Our *compensation* in 2013

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2013 compensation highlights and key changes

Performance achievements and performance award pool

A year ago, we committed to continue adapting our business to better serve clients, reduce risk, deliver more sustainable performance and enhance shareholder returns. In 2013, we made good progress in achieving all these goals and finished the year ahead of the majority of our performance targets.

Our business divisions posted strong results for 2013. Our adjusted Group profit before tax increased 44% year on year to CHF 4.1 billion. Our industry-leading fully applied Basel III common equity tier 1 (CET1) capital ratio increased by 300 bps to 12.8%, surpassing our 2013 target. Fully applied Basel III risk-weighted assets were reduced to CHF 225 billion, mainly due to disposals and other risk reduction in our Non-core and Legacy Portfolio, exceeding our 2013 year-end target and in line with our target for 2015. We significantly deleveraged our balance sheet, reducing total assets by CHF 250 billion. Maintaining cost discipline is critical to our long-term success. In 2013, we achieved our CHF 2 billion gross cost reduction target announced in July 2011.

A year ago, our 2012 performance award pool was significantly affected by the LIBOR matter, negatively impacting awards in the Investment Bank, in some areas of the Corporate Center, as well as the awards to the Group CEO and the other Group Executive Board (GEB) members. Based on the strong performance in 2013, we normalized our performance award levels for those areas most negatively affected last year and reduced gaps to market pay levels, leading to a performance award pool for 2013 of CHF 3.2 billion, which is 28% higher than for 2012. However, reflecting the reduced awards and longer deferrals in recent years which have resulted in decreased charges in 2013 for prior-year deferrals, the cost of performance awards was flat year on year on an accounting basis (IFRS).

While stability and predictability in our compensation framework are important, we have made some refinements to our framework in 2013 in response to the competitive environment and feedback from our shareholders.

Refinements to the GEB compensation framework

We introduced individual caps on performance awards of a maximum of five times the base salary for the Group CEO and a maximum of seven times the base salary for other GEB members. These caps are in addition to the overall GEB pool cap of 2.5% of adjusted Group profit before tax that we introduced last year.

We changed the GEB's performance award deferral mix by increasing the weighting of the equity portion under the Equity Ownership Plan (EOP) to at least 62.5% from 50% of the deferred amount and by decreasing the Deferred Contingent Capital Plan (DCCP) portion to 37.5% from 50%.

We increased the DCCP's phase-in CET1 capital ratio trigger to 10% from 7% for all GEB members including the Group CEO so that, if this capital ratio falls below 10%, the affected deferred performance awards would be written down to zero.

We based all GEB performance awards, including for the Group CEO, on financial and qualitative measures that were clearly defined and quantified in terms of relative weightings.

Refinements to the compensation framework for employees below GEB level

We changed the performance award deferral mix by increasing the weighting of the EOP portion to 60% of the deferred amount from 50% and reducing the DCCP portion to 40% from 50%.

Reflecting market dynamics, we raised the threshold of compensation levels subject to deferrals. We introduced deferral rates ranging from 40% to 75% compared with the previously flat rate of 60%, and better aligned performance award conditions to the firm's targets. In general, this means employees at the lower end of the compensation scale benefited from lower levels of deferral than in previous years, while those at the higher end of the compensation scale were subject to higher levels of deferral.

The combined effect of the changes to deferral rates and threshold for all employees below the GEB level resulted in additional compensation expenses of CHF 0.2 billion for 2013.

Key regulatory developments

The "Ordinance against excessive pay in stock exchange listed companies," issued by the Swiss Federal Council in November 2013 and effective from 1 January 2014, requires Swiss listed companies to submit the compensation of the GEB and Board of Directors (BoD) to shareholders for a binding vote annually. The Human Resources and Compensation Committee and BoD are being provided with regular updates on the impact and proposed implementation of the Ordinance. The first vote on BoD and GEB compensation will be held at the 2015 Annual General Meeting of Shareholders (AGM).

Another key regulatory development is the impact of the European Union's Capital Requirements Directive IV on affected employees and the related implementation of the performance award cap for 2014 for this population. As a result of these requirements, we will submit for approval at the 2014 AGM a proposal concerning the award cap for variable compensation for affected employees.

Details regarding both of these measures will be provided as part of the agenda for the AGM.

➔ Refer to the "Regulatory and legal developments" section of our Annual Report 2013 for more information

Dear shareholders,

We are on track with the implementation of our ambitious strategy. To ensure this continues, we further anchored our strategy and a culture of accountability into our compensation framework during 2013.

We have built on the important strides we took in 2012 with the adoption of a revised compensation model founded on incentivizing disciplined capital management and with performance awards based on risk-adjusted profitability. In 2013, the Human Resources and Compensation Committee reviewed the firm's compensation model to ensure it continues to reinforce our employees' focus on medium- and longer-term performance, and in response to the competitive environment and feedback from our shareholders. Consequently, we made two key refinements to our plans during 2013. Firstly, we increased the weighting of the Equity Ownership Plan (EOP) to sharpen employees' focus on future shareholder value creation. The increased weighting of the EOP underlines our commitment to deliver attractive returns to our shareholders and employees alike. Secondly, we raised the forfeiture trigger level of the Deferred Contingent Capital Plan (DCCP) for the Group Executive Board (GEB), thereby significantly increasing the sensitivity of their compensation to a possible common equity tier 1 (CET1) capital ratio reduction.

We aim to foster a true culture of accountability at all levels of the firm. We strive to embed this core value into our daily actions including integrating safeguards on pay with appropriate governance oversight. To this end we made the following amendments to our compensation policies: we introduced a cap on the proportion of fixed to variable compensation for GEB members in addition to the cap of 2.5% of adjusted Group profit before tax for the GEB performance pool implemented a year ago. We now disclose in more detail the parameters we considered and how they were weighted in this year's GEB performance award assessment process.

Below GEB level, we established greater differentiation in the deferral rates of the performance awards at the individual level based on total compensation. While deferral rates have been reduced for some, improving market competitiveness, the marginal deferral rate at the higher end of the scale has been increased, placing more compensation at risk. Furthermore, we continue to take a strong stance on long-term accountability with our performance award plans. The lengths of our vesting periods are demanding compared with the industry, with plan durations of three to five years for the GEB and two to five years for employees below GEB level. These lengthy deferral periods are designed to ensure appropriate risk-taking.

In 2013, we increased profits and shareholder returns. Our business divisions posted strong results and were profitable in every quarter, demonstrating that our business model has the flexibility to deliver in a variety of market conditions. Our employees met the continued challenges affecting our industry with energy, determination and commitment, enabling us to deliver for both our clients and shareholders. While the performance of our businesses improved significantly during 2013 and we finished the year ahead of many of our targets, we remain fully committed to moderation in performance-related pay.

In 2013, adjusted Group profit before tax increased 44%. Reflecting the firm's strong performance, the Board of Directors (BoD) is recommending a 67% increase in the dividend for shareholders. By way of comparison, we took the decision to increase the overall performance award pool 28% to CHF 3.2 billion. The increase compared with 2012 also reflects the fact that a year ago we addressed issues of the past that weighed on our performance. This resulted in pay that was understandably at the lower end of the scale compared with the industry. While the performance award pool increased 28%, the actual recognized performance award expenses remained flat compared to 2012, reflecting the lower awards in recent years and the strong deferral component in our compensation plans.

Looking ahead, we will continue to assess and refine our compensation framework to promote sustainable performance, risk alignment and competitive pay positioning against the backdrop of increasing regulation and a changing business environment. We intend to strike and maintain a balance whereby we reward employees effectively and responsibly. To ensure our continued success, we need to attract and retain the best people to deliver sustainable performance for our shareholders. As part of our endeavors, we will remain responsive to our shareholders and seek out opportunities to engage with them on compensation matters.

As a result of the implementation of the Ordinance against excessive pay issued by the Swiss Federal Council, from 2015 onwards we will not only have an advisory vote on the compensation report, but will also seek shareholder approval on the compensation for the GEB and BoD. Revised Articles of Association, outlining the framework for the binding approval, will be presented at the upcoming Annual General Meeting (AGM). Furthermore, in accordance with the EU Capital Requirements Directive 2013, the BoD will propose, via a shareholder advisory vote, a cap of 2:1 for variable versus fixed compensation for UK-based employees whose professional activities could have a material impact on the firm's risk profile in the UK.

The BoD and I would like to offer our sincere thanks to our shareholders for the time they took to meet with us and share their views on compensation. Over the following pages you will find details of UBS's compensation programs and decisions for 2013, for which we will seek your support at our AGM in May 2014.

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

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

2013 performance and compensation funding

Our performance in 2013 demonstrated both the strength of our business model, which is designed to provide sustainable and attractive results with a much lower capital and risk profile, and the focused and disciplined manner in which we continue to implement our strategy. As a result, the performance award pool for 2013 was increased to CHF 3.2 billion, 28% higher than in 2012.

Our performance in 2013

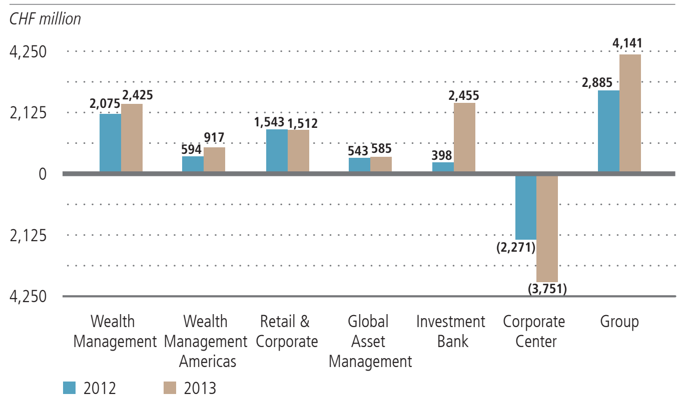
Overall for 2013, we reported an adjusted[1] Group profit before tax of CHF 4.1 billion, a net profit attributable to UBS shareholders of CHF 3.2 billion and diluted earnings per share of CHF 0.83.

In 2013, we further enhanced our position as one of the world's best-capitalized banks, exceeding our year-end capital target. On a fully applied basis our Basel III common equity tier 1 (CET1) capital ratio increased 300 bps to 12.8%, ahead of our 2013 target of 11.5%. We achieved this improvement primarily through reductions in fully applied risk-weighted assets (RWA) of CHF 33 billion to CHF 225 billion at year-end. Our capital strength gives us the flexibility to execute our strategy effectively. Additionally, it reinforces client confidence while allowing us to address the challenges of the past and to absorb unexpected events. We also continued to successfully deleverage our balance sheet, reducing total assets by CHF 250 billion. Our funding, liquidity and leverage ratios remain comfortably above our regulator's current requirements. In line with one of our strategic objectives to improve efficiency, during the year we surpassed our CHF 2 billion gross cost savings target announced in the second half of 2011, although substantial work remains to be done to achieve the gross cost savings targets we announced in 2012. As a result of our improved performance, the Board of Directors (BoD) is recommending a 67% increase in the dividend for shareholders for 2013 to CHF 0.25 per share. This is consistent with our commitment to progressive capital returns to our shareholders.

Summary of financial performance for 2013 and 2012

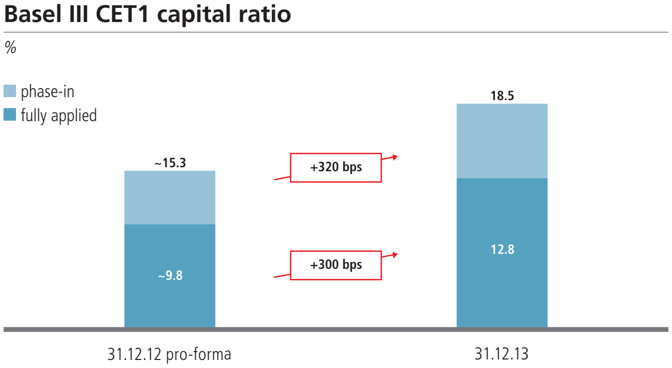
CHF billion	2013	2012
Operating profit / (loss) before tax as reported	**3.3**	(1.8)
Impairment of goodwill and other non-financial assets	0.0	3.1
Own credit	0.3	2.2
Net restructuring charges	0.8	0.4
Other	(0.2)	(1.0)
Operating profit / (loss) before tax (adjusted)[1]	**4.1**	2.9

Operating profit / (loss) before tax (adjusted)[1] for the Group and business divisions

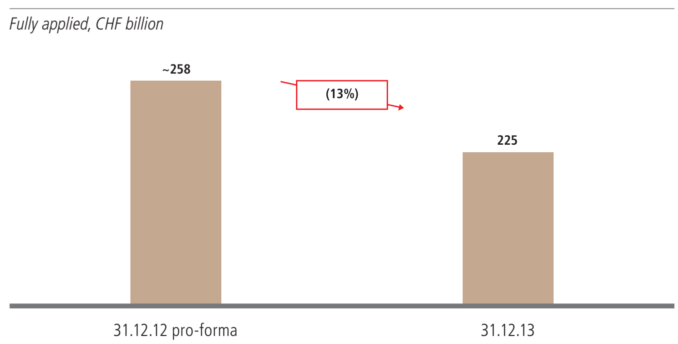


1 For 2013, adjusted operating profit / loss before tax excludes each of the following items, to the extent applicable, on a Group and business division level: an own credit loss of CHF 283 million, gains on sales of real estate of CHF 288 million, net losses of CHF 167 million related to the buyback of debt in public tender offers, net restructuring charges of CHF 772 million, a gain on sale of Global Asset Management's Canadian domestic business of CHF 34 million and a net gain on sale of remaining proprietary trading business of CHF 31 million. For 2012, the items we excluded were an own credit loss of CHF 2,202 million, gains on sales of real estate of CHF 112 million, net restructuring charges of CHF 371 million, a credit related to changes to the Swiss pension plan of CHF 730 million, a credit related to changes to our retiree benefit plans in the US of CHF 116 million and an impairment of goodwill and other non-financial assets of CHF 3,064 million. Refer to the "Group performance" section in our Annual Report 2013 for more information on adjusted results.

Basel III CET1 capital ratio



Basel III RWA



Our business divisions posted strong results for the year, demonstrating that our model has the flexibility to adapt and perform well in a variety of market conditions. Our success has given our clients even greater confidence in the firm. Net new money inflows into our wealth management businesses totaled CHF 54 billion for the year, an increase of 14% year on year. We were recognized as the largest and fastest growing large-scale wealth manager in the world[1]. Wealth Management Americas achieved new records with invested assets of USD 1 trillion[2], adjusted[3] profit before tax of USD 1 billion[4] and with revenue per financial advisor at over USD 1 million. Our Retail & Corporate business showed sustained profitability despite considerable pressure on net interest margins, and average client deposit volumes increased year on year. Global Asset Management recorded a stable performance in challenging markets with an 8% increase in adjusted[3] profit before tax, although it did experience net new money outflows, excluding money market flows, of almost CHF 5 billion. The Investment Bank delivered significantly higher adjusted[3] profit before tax of CHF 2.5 billion, achieving an adjusted[3] return on attributed equity of 31%, significantly above its target of greater than 15%. This was achieved while operating well within strict RWA and balance sheet targets. All business divisions operated within their cost/income ratio targets and focused on using resources efficiently. In the Corporate Center, profit before tax was negatively affected by continuing elevated charges for provisions for litigation, regulatory and similar matters primarily in Non-core and Legacy Portfolio, by negative treasury income and by restructuring charges. However, reduction of RWA in Non-core and Legacy Portfolio was ahead of our targets and was executed in a manner that protected shareholder value, allowing the Group to exceed its capital ratio target.

