role-based allowances.

UK Code Staff

In accordance with guidance issued by the UK Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), we have identified a group of 416 employees, consisting of senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as these groups and whose professional activities have a material impact on the firm's risk profile, as so-called UK Code Staff. Compensation measures that apply to UK Code Staff are generally similar to those applied to Key Risk Takers. However, due to specific UK PRA/FCA requirements, 50% of UK Code Staff performance awards that are paid out immediately are delivered in UBS shares, which are blocked for six months. In addition, any notional shares granted to UK Code Staff under the EOP for their performance in 2014 will be subject to an additional six-month blocking period upon vesting. Performance awards granted to UK Code Staff from 2015 onwards are also subject to clawback provisions for a period of up to seven years after award. The clawback provisions stipulate that UBS can require the repayment of any discretionary performance award (both the immediate and deferred element) if the employee contributes substantially to the Group incurring significant financial losses or to a significant downward restatement of the Group's or a business division's results, or engages in misconduct and/or fails to take expected actions which contributed to significant reputational harm to the Group.

In line with market practice, UK Code Staff may receive a role-based allowance in addition to their base salary. This allowance

reflects the market value of a specific role and, unlike salary, is only paid as long as the employee is within such a role. Importantly, the introduction of this allowance represents a shift in the compensation mix between fixed and variable compensation and not an increase in total compensation. With respect to 2014, the allowance consisted of an immediate cash portion which was paid in December 2014 along with, if applicable, a deferred UBS notional share award. The deferred portion vests in equal portions in years 2 and 3 respectively. Where required, other EU regulated employees have similar structures to comply with local requirements.

Control functions and Group Internal Audit

To monitor risk effectively, our control functions, Risk Control (including Compliance), Finance and Legal, 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 senior managers of the control functions are made by the function heads and approved by the Group CEO. Decisions regarding individual compensation within Group Internal Audit (GIA) are made by the Head of GIA and approved by the Chairman. Total compensation for the Head of GIA is approved by the HRCC.

Our deferred variable compensation plans for 2014

To ensure our employees' and stakeholders' interests are aligned and that compensation is appropriately linked to longer-term sustainable performance, all variable compensation plans require a significant part of performance awards above a total compensation threshold to be deferred in UBS notional shares and UBS notional instruments for up to five years. All these plans include forfeiture provisions and performance conditions.

Equity Ownership Plan

The Equity Ownership Plan (EOP) is a mandatory deferral plan for all employees with total compensation greater than CHF/USD 300,000. These employees receive at least 60% of their deferred performance award under the EOP in notional shares and are eligible to receive reinvested dividend equivalents. For 2014, over 5,000 employees received EOP awards. EOP awards are granted annually.

The plan includes provisions that enable the firm to trigger forfeiture of some, or all, of the unvested deferred portion if an employee commits certain harmful acts or in most cases of terminated employment.

EOP awards granted to Global Asset Management employees have a different vesting schedule and deferral mix, as shown in the table below, and are granted as cash-settled notional funds.

The vesting of an EOP award granted to GEB members, GMDs and Key Risk Takers (including Highly-Paid Employees) depends on both Group and divisional performance. Group performance is measured by the average adjusted Group return on tangible equity (RoTE). Divisional performance is measured by the average adjusted divisional return on attributed equity (RoAE). For Corporate Center employees, it is measured by the average of the RoAE for all business divisions excluding the Corporate Center (Continuing Businesses RoAE). By linking the vesting of EOP awards with a return on equity over a two to five-year time horizon, we focus our employees on developing and managing the business in a way that delivers sustainable returns. We believe that Group RoTE provides a more consistent basis to measure performance than the Group's return on shareholders' equity (RoE), which includes goodwill and intangibles.

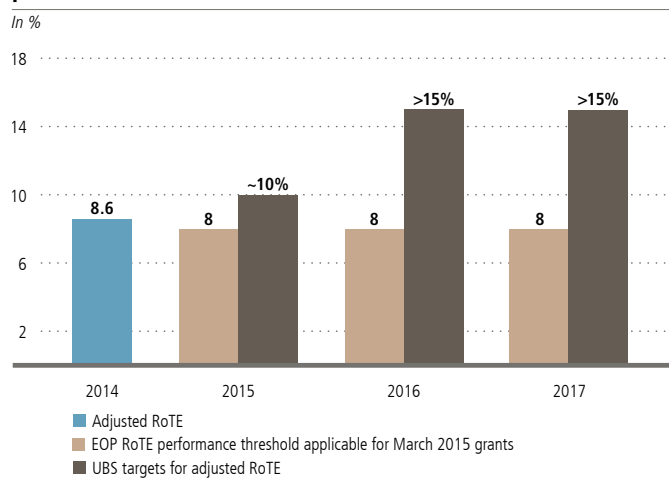
At Group level, the performance condition threshold of RoTE is set at 8%. This compares to a target RoTE of around 10% for 2015.

