UBS Group AG

Compensation Report 2015

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Dear shareholders,

Pillar 3 | The firm delivered excellent performance in 2015, against the backdrop of a challenging market environment. Our compensation decisions reflect our commitment to deliver competitive compensation for excellent performance while balancing returns to our investors and meeting global regulatory capital requirements.

We have consistently applied our compensation philosophy over the past five years to appropriately reward outstanding performance in order to attract, motivate and retain the very best talent. The approach we take to compensation supports the firm's commitment to sustained longer-term profitability, a strong capital position, and aligns compensation with investors' interests.

2015 performance

In 2015, despite a volatile and uncertain market, we delivered strong net profit attributable to UBS Group AG shareholders of CHF 6.2 billion, a 79% increase compared with a year earlier, and our adjusted[1] Group profit before tax more than doubled to CHF 5.6 billion. The firm's strong capital position was increased further while return on tangible equity exceeded the Group's target for the year.

As a result, the Board of Directors (BoD) intends to propose to shareholders at the Annual General Meeting (AGM) 2016 an increase in the ordinary dividend of 20% compared with 2014, as well as a special dividend of CHF 0.25 per share. Including the proposed dividends for financial year 2015, we will have returned CHF 7.5 billion to shareholders since the acceleration of our strategy in 2012.

2015 performance award and expenses

The firm's total performance award pool for 2015 was CHF 3.5 billion, an increase of 14% compared with the prior year. Determination of the performance award pool was based on a range of performance metrics, including risk-adjusted profitability and capital strength. The performance award pool also reflects the reduced impact on our results of expenses for provisions relating to litigation, regulatory and similar matters.

The Group Executive Board (GEB) performance award pool, including the Group CEO, was CHF 71.25 million. As a percentage of the adjusted Group profit before tax, the GEB performance award pool was 1.3%, well below the cap of 2.5%.

Compensation for each GEB member is based on a comprehensive assessment of their quantitative, qualitative and relative competitive performance. Awards for 2015 reflect the outstanding performance of the GEB, including the Group CEO, in the context of excellent overall Group performance, and our ambition to align our compensation to appropriate external performance benchmarks.

2015 compensation framework

Our compensation framework has remained largely unchanged since 2012. However, to better align with the market, we have reduced deferral rates for performance awards for those employees at the lower end of the deferral scale thus increasing the proportion of cash compensation awarded to these individuals.

Further, regulatory developments have driven several local adjustments of our compensation practices. For instance, we changed role-based allowances, where applicable, to grant blocked shares instead of shares subject to vesting. This structural shift was required to comply with feedback received from European authorities, and led to an acceleration of the amortization of the compensation expense relating to deferred compensation.

1 Refer to "Group performance" in the "Financial and operating performance" section of the Annual Report 2015 for more information on adjusted results

The firm's compensation vehicles (i.e., the form of performance awards and the related deferral approach) are designed to reinforce appropriate risk-taking and reward longer-term performance. Compared with our peers, we believe UBS has greater alignment with our investors, as we place a greater proportion of variable compensation subject to longer deferral periods in the firm's own equity and debt instruments. For 2015, on average across the firm, 38% of performance awards were deferred, and for the Group CEO and other GEB members on average 86% of their performance awards were deferred for up to five years. Our compensation structure, including the use of debt instruments, allows us to pay competitively, while also supporting our capital requirements. As of 31 December 2015, CHF 1.9 billion of the Deferred Contingent Capital Plan (DCCP) was included in our eligible capital, making up 0.9% of our total capital ratio.

Looking ahead, we will remain abreast of the evolving competitive and regulatory landscape and will adapt our compensation framework and practices where required.

Performance management and culture
In 2015, we strengthened our emphasis on values to support cultural change within the firm. Therefore, we not only take into account *what* was achieved, but also *how* the objectives were achieved. This means that an employee's behavior forms an integral part of their overall performance evaluation. These performance and behavior assessments have influenced both promotion and compensation decisions.

Management also continues to drive cultural change by setting a clear tone from the top and by applying a consistent approach throughout the firm. We reinforced our Code of Conduct and Ethics and we do not tolerate misconduct. We enhanced mandatory training in risk and conduct matters, and we continued to encourage our employees to speak up and report any concerns under our whistleblowing procedures.

We are confident that through good leadership and responsible performance management and compensation processes, underpinned with regular training programs, we will continue to reinforce a culture of accountability, and thereby provide added value to our shareholders.

Annual General Meeting 2016
At the AGM 2016, we will ask shareholders to vote on:
– The maximum aggregate amount of compensation for the BoD for the period from AGM 2016 to AGM 2017;

Ann F. Godbehere
Chair of the Compensation Committee of the Board of Directors

– The maximum aggregate amount of fixed compensation for the GEB for 2017; and,
– The aggregate amount of variable compensation for the GEB for 2015;
– Further, we will ask our shareholders for an advisory vote on the Compensation Report outlining our compensation strategy and principles, governance and practice. ▲

The Board of Directors and I thank you for the encouraging shareholder support at the 2015 AGM and for sharing your views on our compensation practices during the year. On the following pages you will find more information about our 2015 compensation approach. We will seek your support on compensation matters at our AGM on 10 May 2016.

Ann F. Godbehere
Chair of the Compensation Committee of the Board of Directors

2015 Total Reward Principles

Our compensation philosophy is to align the interests of our employees with those of our clients and investors. Our Total Reward Principles underpin our approach to compensation by establishing a framework that balances performance with prudent risk taking. Furthermore, our framework builds on our guiding principles of client focus, excellence and sustainable performance.

Total Reward Principles

Pillar 3 | Our compensation structure is aligned with our strategic priorities. Employees are encouraged to create sustainable value and profitability, and to build a strong client franchise. We reward behavior that helps to build and protect the firm's reputation. As such, our approach to compensation has a strong focus on conduct as well as on sound risk and management practices. We strive for excellence and sustainable performance in everything we do, and all employees are encouraged to achieve the highest standards of performance.

Compensation for all employees is based on individual, team, business division and Group performance, within the context of the markets in which we operate. The Total Reward Principles establish the framework for determining our performance award pool, and guide the allocation and appropriate delivery mechanisms of compensation to employees, including deferred compensation programs.

Our Total Reward Principles govern the compensation approach and processes across all locations and entities. ▲

Total Reward Principles

The 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 and compensation framework apply to all employees globally, but may vary in certain locations due to local laws and regulations.

Attract and engage a diverse, talented workforce	We aim to provide talented employees with pay that is appropriately balanced between fixed and variable elements, competitive in the market, and paid out over an appropriate period
Foster effective individual performance management and communication	Thorough evaluation of individual performance and adherence to our behaviors, combined with effective communication, ensures there is a direct connection between achievement of business objectives and compensation across the firm
Align reward with sustainable performance	We aim to cultivate a culture of integration and collaboration within the firm. Compensation should help foster a sense of engagement among employees, and serve to align their long-term interests with those of clients and stakeholders
Support appropriate and controlled risk-taking	Compensation is structured such that employees behave in a manner consistent with the firm's risk framework and tolerance, thereby protecting our capital and reputation, and enhancing the quality of our financial results, in line with what our investors expect from us

Approach to compensation

The table below highlights the range of factors that influence our judgment with respect to the performance award pool, and its allocation and delivery to employees.

Performance award pool determined	Allocated to employees	Delivered over time
Driven by risk-adjusted and sustainable profitability, including consideration of: – Risk-adjusted contribution before performance award – Quality of earnings – Progress against strategic initiatives – Affordability – Market competitiveness / positioning – Returns to investors	**Based on Group, divisional, regional and individual performance, including:** – Client focus – Financial results and capital management – Risk management – People and talent development – Principles and behaviors	**Substantial awards deferred and aligned with investors:** – At least 50% deferred for Key Risk Takers – Risk of forfeiture – Long-term deferral of up to five years – Shareholder and debt holder aligned vehicles

Compensation authorities

The Board of Directors (BoD) has the ultimate responsibility for approving and overseeing the compensation strategy proposed by the Compensation Committee of the Board of Directors, which determines compensation related matters in accordance with the principles set forth in the Articles of Association.

Recipients	Compensation recommendations developed by	Approved by	Communicated by
Chairman of the BoD	Chairperson of the Compensation Committee	Compensation Committee[1]	Compensation Committee
Independent BoD members (remuneration system and fees)	Compensation Committee and Chairman of the BoD	BoD[1]	Chairman of the BoD
Group CEO	Compensation Committee and Chairman of the BoD	BoD[1]	Chairman of the BoD
Other GEB members	Compensation Committee and Group CEO	BoD[1]	Group CEO
Key Risk Takers (KRTs) / (senior) employees	Respective GEB member together with functional management team	Individual compensation for KRTs and senior employees: Group CEO Performance award pool for all employees: BoD	Line manager

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

2015 performance and compensation funding

Our excellent performance in 2015 reflects our successful execution and disciplined risk and resource management in a very challenging environment. Net profit attributable to UBS Group AG shareholders increased to CHF 6.2 billion, up 79% compared with 2014. In determining the performance award pool, we endeavor to maintain a balanced allocation of profit between shareholders and employees. The performance award pool for 2015 was CHF 3.5 billion. Compared with 2014, the pool increased 14% while profitability increased strongly by 79%.

Our performance in 2015

In 2015, we were faced with exceptional levels of volatility, a challenging macroeconomic outlook, escalating geopolitical tension and a continued reduction in the risk appetite of our clients. Throughout the year, we stayed close to our clients, helping them to navigate the volatility in the markets. Despite these headwinds, we delivered net profit of CHF 6.2 billion, a 79% increase compared with 2014, and adjusted profit before tax that more than doubled to CHF 5.6 billion. We generated an adjusted return on tangible equity of 13.7%, above our target of approximately 10%. We continued to further strengthen our capital position and improve our leverage ratio, and we ended the year with a fully applied common equity tier 1 (CET1) capital ratio of 14.5%, up 110 basis points from the end of 2014, the highest in our peer group of large global banks. At the end of the year, our fully applied Swiss systemically relevant bank (SRB) leverage ratio[1] was 5.3%, up approximately 120 basis points. We also tightly managed costs, with net cost reductions in Corporate Center of CHF 1.1 billion delivered since the end of 2013.

The continued dedication and hard work of our employees enabled us to provide superior advice and service to our clients and to deliver on our commitment to grow profitability. Our Board of Directors intends to propose an ordinary dividend of CHF 0.60 per share, up 20% compared with 2014, reflecting our strong operating performance, as well as a special dividend of CHF 0.25 per share, reflecting a significant net upward revaluation of deferred tax assets in 2015. The total dividend represents a 13% increase on the total capital returned for 2014 and a payout ratio of 52%[2] of reported net profit.

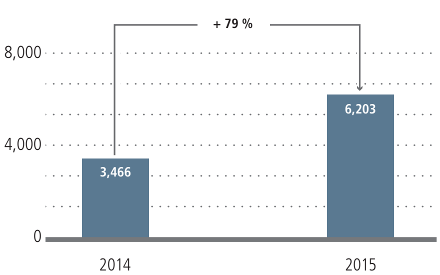
Our business divisions delivered strong results in 2015. Our Wealth Management business delivered its highest adjusted pre-tax profit since 2008 at CHF 2.8 billion. Recurring income grew by 3% due to higher net interest income and recurring net fee income, as we made progress on strategic initiatives to grow mandate penetration, and banking and lending products. Management took significant steps to optimize the balance sheet and the quality of assets under management, which impacted reported net new money. Adjusted for these effects, net new money was CHF 22.8 billion, reflecting an annual growth rate of 2.3%, which was below our targeted range of 3–5%. Net new money was negatively impacted by significant client deleveraging caused by difficult market conditions in the second half of the year, as well as cross-border outflows.

1 From 31 December 2015 onwards, the Swiss SRB leverage ratio denominator calculation is fully aligned with the BIS Basel III rules. Prior-period figures are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. Refer to the "Capital management" section of the Annual Report 2015 for more information. 2 Total dividend per share as a percentage of diluted earnings per share.

Net profit attributable to UBS Group AG shareholders

CHF million

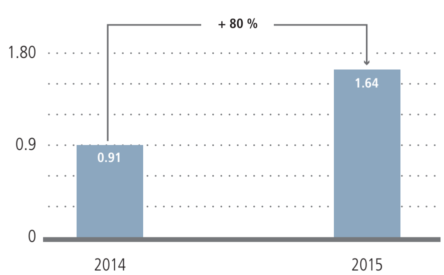
Full year 2015/2014



Diluted earnings per share (EPS)

CHF

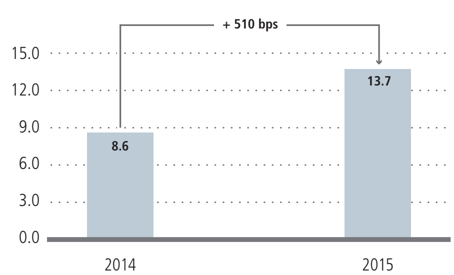
Full year 2015/2014



Return on tangible equity (RoTE), adjusted

in %

Full year 2015/2014



Wealth Management Americas delivered good underlying performance and made excellent progress on its strategic objectives. Recurring income increased 5% on a US dollar basis, as net interest and recurring net fee income rose, reflecting our success in growing our banking and lending services and increasing managed accounts. Adjusted pre-tax profit decreased 15% on a US dollar basis, primarily due to higher provisions for litigation, regulatory and similar matters and higher legal fees. Net new money was USD 21.4 billion, driven by advisors who have been with the firm for more than one year as well as new recruits, leading to an annual growth rate of 2.1%.

Personal & Corporate Banking delivered its best adjusted profit before tax since 2010, up 7% compared with 2014, and once again achieved its annual targets. Net new business volume growth for personal banking was 2.4% and we attracted a record number of new clients for the second consecutive year.

Asset Management progressed towards its medium-term goal, with a 20% increase in adjusted pre-tax profit compared with 2014, driven by higher net management fees. The business division's adjusted cost/income ratio improved from 73.2% to 69.6%. Excluding money market flows, net new money outflows were CHF 0.7 billion, impacted by CHF 33 billion of outflows, largely from lower-margin products, driven by client liquidity needs in difficult market conditions.

Importantly, the inflows achieved were materially higher in margin than outflows, which are expected to result in a net positive effect on our revenues in 2016.

The Investment Bank delivered an adjusted profit before tax of CHF 2.3 billion compared with CHF 162 million in the prior year. Results were driven by growth in revenues in Investor Client Services as well as a significant decrease in provisions for litigation, regulatory and similar matters. The Investment Bank generated an adjusted return on attributed equity of 31%, well above its target of greater than 15%. The business also maintained strict discipline on resource utilization, reducing its leverage ratio denominator (LRD) by 7%[1] and risk-weighted assets (RWA) by 6%. International Financing Review awarded the Investment Bank the "Bank of the Year" accolade, highlighting the recognition of our innovative and sustainable operating model and demonstrating the success of the Investment Bank's strategic direction embarked upon 3 years ago.