Performance award pool funding

Business performance is the basis of our compensation funding framework. We measure our performance in a variety of ways, including profitability, quality of earnings, contribution before performance award and economic contribution before performance award, which is a risk adjusted measure of performance. In addition to the key performance metric of risk-adjusted profitability, we use a number of criteria to assess the performance of each of our business divisions and Corporate Center. Examples include the following:

- In our wealth management businesses, we use criteria such as the level of net new money generated, cost/income ratio and gross margins.
- In Retail & Corporate, we consider factors such as net new business volume growth, net interest margin and cost/income ratio.
- In Global Asset Management, we use criteria such as net new money growth rate, gross margin and cost/income ratio.
- In the Investment Bank, we consider factors such as pre-tax return on attributed equity, cost/income ratio and capital utilization.
- For Corporate Center – Core Functions, we look at factors such as risk and capital management and cost reduction.
- For Corporate Center – Non-core and Legacy Portfolio, we consider RWA reductions and exit costs.

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

Each business division's performance award pool is accrued as a percentage of the pre-performance award pool profit. This figure is then risk adjusted by factoring in a risk capital charge as well as further considerations of relevant risk metrics. The percentage is further affected by items such as changes in performance during the year, quality of earnings, affordability and market positioning. The percentage increases or decreases as performance declines or improves. If a business division's profits increase, the proportion of profits we allocate to pay performance awards is generally reduced. In good years, this helps to prevent excessive compensation and allows us to return more capital to shareholders. In lean years, it provides us with the flexibility to make adequate provisions to retain key employees. For the purposes of performance award pool funding, business division performance is adjusted for items which do not reflect their underlying performance, such as gains related to divestments or sales of real estate, restructuring charges and gains or losses on own credit.

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

In determining performance award funding at all levels we take the following key risks into account, as applicable: credit, market, liquidity, funding, operational, including legal and compliance, and reputational risk. We consider as well the number of operational risks and audit recommendations that are effectively resolved.

The Human Resources and Compensation Committee (HRCC) monitors the forecasted full-year performance award pool on a regular basis. This includes a regular review of year-to-date accruals to ensure alignment to the overall performance of the firm and taking account of the competitive environment.

At the end of each year, the Group CEO, after consultation with the business division CEOs, develops the final performance award pool recommendation for the year. If the Group CEO believes that a business division's performance award pool does not properly reflect its achievements, the Group CEO can recommend a change to

1 Scorpio Partnership Private Banking Benchmark 2013, based on 2012 data for banks with assets under management of over USD 500 billion. 2 Invested assets of USD 970 billion. 3 Refer to the chart "Operating profit/(loss) before tax (adjusted) for the Group and business divisions" on the previous page for details on adjusted results. 4 Full year adjusted profit before tax of USD 991 million.

the size of the pool. The proposal is then submitted to the HRCC for consideration.

The HRCC considers all recommendations in the context of the firm's overall performance, capital strength and risk profile, market positioning and trends of the businesses and geographies in which we operate. The HRCC ensures recommendations are in line with our strategy and the philosophy and objectives embodied in our Total Reward Principles to create sustainable shareholder value. The HRCC can either accept the Group CEO's proposal, or adjust it either downwards or upwards before submitting it to the BoD for final approval.

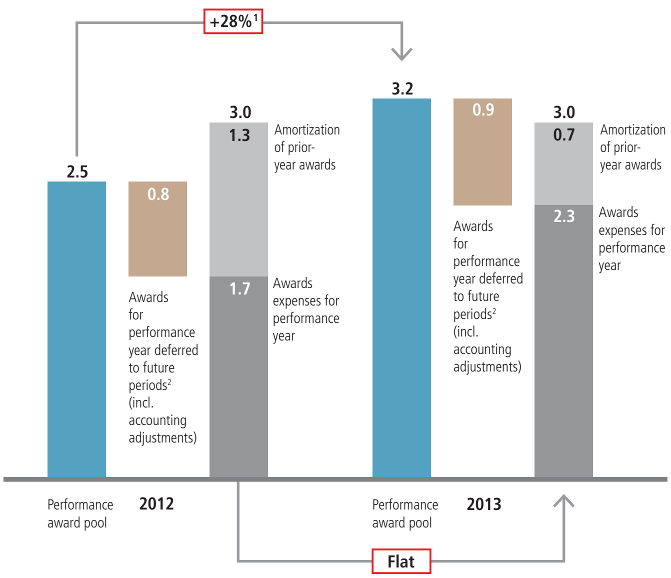
2013 performance award pool and expenses

The performance award pool for 2013 was CHF 3.2 billion, an increase of CHF 0.7 billion, or 28%, compared with 2012. The pool reflects our overall increased profitability, the quality of earnings, and our progress towards achieving our strategic objectives. Our 2012 performance award pool was significantly affected by the LIBOR matter, negatively impacting awards in the Investment Bank, some areas of the Corporate Center as well as the awards to the GEB including the Group CEO. In 2013, we finished the year ahead of many of our strategic and financial targets. We normalized performance award levels in areas negatively affected last year and reduced gaps to market pay levels in light of our absolute and relative achievements. Our achievements in 2013 and the proposed increase in distributions to our shareholders illustrate the continuing shift in the relationship between compensation, capital and dividends. The performance award pool includes all discretionary, performance-based variable awards for 2013.

The "Performance award expenses" chart below compares the performance award pool with the performance award expenses for the financial year 2013. Performance award expenses remained flat at CHF 3.0 billion and included expenses related to 2013 compensation awards and amortized expenses related to awards made in prior years. The 2013 expenses reflected increases for current year performance awards, offset by decreased amortized expenses from prior years' awards.

Performance award expenses

CHF billion



1 Excluding add-ons such as social security. 2 Estimate. The actual amount to be expensed in future periods may vary, for example due to forfeitures.

2013 compensation for the Group CEO and the other Group Executive Board members

Group Executive Board (GEB) awards are made at the discretion of the Board of Directors (BoD). The BoD takes into account the overall performance of the Group and the available performance award pool funding. For GEB members in office for 2013, performance awards were up 20% year on year, whereas the overall performance award pool for all employees increased 28%.

Key features of our 2013 compensation framework for the Group Chief Executive Officer (Group CEO) and the other members of the GEB

Pay for performance

The Human Resources and Compensation Committee (HRCC) reviews the performance of our Group CEO and other GEB members against the Group's performance targets. The GEB's performance awards are based on financial and non-financial performance measures and consider performance of the individual and the Group overall.

- In 2013, the Group CEO / GEB performance scorecard was introduced. This is based on a set of financial and qualitative measures, and provides a framework for a balanced assessment. Group level, business division, regional, functional and qualitative performance measures are included in combination, depending on the individual GEB member's remit
- Compensation plan forfeiture provisions enable the firm to reduce the unvested deferred portion if the compensation plans' relevant performance conditions are not achieved. This means
  - the vesting of EOP awards depends on both Group and divisional performance
  - DCCP awards only vest in full if the firm delivers an adjusted profit before tax and our phase-in common equity tier 1 (CET1) capital ratio does not fall below 10%. This is a higher threshold than the 7% CET1 capital ratio trigger applicable in 2012. Like last year, annual interest is only paid if UBS achieves an adjusted profit before tax during the vesting period

Safeguards

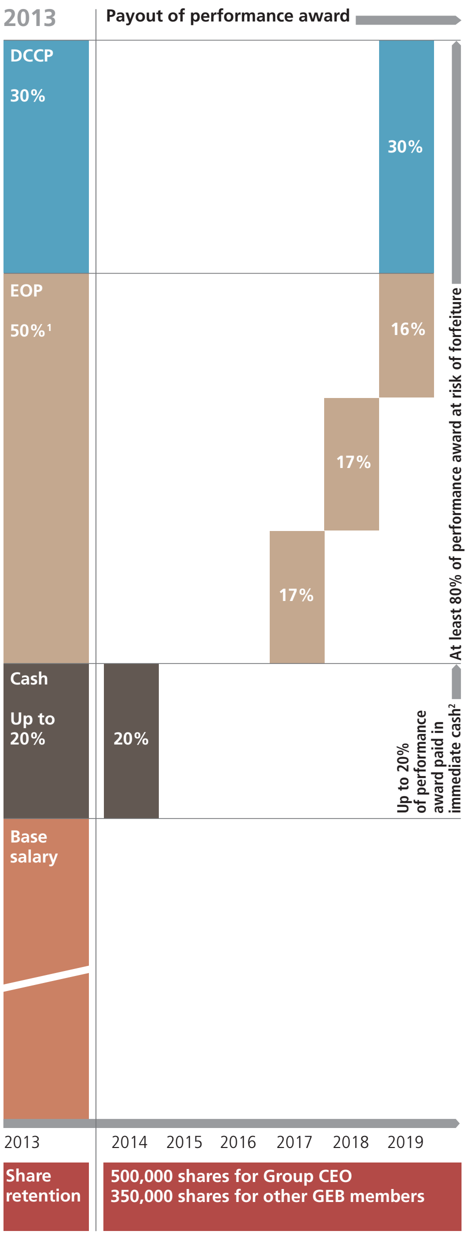
Our compensation framework contains a number of features designed to ensure that risk is appropriately managed with safeguards to limit inappropriate risk-taking. Our framework has

- a balanced mix of shorter-term and longer-term performance awards with a focus on deferral
- a cap on the total GEB performance award pool of up to 2.5% of adjusted Group profit before tax
- individual caps on the proportion of fixed to variable pay for the Group CEO and other GEB members
- a share ownership policy under which each GEB member must build up and hold a minimum of 350,000 shares. The Group CEO must build up and hold a minimum of 500,000 shares
- an evaluation of the risk control effectiveness and adherence of each GEB member as part of their individual qualitative assessment
- employment contracts that generally include a six-month notice period
- provisions that enable the firm to trigger forfeiture of some, or all, of the unvested deferred performance award if an employee commits certain harmful acts or employment is terminated for cause. Generally, we regard the following as harmful acts:
  - contributing substantially to a significant downward restatement of the Group's or a business division's results, or to the Group incurring significant financial losses
  - engaging in conduct and / or failing to discharge supervisory or managerial responsibilities that results in detriment to UBS, including reputational harm
  - engaging in conduct that materially violates legal and regulatory requirements or internal policies and procedures
  - improperly disclosing confidential or proprietary information
  - soliciting UBS employees or clients

2013 compensation framework for GEB members

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

Illustrative example



Replicates many of the features of loss-absorbing bonds.

Award cliff vests in year 5, subject to forfeiture if a capital ratio trigger or viability event occurs. The awards are subject to 20% forfeiture for each financial year if UBS does not achieve an adjusted Group profit before tax.

Notional interest payments will be made annually in years where the firm achieves an adjusted Group profit before tax.

Awards are subject to continued employment and harmful acts provisions.

Notional shares awarded.

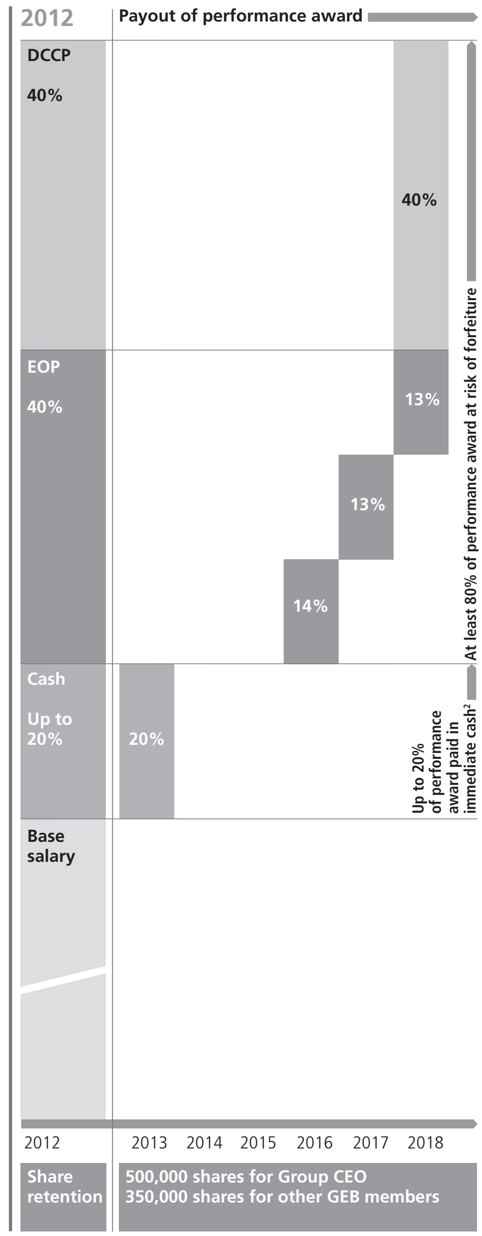
Award vests in equal installments in year 3, 4 and 5, subject to both Group and divisional performance over the three financial years before vesting. The amount forfeited may be up to 100% of the installment due to vest.

Awards are subject to continued employment and harmful acts provisions.

Up to 20% paid out immediately, subject to a cash cap of CHF/USD 1 million. To the extent that less than 20% is paid in immediate cash, the excess amount will be delivered in EOP.

GEB members are required to hold a certain number of UBS shares as long as they are in office.

This holding has to be built up within a maximum period of five years from the date of their appointment to the GEB.



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

Base salary

Each GEB member receives a fixed base salary, which is reviewed annually by the HRCC. GEB salaries, excluding the Group CEO, were unchanged from CHF 1.5 million (or currency equivalent), which was set by the BoD in early 2011. Since his appointment, the Group CEO's base salary was set at CHF 2.5 million.

Pensions and benefits

Pensions contributions and benefits for GEB members are in line with local practices for other employees.

➔ Refer to "Note 28 Pension and other post-employment benefit plans" in the "Financial information" section of our Annual Report 2013 for details on the various major post-employment benefit plans established in Switzerland and other countries

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

The Group CEO and other GEB members are eligible to receive an annual performance award at the full discretion of the BoD. In 2013, we enhanced our performance assessment approach based on a balanced scorecard. We assess an individual's performance against a number of financial and qualitative key performance indicators (KPI).

The financial factors determining the Group CEO's annual discretionary performance award are based on Group performance. For other GEB members, the financial criteria are split between Group performance and that of their relevant business division (BD) and / or region. Those who lead Group control functions, or who are solely regional CEOs, are assessed based on the perfor-

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

Quantitative measures (65% weighting)	Qualitative measures (35% weighting)
The quantitative factors are aligned with the Group's strategic plan. They are mainly based on the Group measures, supplemented with business division, regional or functional KPI for business division, regional or Corporate Center GEB members, and include the following: – Group return on equity (as reported) – adjusted Group profit before tax – fully applied common equity tier 1 (CET1) capital ratio – business division and / or regional KPI (if applicable) – functional KPI (for Corporate Center GEB members) Both regional and functional KPI may consist of some qualitative measures.	The qualitative factors assess how effective the Group CEO / GEB member is in respect of the following: – clients – evaluates how effective the individual is in increasing client satisfaction and maintaining high levels of satisfaction over the long term. This includes promoting cross-business division collaboration and fostering the delivery of the whole bank to our clients – people and culture – assesses the extent to which the individual actively develops successors for the most senior positions, facilitates talent mobility within the firm and promotes a diverse and inclusive workforce. Furthermore, this measure evaluates the individual's ability to reinforce a culture of accountability and responsibility, demonstrating our commitment to being a responsible corporate citizen and acting with integrity in all our interactions with our stakeholders – risk control – evaluates how effective the individual is in ensuring risk management and control principles are fully implemented and adhered to through an effective risk management and control framework. It also captures the degree to which risks are self-identified – regulatory compliance – focuses on the individual's success in ensuring regulatory compliance with the various regulatory frameworks in which we operate. It also evaluates how well the individual helps shape the firm's relationships with regulators through ongoing dialogue – execution effectiveness – assesses how the individual contributes to the development and execution of our strategy. The measure also looks to ensure there is success across all business lines, functions and regions, as applicable, through specific objectives, initiatives, timeframes and metrics – brand and reputation – assesses the individual's protection of our reputation and full compliance with our standards and principles, particularly our Code of Business Conduct and Ethics

Weightings of financial and qualitative measures

in %	Group CEO	BD / Regional CEO	Functional heads
Key performance indicators (KPI)		Weighting	
Group RoE, adjusted Group profit before tax and Basel III CET1 ratio (fully applied)	65	35	45
Business division / regional KPI		30	
Functional KPI			20
Financial	**65**	**65**	**65**
Qualitative	**35**	**35**	**35**
Total	**100**	**100**	**100**

mance of the Group and of the functions or of the regions they may oversee. Quantitative factors, such as business division financial, regional and functional measures, account for 65% and qualitative factors for 35% of the assessment. The qualitative factors considered are the same for the Group CEO and other GEB members.