Overview of our deferred compensation plans

		Equity Ownership Plan	Deferred Contingent Capital Plan
Beneficiaries		GEB members, Key Risk Takers and all employees with total compensation greater than CHF/USD 300,000	GEB members, Key Risk Takers and all employees with total compensation greater than CHF/USD 300,000
Deferral mix		GEB members: at least 62.5% Global Asset Management employees: at least 75% All other employees: at least 60%	GEB members: up to 37.5% Global Asset Management employees: up to 25% All other employees: up to 40%
Vesting schedule		GEB members: vests in three installments in years 3, 4 and 5 Global Asset Management employees: vests in three installments in years 2, 3 and 5 All other employees: vests in equal installments in year 2 and 3	Vests in full in year 5
Conditions influencing payout	Share price	●	
	Forfeiture clauses	●	●
	Harmful acts	●	●
	Performance conditions	GEB members, GMDs and Key Risk Takers (including Highly-Paid Employees): Number of UBS shares delivered at vesting depends on the achievement of both Group and respective divisional performance conditions ¹	Depends on whether a trigger event or viability event has occurred and, for GEB members, also on profitability
Profitability as funding driver		●	●
Instrument		UBS notional shares ² (eligible for dividend equivalents)	Notional instruments and interest

¹ Includes Global Asset Management employees who are GMDs, Key Risk Takers (including Highly-Paid Employees). ² Notional funds for Global Asset Management employees.

Return on tangible equity – comparison with EOP performance thresholds



If the average adjusted Group RoTE achieved is equal to or above the 8% threshold, the EOP award will vest in full, subject to the relevant business divisional threshold also being met. If the Group RoTE is 0% or negative, the installment will be fully forfeited for the entire firm regardless of any division's particular performance. If the average adjusted Group RoTE falls between 0% and 8%, the award will vest on a linear basis between 0% and 100%, again subject to the relevant business divisional threshold being met.

The purpose of the business divisional threshold is to reduce the amount of the EOP award that vests for any business division that does not meet its performance target. Therefore, if the business 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 business division, the award will be partially forfeited. The extent of the forfeiture depends on how much the actual RoAE falls below the threshold for that business division, and can be up to 40%. If the actual RoAE for a business division is 0% or negative, the installment will be fully forfeited for that business division. The HRCC assesses the achievement of the performance conditions. The example on the following page shows how we determine the percentage vesting.

Performance condition for EOP awards granted in February 2015

	Installment vesting after	Applicable performance period
GEB	3 years	2015, 2016 and 2017
	4 years	2016, 2017 and 2018
	5 years	2017, 2018 and 2019
GMDs, Key Risk Takers (including Highly-Paid Employees)	2 years	2015 and 2016
	3 years	2015, 2016 and 2017

Group RoTE threshold

Group RoTE threshold	≥ 8%
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Business divisional RoAE thresholds (or, for Corporate Center employees, Continuing Businesses RoAE threshold)

Wealth Management	≥ 50%
Wealth Management Americas	≥ 25%
Retail & Corporate	≥ 20%
Global Asset Management	≥ 25%
Investment Bank	≥ 15%
Corporate Center	≥ 20%

Deferred Contingent Capital Plan (DCCP)

The DCCP is a mandatory deferral plan for all employees with total compensation greater than CHF/USD 300,000. Such employees receive 40% of their deferred performance award under the DCCP, with the exception of Global Asset Management employees, who receive 25% of their deferred performance awards under the plan. For 2014, over 5,000 employees received DCCP awards. DCCP awards are granted annually.

Employees are awarded notional additional tier 1 (AT1) instruments, which can be settled either in the form of a cash payment or a perpetual, marketable AT1 instrument, at the discretion of the firm.

Awards vest in full after five years subject to there being no trigger event. Awards granted under the DCCP forfeit if our phase-in tier 1 capital ratio falls below 10% for GEB members and 7% for all other employees. 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 an 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 an event. For GEB members, an addi-