Corporate Center reported an adjusted loss before tax of CHF 2.6 billion compared with a loss of CHF 2.9 billion in the prior year, as a significant reduction in negative revenues was partly offset by a higher net charge for litigation, regulatory and similar matters. RWA in Corporate Center – Non-core and Legacy Portfolio was CHF 31 billion at year-end. The LRD in Corporate Center – Non-core and Legacy Portfolio was CHF 46 billion or just 5% of the Group's total LRD.

1 From 31 December 2015 onwards, the Swiss SRB LRD calculation is fully aligned with the BIS Basel III rules. Prior-period figures are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. Refer to the "Capital management" section of the Annual Report 2015 for more information.

Performance award pool funding

Pillar 3 | Our compensation funding framework is based on business performance, which we measure on multiple dimensions. We assess Group performance and also consider performance relative to the industry, general market competitiveness, progress against our strategic initiatives, including RWA and balance sheet efficiency, delivery of cost efficiencies, and capital accretion. We look at the firm's risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives. In addition, we use a number of criteria including achievement against a set of targets for our business divisions and Corporate Center, listed in the chart below.

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

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

Our compensation philosophy strives to encourage appropriate risk taking and to protect our talented employee base. To achieve this, as performance increases, we reduce our overall performance award accrual percentage. In strong performance years, this results in an increased proportion of contribution before compensation being available to be delivered to shareholders and prevents excessive compensation. In contrast, if performance declines, the performance award pool will generally decrease. However, we may increase the accrual rate to provide us with the flexibility to make adequate provisions to retain key employees. ▲▲

2015 target report card

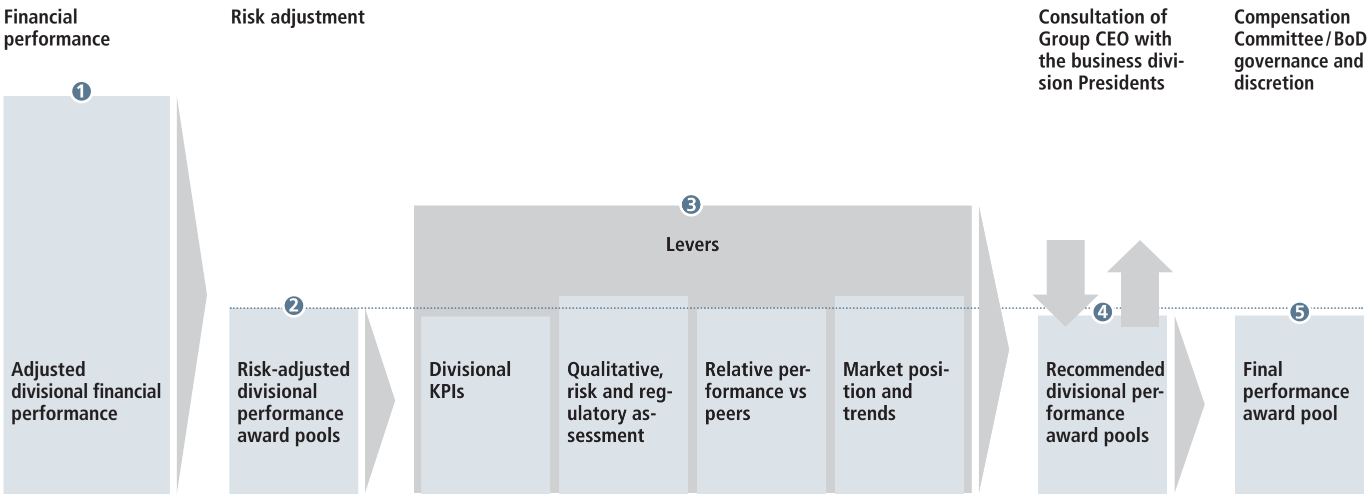
	2015 highlights	2015 targets and expectations[1]	Ranges	2015 results	
Wealth Management	– Adjusted profit before tax up 13% to CHF 2.8 billion – Continued progress on mandate penetration, up 200 bps	Adjusted net new money growth rate	3–5%	2.3%	● (not met)
		Adjusted cost / income ratio	55–65%	64.5%	● (met)
Wealth Management Americas[2]	– Strong operating performance with recurring income up 5%	Net new money growth rate	2–4%	2.1%	● (met)
	– Generated USD 21.4 billion in net new money	Adjusted cost / income ratio	75–85%	88.5%	● (not met)
Personal & Corporate Banking	– Adjusted profit before tax up 7% to CHF 1.7 billion – Record net new account openings	Net new business volume growth rate (personal banking)	1–4%	2.4%	● (met)
	– Best profit before tax since 2010 despite interest rate and FX headwinds	Net interest margin	140–180 bps	167 bps	● (met)
		Adjusted cost / income ratio	50–60%	55.4%	● (met)
Asset Management	– Adjusted profit before tax up 20% to CHF 610 million – Improved efficiency with progress on strategic initiatives	Net new money growth rate excl. money market flows	3–5%	(0.1%)	● (not met)
		Adjusted cost / income ratio	60–70%	69.6%	● (met)
Investment Bank	– Adjusted profit before tax of CHF 2.3 billion, up from	Adjusted pre-tax RoAE	>15%	31.3%	● (met)
	CHF 162 million in 2014	Adjusted cost / income ratio	70–80%	73.5%	● (met)
	– Strong performance in ICS with revenues up 16% to CHF 5.9 billion – Achieved high risk-adjusted returns within allocated resources	Basel III RWA (fully applied), short / medium term[3]	~CHF 85 billion	CHF 63 billion	● (met)
	– Named "Bank of the Year" by International Financing Review	LRD (fully applied), short / medium term[3]	~CHF 325 billion	CHF 268 billion	● (met)

● = 2015 target not met
● = 2015 target met

1 Refer to the "Our strategy" section of the Annual Report 2015 for more information. 2 Based on US dollars. 3 Expectation.

Performance award funding process – illustrative overview

The chart below illustrates the performance award pool funding process.



1	**Adjusted divisional financial performance**	The preliminary divisional performance award pool amounts are driven by financial performance and assessed in light of a series of financial KPIs. The adjusted divisional performance excludes items which are not reflective of the underlying performance
2	**Risk-adjusted divisional performance award pools**	Predetermined business division-specific performance award pool funding rates are applied to risk-adjusted performance. In addition, credit risk, market risk and operational risk (including conduct) are taken into account
3	**Divisional KPIs**	Each division is assessed based on specific KPIs (e.g., net new money growth rate, return on RWA)
	Qualitative, risk and regulatory assessment	Qualitative assessment (e.g., quality of earnings, industry awards), assessment of regulatory compliance and risk assessment (such as operational, legal, compliance, reputational and operational risk). Qualitative assessment also ensures full alignment to our Total Reward Principles
	Relative performance vs peers	Performance is also assessed relative to our peers
	Market position and trends	Market intelligence based on internal and external advisors helps assess the competitiveness of our pay level and compensation structure. It also provides a prospective view of market trends in terms of absolute compensation levels, compensation framework and industry practice
4	**Recommended divisional performance award pools**	The divisional performance award pools determination process results in a performance award pool recommendation from the Group CEO (after consultation with the business division Presidents), which is submitted to the Compensation Committee for consideration
5	**Final performance award pool**	The Compensation Committee considers the recommendation in the context of our overall performance, capital strength, risk profile, progress against strategic initiatives, affordability, market competitiveness / positioning, as well as business and geographic trends. The committee ensures it is in line with our strategies embodied in our Total Reward Principles to create sustainable shareholder value and may alter the recommendations of the Group CEO (upward or downward, including recommending a zero award) before making its final recommendation to the BoD

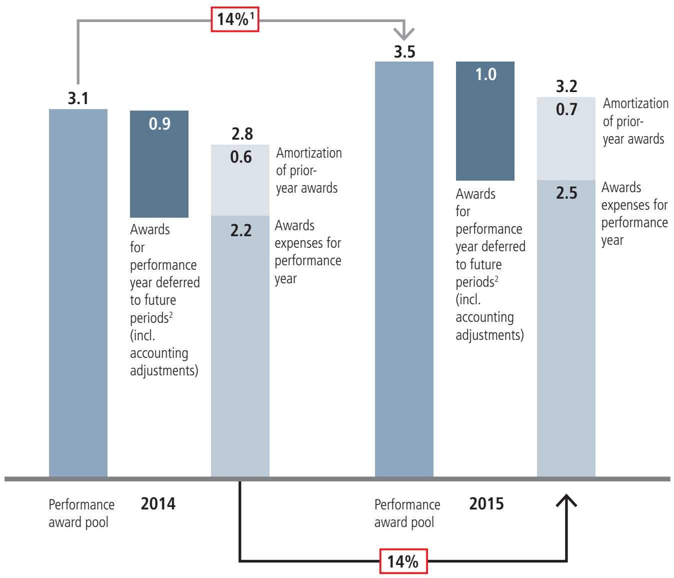
2015 performance award pool and expenses

The performance award pool, which includes all discretionary performance-based variable awards for 2015, was CHF 3.5 billion, an increase of 14% compared with 2014.

Performance award expenses for 2015 increased 14% to CHF 3.2 billion. This increase reflects (a) the increase in the performance award pool, (b) higher expenses due to the change in the compensation deferral structure and modification in local compensation practices due to developments in regulatory requirements, and (c) expenses related to the amortization of awards from prior years. The "Performance award expenses" chart on this page compares the performance award pool with performance award expenses.

Performance award expenses

CHF billion



1 Excluding employer-paid taxes and social security. 2 Estimate. The actual amount to be expensed in future periods may vary; for example, due to forfeitures.

2015 compensation for the Group CEO and the other GEB members

Group Executive Board (GEB) performance awards are at the discretion of the Board of Directors (BoD) based on the assessment of quantitative and qualitative performance measures and, in aggregate, subject to shareholder approval. The overall aggregate performance award pool for the GEB, including the Group CEO, was CHF 71.25 million for 2015. This is reflective of excellent performance and also the fact that, in recent years, the compensation of the most senior members of the Group has, appropriately, been impacted the most, as the firm addressed legacy matters from its past. Base salaries for the GEB and the Group CEO remain unchanged compared with 2014.

Base salary, role-based allowance, pensions and benefits

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

One GEB member is considered a UK Material Risk Taker (MRT) and receives a role-based allowance in addition to his base salary. This allowance reflects the market value of this specific role and is only paid while the GEB member is considered an MRT. Such an allowance represents a shift in the compensation mix between fixed and variable compensation and does not represent an increase in total compensation. The allowance consists of a blocked UBS share award, which is granted annually.

Pension contributions and benefits for GEB members are in line with local practices for other employees. No enhanced or supplementary pension contributions are made for GEB members.

At the AGM, shareholders are required to approve the maximum aggregate amount of fixed compensation for the members of the GEB for the following financial year.

➔ Refer to the "Our compensation model for employees other than GEB members" for more information on MRTs

Employment contracts

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

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

Overview of GEB compensation determination process

The compensation for GEB members, including the Group CEO, is governed by a rigorous process with oversight by the Compensation Committee and the BoD. The illustration below shows how compensation for GEB members, including the Group CEO, is determined.

The Compensation Committee is involved at all stages of the performance and total compensation decision-making process for the Group CEO and the other GEB members, for review and approval by the BoD

Objective setting	Weighting	Performance assessment	Compensation decisions	Delivery
Quantitative measures The quantitative measures are based on Group, business division, regional and / or functional performance, depending on the role of the GEB member Targets for quantitative measures are based on the strategic plan	**65%**	**Quantitative measures** The quantitative measures are assessed based on actual results	When determining actual pay levels, the following is factored in by the Compensation Committee: – performance and affordability – balanced scorecard[1] assessment – relative performance vs peers – compensation market value and trends – other parameters deemed relevant Target total compensation is reviewed against the market value of the respective role. The Compensation Committee's final compensation recommendations for GEB members are based on the scorecards, the assessment against the market value for the role, and the Group CEO's recommendation (the Group CEO makes no recommendation on his own awards)	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 measures assess how the executive achieves the financial results	**35%**	**Qualitative measures** The Compensation Committee determines to what extent the GEB member has met the qualitative measures relating to Pillars, Principles, Behaviors		
		The Compensation Committee determines the overall rating	Final decision is at the discretion of the BoD and subject to shareholder approval	

1 Refer to the "Overview of the quantitative and qualitative measures – balanced scorecard" chart for more information.

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

Pillar 3 | Annual performance awards for the Group CEO and other GEB members are at the full discretion of the BoD and, in aggregate, subject to shareholder approval at the AGM.

Our performance assessment is based on a balanced scorecard, which allows us to assess an individual's performance against a number of quantitative and qualitative key performance indicators (KPIs).

The quantitative measures for the Group CEO are based on overall Group performance. For other GEB members, they are based on both Group performance and the performance of the relevant business division and/or region. The GEB members who lead Group control functions, or who are solely regional Presidents, are assessed on the performance of the Group and the functions/regions they oversee.

Quantitative measures include business division financial, regional, and functional measures, and account for 65% of the assessment. Qualitative measures account for 35% of the assessment and are the same for all GEB members, including the Group CEO. The table on the following page provides an overview of the quantitative and qualitative KPIs on which the balanced scorecard is based. The weighting between Group, business division, regional, and functional KPIs varies depending on a GEB member's role. A significant weight is given to Group KPIs for all GEB members.

The degree to which an individual has achieved these quantitative measures, coupled with an assessment of performance against qualitative measures, provides an overall rating. This is the starting point for determining a GEB member's annual performance award. This approach is not intended to be mechanical, as the Compensation Committee can exercise its judgment with respect to achievement to reflect relative performance versus prior year, versus strategic plan and versus competitors.

The Compensation Committee's recommendations are then reviewed, and must be approved, by the BoD. The Compensation Committee, and then the full BoD, follow a similar process in setting the compensation for the Group CEO.

While the BoD retains full discretion in determining the variable compensation levels for the Group CEO and other GEB members, the total amount of the awards may not exceed the aggregate cap of 2.5% of adjusted Group profit before tax. Additionally individual GEB and Group CEO's variable compensation should not exceed the specified individual compensation caps (as described later in this section).

