

# Shaping the future

Annual Review 2014



抱住開放的態度,對不同文化尊重和了解,會為未來創造更多的機會。

An open mind, combined with respect for and understanding of different cultures, has the potential to create opportunities.

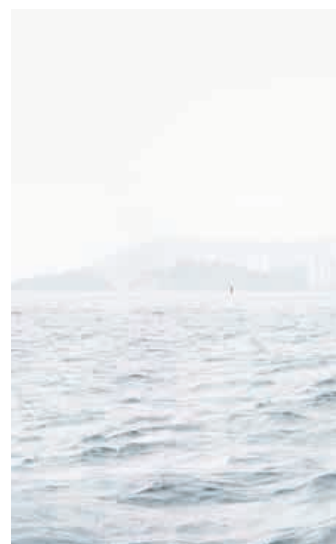
Annie Chu

Annie Chu, UBS Group Technology in Hong Kong, enjoys the view of Singapore's skyline with UBS colleagues.



“Dragon boat racing is all about teamwork.  
Synchronization is key, just like in banking.”

**Annie Chu**



This review is provided as a convenience to our investors, clients and other stakeholders who would like a brief overview of our business, strategy and 2014 performance. Please refer to UBS's Annual Report 2014 for additional information. Details about how to obtain the Annual Report and other publicly available information about UBS, including the Annual Report on Form 20-F for the year ended 31 December 2014, are set out on page 54 of this review. The information contained in this review is not to be construed as a solicitation of an offer to buy or sell any securities or other financial instruments in Switzerland, the United States or any other jurisdiction. No investment decision relating to securities of or relating to UBS Group AG or its affiliates should be made on the basis of this document.



An iPad version of the Annual Review 2014 is available at UBS Newsstand/Annual Review

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## Annie Chu

Annie left Hong Kong to go to boarding school in England at age 10. Back in Hong Kong, she graduated from the Hong Kong University of Science and Technology with a dual degree in chemical engineering and business management. She loves to cook, mixing the western food she experienced in the UK with the Chinese cooking learned from her mother. Annie is also a keen events racer in UBS's mixed dragon boat team and trains once a week to prepare for big events at Hong Kong's Stanley Beach.

# Editorial



**Axel A. Weber**  
Chairman of the  
Board of Directors

Dear reader,

2014 was a good year for the firm and its stakeholders. We continued to focus firmly on our clients and prudent risk management, which helped all our businesses perform well. Group net profit for the year increased, once again demonstrating the fundamental earnings power of our business and its ability to deliver in a challenging environment. At the same time, we completed our strategic transformation, achieving the key strategic targets we set out in 2011 and 2012.

We reduced risk-weighted assets, improved our leverage ratio and maintained the best fully applied Basel III common equity tier 1 capital ratio in our peer group of large global banks. This enabled us to deliver attractive returns to our shareholders, and we're proposing an ordinary dividend of CHF 0.50 for 2014, an increase of 100% on the prior year. Reflecting progress in the establishment of our Group holding company, subject to shareholder approval at the forthcoming Annual General Meeting, UBS Group AG intends to pay a one-time supplementary capital return of CHF 0.25 per share upon successful completion of the squeeze-out procedure. With our strategic transformation complete, we can concentrate all our efforts on executing our strategy to unlock our firm's full potential, continuing to manage legal and regulatory issues proactively, and enhancing our effectiveness and efficiency.

In our Annual Review 2014, we look back on some of our many achievements during the year and show how we're shaping the future of the firm for the benefit of our clients, shareholders and the wider community.

Digitalization is changing the face of our industry and we're developing e-banking solutions that focus on what clients want and go far beyond online transactions. Our initiatives, such as our Personal Financial Assistant and UBS Portfolio Health Check, have made us leaders in e-banking and mobile banking in Switzerland.

Education is a never-ending journey and by investing in our people we're building the future of our business. The right knowledge and skills are crucial to providing the best advice and services to our clients. To that end, we launched new programs to help our people master the growing challenges our industry faces.



**Sergio P. Ermotti**  
Group Chief  
Executive Officer

Identifying, understanding and managing risk remains a top priority for us. It's an integral part of what we do and we're increasingly able to do more, earlier and faster. We believe our continuous efforts will give us a competitive advantage and help us deliver sustainable performance.

We never forget that our firm is part of the wider social fabric and we're committed to being a good corporate citizen. In 2014, we launched UBS and Society, combining and helping to shape all our activities and capabilities in sustainable investing and philanthropy, as well as our firm's interaction with the communities in which we live and work.

UBS is a leader in the development of impact investing, which seeks to couple attractive returns with positive, measurable social effects. More and more investors are realizing that, aside from doing good, this is a smart way to put capital to work. That's why we plan ambitious growth in products in this area.

Our employees continued to play an active role in their communities by donating their time and energy through volunteering. Their efforts in fields such as education, entrepreneurship and sport focused particularly on nurturing our greatest asset: the children of today who will be the leaders of tomorrow.

We hope you enjoy reading our Annual Review 2014 and learning more about what we're doing to shape a successful future for the firm and our many stakeholders.

Yours sincerely,

Two handwritten signatures in black ink. The first signature is on the left, and the second is on the right.

Axel A. Weber  
Chairman of the  
Board of Directors

Sergio P. Ermotti  
Group Chief  
Executive Officer

# UBS in 2014



# Our business

UBS joins the Global Apprenticeships Network, underlining its commitment to vocational training and its apprenticeship and graduate training programs.

Luminaries such as former US Secretary of State Madeleine Albright and Pulitzer Prize winner Sheryl WuDunn are present at UBS's first Americas Women's Senior Leadership Conference.

UBS marks the opening of the World Economic Forum with the launch of a white paper on how trade, technology and finance can help keep the recovery going.

Over 1,700 delegates gather for the UBS Greater China Conference 2014 in Shanghai.

Group Chief Executive Officer Sergio P. Ermotti joins over 100 leaders from business, politics and the social arena in the LinkedIn influencer program.

UBS e-banking wins Master of Swiss Web award, the highest accolade at the Best of Swiss Web Awards.



First-quarter adjusted profit before tax CHF 1.5 billion.

■ January ■ February ■ March ■ April

# Our environment

UBS acts as a Leading Partner of the Swiss Olympic team during the Winter Olympics in Sochi, Russia.



UBS and Rochester-Bern Executive Programs announce launch of master's study program for client advisors.

UBS participates in Earth Hour, as part of its commitment to reduce global CO<sub>2</sub> emissions.

UBS announces further plans to modify its legal structure and its intention to establish a Group holding company through a share-for-share exchange offer.

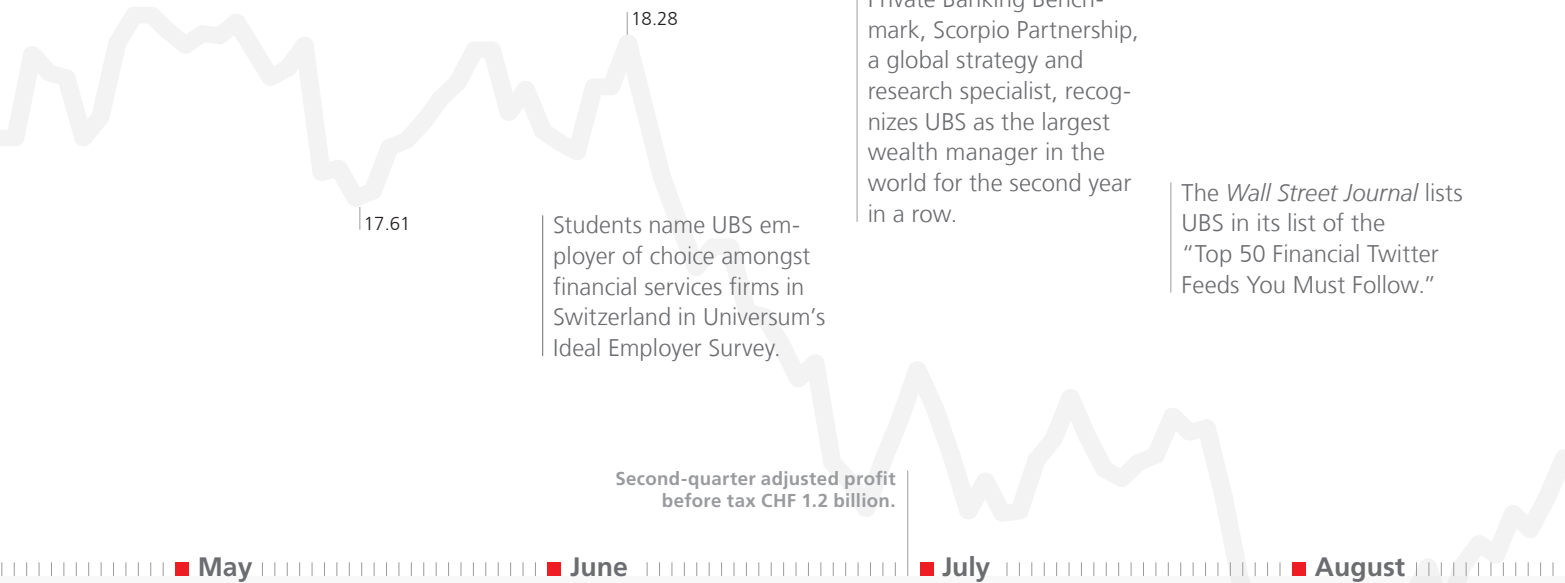
UBS ranked No. 1 Pan-European Equity House for the eleventh consecutive year in the Thomson Reuters Extel Survey 2014.

Leading financial markets magazine *Euromoney* presents UBS with the Award for Excellence for "Best Global Bank" and – for the third year running – "Best Bank in Switzerland."



In its influential Global Private Banking Benchmark, Scorpio Partnership, a global strategy and research specialist, recognizes UBS as the largest wealth manager in the world for the second year in a row.

The *Wall Street Journal* lists UBS in its list of the "Top 50 Financial Twitter Feeds You Must Follow."



Students name UBS employer of choice amongst financial services firms in Switzerland in Universum's Ideal Employer Survey.

UBS signs Soft Commodities Compact supporting the sustainable production of palm oil, timber, soy and beef.

The Guggenheim UBS MAP Global Art Initiative celebrates Latin American contemporary art through a New York exhibition.



Collectors, VIPs and guests from around the world meet in Hong Kong to celebrate UBS's new status as global Lead Partner for Art Basel.

# Art | Basel

UBS supports two major international athletics events, the European Athletics Championships and Weltklasse Zurich, as well as the UBS Kids Cup Final in Zurich.



UBS publishes white paper "Furthering the fight against poverty."

UBS is awarded CommunityMark accreditation, the UK national standard that recognizes leadership and excellence in community investment.

UBS named "Most Innovative Bank for M&A" in *The Banker's* Investment Banking Awards 2014.

UBS included in "The A List: The CDP Climate Performance Leadership Index 2014."

Celebrations begin to mark 50 years of UBS doing business in Asia Pacific.

Share-for-share exchange offer to establish a Group holding company, UBS Group AG, launched.