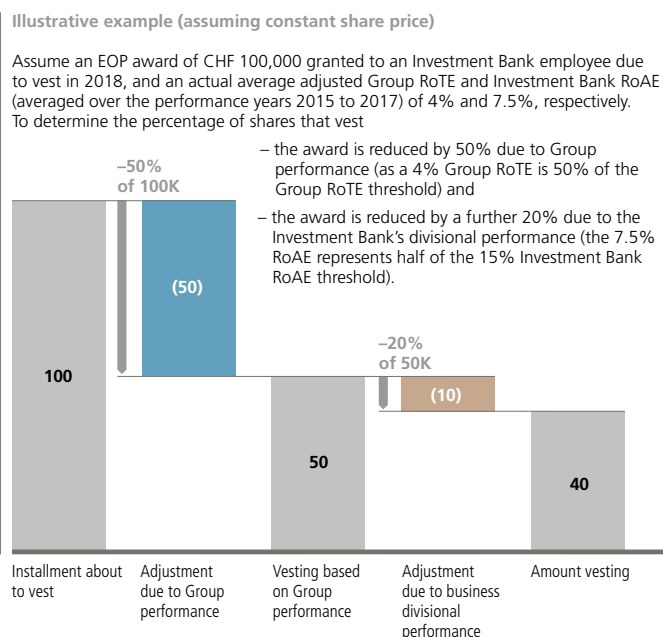
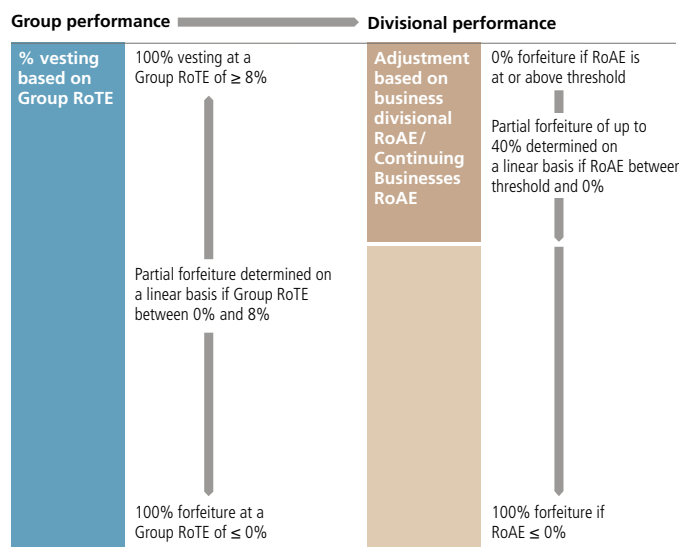
tional performance condition applies. If UBS does not achieve an adjusted profit before tax for any year during the vesting period, GEB members forfeit 20% of their award for each loss-making year.

The plan includes provisions that enable the firm to trigger forfeiture of some, or all, of the unvested deferred portion if an employee commits certain harmful acts or in most cases of terminated employment.

Under the DCCP, employees may receive discretionary annual interest payments. The notional interest rate for grants in 2015 is 7.125% for awards denominated in US dollars and 4% for awards denominated in Swiss francs. These interest rates are based on the current market rates for such AT1 instruments. Such interest will be paid out annually subject to review and confirmation by UBS.

- Refer to “Performance awards granted for the 2014 performance year,” “Performance award expenses in the 2014 performance year” and “Total personnel expenses for 2014” in the “Supplemental information” section of this report for more information
- Refer to “Vesting of outstanding awards granted in prior years impacted by performance conditions” and “Discontinued plans” section of this report for more information on past awards

EOP performance conditions for GEB members, GMDs and Key Risk Takers (including Highly-Paid Employees)



Supplemental information

Performance awards granted for the 2014 performance year

The Total variable compensation table shows the amount of variable compensation awarded to employees for the performance year 2014, 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 depends on performance conditions and consideration of relevant forfeiture provisions. The deferred share award amount is based on the market value of these awards on the date of grant.

The Deferred compensation table shows the current economic value of unvested outstanding deferred variable compensation awards subject to ex-post adjustments. For share-based plans, the economic value is determined based on the closing share

price on 30 December 2014. For notional funds, it is determined using the latest available market price for the underlying funds at year-end 2014, and for deferred cash plans, it is determined based on the outstanding amount of cash owed to award recipients. All awards made under our deferred variable 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 take into account ex-post implicit adjustments that occurred as a result of share price movements between the respective dates on which these awards were granted and 30 December 2014.

→ Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2014 for more information

Total variable compensation¹

CHF million, except where indicated	Expenses		Expenses deferred to future periods		Adjustments ²		Total		Number of beneficiaries	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Cash performance awards	1,822	1,942	0	0	(4)	(24)	1,818	1,918	46,298	46,593
Deferred Contingent Capital Plan	155	152	312	348	0	0	467	500	5,248	5,286
Deferred cash plans ³	0	2	0	7	0	0	0	9	0	23
UBS share plans	215	190	459	520	44	41	718	751	4,897	4,931
Equity Ownership Plan – notional funds	24	19	36	37	0	0	60	56	397	370
Total performance award pool	2,216	2,305	807	912	40	17	3,063	3,234	46,305	46,620

CHF million, except where indicated	Expenses		Expenses deferred to future periods		Adjustments		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Total variable compensation – other⁴	260	152	307	340	(121)⁵	(101)⁵	446	391