The final aggregated performance award for the GEB, including the Group CEO, for a financial year is subject to shareholder approval at the following AGM. The individual variable performance awards for each GEB member will only be confirmed following shareholder approval at the AGM. ▲

Pillar 3 | **Overview of the quantitative and qualitative measures – balanced scorecard**

Measures		Weightings		
		Group CEO	Business division / regional Presidents	Functional heads
Quantitative measures (65% weighting)		65%		
Group	A range of financial metrics including adjusted Group return on tangible equity, adjusted Group profit before tax, CET1 capital ratio (fully applied)	65%	35%	45%
Business division and / or regional KPIs (if applicable)[1]	Business division and / or regional KPIs vary but may include: net new money growth rate, gross margin, adjusted cost/income ratio, net new business volume growth rate, net interest margin, adjusted RoAE, Basel III RWA limit, funded assets limit		30%	
Functional KPIs[1]	Specific functional KPIs for Corporate Center GEB members			20%

EDTF |

Measures		Group CEO	Business division / regional Presidents	Functional heads
Qualitative measures (35% weighting)		35%		
Pillars		35%	35%	35%
Capital management	Establishes and maintains capital strength and CET1 capital ratio. Generates efficiencies and deploys our capital more efficiently and effectively			
Efficiency and effectiveness	Contributes to the development and execution of our strategy. The measure also looks to ensure that there is success across all business lines, functions and regions			
Risk management	Ensures risk management through an effective control framework. Captures the degree to which risks are self-identified and focuses on the individual's success in ensuring compliance with all the various regulatory frameworks. Helps shape the firm's relationships with regulators through ongoing dialog			
Principles				
Client focus	Increases client satisfaction and mantains high levels of satisfaction over the long term. This includes promoting collaboration across business divisions and fostering the delivery of the whole firm to our clients			
Sustainable performance	Brand and Reputation – protects the Group's reputation and ensures full compliance with our standards and principles Culture – takes personal role in making Principles and Behaviors front and center of the requirements of business. Furthermore, this measure evaluates the individual's ability to reinforce a culture of accountability and responsibility, demonstrating our commitment to be a responsible corporate citizen and to act with integrity in all our interactions with our stakeholders			
Excellence	Human Capital Management – develops successors for the most senior positions, facilitates talent mobility within the firm and promotes a diverse and inclusive workforce Product and Service Quality – strives for excellence in the products and services we offer to our clients			
Behaviors				
Integrity	Is responsible and accountable for what they say and do; cares about clients, investors and colleagues; acts as a role model			
Collaboration	Places the interests of clients and the firm before their own and those of their business; works across the firm; respects and values diverse perspectives			
Challenge	Encourages self and others to constructively challenge the status quo; learns from mistakes and experiences			

1 Both regional and functional KPIs may include qualitative measures.

Benchmarking against peers

When recommending performance awards for the Group CEO and the other GEB members, the Compensation Committee reviews the respective total compensation for each role against the broader market and also a group of peer companies selected for the comparability of their size, business and geographic mix, and the extent to which they compete against us for talent. The Compensation Committee also considers the strategies, practices, pay levels and regulatory environment of our peers. Overall, total compensation for a GEB member's specific role is targeted to align with market competitive pay of the role for market competitive performance.

The Compensation Committee annually reviews and approves the core peer group for executive compensation. As of 2015, the core peer group consists of: Bank of America, Barclays, BlackRock, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan Chase, Julius Baer, Morgan Stanley and Standard Chartered. This group is broadened for the purposes of business division benchmarking and for the review of specific roles, as appropriate.

Comparability assessment against main peers

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

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

● Mostly comparable ◐ Moderately comparable ○ Less comparable

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

2015 Deferred performance awards

Pillar 3 | For each GEB member, at least 80% of the performance award is deferred, meaning a maximum of 20% of the GEB member's overall performance award can be paid out in the form of immediate cash, subject to a cap of CHF/USD 1 million (or local currency equivalent). Any amount above this cap is granted in notional shares under the Equity Ownership Plan (EOP). For UK Material Risk Takers (MRTs), 50% of any immediate cash is delivered in vested shares, which are blocked for six months as required by regulators.

For performance year 2015, a minimum of 50% of the overall performance award is granted under the EOP, which vests in three equal installments from year 3 to 5, subject to performance conditions being met. As noted above, for the GEB member who is considered an MRT, each EOP installment vesting on 1 March of years 3 to 5 will be subject to additional blocking for a further six months.

The remaining 30% of the overall performance award is granted under the Deferred Contingent Capital Plan (DCCP). Under the DCCP, GEB members are awarded notional additional tier 1 (AT1) instruments that vest in year 5, with discretionary annual interest payments. The DCCP awards have contributed to the loss-absorbing capital of the Group. In addition to a phase-in common equity tier 1 capital ratio trigger of 10%, DCCP awards granted to GEB members are subject to a further performance condition. If the firm does not achieve an adjusted Group profit before tax for any year during the vesting period, GEB members forfeit 20% of the award for each loss-making year. This means that 100% of the award is subject to risk of forfeiture in addition to the capital ratio trigger. For GEB members, the average 2015 award vests in 4.4 years (in line with 2014). Our compensation plans have no upward leverage, such as multiplier factors, and therefore do not encourage excessive risk-taking.

The Compensation Committee has determined that performance conditions for all GEB members' awards due to vest in March 2016 have been satisfied. Hence such awards will vest in full, based on the performance conditions having been met. ▲

➔ Refer to the "Our deferred variable compensation plans for 2015" section in this report for more information

➔ Refer to the "Our compensation model for employees other than GEB members" section in this report for more information on MRTs

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

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

In addition to our compensation framework, which includes EOP and DCCP, our share ownership policy requires the Group CEO to hold a minimum of 500,000 UBS shares and other GEB members to hold a minimum of 350,000 UBS shares. These shareholdings must be built up within five years from the date a GEB member is appointed and must be retained for as long as the GEB member remains in office. The number of UBS shares held by each GEB member is determined by adding any vested or unvested shares to privately held shares. GEB members are not permitted to sell their UBS shares until the above mentioned thresholds have been reached. At the end of 2015, all GEB members had met the required share ownership level.

Caps on the GEB performance award pool

The total potential GEB performance award pool is capped at 2.5% of the adjusted Group profit before tax. This links overall GEB compensation to the firm's profitability. As the Group's adjusted profit before tax for 2015 was CHF 5.6 billion, the GEB 2015 performance award pool was capped at CHF 141 million.

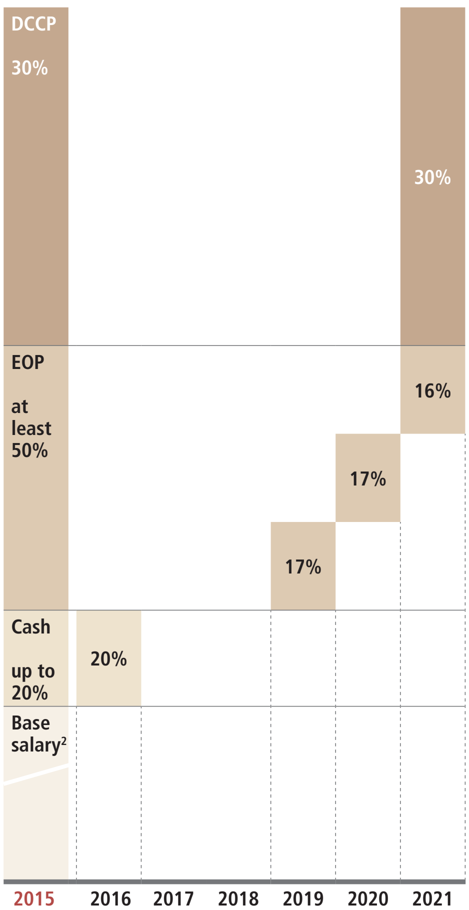
The actual total GEB performance award pool for 2015 was CHF 71.3 million (CHF 58 million in 2014). The performance award pool as a percentage of adjusted Group profit before tax reduced to 1.3% compared with 2.1% in 2014, well below the cap of 2.5%.

In line with the individual compensation caps introduced in 2013 on the proportion of fixed pay to variable pay for all GEB members, the Group CEO's performance award is capped at five times his base salary. Performance awards of other GEB members are capped at seven times their base salaries. For 2015, performance awards for GEB members and the Group CEO were, on average, 3.7 times their base salaries. The entirety of each GEB member's performance award that is deferred is subject to performance conditions.

2015 compensation framework for GEB members

Up to 20% of the annual performance award is paid in the form of immediate cash and at least 80% will be deferred for up to five years, with at least 50% granted under the Equity Ownership Plan (EOP) and the remaining 30% under the Deferred Contingent Capital Plan (DCCP). The framework remains the same as for 2014. The chart below is an illustrative example.

Payout of performance award



Share rentention	500,000 shares for Group CEO 350,000 shares for other GEB members

Key features

DCCP

Notional additional tier 1 (AT1) instruments

30% of the performance award is granted under the Deferred Contingent Capital Plan (DCCP). The award vests in year 5, subject to forfeiture if a capital ratio trigger or viability event occurs. The award is 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, subject to review and confirmation by the firm

The award is subject to continued employment and harmful acts provisions

EOP

Notional shares

At least 50% of the performance award is granted under the Equity Ownership Plan (EOP). The award vests in equal installments in years 3, 4 and 5, subject to both Group and divisional performance. The amount forfeited may be up to 100% of the installment due to vest

The award is subject to continued employment and harmful acts provisions

Cash

Up to 20% of the performance award is paid out in cash[1] 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 granted in EOP

Share retention

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

Pay for performance and safeguards

Our compensation framework is designed to pay for performance. A performance award is based on a balanced scorecard assessing the individual's performance against a number of quantitative and qualitative key performance indicators

At least 80% of performance award is at risk of forfeiture

Compensation plan forfeiture provisions enable the firm to reduce the unvested deferred portion if the compensation plans' relevant performance conditions are not achieved

Our compensation framework contains a number of features designed to ensure that risk is appropriately managed with safeguards to limit inappropriate risk-taking:
- no upward leverage, such as multiplier factors. Potential realized pay cannot exceed the award granted (excluding potential share price appreciation, dividends and interest payments). The final deferred payout can be forfeited up to 100% in cases where performance conditions are not met or harmful acts provisions apply
- a balanced mix of shorter-term and longer-term performance awards with a focus on deferral
- a cap on the total GEB performance award pool of 2.5% of adjusted Group profit before tax
- individual caps on the proportion of fixed to variable pay for the Group CEO and other GEB members
- six-month notice period included in the employment contracts
- an evaluation of the risk control effectiveness and adherence of each GEB member as part of their individual qualitative assessment
- provisions that enable the firm to trigger forfeiture of some, or all, of the unvested deferred performance award if an employee commits certain harmful acts, or if the employment is terminated for cause

1 UK Material Risk Takers (MRTs) receive 50% in the form of blocked shares. 2 May include role-based allowances that have been made in line with market practice in response to regulatory requirements.

2015 compensation for the Group Chief Executive Officer

The performance awards for the Group CEO, Sergio P. Ermotti, and each member of the GEB are based on the achievement of both quantitative and qualitative performance targets as described earlier in this section. These targets were set to reflect the strategic priorities determined by the Chairman and the BoD, including risk-adjusted profitability, our capital position and return on tangible equity, as well as a range of qualitative measures to assess the quality and sustainability of the business.

In line with the previous year Mr. Ermotti's performance assessment was weighted 65% on quantitative performance based on Group financial performance, and weighted 35% based on qualitative measures.

The table on the following page summarizes the metrics utilized by the BoD to assess Mr. Ermotti's performance as Group CEO for 2015.

The BoD recognized that under Mr. Ermotti's strong stewardship, the Group financial performance for 2015 was excellent as outlined in the "Performance and compensation funding" section of this report. Adjusted return on tangible equity was 13.7%, above the target for 2015 of approximately 10%. The BoD considered Mr. Ermotti's active leadership to successfully manage the ambitious capital strategy for 2015. All major capital measures surpassed the targets set for the Group CEO for 2015 on a fully applied basis, including the common equity tier 1 (CET1) capital ratio of 14.5% (significantly above the target of at least 13%), the Swiss SRB leverage ratio of 5.3%, and RWA of CHF 208 billion compared with the target of less than CHF 215 billion. Further, these all represent significant improvements on last year. The firm's capital position continues to compare favorably to peers, which has been underscored by recent upgrades from rating agencies. Achieving the return and capital targets enables the firm to fulfill its commitment to return at least 50% of its net profit to shareholders.

Mr. Ermotti's stewardship in a challenging market environment was key to supporting each business division to deliver good results for the year. Wealth Management delivered its highest adjusted pre-tax profit since 2008 and recurring income grew by 3% due to higher net interest income and recurring net fee income, including progress on strategic initiatives and banking/lending products. Wealth Management Americas had a good underlying performance and made excellent progress on its strategic objectives. Personal & Corporate Banking delivered its best adjusted profit before tax since 2010. Asset Management progressed towards its medium-term goal, growing adjusted pre-tax profit by 20% compared with 2014 due to higher net management fees. Our Investment Bank delivered an adjusted profit before tax of CHF 2.3 billion and generated an adjusted return on attributed equity of 31%, well above its target of greater than 15%. Further, significant progress has also been achieved in the continued wind-down of the Corporate Center – Non-core and Legacy Portfolio, and in particular the leverage ratio denominator was significantly reduced, with a CHF 47 billion or 51% reduction in the balance during the year, significantly ahead of the business plan.

The BoD also acknowledged the strong qualitative performance that Mr. Ermotti demonstrated. His focus on execution of our well-defined strategy has made these results possible.

Mr. Ermotti continued to set the highest standards and a clear tone from the top regarding the risk and control environment. His initiatives to build a strong risk management culture including operational risk management, a robust compliance function and a comprehensive end-to-end control environment are essential in ensuring the firm's sustainable success.

The BoD considered the significant progress made in the organization's cultural journey under Mr. Ermotti's leadership. He continued to pursue culture as a key priority. The Principles and Behaviors have become embedded in the way the firm does business and an integral part of the firm's talent management, promotion and compensation considerations.

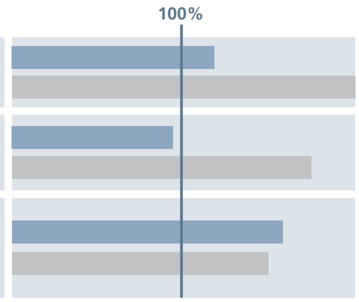
Beyond the results and capital position, the BoD also recognized Mr. Ermotti's drive to deliver on key strategic initiatives, including the successful go-live of UBS Switzerland AG and the implementation of a more self-sufficient business model for UBS Limited. Moreover, Mr. Ermotti successfully implemented a smooth transition to strategically realign his Group Executive Board.

Reflecting Mr. Ermotti's execution of the strategy over the past several years, as well as his overall achievements in 2015, the BoD approved the proposal by the Compensation Committee (subject to shareholder approval as part of the aggregate GEB 2015 variable compensation) to grant a performance award of CHF 11.5 million, bringing his total compensation for the year (excluding benefits and contributions to his retirement benefit plan) to CHF 14.0 million. The performance award will be delivered with 91% deferred under EOP and DCCP over 5 years subject to achieving performance thresholds and other forfeiture provisions. The remaining 9% will be delivered in immediate cash.