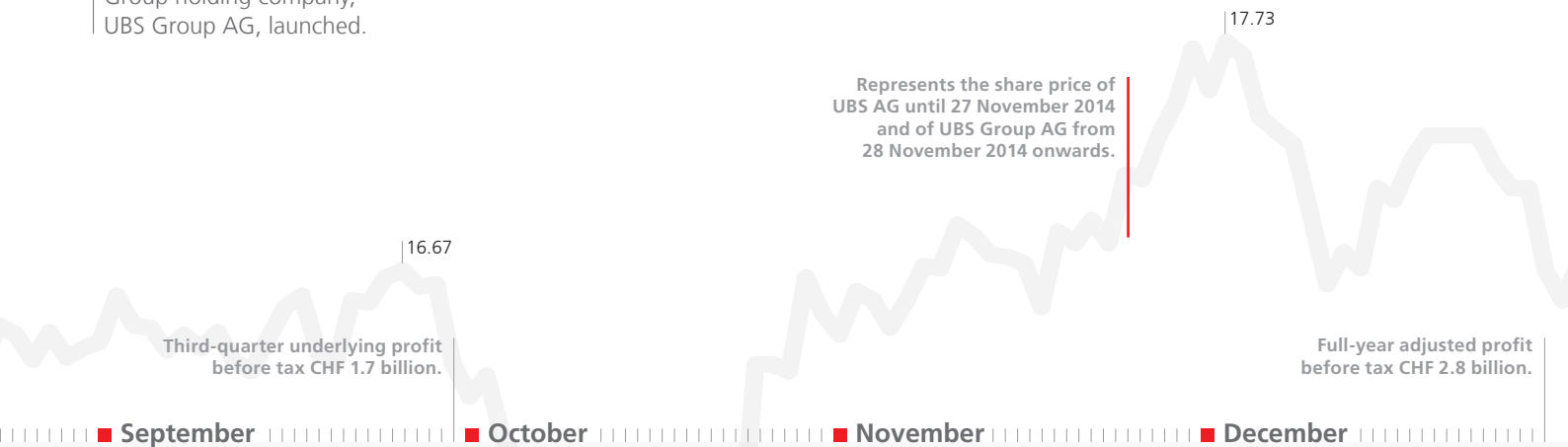
UBS Board of Directors announces its intention to nominate Jes Staley for election to the Board at the AGM 2015.

UBS releases its annual outlook – the CIO Year Ahead – entitled "The diverging world."

UBS Group AG and UBS AG announce successful conclusion of initial acceptance period of the share-for-share exchange offer. UBS Group AG becomes the holding company of the UBS Group.

UBS and TrustAfrica launch pioneering report on philanthropy in Africa by Africans.

Represents the share price of UBS AG until 27 November 2014 and of UBS Group AG from 28 November 2014 onwards.



UBS appoints Global Head of UBS and Society to focus on sustainable investing, philanthropy, entrepreneurship and education.

UBS recognized as an industry leader in the 2014 Dow Jones Sustainability Indices

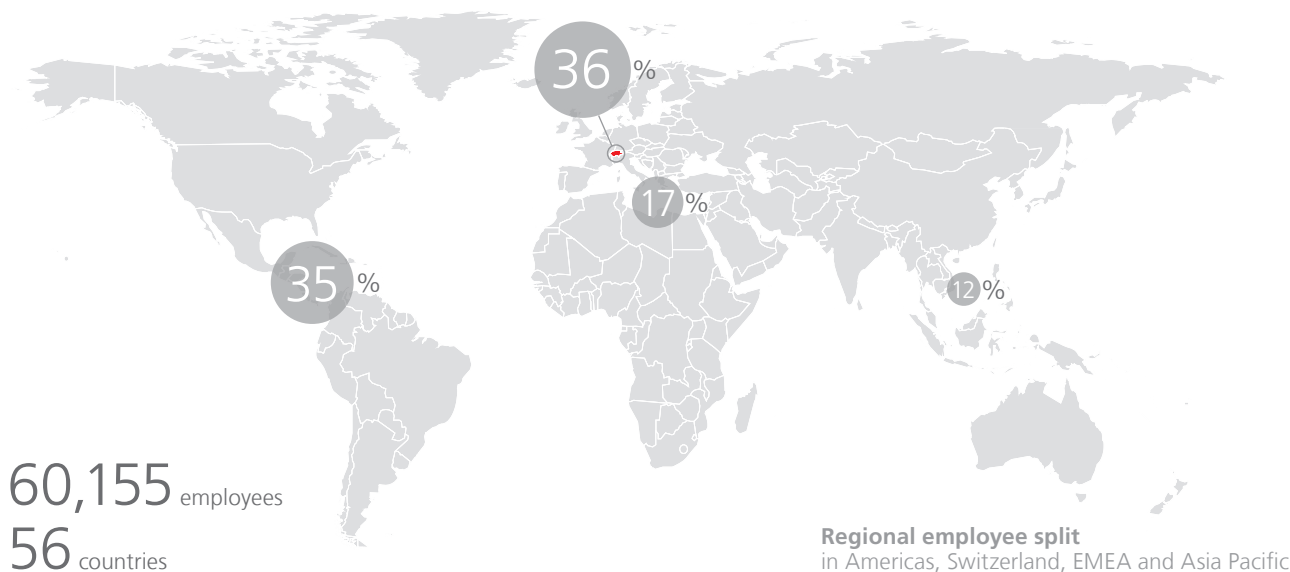
UBS celebrates Diversity and Inclusion Month and is recognized in the US in the *Working Mother* magazine's "100 Best Companies" list.

Winners of UBS Global Volunteer Awards 2014 announced.

UBS International Center of Economics in Society holds its annual Forum on "Sound Economic and Institutional Foundations for Europe."

# UBS at a glance

UBS draws on its over 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. Our strategy centers on our Wealth Management and Wealth Management Americas businesses and our leading universal bank in Switzerland, enhanced by our Global Asset Management business and our Investment Bank. These businesses share three key characteristics: they benefit from a strong competitive position in their targeted markets, are capital-efficient, and offer a superior structural growth and profitability outlook.



"I am pleased with what we we achieved in 2014. The results were strong, our capital was strong and we completed our strategic transformation, preparing us well for the future."

**Sergio P. Ermotti, Group CEO**

Our strategy builds on the strengths of all of our businesses and focuses our efforts on areas in which we excel, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which we operate. Capital strength is the foundation of our success. The operational structure of the Group is comprised of the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Retail & Corporate, Global Asset Management and the Investment Bank.

- UBS was confirmed as the largest wealth manager in the world in Scorpio Partnership's influential Global Private Banking Benchmark 2014<sup>1</sup>
- In Euromoney's 2014 Private Banking Survey, UBS received awards for "Best Global Bank" and – for the third year running – "Best Bank in Switzerland"
- UBS ranked No. 1 Pan-European Equity House for the eleventh consecutive year in the Thomson Reuters Extel Survey 2014, and was named "Most Innovative Bank for M&A" in The Banker's Investment Banking Awards 2014
- UBS e-banking won the 2014 "Master of Swiss Web" award, the highest accolade at the Best of Swiss Web Awards

## 2014 financial highlights

**3.5**

**Net profit attributable to shareholders**  
CHF 3.5 billion  
up 9% on prior year

**0.50**

**Proposed ordinary dividend**  
CHF 0.50  
up 100% on prior year

**13.4**

**Best CET1 ratio among large global banks** at 13.4% (Swiss SRB Basel III fully applied)

- Ordinary dividend payout ratio 55%<sup>2</sup>
- One-time supplementary dividend of CHF 0.25 per share accrued
- Fully applied Basel III common equity tier 1 (CET1) capital ratio surpassed firm's long-stated target of 13%
- Fully applied risk-weighted assets CHF 216 billion versus end-2015 target of under CHF 215 billion
- Fully applied Swiss SRB leverage ratio up 70 basis points to 4.1%; leverage, funding and liquidity ratios all remain comfortably above regulatory requirements
- All business divisions delivered solid underlying performances in a challenging environment

<sup>1</sup> The Scorpio Partnership Private Banking Benchmark 2014 – banks with assets under management of over USD 1 trillion.  
<sup>2</sup> Ordinary dividend per share as a percentage of diluted earnings per share.

# UBS Group AG key figures<sup>1</sup>

CHF million, except where indicated	As of or for the year ended		
	31.12.14	31.12.13	31.12.12
<b>Group results</b>			
Operating income	28,027	27,732	25,423
Operating expenses	25,567	24,461	27,216
Operating profit/(loss) before tax	2,461	3,272	(1,794)
Net profit/(loss) attributable to UBS Group AG shareholders	3,466	3,172	(2,480)
Diluted earnings per share (CHF) <sup>2</sup>	0.91	0.83	(0.66)
<b>Key performance indicators<sup>3</sup></b>			
<b>Profitability</b>			
Return on equity (RoE) (%)	7.0	6.7	(5.1)
Return on assets, gross (%)	2.8	2.5	1.9
Cost/income ratio (%)	91.0	88.0	106.6
<b>Growth</b>			
Net profit growth (%)	9.3		
Net new money growth for combined wealth management businesses (%)	2.5	3.4	3.2
<b>Resources</b>			
Common equity tier 1 capital ratio (fully applied, %) <sup>4</sup>	13.4	12.8	9.8
Swiss SRB leverage ratio (phase-in, %)	5.4	4.7	3.6
<b>Additional information</b>			
<b>Profitability</b>			
Return on tangible equity (%) <sup>5</sup>	8.2	8.0	1.6
Return on risk-weighted assets, gross (%) <sup>6</sup>	12.4	11.4	12.0
<b>Resources</b>			
Total assets	1,062,478	1,013,355	1,259,797
Equity attributable to UBS Group AG shareholders	50,608	48,002	45,949
Common equity tier 1 capital (fully applied) <sup>4</sup>	28,941	28,908	25,182
Common equity tier 1 capital (phase-in) <sup>4</sup>	42,863	42,179	40,032
Risk-weighted assets (fully applied) <sup>4</sup>	216,462	225,153	258,113
Risk-weighted assets (phase-in) <sup>4</sup>	220,877	228,557	261,800
Common equity tier 1 capital ratio (phase-in, %) <sup>4</sup>	19.4	18.5	15.3
Total capital ratio (fully applied, %) <sup>4</sup>	18.9	15.4	11.4
Total capital ratio (phase-in, %) <sup>4</sup>	25.5	22.2	18.9
Swiss SRB leverage ratio (fully applied, %)	4.1	3.4	2.4
Swiss SRB leverage ratio denominator (fully applied) <sup>7</sup>	997,822	1,015,306	1,206,214
Swiss SRB leverage ratio denominator (phase-in) <sup>7</sup>	1,004,869	1,022,924	1,216,561
<b>Other</b>			
Invested assets (CHF billion) <sup>8</sup>	2,734	2,390	2,230
Personnel (full-time equivalents)	60,155	60,205	62,628
Market capitalization <sup>9</sup>	63,526	65,007	54,729
Total book value per share (CHF) <sup>9</sup>	13.94	12.74	12.26
Tangible book value per share (CHF) <sup>9</sup>	12.14	11.07	10.54

<sup>1</sup> Represents information for UBS Group AG (consolidated). Comparative information is the same as previously reported for UBS AG (consolidated) as UBS Group AG (consolidated) is considered to be the continuation of UBS AG (consolidated). Refer to the "UBS Group – Changes to our legal structure" section and to "Note 1 Summary of significant accounting policies" in the "Financial information" section of our Annual Report 2014 for more information. <sup>2</sup> Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of our Annual Report 2014 for more information. <sup>3</sup> Refer to the "Measurement of performance" section of our Annual Report 2014 for the definitions of our key performance indicators. <sup>4</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRB). Refer to the "Capital management" section of our Annual Report 2014 for more information. <sup>5</sup> Net profit/(loss) attributable to UBS Group AG shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable)/average equity attributable to UBS Group AG shareholders less average goodwill and intangible assets. Goodwill and intangible assets used in the calculation of tangible equity attributable to UBS Group AG shareholders as of 31 December 2014 have been adjusted to reflect the non-controlling interests in UBS AG as of that date. <sup>6</sup> Based on phase-in Basel III risk-weighted assets. <sup>7</sup> The leverage ratio denominator is also referred to as "total adjusted exposure" and is calculated in accordance with Swiss SRB leverage ratio requirements. Data represent the average of the total adjusted exposure at the end of the three months preceding the end of the reporting period. Refer to the "Capital management" section of our Annual Report 2014 for more information. <sup>8</sup> Group invested assets includes invested assets for Retail & Corporate. <sup>9</sup> Refer to the "UBS shares" section of our Annual Report 2014 for more information.