CHF million, except where indicated	Expenses		Expenses deferred to future periods		Adjustments ²		Total		Number of beneficiaries	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Total WMA financial advisor compensation⁶	2,539	2,334	754	592	14	0	3,307	2,926	6,997	7,137

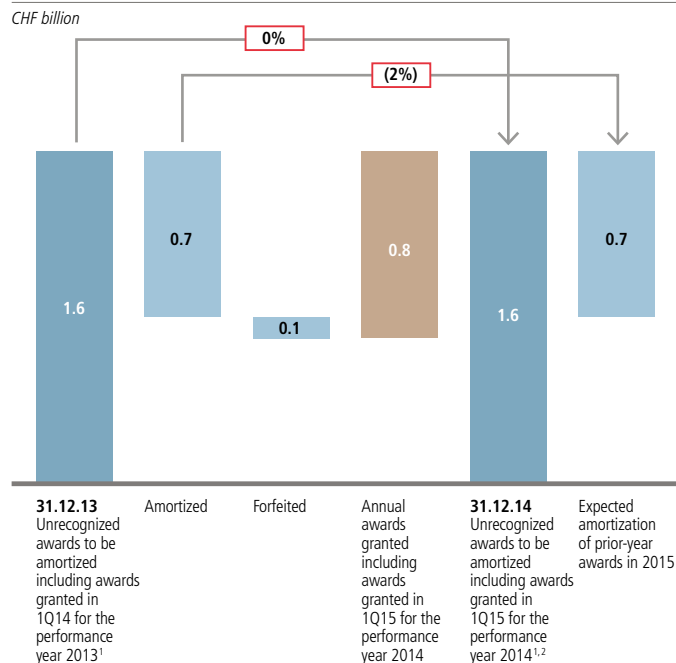
¹ The total "performance award" paid to employees for the performance years 2014 (CHF 3,063 million) and 2013 (CHF 3,234 million). Expenses under "Total variable compensation – other" and "Total WMA financial advisor compensation" are not part of UBS's performance award pool. ² Adjustments relating to post-vesting transfer restrictions and other adjustments. ³ Deferred cash plans include a specific regional deferred cash plan which is not part of the Group's compensation delivery framework. ⁴ Replacement payments and retention plan payments including the 2012 Special Plan Award Program. ⁵ Included in expenses deferred to future periods is an amount of CHF 121 million (prior year CHF 101 million) relating to future interest on the DCCP. 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. 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 and other variables. It also includes charges related to compensation commitments with financial advisors entered into at the time of recruitment, which are subject to vesting requirements.

Performance award expenses in the 2014 performance year

The performance award expenses include all immediate expenses related to 2014 compensation awards and expenses deferred to 2014 related to awards made in prior years. The chart "Amortization of deferred compensation" shows the amount at the end of 2014 of unrecognized awards to be amortized in subsequent years. This was CHF 1.6 billion for both 2014 and 2013.

The table below shows the value of actual ex-post explicit and implicit adjustments to outstanding deferred compensation in the financial year 2014. Ex-post adjustments occur after an award has been granted. Ex-post explicit adjustments occur when we adjust compensation by forfeiting deferred awards. Ex-post implicit adjustments are unrelated to any 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 2014, based on the approximately 7 million shares forfeited during 2014, is a reduction of CHF 121 million. This includes partial forfeiture of the vesting installment of Performance Equity Plan 2011 of 60% due to performance conditions by end of 2013 not having been fully achieved. The total value of ex-post explicit adjustments made to UBS options and share-settled stock appreciation rights (SARs) in 2014, based on the approximately 0.1 million options/SARs forfeited during 2014, is a reduction in value of CHF 1 million. The size of implicit adjustments is mainly due to an increase in the share price. However, the share price as of year-end means that many of the options previously granted remain out of the money. Hence, the majority of outstanding option awards had no intrinsic value at the end of 2014.

Amortization of deferred compensation



¹ Related to performance awards and including special plan awards.

² Estimate. The actual amount to be expensed in future periods may vary, for example due to forfeitures.

Deferred compensation^{1,2}

CHF million, except where indicated	Relating to awards for 2014	Relating to awards for prior years ³	Total	of which exposed to ex-post adjustments	Total deferred compensation at year-end 2013
Deferred Contingent Capital Plan	467	957	1,424	100%	965
Equity Ownership Plan	718	2,758	3,476	100%	3,795
Equity Ownership Plan – notional funds	60	438	498	100%	503
Discontinued deferred compensation plans⁴	0	260	260	100%	336
Total	1,245	4,413	5,658		5,599

¹ This is based on specific plan vesting and reflects the economic value of the outstanding awards, which may differ from the accounting expenses. ² Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2014 for more information. ³ This takes into account the ex-post implicit adjustments, given the share price movements since grant. ⁴ Cash Balance Plan (CBP), Senior Executive Equity Ownership Plan (SEEO), Performance Equity Plan (PEP), Incentive Performance Plan (IPP), Deferred Cash Plan (DCP).

