

# Focusing on *success*

## Lea Sprunger

Date of birth: 5 March 1990

Profession: athlete

Discipline: sprint (100 m, 200 m, 4×100 m)

Swiss record holder (4×100 m)

Participant at 2013 World Championships, Moscow (4×100 m)

Participant at 2012 Olympic Summer Games, London



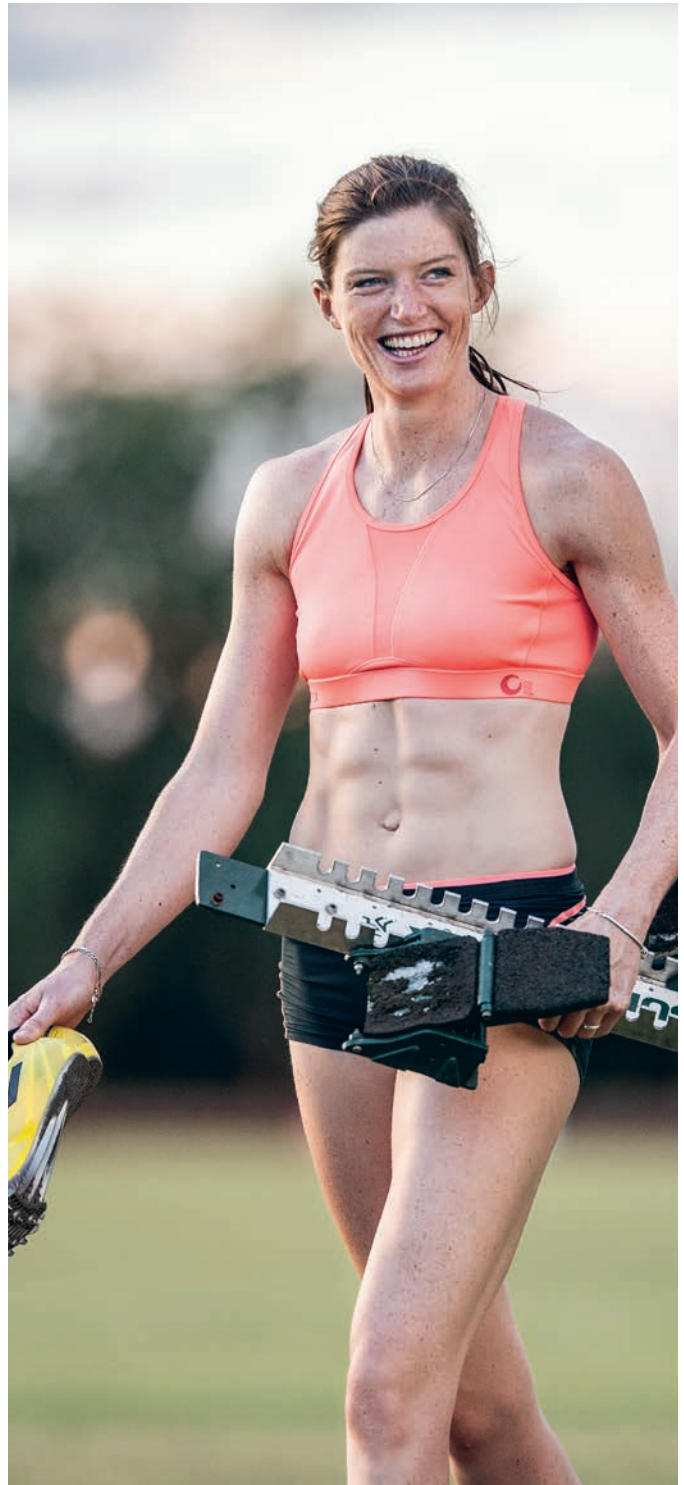


This review is provided as a convenience to our investors, clients and other stakeholders who would like a brief overview of our business, strategy and 2013 performance. Please refer to UBS's Annual Report 2013 for additional information. Details about how to obtain the Annual Report and other publicly available information about UBS, including the Annual Report on Form 20-F for the year ended 31 December 2013, are set out on page 44 of this review. The information contained in this review is not to be construed as a solicitation of an offer to buy or sell any securities or other financial instruments in Switzerland, the United States or any other jurisdiction. No investment decision relating to securities of or relating to UBS AG or its affiliates should be made on the basis of this document.



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# Editorial

Dear reader,

In our Annual Review 2013 we look back on our first full year of execution following the announcement of the accelerated implementation of our strategy. We made excellent progress thanks to the dedication and hard work of our employees, the trust and confidence of our clients, and the support of our shareholders. We accomplished our goals of further adapting our business to better serve clients, reducing risk, delivering more sustainable performance and enhancing shareholder returns. All our businesses were profitable in every quarter, demonstrating that the firm's model has the flexibility to adapt and perform well in a variety of market conditions. This enabled us to finish a transformational year ahead of the majority of our targets and allows us to further *focus on the success* of our clients and shareholders.

While our financial performance is crucial, our activities extend well beyond the bottom line. In this year's review we explore some of the important work that goes on behind the scenes to ensure we continue our progress. In the first article we explain how the financial strength we have built in recent years benefits clients, shareholders and other stakeholders. We show how it forms the foundation for our success in today's highly complex and changing operating environment, giving us the flexibility to execute our strategy effectively and presenting a unique competitive advantage which our clients value.

Our work to embed our principles of client focus, excellence and sustainable performance across the firm at every level continued in 2013. The principles characterize the way we work together and the promises we make to our clients. Our clients want

sound and timely advice to help them navigate uncertain markets and achieve their financial objectives. In the review we look at just one of the many ways we are doing this. Our Wealth Management business has linked our excellent content, skilled investment specialists and highly trained client advisors into a unique value chain, aimed at delivering superior investment advice and solutions to protect and grow our clients' wealth.

Ours is a truly global firm but we remain immensely proud of our Swiss heritage. In 2013, we continued to invest in and for Switzerland. To grow our position as the number one bank in our home market, we know we must deliver what our clients need when they need it. We listen to our clients and understand that their lives, expectations and the ways in which they interact using new technologies change. We look at how our Retail & Corporate business has adapted by offering clients multi-channel solutions designed around their needs such as our enhanced e-banking and mobile banking services.

We believe that how we deliver results is as important as the results themselves. Through adherence to our abovementioned principles and together with the high standards of behavior we ask of our employees, we are fostering and further developing a culture that is both a source of pride and a competitive advantage for the firm. A healthy culture is the bond that holds a global organization such as ours together. Inspiring loyalty and teamwork, it motivates people to always do the right thing. It also helps to develop and retain the best people to deal with today's business challenges, and it creates the



leaders of the future. In the “Fostering a winning culture” article, Colin Price, a leading thinker on organizational health issues and an advisor to the firm, shares his thoughts on the benefits of our approach.

Our clients increasingly want to use their wealth to drive positive change in society. For a long time, we have been helping them to invest according to sustainable and responsible criteria. Building on this capability, in 2013 we made a significant commitment to maximize these efforts through a dedicated, industry-leading platform. During the year the firm and our employees also continued to play an active role in our communities through our educational and entrepreneurship initiatives and community-based activities around the world.

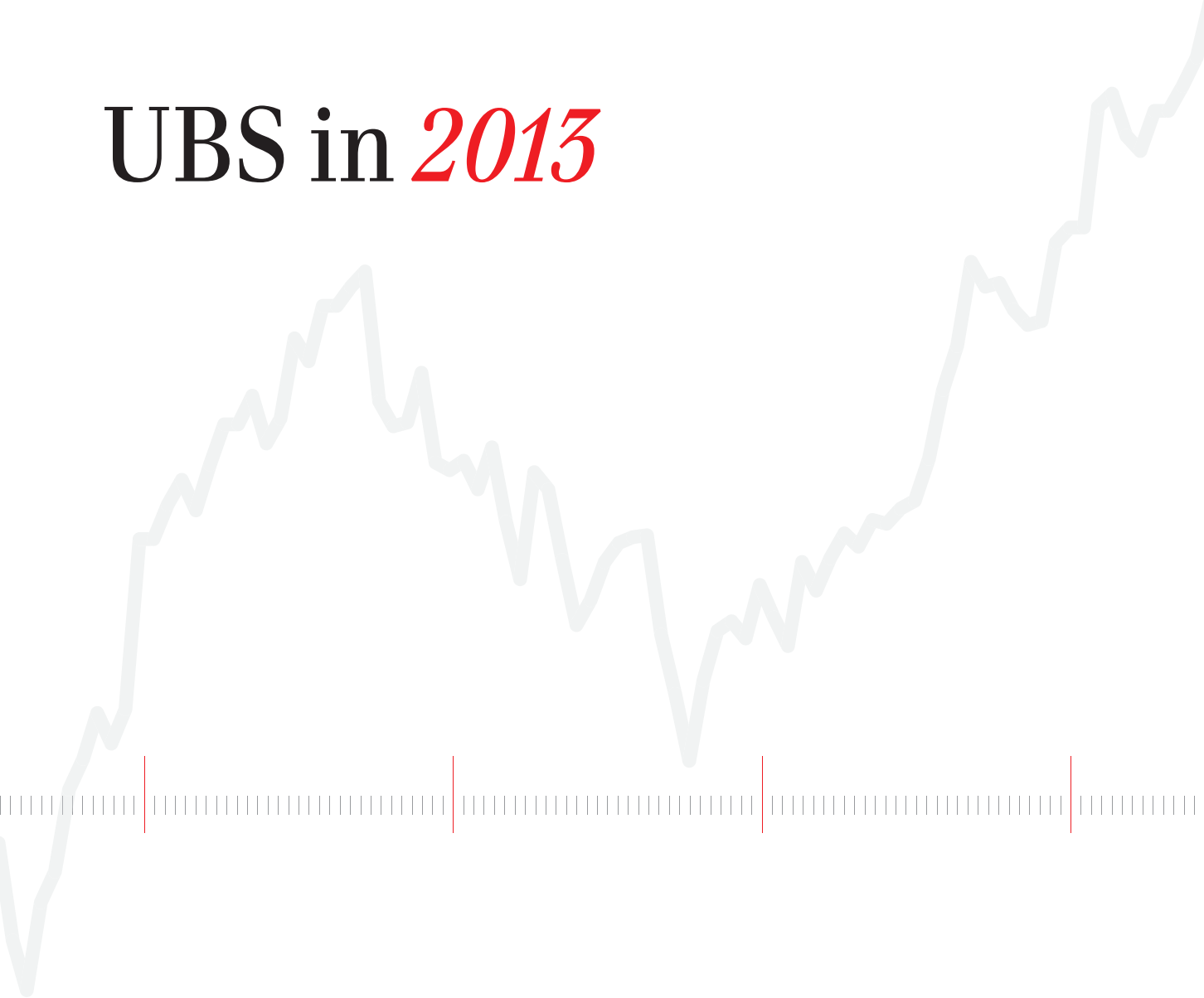
We hope you find this year’s Annual Review an engaging, enlightening and, most of all, enjoyable read.