# Banking at the click of a button



Eight out of ten people in Switzerland go online several times a week. Some even surf the net every day. More than half of all internet users take advantage of web-based banking services. Digitalization is changing the face of UBS – to the advantage of clients.

Previously, you had to fill out forms, whether by hand or on the computer, to make payments. Now it's much easier to pay a bill, thanks to the UBS Mobile Banking app. This turns your smartphone into a scanner, eliminating the need to type in reference numbers.

But there's more to the app than just making transactions more convenient. E-banking meets needs that go far beyond making payments. The Personal Financial Assistant, for example, helps clients to keep an eye on their spending and reach their savings goals.

## **The intelligent bank**

Technology companies such as Amazon and Apple try to show customers offers that are relevant to them based on their reading or listening habits. UBS also wants to use digital technology to create more benefits for customers – and protect them from harm.

The UBS Portfolio Health Check shows how well this works. This intelligent software uses a range of criteria to assess the quality of client portfolios, for example to determine whether risk matches return for the investment strategy chosen. If there are discrepancies, the bank contacts the client to recommend investment or reallocation strategies.

The opportunities presented by digitalization are also attracting new providers from other industries that want to compete for clients with traditional financial service providers. In addition, comparison and discount sites are also trying to position themselves between clients and banks.

## **UBS on all channels**

For Lukas Gähwiler, President UBS Switzerland, the answer's clear: "We have to ensure that we offer innovative solutions across all channels that appeal to our clients. This is the only way we can guarantee clients will continue to maintain a

### Award-winning. And increasingly popular: digital solutions from UBS

At the "Best of Swiss Web Awards," the most prestigious honors in the Swiss internet industry, UBS won the "Master of Swiss Web 2014" award for its new e-banking service. UBS also won prizes in 7 out of 11 categories, including gold medals in the "Technology" and "Mobile Web" categories.

At the "Best of Swiss Apps," UBS also won "Master of Swiss Apps 2014" and gold in the "Business" category for its collaboration with SumUp to create an easy-to-use app that works with a low-cost card terminal to enable mobile card payments. The SumUp app turns your smartphone into a cash desk, offering a cheap and secure solution particularly suited to small businesses and tradespeople.

The UBS "Quiz and Fly" edutainment app, where players answer questions on topics such as finance, sport, music and UBS while flying an aircraft simulator, gained bronze in the category for games.



"Our drive to exceed client expectations and deepen relationships requires us to offer leading solutions across all channels."

Lukas Gähwiler, President Switzerland and President Retail & Corporate

close relationship with the firm in future. This is the reason why we have made substantial investments over the past few years, both in our branch network and our digital channels."

Andreas Kubli, Head of Multichannel Management & Digitization: "We are now leaders in e-banking and mobile banking in Switzerland. This can be seen in the prestigious awards we received last year and the overwhelmingly positive feedback of our clients, seen for example in the App Store and on Google Play. Our e-banking service is now used by around 1.4 million clients, while more than 420,000 have already downloaded the UBS Mobile Banking app. And these numbers continue to grow."

Innovation is flourishing. Every day, somewhere in the world, someone is creating a new concept that attempts to redefine banking. "Even for a bank like UBS, it is a constant challenge to stay on the ball. That's why we are placing increasing emphasis on collaboration when developing our solutions," says Kubli.

#### Interaction between human and machine

So, the question's not whether, but how the nature of banking will change. In ten or twenty years' time, people

will still want to buy a house or save for retirement. What's changing is the way that financial services are provided. UBS is focusing on what clients want, not just on what is technically feasible.

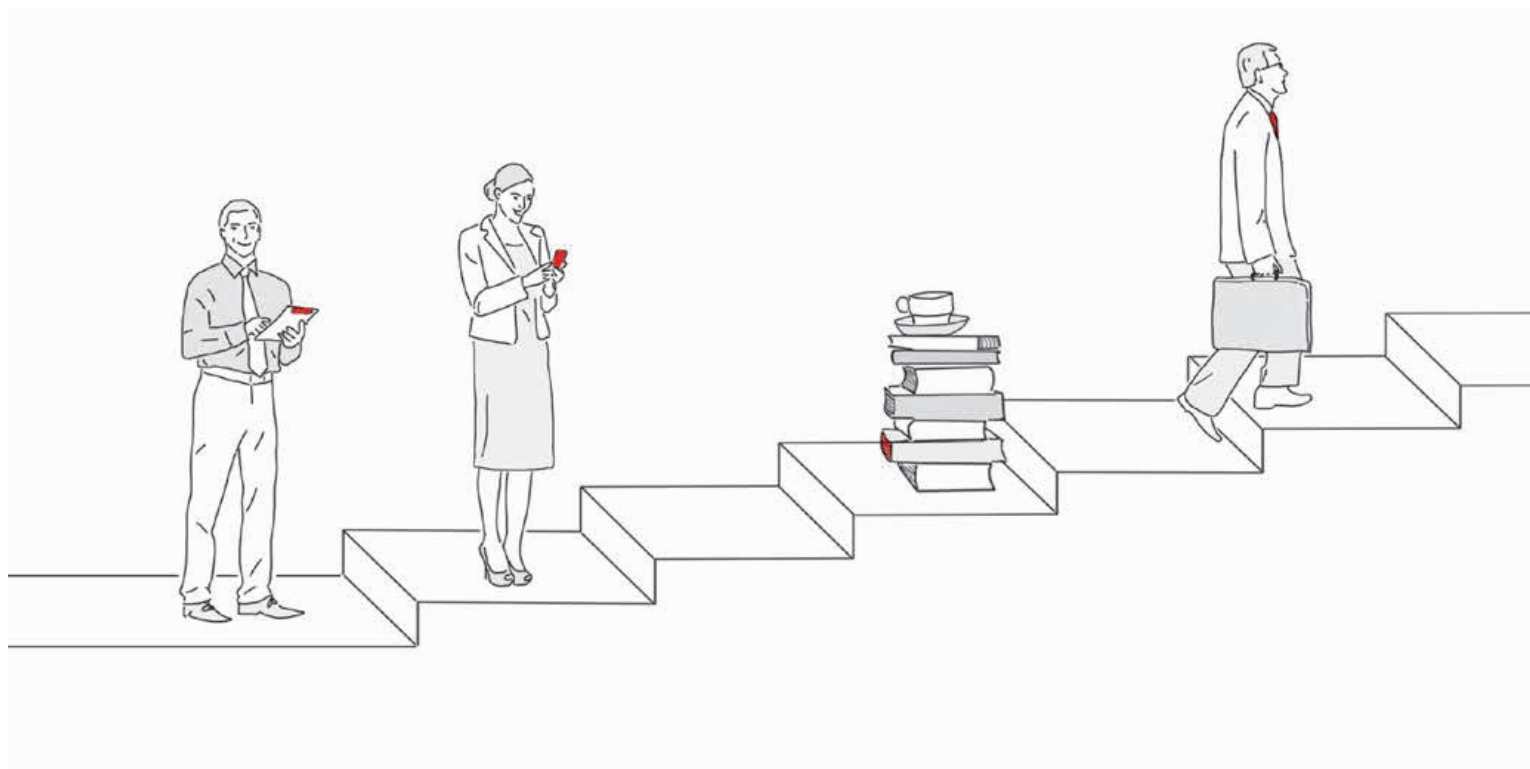
"Human interaction will remain central to client relationships. Yet it's already apparent that people are turning to multi-channel solutions when seeking advice on complex issues such as mortgages and pension funds. The challenge therefore lies in connecting the online and offline world effectively so that we can continue to offer a consistent, seamless client experience across all channels," says Lukas Gähwiler.

UBS enjoys tackling this digital challenge. That's why we have already started to lay the foundations to ensure that clients continue to feel enthusiastic about us. And click on us.

› Find out more about e-banking and mobile banking with UBS, visit [www.ubs.com/e-banking](http://www.ubs.com/e-banking)

Please note that the services mentioned in this article are only available in selected countries and for selected UBS client segments.

# Our educational programs for advisors



We want to offer clients the best advice and solutions. So, we have to make sure our people have the right knowledge and skills. By investing in our people, we're building the future of our business. Here's how.

## **Keeping our senior advisors up to date**

This year, we launched the new **UBS and Rochester-Bern Master in Wealth Management program** – a two-year degree program designed to give our senior advisors and desk heads the skills and know-how they need to master the growing challenges facing both wealthy clients and the wealth management industry. The courses are run by some of the world's leading wealth management experts, including our own senior leaders. We are proud to be the first wealth management firm to offer such a prestigious program.

In addition, we launched the **Leadership Acceleration Program (LEAP)** – a six-month program designed to help our senior leaders understand, commit to, and execute on our Wealth Management strategy. It's also designed to hone their leadership skills, so they spearhead change, lead by example and put together teams that meet and beat targets. As part of the program, our leaders participate in modules delivered by some of the top external authorities on leadership and

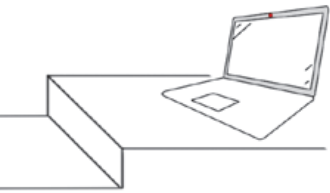


“At work, as in life, education is a never-ending journey. We are always looking to build the knowledge and skills needed to provide the best possible advice to clients.”

Robert J. McCann, President Wealth Management Americas and President Americas

“Today, it’s not only knowledge that’s important, it’s also the ability to distill and communicate that knowledge effectively for the benefit of our clients.”

Jürg Zeltner, President Wealth Management



change, like leadership and teamwork consultant Khoi Tu and organizational health expert Colin Price. And they get the chance to interact directly with our Wealth Management executives, including Jürg Zeltner, President Wealth Management.

**Wealth Advisor** is a development program we run in Wealth Management Americas to help some of our most experienced advisors foster even deeper relationships with wealthy clients. For example, it includes a module that develops participants’ ability to ask exactly the right questions to find out precisely what their clients want and need. Participants who successfully complete the program receive the designation “Wealth Advisor,” which distinguishes them as advisors with the experience and unique skills required to serve wealthy clients.

#### **Building our junior advisors’ skills**

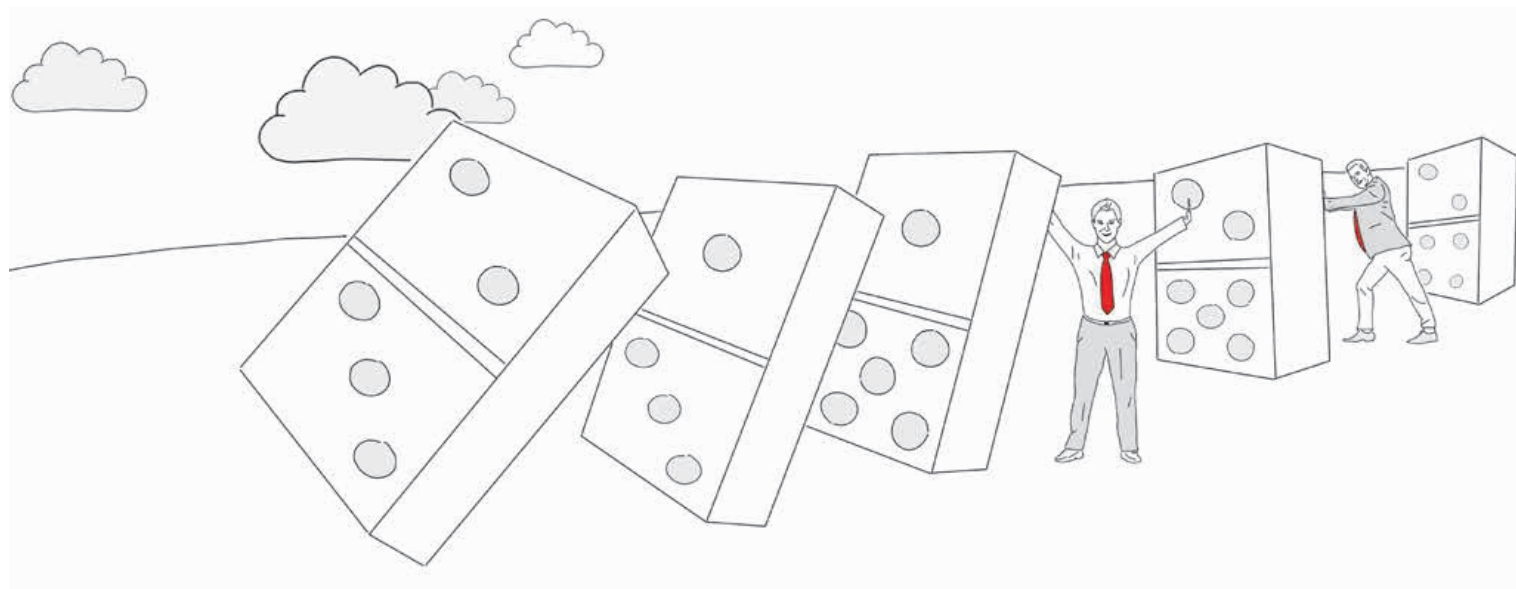
Our **WM Diploma** is mandatory for all our wealth management advisors – and it’s the first and only program of its kind to be accredited by Switzerland’s State Secretariat for Economic Affairs (SECO). It contains self-study modules which bring advisors’ theoretical knowledge up to speed, followed by a classroom course focusing on holistic sales training. The combination of these elements gives our advi-

sors the knowledge of markets and skills they need to manage the portfolios of wealthy clients.