Ex-post explicit and implicit adjustments to deferred compensation in 2014¹

CHF million	Ex-post explicit adjustments ⁴		Ex-post implicit adjustments to unvested awards ⁵	
	2014	2013	2014	2013
	31.12.14	31.12.13	31.12.14	31.12.13
UBS notional instruments (DCCP)	(42)	(27)		
UBS shares (EOP, IPP, PEP, SEEO) ²	(121)	(234)	218	368
UBS options (KESOP) and SARs (KESAP) ²	(1)	(1)		
UBS notional funds (EOP) ³	(3)	(20)	16	51

¹ Compensation (performance awards and other variable compensation) relating to awards for previous performance years. ² IPP, PEP, SEEO, Key Employee Appreciation Rights Plan (KESAP) and Key Employee Stock Option Plan (KESOP) 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 30 December 2014 (CHF 17.09) and on 30 December 2013 (CHF 16.92) 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 2014 and 2013. For DCCP the fair value at grant of the forfeited awards during the year is reflected. 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. The amount for notional funds is calculated using the mark-to-market change during 2014 and 2013.

Total personnel expenses for 2014

The table Personnel expenses shows our total personnel expenses for 2014. As of 31 December 2014, there were 60,155 employees. It includes salaries, pension contributions and other personnel costs, social security contributions and variable compensation. Variable compensation includes discretionary cash performance awards paid in 2015 for the 2014 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 in the context of the compensation framework at the date of grant.

The performance award pool reflects the value of discretionary performance awards granted relating to the 2014 performance year, including awards that are paid out immediately and those that are deferred. To determine our variable compensation expenses, the

following adjustments are required in order to reconcile the performance award pool to the accounting expenses recognized in the Group's financial statements prepared in accordance with IFRS:

- reduction for the unrecognized future amortization (including accounting adjustments) of unvested deferred awards granted in 2015 for the performance year 2014
- addition for the 2014 amortization of unvested deferred awards granted in prior years

As a large part of compensation consists of deferred awards, the amortization of unvested deferred awards granted in prior years forms a significant part of the IFRS accounting expenses in both 2013 and 2014.

→ Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2014 for more information

Personnel expenses

CHF million	Expenses				
	Relating to awards for 2014	Relating to awards for prior years	Total 2014	2013	2012
Salaries¹	6,269	0	6,269	6,268	6,814
Cash performance awards	1,822	(108)	1,714	1,912	1,373
Deferred Contingent Capital Plan	155	194	349	248	145
Deferred cash plans	0	12	12	55	154
UBS share plans	215	465	680	692	1,202
UBS share option plans	0	0	0	0	14
Equity Ownership Plan – notional funds	24	41	65	79	112
Total variable compensation – performance awards²	2,216	604	2,820	2,986	3,000
<i>of which: guarantees for new hire</i>	21	27	48	76	134
Variable compensation – other²	260	206	466	288	367
<i>of which: replacement payments³</i>	11	70	81	78	109
<i>of which: forfeiture credits</i>	0	(70)	(70)	(146)	(174)
<i>of which: severance payments⁴</i>	162	0	162	114	303
<i>of which: retention plan and other payments</i>	86	206	292	242	128
Contractors	234	0	234	190	214
Social security	729	62	791	792	768
Pension and other post-employment benefit plans⁵	711	0	711	887	18
Wealth Management Americas: financial advisor compensation^{2,6}	2,539	846	3,385	3,140	2,873
Other personnel expenses	586	19	605	631	682
Total personnel expenses⁷	13,543	1,737	15,280	15,182	14,737

¹ Includes role-based allowances. ² Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2014 for more information. 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. ⁵ 2014 included credits of CHF 41 million related to changes to retiree benefit plans in the US. 2012 included a credit of CHF 730 million related to changes to our Swiss pension plan and a credit of CHF 116 million related to changes to retiree benefit plans in the US. Refer to "Note 28 Pension and other post-employment benefit plans" of the "Financial information" section of the Annual Report 2014 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 charges related to compensation commitments with financial advisors entered into at the time of recruitment which are subject to vesting requirements. ⁷ Includes net restructuring charges of CHF 327 million, CHF 156 million and CHF 358 million for the years ended 31 December 2014, 31 December 2013 and 31 December 2012, respectively. Refer to "Note 32 Changes in organization" in the "Financial information" section of the Annual Report 2014 for more information.

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

The table below shows the extent to which the performance conditions of awards granted in prior years have been met and the percentage of the award which vests in 2015.