The table above provides an overview of the quantitative and qualitative KPI on which the scorecard is based.

The weighting of the quantitative factors between Group, business division, regional and functional KPI varies depending on the GEB member's role, with a significant weighting on Group KPI for all GEB members.

The degree of achievement of these financial measures, coupled with the assessment of performance against the qualitative measures, gives an overall score that determines the starting point for a GEB member's annual performance award. Target total compensation is reviewed against the market value of the respective role. Scoring at target would generally result in a total compensation around the median of the industry peer group. Where the performance is below target, the score is reduced (and can be 0%), which then results in a total compensation below market median. If the performance exceeds the target, the score increases, resulting in a total compensation that can be above market median. While this method represents a more formulaic approach than in the past, it is not intended to be mechanical. The HRCC does not abdicate its responsibility to exercise sound judgment and applies an appropriate level of discretion that may result in the outcome of the above scorecard or compensation level being adjusted upwards or downwards by up to 20%. The HRCC's final compensation recommendations for GEB members are based on the scorecards, the assessment against each individual's market value for the role and the CEO's overall recommendation, excluding his own performance award. The HRCC's recommendations are then reviewed, and must be approved by the BoD, which retains full discretion in determining the variable compensation levels for GEB members and may decide not to grant any performance awards. The HRCC and BoD go through a similar process in setting the compensation for the Group CEO.

Caps

The total potential GEB performance award pool is capped at 2.5% of the firm's adjusted Group profit before tax, thereby linking overall GEB compensation to the firm's profitability. As the Group's adjusted profit before tax for 2013 was CHF 4.141 billion, the GEB 2013 performance award pool was capped at CHF 104 million.

The actual total performance award pool for 2013 was CHF 63 million, representing 1.5% (in 2012: CHF 52 million or 1.8%) of the Group's adjusted profit before tax. Furthermore, 100% of a GEB member's deferred compensation is subject to performance conditions.

For 2013, we also introduced individual compensation caps on the proportion of fixed pay to variable pay. The Group CEO's performance award is capped at five times base salary. Performance awards of other GEB members are capped at seven times base salary.

For 2013, GEB member and Group CEO performance awards were, on average, 3.7 times the base salary (2012: 3.2 times).

Benchmarking against peers

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

Year-on-year consistency of the peer group is considered an important element by the HRCC. In 2013, it reviewed our peer group and determined it remained appropriate. The group consists of the following 12 companies: Bank of America, Barclays, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan Chase, Julius Baer, Morgan Stanley and Nomura.

Overall, total compensation of GEB members is targeted at the median of the industry peer group, adjusted for individual and Group performance.

Comparability assessment against main peers

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

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

○ Less comparable ◐ Moderately comparable ● Comparable

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

2013 deferral of performance awards

In line with our focus on generating sustainable performance, at least 80% of a GEB member's performance award is deferred. In 2012, in light of the firm's overall results for the year, and, based on a recommendation from the Group CEO, 100% of the GEB's 2012 performance award was deferred.

For 2013, a minimum of 50% of the overall performance award is awarded under the Equity Ownership Plan (EOP), a longer-term performance award. EOP awards vest in three equal installments from years three to five, subject to performance conditions being met.

Thirty percent of the overall performance award is awarded under the Deferred Contingent Capital Plan (DCCP), another longer-term performance award which vests only in year five. Notional interest is paid for each year provided the firm achieves an adjusted Group profit before tax for that year. In addition to a phase-in CET1 capital ratio trigger of 10%, DCCP awards are subject to an additional performance condition. If UBS does not achieve an adjusted Group profit before tax for any year during the vesting period, GEB members forfeit 20% of the award for each loss-making year. This means 100% of the award is subject to an additional risk of forfeiture in addition to the capital ratio trigger.

For each GEB member a maximum of 20% of the overall performance award can be paid out in the form of immediate cash, subject to a cap of CHF/USD 1 million (or currency equivalent). Any amount above this is paid in notional shares under the EOP. In addition, for GEB members considered "UK Code Staff" for the year 2013, 50% of any immediate cash must be delivered in vested shares which are blocked until 1 September 2014, and each EOP installment vesting on 1 March will be blocked for a further six months.

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

➔ **Refer to the "Our deferred variable compensation plans" section of this report for more information**

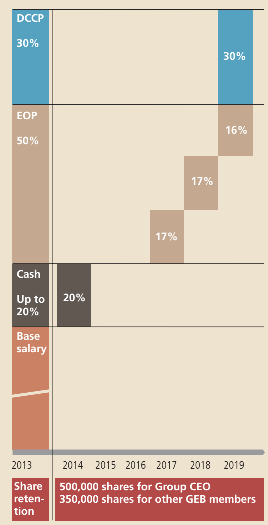
➔ **Refer to the "Our compensation model for employees other than GEB members" section of this report for more information on UK Code Staff**

Share ownership requirements

We aim to align GEB members' interests with those of our shareholders. To ensure GEB members remain focused on the longer-term success of the firm, we require the Group CEO to hold a

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

The HRCC is involved in all stages of the performance and total compensation decision-making process for the Group CEO and the other GEB members with final approval by the Board of Directors

Objective setting	Weighting	Performance assessment[1]	Score[1]	Compensation decisions	Delivery
Financial measures Financial measures based on Group, business division, regional and/or functional performance depending on the role of the GEB member Targets for financial measures are based on the strategic plan	65%	**Financial measures** The measures are assessed based on actual results, whereby the HRCC determines the score (see graph for scorecard for the Group CEO and highest paid GEB member on the following pages)	0–130%	When determining actual pay levels, the following is factored in by the HRCC: – scorecard result – market value – internal valuation – other parameters deemed relevant Total compensation is targeted at the median of the peer group, based on market performance. Variance to median is dependent on over- or underperformance, as reflected in the assessment/scorecard Final compensation decision is at the discretion of the BoD	Performance award is paid in a shorter-term, immediate cash performance award and in a longer-term deferred performance award which is deferred up to five years 
Qualitative measures The qualitative factors measure how the executive achieves the financial results	35%	**Qualitative measures** The HRCC determines to what extent the executive has met each of the qualitative factors, resulting in one total score: – clients – people and culture – risk control – regulatory compliance – execution effectiveness – brand and reputation	0–70%		
			0–200%		

1 The HRCC has the discretion to adjust the scoring/compensation level up- or downward by a maximum of 20%. Use of this discretion is still bounded by the defined total compensation caps.

minimum of 500,000 UBS shares and the other GEB members to hold a minimum of 350,000 UBS shares. These shareholdings must be built up within five years from the date a GEB member is appointed and must be retained for as long as they remain in office. The number of UBS shares held by each GEB member is determined by adding any vested or unvested shares to privately held shares. GEB members are not permitted to sell their UBS shares until the abovementioned thresholds have been reached. As of the end of 2013, all GEB members who have been in office for at least five years achieved their required share ownership levels.

Overview of GEB compensation determination process

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

2013 compensation

The performance awards of the Group CEO and each other member of the GEB are based on the achievement of both financial targets and qualitative performance objectives, as described earlier in this section.

As part of Mr. Ermotti's performance assessment, a 65% weighting was accorded to Group financial performance, and 35% was accorded to his performance against the qualitative criteria. In the case of Mr. Orcel (the highest paid GEB member for 2013), a 35% weighting was accorded to Group financial performance, 30% to Investment Bank performance and 35% to qualitative criteria.

A "Target score achievement" on the overall balanced scorecard supports market median level compensation.

2013 compensation for the Group Chief Executive Officer

The table below summarizes the factors on which Mr. Ermotti's performance was assessed as Group CEO for 2013 by the HRCC in consultation with the Chairman.

The BoD recognized that under Mr. Ermotti's leadership, Group financial performance for 2013 was strong and was driven by progress towards the successful implementation of the firm's ambitious strategy – a strategy focused on sustainable performance, best-in-class capital ratios, and vigilance on operational risk and on effectiveness and efficiency. In terms of the Group financial targets, the firm delivered significantly increased adjusted Group profit before tax, up 44% compared with the prior year. The Group also achieved an increased return on equity, up significantly on 2012. The firm's share price development in 2013 also reflected investor confidence in the firm's progress and future success.

Additionally, UBS further enhanced its position as one of the world's best-capitalized banks, exceeding its year-end capital ratio targets. The firm surpassed its Basel III risk-weighted assets reduction target for the year and also continued to successfully deleverage its balance sheet. The firm's Basel III funding, liquidity and leverage ratios remained comfortably above regulatory requirements in 2013.

UBS's business divisions posted strong results for the year and were profitable in every quarter. The firm's success continued to give clients great confidence in UBS's strategy. This was demonstrated by net new money inflows into the firm's wealth management businesses, which increased by 14% year-on-year to CHF 54 billion.

Against the qualitative criteria, the BoD considered Mr. Ermotti's successes in promoting a Group-wide initiative to embed the firm's principles of client focus, excellence and sustainable performance further into the fabric of the firm. This effort will be key to ensuring the right behaviors and culture which will be essential to supporting UBS's success going forward. The assessment also recognized his consistent focus on protecting and improving the firm's reputation, and the clear improvement in the firm's standing with its key regulators.

In addition to the strategic, financial and qualitative accomplishments noted above, the BoD also recognized the positive impact that Mr. Ermotti had in effectively addressing operational risk remediation requirements and also resolving a number of key legal matters from the past.

Reflecting his achievements and strong performance in 2013, the BoD approved the proposal from the HRCC to grant Mr. Ermotti a performance award of CHF 7.9 million, bringing his total compensation (excluding benefits and contributions to retirement benefit plan) for the year to CHF 10.4 million. Based on the compensation framework, he received 13% of his performance award in cash CHF 1.0 million. The remaining 87% of his performance award was deferred under EOP (57% of his performance award) and under DCCP (30% of his performance award). The future actual pay-outs under EOP and DCCP are dependent upon the firm's forthcoming performance, as described earlier in this section.

Scorecard for the Group CEO

Financial factors[1]		2013 Result	Weighting	Assessment relative to plan		
				Threshold	Target	Stretch
Group (65%)	**Group RoE**	**6.7%**	**20%**		●	
	Adjusted Group profit before tax	**4.1 billion**	**25%**		●	
	Basel III CET1 ratio (fully applied)	**12.8%**	**20%**			●

Qualitative factors	Weighting	Assessment		
		Threshold	Target	Stretch
Clients, people and culture, risk control, regulatory compliance, execution effectiveness, brand and reputation	**35%**		●	

1 Financial factors and target levels were based on internal performance objectives in our 2013 Operating Plan. These financial targets and ranges do not necessarily correspond to UBS's Group targets announced in October 2012, most of which are applicable from 2015.

2013 compensation for the highest paid GEB member

Andrea Orcel, the CEO of the Investment Bank, was the highest-paid GEB member for performance year 2013. The financial performance results and qualitative achievement assessment of Mr. Orcel as determined by the Group CEO are summarized in the table below. The HRCC and the BoD supported the overall assessment.

During his first full year as CEO of the Investment Bank, Mr. Orcel proved himself an effective leader and drove positive performance throughout a very successful year for the business. Mr. Orcel executed a fundamental turnaround in the Investment Bank's performance in 2013. He guided the business and its employees through a period of intense and sometimes challenging transformation following the announcement of the acceleration of the implementation of the firm's strategy in late 2012. In 2013, a more client-focused, less complex, and less risky Investment Bank delivered significantly higher profitability and outperformed on all its targets. The business achieved an adjusted profit before tax of CHF 2.5 billion for the year. It delivered an adjusted return on attributed equity of 30.6%, significantly above its 2013 target. It operated successfully below its relatively restrictive risk-weighted asset and funded asset targets. The Investment Bank remained highly focused on using its resources effectively and efficiently and achieved its cost / income ratio target for the year.

The Investment Bank reinforced its position among the global market leaders in its core businesses of advisory, research, equities, foreign exchange and precious metals. Further, Rates and Credit has transformed into a successful client-centric and capital-light business with a strong focus on improved IT effectiveness which has also led to best-in-class execution. The Investment Bank's turnaround performance was recognized with numerous industry awards, and most importantly, was applauded by clients. In line with the firm's strategy, the Investment Bank continued to work in close collaboration with all the firm's other businesses, in particular its wealth management businesses, to deliver the best of UBS to clients and drive sustainable returns for the benefit of UBS's shareholders.

In judging his achievements in relation to qualitative factors, the Group CEO considered that Mr. Orcel displayed a strong focus on ensuring the business delivered on the firm's principles of excellence, client focus and sustainable performance, and his consistent promotion of the highest standards of employee conduct and behavior whilst at the same time addressing issues from the past.

Reflecting his significant achievements and strong performance in 2013, the BoD approved the proposal from the Group CEO and the HRCC to grant Mr. Orcel a performance award of CHF 9.0 million, bringing his total compensation (excluding benefits and contributions to retirement benefit plan) for the year to CHF 10.5 million. 89% of his performance award was deferred, with 59% under EOP and 30% under DCCP.

➔ **Refer to the "2013 performance and compensation funding" section of this report for information on financial performance achievements in 2013**

Scorecard for the highest paid GEB member

Financial factors[1]		2013 Result	Weighting	Assessment relative to plan			
					Threshold	Target	Stretch
Group (35%)	**Group RoE**	**6.7%**	**10%**			●	
	Adjusted Group profit before tax	**4.1 billion**	**20%**			●	
	Basel III CET1 ratio (fully applied)	**12.8%**	**5%**			●	
IB divisional (30%)	**RoAE (adjusted)**	**31%**	**10%**				●
	Cost / income ratio	**73%**	**10%**			●	
	Basel III RWA (fully applied)	**62 billion**	**10%**			●	

Qualitative factors	Weighting	Assessment			
			Threshold	Target	Stretch
Clients, people and culture, risk control, regulatory compliance, execution effectiveness, brand and reputation	**35%**			●	

1 Financial factors and target levels were based on internal performance objectives in our 2013 Operating Plan. These financial targets and ranges do not necessarily correspond to UBS's Group targets announced in October 2012, most of which are applicable from 2015.

Total compensation for GEB members for the performance years 2013 and 2012

The table below shows the total compensation for GEB members for the performance years 2013 and 2012.

→ **Refer to the "Supplemental information" section of this report and "Note 34 Related parties" in the "Financial information" section of our Annual Report 2013 for information on vested and unvested shares and options for GEB members**

Employment contracts

Employment contracts for GEB members do not provide for "golden parachutes," that is, special severance terms, including supplementary contributions to pension plans. All employment contracts for GEB members contain a notice period of six months, except for one which contains a 12-month notice period. If a GEB member leaves the firm before the end of a performance year they may be considered for a discretionary performance award based on their contribution during the time worked in that performance year following the principles outlined above. Such awards are at the full discretion of the BoD, which may decide not to grant any awards.