➔ **Refer to the "Our deferred variable compensation plans for 2015" section of this report for more information on about the terms of our deferred variable compensation plans**

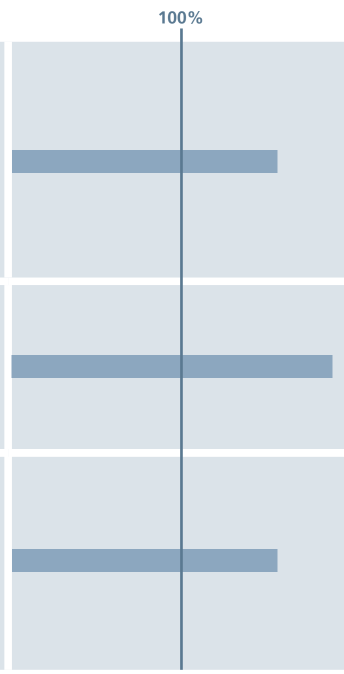
Balanced scorecard for the Group CEO

Quantitative[1] measures (65%)	Weighting	2015 results	2015 Assessment
Adjusted Group RoTE	**25%**	**13.7%**	**vs. Plan** **vs. 2014**
Adjusted Group profit before tax[2]	**25%**	**CHF 6.5 billion**	**vs. Plan** **vs. 2014**
Capital management CET1 ratio, fully applied Post stress CET1 ratio, fully applied Swiss SRB leverage ratio, fully applied[3]	**15%**	**14.5%** **>10%** **4.9%**	**vs. Plan** **vs. 2014**



EDTF |

Qualitative[4] measures (35%)	Weighting	Main achievements	2015 Assessment
Pillars Capital management, efficiency and effectiveness, and risk management	**35%**	– Further enhanced effectiveness and long-term efficiency through continued disciplined execution of the firm's ambitious capital strategy – Continued focus on cost control, operational effectiveness, balancing infrastructure investments and supporting strategic initiatives – Demonstrated and built strong risk management culture – Strong execution and personal involvement in regulatory compliance matters	**vs. Goals**
Principles Client focus, sustainable performance and excellence		– Demonstrated a strong client focus and the importance of a client centric organization – Enhanced UBS's reputation by further improving relationships with key regulators and by leveraging suitable platforms to promote the firm's brand value – Further enhanced bench strength, talent management and succession planning	**vs. Goals**
Behaviors Integrity, collaboration and challenge		– Served as a strong role model and his actions set a strong tone from the top – Collaborative and effective leadership style in promoting collaboration across business divisions and fostering the delivery of the whole firm to our clients – Created an environment that encourages to challenge the status quo, identifies opportunities to raise standards further and learn and act on mistakes and experiences	**vs. Goals**



1 Quantitative measures and target levels were based on internal performance objectives in our 2015 Operating Plan. 2 Adjusted Group profit before tax excluding certain charges for provisions for litigation, regulatory and similar matters. 3 Swiss SRB leverage ratio, fully applied, as of 31 December 2015, based on the former Swiss SRB rules, which were applicable at time of 2015 planning. On the basis of the new Swiss SRB rules the leverage ratio as of 31 December 2015 is 5.3%. Refer to the "Capital management" section of the Annual Report 2015 for more information. 4 The qualitative measures used to assess the effectiveness of the Group CEO are outlined in detail in the table "Overview of the quantitative and qualitative measures – balanced scorecard" in this report.

Total compensation for GEB members for the performance years 2015 and 2014

The table below shows the total compensation for GEB members for the performance years 2015 and 2014. At the AGM 2016, shareholders will vote on the overall 2015 total variable compensation.

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Total compensation for GEB members

CHF, except where indicated[1]

Name, function	For the year	Base salary[2]	Contribution to retirement benefits plan[3]	Benefits[4]	Total fixed compensation	Immediate cash[5]	Annual performance award under EOP[6]	Annual performance award under DCCP[7]	Total variable compensation	Total fixed and variable compensation[8]
Sergio P. Ermotti, Group CEO (highest-paid)	2015	2,500,000	261,181	50,080	2,811,261	1,000,000	7,050,000	3,450,000	11,500,000	14,311,261
Sergio P. Ermotti, Group CEO (highest-paid)	2014	2,500,000	202,822	60,525	2,763,347	0	5,880,000	2,520,000	8,400,000	11,163,347
Aggregate of all GEB members who were in office at the end of the year[9]	2015	19,138,288	1,407,042	1,614,998	22,160,327	9,745,110	40,129,890	21,375,000	71,250,000	93,410,328
	2014	19,090,186	1,343,168	1,224,633	21,657,987	8,423,177	32,459,299	17,521,060	58,403,535	80,061,523
Aggregate of all GEB members who stepped down during the year[10]	2015	0	0	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0	0	0

1 Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Consolidated financial statements" section of the Annual Report 2015 or the performance award currency exchange rate. 2 Includes role-based allowances that have been made in line with market practice in response to the EU Capital Requirements Directive of 2013 (CRD IV). 3 This figure contains the portion related to the employer's contribution to the statutory pension scheme. 4 Benefits are all valued at market price. 5 Due to applicable UK Prudential Regulation Authority remuneration code, the immediate cash includes blocked shares for one GEB member. For 2014, the entire performance award for the Group CEO was deferred. 6 For EOP awards for the performance year 2015, the number of shares to be allocated at grant in May 2016 is determined by dividing the amount by CHF 14.98 or USD 15.09, the average closing share price of UBS shares over the last ten trading days in February 2016. For EOP awards for the performance year 2014, the number of shares allocated in May 2015 was determined by dividing the amount by CHF 16.50 and USD 17.41, the average closing share price of UBS shares over the last ten trading days in February 2015. 7 DCCP awards for 2015 to be granted in May 2016, are due to vest in March 2021. DCCP awards for 2014, granted in May 2015, are due to vest in March 2020. The amounts reflect the amount of the notional additional tier 1 (AT1) instrument excluding future notional interest. For DCCP awards for the performance year 2015, the notional interest rate is set at 7.35% for awards denominated in USD and 4.15% for awards denominated in CHF. For DCCP awards for the performance year 2014, the notional interest rate was set at 7.125% for awards denominated in USD and 4.000% for awards denominated in CHF. 8 This figure excludes the portion related to the legally required employer's social security contributions for 2015 and 2014, which are estimated at grant for CHF 4,132,667 and CHF 3,689,582 respectively, of which CHF 898,596 and CHF 704,077 respectively for the highest-paid GEB member. The legally required employee's social security contributions are included in the amounts shown in the table above, as appropriate. 9 10 GEB members were in office on 31 December 2015 and on 31 December 2014, respectively. 10 During the years of 2015 and 2014 no GEB members stepped down.

Pillar 3 |

Fixed and variable compensation for GEB members[1]

	Total for the year ended 2015		Not deferred		Deferred[2]		Total for the Year ended 2014
CHF in million, except where indicated	Amount	%	Amount	%	Amount	%	Amount
Total compensation							
Amount[3]	90	100%	29	32%	62	68%	77
Number of beneficiaries	10						10
Fixed compensation[3,4]	19	21%	19	100%	0	0%	19
Cash-based	17	18%	17	100%	0	0%	17
Equity -based	3	3%	3	100%	0	0%	3
Variable compensation	71	79%	10	14%	62	86%	58
Immediate cash[5]	10	11%	10	100%	0	0%	8
Equity Ownership Plan (EOP)	40	44%	0	0%	40	100%	32
Deferred Contingent Capital Plan (DCCP)	21	24%	0	0%	21	100%	18

1 The figures refer to all GEB members in office in 2015. 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 Excludes benefits and employer's contribution to retirement benefits plan. 4 Includes base salary and role-based allowances, rounded to the nearest million. 5 Includes allocation of vested but blocked shares, in line with UK Prudential Regulation Authority remuneration code.

2015 compensation for the Board of Directors

Members of the Board of Directors (BoD) receive fixed fees for their services, 50% of which must be used to purchase blocked UBS shares. The members may elect to purchase blocked UBS shares using up to 100% of their fees. BoD members do not receive variable compensation. This reinforces their focus on long-term strategy, supervision and governance, and helps them remain independent of the firm's senior management. The Chairman, as a non-independent BoD member, receives a cash payment, UBS blocked shares and benefits.

Chairman of the BoD

Under the leadership of the Chairman, Axel A. Weber, the BoD determines the strategy of the Group on recommendations by the Group CEO, exercises ultimate supervision over management and appoints all GEB members.

The Chairman presides over all general meetings of shareholders, and works with the committee chairpersons to coordinate the work of all BoD committees. Together with the Group CEO, the Chairman is responsible for ensuring effective communication with shareholders and other stakeholders, including government officials, regulators and public organizations. This is in addition to establishing and maintaining a close working relationship with the Group CEO and other GEB members, and providing advice and support when appropriate, including continuing to support the firm's cultural change as a key priority on the basis of our Principles and Behaviors.

The Chairman's total compensation is contractually capped at CHF 5.7 million, excluding benefits and pension fund contributions. His total compensation for 2015 consisted of a cash payment of CHF 3.5 million and a share component of CHF 2.2 million delivered in 146,862 UBS shares blocked from distribution for four years (at a share price of CHF 14.98). Accordingly, his total reward, including benefits and pension fund contributions for his service as Chairman for the full year of 2015, was CHF 6,034,141.

The 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 severance terms, or supplementary contributions to pension plans. Benefits for the Chairman are in line with local practices for UBS employees. The Compensation Committee approves the Chairman's compensation annually, taking into consideration fee and/or compensation levels for comparable roles outside the firm.

Independent BoD members

With the exception of the Chairman, all BoD members are deemed to be independent directors and receive a fixed base fee of CHF 325,000 per annum. In addition to the base fee, independent BoD members receive fees known as committee retainers that reflect their services on the firm's various board committees. The Senior Independent Director and the Vice Chairman of the BoD each receives an additional retainer of CHF 250,000. As noted above, independent BoD members are required to use a minimum of 50% of their fees to purchase UBS shares that are blocked for four years. However, they may elect to use up to 100% of their fees to purchase blocked UBS shares. In all cases, the number of shares that independent BoD members are entitled to receive is calculated with a discount of 15% below the average market price over the last 10 trading days in February. In accordance with their roles, independent BoD members do not receive performance awards, severance payments or benefits. The chart on the following page provides details and additional information on the remuneration framework for independent BoD members.

Base fees, committee retainers and any other payments to be received by independent BoD members are subject to an annual review with a proposal being submitted by the Chairman of the BoD to the Compensation Committee, which in turn submits a recommendation to the BoD for approval. The BoD proposes at each AGM for shareholder approval the aggregate amount of BoD remuneration, including compensation of the Chairman, that applies until the subsequent AGM.

The table "Remuneration details and additional information for independent BoD members" shows the remuneration by independent BoD member for the period from AGM 2015 to AGM 2016. The fixed base fees have remained unchanged compared with the period 2014/15, and have been broadly flat since 1998.

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

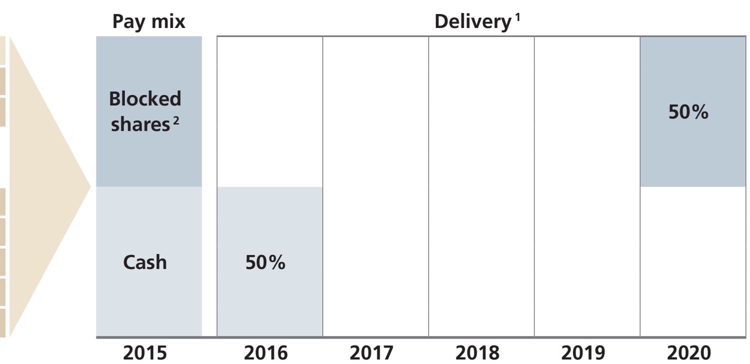
2015/2016 Remuneration framework for independent BoD members

CHF, except where indicated

Fees including retainers for Committee chair/membership, and/or specific roles, are paid per annum. At least 50% of the total amounts must be used to purchase shares which are blocked for four years.

Fixed base fee	325,000
Senior Independent Director retainer	250,000
Vice Chairman retainer	250,000

	Chair	Member
Audit Committee	300,000	200,000
Compensation Committee	300,000	100,000
Governance and Nominating Committe		100,000
Corporate Culture and Responsibility Committee		50,000
Risk Committee	400,000	200,000



1 Independent BoD members can elect to use 100% of their remuneration to purchase blocked UBS shares 2 UBS blocked shares are granted with a price discount of 15% and are blocked for four years

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Total payments to BoD members

CHF, except where indicated	For the year	Total[1]
	2015	12,778,308
Aggregate of all BoD members	2014	13,039,851

1 This figure includes social security contributions paid by the BoD members, but excludes the portion related to the legally required social security contributions paid by UBS, which for 2015 are estimated at grant at CHF 653,272 and for 2014 at CHF 623,790.

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Compensation details and additional information for non-independent BoD members

CHF, except where indicated

Name, function[1]	For the year	Base salary	Annual share award[2]	Benefits[3]	Contributions to retirement benefit plans[4]	Total[5]
	2015	3,500,000	2,200,000	72,959	261,181	6,034,141
Axel A. Weber, Chairman	2014	3,000,000	2,566,672	113,109	260,070	5,939,851

1 Axel A. Weber was the only non-independent member in office on 31 December 2015 and on 31 December 2014, respectively. 2 These shares are blocked for four years. 3 Benefits are all valued at market price. 4 This figure contains the portion related to UBS's contribution to the statutory pension scheme. 5 This figure excludes the portion related to the legally required social security contributions paid by UBS, which for 2015 are estimated at grant at CHF 368,257 and for 2014 at CHF 363,488. The legally required social security contributions paid by the non-independent BoD members are included in the amounts shown in the table above, as appropriate.