This year we launched a new **Wealth Planning Analyst program**, designed to nurture our next generation of advisors. Instead of joining a specific team right away, our trainees get to work with various advisor teams so they learn about every aspect of our business. This intensive, two-year program gives them time to develop the experience and insight it takes to give truly well-rounded advice – before they join a team as a fully fledged advisor and continue by following a curriculum of formal education. It’s won praise from a number of industry publications, including *The Wall Street Journal*, *On Wall Street* and *Financial Advisor IQ*.

We also hosted a national conference called **Path to Pinnacle**, which harnesses the power of social media to make our training more engaging. During the actual conference, participants had the chance to collaborate, share best practices and tackle problems together. Then, after the conference, participants were able to keep working and talking together on *Connections*, our internal social networking site. So far, the response has been positive – people love being able to connect and bounce ideas off each other.

# Managing risk: an integral part of what we do



Managing risk is an integral part of what we do, which is why it is a top priority for us and embedded within our business model. Put simply, we aim to identify and understand actual and potential risks as early as possible and take the necessary steps to contain them within our overall risk appetite. Getting this right helps us to deliver sustainable performance.

There are risks we can anticipate but cannot control, such as fluctuations in interest and foreign exchange rates, actions taken by central banks, or the effects of geopolitical instability. Looking internally, we have invested considerable time and resources in understanding the potential risks associated with human error or the failure of internal procedures and systems, so-called operational risks, or, put another way, the consequential risks of being in the banking industry.

At UBS, we work hard to manage such operational risks effectively. We focus on enhancing risk management capabilities, learning from our experience and that of others to help us continuously improve in this critical area. These endeavors are supported by our efforts to create a collaborative corporate culture.

#### **That's the theory, but what does it mean in practice?**

We have adopted three lines of defense for managing operational risk, a common approach across large parts of the industry. This helps us to identify, assess and control risks, analyze data, and flag and act upon potential issues rapidly.

The first line of defense is our employees in the business divisions dedicated to managing risk; they implement systems and controls around our day-to-day activities. The second line is comprised of risk specialists who cover all key risks, including accounting, products, compliance with laws and regulations, and technology. This group works independently from our business divisions and has general oversight of the operational risks facing the firm. They set limits and tolerances to ensure our activities fall within our risk appetite, and make sure we meet our regulatory obligations. The third line of defense consists in our internal and external auditors, who review the overall effectiveness of all our risk controls. They are also independent of the other lines and can escalate their concerns directly to the firm's senior management and Board of Directors.

#### **Integration makes the difference**

We recently merged our compliance and operational risk control functions to help us identify and manage consequential risks in a fully integrated and more effective manner across the firm. Combining the perspectives and specific

“We are now far better equipped to move from reactive to preventive capabilities. Simply put, we are increasingly able to do more, earlier and faster. We are proud of our achievements, but we are not complacent. We will continue to enhance our controls to help ensure we find problems before they find us.”

Colin Bell, Global Head of Compliance and Operational Risk Control



### Talking the same language

All our employees are expected to abide by our principles and behaviors, which are embedded in the firm’s Code of Conduct. To make absolutely sure our employees know what we expect of them, we have ongoing compulsory training programs. The successful completion of such programs forms part of an individual’s yearly performance assessment. In 2014, our approximately 60,000 employees completed a total of 700,000 training modules.

skills of the two control functions has already helped further strengthen the overall control environment. Early benefits have included significant enhancement of capabilities such as monitoring and surveillance, standardization of key processes, improved alignment with the business divisions and clear focus on the control responsibilities required from the second line of defense.

As well as using predictive analytics to detect potentially significant events before they can have a material impact, we take a firm-wide approach to tracking regulatory developments and monitoring the conduct of our employees. In addition, the application of common risk assessment standards between the business, risk control functions and audit makes it easier to consistently assess the level of risk in different areas of the firm.

### More, earlier and faster

We take enhancing our operational risk management capabilities seriously. That’s why we’ve also made significant investments in technology to enable us to detect and react to potential issues faster, and improve our ability to identify suspicious transactions or matters relating to political sanctions. Surveillance of electronic communications, improved transaction surveillance and the restriction of personal investment activities of our employees worldwide are just three of the measures that have helped us to reduce operational risk linked to human behavior. We have

also significantly strengthened our confidential whistleblowing process, which encourages all employees to raise legitimate concerns about conduct without fear of repercussions.

### A winning culture

We believe that how we deliver results is as important as the results themselves. Our principles of client focus, excellence and sustainability characterize the way we work together and the promises we make to our clients. By adhering to our principles and demanding high standards of behavior from our employees, we are fostering and further developing a culture that is both a source of pride and a competitive advantage for the firm. A healthy culture is the bond that holds a global organization such as ours together. Inspiring loyalty and teamwork, it motivates people to do the right thing.

› Find out more about our operational risk management, visit [www.ubs.com/annualreport](http://www.ubs.com/annualreport)

# Impact investing – doing well by doing good



UBS plays a leading role in the development of impact investing, currently estimated to be worth USD 50 billion and growing at over 20% annually. But how is this relatively new field different from similar-sounding concepts like socially responsible investing, which attempts to avoid causing any social or environmental harm? Impact investing sets itself apart by actively seeking to couple returns for investors with positive, measurable social effects.

## **The right goods and services at an affordable price**

Low-income consumers spend over USD 5 trillion each year and their expenditure is growing fast, particularly in emerging economies. Given the sums involved, if existing markets don't provide the goods and services these consumers want at a price they can afford, it presents good opportunities for investors. It's gaps in the market such as this that impact investing targets.

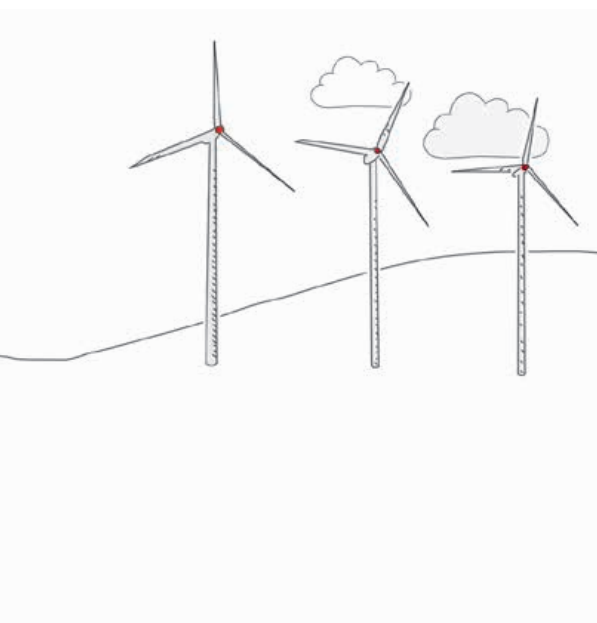
"When conventional capital markets perceive risks as too high or underestimate the upside of a situation, it leads to mispricing that can compound social problems. Impact investing can help to address these problems," says Caroline Anstey, Global Head UBS and Society. "But aside from doing good, impact investing is a smart way to put capital to work and create healthy financial returns."

## **More than charity**

Impact investing emerged from the world of philanthropy. UBS was the first bank to offer philanthropy services to its

“Aside from doing good, impact investing is a smart way to put capital to work and create healthy financial returns.”

Caroline Anstey, Global Head UBS and Society



clients on a global basis. Before long, it became clear that many did not just want to give their money away. They also sought ways to invest their wealth actively for the greater good. UBS therefore stays close to the ground, so that its advisors have the knowledge of local markets needed to help these clients identify and structure their investments. This gives clients the confidence to apply their entrepreneurial skills and instincts to the social and commercial opportunities that others often fail to grasp.

### Bringing people together

UBS was the only bank present at a Rockefeller Foundation retreat in 2006 when the term impact investing was originally coined. An early mover in the industry, UBS has always seen impact investing as a long-term opportunity and commitment and the firm continues to play a pivotal role in the development of the industry. UBS was, for instance, a founding member of the Global Impact Investing Network and hosted its Investors' Council meeting in January 2015. And Group Chief Executive Officer Sergio P. Ermotti is a prominent member of the World Economic Forum (WEF) working group that seeks to increase the flow of capital into impact investments.

In partnership with the WEF, UBS has launched coaching events bringing together social enterprises and wealthy clients or prospects. “This interaction helps us to see what interests people have and we can then loop that back into what

### Propelling social change

The sums of money associated with philanthropic activities can often seem vast, but it's worth noting annual global philanthropic expenditure in fact only equates to around the first 50 days of US government spending. While undoubtedly a considerable amount of money, this is nowhere near enough to solve the world's problems. Impact investing can help to fill the gap. And it is by no means just a gimmick to appeal to the young. In fact, older generations are often in a better position to understand the power of entrepreneurship and capital to propel social change. Take the example of a 70-year-old German entrepreneur – someone who witnessed the reconstruction of Europe after its destruction in World War II. He has seen with his own eyes that the best way to lift people out of poverty is to give them a job, a stake in society, and to invest in small companies.