Audited

Total compensation for GEB members for the performance years 2013 and 2012

CHF, except where indicated[1]

Name, function	For the year	Base salary	Immediate cash[2]	Annual performance award under EOP[3]	Annual performance award under DCCP[4]	Benefits[5]	Contributions to retirement benefit plans[6]	Total
Sergio P. Ermotti, Group CEO	2013	2,500,000	1,000,000	4,530,000	2,370,000	127,300	202,822	10,730,122
Sergio P. Ermotti, Group CEO (highest-paid)	2012	2,500,000	0	3,660,000	2,440,000	69,500	201,088	8,870,588
Andrea Orcel (highest-paid)	2013	1,500,000	1,000,000	5,300,000	2,700,000	727,048	202,822	11,429,870
Aggregate of all GEB members who were in office at the end of the year[7]	2013	16,873,360	9,949,062	33,894,646	18,790,161	1,548,784	1,347,784	82,403,796
	2012	16,273,460	0	31,355,592	20,903,728	640,683	1,233,719	70,407,181
Aggregate of all GEB members who stepped down during the year[8]	2013	0	0	0	0	0	0	0
	2012	1,593,288	0	0	0	105,865	14,799	1,713,952

1 Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of our Annual Report 2013. 2 Under the 2013 compensation framework, 20% is paid out in immediate cash, subject to a cash cap of CHF / USD 1 million. Due to applicable UK Prudential Regulation Authority regulations, the immediate cash includes blocked shares for Andrea Orcel. For the performance year 2012, no immediate cash was paid. 3 For EOP awards for the performance years 2013 and 2012, the number of shares allocated at grant has been determined by dividing the amount communicated by CHF 18.60 and USD 20.88 (for notional shares) for 2013, and by CHF 15.014 and USD 15.868 (for actual shares) and by CHF 13.97 and USD 14.77 (for notional shares) for 2012, based on the average price of UBS shares over the ten trading days prior to and including the grant date (28 February 2014 and 15 March 2013 respectively). For notional shares granted under EOP 2012 the number of notional shares has been adjusted for the estimated value of dividends paid on UBS shares over the vesting period. 4 DCCP awards vest after the five-year vesting period. The amount reflects the amount of the notional bond excluding future notional interest. For DCCP awards for the performance year 2013, the notional interest rate is set at 5.125% for awards denominated in USD and 3.500% for awards denominated in CHF. For DCCP awards for the performance year 2012, the notional interest rate is set at 6.25% for awards denominated in USD and 5.40% for awards denominated in CHF. 5 Benefits are all valued at market price. 6 This figure excludes the mandatory employer's social security contributions, but includes the portion related to the employer's contribution to the statutory pension scheme. The employee contribution is included in the base salary and annual incentive award components. 7 11 GEB members were in office on 31 December 2013 and on 31 December 2012 respectively. 8 2012 includes three months in office as a GEB member for Alexander Wilmot-Sitwell and 10 months in office as a GEB member for Carsten Kengeter.

Fixed and variable compensation for GEB members[1]

	Total for the year ended 2013		Not deferred		Deferred[2]		Total for the year ended 2012[3]
CHF million, except where indicated	Amount	%	Amount	%	Amount	%	Amount
Total compensation							
Amount	80	100	27	34	53	66	70
Number of beneficiaries	11						13
Fixed compensation							
Base salary	17	21	17	100	0	0	18
Variable compensation	63	79	10	16	53	84	52
Immediate cash	10		10	100	0	0	0
Equity Ownership Plan (EOP)	34		0	0	34	100	31
Deferred Contingent Capital Plan (DCCP)	19		0	0	19	100	21

1 The figures refer to all GEB members in office in 2013. 2 This is based on the specific plan vesting and reflects the total award value at grant which may differ from the accounting expenses. 3 Year 2012 as reported in Annual Report 2012.

Loans

GEB members may be granted loans, fixed advances and mortgages. Such loans are made in the ordinary course of business on substantially the same terms as those granted to other employees, including interest rates and collateral, and do not involve more than the normal risk of collectability or contain other unfavorable features.

➔ **Refer to the "Supplemental information" section and "Note 34 Related parties" in the "Financial information" section of our Annual Report 2013 for information on loans granted to current and former GEB members**

Audited

Share and option ownership / entitlements of GEB members on 31 December 2013 / 2012[1]

Name, function	on 31 December	Number of unvested shares / at risk[2]	Number of vested shares	Total number of shares	Potentially conferred voting rights in %	Number of options[3]	Potentially conferred voting rights in %[4]
Sergio P. Ermotti, Group Chief Executive Officer	2013	453,460	69,900	523,360	0.025	0	0.000
	2012	220,928	41,960	262,888	0.013	0	0.000
Markus U. Diethelm, Group General Counsel	2013	542,417	108,007	650,424	0.032	0	0.000
	2012	506,132	126,098	632,230	0.030	0	0.000
John A. Fraser, Chairman and CEO Global Asset Management	2013	645,324	268,945	914,269	0.044	756,647	0.037
	2012	617,529	315,270	932,799	0.045	884,531	0.042
Lukas Gähwiler, CEO UBS Switzerland and CEO Retail & Corporate	2013	504,800	22,727	527,527	0.026	0	0.000
	2012	412,199	95,537	507,736	0.024	0	0.000
Ulrich Körner, Group Chief Operating Officer and CEO UBS Group EMEA	2013	688,923	208,887	897,810	0.044	0	0.000
	2012	605,284	121,837	727,121	0.035	0	0.000
Philip J. Lofts, Group Chief Risk Officer	2013	601,553	157,447	759,000	0.037	500,741	0.024
	2012	542,402	169,789	712,191	0.034	536,173	0.026
Robert J. McCann, CEO Wealth Management Americas and CEO UBS Group Americas	2013	892,872	65,971	958,843	0.046	0	0.000
	2012	658,470	18,112	676,582	0.032	0	0.000
Tom Naratil, Group Chief Financial Officer	2013	422,516	263,027	685,543	0.033	867,087	0.042
	2012	340,757	233,603	574,360	0.027	935,291	0.045
Andrea Orcel, CEO Investment Bank	2013	1,209,775	0	1,209,775	0.059	0	0.000
	2012	1,755,691	0	1,755,691	0.084	0	0.000
Chi-Won Yoon, CEO UBS Group Asia Pacific	2013	502,762	441,143	943,905	0.046	538,035	0.026
	2012	478,986	370,760	849,746	0.041	578,338	0.028
Jürg Zeltner, CEO UBS Wealth Management	2013	624,415	13,920	638,335	0.031	203,093	0.010
	2012	522,500	38,329	560,829	0.027	203,093	0.010
Total	2013	7,088,817	1,619,974	8,708,791	0.422	2,865,603	0.139
	2012	6,660,878	1,531,295	8,192,173	0.391	3,137,426	0.150

1 This table includes all vested and unvested shares and options of GEB members, including related parties. 2 Includes shares granted under variable compensation plans with forfeiture provisions. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to the "Deferred variable compensation plans" section in this report for more information on the plans. 3 Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of our Annual Report 2013 for more information. 4 No conversion rights are outstanding.

2013 compensation for the Board of Directors

Members of the Board of Directors (BoD) receive fixed fees for their services, of which 50% is paid in blocked UBS shares unless they elect to receive 100% in blocked UBS shares. The BoD members do not receive variable compensation. This reinforces their focus on long-term strategy, supervision and governance. It also helps them to remain independent of the firm's senior management. The Chairman, as a non-independent BoD member, receives an annual base salary, UBS blocked shares and benefits.

Chairman of the BoD

Our compensation framework provides for the Chairman of the BoD, Axel A. Weber, to receive an annual base salary of CHF 2 million and 200,000 UBS shares, blocked from distribution for four years, as well as benefits. The shares are not designed or intended as variable compensation. The value of the 200,000 UBS shares awarded for 2013 was CHF 3,720,000. Accordingly, his total compensation, including benefits and pension fund contributions for his services as Chairman from January to December 2013 was CHF 6,069,516.

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

Given the continued improvements in our share price since the inception of our compensation framework for the chairman role in 2009, the HRCC has, in agreement with the Chairman, revisited the framework for 2014 and decided to limit the upside and cap the Chairman's total compensation at the current level of CHF 5.7 million. Following market practice for company chairmen, we have implemented a pay mix shift where a larger part of the Chairman's compensation will be paid in cash (currently foreseen to be approximately 60%). The balance of the overall compensation will be delivered in UBS shares which will continue to be blocked from distribution for four years.

Independent BoD members

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

The "Remuneration details and additional information for independent BoD members" table on the following page shows the remuneration received by independent BoD members between the 2013 and 2014 Annual General Meetings of Shareholders (AGM). Fees have remained unchanged during this period, and have been kept largely at the same level since 1998. Remuneration levels for BoD members, other than the Chairman, ranged from CHF 375,000 to CHF 1,075,000. Total remuneration for the independent BoD members for the period between the 2013 and 2014 AGMs was CHF 7.6 million, which was flat compared with the prior period.

In accordance with normal practice, two BoD members chose to receive 100% of their fees, less applicable deductions, in UBS shares.

Loans

Loans to independent members are made in the ordinary course of business at general market conditions. Loans to non-independent members are made in the ordinary course of business on substantially the same terms as those granted to other employees, including interest rates and collateral, and do not involve more than the normal risk of collectability or contain other unfavorable features.

➔ **Refer to the "Supplemental information" section of this report and "Note 34 Related parties" in the "Financial information" section of our Annual Report 2013 for information on loans granted to current and former BoD members**

Audited

Total payments to BoD members

CHF, except where indicated[1]	For the year	Total
Aggregate of all BoD members	2013	13,694,516
	2012	11,802,434

1 Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of our Annual Report 2013.

Audited

Compensation details and additional information for non-independent BoD members

CHF, except where indicated[1]

Name, function[2]	For the year	Base salary	Annual share award	Benefits[3]	Contributions to retirement benefit plans[4]	Total
Axel A. Weber, Chairman	**2013**	2,000,000	3,720,000	89,446	260,070	**6,069,516**
	2012	1,322,581	2,003,995[5]	69,867	171,898	**3,568,341**
Kaspar Villiger, former Chairman	**2013**	–	–	–	–	**–**
	2012	354,167	200,000[5]	54,926	–	**609,093**

1 Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of our Annual Report 2013. 2 Axel A. Weber was the only non-independent member in office on 31 December 2013 and on 31 December 2012 respectively. Kaspar Villiger did not stand for re-election at the AGM on 3 May 2012. 3 Benefits are all valued at market price. 4 This figure excludes the mandatory employer's social security contributions, but includes the portion related to the employer's contribution to the statutory pension scheme. The employee contribution is included in the base salary and annual incentive award components. 5 These shares are blocked for four years.

Audited

Remuneration details and additional information for independent BoD members

CHF, except where indicated[1]

Name, function[2]	Audit Committee	Human Resources & Compensation Committee	Governance & Nominating Committee	Corporate Responsibility Committee	Risk Committee	For the period AGM to AGM	Base fee	Committee retainer(s)	Additional payments	Total	Share percentage[3]	Number of shares[4, 5]
Michel Demaré, Vice Chairman	M	M	M			**2013/2014**	325,000	400,000	250,000[6]	**975,000**	50	30,834
	M		M			**2012/2013**	325,000	300,000	250,000[6]	**875,000**	50	34,233
David Sidwell, Senior Independent Director			M		C	**2013/2014**	325,000	500,000	250,000[6]	**1,075,000**	50	33,997
			M		C	**2012/2013**	325,000	500,000	250,000[6]	**1,075,000**	50	42,057
Reto Francioni, member				M		**2013/2014**	325,000	50,000		**375,000**	50	11,859
						2012/2013	–	–		**–**	–	–
Rainer-Marc Frey, member		M			M	**2013/2014**	325,000	300,000		**625,000**	100	37,394
		M			M	**2012/2013**	325,000	300,000		**625,000**	100	46,367
Ann F. Godbehere, member	M	C				**2013/2014**	325,000	500,000		**825,000**	50	26,091
	M	C				**2012/2013**	325,000	500,000		**825,000**	50	32,276
Axel P. Lehmann, member					M	**2013/2014**	325,000	200,000		**525,000**	100	31,403
			M		M	**2012/2013**	325,000	300,000		**625,000**	100	46,367
Wolfgang Mayrhuber, former member						**2013/2014**	–	–		**–**	–	–
		M		C		**2012/2013**	325,000	200,000		**525,000**	50	20,539
Helmut Panke, member		M			M	**2013/2014**	325,000	300,000		**625,000**	50	19,765
		M			M	**2012/2013**	325,000	300,000		**625,000**	50	24,452
William G. Parrett, member	C			M		**2013/2014**	325,000	350,000		**675,000**	50	21,347
	C			M		**2012/2013**	325,000	350,000		**675,000**	50	26,408
Isabelle Romy, member	M		M			**2013/2014**	325,000	300,000		**625,000**	50	19,765
	M		M			**2012/2013**	325,000	300,000		**625,000**	50	24,452
Beatrice Weder di Mauro, member	M				M	**2013/2014**	325,000	400,000		**725,000**	50	22,928
	M			M		**2012/2013**	325,000	250,000		**575,000**	50	22,496
Joseph Yam, member				M	M	**2013/2014**	325,000	250,000		**575,000**	50	18,184
				M	M	**2012/2013**	325,000	250,000		**575,000**	50	22,496
Total 2013										**7,625,000**		
Total 2012										**7,625,000**		

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

1 Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of our Annual Report 2013. 2 There were 11 independent BoD members in office on 31 December 2013. Reto Francioni was appointed at the AGM on 2 May 2013 and Wolfgang Mayrhuber did not stand for re-election at the AGM on 2 May 2013. There were 11 independent BoD members in office on 31 December 2012. Isabelle Romy and Beatrice Weder di Mauro were appointed at the AGM on 3 May 2012 and Bruno Gehrig did not stand for re-election at the AGM on 3 May 2012. 3 Fees are paid 50% in cash and 50% in blocked UBS shares. However, independent BoD members can elect to have 100% of their remuneration paid in blocked UBS shares. 4 For 2013, shares valued at CHF 18.60 (average price of UBS shares at SIX Swiss Exchange over the last 10 trading days of February 2014), and were granted with a price discount of 15% for a new value of CHF 15.81. These shares are blocked for four years. For 2012, shares valued at CHF 15.03 (average price of UBS shares at SIX Swiss Exchange over the last 10 trading days of February 2013), and were granted with a price discount of 15% for a new value of CHF 12.78. These shares are blocked for four years. 5 Number of shares is reduced in case of the 100% election to deduct social security contributions. All remuneration payments are subject to social security contributions / withholding tax. 6 This payment is associated with the Vice Chairman or the Senior Independent Director function, respectively.

Our compensation model for employees other than GEB members

The elements that make up total compensation consist of a base salary and a performance award. The performance award may comprise a shorter-term immediate cash performance award as well as a longer-term performance award which is deferred into UBS notional shares and UBS notional bonds. Furthermore, pension contributions and benefits are paid in line with local practices.

Base salary

The base salary reflects the skills, role and experience of an employee as well as local market practices. It is fixed and usually paid monthly or semi-monthly. Between 2011 and 2013 we made only limited salary increases. We have determined to bring salaries in line with the market, although this will vary greatly between functions and locations. With effect from March 2014, base salaries were increased by a total of CHF 157 million, an increase of 2.5%. This return to healthy increases, reflective of competitive trends, supports our position in the market on salaries. Nonetheless, increases will continue to be focused on those who were promoted, are considered to be high contributors, or who delivered a very strong performance or took on increased responsibilities. This practice is broadly in line with developments in the industry as a whole. As a firm, we focus on total compensation. For example, 2014 performance award pools will consider salary increases granted earlier in the year. We will continue to review salaries and performance awards in light of market developments, performance, affordability and our commitment to deliver sustainable returns to our shareholders.

Pensions, benefits and employee share purchase program

We offer certain benefits such as health insurance and retirement benefits. These benefits vary depending on the location, but are competitive within each of the markets in which we operate.

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

Our employee share purchase program, the Equity Plus Plan, allows employees to contribute up to 30% of their base salary and/or up to 35% of their performance award toward the purchase of UBS shares. All employees below the rank of Managing Director are eligible to participate. Employees can purchase UBS shares at market price and they receive one matching share for free for every three purchased through the program. Shares purchased under the Equity Plus Plan are generally restricted from disposal for a maximum of three years from the time of purchase. The matching shares vest after three years, with vesting being subject to continued employment with the firm.

➔ **Refer to "Note 28 Pension and other post-employment benefit plans" in the "Financial information" section of our Annual Report 2013 for more information on the various major post-employment benefit plans established in Switzerland and other countries**

Performance award

Most of our regular employees are considered for an annual discretionary performance award. The level of performance award depends on the firm's overall performance, the performance of the employee's business division, and the individual's performance, and is at the complete discretion of the firm.