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Remuneration details and additional information for independent BoD members

CHF, except where indicated

Name, function[1]	Audit Committee	Compensation Committee	Corporate Culture and Responsibility Committee	Governance and Nominating Committee	Risk Committee	For the period AGM to AGM	Base fee	Committee retainer(s)	Additional payments[2]	Total[3]	Share percentage[4]	Number of shares[5,6]
Michel Demaré, Vice Chairman	M	M		M		2015/2016	325,000	400,000	250,000	975,000	50	38,295
	M	M		M		**2014/2015**	325,000	400,000	250,000	**975,000**	50	34,746
David Sidwell, Senior Independent Director				M	C	2015/2016	325,000	500,000	250,000	1,075,000	50	42,223
				M	C	**2014/2015**	325,000	500,000	250,000	**1,075,000**	50	38,310
Reto Francioni, member		M	M		M	2015/2016	325,000	255,000		580,000	50	22,780
		M	M			**2014/2015**	325,000	150,000		**475,000**	50	16,928
Ann F. Godbehere, member	M	C				2015/2016	325,000	500,000		825,000	50	32,403
	M	C				**2014/2015**	325,000	500,000		**825,000**	50	29,401
Axel P. Lehmann, member					M	2015/2016	210,347	129,444		339,792	100	25,217
					M	**2014/2015**	325,000	200,000		**525,000**	100	35,388
Helmut Panke, former member						2015/2016	–	–		–	–	–
		M			M	**2014/2015**	325,000	300,000		**625,000**	50	22,273
William G. Parrett, member	C	M	M			2015/2016	325,000	402,500		727,500	50	28,574
	C		M			**2014/2015**	325,000	350,000		**675,000**	50	24,055
Isabelle Romy, member	M			M		2015/2016	325,000	300,000		625,000	50	24,548
	M			M		**2014/2015**	325,000	300,000		**625,000**	50	22,273
Jes Staley, former member		M			M	2015/2016	154,375	142,500		296,875	0	0
						2014/2015	–	–		**–**	–	–
Beatrice Weder di Mauro, member	M				M	2015/2016	325,000	400,000		725,000	50	28,476
	M				M	**2014/2015**	325,000	400,000		**725,000**	50	25,837
Joseph Yam, member			M		M	2015/2016	325,000	250,000		575,000	50	22,584
			M		M	**2014/2015**	325,000	250,000		**575,000**	50	20,491
Total 2015/2016										6,744,167		
Total 2014/2015										**7,100,000**		

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

1 There were nine independent BoD members in office on 31 December 2015. Jes Staley was elected at the AGM on 7 May 2015 and stepped down on 28 October 2015. Helmut Panke did not stand for re-election at the AGM on 7 May 2015. Reto Francioni was appointed as a Risk Committee member on 29 October 2015 and William G. Parrett was appointed as a Compensation Committee member on 29 October 2015 due to the vacancies opened by Jes Staley's resignation. Axel P. Lehmann stepped down as BoD member on 31 December 2015. Jes Staley, Reto Francioni, William G. Parrett and Axel P. Lehmann were remunerated pro rata temporis for 2015. There were 10 independent BoD members in office on 31 December 2014. Rainer-Marc Frey did not stand for re-election at the AGM on 7 May 2014. 2 This payments are associated with the Vice Chairman or the Senior Independent Director function. 3 This figure excludes UBS's portion related to the legally required social security contributions which for the period from the AGM 2015 to the AGM 2016 are estimated at grant to CHF 285,015 and which for the period from the AGM 2014 to the AGM 2015 were estimated at grant to CHF 260,302. The legally required social security contributions paid by the independent BoD members are included in the amounts shown in the table above, as appropriate. 4 Fees are paid 50% in cash and 50% in blocked UBS shares. However, independent BoD members can elect to have 100% of their remuneration paid in blocked UBS shares. 5 For 2015, UBS shares, valued at CHF 14.98 (average price of UBS shares at SIX Swiss Exchange over the last 10 trading days of February 2016), were granted with a price discount of 15% for a new value of CHF 12.73. These shares are blocked for four years. For 2014, UBS shares, valued at CHF 16.50 (average price of UBS shares at SIX Swiss Exchange over the last 10 trading days of February 2015), were granted with a price discount of 15% for a new value of CHF 14.03. These shares are blocked for four years. 6 Number of shares is reduced in case of the 100% election to deduct social security contributions. All remuneration payments are subject to social security contributions/withholding tax.

Our compensation governance framework

The Compensation Committee is a committee of the Board of Directors (BoD) and consists of four independent BoD members who are elected annually by shareholders at the Annual General Meeting (AGM).

Pillar 3 | Compensation Committee

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

Among its other responsibilities, the Compensation Committee, on behalf of the BoD:
- reviews our Total Reward Principles
- reviews and approves the design of the compensation framework annually, 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, reviews performance targets, performance assessment and proposes base salaries and annual performance awards for other GEB members to the BoD, which approves the total compensation of each GEB member
- together with the Chairman of the BoD, establishes performance targets, evaluates performance and proposes the compensation for the Group CEO to the BoD
- approves the total compensation for the Chairman of the BoD
- together with the Chairman, proposes the total individual compensation for independent BoD members for approval by the BoD
- proposes, together with the BoD, the maximum aggregate amounts of compensation for the BoD and for the GEB, to be submitted for approval by shareholders at the AGM
- reviews the Compensation Report and approves any material public disclosures of compensation matters

The Compensation Committee meets at least four times a year. In 2015, the Compensation Committee held seven meetings and one conference call. All meetings were fully attended, with the exception of two meetings and the conference call where one member was absent. The Chairman of the BoD and the Group CEO were present at all meetings except during discussions related to their own compensation. The Chairperson of the Compensation Committee may also invite other executives to join the meeting in an advisory capacity. No individual is allowed to attend meetings during which specific decisions are made about his or her own compensation. Such decisions are at the discretion of the Compensation Committee and the BoD.

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

On 31 December 2015, the Compensation Committee members were Ann F. Godbehere, who chairs the committee, Michel Demaré, Reto Francioni and William G. Parrett who joined the Compensation Committee as of 29 October 2015, after Jes Staley's resignation from the BoD. Former Compensation Committee member Helmut Panke retired at the AGM on 7 May 2015. ▲

External advisors

Pillar 3 | The Compensation Committee may retain external advisors to support it in fulfilling its duties. In 2015, HCM International Ltd. provided impartial independent advice on compensation matters. The company holds no other mandates with the firm. The compensation consulting firm Towers Watson continued to provide the Compensation Committee with data on market trends and benchmarks, including in relation to GEB and BoD compensation. Various subsidiaries of Towers Watson provide similar data to Human Resources in relation to compensation for employees below BoD and GEB level. Towers Watson holds no other compensation-related mandates with the firm. ▲

The Risk Committee's role in compensation

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

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

Compensation Committee 2015/2016 key activities and timeline

This table provides an overview of the key Compensation Committee scheduled activities from AGM 2015 to AGM 2016.

	Jun	July	Sept	Oct	Dec	Jan	Mar
Strategy, policy and governance							
Total Reward Principles		●					
3-year Strategic Plan (2016-2018) update				●	●		
Compensation disclosure and stakeholder communication matters			●		●	●	●
AGM reward-related items	●				●		●
Compensation Committee Governance			●				●
Annual compensation review							
Accruals and full-year forecast of the performance award pool funding	●	●	●	●	●	●	
Performance targets and performance assessment of the Group CEO and GEB members	●	●			●	●	
Group CEO and GEB members salaries and individual performance awards				●		●	●
Update on market practice, trends and peer group matters	●		●	●	●		
Pay for performance (including governance on certain higher paid employees) and non-standard compensation arrangements		●		●	●	●	●
Board of Directors remuneration							●
Compensation framework							
2015 compensation framework	●			●	●	●	●
Deferred compensation matters		●		●		●	
Risk and regulatory							
Risk management in the compensation approach, including joint reviews with the Risk Committee		●	●				
Regulatory activities impacting employees and engagement with regulators	●	●	●	●	●	●	●

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

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

In line with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, and similar to last year, we will again seek binding shareholder approval of the aggregate compensation for the GEB and aggregate remuneration for the BoD.

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

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

➔ **Refer to the sidebar "Provisions of the Articles of Association in relation to compensation" at the end of this section for more information.**

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

The table provides an overview of the compensation-related agenda items at AGM 2015 and respective outcomes.

2015 AGM say-on-pay voting schemes		2015 actual shareholder votes	% Vote "For"	Compensation granted
Binding vote on GEB variable compensation	Proposal on the aggregate amount of variable compensation for the GEB for past performance year	Shareholders approved the aggregate amount of variable compensation of CHF 58,403,535 for the members of the GEB for the financial year 2014[1, 2, 3]	89.7%	CHF 58,403,535
Binding vote on fixed GEB compensation	Proposal on the maximum amount of fixed compensation for the GEB for the following financial year	Shareholders approved the maximum aggregate amount of fixed compensation of CHF 25,000,000 for the GEB for the financial year 2016	94.9%	To be disclosed in the 2016 Compensation Report
Binding vote on BoD remuneration	Proposal on the maximum aggregate amount of remuneration for the BoD for the period from AGM to AGM. This ensures that the term of office and the compensation period are aligned	Shareholders approved the maximum aggregate amount of remuneration of CHF 14,000,000 for the BoD for the period from the 2015 AGM to 2016 AGM[1,2]	91.7%	CHF 12,778,308
Advisory vote on Compensation Report	Proposal on the Compensation Report of the previous year, which provides valuable feedback on compensation practice in relation to the compensation framework, governance and policy of UBS	Shareholders approved the UBS Group AG Compensation Report 2014 in an advisory vote	88.1%	

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 UBS Group AG Annual Report 2014. 2 This figure excludes the portion related to the legally required employer's social security contributions. 3 10 GEB members were in office on 31 December 2014.

AGM 2015 say-on-pay votes

At the AGM 2015, shareholders approved a maximum aggregate remuneration of CHF 14,000,000 for the BoD for the period from the AGM 2015 to the AGM 2016. This aggregate maximum amount includes the compensation for the Chairman and fees for independent BoD members, and was proposed on the assumption that the number of BoD members and each individual's committee and committee chair responsibilities remain unchanged for the specified period. A reserve was also included in the total amount of CHF 700,000 to take into account potential changes in BoD committee compositions. The maximum amount excludes the firm's portion related to the legally required social security and the value of the discount on the share price due to the four year blocking period. For the period from the AGM 2015 to the AGM 2016, an aggregate amount of CHF 12,778,308 was paid to the Chairman and all independent BoD members. The difference when compared to the maximum amount approved by the shareholders at the AGM 2015 was due to the actual amount of benefits and contributions made to the retirement benefits plan for the Chairman, and also as a result of one independent BoD member having received his fees pro-rata after stepping down during the year. The reserve was not utilized.

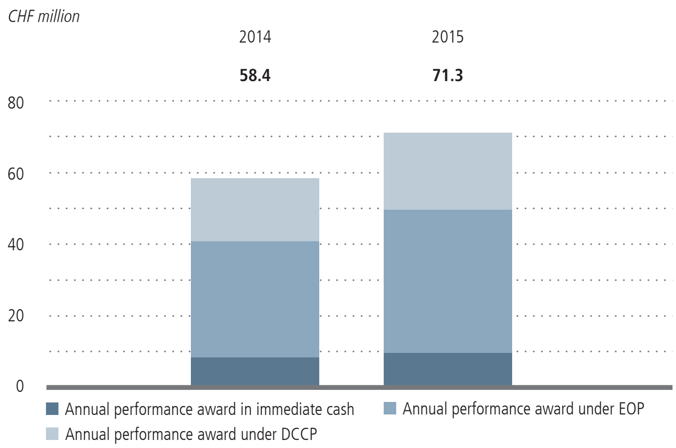
At the AGM 2015, shareholders approved an aggregate amount of variable compensation of CHF 58,403,535 for the members of the GEB for the financial year 2014. This amount was granted in May 2015.

Shareholders also approved the aggregate amount of fixed compensation of CHF 25,000,000 for the members of the GEB for the financial year 2016. The final spend will be disclosed in the 2016 Compensation Report.

AGM 2016 say-on-pay votes

For 2016 AGM say-on-pay votes, the BoD will propose the agenda items to shareholders based on the same approach as for 2015 AGM. Further details on the agenda items and the respective amounts will be set out in the AGM 2016 invitation.

Overview of aggregate GEB variable compensation 2014 – 2015[1]



1 Refer to the footnotes in the table "Total compensation for GEB members" for more information.

2016 Say-on-Pay— Time-based delineation of BoD / GEB compensation, subject to shareholder approval

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

Shareholder approval requested at the AGM 2016	2015	2016	2017
Aggregate BoD remuneration AGM 2016 to AGM 2017		● Remuneration period	
Aggregate 2017 fixed compensation for the GEB		●	Compensation period
Aggregate 2015 variable compensation for the GEB	Performance period	●	
Advisory vote on the 2015 Compensation Report	Compensation Framework	●	

● Voting at the AGM 2016

Our compensation model for employees other than GEB members

The typical elements of an employee's total reward are fixed compensation, a discretionary performance award, and pension contributions and benefits. The performance award may comprise a shorter-term immediate cash performance award and a longer-term deferred performance award. This mix encourages appropriate risk taking and behaviors that lead to sustainable performance.

Base salary

Pillar 3 | Employees' fixed compensation reflects their skills, role, and experience, as well as local market practices. Fixed compensation generally consists of a base salary and, if applicable, a role-based allowance. Base salaries are usually paid monthly or fortnightly. We offer our employees competitive base salaries, although salary levels will vary greatly between functions and locations. Since 2011, salary increases have been limited. With effect from March 2016, total base salaries increased by CHF 104 million, or 1.7%. Such increases will continue to be paid to those employees who were promoted, those with scarce or in-demand skillsets, or those who delivered a very strong performance or took on increased responsibilities.

As a firm, we focus on total compensation. For example, 2015 performance award pools take account of salary increases granted earlier in the year. We will continue to review salaries and performance awards in light of market developments, performance, affordability and our commitment to deliver sustainable returns to our shareholders.

In addition to a base salary and as part of fixed compensation, some regulated employees may receive a role-based allowance as described in the UK Material Risk Takers section of this report. Such allowance represents a shift in the compensation mix between fixed and variable compensation and does not represent an increase in total compensation. ▲

Pensions, benefits, and employee share purchase program

Pillar 3 | We offer certain benefits to our employees such as health insurance and retirement benefits. While these benefits may vary depending on the employee's location, they aim to be competitive in each of the markets in which we operate. Pension contributions and pension plans vary across locations and countries in accordance with local requirements and market practice. However, pension plan rules in any one location are generally the same for all employees, including management.

The Equity Plus Plan is our employee share purchase program. It allows employees below the rank of managing director to contribute up to 30% of their base salary and/or up to 35% of their performance award (up to CHF/USD 20,000 annually) toward the purchase of UBS shares. Eligible employees may purchase UBS shares at market price and receive one matching share for every three shares purchased through the program. The matching shares vest after three years, subject to continued employment with the firm and provided that the purchased shares have been retained for the entire holding period. ▲

➔ Refer to "Note 28 Pension and other post-employment benefit plans" in the "Consolidated financial statements" section of the Annual Report 2015 for more information on the major post-employment benefit plans established in Switzerland and other countries

Performance award

Pillar 3 | Most of our employees are eligible for an annual discretionary performance award. The level of the award depends on the firm's overall performance, the employee's business division performance, the individual's performance and behaviors reflecting their overall contributions. The award is at the complete discretion of the firm. To link pay with performance, the key performance indicators used to measure our progress in executing our strategy are taken into account when determining the size of each divisional performance award pool. They are also used as a basis for setting specific performance conditions for vesting of certain deferred compensation plan grants.

In addition to the firm's principles around Client focus, Excellence and Sustainable performance, on an individual level, behaviors related to Integrity, Collaboration and Challenge are part of the performance management approach. Therefore, when assessing performance, we not only take into account what was achieved, but also how the objectives were achieved. ▲

Benchmarking

Pillar 3 | Because of the diversity of our businesses, the companies we use as benchmarks depends on the respective business division and location, as well as the nature of the positions involved. For certain businesses or positions, we may take into account practices at other major international banks, other 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. ▲

Deferral of performance awards

Pillar 3 | Our goal is to focus our employees on delivering sustainable profitability for the firm. In practice, this means that employees with the highest levels of compensation have a higher effective deferral rate. If an employee's total compensation exceeds CHF/USD 300,000, a significant part of their performance award will be deferred for up to five years.