Yours sincerely,

Axel A. Weber  
Chairman of the  
Board of Directors

Sergio P. Ermotti  
Group Chief  
Executive Officer

# UBS in *2013*





# Our *business*

Official opening in Beijing of UBS (China) Limited.

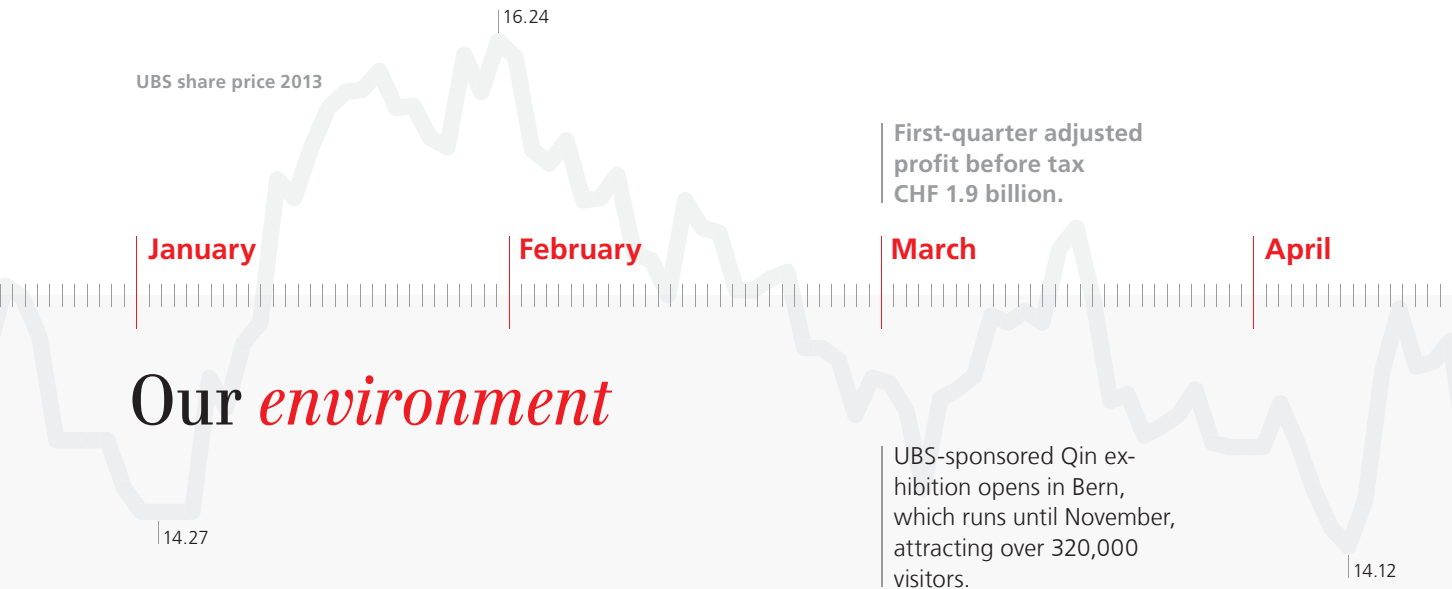
Global AM lists ETFs on Borsa Italiana in largest one-time listing.

UBS is the first company in Switzerland to set up a shareholder portal allowing electronic voting instructions for the firm's AGM.

UBS surpasses minimum Swiss SRB Basel III common equity tier 1 ratio for systemically relevant Swiss banks six years early.

UBS completes acquisition of Link Investimentos, Brazil's largest independent brokerage firm.

UBS share price 2013



# Our *environment*

UBS-sponsored Qin exhibition opens in Bern, which runs until November, attracting over 320,000 visitors.

Inaugural Guggenheim UBS MAP exhibition in New York showcasing art from emerging market regions.



UBS AGM approves the distribution of a dividend of CHF 0.15 per share for the financial year 2012 and Reto Francioni's election. Wolfgang Mayrhuber steps down from the Board.

UBS announces its intention to exercise the option to acquire the SNB StabFund's equity. 19.43

UBS confirmed as the largest and fastest-growing large-scale wealth manager in the world in the 2013 Scorpio private banking benchmark.

*Euromoney* names UBS "Best Global Wealth Manager" and "Best Bank in Switzerland."



18.00  
The UK government appoints UBS as joint global coordinator and book-runner for the sale of Royal Mail Group Ltd, the largest privatization in Britain for a decade.

UBS gains a double gold in the Thomson Reuters Extel Survey as number one Pan-European Equity House and number one for Equity Trading and Execution.

UBS announces creation of Nashville Business Solutions Center in the US as part of its strategy to create regional centers of excellence for its support functions.

Second-quarter adjusted profit before tax CHF 1.0 billion.

May

June

July

August

UBS named a top energy saver by WWF.

UBS named in top three Swiss employers in Unisum Ideal Employer Survey.

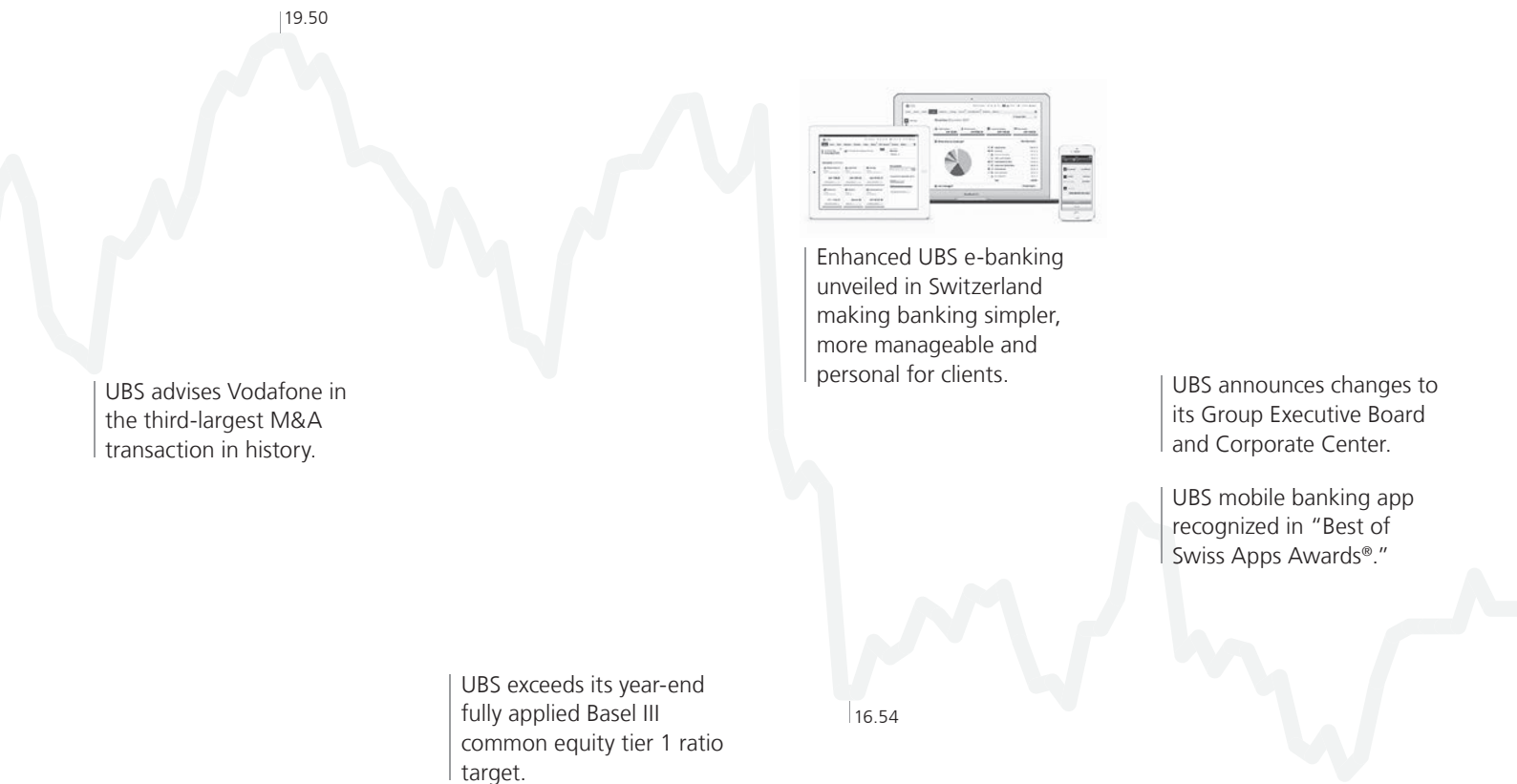
Pablo León de la Barra selected as new Guggenheim UBS Map Curator, Latin America.