For 2013, reflecting the improved performance of the firm, the performance award for employees across the Group was on average approximately 52% of the base salary (2012: 37%).

Benchmarking

Given the diversity of our businesses, the companies we use as benchmarks vary with, and are dependent on, the relevant business divisions and locations, as well as the nature of the positions involved. For certain businesses or positions, we may take into account other major international banks, additional large Swiss private banks, private equity firms, hedge funds and non-financial firms. Furthermore, we also benchmark employee compensation internally for comparable roles within and across business divisions and locations.

Compensation elements

		Shorter-term performance award		Longer-term performance award						
Base salary	+	**Immediate performance award in form of cash**	+	**Notional shares (EOP)**	+	**Notional bonds (DCCP)**	+	**Pension contributions and other benefits**	=	**Total reward**

Deferral of performance awards

To help ensure our employees are focused on the longer-term profitability of the firm, we require that a significant part of their performance award be deferred for up to five years if their total compensation exceeds CHF/USD 300,000, an increase from CHF/USD 250,000 in 2012. This increase, together with the introduction of graduated deferral rates, aligns our deferral levels closer to the market. For participants in our deferral schemes at the highest levels of compensation, the effective deferral rate has been increased, while for others at lower levels of compensation it has been decreased. The deferral increases at higher marginal rates in line with the value of the performance award, with the lowest deferral rate set at 40% of the performance award and the highest rate at 75%, compared to the previously flat rate of 60%. In addition, the portion paid out in immediate cash is capped at CHF/USD 1 million. Any immediate cash award in excess of the CHF/USD 1 million cap is deferred as notional shares under the Equity Ownership Plan (EOP). The effective deferral rate therefore depends on the value of the performance award and the value of the total compensation.

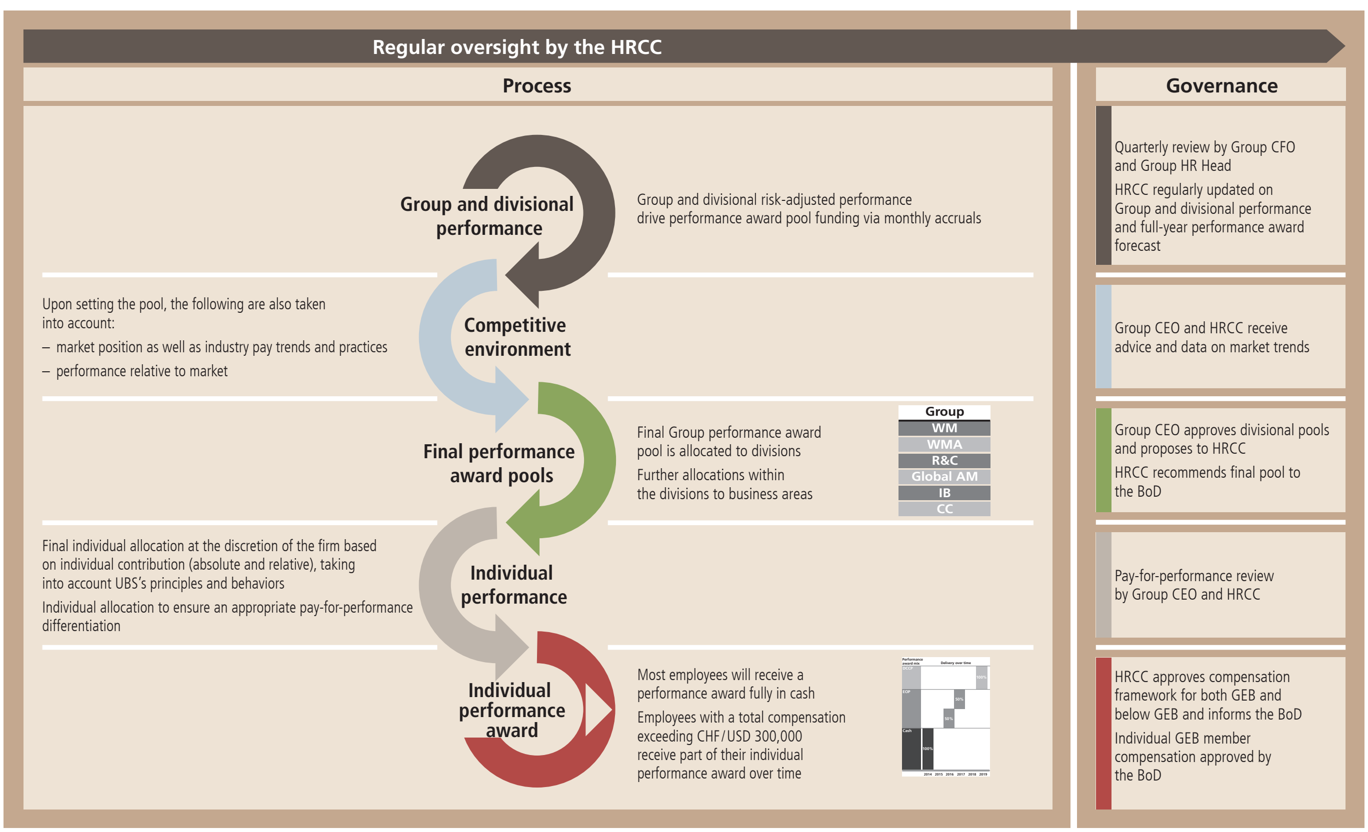
Of the deferred annual performance award, 60% is deferred in UBS notional shares under the EOP and the remaining 40% is deferred in notional bonds under the Deferred Contingent Capital Plan (DCCP). Global Asset Management employees receive 75% of their deferred performance awards in notional funds under the EOP and the remaining 25% under the DCCP. The average deferral period of the deferred awards for employees below GEB level for 2013 was 3.5 years.

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

➔ **Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of our Annual Report 2013 for more information on specific local plans with deferral provisions that differ from those described here**

The illustration below provides an overview of how we determine an individual performance award and the governance and oversight processes conducted by senior management and the HRCC as part of that process.

Determination of individual performance award



Other variable compensation components

To support hiring or retention, particularly at senior levels, we may offer certain incentives separate from the annual performance awards. These include the following:
– Replacement payments to compensate employees for deferred awards forfeited as a result of joining UBS. Such payments are prevailing industry practice and are often necessary to attract senior candidates who generally have a significant portion of their awards deferred at their current employer and where continued employment is required to avoid forfeiture.
– Retention payments made to key employees to induce them to stay, particularly during critical periods for the firm.
– On a very limited basis, guarantees may be required to attract individuals with certain skills and experience. These awards, which are fixed incentives to which our standard deferral applies, are paid regardless of future events, but are limited to the first performance year.
– Sign-on payments that may be offered to employees hired late in the year to replace performance awards that they would have earned at their current employer but have forfeited by joining UBS. In addition, in very limited circumstances, certain candidates may be offered sign-on payments to increase the chances of their accepting an offer.
– Severance payments made to employees in redundancy cases when asked to leave as part of a reduction in the workforce. These are governed by location-specific severance policies. At a minimum, we offer severance terms which comply with the applicable local laws ("legally obligated severance"). In certain locations, we may provide severance packages that are negotiated with our local social partners that go beyond these minimum legal requirements ("standard severance"). In addition, we may make severance payments that exceed legally obligated or standard severance payments ("supplemental severance") where we believe that they are aligned with market practice and appropriate under the circumstances.

Compensation for financial advisors in Wealth Management Americas

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

Key Risk Takers

Identifying Key Risk Takers is important to ensure we incentivize only appropriate risk-taking. Key Risk Takers are defined as those employees who can materially set, commit or control significant amounts of the firm's resources and/or exert significant influence over its risk profile. This includes employees who work in front office roles, logistics and control functions. We currently have 543 individuals classified as Key Risk Takers. We also include employees with a performance award exceeding CHF/USD 2 million

Fixed and variable compensation for Key Risk Takers[1]

	Total for the year ended 2013		Not deferred		Deferred[2]		Total for the year ended 2012[3]
CHF million, except where indicated	Amount	%	Amount	%	Amount	%	Amount
Total compensation							
Amount	1,041	100	449	43	591	57	790
Number of beneficiaries	543						501
Fixed compensation							
Base salary	235	23	235	100	0	0	218
Variable compensation	806	77	214	27	591	73	572

1 Includes employees with a performance award exceeding CHF/USD 2 million (Highly Paid Employees). 2 This is based on the specific plan vesting and reflects the total award value at grant which may differ from the accounting expenses. 3 Year 2012 as reported in our Annual Report 2012.

(Highly Paid Employees) in this category if they have not already been identified as Key Risk Takers. All 11 GEB members are Key Risk Takers, and their compensation is disclosed separately in this report.

Key Risk Takers identified at the beginning of the performance year are subject to a performance evaluation by the control functions. Since the performance year 2010, the vesting of their deferred awards has been contingent on meeting Group and/or divisional performance conditions. Like all other employees, Key Risk Takers also are subject to forfeiture or reduction of the deferred portion of their compensation if they commit harmful acts.

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

Although most Key Risk Takers are subject to higher marginal deferral rates under the new graduated deferral scheme, all Key Risk Takers are subject to the mandatory deferral of at least 50% of their performance award which applies regardless of whether or not the UBS deferral threshold has been met, in order to comply with regulatory requirements.

We believe that we comply fully with the relevant Swiss Financial Market Supervisory Authority (FINMA) requirements regarding risk takers, and we also consult with our other key regulators on the topic.

UK Code Staff

In accordance with guidance from the UK Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), we have identified 156 employees, consisting of senior management and employees whose professional activities could have a material impact on the firm's risk profile in the UK, as so-called "UK Code Staff." Compensation measures that apply to UK Code Staff are generally similar to those applied to Key Risk Takers. However, due to specific UK PRA/FCA requirements, 50% of UK Code Staff performance awards that are paid out immediately are delivered in UBS shares, which are blocked for six months. In addition, any notional shares granted to UK Code Staff under the EOP for their performance in 2013 will be subject to an additional six-month blocking period upon vesting.

Control functions and Group Internal Audit

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

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

	Total 2013	*Of which expenses recognized in 2013*[3]	*Of which expenses to be recognized in 2014 and later*	Total 2012[4]	Number of beneficiaries	
CHF million, except where indicated					2013	2012[4]
Total sign-on payments	**18**	*9*	*8*	17	**165**	182
of which GEB members	*0*	*0*	*0*	*0*	**0**	*0*
of which Key Risk Takers[1]	*9*	*3*	*6*	*4*	**7**	*5*
Total replacement payments	**67**	*3*	*63*	96	**209**	203
of which GEB members	*0*	*0*	*0*	*25*	**0**	*1*
of which Key Risk Takers[1]	*30*	*1*	*29*	*32*	**15**	*16*
Total guarantees	**34**	**14**	21	40	**52**	68
of which GEB members	*0*	*0*	*0*	*0*	**0**	*0*
of which Key Risk Takers[1]	*15*	*5*	*10*	*20*	**7**	*10*
Total severance payments[2]	**138**	*129*	*9*	319	**2,291**	2,321
of which GEB members	*0*	*0*	*0*	*0*	**0**	*0*
of which Key Risk Takers[1]	*2*	*1*	*1*	*0.2*	**2**	*1*

1 Expenses for Key Risk Takers is the full-year amount for individuals in office on 31 December 2013. Key Risk Takers include employees with a performance award exceeding CHF/USD 2 million or more (Highly Paid Employees). 2 Severance payments include legally obligated and standard severance, as well as supplemental severance payments of CHF 24 million. 3 Expenses before post vesting transfer restrictions. 4 Year 2012 as reported in Annual Report 2012.

Our deferred variable compensation plans for 2013

To ensure our employees' and stakeholders' interests are aligned, we grant part of our performance awards in UBS notional shares and UBS notional bonds. To help ensure our employees are focused on the medium- and longer-term profitability of the firm, all variable compensation plans require a significant part of an employee's performance award above a total compensation threshold to be deferred for up to five years and include forfeiture provisions. Compensation is closely linked to longer-term sustainable performance. All our variable compensation plans feature performance conditions.

Equity Ownership Plan (EOP)

The EOP is a mandatory deferral plan for all employees with total compensation greater than CHF/USD 300,000. These employees receive at least 60% of their deferred performance award under the EOP in notional shares and are eligible to receive reinvested dividend equivalents. EOP awards granted to Global Asset Management employees have a different vesting schedule and deferral mix, as shown in the table below, and are granted as cash-settled notional funds. For 2013, approximately 5,300 employees received EOP awards. EOP awards are granted annually.

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

The vesting of an EOP award granted to GEB members, GMDs and Key Risk Takers (including Highly Paid Employees) depends on both Group and divisional performance. Group performance is measured by the average adjusted Group return on tangible equity (RoTE). Divisional performance is measured by the average adjusted divisional return on attributed equity (RoAE). For Corporate Center employees, it is measured by the

Overview of our deferred compensation plans

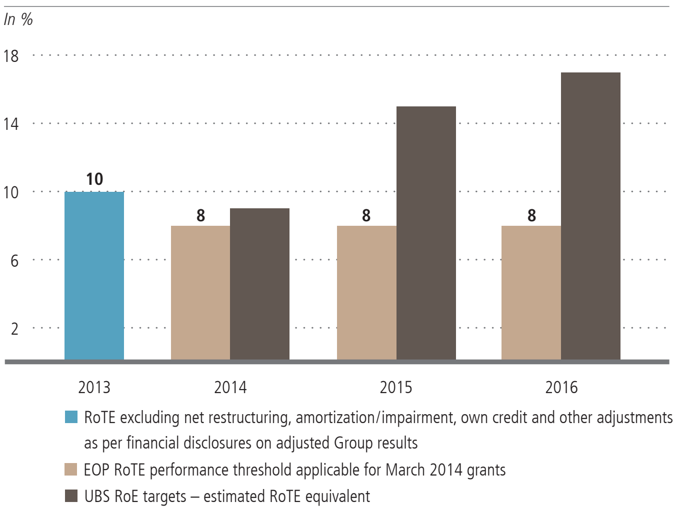
		Equity Ownership Plan	Deferred Contingent Capital Plan
Beneficiaries		GEB members, Key Risk Takers and all employees with total compensation greater than CHF/USD 300,000	GEB members, Key Risk Takers and all employees with total compensation greater than CHF/USD 300,000
Deferral mix		GEB members: at least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

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

average of the RoAE for all business divisions excluding the Corporate Center ("Continuing Businesses RoAE"). By linking the vesting of EOP awards with a return on equity over a two- to five-year time horizon, we focus our employees on developing and managing the business in a way that delivers sustainable returns. We believe that Group RoTE provides a more consistent basis to measure performance than the Group's return on shareholders' equity (RoE), which also includes goodwill and intangibles.

The Group's published RoE targets can be converted into RoTE targets by deducting the current balance of goodwill and intangibles from the Group's total equity base, resulting in an adjusted RoTE approximately 1 to 2 percentage points higher than our adjusted RoE of 8.3%. Our 2015 RoE target of 15% or greater is the equivalent of RoTE of 17% or greater, calculated based on our estimated tangible equity. However, given elevated operational risk RWA, we may not achieve this target until 2016. The threshold for the Group RoTE has been increased for the 2014 performance year to 8% from 6%, and takes into consideration the continued financial effects of restructuring.

Return on tangible equity – comparison with EOP performance thresholds



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

The purpose of the business divisional threshold is to reduce the amount of the EOP award that vests for any business division that does not meet its performance target. Therefore, if the business divisional return on attributable equity (RoAE) threshold (see table below) is met, no adjustment is made to the EOP award. If, however, the RoAE falls below the threshold but is above 0% for any business division, the award will be partially forfeited. The extent of the forfeiture depends on how much the actual RoAE falls below the threshold for that business division, and can be up to 40%. If the actual RoAE for a business division is 0% or negative, the installment will be fully forfeited for that business division. The HRCC assesses the achievement of the performance conditions.