The deferral increases at higher marginal rates in line with the value of the performance award, with the lowest deferral rate set at 30% of the performance award, down from 40% for 2014, and the highest rate at 75%. In addition, the portion paid out in immediate cash is capped at CHF/USD 1 million (or equivalent). Amounts in excess of the cash cap are deferred in 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 total compensation.

Of the deferred annual performance award, at least 60% is deferred in UBS notional shares under the EOP and up to 40% is deferred in notional instruments under the Deferred Contingent Capital Plan (DCCP). Asset Management employees receive at least 75% of their deferred performance awards in notional funds under the EOP and up to 25% under the DCCP. The average deferral period for deferred employee awards below GEB level was 3.5 years for 2015. ▲

→ **Refer to the "Our deferred variable compensation plans for 2015" 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 Asset Management employees**

→ **Refer to "Note 29 Equity participation and other compensation plans" in the "Consolidated financial statements" section of the Annual Report 2015 for more information on specific local plans with deferral provisions that differ from those described here**

Basic reward elements

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

Other variable compensation components

Pillar 3 | To support hiring and retention, particularly at senior levels, we may offer certain other compensation components. These include:

- Replacement payments to compensate employees for deferred awards forfeited as a result of joining the firm. Such payments are industry practice and are often necessary to attract senior candidates who generally have a significant portion of their awards deferred at their current employer and where continued employment is required to avoid forfeiture.
- Retention payments made to key employees to induce them to stay, particularly during critical periods for the firm.
- On a very limited basis, guarantees may be required to attract individuals with certain skills and experience. These awards, which are fixed incentives to which our standard deferral applies, are limited to the first full year of employment.
- Award grants to employees hired late in the year to replace performance awards that they would have earned at their previous employer, but have been foregone by joining the firm. These awards are structured with the same level of deferral as for employees at a similar level at UBS. In addition, in very exceptional cases, candidates may be offered sign-on payments to increase the chances of them accepting an offer.

These other variable compensation payments are subject to a comprehensive governance process. Authorization and responsibility are dependent on the level and/or type of payments, up to the BoD Compensation Committee.

Further, severance payments are made to employees in redundancy cases. These are governed by location-specific severance policies. We offer severance terms which comply with the applicable local laws (legally obligated severance). In certain locations, we may provide severance packages that are negotiated with our local social partners that go beyond these minimum legal requirements (standard severance). In addition, 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. Under no circumstances are severance payments made to members of the GEB. ▲

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

	Total 2015	Of which expenses recognized in 2015[3]	Of which expenses to be recognized in 2016 and later	Total 2014	Number of beneficiaries	
CHF million, except where indicated					2015	2014[4]
Total sign-on payments[1]	21	11	10	20	114	162
of which GEB members	0	0	0	0	0	0
of which Key Risk Takers[2]	11	5	5	4	14	5
Total replacement payments	85	11	75	81	252	275
of which GEB members	0	0	0	0	0	0
of which Key Risk Takers[2]	44	5	39	27	27	17
Total guarantees	44	15	29	47	35	54
of which GEB members	0	0	0	0	0	0
of which Key Risk Takers[2]	29	8	21	18	13	6
Total severance payments[1,3]	166	164	2	176	1,850	1,667
of which GEB members	0	0	0	0	0	0
of which Key Risk Takers[2]	2	2	0	3	6	2

1 GEB members are not eligible for sign-on or severance payments. 2 Expenses for Key Risk Takers are full-year amounts for individuals in office on 31 December 2015. Key Risk Takers include employees with a total compensation exceeding CHF/USD 2.5 million (Highly-Paid Employees). 3 Severance payments include legally obligated and standard severance, as well as supplemental severance payments of CHF 8 million. 4 Expenses before post-vesting transfer restrictions.

Compensation for financial advisors in Wealth Management Americas

Pillar 3 | In line with market practice for US wealth management businesses, the compensation for Financial Advisors in Wealth Management Americas is based on production payout and awards. Production payout, paid monthly, is primarily based on compensable revenue. Advisors may also qualify for year-end awards, which are deferred for between 6 and 10 years. The awards are based on strategic performance measures which include production, length of service with the firm, and net new money generated. 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

Pillar 3 | Key Risk Takers (KRTs) are globally defined as those employees who, by the nature of their role, have been determined to materially set, commit or control significant amounts of the firm's resources and/or exert significant influence over its risk profile. This includes employees who work in front-office roles, logistics and control functions. Identifying KRTs is part of the Risk Control framework and an important element in ensuring we incentivize only appropriate risk-taking. For 2015, we had 669 individuals classified as KRTs, including all 10 GEB members. This group also includes employees with a total compensation exceeding CHF/USD 2.5 million (Highly-Paid Employees) if they had not already been identified as KRTs during the performance year.

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

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

Group Managing Directors (GMDs) receive part of their annual performance award under the EOP and the DCCP, with the vesting of their EOP awards contingent on the same performance conditions to which KRTs are subject. ▲

Pillar 3 |

Fixed and variable compensation for Key Risk Takers[1]

	Total for the year ended 2015		Not deferred		Deferred[2]		Total for the year ended 2014[3]
CHF million, except where indicated	Amount	%	Amount	%	Amount	%	Amount
Total compensation							
Amount[4]	1,413	100%	655	46%	758	54%	1,178
Number of beneficiaries	659						615
Fixed compensation[4,5]	398	28%	398	100%	0	0%	351
Cash-based	376	27%	376	100%	0	0%	323
Equity-based	22	2%	22	100%	0	0%	28
Variable compensation	1,015	72%	280	28%	735	72%	827
Immediate cash[6]	280	20%	280	100%	0	0%	217
Equity Ownership Plan (EOP)	462	33%	0	0%	462	100%	383
Deferred Contingent Capital Plan (DCCP)	273	19%	0	0%	273	100%	227

1 Includes employees with a total compensation exceeding CHF/USD 2.5 million (Highly Paid Employees), excluding GEB members who were in office on 31 December 2015. 2 This is based on the specific plan vesting and reflects the total value at grant which may differ from the accounting expenses. 3 2014 figures as reported in our Annual Report 2014. EOP number includes CHF 13 million blocked shares. 4 Excludes benefits and employer's contribution to retirement benefits plan. 5 Includes base salary and role-based allowances. 6 Includes allocation of vested but blocked shares, in line with UK Prudential Regulation Authority remuneration code. ▲

UK Material Risk Takers

In accordance with guidance issued by the UK Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), for 2015, we identified a group of 571 employees, consisting of senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as these groups and whose professional activities have a material impact on the firm's risk profile, as so-called UK Material Risk Takers (MRTs). Due to specific PRA requirements, 50% of performance awards for MRTs that are paid out immediately are delivered in UBS shares, which are blocked for six months. In addition, any notional shares granted to MRTs under the EOP for their performance in 2015 will be subject to an additional six-month post vest blocking period. From 2015 onwards, performance awards granted to MRTs are also subject to clawback provisions for a period of up to seven years from date of grant. The clawback provisions stipulate that the firm can require the repayment of any discretionary performance award (both the immediate and deferred element) if the employee contributes substantially to the Group incurring significant financial losses or to a significant downward restatement of the Group's or a business division's results, or engages in misconduct and/or fails to take expected actions which contributed to significant reputational harm to the Group.

In line with market practice, MRTs may receive a role-based allowance in addition to their base salary. This allowance reflects the market value of a specific role and, unlike salary, is only paid as long as the employee is in such a role. Importantly, this allowance represents a shift in the compensation mix between fixed and variable compensation and does not represent an increase in total compensation.

With respect to 2015, the allowance consisted of an immediate cash portion along with a blocked UBS share award, if applicable. In 2014, the equity portion consisted of vesting shares instead of blocked shares. The 2015 approach is a structural change based on feedback from the European Banking Authority (EBA) and the PRA.

Other EU-based employees who are subject to regulation have similar compensation structures in order to comply with EBA and local requirements.

Control functions and Group Internal Audit

Pillar 3 | To monitor risk effectively, our control functions, Risk Control (including Compliance), Finance and Legal, must be independent. To support this, their compensation is determined independently from the revenue producers that they oversee, supervise or support. Their performance award pool is not based on the performance of these businesses, but instead reflects the performance of the firm as a whole. In addition, we consider other factors such as how well the function has performed, together with our market positioning. Decisions regarding individual compensation for the senior managers of the control functions are made by the function heads and approved by the Group CEO. Decisions regarding individual compensation within Group Internal Audit (GIA) are made by the Head of GIA and approved by the Chairman. Total compensation for the Head of GIA is approved by the Compensation Committee in consultation with the Audit Committee. ▲

Our deferred variable compensation plans for 2015

To ensure our employees' and stakeholders' interests are aligned and that compensation is appropriately linked to longer-term sustainable performance, all variable compensation plans require a significant part of performance awards above a total compensation threshold to be deferred in UBS notional shares and UBS notional instruments for up to five years. For the population with total compensation greater than CHF / USD 300,000, 51% of the overall performance award is deferred. All of these plans include forfeiture provisions and performance conditions.

Equity Ownership Plan

Pillar 3 | The Equity Ownership Plan (EOP) is a mandatory deferral plan for all employees with total compensation greater than CHF/USD 300,000. These employees receive at least 60% of their deferred performance award under the EOP in notional shares, which are eligible for reinvested dividend equivalents. For 2015, over 5,000 employees received EOP awards. EOP awards are granted annually.

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

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

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

At Group level, the performance condition minimum threshold of RoTE is set at 8%. The intent of performance thresholds is to ensure that our senior employees are incentivized towards sustainable performance, without having to earn their awards twice.

Overview of our deferred variable compensation plans

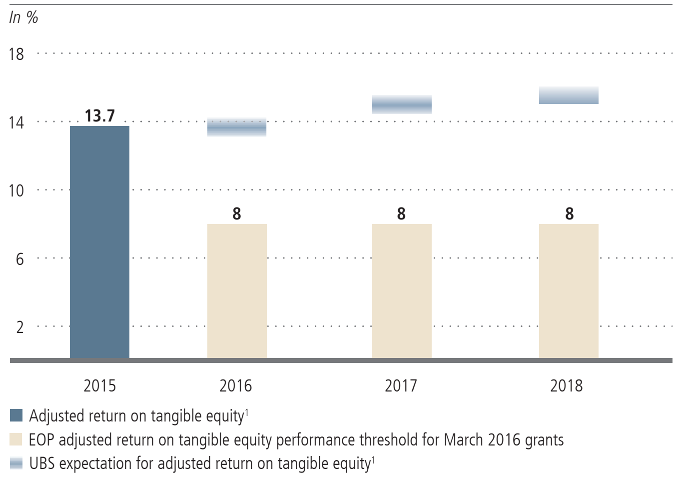
		Equity Ownership Plan	Deferred Contingent Capital Plan
Beneficiaries		GEB members, Key Risk Takers and all employees with total compensation greater than CHF/USD 300,000	GEB members, Key Risk Takers and all employees with total compensation greater than CHF/USD 300,000
Deferral mix (between EOP and DCCP)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

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

If the average adjusted Group RoTE achieved is equal to or above the minimum 8% threshold, the EOP award will vest in full, subject to the relevant business divisional threshold also being met. If the average adjusted Group RoTE is 0% or negative, the installment will be fully forfeited for the entire firm regardless of any division's individual 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 minimum performance threshold. Therefore, if the business divisional RoAE threshold (see table on the next page) is met, no adjustment is made to the EOP award. If, however, the RoAE falls below the minimum 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 Compensation Committee assesses the achievement of the performance conditions. The chart on the following page shows how we determine the percentage vesting.

Adjusted return on tangible equity – comparison with EOP performance thresholds



1 Refer to the "Our strategy" section of the Annual Report 2015 for details.

Performance condition for EOP awards granted in February 2016

	Installment vesting after	Applicable performance period
	3 years	2016, 2017 and 2018
	4 years	2017, 2018 and 2019
GEB	5 years	2018, 2019 and 2020
	2 years	2016 and 2017
GMDs, Key Risk Takers (including Highly-Paid Employees)	3 years	2016, 2017 and 2018

Group RoTE threshold

Group adjusted RoTE threshold	≥8%

Business divisional RoAE thresholds

Wealth Management	≥50%
Wealth Management Americas	≥25%
Personal & Corporate Banking	≥20%
Asset Management	≥25%
Investment Bank	≥15%
Corporate Center[1]	≥25%

1 For Corporate Center employees, operating businesses RoAE threshold.

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

Group performance → **Business divisional performance**

% vesting based on Group RoTE

100% vesting at a Group RoTE of ≥ 8%

Partial forfeiture determined on a linear basis if Group RoTE is between 0% and 8%

100% forfeiture at a Group RoTE of ≤ 0%

Adjustment based on business divisional RoAE

0% forfeiture if RoAE is at or above threshold

Partial forfeiture of up to 40% determined on a linear basis if RoAE is between threshold and 0%

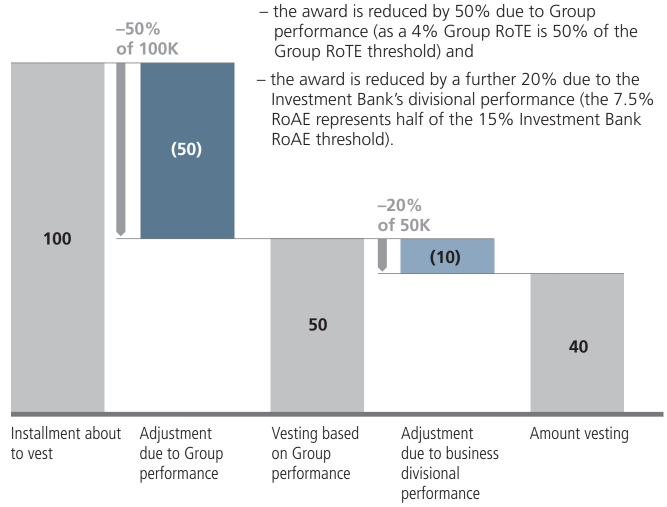
100% forfeiture if RoAE ≤ 0%

Illustrative example (assuming constant share price)

Assume an EOP award of CHF 100,000 granted to an Investment Bank employee due to vest in 2019, and an actual average adjusted Group RoTE and Investment Bank RoAE (averaged over the performance years 2016 to 2018) 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

Pillar 3 | The Deferred Contingent Capital Plan (DCCP) is a mandatory deferral plan for all employees with total compensation greater than CHF/USD 300,000. These employees receive up to 40% of their deferred performance award under the DCCP, with the exception of Asset Management employees, who receive up to 25%, and GEB members who receive up to 37.5% of their deferred performance awards under the plan. DCCP awards are granted annually. For 2015, over 5,000 employees received DCCP awards.