UBS sponsors Weltklasse Zurich 2013. UBS Kids Cup Final takes place in Zurich's Letzigrund Stadium.

## Art | Basel

UBS marks the 20th anniversary of its association with Art Basel with a new global partnership across Basel, Miami Beach and Hong Kong.





UBS advises Vodafone in the third-largest M&A transaction in history.



Enhanced UBS e-banking unveiled in Switzerland making banking simpler, more manageable and personal for clients.

UBS announces changes to its Group Executive Board and Corporate Center.

UBS mobile banking app recognized in "Best of Swiss Apps Awards®."

UBS exceeds its year-end fully applied Basel III common equity tier 1 ratio target.

Third-quarter adjusted profit before tax CHF 484 million.

Full-year adjusted profit before tax CHF 4.1 billion.

**September**

**October**

**November**

**December**

Winners of UBS Global Employee Volunteer Awards 2013 announced.

UBS recognized in Dow Jones Sustainability Indices 2013.

UBS sponsors the Federal Swiss Wrestling and Alpine Festival 2013.



Typhoon Haiyan: UBS commits to match donations from clients up to CHF 3 million in addition to its longstanding matched-giving program for employees.



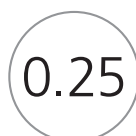
UBS International Center of Economics in Society publishes first public paper: "China's Great Convergence and Beyond."

# UBS at a *glance*

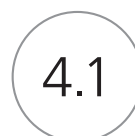
UBS draws on its 150-year heritage to serve private, institutional and corporate clients worldwide and retail clients in Switzerland. Our strategy centers on our pre-eminent global wealth management businesses and our universal bank in Switzerland, together with a client-focused investment bank and a strong, well-diversified global asset management business.



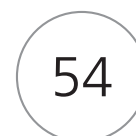
"A year ago, we said we would further adapt our business to better serve clients, reduce risk, deliver more sustainable performance and enhance shareholder returns. I am pleased to report that in 2013 we accomplished all those goals. We finished the year ahead of the majority of our performance targets and will continue to execute our strategy in a disciplined manner in order to ensure the firm's long-term success." Sergio P. Ermotti, Group CEO



**Proposed dividend for 2013**  
CHF 0.25,  
up 67% on 2012



**Adjusted<sup>2</sup> profit before tax in 2013**  
CHF 4.1 billion



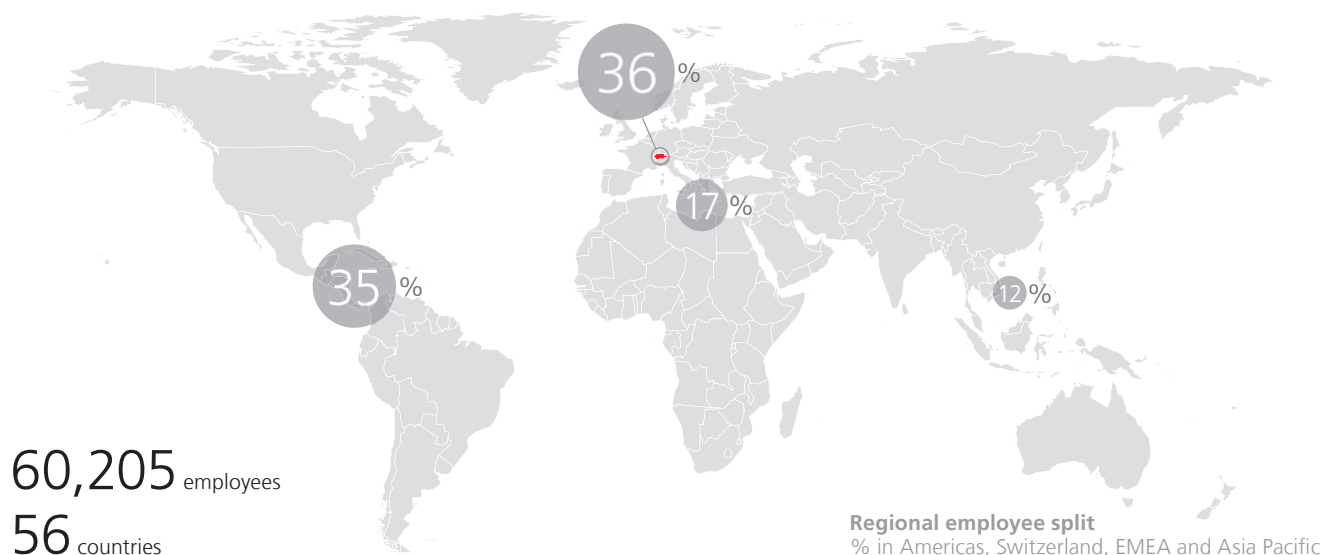
**Net new money<sup>3</sup> 2013**  
CHF 54 billion

Headquartered in Zurich and Basel, Switzerland, UBS is present in all major financial centers worldwide. Our shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE). Our operational structure comprises the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, the Investment Bank, Global Asset Management and Retail & Corporate.

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- UBS recognized as the largest and fastest-growing large-scale wealth manager in the world<sup>1</sup>
- awarded "Best Global Wealth Manager" and "Best Bank in Switzerland" by *Euromoney* and "Outstanding Global Private Bank 2013" by *Private Banker International*
- recognized as number one in cash equity globally in a leading private survey, *International Finance Review's* "EMEA Structured Equity House of the Year" and *Euroweek's* "ECM Bank of the Year"

- full-year adjusted<sup>2</sup> profit before tax CHF 4.1 billion, up 44% on 2012
- all business divisions profitable in every quarter
- full-year net profit attributable to UBS shareholders CHF 3.2 billion; diluted earnings per share CHF 0.83
- wealth management businesses' full-year net new money CHF 54 billion in 2013
- fully applied<sup>10</sup> Basel III common equity tier 1 ratio up 300 bps in 2013 to 12.8%, ahead of 2013 target
- fully applied risk-weighted assets reduced to CHF 225 billion in 2013, ahead of 2013 target
- proposed dividend increase of 67% to CHF 0.25 per share for 2013



## UBS key figures

CHF million, except where indicated	As of or for the year ended		
	31.12.13	31.12.12	31.12.11
<b>Group results</b>			
Operating income	27,732	25,423	27,788
Operating expenses	24,461	27,216	22,482
Operating profit/(loss) before tax	3,272	(1,794)	5,307
Net profit/(loss) attributable to UBS shareholders	3,172	(2,480)	4,138
Diluted earnings per share (CHF) <sup>4</sup>	0.83	(0.66)	1.08
<b>Key performance indicators<sup>5</sup>, balance sheet and capital management, and additional information</b>			
<b>Performance</b>			
Return on equity (RoE) (%)	6.7	(5.1)	9.1
Return on tangible equity (%) <sup>6</sup>	8.0	1.6	11.9
Return on risk-weighted assets, gross (%) <sup>7</sup>	11.4	12.0	13.7
Return on assets, gross (%)	2.5	1.9	2.1
<b>Growth</b>			
Net profit growth (%) <sup>8</sup>			(44.5)
Net new money growth (%) <sup>9</sup>	1.4	1.6	1.9
<b>Efficiency</b>			
Cost/income ratio (%)	88.0	106.6	80.7
<b>Capital strength</b>			
Common equity tier 1 capital ratio (% phase-in) <sup>10</sup>	18.5	15.3	
Common equity tier 1 capital ratio (% fully applied) <sup>10</sup>	12.8	9.8	
Swiss SRB leverage ratio (% phase-in) <sup>11</sup>	4.7	3.6	
<b>Balance sheet and capital management</b>			
Total assets	1,009,860	1,259,797	1,416,962
Equity attributable to UBS shareholders	48,002	45,949	48,530
Total book value per share (CHF) <sup>12</sup>	12.74	12.26	12.95
Tangible book value per share (CHF) <sup>12</sup>	11.07	10.54	10.36
Common equity tier 1 capital (phase-in) <sup>10</sup>	42,179	40,032	
Common equity tier 1 capital (fully applied) <sup>10</sup>	28,908	25,182	
Risk-weighted assets (phase-in) <sup>10</sup>	228,557	261,800	
Risk-weighted assets (fully applied) <sup>10</sup>	225,153	258,113	
Total capital ratio (% phase-in) <sup>10</sup>	22.2	18.9	
Total capital ratio (% fully applied) <sup>10</sup>	15.4	11.4	
<b>Additional information</b>			
Invested assets (CHF billion) <sup>13</sup>	2,390	2,230	2,088
Personnel (full-time equivalents)	60,205	62,628	64,820
Market capitalization <sup>12</sup>	65,007	54,729	42,843

**Footnotes for pages 8 and 9:** 1 Scorpio Partnership Global Private Banking Benchmark 2013, based on 2012 data for banks with assets under management of over USD 500 billion. 2 Please refer to "Group performance" in the "Financial and operating performance" section of our Annual Report 2013 for more information on adjusted results. This is available at [www.ubs.com/investors](http://www.ubs.com/investors). 3 Combined Wealth Management and Wealth Management Americas net new money inflows. 4 Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of our Annual Report 2013 for more information. 5 For the definitions of our key performance indicators, refer to the "Measurement of performance" section of our Annual Report 2013. 6 Net profit/loss attributable to UBS shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable)/average equity attributable to UBS shareholders less average goodwill and intangible assets. 7 Based on Basel III risk-weighted assets (phase-in) for 2013. Based on Basel 2.5 risk-weighted assets for 2012. Based on Basel II risk-weighted assets for 2011. 8 Not meaningful and not included if either the reporting period or the comparison period is a loss period. 9 Group net new money includes net new money for Retail & Corporate and excludes interest and dividend income. 10 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRB). Numbers for 31 December 2012 are on a pro-forma basis. Refer to the "Capital management" section of our Annual Report 2013 for more information. 11 Refer to the "Capital management" section of our Annual Report 2013 for more information. 12 Refer to "UBS shares" in the "Capital management" section of our Annual Report 2013 for more information. 13 Group invested assets includes invested assets for Retail & Corporate.