The example below shows how we determine the percentage vesting.

Performance conditions for EOP awards granted in February 2014

	Installment vesting after	Applicable performance period
GEB	3 years	2014, 2015 and 2016
	4 years	2015, 2016 and 2017
	5 years	2016, 2017 and 2018
GMDs and Key Risk Takers (including Highly Paid Employees)	2 years	2014 and 2015
	3 years	2014, 2015 and 2016

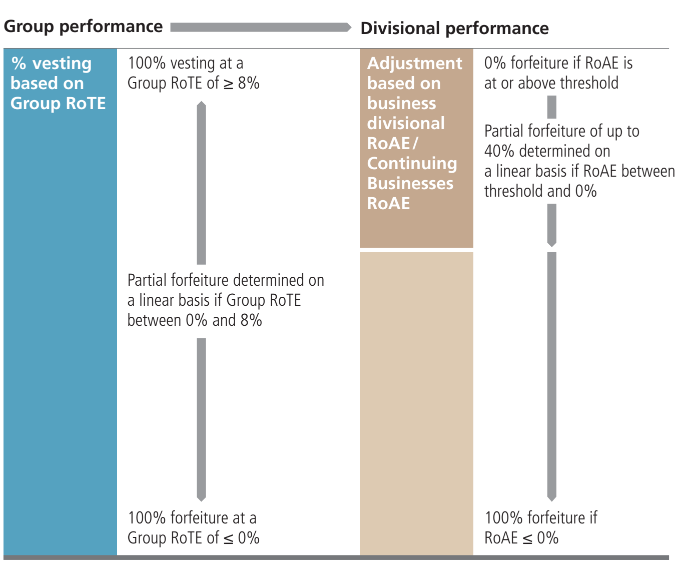
Group RoTE threshold

Group RoTE threshold	≥ 8%

Business divisional RoAE thresholds (or, for Corporate Center employees, Continuing Businesses RoAE threshold)

Wealth Management	≥ 50%
Wealth Management Americas	≥ 22.5%
Retail & Corporate	≥ 17.5%
Global Asset Management	≥ 25%
Investment Bank	≥ 15%
Corporate Center	≥ 20%

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

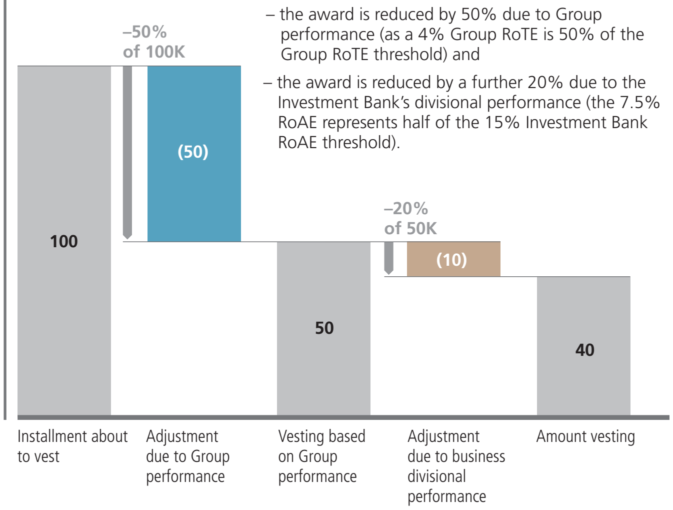


Illustrative example (assuming constant share price)

Assume an EOP award of CHF 100,000 granted to an Investment Bank employee due to vest in 2017, and an actual average adjusted Group RoTE and Investment Bank RoAE (averaged over the performance years 2014 to 2016) of 4% and 7.5%, respectively. To determine the percentage of shares that vest

– the award is reduced by 50% due to Group performance (as a 4% Group RoTE is 50% of the Group RoTE threshold) and

– the award is reduced by a further 20% due to the Investment Bank's divisional performance (the 7.5% RoAE represents half of the 15% Investment Bank RoAE threshold).



Deferred Contingent Capital Plan (DCCP)

The DCCP is a mandatory deferral plan for all employees with total compensation greater than CHF/USD 300,000. Such employees receive 40% of their deferred performance award under the DCCP, with the exception of Global Asset Management employees, who receive 25% of their deferred performance awards under the plan. For 2013, approximately 5,300 employees received DCCP awards. DCCP awards are granted annually.

Employees are awarded notional bonds with annual interest payments. UBS will only pay interest for the performance years in which the firm generates an adjusted Group profit before tax. For years in which UBS does not achieve an adjusted Group profit before tax, no notional interest will be paid. The notional interest rate is 5.125% for awards denominated in US dollars and 3.500% for awards denominated in Swiss francs. These interest rates are based on the most recent issuance of our low-trigger loss-absorbing capital (February 2014 denominated in euros with a coupon of 4.75%) adjusted for differences in currency and tenor.

Awards vest in full after five years subject to there being no trigger event. Awards granted under the DCCP forfeit if our phase-in common equity tier 1 (CET1) capital ratio falls below 10% for GEB members and 7% for all other employees. This writedown threshold is higher than the 5% for public holders of our low-trigger loss-absorbing capital notes. In addition, awards are also forfeited if a viability event occurs, that is, if FINMA provides a written notice to UBS that the DCCP must be written down to prevent the insolvency, bankruptcy or failure of UBS, or if UBS receives a commitment of extraordinary support from the public sector that is necessary to prevent such an event. For GEB members, an additional performance condition applies. If UBS does not achieve an adjusted profit before tax for any year during the vesting period, GEB members forfeit 20% of their award for each loss-making year.

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

➔ **Refer to "Performance awards granted for the 2013 performance year," "Performance award expenses in the 2013 performance year" and "Total personnel expenses for 2013" in the "Supplemental information" section of this report for more information**

➔ **Refer to "Vesting of outstanding awards granted in prior years impacted by performance conditions" and "Discontinued plans" section of this report for more information on past awards**

Our Total Reward Principles and compensation governance

The Human Resources and Compensation Committee (HRCC) takes into account the philosophy and objectives embodied in our Total Reward Principles. These influence how we structure compensation and provide funding for our performance award pool. They reflect our focus on pay for performance, sustainable profitability, sound governance and risk awareness, and support the firm's strategy by promoting and rewarding behavior that enhances the firm's position and reputation. Compensation should help foster a sense of engagement among employees and serve to align their long-term interests with those of clients and shareholders. Our Total Reward Principles were reviewed most recently by the HRCC on 30 August 2013.

We must clearly link pay with performance. To maintain this link, the key performance indicators we use to measure our progress in executing our strategy are taken into account when determining the size of each divisional performance award pool and are used as a basis for setting the performance conditions of our compensation plans. A balanced mix of fixed and variable compensation ensures appropriate risk-taking and behavior that produces sustainable business results.

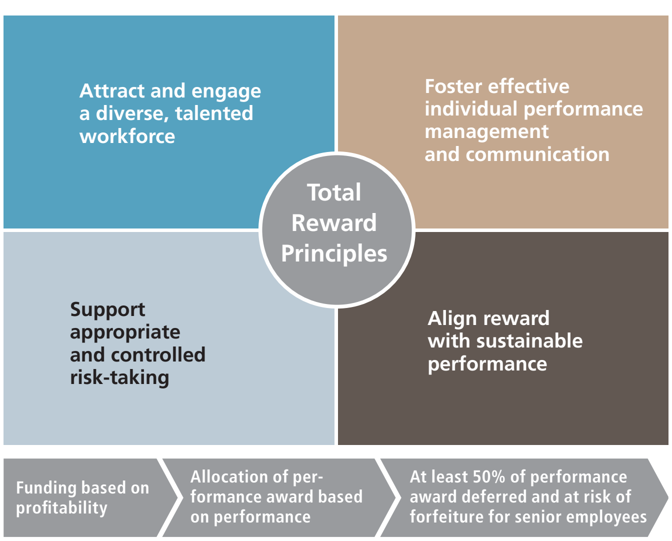
Overview of HRCC's governance

Ensuring we have strong governance and oversight of our compensation process is the responsibility of the HRCC. The HRCC is a committee of the Board of Directors (BoD) and consists of four independent BoD members. On 31 December 2013, the HRCC members were Ann F. Godbehere, who chairs the committee, Michel Demaré, Rainer-Marc Frey and Helmut Panke.

Among its other responsibilities, the HRCC, on behalf of the BoD
- reviews our Total Reward Principles
- reviews and approves annually the design of the total compensation framework, including compensation programs and plans
- reviews performance award funding throughout the year and proposes the final performance award pool to the BoD for approval
- together with the Group CEO, proposes base salaries and annual performance awards for other GEB members to the BoD, which approves the total compensation of the GEB
- together with the Chairman of the BoD, proposes the compensation for the Group CEO
- approves the total compensation for the Chairman of the BoD
- together with the Chairman, proposes the total individual compensation for independent BoD members for approval by the BoD

Total Reward Principles

The four Total Reward Principles establish a framework for managing performance and integrating risk control. They also specify how we structure compensation and provide necessary funding for our performance award pool. These principles apply to all employees, but may vary in certain locations due to local laws and regulations.



The Group CEO and the Chairman of the BoD may not attend any parts of committee meetings when specific decisions are made about their own individual compensation. These decisions are at the discretion of the HRCC and the BoD. Base fees and committee retainers received by independent BoD members are subject to an annual review. A proposal is submitted by the Chairman of the BoD to the HRCC, which then submits a recommendation to the BoD. The BoD has the ultimate responsibility for approving the compensation strategy proposed by the HRCC.

The HRCC held seven meetings and five calls in 2013 with an average attendance of 94%. The HRCC reappointed Hostettler, Kramarsch & Partner to provide impartial external advice on compensation-related matters. The company has no other mandates with UBS. Compensation consulting firm Towers Watson, appointed by Group Human Resources, continued to provide the HRCC with data on market trends and benchmarks, including in relation to GEB and BoD compensation. Various subsidiaries of Towers Watson provide similar data to Group Human Resources in relation to compensation at lower levels of the organization. Towers Watson has no other compensation-related mandates with UBS.

The Risk Committee's role in compensation

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

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

Compensation authorities

The BoD has the ultimate responsibility for approving the compensation strategy proposed by the HRCC, a BoD committee that determines the appropriate level of resources for compensation matters.

Recipients	Compensation recommendations developed by	Approved by	Communicated by
Chairman of the BoD	Chairperson of the HRCC	HRCC	HRCC
Independent BoD members (remuneration system and fees)	Chairman of the BoD and HRCC	BoD	Chairman of the BoD
Group CEO	Chairman of the BoD and HRCC	BoD	Chairman of the BoD
Other GEB members	HRCC and Group CEO	BoD	Group CEO
Key Risk Takers	Responsible GEB member together with functional management team	Divisional pools: HRCC Overall pool: BoD	Line manager

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

Supplemental information

This section provides an overview and further context regarding our compensation strategy and framework. It also provides further information required to comply with statutory disclosure requirements.

Performance awards granted for the 2013 performance year

The "Total variable compensation" table shows the amount of variable compensation awarded to employees for the performance year 2013, together with the number of beneficiaries for each type of award granted. We define variable compensation as the discretionary, performance-based award pool for the given year. In the case of deferred awards, the final amount paid to an employee is dependent on performance conditions to which parts of these awards are subject and consideration of relevant forfeiture provisions. The deferred share award amount is based on the fair value of these awards on the date of grant.

The "Deferred compensation" table on the following page shows the current intrinsic value of unvested outstanding deferred variable compensation awards subject to ex-post adjustments. For share-based plans, the intrinsic value is determined based on the closing share price on 30 December 2013. For notional funds, it is determined using the latest available market price for the underlying funds at year-end 2013, and for deferred cash plans, it is determined based on the outstanding amount of cash owed to award recipients. All awards made under our deferred variable compensation plans listed in the "Deferred compensation" table are subject to ex-post adjustments, whether implicitly, through exposure to share price movements, or explicitly, for example, through forfeitures instigated by the firm. Accordingly, their value can change over time. The amounts shown in the column "Relating to awards for prior years" already take into account ex-post implicit adjustments that have occurred as a result of share price movements between the respective dates on which these awards were granted and 30 December 2013.

➔ **Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of our Annual Report 2013 for more information**

Performance award expenses in the 2013 performance year

The performance award expenses include all immediate expenses related to 2013 compensation awards and expenses deferred

Total variable compensation[1]

	Expenses		Expenses deferred to future periods		Adjustments[2]		Total		Number of beneficiaries	
CHF million, except where indicated	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Cash performance awards	**1,942**	1,411	**0**	0	**(24)**	0	**1,918**	1,411	**46,593**	46,709
Deferred Contingent Capital Plan	**152**	145	**348**	361	**0**	0	**500**	506	**5,286**	6,317
Deferred cash plans[3]	**2**	5	**7**	10	**0**	0	**9**	15	**23**	58
UBS share plans	**190**	135	**520**	383	**41**	24	**751**	542	**4,931**	5,866
Equity Ownership Plan – notional funds	**19**	28	**37**	20	**0**	0	**56**	48	**370**	506
Total performance award pool	**2,305**	1,724	**912**	774	**17**	24	**3,234**	2,522	**46,620**	46,732

	Expenses		Expenses deferred to future periods		Adjustments		Total	
CHF million, except where indicated	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Total variable compensation – other[4]	**152**	424	**340**	494	**(101)[5]**	(137)[5]	**391**	781

	Expenses		Expenses deferred to future periods		Adjustments		Total		Number of beneficiaries	
CHF million, except where indicated	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Total WMA financial advisor compensation[6]	**2,334**	2,087	**592**	706	**0**	0	**2,926**	2,793	**7,137**	7,059

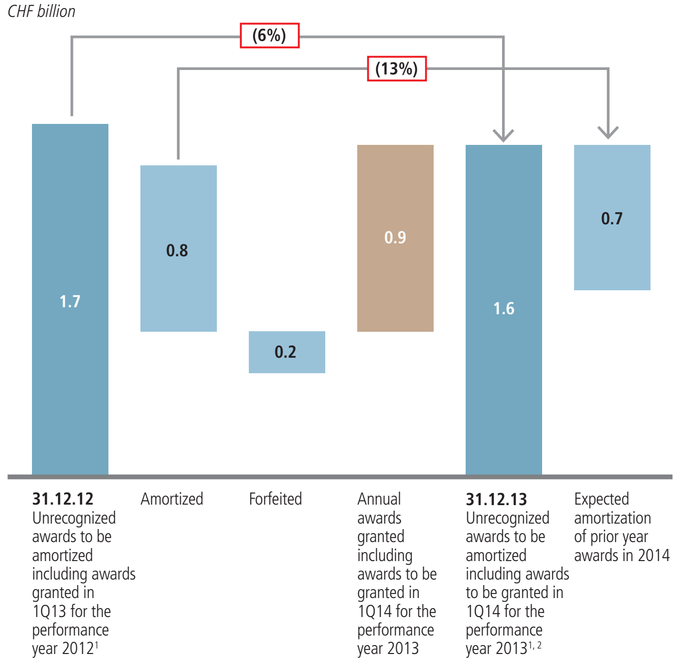
1 The total "performance award" paid to employees for the performance years 2013 (CHF 3,234 million) and 2012 (CHF 2,522 million). Expenses under "Total variable compensation – other" and "Total WMA financial advisor compensation" are not part of UBS's performance award pool. 2 Adjustments relating to post-vesting transfer restrictions and other adjustments 3 Deferred cash plans include specific regional deferred cash plan which is not part of the Group's compensation delivery framework. 4 Replacement payments and retention plan payments including the 2012 Special Plan Award Program. 5 Included in expenses deferred to future periods is an amount of CHF 101 million (prior year CHF 137 million) relating to future interest on the DCCP. As the amount recognized as performance award represents the present value of the award at the date granted to the employee, this interest amount is adjusted out in the analysis. 6 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure and other variables. It also includes costs related to compensation commitments with financial advisors entered into at the time of recruitment, which are subject to vesting requirements.

to 2013 related to awards made in prior years. The chart shows the amount at the end of 2013 of unrecognized awards to be amortized in subsequent years. This was CHF 1.6 billion for 2013, compared with CHF 1.7 billion at the end of 2012.