Vesting of awards with performance conditions

Incentive Performance Plan 2010		
Performance conditions	Performance achieved	% of installment vesting
The number of performance shares which vest depends on the achievement of the share price target measured by reference to the UBS share price during the last three months in 2014, adjusted for any dividends and other distributions paid during the performance period	Based on the UBS share price during Q4 of 2014, the HRCC has determined that the payout multiple is 1	100%

Equity Ownership Plan 2011/12 and Senior Executive Equity Ownership Plan 2010/11 and 2011/12		
Performance conditions	Performance achieved	% of installment vesting
Adjusted operating profit before tax for the business division or, for Corporate Center, adjusted Group operating profit before tax	As the Group and the business divisions reported an adjusted operating profit for 2014, the profitability performance condition has been met and the fourth installment of the SEEOP 2010/2011 awards and the third installment of EOP and SEEOP 2011/2012 awards vested in full	100%

Performance Equity Plan 2012		
Performance conditions	Performance achieved	% of installment vesting
Cumulative economic profit and relative shareholder return for the period 2012–14. The percentage applied to determine the number of UBS shares to be delivered at vesting is calculated by multiplying the economic profit multiplier ("EP multiplier") with the total shareholder return multiplier ("TSR multiplier"), rounded to a full percentage	For the period from 2012 to the end of 2014, the HRCC has determined that the EP multiplier is 50% and the TSR multiplier is 88%, which results in a multiplier of 44%	44%

Special Plan Award Program 2011/12 (SPAP)		
Performance conditions	Performance achieved	% of installment vesting
Level of reduction in RWA achieved and the average published return on RWA in the Investment Bank in 2012, 2013 and 2014	As the actual level of reduction in RWA and the average published return on RWA in the Investment Bank exceeded the targets, the awards will vest in full	100%

Discontinued deferred compensation plans

The table lists discontinued compensation plans. UBS has not granted any options since 2009. The strike price for stock options awarded under prior compensation plans has not been reset.

→ Refer to “Note 29 Equity participation and other compensation plans” in the “Financial information” section of our Annual Report 2014 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 GMDs	Selected Managing Directors and GMDs 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 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 market value of a UBS share on the date of grant
Performance conditions	CBP 2011: dependent on the return on equity CBP 2010: dependent on UBS being profitable	The number of UBS shares delivered can be between zero and twice 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% to 50% of the award portion due to vest)	Dependent on the level of reduction in RWA 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 equal 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

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Audited | Share and option ownership / entitlements of GEB members on 31 December 2014 / 2013¹

Name, function	on 31 December	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	2014	670,935	97,589	768,524	0.039	0	0.000
	2013	453,460	69,900	523,360	0.025	0	0.000
Markus U. Diethelm, Group General Counsel	2014	528,973	0	528,973	0.027	0	0.000
	2013	542,417	108,007	650,424	0.032	0	0.000
Lukas Gähwiler, President Retail & Corporate and President Switzerland	2014	522,769	1,052	523,821	0.027	0	0.000
	2013	504,800	22,727	527,527	0.026	0	0.000
Ulrich Körner, President Global Asset Management and President EMEA	2014	713,051	292,519	1,005,570	0.051	0	0.000
	2013	688,923	208,887	897,810	0.044	0	0.000
Philip J. Lofts, Group Chief Risk Officer	2014	611,479	204,346	815,825	0.042	394,172	0.020
	2013	601,553	157,447	759,000	0.037	500,741	0.024
Robert J. McCann, President Wealth Management Americas and President Americas	2014	983,028	62,901	1,045,929	0.053	0	0.000
	2013	892,872	65,971	958,843	0.046	0	0.000
Tom Naratil, Group Chief Financial Officer and Group Chief Operating Officer	2014	523,751	288,151	811,902	0.041	721,125	0.037
	2013	422,516	263,027	685,543	0.033	867,087	0.042
Andrea Orcel, President Investment Bank	2014	915,399	408,296	1,323,695	0.068	0	0.000
	2013	1,209,775	0	1,209,775	0.059	0	0.000
Chi-Won Yoon, President Asia Pacific	2014	492,093	507,602	999,695	0.051	515,180	0.026
	2013	502,762	441,143	943,905	0.046	538,035	0.026
Jürg Zeltner, President Wealth Management	2014	675,211	0	675,211	0.034	108,121	0.006
	2013	624,415	13,920	638,335	0.031	203,093	0.010
Total	2014	6,636,689	1,862,456	8,499,145	0.434	1,738,598	0.089
	2013	6,443,493	1,351,029	7,794,522	0.378	2,108,956	0.102

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 29 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2014 for more information. ⁴ No conversion rights are outstanding. ▲