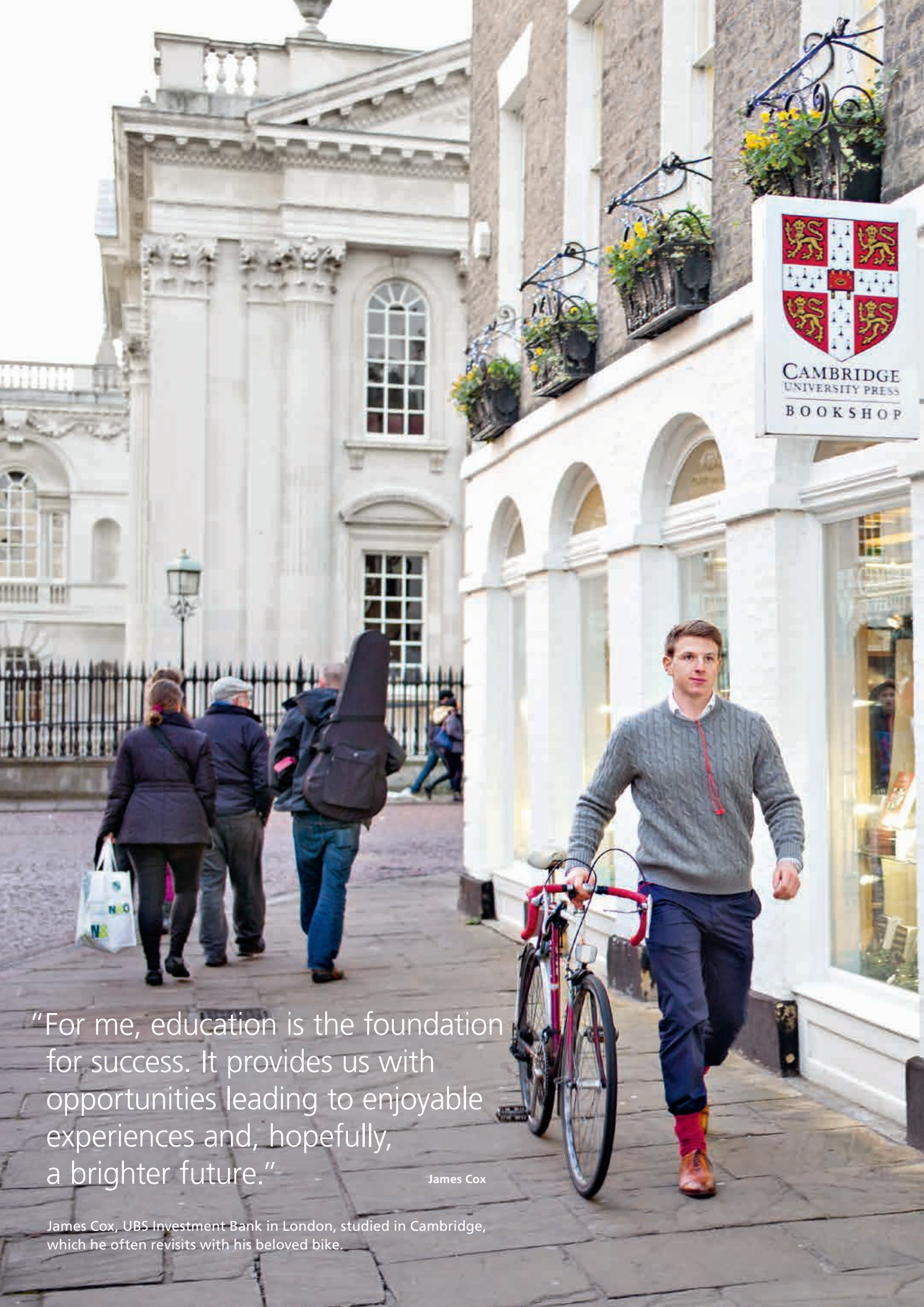
we are doing. We bring people together so they can learn from each other, and we learn from them too,” says Andreas Ernst, Head UBS Impact Investing.


### Looking to the future

UBS plans to complement its traditional strength in advisory with ambitious growth in products over the next five years. The firm has a strong track record in this regard. In an industry first, UBS launched a fund that linked a fund manager's performance fee with not only financial targets but also certain measurable social impact thresholds. And the firm intends to launch a new fund to serve low-income populations in the developing world through microcredit, small and medium-sized enterprise loans, housing, agriculture and education loans, and other targeted financial services.

Impact investing is likely to remain primarily the preserve of wealthy private individuals and institutionalized charitable foundations for the time being. But Ernst sees a genuine opportunity to broaden access to a wider demographic in the longer term: “By creating products that tap into the listed market and convincing financial intermediaries of their quality, impact investing could in the long run become available to the likes of you and me.”

› **Find out more** about our philanthropy and sustainable investing offering, visit [www.ubs.com/philanthropy](http://www.ubs.com/philanthropy)



  
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“For me, education is the foundation for success. It provides us with opportunities leading to enjoyable experiences and, hopefully, a brighter future.”

James Cox

James Cox, UBS Investment Bank in London, studied in Cambridge, which he often revisits with his beloved bike.



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# Our strategy

We are committed to providing our clients with superior financial advice and solutions while generating attractive and sustainable returns for shareholders. Our strategy centers on our leading wealth management businesses and our premier universal bank in Switzerland, enhanced by our strong asset manager and investment bank.

Our businesses share three key characteristics: they benefit from a strong competitive position in their targeted markets, are capital-efficient, and offer a superior structural growth and profitability outlook. Our strategy builds on the strengths of all of our businesses and focuses our efforts on areas in which we excel, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which we operate. Capital strength is the foundation of our success.

## **Our strategic transformation**

In 2011, we laid out three critical objectives for UBS: executing our strategy, delivering for our clients and unlocking our growth potential. We accelerated the execution of our

strategy in 2012 and have since made substantial progress, focusing our activities on a set of highly synergistic, less capital- and balance-sheet-intensive businesses dedicated to serving clients and well-positioned to maximize value for shareholders. We have reached our targeted fully applied Basel III CET1 capital ratio of 13%, significantly reduced risk-weighted assets and costs, while simultaneously growing our business and enhancing our competitive positioning. We have successfully grown our unrivaled wealth management businesses and transformed our investment bank to focus on its traditional strengths in advisory, research, equities, foreign exchange and precious metals. At our Investor Update on 6 May 2014, we provided information on the progress of



## **James Cox**

James holds a PhD in Computational Modelling from the University of Cambridge. During his time there, he competed for the Homerton College Boat Club's first team, one of the most successful Cambridge boat clubs of recent times. As science correspondent for Cambridge University TV he interviewed Nobel-Prize-winning scientists, artists and academics. Before joining UBS, James taught mathematical modelling and computer programming to graduate students and postdoctoral researchers at the University of Cambridge and Wellcome Trust Advanced Courses in Cambridge.



executing our strategy. By the end of 2014, we completed our strategic transformation process. Through the continued successful execution of our strategy, we believe we can sustain and grow our business and maintain a prudent capital position. While our strategy remains unchanged going forward, we updated and extended several of our annual performance targets.

Achieving greater effectiveness and efficiency is imperative for the success of our strategy. We remain fully committed to achieving the cost reductions announced at the 2014 Investor Update, with a net cost reduction target of CHF 1.4 billion versus full-year 2013 by the end of 2015, including CHF 1.0 billion in Corporate Center – Core Functions and CHF 0.4 billion in Corporate Center – Non-core and Legacy Portfolio. After that, we target additional net cost reductions of CHF 0.7 billion as we exit our Non-core and Legacy Portfolio.

Our commitment to a prudent capital position is based on maintaining a fully applied CET1 capital ratio of at least 13% and a post-stress fully applied CET1 capital ratio of at least 10%. From 2014 onwards, our Deferred Contingent Capital Plan awards will qualify as additional tier 1 capital

under Basel III requirements. Through our compensation programs, we intend to build approximately CHF 2.5 billion in additional tier 1 capital over the next five years, which will eventually replace the high-trigger loss-absorbing capital recognized as tier 2 capital. Additional tier 1 capital is an important component of our future capital structure and we have also started building additional tier 1 capital through external issuance from UBS Group AG. An optimized capital structure enables us to meet regulatory requirements while targeting optimal shareholder returns.

As discussed in our Annual Report 2014, we continue to adapt our legal structure to improve UBS's resolvability in response to evolving too-big-to-fail requirements in Switzerland and other countries in which UBS operates. The changes to our legal structure do not affect our strategy, our business and the way we serve our clients.

#### **Delivering attractive shareholder returns**

We are committed to delivering sustainable performance and attractive returns to shareholders. We delivered progressive capital returns in 2011, 2012 and 2013. In 2014, we achieved our capital ratio target of a fully applied CET1 capital



ratio of at least 13% and met our objective of maintaining a post-stress fully applied CET1 capital ratio of at least 10%. Subject to maintaining our CET1 capital ratio target and our objective for the post-stress CET1 capital ratio, we are targeting a total payout ratio of at least 50% of net profit attributable to UBS shareholders.

In line with our dividend policy, we propose a 100% increase in our ordinary dividend to CHF 0.50 per share for the financial year 2014, which will be paid out of capital contribution

reserves. In addition, following the successful completion of the squeeze-out procedure, we expect to pay a supplementary capital return of CHF 0.25 per share to shareholders of UBS Group AG. This supplementary capital return is separate from and in addition to the proposed ordinary dividend described above and will also be paid out of capital contribution reserves.

→ Find out more in the “Our annual performance targets” and the “UBS Group – Changes to our legal structure” sections of our Annual Report 2014



“Technology enables the firm to adapt to changes and deliver on client expectations.”

James Cox

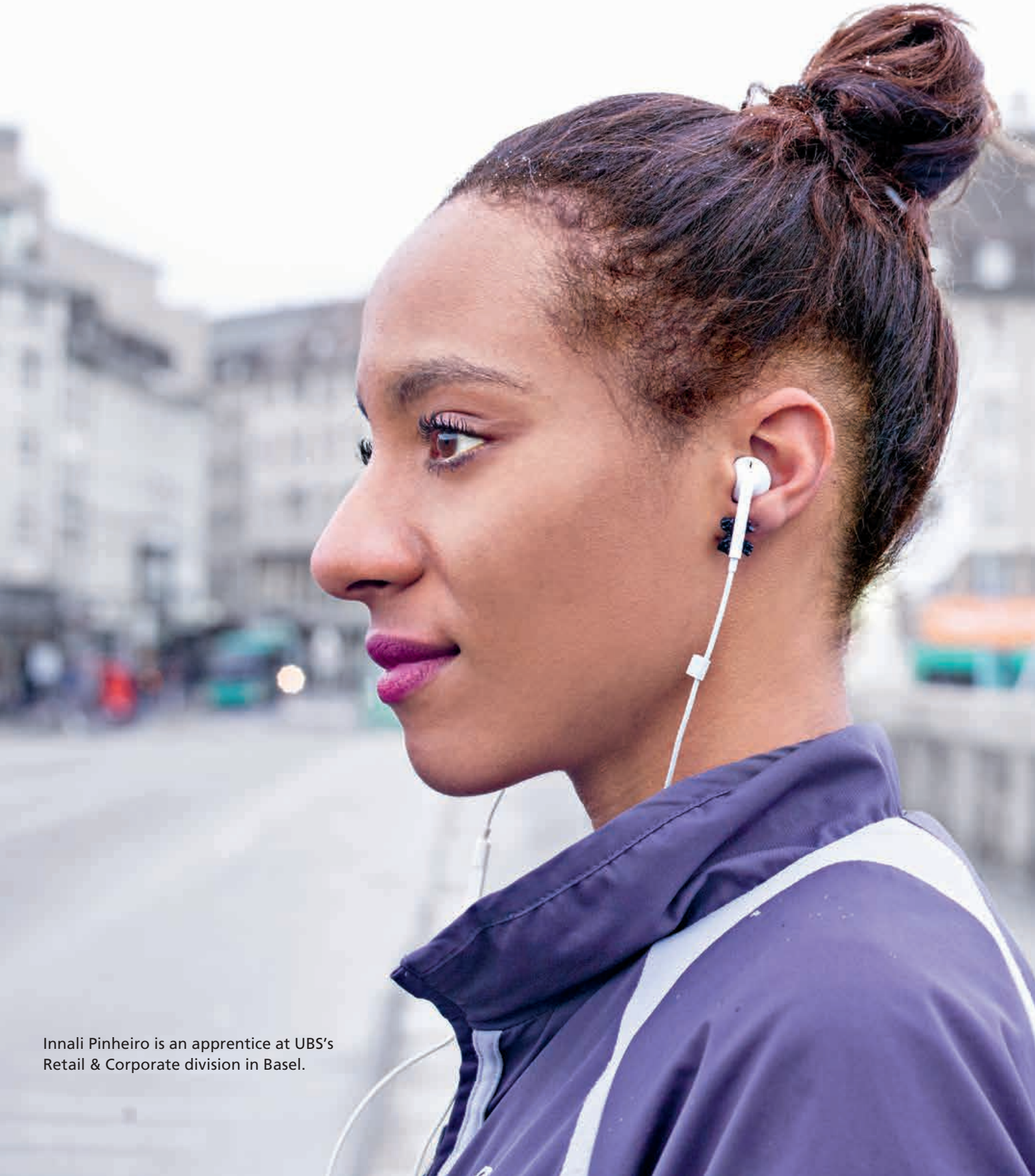


“Mini Familie und Fründe sind mir s’Wichtigste.  
Das und d’Lehr bi dr UBS wärde mini Zuekunft präge.”