The table below shows the value of actual ex-post explicit and implicit adjustments to outstanding deferred compensation in the financial year 2013. Ex-post adjustments occur after an award has been granted. Ex-post explicit adjustments occur when we adjust compensation by forfeiting deferred awards. Ex-post implicit adjustments are unrelated to any action taken by the firm and occur as a result of share price movements that impact the value of an award. The total value of ex-post explicit adjustments made to UBS shares in 2013, based on the approximately 14 million shares forfeited during 2013, is a reduction of CHF 234 million. This includes partial forfeiture of the vesting installment of Performance Equity Plan 2010 of 48% due to performance conditions not fully achieved. The total value of ex-post explicit adjustments made to UBS options and share-settled stock appreciation rights (SARs) in 2013, based on the approximately 0.1 million options/SARs forfeited during 2013, is a reduction in value of CHF 1 million. The size of implicit adjustments is mainly due to an increase in the share price. However, the share price as of year-end means that many of the options previously granted remain out of the money. Hence, the majority of outstanding option awards had no intrinsic value as of the end of 2013.

Amortization of deferred compensation

CHF billion



1 Related to performance awards and including special plan awards.
2 Estimate. The actual amount to be expensed in future periods may vary, for example due to forfeitures.

Deferred compensation[1,2]

CHF million, except where indicated	Relating to awards for 2013	Relating to awards for prior years[3]	Total	of which exposed to ex-post adjustments	Total deferred compensation at year-end 2012
Deferred Contingent Capital Plan	**500**	465	965	100%	506
Equity Ownership Plan	**751**	3,044	3,795	100%	3,925
Equity Ownership Plan – notional funds	**56**	447	503	100%	582
Discontinued deferred compensation plans[4]	**0**	336	336	100%	420
Total	**1,307**	4,292	5,599		5,433

1 This is based on specific plan vesting and reflects the economic value of the outstanding awards, which may differ from the accounting expenses. 2 Refer to "Note 29 Equity participation and other compensation plans in the "Financial information" section of our Annual Report 2013 for more information. 3 This takes into account the ex-post implicit adjustments, given the share price movements since grant. 4 Cash Balance Plan (CBP), Senior Executive Equity Ownership Plan (SEEOP), Performance Equity Plan (PEP), Incentive Performance Plan (IPP) and Deferred Cash Plan (DCP).

Ex-post explicit and implicit adjustments to deferred compensation in 2013[1]

	Ex-post explicit adjustments[4]		Ex-post implicit adjustments to unvested awards[5]	
CHF million	**2013**	2012	**2013**	2012
	31.12.13	31.12.12	**31.12.13**	31.12.12
UBS notional bonds (DCCP)	**(27)**			
UBS shares (EOP, IPP, PEP, SEEOP)[2]	**(234)**	(211)	**368**	(178)
UBS options (KESOP) and SARs (KESAP)[2]	**(1)**	(16)		
UBS notional funds (EOP)[3]	**(20)**	(8)	**51**	52

1 Compensation (performance awards and other variable compensation) relating to awards for previous performance years. 2 IPP, PEP, SEEOP, Key Employee Stock Appreciation Rights Plan (KESAP) and Key Employee Stock Option Plan (KESOP) are discontinued deferred compensation plans. 3 Awards granted under this plan are cash-settled and 100% susceptible to ex-post implicit adjustments. 4 Ex-post explicit adjustments are calculated as units forfeited during the year, valued at the share price on 30 December 2013 (CHF 16.92) and on 28 December 2012 (CHF 14.27) for UBS shares and valued with the fair value at grant for UBS options. For the notional funds awarded to Global Asset Management employees under the EOP, this represents the forfeiture credits recognized in 2013 and 2012. For DCCP the fair value at grant of the forfeited awards during the year is reflected. 5 Ex-post implicit adjustments for UBS shares are calculated based on the difference between the weighted average grant date fair value and the share price at year-end. The amount for notional funds is calculated using the mark-to-market change during 2013 and 2012.

Personnel expenses

	Expenses				
CHF million	Relating to awards for 2013	Relating to awards for prior years	Total 2013	2012	2011
Salaries	6,268	0	6,268	6,814	6,859
Cash performance awards	1,942	(30)	1,912	1,373	1,466
Deferred Contingent Capital Plan	152	96	248	145	0
Deferred cash plans	2	53	55	154	343
UBS share plans	190	502	692	1,202	1,490
UBS share option plans	0	0	0	14	100
Equity Ownership Plan – notional funds	19	60	79	112	118
Total variable compensation – performance award[1]	2,305	681	2,986	3,000	3,516
of which: guarantees for new hires	*14*	*62*	*76*	*134*	*173*
Variable compensation – other[1]	152	136	288	367	191
of which:					
replacement payments[2]	*6*	*72*	*78*	*109*	*121*
forfeiture credits	*0*	*(146)*	*(146)*	*(174)*	*(215)*
severance payments[3]	*114*	*0*	*114*	*303*	*239*
retention plan and other payments	*32*	*210*	*242*	*128*	*46*
Contractors	190	0	190	214	217
Social security	732	60	792	768	743
Pension and other post-employment benefit plans[4]	887	0	887	18	831
Wealth Management Americas: Financial advisor compensation[1, 5]	2,334	806	3,140	2,873	2,518
Other personnel expenses	609	22	631	682	758
Total personnel expenses[6]	13,477	1,705	15,182	14,737	15,634

1 Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of our Annual Report 2013 for more information. 2 Replacement payments are payments made to compensate employees for deferred awards forfeited as a result of joining UBS. This table includes the expenses recognized in the financial year (mainly the amortization of the award). 3 Includes legally obligated and standard severance payments. 4 2012 included a credit of CHF 730 million related changes to our Swiss pension plan and a credit of CHF 116 million related changes to retiree benefit plans in the US. Refer to "Note 28 Pension and other post-employment benefit plans" of the "Financial information" section of our Annual Report 2013 for more information. 5 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure, assets and other variables. It also includes costs related to compensation commitments with financial advisors entered into at the time of recruitment, which are subject to vesting requirements. 6 Includes restructuring charges of CHF 156 million for the year ended 31 December 2013 and CHF 358 million for the year ended 31 December 2012. Refer to "Note 32 Changes in organization" in the "Financial information" section of our Annual Report 2013 for more information.

Total personnel expenses for 2013

The table "Personnel expenses" shows our total personnel expenses in 2013 for our 60,205 employees. It includes salaries, pension contributions and other personnel costs, social security contributions and variable compensation. Variable compensation includes discretionary cash performance awards paid in 2014 for the 2013 performance year, the amortization of unvested deferred awards granted in previous years and the cost of deferred awards granted to employees who are eligible for retirement in the context of the compensation framework at the date of grant.

The performance award pool reflects the value of discretionary performance awards granted relating to the 2013 performance year, including awards that are paid out immediately and those that are deferred. To determine our variable compensation expenses, the following adjustments are required in order to reconcile the performance award pool to the accounting expenses recognized in the Group's financial statements prepared under IFRS:

– reduction for the unrecognized future amortization (including accounting adjustments) of unvested deferred awards granted in 2014 for the performance year 2013
– addition for the 2013 amortization of unvested deferred awards granted in prior years

As a large part of compensation consists of deferred awards, the amortization of unvested deferred awards granted in prior years forms a significant part of the IFRS accounting expenses in both 2012 and 2013.

➔ **Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of our Annual Report 2013 for more information**

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

The tables below show the extent to which the performance conditions of awards granted in prior years have been met and the percentage of the award which vested on 1 March 2014.

Vesting of awards with performance conditions

Performance Equity Plan 2011		
Performance conditions	**Performance achieved**	**% of installment vesting**
Cumulative economic profit and relative shareholder return for the period 2011 – 2013. The percentage applied to determine the number of UBS shares to be delivered at vesting is calculated by multiplying the economic profit multiplier ("EP multiplier") with the total shareholder return multiplier ("TSR multiplier"), rounded to a full percentage	For the period from 2011 to the end of 2013 the HRCC determined that the EP multiplier is 50% and the TSR multiplier is 80%, which results in a multiplier of 40%	40%

Cash Balance Plan 2012		
Performance conditions	**Performance achieved**	**% of installment vesting**
The award is adjusted based on Group RoE. If Group RoE is below 0%, the actual Group RoE determines the extent of the downward adjustment. If Group RoE is between 0% and 6%, no adjustment will be made. If Group RoE exceeds 6%, the award is adjusted upwards in line with the actual Group RoE, up to a maximum of 20%	The last installment was adjusted upward by 1.3% based on the compound actual Group RoE over 2012 and 2013	101.3%

Equity Ownership Plan 2010 / 2011 and 2011 / 2012 and Senior Executive Equity Ownership Plan 2010 / 2011 and 2011 / 2012		
Performance conditions	**Performance achieved**	**% of installment vesting**
Adjusted operating profit before tax for the business division or, for Corporate Center, adjusted Group operating profit before tax	As the Group and the business divisions reported an operating profit for 2013, the profitability performance condition has been met and the third installment of the EOP awards and SEEOP 2010 / 2011 awards and second installment of EOP and SEEOP 2011 / 2012 awards will vest in full	100%

Discontinued deferred compensation plans

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

➔ **Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of our Annual Report 2013 for more information**

Plan	Cash Balance Plan (CBP)	Performance Equity Plan (PEP)	Senior Executive Equity Ownership Plan (SEEOP)	Special Plan Award Program (SPAP)	Deferred Cash Plan (DCP)	Incentive Performance Plan (IPP)	Key Employee Stock Appreciation Rights Plan (KESAP) and Key Employee Stock Option Plan (KESOP)	Senior Executive Stock Appreciation Rights Plan (SESAP) and Senior Executive Stock Option Plan (SESOP)
Years granted	2010–2012	2010–2012	2010–2012	2012 only	2011 only	2010 only	2002–2009	2002–2009
Eligible employees	GEB members	GEB members	GEB members and GMDs	Selected Managing Directors and GMDs in the Investment Bank	Investment Bank employees whose total compensation exceeded CHF 1 million	GEB members and other senior employees (approximately 900 employees)	Selected employees (approximately 17,000 employees between 2002 and 2009)	GEB members and Group Managing Board
Instrument	Cash	Performance shares	Shares	Shares	Cash	Performance shares	Share-settled stock appreciation rights (SAR) or stock options with a strike price not less than the fair market value of a UBS share on the date of grant	Share-settled stock appreciation rights (SAR) or stock options with a strike price not less than the fair market value of a UBS share on the date of grant
Performance conditions	CBP 2011: dependent on the return on equity CBP 2010: dependent on UBS being profitable	The number of UBS shares delivered can be between zero and two times the number of performance shares granted, depending on whether performance targets relating to eco-nomic profit (EP) and relative total shareholder return (TSR) have been achieved	Dependent on whether the business division makes a loss (the amount forfeited depends on the extent of the loss and generally ranges from 10% to 50% of the award portion due to vest)	Dependent on the level of reduction in risk-weighted assets achieved and the average published return on risk-weighted assets in the Investment Bank in 2012, 2013 and 2014	None	Dependent on share price at the end of the five-year period	None	None
Restrictions / other conditions	Subject to continued employment and harmful act provisions	Subject to continued employment and harmful act provisions	Subject to continued employment and harmful act provisions	Subject to continued employment and harmful act provisions	Subject to continued employment and harmful act provisions	Subject to continued employment and harmful act provisions	Subject to continued employment, non-solicitation of clients and employees and non-disclosure of proprietary information	Subject to continued employment, non-solicitation of clients and employees and non-disclosure of proprietary information
Vesting period	Vests in equal installments over a two-year period	Vests in full three years after grant	Vests in equal installments over a five-year period	Vests in full three years after grant	Vests in one-third installments over a three-year period	Vests in full at the end of five years. Number of shares that vest can be between one and three times the number of performance shares initially granted	Vests in full three years after grant. SAR and options expire 10 years from the date of grant	Vests in full three years after grant. SAR and options expire 10 years from the date of grant

List of tables

Audited

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

	Total	of which vested	of which vesting				
			2014	2015	2016	2017	2018
Shares on 31 December 2013	**8,708,791**	1,619,974	1,652,867	2,373,539	1,263,412	1,052,595	746,404
			2013	2014	2015	2016	2017
Shares on 31 December 2012	**8,192,173**	1,531,295	1,811,280	1,652,867	2,373,539	517,001	306,191

1 Includes related parties. 2 Includes shares granted under variable compensation plans with forfeiture provisions. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to the "Deferred variable compensation plans" section in this report for more information on the plans.

Audited

Number of shares of BoD members on 31 December 2013 / 2012[1]

Name, function	on 31 December	Number of shares held	Voting rights in %
Axel A. Weber, Chairman[2]	2013	233,333	0.011
	2012	200,000	0.010
Michel Demaré, Vice Chairman	2013	150,412	0.007
	2012	116,179	0.006
David Sidwell, Senior Independent Director	2013	151,184	0.007
	2012	149,199	0.007
Reto Francioni, member[2]	2013	0	0.000
	2012	–	0.000
Rainer-Marc Frey, member	2013	209,044	0.010
	2012	162,677	0.008
Ann F. Godbehere, member	2013	113,562	0.006
	2012	81,286	0.004
Axel P. Lehmann, member	2013	185,970	0.009
	2012	139,603	0.007
Wolfgang Mayrhuber, former member[3]	2013	–	0.000
	2012	38,957	0.002
Helmut Panke, member	2013	162,244	0.008
	2012	137,792	0.007
William G. Parrett, member	2013	99,914	0.005
	2012	91,078	0.004
Isabelle Romy, member[2]	2013	24,452	0.001
	2012	0	0.000
Beatrice Weder di Mauro, member[2]	2013	22,496	0.001
	2012	0	0.000
Joseph Yam, member	2013	48,679	0.002
	2012	26,183	0.001
Total	2013	1,401,290	0.068
	2012	1,142,954	0.055

1 This table includes blocked and unblocked shares held by BoD members, including related parties. No options were granted in 2013 and 2012. 2 Reto Francioni was appointed at the AGM on 2 May 2013. Axel A. Weber, Isabelle Romy and Beatrice Weder di Mauro were appointed at the AGM on 3 May 2012. 3 Wolfgang Mayrhuber did not stand for re-election at the AGM on 2 May 2013.