Audited | Total of all vested and unvested shares of GEB members^{1,2}

	Total	of which vested	of which vesting				
			2015	2016	2017	2018	2019
Shares on 31 December 2014	8,499,145	1,862,456	2,112,409	1,148,988	1,538,703	1,263,098	573,491
Shares on 31 December 2013³	8,708,791	1,619,974	1,652,867	2,373,539	1,263,412	1,052,595	746,404

¹ Includes 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 Includes all vested and unvested shares of John A. Fraser who stepped down from the GEB on 31 December 2013. ▲

Audited | Number of shares of BoD members on 31 December 2014 / 2013¹

Name, function	on 31 December	Number of shares held	Voting rights in %
Axel A. Weber, Chairman	2014	333,333	0.017
	2013	233,333	0.011
Michel Demaré, Vice Chairman	2014	181,246	0.009
	2013	150,412	0.007
David Sidwell, Senior Independent Director	2014	185,181	0.009
	2013	151,184	0.007
Reto Francioni, member ²	2014	11,859	0.001
	2013	0	0.000
Rainer-Marc Frey, former member	2014	–	–
	2013	209,044	0.010
Ann F. Godbehere, member	2014	139,653	0.007
	2013	113,562	0.006
Axel P. Lehmann, member	2014	217,373	0.011
	2013	185,970	0.009
Helmut Panke, member	2014	182,009	0.009
	2013	162,244	0.008
William G. Parrett, member	2014	100,019	0.005
	2013	99,914	0.005
Isabelle Romy, member	2014	44,217	0.002
	2013	24,452	0.001
Beatrice Weder di Mauro, member	2014	45,424	0.002
	2013	22,496	0.001
Joseph Yam, member	2014	66,863	0.003
	2013	48,679	0.002
Total	2014	1,507,177	0.077
	2013	1,401,290	0.068

¹ This table includes blocked and unblocked shares held by BoD members, including related parties. No options were granted in 2014 and 2013. ² Reto Francioni was elected at the AGM on 2 May 2013. ▲

Audited | Total of all blocked and unblocked shares of BoD members¹

	Total	of which unblocked	of which blocked until			
			2015	2016	2017	2018
Shares on 31 December 2014	1,507,177	228,189	172,868	261,377	408,570	436,173
			2014	2015	2016	2017
Shares on 31 December 2013	1,401,290	201,098	204,792	216,451	324,012	454,937

¹ Includes related parties. ▲

Audited | Vested and unvested options of GEB members on 31 December 2014/2013¹

on 31 December	Total number of options ²	Number of options ³	Year of grant	Vesting date	Expiry date	Strike price
----------------	--------------------------------------	--------------------------------	---------------	--------------	-------------	--------------

Sergio P. Ermotti, Group Chief Executive Officer

2014	0					
2013	0					

Markus U. Diethelm, Group General Counsel

2014	0					
2013	0					

Lukas Gähwiler, President Retail & Corporate and President Switzerland

2014	0					
2013	0					

Ulrich Körner, President Global Asset Management and President EMEA

2014	0					
2013	0					

Philip J. Lofts, Group Chief Risk Officer

2014	394,172	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
2013	500,741	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, President Wealth Management Americas and President Americas

2014	0					
2013	0					

Tom Naratil, Group Chief Financial Officer and Group Chief Operating Officer

2014	721,125	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
2013	867,087	100,000	2009	01.03.2012	27.02.2019	CHF 11.35
		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, President Investment Bank

2014	0					
2013	0					

on 31 December	Total number of options ²	Number of options ³	Year of grant	Vesting date	Expiry date	Strike price
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Chi-Won Yoon, President Asia Pacific

2014	515,180	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		
		2013	538,035	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, President Wealth Management

2014	108,121	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
		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

¹ This table includes all options of GEB members, including related parties. ² No conversion rights are outstanding. ³ Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2014 for more information.

Vested and unvested options of GEB members on 31 December 2014/2013¹ (continued)

on 31 De- cember	Total number of options ²	Number of options ³	Year of grant	Vesting date	Expiry date	Strike price
Jürg Zeltner, President Wealth Management (continued)						
2013	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
		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 29 Equity participation and other compensation plans" in the "Financial information" section of the Annual Report 2014 for more information. ▲

Audited | Loans granted to GEB members on 31 December 2014/2013^{1,2}*CHF, except where indicated³*

Name, function	on 31 December	Loans ⁴
Ulrich Körner, President Global Asset Management and President EMEA (highest loan in 2014)	2014	7,600,000
Ulrich Körner, President Global Asset Management and President EMEA (highest loan in 2013)	2013	5,181,976
Aggregate of all GEB members	2014	26,281,207
	2013	18,763,976

¹ Loans are granted by UBS AG. ² No loans have been granted to related parties of the GEB members at conditions not customary in the market. ³ Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of the Annual Report 2014. ⁴ All loans granted are secured loans. ▲