# *Why our financial strength matters*



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**The new challenges global financial firms face and must address in order to prosper are manifold. What does this mean for UBS in particular? The financial strength we have created as a firm is the foundation for our success as it gives us the flexibility to execute our strategy effectively in the new operating environment. It enables us to fulfill regulatory requirements and it reinforces client confidence while allowing us to address the challenges of the past and absorb unexpected events. From this position of strength, in 2013 we increased adjusted<sup>1</sup> profit before tax by 44% to CHF 4.1 billion.**

We operate in an environment still characterized by increased and shifting regulation and with markets affected by the turbulence of macroeconomic, geopolitical and unresolved fiscal issues. As a Swiss bank, we are subject to some of the most stringent regulatory requirements in the world. We acted early and decisively to prepare our business for the future with a clear strategy that focused on building and maintaining our industry-leading capital position. During 2013, we enhanced this position, exceeding our own ambitious year-end capital targets. Since we announced our strategy in the second half of 2011, we have more than doubled our fully applied Basel III common equity tier 1 (CET1) ratio – a key measure of financial strength – from around 6% to 12.8%. We achieved this

improvement primarily through steady reductions in fully applied risk-weighted assets (RWA) from around CHF 400 billion to CHF 225 billion at the end of 2013, already meeting our 2015 target. We set a target of a fully applied Basel III CET1 ratio of 13% by the end of 2014, comfortably above the regulatory minimum of 10% by 2019. We also continued to successfully deleverage our balance sheet, reducing total assets by over CHF 400 billion since we announced our strategy. Due to our financial strength, our Basel III funding and liquidity ratios and our Swiss SRB leverage ratio remain comfortably above our regulatory requirements.

“Our position as one of the world’s best-capitalized banks, together with our stable funding and sound

liquidity positions, provides us with a solid foundation for success in a variety of conditions. This is a unique competitive advantage which our clients value," says Tom Naratil, Group Chief Financial Officer and Group Chief Operating Officer.

A clear example of this are the assets our clients entrust to our wealth management businesses. These assets have helped UBS to become recognized as the largest and fastest-growing large-scale wealth manager in the world<sup>2</sup>. Since the beginning of 2011, our wealth management businesses have attracted CHF 136 billion in total net new money. In 2013 alone, they attracted CHF 54 billion, 14% more than in the prior year. And it's not just our wealthy clients globally who benefit from the safety our financial strength offers. Our Retail & Corporate clients in Switzerland also appreciate the decisive action we have taken to build and maintain our position as one of the best-capitalized banks in our peer group. This is reflected in the fact that in 2013 the business grew client deposits to levels higher than at any time since the end of 2007.

Our shareholders also gain from our success as we build on our solid financial foundation. Our dividends are testament to this. For 2012, we increased our dividend to shareholders by 50% to CHF 0.15 per share; for 2013 we are recommending an increase of 67% to CHF 0.25 per share. Furthermore, we are confident that we will achieve our target of a fully applied Basel III CET1 ratio of 13% in 2014. After reaching this, we aim for a total payout ratio of at least 50% of our profits.

"We owe it to our shareholders to reward the trust they place in us with meaningful returns," says Naratil. "Our capital strength forms the foundation for our success. We firmly believe that this, coupled with our ability to provide global capabilities and insights to clients, will enable us to continue delivering on our stated objective of paying progressive capital returns to shareholders." ■



**"We owe it to our shareholders to reward the trust they place in us with meaningful returns."**

Group Chief Financial Officer and Group Chief Operating Officer  
Tom Naratil

### External recognition of UBS's success in 2013

The success we achieved in 2013 was apparent in the various awards we received. These included being named "Best Global Wealth Manager" by *Euromoney* for the second consecutive year and "Outstanding Global Private Bank 2013" by *Private Banker International*. UBS came top of the Scorpio Partnership Global Private Banking Benchmark 2013<sup>2</sup>, recognizing it as the largest and fastest-growing large-scale wealth manager in the world. In addition to being recognized as number one in cash equity globally in a leading private survey, our Investment Bank received numerous accolades, such as *Derivatives Intelligence's* "Structured Products House of the Year" and *Euroweek's* "ECM Bank of the Year." In the Thomson Reuters Extel Survey 2013, the Investment Bank was ranked as the number one Pan-European Equity House and number one for Equity Trading and Execution for the tenth and fourth consecutive years, respectively.

<sup>1</sup> Please refer to the "Group performance" section of our Annual Report 2013 for more information on adjusted results. This is available at [www.ubs.com/investors](http://www.ubs.com/investors). <sup>2</sup> Scorpio Partnership Global Private Banking Benchmark 2013, based on 2012 data for banks with assets under management of over USD 500 billion.

## Find out more

For more information about our financial performance, visit [www.ubs.com/annualreport](http://www.ubs.com/annualreport)

# *The customer is king*



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**UBS is the pre-eminent universal bank in Switzerland, the only country where we operate and maintain leading positions in all five of our business areas of retail, wealth management, corporate and institutional banking, asset management and investment banking. We are fully committed to our home market as our leading position in Switzerland is crucial in terms of profit stability, sustaining our global brand and growing our global core business. Anyone deciding to become a UBS Switzerland client can feel that they are in good hands and treated like royalty.**

Wishful thinking? No, because our surveys show that 94% of our clients say they are satisfied or very satisfied after visiting a UBS branch. They value the diversity of high-quality products and services that are unequalled anywhere in the world. Our new channels, such as our e-banking and mobile banking solutions, are also a great success.

Because our firm has a global presence, we can identify trends at an early stage and act accordingly. Our Swiss clients can access the entire range of UBS products and services. This extends from investment, real estate and retirement provision for private clients to financing and succession solutions for businesses. Clients can find information about

our product range online, via their smartphones or in a UBS branch. In 2012, UBS became the first Swiss bank to have its client advisors certified under an official, external approval system in the private client, corporate & institutional clients and wealth management segments.

With more than 20,000 employees, 300 branches and some 1,250 ATMs, we are far and away the top player in our home market. Our clients include over 40% of all firms and one-third of all households in Switzerland. UBS finances almost one in five private mortgages, manages one of every six Swiss francs saved and handles one in every four francs of credit card turnover.



Many of our clients are used to interacting via smartphones and other portable gadgets, and exhibit a far greater affinity to technology than in earlier years. We take these new requirements into account and our range of offers sets new trends on the market. Our clients are free to decide how, when and by what means they obtain information, seek advice or select products from our firm.

The new access options are very popular. For instance, the number of clients using the mobile banking app has doubled since last year. Our e-banking service is also setting new standards. The personal financial assistant that provides our clients with a full overview of their budget at any time has led to a significant increase in e-banking users.

Multi-channel is the magic word. It means that clients can use any combination of options they choose for communicating with their bank – either by visiting one of our branches in Switzerland in the traditional way, or using e-banking, mobile banking, our call center or a Multimat ATM.

Our clients can already see what the digital future looks like at the branch at Bern central rail station, and will soon be able to do so at other locations too. Clients can experience our comprehensive online services there. Specialist personnel are on hand to help clients try out the services, and more detailed personal discussions can be conducted privately in an interview room if required. In this way, classic and modern forms of communication and interaction are not mutually exclusive, but complement each other perfectly.

Our clients also benefit from the firm's wide variety of sponsorship activities in the fields of sports and culture, for instance in the form of discounted tickets or through the fact that some events, such as the UBS Kids Cup, exist purely as a result of UBS's financial commitment. Highlights of 2013 included the exhibition "Qin – the eternal emperor and his terracotta warriors" at the Historical Museum of Bern. In the sporting field, the Swiss Wrestling and Alpine Festival 2013 in Burgdorf was unforgettable. UBS was a "kingly" partner at this major sporting event: just one more reason why we are perfectly accustomed to dealing with kings. ■



**"Multi-channel is the magic word. It means that our clients can use any combination of options that suit them when interacting with UBS."**