My family and friends are most important to me.  
This and my apprenticeship at UBS will shape my future.

**Innali Pinheiro**

Innali Pinheiro is an apprentice at UBS’s  
Retail & Corporate division in Basel.





# The making of UBS

UBS has played a pivotal role in the development and growth of Switzerland's banking tradition since the firm's origins in the mid-19th century.

The origins of the banking industry in Switzerland can be traced back to medieval times. This long history may help explain the widespread impression, reinforced in popular fiction, that Switzerland has always possessed a strong financial sector. In reality, the size and international reach of the Swiss banking sector we know today is largely a product of the second half of the 20th century, strongly influenced by two banks: Union Bank of Switzerland and Swiss Bank Corporation (SBC), which merged to form UBS in 1998.

At the time of the merger, both banks were already well-established and successful in their own right. Union Bank of Switzerland celebrated its 100th anniversary in 1962, tracing its origins back to the Bank in Winterthur. SBC marked its centenary in 1972 with celebrations in honor of its founding forebear, the Basler Bankverein.

The historical roots of PaineWebber, acquired by UBS in 2000, go back to 1879, while S.G. Warburg, the central pillar upon which UBS's Investment Bank was built, commenced operations in 1946.

In the early 1990s, SBC and Union Bank of Switzerland were both commercial banks operating mainly out of Switzerland. The banks shared a similar vision: to become a world leader in wealth management, a successful global investment bank and a top-tier global asset manager, while remaining an important commercial and retail bank in their home market of Switzerland.

Union Bank of Switzerland, the largest and best-capitalized Swiss bank of its time, pursued these goals primarily through a strategy of organic growth. In contrast, SBC, then the third-largest Swiss bank, grew through a combination of partnership and acquisition.

In 1989, SBC started a joint venture with O'Connor, a leading US derivatives firm noted for its dynamic and innovative





culture, its meritocracy and its team-oriented approach. O'Connor brought state-of-the-art risk management and derivatives technology to SBC, and in 1992 SBC moved to fully acquire O'Connor. In 1994, SBC added to its capabilities when it acquired Brinson Partners, a leading US-based institutional asset management firm.

The next major milestone was in 1995, when SBC acquired S.G. Warburg, the British merchant bank. The deal helped SBC fill a strategic gap in its corporate finance, brokerage, and research capabilities and, most importantly, brought with it an institutional client franchise that remains crucial to our equities business to this day.

The 1998 merger of SBC and Union Bank of Switzerland into the firm we know today created a world-class wealth manager and the largest universal bank in Switzerland, complemented by a strong investment bank and a leading global institutional asset manager.

In 2000, UBS grew further with the acquisition of Paine Webber, establishing the firm as a significant player in the US. UBS has established a strong footprint in the Asia Pacific region and emerging markets based on a presence in many of these countries going back decades.

In 2007, the effects of the global financial crisis started to be felt across the financial industry. This crisis had its origins in the securitized financial product business linked to the US residential real estate market. Between the third quarter of 2007 and the fourth quarter of 2009, we incurred significant losses on these assets. We responded with decisive action designed to reduce risk exposures and stabilize our businesses, including raising capital on multiple occasions. More recently, we continued to improve the firm's capital strength to meet new and enhanced industry-wide regulatory requirements. Our position as one of the world's best-capitalized banks, together with our stable funding and sound liquidity positions, provides us with a solid foundation for our success.





In 2012, the year of our 150th anniversary, we accelerated our strategic transformation of the firm to create a business model that is better adapted to the new regulatory and market circumstances, and that we believe will result in more consistent and high-quality returns. In 2013, we further advanced the execution of our strategic transformation and, by the end of 2014, we completed our strategic transformation process. At the same time, we continued to reduce risk-weighted assets, improved our leverage ratio and maintained the best fully applied Basel III CET1 capital ratio in our peer group of large global banks. We will continue to execute our strategy in order to achieve the firm's long-term success and to deliver sustainable returns for our shareholders.

→ Find out more about over 150 years of history at UBS, visit [www.ubs.com/history](http://www.ubs.com/history)



## Innali Pinheiro

Innali is an apprentice in the Retail & Corporate business in Basel. In her free time she loves to cook and share good food with her friends and family. At school she specialized in health and natural sciences and went on to gain work experience at the Felix Platter Hospital in Basel. Innali also spent time working in the ticketing department for FC Basel. Indeed, health, fitness and sport continue to play a major role in Innali's life and she is a member of a fitness club and a Tae Bo martial arts club. She also recently ran the 5.5 km Basel Stadtlauf.





Drogenstrasse  
MAGE

# Our Board of Directors



**Axel A. Weber** Chairman of the Board of Directors/Chairperson of the Corporate Culture and Responsibility Committee/Chairperson of the Governance and Nominating Committee



**William G. Parrett** Chairperson of the Audit Committee/member of the Corporate Culture and Responsibility Committee



**Ann F. Godbehere** Chairperson of the Human Resources and Compensation Committee/member of the Audit Committee



**Beatrice Weder di Mauro** Member of the Audit Committee/member of the Risk Committee



**Helmut Panke** Member of the Human Resources and Compensation Committee/member of the Risk Committee



**David Sidwell** Senior Independent Director/Chairperson of the Risk Committee/member of the Governance and Nominating Committee

The Board of Directors (BoD) of UBS Group AG and UBS AG, each under the leadership of the Chairman, decides on the strategy of the Group upon recommendation of the Group Chief Executive Officer (Group CEO), exercises ultimate supervision over senior management, and appoints all Group Executive Board (GEB) members. The BoD also approves all financial statements for issue and proposes the Chairman, who in turn is elected by the shareholders at the general shareholders meeting. In addition, shareholders elect each member of the BoD individually, as well as the members of the Human Resources and Compensation Committee (HRCC). The BoD in turn appoints one or more Vice Chairmen, a Senior Independent Director, the members and Chairpersons of the BoD committees (other than the HRCC), and the Company Secretary. In 2014, our BoD met the standards of the Organization Regulations for the percentage of directors that are considered independent.



**Reto Francioni** Member of the Corporate Culture and Responsibility Committee/member of the Human Resources and Compensation Committee



**Isabelle Romy** Member of the Audit Committee/member of the Governance and Nominating Committee



**Joseph Yam** Member of the Corporate Culture and Responsibility Committee/member of the Risk Committee



**Axel P. Lehmann** Member of the Risk Committee



**Michel Demaré** Independent Vice Chairman/member of the Audit Committee/member of the Governance and Nominating Committee/member of the Human Resources and Compensation Committee

# Our Group Executive Board



**Sergio P. Ermotti** Group Chief Executive Officer



**Lukas Gähwiler** President Switzerland and President Retail & Corporate



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



**Andrea Orcel** President Investment Bank



**Jürg Zeltner** President Wealth Management



**Ulrich Körner** President Global Asset Management and President Europe, Middle East and Africa



**Markus U. Diethelm** Group General Counsel



**Philip J. Lofts** Group Chief Risk Officer



**Robert J. McCann** President Wealth Management Americas and President Americas



**Chi-Won Yoon** President Asia Pacific

UBS Group AG and UBS AG operate under a strict dual board structure, and therefore the BoD delegates the management of the business to the Group Executive Board (GEB). Under the leadership of the Group Chief Executive Officer, the Group Executive Board has executive management responsibility for the UBS Group and its businesses. It assumes overall responsibility for the development of the Group and business division strategies and the implementation of approved strategies.

100

100

100



艺术帮助我在瑞银的工作更愉快，  
有意和有趣。

Works of art are uplifting and significantly  
enhance my day-to-day life.

**Paul Ouyang**



Paul Ouyang, UBS Investment Bank in  
Beijing, at one of many galleries around  
Beijing's well-known 798 Art District.

# Making sustainability the everyday standard

Our industry continues to play an important role in fostering growth and prosperity. So it's key that we act responsibly to ensure the societal change this brings about is for the better. And this applies to both our own activities and the products, services and advice we offer our clients.

We want to ingrain a culture of long-term thinking and action throughout the firm. Our objective is to be sustainable for our clients, shareholders and employees as well as for the communities in which we live and work.

We are aware of our clients' growing interest in societal issues and their wish to use their resources for the benefit and advancement of individuals, communities and societies around the world.

With our UBS and Society initiative we aim to integrate societal and financial performance for the maximum and mutual benefit of our clients and our firm as well as to generate a long-term, sustainable and measurable positive impact on our local communities. Ultimately, we aim to make sustainability the everyday standard throughout our firm.



Caroline Anstey, Global Head of UBS and Society, explains the initiative.

**What is UBS and Society?**

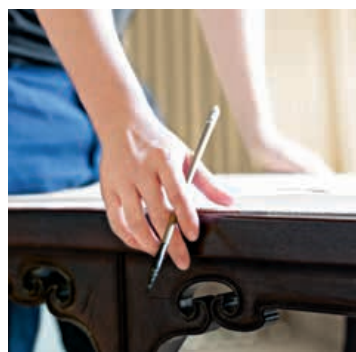
It's essentially about bringing together and then scaling up all UBS's work to help address societal issues. That means bringing together our community work, our philanthropy, and our sustainable investments. And bringing it together across the Group so we all play to our individual strengths, but in a coordinated way to push this agenda.

**What should we expect to see that's different?**

UBS is already doing a lot – from impact investing to sustainable real estate to matching funds for community initiatives. And UBS is a leader in how it approaches environmental and social risk. But as a Group we can do a lot more to integrate sustainability into our business and our product mix. We're seeing increased demand for this from our clients. And that demand will only grow. So I think the main change you'll see is that sustainability becomes mainstreamed across the business. Not as a nice add-on, but as core to who we are and what we do at UBS.

**What specifically will we do?**

First and foremost what we need to do now is deliver on the commitment we have made that 100% of client conversations should include a discussion on sustainability and philanthropy. That needs to be hardwired into our processes. We have also committed to build an industry-leading platform for research, advisory and products in the sustainable investing field.



**Paul Ouyang**

Paul holds a master's degree in financial engineering and a bachelor's degree in electrical and computer engineering from the University of Southern California. Apart from working at UBS, Paul has a passion for ink painting. He paints bamboo scenes in particular because, he says, the plant remains green throughout the year and represents the qualities of tenacity and a principled lifestyle. Paul likes to relax by listening to music, by cooking and by running. This helps clear his mind and recharge his batteries.

### **Integrating societal and financial performance**

As a global bank, we are particularly well positioned to act as an intermediary between capital and investment, and to offer our clients investments which combine a financial and societal purpose. We will continue to expand our capabilities in order to provide our clients with an industry-leading and integrated range of sustainable investing products and services, which will enable them to continue to invest with societal goals in mind. We also play a leading role in the development of impact investing, which couples returns for investors with positive, measurable social effects. (See pages 16–17.)

To date, 21% of our total invested assets are allocated along sustainable criteria. We have integrated environmental and social considerations across all business divisions into our advisory, research, investment, finance and ownership processes. Our shelf of products ranges from sustainable portfolio management across environmental, social and governance research to sustainable investment funds, combining established and innovative approaches.