Audited

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

	Total	of which unblocked	of which blocked until			
			2014	2015	2016	2017
Shares on 31 December 2013	**1,401,290**	201,098	204,792	216,451	324,012	454,937
			2013	2014	2015	2016
Shares on 31 December 2012	**1,142,954**	56,624	302,118	204,792	231,501	347,919

1 Includes related parties.

Audited

Vested and unvested options of GEB members on 31 December 2013 / 2012[1]

on 31 December	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
Sergio P. Ermotti, Group Chief Executive Officer						
2013	0					
2012	0					
Markus U. Diethelm, Group General Counsel						
2013	0					
2012	0					
John A. Fraser, Chairman and CEO Global Asset Management						
2013	756,647	170,512	2004	01.03.2007	27.02.2014	USD 38.13
		202,483	2005	01.03.2008	28.02.2015	USD 44.81
		213,140	2006	01.03.2009	28.02.2016	CHF 72.57
		170,512	2007	01.03.2010	28.02.2017	CHF 73.67
2012	884,531	127,884	2003	31.01.2006	31.01.2013	USD 22.53
		170,512	2004	01.03.2007	27.02.2014	USD 38.13
		202,483	2005	01.03.2008	28.02.2015	USD 44.81
		213,140	2006	01.03.2009	28.02.2016	CHF 72.57
		170,512	2007	01.03.2010	28.02.2017	CHF 73.67
Lukas Gähwiler, CEO UBS Switzerland and CEO Retail & Corporate						
2013	0					
2012	0					
Ulrich Körner, Group Chief Operating Officer and CEO UBS Group EMEA						
2013	0					
2012	0					
Philip J. Lofts, Group Chief Risk Officer						
2013	500,741	35,524	2004	01.03.2005	27.02.2014	CHF 44.32
		35,524	2004	01.03.2006	27.02.2014	CHF 44.32
		35,521	2004	01.03.2007	27.02.2014	CHF 44.32
		117,090	2005	01.03.2008	28.02.2015	CHF 52.32
		117,227	2006	01.03.2009	28.02.2016	CHF 72.57
		85,256	2007	01.03.2010	28.02.2017	CHF 73.67
		74,599	2008	01.03.2011	28.02.2018	CHF 35.66
2012	536,173	9,985	2003	01.03.2004	31.01.2013	CHF 27.81
		9,980	2003	01.03.2005	31.01.2013	CHF 27.81
		9,974	2003	01.03.2006	31.01.2013	CHF 27.81
		1,833	2003	01.03.2004	28.02.2013	CHF 26.39
		1,830	2003	01.03.2005	28.02.2013	CHF 26.39
		1,830	2003	01.03.2006	28.02.2013	CHF 26.39
		35,524	2004	01.03.2005	27.02.2014	CHF 44.32
		35,524	2004	01.03.2006	27.02.2014	CHF 44.32
		35,521	2004	01.03.2007	27.02.2014	CHF 44.32
		117,090	2005	01.03.2008	28.02.2015	CHF 52.32
		117,227	2006	01.03.2009	28.02.2016	CHF 72.57
		85,256	2007	01.03.2010	28.02.2017	CHF 73.67
		74,599	2008	01.03.2011	28.02.2018	CHF 35.66

on 31 December	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
Robert J. McCann, CEO Wealth Management Americas and CEO UBS Group Americas						
2013	0					
2012	0					
Tom Naratil, Group Chief Financial Officer						
2013	867,087	145,962	2004	01.03.2007	27.02.2014	USD 38.13
		166,010	2005	01.03.2008	28.02.2015	USD 44.81
		142,198	2006	01.03.2009	28.02.2016	CHF 72.57
		131,277	2007	01.03.2010	28.02.2017	CHF 73.67
		181,640	2008	01.03.2011	28.02.2018	CHF 35.66
		100,000	2009	01.03.2012	27.02.2019	CHF 11.35
2012	935,291	63,942	2003	31.01.2006	31.01.2013	USD 22.53
		4,262	2003	28.02.2005	28.02.2013	USD 19.53
		145,962	2004	01.03.2007	27.02.2014	USD 38.13
		166,010	2005	01.03.2008	28.02.2015	USD 44.81
		142,198	2006	01.03.2009	28.02.2016	CHF 72.57
		131,277	2007	01.03.2010	28.02.2017	CHF 73.67
		181,640	2008	01.03.2011	28.02.2018	CHF 35.66
		100,000	2009	01.03.2012	27.02.2019	CHF 11.35
Andrea Orcel, CEO Investment Bank						
2013	0					
2012	0					
Chi-Won Yoon, CEO UBS Group Asia Pacific						
2013	538,035	6,200	2004	01.03.2005	27.02.2014	CHF 44.32
		4,262	2004	27.02.2006	27.02.2014	CHF 44.32
		6,198	2004	01.03.2006	27.02.2014	CHF 44.32
		6,195	2004	01.03.2007	27.02.2014	CHF 44.32
		10,659	2005	01.03.2006	28.02.2015	CHF 47.58
		10,657	2005	01.03.2007	28.02.2015	CHF 47.58
		10,654	2005	01.03.2008	28.02.2015	CHF 47.58
		21,316	2006	01.03.2007	28.02.2016	CHF 65.97
		21,314	2006	01.03.2008	28.02.2016	CHF 65.97
		21,311	2006	01.03.2009	28.02.2016	CHF 65.97
		8,881	2007	01.03.2008	28.02.2017	CHF 67.00
		8,880	2007	01.03.2009	28.02.2017	CHF 67.00
		8,880	2007	01.03.2010	28.02.2017	CHF 67.00
		42,628	2008	01.03.2011	28.02.2018	CHF 32.45
		350,000	2009	01.03.2012	27.02.2019	CHF 11.35
2012	578,338	8,648	2003	01.03.2004	31.01.2013	USD 20.49
		8,642	2003	01.03.2005	31.01.2013	USD 20.49
		8,635	2003	01.03.2006	31.01.2013	USD 20.49
		4,262	2003	28.02.2005	28.02.2013	USD 19.53
		3,374	2003	01.03.2004	28.02.2013	USD 19.53
		3,371	2003	01.03.2005	28.02.2013	USD 19.53
		3,371	2003	01.03.2006	28.02.2013	USD 19.53

1 This table includes all options of GEB members, including related parties. 2 No conversion rights are outstanding. 3 Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of our Annual Report 2013 for more information.

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Vested and unvested options of GEB members on 31 December 2013 / 2012[1] (continued)

on 31 December	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
Chi-Won Yoon, CEO UBS Group Asia Pacific (continued)						
		6,200	2004	01.03.2005	27.02.2014	CHF 44.32
		4,262	2004	27.02.2006	27.02.2014	CHF 44.32
		6,198	2004	01.03.2006	27.02.2014	CHF 44.32
		6,195	2004	01.03.2007	27.02.2014	CHF 44.32
		10,659	2005	01.03.2006	28.02.2015	CHF 47.58
		10,657	2005	01.03.2007	28.02.2015	CHF 47.58
		10,654	2005	01.03.2008	28.02.2015	CHF 47.58
		21,316	2006	01.03.2007	28.02.2016	CHF 65.97
		21,314	2006	01.03.2008	28.02.2016	CHF 65.97
		21,311	2006	01.03.2009	28.02.2016	CHF 65.97
		8,881	2007	01.03.2008	28.02.2017	CHF 67.00
		8,880	2007	01.03.2009	28.02.2017	CHF 67.00
		8,880	2007	01.03.2010	28.02.2017	CHF 67.00
		42,628	2008	01.03.2011	28.02.2018	CHF 32.45
		350,000	2009	01.03.2012	27.02.2019	CHF 11.35
Jürg Zeltner, CEO UBS Wealth Management						
2013	**203,093**	4,972	2004	01.03.2007	27.02.2014	CHF 44.32
		7,106	2005	01.03.2006	28.02.2015	CHF 47.58
		7,103	2005	01.03.2007	28.02.2015	CHF 47.58
		7,103	2005	01.03.2008	28.02.2015	CHF 47.58
		93	2005	04.03.2007	04.03.2015	CHF 47.89
		161	2005	06.06.2007	06.06.2015	CHF 45.97
		149	2005	09.09.2007	09.09.2015	CHF 50.47
		127	2005	05.12.2007	05.12.2015	CHF 59.03
		7,106	2006	01.03.2007	28.02.2016	CHF 65.97
		7,103	2006	01.03.2008	28.02.2016	CHF 65.97
		7,103	2006	01.03.2009	28.02.2016	CHF 65.97
		110	2006	03.03.2008	03.03.2016	CHF 65.91
		242	2006	09.06.2008	09.06.2016	CHF 61.84
Jürg Zeltner, CEO UBS Wealth Management (continued)						
		230	2006	08.09.2008	08.09.2016	CHF 65.76
		221	2006	08.12.2008	08.12.2016	CHF 67.63
		7,105	2007	01.03.2008	28.02.2017	CHF 67.00
		7,105	2007	01.03.2009	28.02.2017	CHF 67.00
		7,103	2007	01.03.2010	28.02.2017	CHF 67.00
		223	2007	02.03.2009	02.03.2017	CHF 67.08
		42,628	2008	01.03.2011	28.02.2018	CHF 35.66
		90,000	2009	01.03.2012	27.02.2019	CHF 11.35
2012	**203,093**	4,972	2004	01.03.2007	27.02.2014	CHF 44.32
		7,106	2005	01.03.2006	28.02.2015	CHF 47.58
		7,103	2005	01.03.2007	28.02.2015	CHF 47.58
		7,103	2005	01.03.2008	28.02.2015	CHF 47.58
		93	2005	04.03.2007	04.03.2015	CHF 47.89
		161	2005	06.06.2007	06.06.2015	CHF 45.97
		149	2005	09.09.2007	09.09.2015	CHF 50.47
		127	2005	05.12.2007	05.12.2015	CHF 59.03
		7,106	2006	01.03.2007	28.02.2016	CHF 65.97
		7,103	2006	01.03.2008	28.02.2016	CHF 65.97
		7,103	2006	01.03.2009	28.02.2016	CHF 65.97
		110	2006	03.03.2008	03.03.2016	CHF 65.91
		242	2006	09.06.2008	09.06.2016	CHF 61.84
		230	2006	08.09.2008	08.09.2016	CHF 65.76
		221	2006	08.12.2008	08.12.2016	CHF 67.63
		7,105	2007	01.03.2008	28.02.2017	CHF 67.00
		7,105	2007	01.03.2009	28.02.2017	CHF 67.00
		7,103	2007	01.03.2010	28.02.2017	CHF 67.00
		223	2007	02.03.2009	02.03.2017	CHF 67.08
		42,628	2008	01.03.2011	28.02.2018	CHF 35.66
		90,000	2009	01.03.2012	27.02.2019	CHF 11.35

1 This table includes all options of GEB members, including related parties. 2 No conversion rights are outstanding. 3 Refer to "Note 29 Equity participation and other compensation plans" in the "Financial information" section of our Annual Report 2013 for more information.

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Loans granted to GEB members on 31 December 2013 / 2012 [1]

CHF, except where indicated[2]

Name, function	on 31 December	Loans[3]
Ulrich Körner, Group Chief Operating Officer and CEO UBS Group EMEA (highest loan in 2013)	2013	5,181,976
Markus U. Diethelm, Group General Counsel (highest loan in 2012)	2012	5,564,012
Aggregate of all GEB members	2013	18,763,976
	2012	18,862,820

1 No loans have been granted to related parties of the GEB members at conditions not customary in the market. 2 Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section in our Annual Report 2013. 3 All loans granted are secured loans, except for CHF 311,308 in 2012.

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Loans granted to BoD members on 31 December 2013/ 2012 [1]

CHF, except where indicated[2]

	on 31 December	Loans[3, 4]
Aggregate of all BoD members	2013	1,520,000
	2012	500,000

1 No loans have been granted to related parties of the BoD members at conditions not customary in the market. 2 Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section in our Annual Report 2013. 3 All loans granted are secured loans. 4 CHF 1,520,000 for Reto Francioni in 2013. CHF 500,000 for Michel Demaré in 2012.

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Compensation paid to former BoD and GEB members[1]

CHF, except where indicated[2]

	For the year	Compensation	Benefits	Total
Former BoD members	2013	0	0	0
	2012	0	0	0
Aggregate of all former GEB members[3]	2013	0	27,809	27,809
	2012	0	25,465	25,465
Aggregate of all former BoD and GEB members	2013	0	27,809	27,809
	2012	0	25,465	25,465

1 Compensation or remuneration that is connected with the former member's activity on the BoD or GEB or that is not at market conditions. 2 Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section in our Annual Report 2013. 3 Includes one former GEB member in 2013 and 2012.

Information sources

Reporting publications

Annual publications: *Annual report (SAP no. 80531):* Published in both English and German, this single volume report provides a description of our Group strategy and performance, the strategy and performance of the business divisions and the Corporate Center, risk, treasury and capital management, corporate governance, responsibility and senior management compensation, (including compensation to the Board of Directors and the Group Executive Board members) and financial information, including the financial statements. *Review (SAP no. 80530):* The booklet contains key information on our strategy and financials. It is published in English, German, French and Italian. *Compensation Report (SAP no. 82307):* The report discusses our compensation framework and provides information on compensation to the Board of Directors and the Group Executive Board members. It is published in English and German.

Quarterly publications: *Letter to shareholders:* The letter provides a quarterly update from executive management on our strategy and performance. The letter is published in English, German, French and Italian. *Financial report (SAP no. 80834):* The quarterly financial report provides an update on our strategy and performance for the respective quarter. It is published in English.

How to order reports: The annual and quarterly publications are available in PDF format on the internet at *www.ubs.com/investors* in the "Financial information" section. Printed copies can be ordered from the same website in the "Investor services" section, which can be accessed via the link on the left-hand side of the screen. Alternatively, they can be ordered by quoting the SAP number and the language preference where applicable, from UBS AG, F4UK–AUL, P.O. Box, CH-8098 Zurich, Switzerland.

Other information

Website: The "Investor Relations" website at *www.ubs.com/investors* provides the following information on UBS: news releases, financial information (including results-related filings with the US Securities and Exchange Commission), corporate information, including UBS share price charts and data and dividend information, the UBS corporate calendar and presentations by management for investors and financial analysts. Information on the internet is available in English and German.

Result presentations: Our quarterly results presentations are webcast live. A playback of most presentations is downloadable at *www.ubs.com/presentations*.

Messaging service / UBS news alert: On the *www.ubs.com/newsalerts* website, it is possible to subscribe to receive news alerts about UBS via SMS or e-mail. Messages are sent in English, German, French or Italian and it is possible to state theme preferences for the alerts received.

Form 20-F and other submissions to the US Securities and Exchange Commission: We file periodic reports and submit other information about UBS to the US Securities and Exchange Commission (SEC). Principal among these filings is the annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934. The filing of Form 20-F is structured as a "wrap-around" document. Most sections of the filing can be satisfied by referring to parts of the annual report. However, there is a small amount of additional information in Form 20-F which is not presented elsewhere, and is particularly targeted at readers in the US. Readers are encouraged to refer to this additional disclosure. Any document that we file with the SEC is available to read and copy on the SEC's website, *www.sec.gov,* or at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, DC, 20549. Please call the SEC by dialing +1-800-SEC-0330 for further information on the operation of its public reference room. Please visit *www.ubs.com/investors* for more information.

Corporate information

The legal and commercial name of the company is UBS AG. The company was formed on 29 June 1998, when Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872) merged to form UBS AG.

UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

The addresses and telephone numbers of our two registered offices are:
Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, phone +41-44-234 11 11; and
Aeschenvorstadt 1, CH-4051 Basel, Switzerland, phone +41-61-288 50 50.

UBS AG shares are currently listed on the SIX Swiss Exchange and the New York Stock Exchange.

Contacts

Switchboards
For all general queries.
Zurich +41-44-234 1111
London +44-20-7568 0000
New York +1-212-821 3000
Hong Kong +852-2971 8888
www.ubs.com/contact

Investor Relations
UBS's Investor Relations team supports institutional, professional and individual investors from our offices in Zurich and New York.

UBS AG, Investor Relations,
P.O. Box, CH-8098 Zurich, Switzerland

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

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

Media Relations
UBS's Media Relations team supports global media and journalists from offices in Zurich, London, New York and Hong Kong.

www.ubs.com/media

Zurich +41-44-234 8500
mediarelations@ubs.com

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

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

UBS AG, Office of the Company Secretary,
P.O. Box, CH-8098 Zurich, Switzerland

sh-company-secretary@ubs.com

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

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

UBS AG, Shareholder Services,
P.O. Box, CH-8098 Zurich, Switzerland

sh-shareholder-services@ubs.com

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

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

Computershare,
P.O. Box 43006, Providence,
RI 02940-3006, USA

Shareholder online inquiries:
https://www-us.computershare.com/investor/Contact

Shareholder website:
www.computershare.com/investor

Calls from the US +1 866-541 9689
Calls from outside the US +1-201-680 6578
Fax +1-201-680 4675

Corporate calendar

Publication of the first quarter 2014 report
Tuesday, 6 May 2014

Annual General Meeting of Shareholders
Wednesday, 7 May 2014

Publication of the second quarter 2014 report
Tuesday, 29 July 2014

Publication of the third quarter 2014 report
Tuesday, 28 October 2014

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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.

UBS AG
P.O. Box, CH-8098 Zurich
P.O. Box, CH-4002 Basel

www.ubs.com

UBS