COO UBS  
Switzerland  
Sabine Keller-Busse

## UBS Switzerland

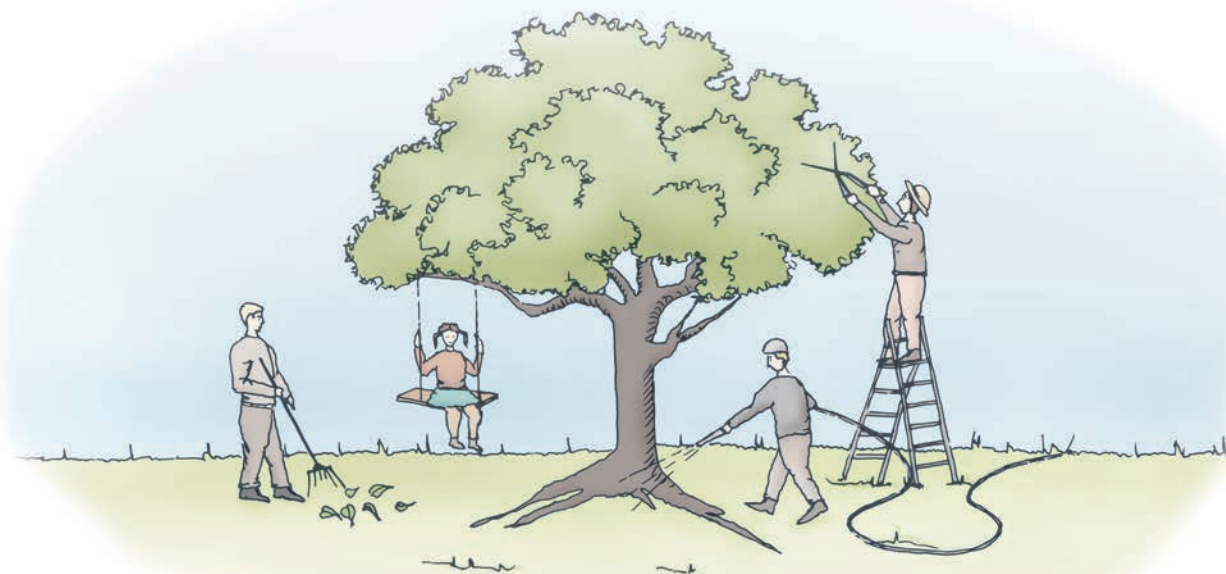
Drawing on our network of around 300 branches and our 4,700 client-facing staff, complemented by modern digital banking services and customer service centers open to our clients around the clock seven days a week, we are able to reach approximately 80% of Swiss wealth and service one in three households, one in three high net worth individuals, over 40% of Swiss companies, one in three pension funds and 85% of banks domiciled in Switzerland. In July, Euromoney acknowledged our pre-eminent position in Switzerland with its prestigious "Best Bank in Switzerland" award for the second consecutive year.

Our unique universal bank model is central to our success. Our dedicated Swiss management team includes representatives from all five business areas and ensures we apply a consistent approach to the market when offering our full range of banking products, expertise and services. Our cross-divisional management approach allows us to utilize our existing resources efficiently, promotes cross-divisional thinking and enables seamless collaboration across all business areas. As a result, we are in a unique position to serve our clients efficiently with a comprehensive range of banking products and services to fit their needs. We are able to differentiate ourselves by leveraging our strengths across all segments while ensuring stability and continuity throughout each client's life cycle. Our universal bank model has proven itself to be highly effective in Switzerland and consistently provides a substantial part of the Group's revenues.

## Find out more

For more information about e-banking,  
visit [www.ubs.com/ebanking-en](http://www.ubs.com/ebanking-en)

# Fostering a *winning* culture



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**A company's culture influences the way its employees interact with others both internally and externally. A healthy culture provides a strong bond that holds an organization together, especially when that organization is global in scale. It inspires loyalty and teamwork. It motivates people to always do the right thing. It helps to develop and retain a global workforce that is able to deal with today's business challenges, and it builds leadership strength for the future.**

We asked leading thinker on organizational health Colin Price about what factors make a company successful and what role a strong culture plays in this process.

In his work for a leading international consultancy, Price has advised some of the world's largest corporations and public-sector organizations. He has spent 25 years helping executives tackle crucial organizational challenges involving performance transformation, behavioral change, post-merger integration, and organization design.

"My life's work has been about measuring the culture of 1,500 companies and the performance of those companies," says Price. "And the first thing we find is that culture matters. If you take all the companies we measured and you look at just the top half of them in

terms of culture, they outperform the less productive cultures two to one over the medium term."

Price has been working closely with UBS's Group Executive Board since early 2013 as it seeks new ways to foster the strong aspects of the firm's culture and evolve them further. He argues that there are five things a company has to get right culturally in order to ensure success and garner respect from its stakeholders.

## **Understanding what we stand for**

The first one is to be clear about the kind of culture that you're trying to create. "Every winning culture is unique and is derived from a firm's shared values and heritage. In short, it comes from within and can't be imposed," says Price.

The second one, notes Price, is “to have the honesty to step up and recognize what your existing culture is like.” “Many organizations spend a lot of time telling their people, ‘We’ve got a great culture,’” he says, “but that doesn’t achieve a great deal.” If you’re really going to change the culture, you have to have some honesty about where the challenges lie.

The third thing to get right is to actually make changes. “You do not change culture by wishing for it to be better,” says Price. “You actually have to change tangible things in the organization. To this end, you need to develop a concrete plan to embed your principles and core values in everything you do, from leadership skills building and business process simplification to employee engagement and the way you recruit people, to ensure that the way you achieve your goals is as important as achieving the goals themselves.”

### Leading by example

Price’s research shows that the fourth and fifth steps to creating a winning company, which revolve around people, are the most difficult to master. “For change to be positive, effective and permanent, you have to change everyone’s behavior – employees and senior leaders alike. You’ve got to help people get better.”

And the fifth step? During his long career Price has interviewed almost 7,000 company CEOs and chairmen which has given him a unique insight into what makes an effective change leader. “Unless leaders genuinely want to change, every other step is wasted. Leaders are the glue and the engine that drive performance and change. To change an employee’s behavior and mindset, leaders must act as role models. They must tell a compelling story so employees understand what is being asked of them and see that it makes sense. They must ensure their people have the skills needed for change and put in place the structures, processes and systems to support the changes,” concludes Price.

So is the effort and potential disruption involved in change worth it? Yes, affirms Price who notes that people who work in cultures that are thriving, productive and positive generate significantly better long-term competitive advantage for the firm and also have better lives at work. It’s a commitment a firm must be prepared to make to ensure it will be a winning firm for the long-term, and one respected by all. ■



**“We are focused on fostering and further developing our cultural strengths and ensuring they are a competitive advantage for UBS. A strong and positive culture helps us to attract and retain the right people for our continued success. Our efforts are underpinned by our shared belief that how we deliver results is as important as the results themselves.”**

Group Chief  
Executive Officer  
Sergio P. Ermotti

### Working together

Our principles characterize the way we work together and the promises we make to our clients. Together with the behaviors that we strive to exemplify they define what we stand for and help us prioritize when making decisions. Those principles are as follows:

Client focus – We demonstrate an unrivalled client focus at every level of our business, building relationships that make us stand out from our peers.

Excellence – We strive for excellence in everything we do, from the people we employ to the products and services we offer to our clients.

Sustainable performance – We focus on the long-term and work continuously to strengthen our reputation as a rock-solid firm providing consistent returns to our stakeholders.

# *Delivering on our Client Promise*



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**UBS Wealth Management's Client Promise's aim to deliver superior investment advice and solutions for our client's wealth is more important than ever in today's complex and unpredictable investment environment. Investors want sound and timely advice to help them navigate uncertain markets and achieve their financial objectives. That's why over the past few years we have linked our excellent content, our know-how, our skilled investment specialists and highly trained client advisors into a unique value chain, aimed at delivering superior investment advice and solutions for our clients' wealth.**

During the last year, we continued to enhance this process. For example, we recently introduced a new state-of-the-art advisory process for our clients who book their assets in Switzerland, enabling us to get an even clearer view of their needs and motivations. This overview forms the basis for the advice and solutions we provide and the investment strategy we establish for them. Our Investment Products and Services area continued to bring more innovation and customization to our offering to make it even more appealing for clients. For instance, to support our clients' needs further we introduced a new advisory mandate offering, UBS Advice, at the beginning of 2013. It aims to help our clients make sense of often confusing amounts of complex information, build well-diversified portfolios which are constantly monitored, and be able to react

swiftly and effectively in a fast-changing financial landscape. So how does this process work and how does it benefit our clients?

## **Understanding our clients**

We know that a comprehensive understanding of our clients' needs and priorities is fundamental when it comes to providing them with suitable advice and solutions. Building a thorough and precise investor profile for each client is thus the crucial starting point in our advisory process.

First, we ask clients a series of questions designed to give us a comprehensive picture of their financial situation. These include questions about how well they could bear any financial risks that may arise without

directly affecting their lifestyle. We then clarify a client's investment goals. This can range from saving for their children's education, their retirement or a big family event, to achieving capital preservation or appreciation.

It's important that we offer our clients products that they understand and feel comfortable with. Therefore, we factor in a client's knowledge and experience and make sure the client understands fully the characteristics and risks associated with the products that he or she is considering investing in. Once we have all this information we can work together with the client to develop a suitable investment strategy for them.

### Helping clients choose the right investment strategy

Our clients value the fact that we have one clear, concise investment view: the UBS House View, developed by our Chief Investment Office. It is based on in-depth analysis of markets and asset classes conducted by our hundreds of specialists across our business divisions around the globe.

All the recommendations that we make are aligned with our House View, which also includes our strategic asset allocations (SAAs). SAAs represent our long-term portfolio allocation, and account for a significant part of returns in a portfolio. As such, selecting the right SAA is critical for clients as in the long term it delivers higher returns at a given level of risk and its systematic approach minimizes the pitfalls of "emotional investing." We review our SAAs regularly to make sure that they stay relevant. For example, at the beginning of 2014 our Chief Investment Officer adjusted our SAAs to take account of longer-term market developments.

### Deciding on the right solution

The final step is for us to work closely with the client to choose the most appropriate investment solution. If a client wants to profit fully from UBS's know-how, we recommend an investment mandate which gives everyday portfolio management responsibility to our specialists. If they prefer to take their own decisions, but want active monitoring of a portfolio and frequent investment advice, we offer advisory mandates such as UBS Advice or UBS Active Portfolio Advisory (see box). As mentioned above, UBS Advice was launched in 2013, making us one of the first banks to provide this service at a flat rate. We also offer brokerage advice and execution service. The advice we provide is not limited to investment advice. Clients can also profit from the expertise of our Wealth Planning team. The team provides comprehensive advice at every stage of



**"A more active approach to wealth management is a necessity in today's world, and many of our new capabilities are unique to UBS."**

Chief Operating Officer UBS Wealth Management  
Dirk Klee

### Our advisory mandates: combining proactively offered opportunities with systematic monitoring

Both our advisory mandate offerings – our new UBS Advice offering and our UBS Active Portfolio Advisory (APA) – are designed for clients who would like to regularly obtain investment advice and recommendations from us but want to retain overall control of their investments.