UBS is also at the forefront in developing social finance instruments. In 2014, UBS Optimus Foundation partnered with Children’s Investment Fund Foundation to launch the first Development Impact Bond as a proof of concept in the education sector and beyond. In partnership with CAN Invest, we developed a new social investment loan fund aimed at accelerating positive early intervention impact on communities and individuals in the boroughs of East London.

### **Managing environmental and social risks**

Growing environmental and human rights concerns have resulted in a fast-changing regulatory and competitive landscape that affects our firm, our suppliers and our clients. In response to these emerging risks and opportunities, we are shaping appropriate commitments and solutions. In 2014, we published

our environmental and social risk policy framework to ensure that our stakeholders have a good understanding of our approach to environmental and social risk. We apply the environmental and social risk policy framework to all our activities. This helps us identify and manage potential adverse impacts on the environment and human rights, as well as the associated risks affecting our clients and our firm.

We have set standards in product development, investments, financing and for supply chain management decisions. As part of our due diligence process, we engage with clients and suppliers to better understand their processes and policies and to explore how any environmental and social risks may be mitigated. We avoid transactions, products, services, activities or suppliers if there are material environmental and social risks that cannot be properly assessed.

Our climate change strategy focuses on investments, financing, research and risk management, as well as our own operations. Deforestation and forest degradation is a threat to biodiversity. Recognizing related risks, we became members of the Roundtable on Sustainable Palm Oil in 2012 and joined its complaints panel in 2014; we endorsed the Banking Environment Initiative’s and Consumer Goods Forum’s Soft Commodities Compact; and we identified certain activities that lead to deforestation and its related impacts, in which we will not engage.

We are the convener of the Thun Group of Banks, an informal body of banking institutions that meets regularly to consider what the UN Guiding Principles on Business and Human Rights mean for the sector. The Thun Group’s discussion paper on banking and human rights has set an industry benchmark, and key elements of the paper are already reflected in our environmental and human rights policy and our environmental and social risk policy framework.



### Supporting our local communities

Our community investment activities are a key component of our firm's corporate responsibility. They comprise the engagement and activities of UBS and its employees to achieve a demonstrable positive impact in the social and economic well-being of the local communities in which we operate. Our long-standing Community Affairs program aims to overcome disadvantage in our local communities through a combination of targeted funding and the commitment and skills of our employees. Globally, we focus on education and entrepreneurship. Our approach is long-term and founded on building sustainable and successful partnerships with non-profit organizations and social enterprises to ensure that our contribution has a lasting impact. Here are just a few examples of our community investment activities around the globe.

**Switzerland** In 2014, more than 2,700 UBS employees across the country volunteered in a range of selected programs focusing on education, as well as on social and environmental matters. We strengthened our commitment to the growing Swiss social enterprise sector by introducing a skill-based mentoring program in collaboration with the Social Entrepreneurship Initiative & Foundation (seif). For the seventh year running, we partnered with Young Enterprise Switzerland (YES) in

### Our climate change commitment

We are determined to making a positive contribution to climate change mitigation and adaptation. We focus our efforts on the areas of risk management, investments, financing, research and our own operations. Here are just a few examples.

- *Risk management:* We participate in international efforts led by the UN Environment Programme Finance Initiative and World Resources Institute to develop greenhouse gas accounting and reporting guidance for financial intermediaries.
- *Investments:* Eight of Global Asset Management's sustainable real estate funds obtained the top ranking ("green star") from the 2014 Global Real Estate Sustainability Benchmark. Another example is UBS Clean Energy Infrastructure Switzerland, which offers institutional investors access to a diversified portfolio of Swiss infrastructure facilities and companies in the field of renewable energies and energy efficiency.
- *Financing:* In 2014, our Investment Bank supported 175 clients that contribute to climate change mitigation and adaptation, either in equity or debt capital market transactions (total deal value CHF 17 billion) or as financial advisor (total deal value CHF 14 billion).
- *Our operations:* In 2014, we continued to reduce UBS's greenhouse gas emissions and are now at 51% below the levels of baseline year 2004.



"In a changing environment, a winning firm is one that is able to adapt fast."

Paul Ouyang

their company program. More than 160 real-life businesses were entirely set up and run by groups of high school students.

**Americas** UBS NextGen Leaders is our education initiative to increase college graduation success among disadvantaged people. The five-year commitment will leverage strategic partnerships with leading college access and success organizations. Through our signature Elevating Entrepreneurs initiative, we continue to expand our commitment to drive entrepreneurial growth by providing access to mentoring, capital and

“We aim to foster a culture where responsible behavior is deeply embedded in our long-term thinking.”

**Axel A. Weber, Chairman of the Board of Directors**

training. We offered mentoring programs to small businesses in New York and Chicago. In total more than 2,500 employees donated 20,000 hours of their time to volunteering.

**Asia Pacific** We continued to invest in programs that range from direct impact on disadvantaged and at-risk youth, such as reading angels, after-school development programs, mentoring and leadership training, to capacity building, which encompasses projects such as upgrading school infrastructure, train-the-teacher programs, fostering innovative teaching methodologies, and charity leadership development series. Together, these programs benefit almost 20,000 children and youths in the Asia Pacific region every year.

**EMEA** The rollout of the global Education Initiative across EMEA through the partnership with Young Enterprise – Junior Achievement was part of our drive for more strategic alignment across regions. This initiative has already supported nearly 900 students in 5 countries, with 137 students sitting the “Entrepreneurial Skills Pass” exam – a groundbreaking internationally recognized skills qualification. The UBS EMEA flagship partner, the Bridge Academy, which is located in an area of extreme deprivation in London, received its first set of A-level results in August – 65% of its students secured places at universities including Cambridge, Manchester, Nottingham and Bath.

→ Find out more about corporate responsibility at UBS, visit [www.ubs.com/responsibility](http://www.ubs.com/responsibility) and [www.ubs.com/community](http://www.ubs.com/community)





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“Im Spitzesport han-y gleert au unter Drugg hohi Leischtig z’bringe – das isch eminänt wichtig in dr Bruefswält.”

As a professional athlete, I learned to perform under pressure, and that’s also essential in the world of business.

Joël Giger



Joël Giger, a former tennis pro, now works for UBS Wealth Management in Zurich.

# UBS and its businesses

We are committed to providing private, institutional and corporate clients worldwide, as well as retail clients in Switzerland, with superior financial advice and solutions, while generating attractive and sustainable returns for shareholders. Our strategy centers on our Wealth Management and Wealth Management Americas businesses and our leading universal bank in Switzerland, complemented by our Global Asset Management business and our Investment Bank.

These businesses share three key characteristics: they benefit from a strong competitive position in their targeted markets, are capital-efficient, and offer a superior structural growth and profitability outlook. Our strategy builds on the strengths of all of our businesses and focuses our efforts on areas in which we excel, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which we operate. Capital strength is the foundation of our success. The operational structure of the Group is comprised of the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Retail & Corporate, Global Asset Management and the Investment Bank.

**Wealth Management** provides comprehensive financial services to wealthy private clients around the world – except those served by Wealth Management Americas. UBS is a global firm with global capabilities, and Wealth Management clients benefit from the full spectrum of UBS's global re-

sources, ranging from investment management solutions to wealth planning and corporate finance advice, as well as a wide range of specific offerings. Its guided architecture model gives clients access to a wide range of products from third-party providers that complement our own products.

**Wealth Management Americas** is one of the leading wealth managers in the Americas in terms of financial advisor productivity and invested assets. It provides advice-based solutions and banking services through financial advisors who deliver a fully integrated set of products and services specifically designed to address the needs of ultra high net worth and high net worth individuals and families. It includes the domestic US and Canadian business as well as international business booked in the US.

**Retail & Corporate** provides comprehensive financial products and services to its retail, corporate and institutional cli-



## Joël Giger

Joël graduated from Lynn University, Boca Raton, Florida with a BSc in International Business. Prior to this, he spent several years as a professional tennis player competing in ATP World Tour tennis tournaments around the globe. Joël holds dual Swiss-Belgian citizenship and most of his family still live in Belgium, although he has rarely spent more than two weeks there at a time. His passions include art, literature, walking his dog, and acting, which, he says, all help him escape the pressures of everyday life.

ents in Switzerland, maintaining a leading position in these client segments and embedding its offering in a multi-channel approach. The retail and corporate business constitutes a central building block of UBS's universal bank delivery model in Switzerland, supporting other business divisions by referring clients to them and assisting retail clients to build their wealth to a level at which we can transfer them to our Wealth Management unit. Furthermore, it leverages the cross-selling potential of products and services provided by its asset-gathering and investment banking businesses. In addition, we manage a substantial part of UBS's Swiss infrastructure and Swiss banking products platform, which are both leveraged across the Group.

**Global Asset Management** is a large-scale asset manager with well-diversified businesses across regions and client segments. It serves third-party institutional and wholesale clients, as well as clients of UBS's wealth management businesses, with a broad range of investment capabilities and styles across all major traditional and alternative asset classes. Complementing the investment offering, the fund services unit provides fund administration services for UBS and third-party funds.

**The Investment Bank** provides corporate, institutional and wealth management clients with expert advice, innovative solutions, execution and comprehensive access to the world's capital markets. We offer advisory services and access to international capital markets, and provide comprehensive cross-asset research, along with access to equities, foreign exchange, precious metals and selected rates and credit markets,

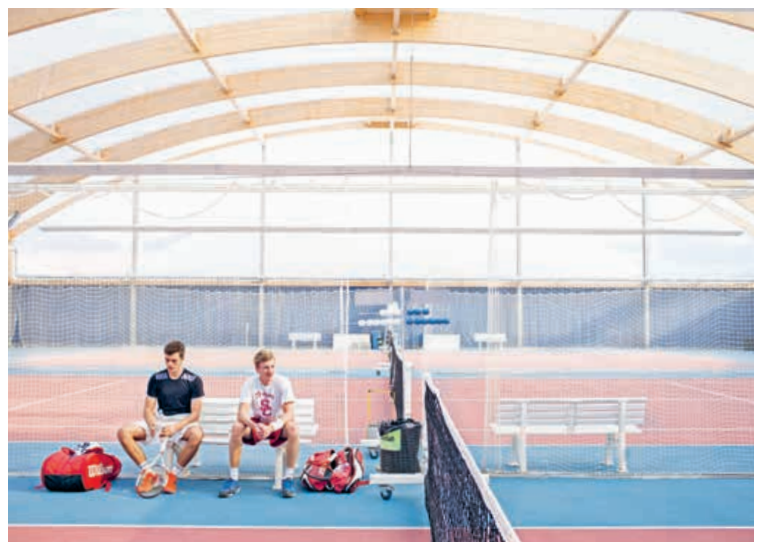
through our business units, Corporate Client Solutions and Investor Client Services. The Investment Bank is an active participant in capital markets flow activities, including sales, trading and market-making across a range of securities.

**Corporate Center** is comprised of Core Functions and Non-core and Legacy Portfolio. Core Functions include Group-wide control functions such as finance (including treasury services such as liquidity, funding, balance sheet and capital management), risk control (including compliance) and legal. In addition, Core Functions provide all logistics and support services, including operations, information technology, human resources, regulatory relations and strategic initiatives, communications and branding, corporate services, physical security, information security as well as outsourcing, nearshoring and offshoring. Non-core and Legacy Portfolio is comprised of the non-core businesses and legacy positions that were part of the Investment Bank prior to its restructuring.

As of 1 January 2015, Corporate Center – Core Functions was reorganized into two new components, Corporate Center – Services and Corporate Center – Group Asset and Liability Management (Group ALM).

“Banking has changed and become more dynamic. This requires us to adapt quickly to new trends.”

Joël Giger







“The point of volunteering is not to make yourself feel good, but to make others feel good and to make a positive difference.”

Bridget Wilcox

Bridget Wilcox of Wealth Management Americas crossing the Avenue of the Americas on her way to another busy day at the office.