Employees are awarded notional additional tier 1 (AT1) instruments, which can be settled either in the form of a cash payment or a perpetual, marketable AT1 instrument, at the discretion of the firm. Prior to grant, employees were able to elect to have their 2015 DCCP awards denominated in either Swiss francs or US dollars.

Awards vest in full after five years, unless there is a trigger event. Awards granted under the DCCP forfeit if our phase-in common equity tier 1 capital ratio falls below 10% for GEB members and 7% for all other employees. In addition, awards are also forfeited if a viability event occurs, that is, if FINMA provides a written notice to the firm that the DCCP awards must be written down to prevent an insolvency, bankruptcy or failure of UBS, or if the firm receives a commitment of extraordinary support from the public sector that is necessary to prevent such an event. As an additional performance condition, if the firm does not achieve an adjusted Group 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 where employment has been terminated.

Under the DCCP, employees may receive discretionary annual interest payments. The notional interest rate for grants in 2016 is 7.35% for awards denominated in US dollars and 4.15% for awards denominated in Swiss francs. These interest rates are based on the current market rates for such AT1 instruments. Such interest will be paid out annually subject to review and confirmation by the firm.

As part of our compensation framework, DCCP awards support competitive pay while also contributing to the firm's capital position. The following table illustrates the impact of DCCP on our AT1 and Tier 2 capital as well as on our total capital ratio. ▲

➔ **Refer to the "Supplemental information" section of this report for more information on performance awards, performance awards expenses and total personnel expenses in 2015, as well as past awards**

Impact of the Deferred Contingent Capital Plan on our capital ratio

CHF million, except where indicated	***31.12.15***	31.12.14	31.12.13
Deferred Contingent Capital Plan (DCCP)	**1,903**	1,413	955
of which additional tier 1 capital	***991***	*467*	*0*
of which Tier 2 capital	***912***	*946*	*955*
Total capital ratio – fully applied (%)	**22.9**	18.9	15.4
of which DCCP (%)	***0.9***	*0.7*	*0.4*

Supplemental information

Performance awards granted for the 2015 performance year

The "Total variable compensation" table below shows the amount of variable compensation awarded to employees for the performance year 2015, together with the number of beneficiaries for each type of award granted. We define variable compensation as the discretionary, performance-based award pool for the given year. In the case of deferred awards, the final amount paid to an employee depends on performance conditions and consideration of relevant forfeiture provisions. The deferred share award amount is based on the market value of these awards on the date of grant.

The "Deferred compensation" table on the next page shows the current economic value of unvested outstanding deferred variable compensation awards subject to ex-post adjustments.

For share-based plans, the economic value is determined based on the closing share price on 30 December 2015. For notional funds, it is determined using the latest available market price for the underlying funds at year-end 2015, 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 on the next page are subject to ex-post adjustments, whether implicitly, through exposure to share price movements, or explicitly, for example, through forfeitures instigated by the firm.

➔ **Refer to "Note 29 Equity participation and other compensation plans" in the "Consolidated financial statements" section of the Annual Report 2015 for more information**

Pillar 3 |

Total variable compensation[1]

	Expenses		Expenses deferred to future periods		Adjustments[2]		Total		Number of beneficiaries	
CHF million, except where indicated	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Cash performance awards	**2,073**	1,822	**0**	0	**(1)**	(4)	**2,072**	1,818	**46,272**	46,298
Deferred Contingent Capital Plan	**172**	155	**343**	312	**0**	0	**514**	467	**5,432**	5,248
UBS share plans	**261**	215	**524**	459	**63**	44	**848**	718	**5,036**	4,897
Equity Ownership Plan – notional funds	**28**	24	**34**	36	**0**	0	**63**	60	**438**	397
Total performance award pool	**2,535**	2,216	**900**	807	**62**	40	**3,497**	3,063	**46,311**	46,305

	Expenses		Expenses deferred to future periods		Adjustments[2]		Total	
CHF million, except where indicated	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Total variable compensation – other[3]	**184**	260	**248**	307	**(160)[4]**	(121)[4]	**271**	446

	Expenses		Expenses deferred to future periods		Adjustments[2]		Total		Number of beneficiaries	
CHF million, except where indicated	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Total WMA financial advisor compensation[5]	**2,673**	2,539	**1,716**	754	**0**	14	**4,389**	3,307	**7,038**	6,997

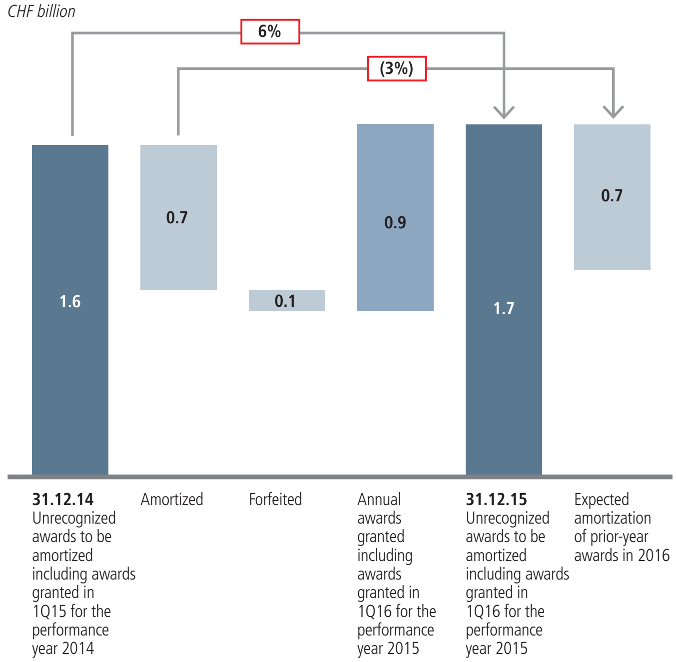
1 Expenses under "Total variable compensation – other" and "Total WMA financial advisor compensation" are not part of UBS's performance award pool. 2 Adjustments relating to post-vesting transfer restrictions and other adjustments. 3 Replacement payments and retention plan payments including the 2012 Special Plan Award Program. 4 Included in expenses deferred to future periods is an amount of CHF 160 million (prior year CHF 121 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. 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 and other variables. It also includes charges related to compensation commitments with financial advisors entered into at the time of recruitment, which are subject to vesting requirements.

Performance award expenses in the 2015 performance year

Performance award expenses include all immediate expenses related to 2015 compensation awards and expenses deferred to 2015 related to awards made in prior years. The chart "Amortization of deferred compensation" shows the amount at the end of 2015 of unrecognized awards to be amortized in subsequent years. This was CHF 1.6 billion for 2014 and CHF 1.7 billion for 2015.

Pillar 3 | The table below shows the value of actual ex-post explicit and implicit adjustments to outstanding deferred compensation in the financial year 2015. 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 2015, based on the approximately 7 million shares forfeited during 2015, is a reduction of CHF 146 million. The total value of ex-post explicit adjustments made to UBS options and share-settled stock appreciation rights (SARs) in 2015, based on the approximately 0.1 million options/SARs forfeited during 2015, is a reduction in value of CHF 1 million. The size of implicit adjustments is mainly due to an increase in the share price. However, the share price as of year-end means that many of the options previously granted remain out of the money. Hence, the majority of outstanding option awards had no intrinsic value at the end of 2015. ▲

Amortization of deferred compensation



Pillar 3 |

Deferred compensation[1,2]

CHF million, except where indicated	Relating to awards for 2015	Relating to awards for prior years[3]	Total	of which exposed to ex-post adjustments	Total deferred compensation year end 2014
Deferred Contingent Capital Plan	514	1,397	1,911	100%	1,424
Equity Ownership Plan	848	2,672	3,520	100%	3,476
Equity Ownership Plan – notional funds	63	393	455	100%	498
Discontinued deferred compensation plans[4]	0	19	19	100%	260
Total	1,424	4,481	5,905		5,658

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 "Consolidated financial statements" section of the Annual Report 2015 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), Deferred Cash Plan (DCP). ▲

Pillar 3 |

Ex-post explicit and implicit adjustments to deferred compensation in 2015[1]

	Ex-post explicit adjustments[4]		Ex-post implicit adjustments to unvested awards[5]	
CHF million	31.12.15	31.12.14	31.12.15	31.12.14
UBS notional bonds (DCCP)	(53)	(42)		
UBS shares (EOP, IPP, PEP, SEEOP)[2]	(146)	(121)	412	218
UBS options (KESOP) and SARs (KESAP)[2]	(1)	(1)		
UBS notional funds (EOP)[3]	(6)	(3)	3	16

1 Compensation (performance awards and other variable compensation) relating to awards for previous performance years. 2 IPP, PEP, SEEOP, Key Employee Appreciation Rights Plan (KESAP) and Key Employee Stock Option Plan (KESOP) are discontinued deferred compensation plans. 3 Awards granted under this plan are cash-settled and 100% susceptible to ex-post implicit adjustments. 4 Ex-post explicit adjustments are calculated as units forfeited during the year, valued at the share price on 30 December 2015 (CHF 19.52) and on 30 December 2014 (CHF 17.09) for UBS shares and valued with the fair value at grant for UBS options. For the notional funds awarded to Asset Management employees under the EOP, this represents the forfeiture credits recognized in 2015 and 2014. 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 2015 and 2014. ▲

Total personnel expenses for 2015

As of 31 December 2015, there were 60,099 employees (on a full-time equivalent basis). The table "Personnel expenses" below shows our total personnel expenses for 2015. It includes salaries, pension contributions and other personnel costs, social security contributions and variable compensation. Variable compensation includes discretionary cash performance awards paid in 2016 for the 2015 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 2015 performance year, including awards that are paid out immediately and those that are deferred. To determine our variable compensation expenses, the following adjustments are required in order to reconcile the performance award pool to the accounting expenses recognized in the Group's financial statements prepared in accordance with IFRS:

- reduction for the unrecognized future amortization (including accounting adjustments) of unvested deferred awards granted in 2016 for the performance year 2015
- addition for the 2015 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 2014 and 2015.

➔ Refer to "Note 29 Equity participation and other compensation plans" in the "Consolidated financial statements" section of the Annual Report 2015 for more information

Pillar 3 |

Personnel expenses

	Expenses				
CHF million	**Relating to awards for 2015**	Relating to awards for prior years	**Total 2015**	2014	2013
Salaries[1]	**6,282**	0	**6,282**	6,269	6,268
Cash performance awards	**2,073**	(94)	**1,980**	1,714	1,912
Deferred Contingent Capital Plan	**172**	258	**429**	349	248
Deferred cash plans	**0**	12	**12**	12	55
UBS share plans	**261**	461	**722**	680	692
UBS share option plans	**0**	0	**0**	0	0
Equity Ownership Plan – notional funds	**28**	38	**67**	65	79
Total variable compensation – performance award[2]	**2,535**	675	**3,210**	2,820	2,986
of which: guarantees for new hire	***15***	*23*	***38***	*48*	*76*
Variable compensation – other[2]	**184**	162	**346**	466	288
of which: replacement payments[3]	***11***	*65*	***76***	*81*	*78*
of which: forfeiture credits	***0***	*(86)*	***(86)***	*(70)*	*(146)*
of which: severance payments[4]	***157***	*0*	***157***	*162*	*114*
of which: retention plan and other payments	***15***	*183*	***198***	*292*	*242*
Contractors	**365**	0	**365**	234	190
Social security	**785**	35	**820**	791	792
Pension and other post-employment benefit plans[5]	**808**	0	**808**	711	887
Wealth Management Americas: financial advisor compensation[2,6]	**2,673**	879	**3,552**	3,385	3,140
Other personnel expenses	**579**	21	**600**	605	631
Total personnel expenses[7]	**14,209**	1,772	**15,981**	15,280	15,182

1 Includes role-based allowances. 2 Refer to "Note 29 Equity participation and other compensation plans" in the "Consolidated financial statements" section of the Annual Report 2015 for more information. 3 Replacement payments are payments made to compensate employees for deferred awards forfeited as a result of joining UBS. This table includes the expenses recognized in the financial year (mainly the amortization of the award). 4 Includes legally obligated and standard severance payments. 5 2015 included credits of CHF 24 million related to changes to retiree benefit plans in the US. 2014 included credits of CHF 41 million related to changes to retiree benefit plans in the US. Refer to "Note 28 Pension and other post-employment benefit plans" of the "Consolidated financial statements" section of the Annual Report 2015 for more information. 6 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure, assets and other variables. It also includes charges related to compensation commitments with financial advisors entered into at the time of recruitment which are subject to vesting requirements. 7 Includes net restructuring expenses of CHF 460 million, CHF 327 million and CHF 156 million for the years ended 31 December 2015, 31 December 2014 and 31 December 2013, respectively. Refer to "Note 32 Changes in organization and disposals" in the "Consolidated financial statements" section of the Annual Report 2015 for more information.

Vesting of outstanding awards granted in prior years subject to performance conditions

The table below shows the extent to which the performance conditions of awards granted in prior years have been met and the percentage of the award which vests in 2016.