Both offerings have portfolio health at their core, using a systematic risk-monitoring process to ensure the portfolio stays on track to meet the client's goal. As such, clients can take comfort from the fact that their investments are under regular surveillance. Furthermore, both UBS Advice and APA are available with simple pricing models that are easy to understand.

a client's wealth life cycle from wealth accumulation through to retirement and succession planning.

### Keeping our clients on track to achieve their goals

Our promise to our clients does not end with the advice and products we provide. To ensure their quality, we systematically monitor our clients' portfolios against a number of critical risk criteria. In 2013, we scanned approximately 800,000 advisory mandate portfolios every night for our UBS Advice clients, evaluating them against seven portfolio "health check" criteria. This enables us to spot risks and provide suitable solutions on an ongoing basis to make sure clients stay on track to meet their investment goals. Our clients' goals and priorities change, so we regularly review their portfolios with them to ensure they are aligned to clients' personal situations and investment objectives. ■

### Find out more

For more information about the Wealth Management House View, visit [www.ubs.com/houseview](http://www.ubs.com/houseview)



SUISSE

UBS



**Lukas Wieland**

Date of birth: 24 July 1994

Profession: student (sport high school)

Discipline: javelin

Finalist at 2013 European Athletics Junior Championships, Rieti



# Our *strategy*

We are committed to providing our clients with superior financial advice and solutions while generating attractive and sustainable returns for shareholders. Our strategy centers on our Wealth Management and Wealth Management Americas businesses and our leading universal bank in Switzerland, complemented by our Global Asset Management business and our Investment Bank. These businesses share three key characteristics: they benefit from a strong competitive position in their targeted markets, are capital-efficient, and offer a superior structural growth and profitability outlook. Our strategy therefore builds on the strengths of all of our businesses and focuses our efforts on areas in which we excel, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which we operate. Capital strength is the foundation of our success.

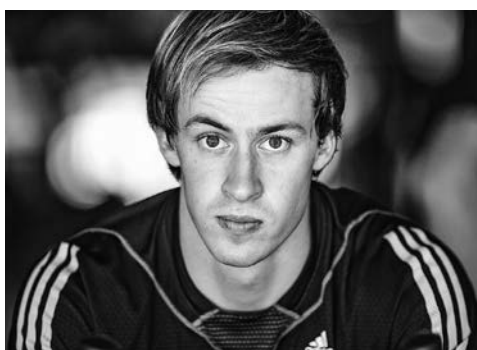
## Successfully executing our strategic transformation

In October 2012, we announced a significant acceleration in the implementation of our strategy communicated a year earlier. This announcement underlined our commitment to focus our activities on a set of highly synergistic, less capital- and balance sheet-intensive businesses dedicated to serving clients and well positioned to maximize value for shareholders. Since then, demonstrating the strength of our business model, we have made substantial progress in improving our already strong capital position and reducing risk-weighted assets (RWA) and costs, while simultaneously growing our business and enhancing our competitive positioning. We have also successfully transformed our Investment Bank, focusing it on

its traditional strengths in advisory, research, equities, foreign exchange and precious metals.

Our fully applied common equity tier 1 (CET1) capital ratio increased 300 basis points in 2013 to 12.8%, the highest in our peer group. This increase was driven by a reduction of fully applied RWA to CHF 225 billion, ahead of our 2013 target of CHF 250 billion and CHF 33 billion below year-end 2012 RWA. We achieved this by further active reduction of RWA, mainly through the disposal of positions or other risk reductions in our Non-core and Legacy Portfolio, and despite incremental RWA of CHF 22.5 billion resulting from the supplemental operational risk capital analysis mutually agreed with FINMA and effective 31 December 2013. Future developments in, and the ultimate elimination of, the incremental RWA attributable to the supplemental analysis will depend on provisions charged to earnings for litigation, regulatory and similar matters and other contingent liabilities and on developments in these matters. Our ability to absorb this event while simultaneously increasing our capital ratios and reducing RWA is a testament to our early decision to maintain and build on our strong capital position and to focus on sustainable, more capital-efficient

2014 will be another key year of transition for the Group as we continue to work through our plans to further enhance our businesses, reduce our cost base and further improve collaboration across our various businesses.





business activities. We continue to target a fully applied CET1 ratio of 13% in 2014, and intend to build further Basel III-compliant capital.

As part of the transformation of the Investment Bank, we transferred certain of its businesses to the Corporate Center in the first quarter of 2013. These were primarily fixed income businesses rendered less attractive by changes in regulation and market developments. As a result, our Investment Bank retains only very focused credit and rates activities, along with structured financing capabilities, in order to support its solutions-focused businesses. Our leading equities and foreign exchange businesses remain cornerstones of our Investment Bank. We did not significantly alter our advisory and capital markets businesses, but reorganized our existing business functions to better leverage our capabilities and therefore better serve our clients. Our Investment Bank has achieved its target of an adjusted pre-tax return on attributed equity of greater than 15% throughout 2013, demonstrating its success in a variety of market conditions. Non-core assets, previously part of the Investment Bank, are reported within our Non-core and Legacy Portfolio unit in the Corporate Center, which is tasked with managing and exiting these assets in a manner that protects shareholder value. RWA associated with these positions were reduced by close to 40% in 2013 to CHF 64 billion, significantly ahead of our target.

→ Refer to the “Capital management” section of our Annual Report 2013 for more information

Maintaining cost discipline is critical to our long-term success. In 2013, we achieved our CHF 2 billion gross cost reduction plan announced in July 2011. We also made further progress in the implementation of the additional cost reduction program we announced in 2012, targeting incremental annual gross cost savings of CHF 3.4 billion, which we expect to yield tangible results through 2016.

These targeted reductions include the benefits from the abovementioned transformation of our Investment Bank, reducing complexity and size, as well as improving organizational effectiveness, primarily in our Corporate Center, and introducing lean front-to-back processes across our Group. Our investment in these initiatives is reflected in restructuring charges of CHF 0.8 billion in 2013 and expectations of further incremental charges of CHF 0.9 billion and CHF 0.8 billion in 2014 and 2015, respectively. Our efficiency programs will free up resources to make investments over the next two years to support growth across our businesses and enable us to service our clients with greater agility and effectiveness, improving quality and speed.

We are committed to providing our clients with superior financial advice and solutions while generating attractive and sustainable returns for shareholders.

2014 will be another key year of transition for the Group as we continue to work through our plans to further enhance our businesses, reduce our cost base and further improve collaboration across our various businesses. For 2014, we do not expect our unadjusted return on equity to deviate significantly from 2013, primarily due to anticipated charges associated with litigation, regulatory and other matters, restructuring charges, and the impact of Non-core and Legacy Portfolio exits and capital requirements. While we continue to target an adjusted Group return on equity of greater than 15% in 2015, given elevated operational risk RWA, we may not achieve that until 2016. We continue to target an adjusted Group cost/income ratio of 60% to 70% from 2015 onwards.



### Delivering attractive shareholder returns

We have a clear strategy and a solid financial foundation, which we believe prepares us well for the future. We are firmly committed to returning capital to our shareholders, and plan to continue our program of progressive returns to shareholders with a proposed 67% increase in dividend to CHF 0.25 per share for the financial year 2013. In this context, we reaffirm our commitment to a total payout ratio of at least 50%, consisting of a baseline dividend and supplementary returns, after reaching our capital ratio targets of a fully applied CET1 ratio of 13% and a 10% post-stress CET1 ratio, based on our internal stress tests. We intend to set a baseline dividend at a sustainable level, taking into account

normal economic fluctuations. The supplementary capital returns will be balanced with our need for investment and any buffer we choose to maintain for a more challenging economic environment or other stress scenarios. Through the further successful implementation of our strategy, we believe we can sustain and grow our business and maintain a prudent capital position.

→ Refer to the “Our strategy” section of our Annual Report 2013 for more information









**Christian Kreienbühl**

Date of birth: 6 June 1981

Profession: project manager

Discipline: marathon

Swiss Champion 2012

Participant at 2013 World Championships, Moscow

# 2013 compensation highlights and key changes

In 2013, we 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. We 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.

## 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



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

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%.

**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







# Our Board of Directors



The Board of Directors (BoD), under the leadership of the Chairman, decides on the strategy of the UBS Group upon recommendation of the Group Chief Executive Officer (Group CEO), exercises ultimate supervision over senior management, and appoints Group Executive Board (GEB) members. The BoD also approves all financial statements for issue. Shareholders elect each member of the BoD, which in turn appoints its Chairman, Vice Chairmen, Senior Independent Director, members of BoD committees, their respective Chairpersons and the Company Secretary. In 2013, our BoD met the standards of the Organization Regulations for the percentage of directors that are considered independent.