Audited | Loans granted to BoD members on 31 December 2014/2013^{1,2}*CHF, except where indicated³*

	on 31 December	Loans ^{4,5}
Aggregate of all BoD members	2014	1,100,000
	2013	1,520,000

¹ Loans are granted by UBS AG. ² No loans have been granted to related parties of the BoD members at conditions not customary in the market. ³ Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of the Annual Report 2014. ⁴ All loans granted are secured loans. ⁵ CHF 1,100,000 for Reto Francioni in 2014 and CHF 1,520,000 for Reto Francioni in 2013. ▲

Audited | Compensation paid to former BoD and GEB members¹*CHF, except where indicated²*

	For the year	Compensation	Benefits	Total
Former BoD members	2014	0	0	0
	2013	0	0	0
Aggregate of all former GEB members ³	2014	0	37,714	37,714
	2013	0	27,809	27,809
Aggregate of all former BoD and GEB members	2014	0	37,714	37,714
	2013	0	27,809	27,809

¹ Compensation or remuneration that is connected with the former members' activity on the BoD or GEB or that is not at market conditions. ² Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of the Annual Report 2014. ³ Includes one former GEB member in 2014 and 2013. ▲



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To the General Meeting of
UBS Group AG, Zurich

Basel, 5 March 2015

Report of the statutory auditor on the compensation report

We have audited the accompanying compensation report dated 5 March 2015 of UBS Group AG for the year ended 31 December 2014. The audit was limited to the information required by articles 14 - 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled "Audited" on pages 19 - 22 and page 45 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 - 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 - 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended 31 December 2014 of UBS Group AG complies with Swiss law and articles 14 - 16 of the Ordinance.

Ernst & Young Ltd

Jonathan Bourne
 Licensed audit expert
 (Co-Lead Auditor)

Bruno Patusi
 Licensed audit expert
 (Co-Lead Auditor)

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 Group strategy and performance; the strategy and performance of the business divisions and the Corporate Center; a description of risk, treasury, capital management, corporate governance, responsibility and senior management compensation, including compensation for 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 for 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 on the internet at www.ubs.com/investors in the "Financial information" section. Printed copies can be ordered from the same website in the "Investor services" section, which can be accessed via the link 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 email. 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

UBS Group AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations as an Aktiengesellschaft, a stock corporation. Its registered office is at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, phone +41-44-234 11 11, and its corporate identification number is CHE-395.345.924. UBS Group AG was incorporated on 10 June 2014 and was established in 2014 as the holding company of the UBS Group. UBS Group AG shares are listed on the SIX Swiss Exchange and on the New York Stock Exchange (ISIN: CH0244767585; CUSIP: H42097107).

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Investor Relations

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Office of the Company Secretary

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

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

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Corporate calendar UBS Group AG

Publication of the first quarter 2015 report:	Tuesday, 5 May 2015
Annual General Meeting ¹ :	Thursday, 7 May 2015
Publication of the second quarter 2015 report:	Tuesday, 28 July 2015
Publication of the third quarter 2015 report:	Tuesday, 3 November 2015

¹ The Annual General Meeting of UBS AG shareholders will also take place on Thursday, 7 May 2015.

Imprint

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These factors include, but are not limited to: (i) the degree to which UBS is successful in executing its announced strategic plans, including its cost reduction and efficiency initiatives and its planned further reduction in its Basel III risk-weighted assets (RWA) and leverage ratio denominator (LRD); (ii) developments in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, currency exchange rates and interest rates and the effect of economic conditions and market developments on the financial position or creditworthiness of UBS’s clients and counterparties; (iii) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, or arising from requirements for bail-in debt or loss-absorbing capital; (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK and other financial centers that may impose more stringent capital (including leverage ratio), liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration or other measures; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve reductions to the incremental RWA resulting from the supplemental operational risk capital analysis mutually agreed to by UBS and FINMA, or will approve a limited reduction of capital requirements due to measures to reduce resolvability risk; (vi) the degree to which UBS is successful in executing the announced creation of a new Swiss banking subsidiary and a US intermediate holding company, the squeeze-out to complete the establishment of a holding company for the UBS Group, changes in the operating model of UBS Limited and other changes which UBS may make in its legal entity structure and operating model, including the possible consequences of such changes, and the potential need to make other changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, including capital requirements, resolvability requirements and proposals in Switzerland and other countries for mandatory structural reform of banks; (vii) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (viii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations; (ix) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (x) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors including differences in compensation practices; (xi) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xii) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xiii) whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; (xiv) the occurrence of operational failures, such as fraud, unauthorized trading and systems failures; and (xv) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2014. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages and percent changes are calculated based on rounded figures displayed in the tables and text and may not precisely reflect the percentages and percent changes that would be derived based on figures that are not rounded.

Tables | Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis.

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