Senior Executive Equity Ownership Plan 2010 / 11 and 2011 / 12		
Performance threshold	**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 2015, the profitability performance condition has been satisfied, hence the fifth installment of the SEEOP 2010 / 11 and the fourth installment of the SEEOP 2011 / 12 awards vest in full	100%

Equity Ownership Plan 2012 / 13 and 2013 / 14		
Performance threshold	**Performance achieved**	**% of installment vesting**
Group return on tangible equity and the divisional return on attributed equity	The Group and divisional performance conditions have been satisfied. For EOP 2012 / 2013 the first installment for the GEB members and the second installment for all other employees covered under the plan vest in full. For EOP 2013 / 14 the first installment for all other employees covered under the plan vests in full	100%

Discontinued deferred compensation plans

The table below lists discontinued compensation plans that have outstanding balances as of 31 December 2015 or which were retired during 2015. The firm 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 "Consolidated financial statements" section of our Annual Report 2015 for more information

Plan	Performance Equity Plan (PEP)	Senior Executive Equity Ownership Plan (SEEOP)	Special Plan Award Program (SPAP)	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	2012 only	2010 only	2002–2009	2002–2009
Eligible employees	GEB members	GEB members and GMDs	Selected Managing Directors and GMDs in the Investment Bank	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	Performance shares	Shares	Shares	Performance shares	Share-settled stock appreciation rights (SAR) or stock options with a strike price not less than the market value of a UBS share on the date of grant	Share-settled stock appreciation rights (SAR) or stock options with a strike price not less than the market value of a UBS share on the date of grant
Performance conditions	The number of UBS shares delivered can be between zero and two times the number of performance shares granted, depending on whether performance targets relating to economic profit (EP) and relative total shareholder return (TSR) have been achieved	Dependent on whether the business division makes a loss (the amount forfeited depends on the extent of the loss and generally ranges from 10% 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	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, 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 full three years after grant	Vests in equal installments over a five-year period	Vests in full three years after grant	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
Status as of March 2016	Expired	Vesting and Performance measurement continue into 2016 and 2017	Expired	Expired	Expired (some option / SARs remain exercisable)	Expired (some options / SARs remain exercisable)

List of tables

Audited |

Share and option ownership / entitlements of GEB members[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	2015	947,964	155,736	1,103,700	0.059	0	0.000
	2014	670,935	97,589	768,524	0.039	0	0.000
Markus U. Diethelm, Group General Counsel	2015	447,694	61,797	509,491	0.027	0	0.000
	2014	528,973	0	528,973	0.027	0	0.000
Lukas Gähwiler, President Personal & Corporate Banking and President UBS Switzerland	2015	558,657	1,515	560,172	0.030	0	0.000
	2014	522,769	1,052	523,821	0.027	0	0.000
Ulrich Körner, President Asset Management and President UBS EMEA	2015	642,813	95,597	738,410	0.039	0	0.000
	2014	713,051	292,519	1,005,570	0.051	0	0.000
Philip J. Lofts, Group Chief Risk Officer	2015	540,288	247,929	788,217	0.042	277,082	0.015
	2014	611,479	204,346	815,825	0.042	394,172	0.020
Robert J. McCann, President Wealth Management Americas and President UBS Americas	2015	1,010,805	0	1,010,805	0.054	0	0.000
	2014	983,028	62,901	1,045,929	0.053	0	0.000
Tom Naratil, Group Chief Financial Officer and Group Chief Operating Officer	2015	598,172	310,054	908,226	0.049	555,115	0.030
	2014	523,751	288,151	811,902	0.041	721,125	0.037
Andrea Orcel, President Investment Bank	2015	933,686	117,646	1,051,332	0.056	0	0.000
	2014	915,399	408,296	1,323,695	0.068	0	0.000
Chi-Won Yoon, President UBS Asia Pacific	2015	383,164	683,994	1,067,158	0.057	483,210	0.026
	2014	492,093	507,602	999,695	0.051	515,180	0.026
Jürg Zeltner, President Wealth Management	2015	683,767	3,721	687,488	0.037	86,279	0.005
	2014	675,211	0	675,211	0.034	108,121	0.006
Total	2015	6,747,010	1,677,989	8,424,999	0.450	1,401,686	0.075
	2014	6,636,689	1,862,456	8,499,145	0.434	1,738,598	0.089

1 This table includes all vested and unvested shares and options of GEB members, including those held by 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 "Our deferred variable compensation plans for 2015" section in this report for more information on the plans. 3 Refer to "Note 29 Equity participation and other compensation plans" in the "Consolidated financial statements" section of the Annual Report 2015 for more information. 4 No conversion rights are outstanding.

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

	Total	of which vested	of which vesting				
			2016	2017	2018	2019	2020
Shares on 31 December 2015	**8,424,999**	1,677,989	1,148,988	1,561,296	2,004,014	1,314,398	718,314
			2015	2016	2017	2018	2019
Shares on 31 December 2014	**8,499,145**	1,862,456	2,112,409	1,148,988	1,538,703	1,263,098	573,491

1 Includes shares held by 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 "Our deferred variable compensation plans for 2015" section in this report for more information on the plans.

Audited |

Number of shares of BoD members[1]

Name, function	on 31 December	Number of shares held	Voting rights in %
Axel A. Weber, Chairman	2015	488,889	0.026
	2014	333,333	0.017
Michel Demaré, Vice Chairman	2015	215,992	0.012
	2014	181,246	0.009
David Sidwell, Senior Independent Director	2015	163,317	0.009
	2014	185,181	0.009
Reto Francioni, member	2015	28,787	0.002
	2014	11,859	0.001
Ann F. Godbehere, member	2015	169,054	0.009
	2014	139,653	0.007
Axel P. Lehmann, member	2015	252,761	0.014
	2014	217,373	0.011
Helmut Panke, former member[2]	2015	–	–
	2014	182,009	0.009
William G. Parrett, member	2015	104,271	0.006
	2014	100,019	0.005
Isabelle Romy, member	2015	66,490	0.004
	2014	44,217	0.002
Beatrice Weder di Mauro, member	2015	71,261	0.004
	2014	45,424	0.002
Joseph Yam, member	2015	87,354	0.005
	2014	66,863	0.003
Total	2015	1,648,176	0.088
	2014	1,507,177	0.077

1 This table includes blocked and unblocked shares held by BoD members, including those held by related parties. No options were granted in 2015 and 2014. 2 Helmut Panke did not stand for re-election at the AGM on 7 May 2015.

Audited |

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

	Total	of which unblocked	of which blocked until			
			2016	2017	2018	2019
Shares on 31 December 2015	**1,648,176**	211,748	232,917	384,118	416,408	402,985
			2015	2016	2017	2018
Shares on 31 December 2014	**1,507,177**	228,189	172,868	261,377	408,570	436,173

1 Includes shares held by related parties.

Audited |

Vested and unvested options of GEB members[1]

on 31 December	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
Philip J. Lofts, Group Chief Risk Officer						
2015	277,082	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
2014	**394,172**	117,090	2005	01.03.2008	28.02.2015	CHF 52.32
		117,227	2006	01.03.2009	28.02.2016	CHF 72.57
		85,256	2007	01.03.2010	28.02.2017	CHF 73.67
		74,599	2008	01.03.2011	28.02.2018	CHF 35.66
Tom Naratil, Group Chief Financial Officer and Group Chief Operating Officer						
2015	555,115	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
2014	**721,125**	166,010	2005	01.03.2008	28.02.2015	USD 44.81
		142,198	2006	01.03.2009	28.02.2016	CHF 72.57
		131,277	2007	01.03.2010	28.02.2017	CHF 73.67
		181,640	2008	01.03.2011	28.02.2018	CHF 35.66
		100,000	2009	01.03.2012	27.02.2019	CHF 11.35
Chi-Won Yoon, President UBS Asia Pacific						
2015	483,210	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
2014	**515,180**	10,659	2005	01.03.2006	28.02.2015	CHF 47.58
		10,657	2005	01.03.2007	28.02.2015	CHF 47.58
		10,654	2005	01.03.2008	28.02.2015	CHF 47.58
		21,316	2006	01.03.2007	28.02.2016	CHF 65.97
		21,314	2006	01.03.2008	28.02.2016	CHF 65.97
		21,311	2006	01.03.2009	28.02.2016	CHF 65.97
		8,881	2007	01.03.2008	28.02.2017	CHF 67.00
		8,880	2007	01.03.2009	28.02.2017	CHF 67.00
		8,880	2007	01.03.2010	28.02.2017	CHF 67.00
		42,628	2008	01.03.2011	28.02.2018	CHF 32.45
		350,000	2009	01.03.2012	27.02.2019	CHF 11.35
Jürg Zeltner, President Wealth Management						
2015	86,279	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
2014	**108,121**	7,106	2005	01.03.2006	28.02.2015	CHF 47.58
		7,103	2005	01.03.2007	28.02.2015	CHF 47.58
		7,103	2005	01.03.2008	28.02.2015	CHF 47.58
		93	2005	04.03.2007	04.03.2015	CHF 47.89
		161	2005	06.06.2007	06.06.2015	CHF 45.97
		149	2005	09.09.2007	09.09.2015	CHF 50.47
		127	2005	05.12.2007	05.12.2015	CHF 59.03
		7,106	2006	01.03.2007	28.02.2016	CHF 65.97
		7,103	2006	01.03.2008	28.02.2016	CHF 65.97
		7,103	2006	01.03.2009	28.02.2016	CHF 65.97
		110	2006	03.03.2008	03.03.2016	CHF 65.91
		242	2006	09.06.2008	09.06.2016	CHF 61.84
		230	2006	08.09.2008	08.09.2016	CHF 65.76
		221	2006	08.12.2008	08.12.2016	CHF 67.63
		7,105	2007	01.03.2008	28.02.2017	CHF 67.00
		7,105	2007	01.03.2009	28.02.2017	CHF 67.00
		7,103	2007	01.03.2010	28.02.2017	CHF 67.00
		223	2007	02.03.2009	02.03.2017	CHF 67.08
		42,628	2008	01.03.2011	28.02.2018	CHF 35.66

1 This table includes all options of GEB members, including those held by related parties. Sergio P. Ermotti, Markus U. Diethelm, Lukas Gähwiler, Ulrich Körner, Robert J. McCann and Andrea Orcel did not hold any options on 31 December 2014 and 31 December 2015, respectively. 2 No conversion rights are outstanding. 3 Refer to "Note 29 Equity participation and other compensation plans" in the "Consolidated financial statements" section of the Annual Report 2015 for more information.

Audited |

Loans granted to GEB members[1]

In line with article 38 of our Articles of Association, GEB members may be granted loans, fixed advances and mortgages. Such loans are made in the ordinary course of business on substantially the same terms as those granted to other employees, including interest rates and collateral, and neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. The total amount of such loans shall not exceed CHF 20 million per GEB member.

CHF, except where indicated[2]

Name, function	on 31 December	Loans[3]
Ulrich Körner, President Asset Management and President UBS EMEA (highest loan in 2015)	2015	10,621,777
Ulrich Körner, President Asset Management and President UBS EMEA (highest loan in 2014)	**2014**	**7,600,000**
	2015	29,032,017
Aggregate of all GEB members	**2014**	**26,281,207**

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 "Consolidated financial statements" section of the Annual Report 2015. 3 All loans granted are secured loans.

Audited |

Loans granted to BoD members[1]

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

CHF, except where indicated[2]

	on 31 December	Loans[3,4]
	2015	3,604,950
Aggregate of all BoD members	**2014**	**1,100,000**

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 "Consolidated financial statements" section of the Annual Report 2015. 3 All loans granted are secured loans. 4 CHF 600,000 for Reto Francioni and CHF 3,004,950 for William G. Parrett in 2015 and CHF 1,100,000 for Reto Francioni in 2014.

Audited |

Compensation paid to former BoD and GEB members[1]

CHF, except where indicated[2]

	For the year	Compensation	Benefits	Total
	2015	0	0	0
Former BoD members	**2014**	0	0	**0**
	2015	435,448	39,999	475,447
Aggregate of all former GEB members[3]	**2014**	0	37,714	**37,714**
	2015	435,448	39,999	475,447
Aggregate of all former BoD and GEB members	**2014**	0	37,714	**37,714**

1 Compensation or remuneration that is connected with the former members' activity on the BoD or GEB or that is not at market conditions. 2 Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Consolidated financial statements" section of the Annual Report 2015. 3 Includes payments in 2015 to two former GEB members and a payment in 2014 to one former GEB member.

Provisions of the Articles of Association in relation to compensation

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

Say-on-pay: The AGM shall approve the proposals of the BoD in relation to the maximum aggregate amount of compensation of the BoD for the period until the next AGM, the maximum aggregate amount of fixed compensation of the GEB for the following financial year and the aggregate amount of variable compensation of the GEB for the preceding financial year. The BoD may submit for approval deviating or additional proposals. In the event the AGM does not approve a proposal the BoD shall determine, taking into account all relevant factors, an aggregate amount or partial amounts for subsequent approval by shareholders.

Principles of compensation: compensation of the BoD comprises a base remuneration and may comprise other compensation elements and benefits. Compensation of the GEB consists of fixed and variable compensation elements. Variable compensation elements depend on quantitative and qualitative performance measures as determined by the BoD. Remuneration of the BoD and compensation of the GEB may be paid or granted in the form of cash, shares, financial instruments or units, in kind or in the form of benefits. The BoD determines the key features such as grant, vesting, exercise and forfeiture conditions and applicable harmful acts provisions.

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

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

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To the General Meeting of

UBS Group AG, Zurich

Basel, 10 March 2016

Report of the statutory auditor on the compensation report

We have audited the accompanying compensation report dated 10 March 2016 of UBS Group AG for the year ended 31 December 2015. The audit was limited to the information required by articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “Audited” on pages 20 – 23 and page 46 of the compensation report.

Board of Directors’ responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2015 of UBS Group AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Marie-Laure Delarue
Licensed audit expert
(Auditor in Charge)

Bruno Patusi
Licensed audit expert

Information sources

Reporting publications

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

Quarterly publications: *Letter to shareholders:* The letter is published for the first, second and third quarter and provides an update from executive management on our strategy and performance. The letter is published in English, German, French and Italian. *Financial report (SAP no. 80834) and results materials:* The quarterly financial report, published for the first, second and third quarter, and the fourth-quarter earnings release and financial supplement provide an update on our strategy and performance for the respective quarter. They are mainly available in English.

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

Other information

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

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

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

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

Corporate information

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

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Shareholder Services
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Corporate calendar UBS Group AG

Publication of the first quarter 2016 report:	Tuesday, 3 May 2016
Annual General Meeting 2016:	Thursday, 10 May 2016
Publication of the second quarter 2016 report:	Friday, 29 July 2016
Publication of the third quarter 2016 report:	Tuesday, 1 November 2016

Corporate calendar UBS AG

Publication of the first quarter 2016 report: Friday, 6 May 2016

Additional publication dates of quarterly and annual reports will be made available as part of the corporate calendar of UBS AG at *www.ubs.com/investors.*

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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 cost reduction and efficiency initiatives and its targets for risk-weighted assets (RWA) and leverage ratio denominator (LRD), and the degree to which UBS is successful in implementing changes to its wealth management businesses to meet changing market, regulatory and other conditions; (ii) the continuing low or negative interest rate environment, developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange 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, as well as availability and cost of funding to meet requirements for debt that will be eligible for total loss-absorbing capacity (TLAC) requirements, 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, or result in, more stringent capital, TLAC, leverage ratio, liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration or other measures; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve reductions to the incremental RWA resulting from the supplemental operational risk capital analysis mutually agreed to by UBS and FINMA, or will approve a limited reduction of capital or gone concern requirements due to measures to reduce resolvability risk; (vi) the degree to which UBS is successful in implementing changes to its legal structure to improve its resolvability and meet related regulatory requirements, including changes in legal structure and reporting required to implement US enhanced prudential standards, implementing a service company model, the transfer of the Asset Management business to a holding company, and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements relating to capital requirements, resolvability requirements and proposals in Switzerland and other countries for mandatory structural reform of banks and the extent to which such changes have the intended effects; (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) changes in the standards of conduct applicable to our businesses that may result from new regulation or new enforcement of existing standards, including measures to impose new or enhanced duties when interacting with customers or in the execution and handling of customer transactions; (ix) 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, including the potential for disqualification from certain businesses or loss of licenses or privileges as a result of regulatory or other governmental sanctions; (x) 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; (xi) 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; (xii) 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; (xiii) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xiv) whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; (xv) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyber-attacks, and systems failures; (xvi) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA of its broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xvii) the degree to which changes in regulation, capital or legal structure, financial results or other factors, including methodology, assumptions and stress scenarios, may affect UBS's ability to maintain its stated capital return objective; and (xviii) 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 2015. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

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

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

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