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5	6	7	8
9	10	11	12

1 **Axel A. Weber** Chairman of the Board of Directors/Chairperson of the Corporate Responsibility Committee/Chairperson of the Governance and Nominating Committee 2 **William G. Parrett** Chairperson of the Audit Committee/member of the Corporate Responsibility Committee 3 **Reto Francioni** Member of the Corporate Responsibility Committee 4 **Isabelle Romy** Member of the Audit Committee/member of the Governance and Nominating Committee 5 **Ann F. Godbehere** Chairperson of the Human Resources and Compensation Committee/member of the Audit Committee 6 **Beatrice Weder di Mauro** Member of the Audit Committee/member of the Risk Committee 7 **Rainer-Marc Frey** Member of the Human Resources and Compensation Committee/member of the Risk Committee 8 **Joseph Yam** Member of the Corporate Responsibility Committee/member of the Risk Committee 9 **Axel P. Lehmann** Member of the Risk Committee 10 **Helmut Panke** Member of the Human Resources and Compensation Committee/member of the Risk Committee 11 **David Sidwell** Senior Independent Director/Chairperson of the Risk Committee/member of the Governance and Nominating Committee 12 **Michel Demaré** Independent Vice Chairman/member of the Audit Committee/member of the Governance and Nominating Committee/member of the Human Resources and Compensation Committee

# Our Group Executive Board



The management of the business is delegated by the Board of Directors to the Group Executive Board. Under the leadership of the Group Chief Executive Officer, the Group Executive Board has executive management responsibility for the UBS Group and its businesses. It assumes overall responsibility for the development of the Group and business division strategies and the implementation of approved strategies.



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**1 Sergio P. Ermotti** Group Chief Executive Officer **2 Lukas Gähwiler** CEO UBS Switzerland and CEO Retail & Corporate **3 Markus U. Diethelm** Group General Counsel **4 Philip J. Lofts** Group Chief Risk Officer **5 Tom Naratil** Group CFO and (as of 1 January 2014) Group Chief Operating Officer **6 Andrea Orcel** CEO Investment Bank **7 Robert J. McCann** CEO Wealth Management Americas and CEO UBS Group Americas **8 Chi-Won Yoon** CEO UBS Group Asia Pacific **9 Jürg Zeltner** CEO UBS Wealth Management **10 Ulrich Körner** CEO Global Asset Management (as of 1 January 2014) and CEO UBS Group Europe, Middle East and Africa **11 John A. Fraser** Chairman and CEO Global Asset Management until 31 December 2013, retiring from CEO role and GEB on that date



**Linda Züblin**

Date of birth: 21 March 1986

Profession: commercial clerk

Discipline: heptathlon

Multiple Swiss Champion

Participant at 2013 World Championships, Moscow

Multiple appearances at World and European Championships



# Our commitment

**Responsibility and sustainability, those are the principles that help make a company a good corporate citizen. At UBS we have embedded these principles in our Code of Business Conduct & Ethics. In 2013, we focused our efforts in this area on what we offer our clients and what we contribute to society – and how we can link the two.**

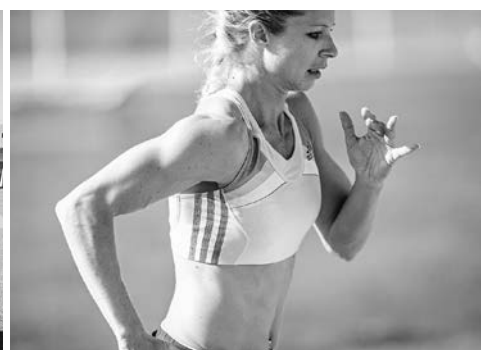
For UBS, corporate responsibility means “doing the right thing” – both now and in the future. UBS committed itself at an early stage to upholding standards for corporate responsibility: we have been involved in the United Nations Environment Programme (UNEP) since 1992. In 2000, we were among the first companies to sign the UN Global Compact initiative. Those signing commit to aligning their business activities with universally acknowledged principles in the fields of human rights, labor standards, environmental protection and combating corruption. Corporate responsibility is incorporated into all aspects of our business, our activities and processes, our relationships with our stakeholders, and our commitment to the societies in which we operate. There are some aspects we can directly influence; others are dependent on the demands of our clients.

There is a growing awareness of the enormous challenges we all face. Topics such as growing social inequality and climate change are of increasing concern to our clients and shareholders, and more than ever before they are taking such matters into account in their financial decision-making. We aim to meet and encourage this demand by putting a greater emphasis on sustainability and linking ecological and social criteria with our focus on long-term economic benefit. In 2013, we made significant progress in making our business more sustainable. Our activities ranged from conducting detailed checks when taking on new clients

to developing products and services that support environmentally or socially useful projects, and from incorporating our climate change strategy in all business activities to setting out strict stipulations for procurement. We are not alone in these endeavors. We work to great effect with our clients, employees, and other banks and stakeholders, use our combined influence, where possible, for the benefit of society.

## Directing resources into the right things

An increasing number of clients want to use their financial resources to benefit society as well as getting a good rate of return on their money. Our range of products helps them achieve their objectives. Our ambition is to establish a unique platform providing analyses, advice and products that match the requirements of sustainable investment and philanthropy. We made progress towards achieving this in 2013. We provide portfolio screening services and investment analyses according to sustainability criteria for clients worldwide, financial incentives for home owners and small and medium-sized enterprises (SMEs) in Switzerland to increase the energy efficiency of their homes or facilities, as well as providing sustainable investment funds and other products. An excellent example is the fund-of-funds Impact Investing SME Focus Fund. Since 2013, this has allowed our very wealthy clients worldwide to invest in SMEs in emerging countries. The invest-





ments are designed to effect positive changes, with funds being invested in sectors such as healthcare, education, infrastructure, agriculture and sustainable forestry. UBS is actively involved in strengthening awareness of impact investing to encourage more investors to regard this asset class as a competitive solution compared with other investments.

In 2012, we set up the UBS Clean Energy Infrastructure Switzerland fund for institutional investors in Switzerland. The fund's volume grew by CHF 100 million to around CHF 350 million in 2013. The fund allows our clients to invest in infrastructure facilities and companies focused on renewable energies and energy efficiency. In 2013, UBS supported companies that provide a positive contribution to climate change mitigation and adaptation, either in equity or debt capital market transactions (total deal value CHF 28.5 billion) or as financial advisor (total deal value CHF 49.4 billion).

The success of our global sustainable and responsible property investment strategy, launched in 2011, was recognized in 2013 by the awards made to our real estate funds. Six of our funds were awarded the top "Green Star" award by the Global Real Estate Sustainability Benchmark (GRESB). Two of these funds were also commended as being leaders in their sector. GRESB is a globally acknowledged benchmark that uses comprehensive data gathering to establish the comparability of real estate portfolios' sustainability performance at a global level.

### Looking back, looking forward: research

Our research publications aim to provide orientation to clients and other interested parties. UBS regularly publishes analyses on social and environmental topics and their effects on the economy. One of these is the much-quoted UBS Research Focus. The UBS Research Focus on sustainable investment was published in July 2013. In it, experts from our Wealth

Management, Investment Bank and Global Asset Management businesses reached a clear conclusion: doing good and making money go together. The report showed how the systematic application of sustainability criteria in investment can satisfy both the collective needs of future generations and the financial interests of investors. As a member of the "Thun Group of Banks" we work with other banks looking at ways in which the UN Guiding Principles on Business and Human Rights can be put into practice for the banking industry. The Thun Group published a discussion paper on this subject in October 2013 with proposals on how best to implement human rights in the core business of a bank and how the potentially negative effects the industry may have on human rights can be minimized.

### On track for sustainability

Our commitment to sustainability has been widely recognized by those outside the firm. For instance, in 2013, we were included in leading sustainability indices such as the Dow Jones Sustainability Indices (DJSI) and the FTSE4Good Index Series. These indices assess companies on environmental, social and governance criteria. FTSE4Good, for example, looks at how companies perform with respect to environmental protection, human rights and dealing with stakeholders.

### Operating cleanly

UBS has had a climate change strategy since 2006. Our aim is to reduce our carbon dioxide emissions to 50% of the 2004 level by 2016. In 2013, we had already achieved a reduction of 49%, primarily by increasing the energy efficiency of our buildings and equipment as well as the proportion of renewables. Wherever possible we choose more environmentally friendly resources. Our contribution to the societies in which we operate also forms part of our sustainable business practices. Our contribution is not limited to that made by the firm – the personal commitment of our employees also has a very tangible effect.



“Life has more purpose if it’s devoted to the service of others.”

Christine Ong, UBS employee

In our programs for society we concentrate on promoting education and entrepreneurial skills. Our employees contribute both in the form of financial donations and personal commitment. In 2013, some 10,648 of our employees performed a total of 91,370 hours of community work. Since 2012, employees and teams who have excelled in volunteering have been recognized in the firm’s annual Employee Volunteer Awards.

The winners of the 2013 award from the Europe, Middle East and Africa region were recognized for their work with the Bridge Academy, a school in the deprived London suburb of Hackney. They collected money and developed a strategy to improve the students’ computer skills and develop their interest in technology. In Switzerland, nature plays a big part in the options open to volunteers; the activities undertaken by the Swiss award winners included the restoration of historic hiking trails. In the US, the regional award winners took part in a UBS program offering small enterprises with great potential but limited financing options mentoring programs and support with raising capital. Two employees in the Asia Pacific region received an award: Christine Ong from Singapore and Ray Wong from Tokyo. Here they explain why they volunteer. Ray Wong: “I think that making an ongoing, long-term commitment to one cause or community is more valuable than a one-time volunteer assignment.” Christine Ong adds, “I don’t think that any of us can live in isolation. Life has more purpose if it’s devoted to the service of others.”

### Employees and clients tackling a natural disaster

Drinking water, food, accommodation, medical care: after Typhoon Haiyan hit the Philippines in

November 2013, these were the things that people there needed most urgently. UBS immediately got involved, mobilizing donations for its partner organizations such as the Red Cross and the organizations supported by the UBS Optimus Foundation. What made this fundraising campaign different was that employees and clients pulled together, and UBS matched the donations. Together we raised over CHF 3 million, which was used to provide immediate relief and long-term development assistance.