# It's all about the future

This year's Annual Review – Shaping the future – features some of the young talents in our graduate and apprenticeship programs.

At UBS, we aim for excellence in all we do, and this begins with our employees. It is fundamental to our continued success that we hire highly talented individuals, support their ongoing development, and effectively leverage their skills to meet our clients' evolving needs.

Whether we are hiring executives with many years' experience, specialists, generalists or individuals just finishing school and university, we look for the kind of people who will help ensure the firm's success for the benefit of our clients, employees and shareholders. We are committed to investing in our employees, no matter what stage they are at in their career. But we put special emphasis on developing our next generation of leaders and devote significant time and resources to early career programs that attract, recruit and train the best people.

Why do we do all this? For us, obviously, it's one way to make sure that we have a strong pipeline of future talent that will contribute to UBS's competitiveness and continued success. At the same time, we think it's worthwhile to offer a diverse, global group of individuals their first opportunity to gain experience in the workplace. And finally, our commitment to these programs underscores our desire to contribute to the communities in which we operate.

In 2014, we hired almost 500 university graduates into our graduate training programs, in addition to hiring around 1,000 interns. At the same time, in Switzerland we hired over 300 new apprentices into our business and IT apprenticeship programs and about 200 trainees into our All-Round Traineeship Program for Swiss high school graduates. We also joined the Global Apprenticeship Network in 2014 to help us contribute to, and benefit from, sharing best practices on job training programs.





Rector Street  
Station  
Uptown & The Bronx

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# Forging a career at UBS

We are a truly global firm and our people are our greatest asset. Their drive, talent and experience enable us to continue to deliver for our clients and build for future success. Each day over 60,000 UBS employees in 893 offices and 56 countries work together for the benefit of our clients and shareholders.

We are proud of our high-performance and collaborative culture. It complements our strategy – as companies with strong cultures outperform those without. To thrive at UBS, employees must demonstrate integrity, collaboration and the confidence to constructively challenge the status quo. A diverse and inclusive work environment is also key. In our experience, diverse teams have a better understanding of clients' needs and are more innovative. And high-quality people are more likely to be attracted to (and succeed in) such an environment.

We aim to give our employees what they need to excel. We invest in them and offer on-the-job, e-learning and classroom-based training. This provides all our employees with the opportunity to develop their skills and knowledge while they grow their careers.

Our commitment to investing in people helps build the firm's reputation as a great place to work. But don't simply take our word for it.

#### **Here are just a few examples of the external recognition we received in 2014:**

"Best Global Bank" (*Euromoney*, Awards of Excellence)

"World's Most Attractive Employers – global top 40" (Universum)

*Working Mother* magazine's "100 Best Companies"

"Best Global Private Bank" (*Euromoney*)

"Best Bank in Switzerland" (*Euromoney*)

"Corporate Derivatives House" and "Structured Products House of the year" – Investment Bank (GlobalCapital, Global Derivatives Awards)

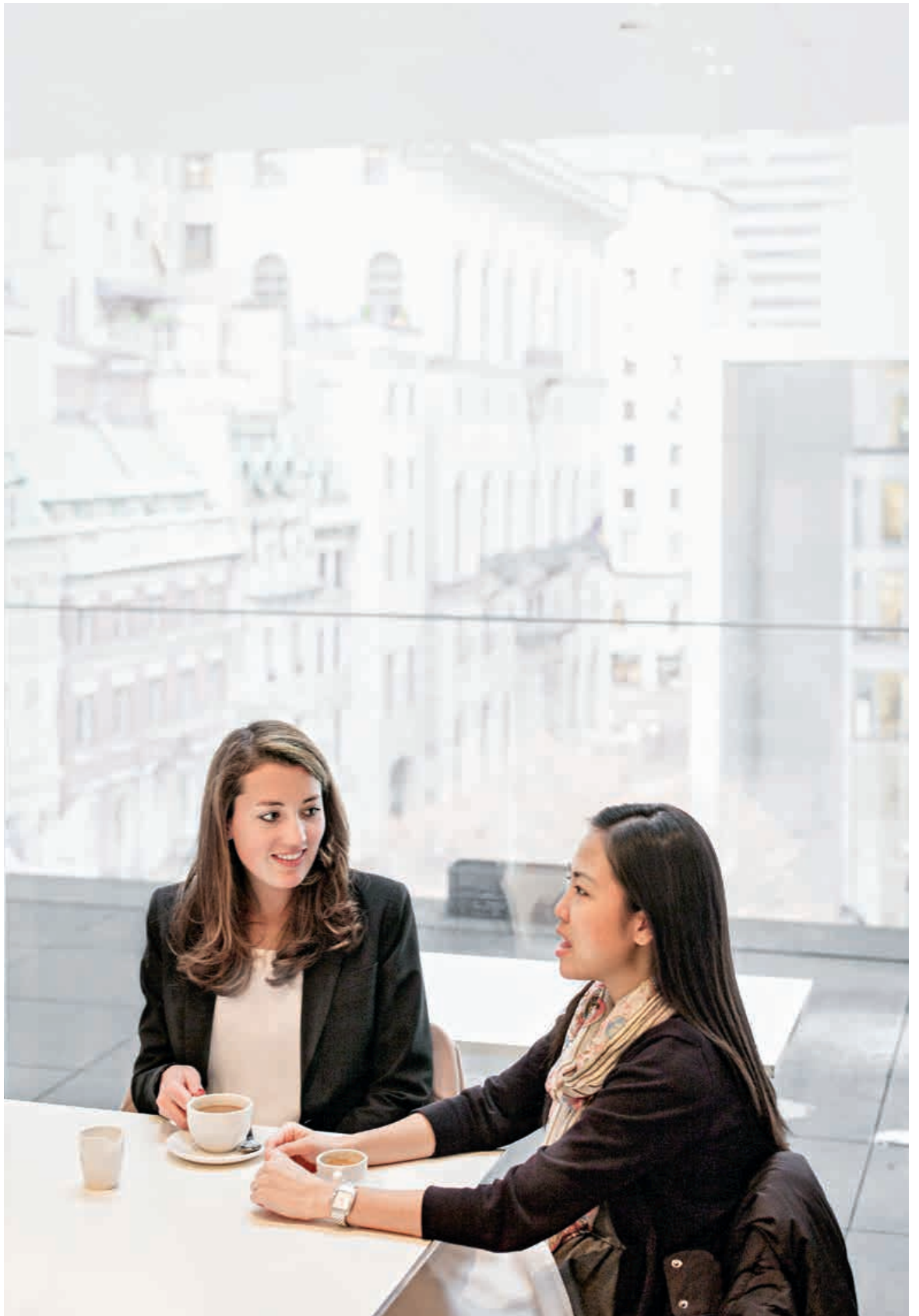
→ Find out more about careers at UBS, visit [www.ubs.com/careers](http://www.ubs.com/careers)

"It's important to look outside of yourself and help others – every small action counts."

**Bridget Wilcox**







## Bridget Wilcox

Bridget graduated from Bucknell University, where she majored in Business Management and minored in Chinese. While at Bucknell, Bridget captained the women's golf team, leading it to its first NCAA Patriot League Championship. Bridget still holds the school record for the lowest 18 hole round at 3 under par. She continues to play golf competitively, is a keen gourmet cook and an accomplished violinist. Her high school motto was "Not to be served but to serve" – and she continues to live by this principles. Since its inception 15 years ago, she has been an active fundraiser for her family's foundation, which raises money for the victims of domestic violence and the New Jersey Battered Women's Shelter.

# Find out more about UBS

## Would you like to know more about us?

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### Our businesses, capabilities and offerings

Visit our website: [www.ubs.com](http://www.ubs.com)

### Our financial performance and shares

[www.ubs.com/investors](http://www.ubs.com/investors)

### Our corporate governance

[www.ubs.com/governance](http://www.ubs.com/governance)

### Our strategy

[www.ubs.com/strategy](http://www.ubs.com/strategy)

### Our Wealth Management Research

[www.ubs.com/research](http://www.ubs.com/research)

### Our locations

[www.ubs.com/locations](http://www.ubs.com/locations)

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## Are you interested in our financial information?

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### Financial reports

Download and order print publications:

[www.ubs.com/annualreport](http://www.ubs.com/annualreport)

[www.ubs.com/quarterly-reporting](http://www.ubs.com/quarterly-reporting)

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[www.ubs.com/presentations](http://www.ubs.com/presentations)

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## Are you interested in working for us?

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### Career opportunities

[www.ubs.com/careers](http://www.ubs.com/careers)

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## Would you like to be kept informed?

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### Subscribe to news alerts and calendar reminders, choose among our apps and podcasts

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### To stay up to date with the latest news about UBS, join us on social media and at

[www.ubs.com/socialmedia](http://www.ubs.com/socialmedia)



## Imprint

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Publisher: UBS Group AG, Zurich,  
Switzerland | [www.ubs.com](http://www.ubs.com)

Photography: Martin Rüttschi, Schindellegi, Switzerland  
Illustrations/Design/Layout: Corinne Spielmann, UBS, Switzerland  
Art direction: Michael Gubser, UBS, Switzerland  
Editorial concept: Christiane Kamp, UBS, Switzerland  
Printed by Neidhart + Schön AG

Languages: English/German/French/Italian | SAP-No. 80530E-1501

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## Do you have general questions?

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### Switchboards

For all general queries.

Zurich +41-44-234 1111

London +44-20-7567 8000

New York +1-212-821 3000

Hong Kong +852-2971 8888

### UBS Card Center

Website [www.ubs.com/cards](http://www.ubs.com/cards)

Hotline +41-44-828 3134

### UBS Online Services

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Hotline +41-848-848 064

### UBS Service Line Switzerland

Hotline +41-848-848 054

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## Corporate calendar

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### 5 May 2015

First-quarter 2015 results

### 7 May 2015

Annual General Meeting

### 28 July 2015

Second-quarter 2015 results

### 3 November 2015

Third-quarter 2015 results

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The Annual Review 2014  
"Shaping the future" will be  
available at the beginning of  
April 2015 in an iPad version at  
UBS Newsstand/Annual Review  
and in a PDF version  
on [ubs.com/investors](http://ubs.com/investors).



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climate neutral

Print | ID: 53232-1502-1017

## Contact information for media and investors

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investorrelations@ubs.com  
www.ubs.com/investors

Hotline +41-44-234 4100  
New York +1-212-882 5734  
Fax (Zurich) +41-44-234 3415

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London +44-20-7567 4714  
ubs-media-relations@ubs.com

New York +1-212-882 5857  
mediarelations-ny@ubs.com

Hong Kong +852-2971 8200  
sh-mediarelations-ap@ubs.com

### Shareholder Services

For the administration of the global  
registered shares.

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P.O. Box, CH-8098 Zurich, Switzerland

sh-shareholder-services@ubs.com

Hotline +41-44-235 6652  
Fax +41-44-235 8220

### Shareholder portal

www.ubs.com/shareholderportal

### US Transfer Agent

For all global registered share-related queries  
in the US.

Computershare Trust Company NA  
P.O. Box 30170  
College Station, TX 77842-3170

Web.queries@computershare.com  
[https://www-us.computershare.com/investor/  
Contact](https://www-us.computershare.com/investor/Contact)

Calls from the US +1-866-305-9566  
Calls from outside the US +1-781-575-2623  
TDD for hearing impaired +1-800-231-5469  
TDD Foreign Shareholders +1-201-680-6610

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## Corporate information

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**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 identifi-  
cation 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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**Cautionary Statement Regarding Forward-Looking Statements** | This document contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS’s business and future development. While these forward-looking statements represent UBS’s judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations. 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.

**Adjusted and underlying results** | Please refer to the “Group performance” section of the Quarterly Reports 2014 for more information on adjusted or underlying results.

**Rounding** | Numbers presented throughout this document 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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CH-8098 Zurich

[www.ubs.com](http://www.ubs.com)