### Key examples of UBS’s community investment activities across the globe

Developing Switzerland’s next generation of business leaders was a priority for us in 2013. One of the projects we supported was the annual company event organized by Young Enterprise Switzerland (YES). As part of this program, which we have been supporting since 2007, students from all over the country establish and manage a real company, thus learning how the business world works. For 12 months, they receive support from business mentors, their teachers and YES. At the end of the year, representatives of the 25 best-performing companies are invited to the grand final in Zurich, where the winner is crowned. As part of the UBS education initiative, in 2013 we also supported one of the annual awards made by the Social Entrepreneurship Initiative & Foundation (seif). Each year, seif recognizes innovative business ideas that foster responses to social or environmental challenges. In Switzerland, our community investment efforts are also advanced by the UBS Culture Foundation, the UBS Foundation for Social Issues and Education, and the A Helping Hand from UBS Employees association. In 2013, these organizations made valuable contributions to important social causes, including fostering the humanities and the creative arts, supporting communities in need, and helping disabled and disadvantaged people.

In 2013, Community Affairs & Corporate Responsibility Americas undertook a strategic relaunch of



our programming to help deploy the firm's financial and human capital more effectively. This included a complete overhaul of our employee giving portal, which supports all of our engagement programs across the Americas. Within UBS's global focus areas of education and entrepreneurship, we are providing under-resourced, high-potential individuals with advice and resources to help develop more enterprising communities. In our first major initiative following the relaunch, we coordinated UBS's second annual Season of Service, a community impact initiative open to all business divisions in the Americas. Over the course of two months, employees completed 92 different volunteer activities and logged more than 2,500 volunteer hours. Within our flagship Elevating Entrepreneurs program, we continued to expand our lending offerings in Chicago and Los Angeles. In coordination with our partners in the UBS Bank USA Community Development Group and the Valley Economic Development Center, we committed USD 35 million in capital to qualified small businesses in Chicago, Los Angeles, New York, New Jersey, Connecticut, Salt Lake City and Las Vegas. During 2013, 29 small businesses received loans ranging from USD 50,000 to USD 250,000 and totaling USD 6.4 million. Combined, these companies have created 451 new jobs.

In 2013, the UBS Finance Academy program in Sydney marked its 11th anniversary, and over the years has provided more than 550 public school students with first-hand insights into the world of finance and exposure to UBS. Over the course of the program, students were provided with the opportunity to listen to, and interact with, key industry figures. Students also gained practical knowledge of financial markets through "day-in-the-life" presentations, merger and acquisition case studies and a field trip to both UBS's trading floor and CNBC's filming studio. Across the region, UBS employees continue to volunteer in a diverse variety of both skills-based and grassroots programs. Clients and family members are also often invited to join in

### Our commitment to corporate responsibility

For UBS, corporate responsibility means "doing the right thing" – both now and in the future. This is incorporated in the principles and standards set out in our Code of Business Conduct and Ethics. These apply to all aspects of our business and the ways in which we engage with our stakeholders, from the products and services we offer our clients, our management of environmental and social risks, to the way we protect the well-being of our employees and society as a whole. Corporate responsibility is embedded at every level of the firm, helping us to adopt a responsible and sustainable approach to doing business while underlining our desire to contribute to the communities in which we operate.

### Our commitment to our communities

As well as direct cash donations and the commitment of our employees, our community investment program also includes matched-giving schemes and disaster relief efforts. We actively engage with the communities around the globe of which we are a part. In 2013, UBS and our affiliated foundations made direct cash donations totaling CHF 28.3 million to carefully selected non-profit partner organizations and charities. These donations were primarily aimed at our Community Affairs key themes of education and entrepreneurship. Additionally, spending on the UBS Anniversary Education Initiative amounted to CHF 14.0 million.



where appropriate. In 2013, during the Regional Volunteer Experience, volunteers from across Asia Pacific traveled to Japan and joined local volunteers to work together on the Team Tohoku program in the remote northeastern community of Kamaishi City, aimed at helping the community get back on its feet following the 2011 tsunami. Led by senior management, including UBS Asia Pacific's Chief Executive Officer, Chi-Won Yoon, these volunteers focused on various projects relating to job and economic regeneration, temporary and long-term recovery housing, capacity building skills of local civil societies and risk reduction and future disaster preparedness. In its second year, Singapore's Diversity in Abilities arts program, targeted at bringing visual and performing arts to children in special education, was awarded Singapore's National Arts Council Patron of the Arts Award 2013. More than 140 children were trained by renowned local and regional artists and the program culminated in a stage production that featured Singapore's Minister of Education in an acting role.

In Europe, the Middle East and Africa, Community Affairs activities focus on sharing the workplace skills of our employees in order to help people in disadvantaged communities reach their full potential. Last year, in the UK alone, 6,366 students developed employability and entrepreneurial skills through UBS work-related learning programs,

which range from employability skills workshops and interview practice to work experience. In the UK, UBS was recognized with a Business in the Community 2013 Responsible Business Award for its volunteering program. In Turkey, over 1,000 students took part in the BKD-Science Heroes Association challenge, which helps develop their technology, math and entrepreneurial skills. Hakan Habip of UBS Turkey, who co-manages our partnership with BKD, was named one of Turkey's top 100 "changemakers" by the highly regarded Sabanci Foundation for his involvement in BKD activities. In Italy, a team of UBS managers worked with a group of students from underprivileged backgrounds to raise their aspirations and achievements, and helped them secure places at a prestigious university. In Israel, the successful partnership with Ashoka continues, supporting young social entrepreneurs to develop their projects. Across Europe, the Middle East and Africa, employees are getting involved in their local communities and sharing their workplace and entrepreneurial skills.

→ Refer to [www.ubs.com/community](http://www.ubs.com/community) for more information







**Kariem Hussein**

Date of birth: 4 January 1989  
Profession: student (medicine)  
Discipline: hurdles (400 m)

Swiss Champion 2011/2012/2013  
Semifinalist at 2012 European Championships, Helsinki  
Qualification for the 2012 Olympic Summer Games, London



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## Corporate calendar

### 6 May 2014

First-quarter 2014 results

### 7 May 2014

Annual General Meeting

### 29 July 2014

Second-quarter 2014 results

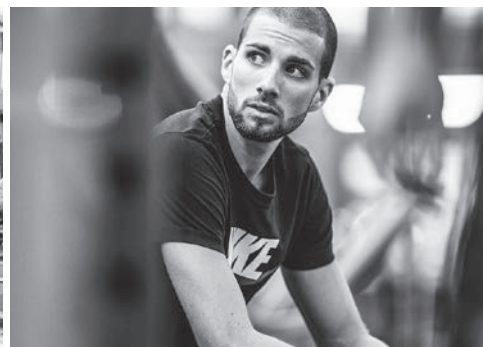
### 28 October 2014

Third-quarter 2014 results



Whether you're looking for our latest financial report, or information about our products and services, or searching for a job opportunity, you'll find what you're looking for at:

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





## 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.

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### Shareholder portal

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### US Transfer Agent

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### Swiss Starters

The athletes portrayed in the Annual Review 2013 are supported by the Swiss Starters program. They are Christian Kreienbühl (marathon), Kariem Hussein (400m hurdles), Lea Sprunger (100 m, 200 m, 4x100m relay), Linda Züblin (heptathlon) and Lukas Wieland (javelin). UBS has an enduring association with athletics through its longstanding partnership with Weltklasse Zürich, Athletissima Lausanne and several regional running events. These traditional engagements are ideally complemented by support of the UBS Kids Cup and the Swiss national team. UBS is pleased to be accompanying the Swiss team on the road to the 2014 European Athletics Championships in Zurich. Through its support of Swiss Starters, UBS intends to make a significant contribution to home grown athletes enjoying the greatest possible success at the European Athletics Championships. UBS's engagement in national athletics underscores its strong relationship to its domestic market. UBS also hopes to inspire the enthusiasm of the general public for this fantastic sport to ensure it experiences a magnificent feast of athletics in Zurich in 2014 and to promote the sport on a lasting basis.

→ For more information on Swiss Starters, please go to [www.swiss-starters.ch](http://www.swiss-starters.ch)

**Cautionary Statement Regarding Forward-Looking Statements** | This report contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS’s business and future development. While these forward-looking statements represent UBS’s judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations. These factors include, but are not limited to: (i) the degree to which UBS is successful in executing its announced strategic plans, including its efficiency initiatives and its planned further reduction in Basel III risk-weighted assets (RWA); (ii) developments in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, currency exchange rates and interest rates and the effect of economic conditions and market developments on the financial position or creditworthiness of UBS’s clients and counterparties; (iii) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, or arising from requirements for bail-in debt or loss-absorbing capital; (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK and other financial centers that may impose more stringent capital (including leverage ratio), liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration or other measures; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve reductions to the incremental RWA resulting from the supplemental operational risk capital analysis mutually agreed to by UBS and FINMA effective 31 December 2013, or will approve a limited reduction of capital requirements due to measures to reduce resolvability risk; (vi) possible changes to the legal entity structure or booking model of UBS Group in response to enacted, proposed or future legal and regulatory requirements, including capital requirements, the proposal to require non-US banks to establish intermediate holding companies for their US operations, resolvability requirements and the pending Swiss parliamentary proposals and proposals in other countries for mandatory structural reform of banks; (vii) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (viii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations; (ix) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (x) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors including differences in compensation practices; (xi) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xii) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xiii) whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; (xiv) the occurrence of operational failures, such as fraud, unauthorized trading and systems failures; and (xv) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2013. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

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