Vinay Kalia helps implement the operational risk control environment and resolve any deficiencies. Although it may surprise people, he says risk control is largely about human skills – articulating issues, making convincing arguments and managing conflicts. Good dialogue is what allows him to answer the question “Why?” so that his colleagues see the value in risk control and willingly implement it.

Vinay likes to throw himself into diverse pursuits, always aiming to stay in that childlike zone of excitement and anticipation. He attended film school in London for a month and has a dream of making a film. You might think nothing could be farther from his day job, but he sees the parallels – there’s plenty of risk management in making a film.

With wide-ranging interests, is it hard for Vinay to pick what he values most? It’s not even close. His daughter, Vinaya Melania, is the star.

“If I ask you to do something, it’s important to me to be able to tell you why, or else I lose my credibility.”

Vinay Kalia
This review is provided as a convenience to our investors, clients and other stakeholders who would like a brief overview of our business, strategy and performance in 2016. It should be read in conjunction with UBS’s Annual Report 2016, which contains more detailed information and disclosure including management discussion and analysis and audited financial statements. Details about how to obtain the Annual Report 2016 and other publicly available information about UBS, including the Annual Report 2016 on Form 20-F for the year ended 31 December 2016, are set out on page 70 of this review. The information contained in this review is not to be construed as a solicitation of an offer to buy or sell any securities or other financial instruments in Switzerland, the United States or any other jurisdiction. No investment decision relating to securities, or relating to UBS Group AG or its affiliates, should be made on the basis of this document. Unless otherwise indicated, figures are as of, or for the year ended, 31 December 2016.

“Risk control is an absolute must. It’s at the core of preserving our value.”

Vinay Kalia
What does value creation mean to us?
Chairman Axel A. Weber and Group CEO Sergio P. Ermotti discuss the themes that shaped last year’s story and how UBS made further progress in delivering value for its stakeholders.

UBS in 2016
Our approach to long-term value creation
We give you an overview of our firm, three keys to success and business model.

What we are aiming for – today and beyond
The world has changed considerably since we defined our current strategy in 2011. We explain how UBS has transformed and what we want to be recognized for.

Bringing out the best – from resources to results
Value has many facets: we describe what’s important to our stakeholders – and give examples of how we support our strategic goals.

The logic of the firm – our business model
We tell you about our global franchise, how we are organized and how we operate – and how we aim to make sustainability the everyday standard at UBS.

How are we doing?
Numbers alone don’t give the complete picture. But they are useful to measure performance in our business – and the progress of our UBS and Society activities.

Who do we create value for?
A good relationship is the foundation for creating value. We describe how we build and maintain strong relationships with key stakeholders.

How do we manage the firm?
It’s not just what we do but how we do it. We explain how our governance framework supports long-term value creation.

Our Board of Directors
Our Group Executive Board

Where are we headed?
Chairman Axel A. Weber and Group CEO Sergio P. Ermotti look ahead and highlight the key drivers, risks and opportunities in 2017 and beyond.

Find out more about UBS

The framework for the Annual Review is set by the Annual Report, the Global Reporting Initiative and the Integrated Reporting Framework.
What does value creation mean to us?

Chairman Axel A. Weber and Group Chief Executive Officer Sergio P. Ermotti talk about some of the highlights in 2016 and long-term value creation for UBS’s stakeholders.

What are the most important value creation milestones UBS achieved in 2016?

Sergio P. Ermotti  To me, what matters most is that we stayed close to our clients in difficult markets and continued to execute our strategy with discipline. We were able to protect our dividend despite very challenging conditions. Our strategy is working, and clients and markets are responding well.

I am also pleased about the progress we made toward our cost-saving goals. Becoming more effective and efficient is a permanent task. I know cost saving is often seen from a negative perspective: we must, however, remind ourselves that a disciplined approach to costs enables us to offer better-quality products at better prices for our clients. This is good for shareholders, too, and frees up resources to continue to invest in future growth.

How does UBS want to create value for society at large?

Axel A. Weber  It starts with providing excellent banking products and services to our clients. I know that this sounds like the obvious, but it does not make it less true. Whether it is financing a home, managing an investment portfolio for a private client or structuring a financing solution for a company – what we do brings a direct benefit to people’s lives, to the economy and therefore to society.

As a global bank with business relations with individuals and companies, we are also bound to be dealing with issues of societal relevance. Key in this regard is UBS and Society – a cross-divisional organization coordinating everything we do in terms of sustainable investing and philanthropy, environmental and human rights policies that govern client and supplier relationships, managing our own environmental footprint, as well as our firm’s community investment.

We are constantly looking for better ways to do business and support our clients and communities. The UBS Oncology Impact Fund is such an example. It raised USD 471 million, the largest amount ever for an impact fund dedicated to a single specific cause. Our concept of stewardship goes beyond our clients’ assets, to encompass taking care of what we leave behind for future generations. This means we also measure our performance relating to the environment, good governance, our social impact and other key components of sustainability.

Another example is the Grand Challenge, initiated by UBS and Society: more than 1,200 employees took part and came up with 245 proposals for innovative financial solutions to help address some of society’s biggest challenges.

What is the focus of the Annual Review 2016 – and why?

Sergio P. Ermotti  The Annual Review 2016 demonstrates how serious we are at UBS about creating sustainable value – and how living up to and using our three keys to success is critical to achieving this. Our three keys – our Pillars, Principles and Behaviors – show how UBS creates value by connecting and leveraging a combination of capitals, such as human, financial or intellectual capital.

But any vision and strategy, as well designed as it may be, remains hollow without people that fill it with life and put it into action every day. Our people act as key contributors and enablers of value creation, and you will see some of them and their activities featured in this review.

What do the three keys to success stand for in the Chairman’s view?

Axel A. Weber  Put simply and clearly, they embody the foundation of our strategy and culture – and are the basis of everything we do at UBS.

Let us take client focus. I meet with a lot of customers, and I always ask them what we at UBS can do to strengthen our relationship with them. I receive a highly relevant mix of views and suggestions – as well as occasional criticism – in these conversations. They confirm to me over and over again the importance of cultivating our ties with our clients, listening to them and learning where we can improve. We must focus on clients more than ever, especially at a time of challenging conditions Sergio referred to earlier on.

Where do you see the biggest progress, and what can we do to get better?

Sergio P. Ermotti  Success is and will continue to be dependent on the disciplined execution of our strategy and living our Principles like client focus. In our 2016 employee survey, people told us...
about barriers to doing their best work, and that is clearly something we want to address. This also means listening to our employees and acting on their feedback more frequently, which is why our employee survey will be held twice a year instead of every two years. Our Group Franchise Awards program, launched in 2016, also gives them the opportunity to submit – and be rewarded for – ideas to improve our processes. In the last five years, we worked on strengthening our businesses individually. Now this vertical view must be turned into a horizontal one to further increase the level of collaboration. Each of our businesses wants to be successful on its own, but personally I am convinced that working together more closely will make us all even more successful in the long run. UBS Switzerland currently generates 25% of its revenues through cross-divisional collaboration, an example for our businesses in other regions to emulate.

**Sustainable performance should become the norm at UBS – why, how?**

**Axel A. Weber**  
With “sustainable performance” as one of our firm’s Principles, our emphasis is on the long term, on ensuring that we create sustainable value for UBS, our investors and clients, and our stakeholders more broadly. Sustainability also includes environmental and social components, as we believe that any company focusing on the long term also needs to take into account societal expectations and concerns in an evolving environment. There is a growing business rationale for addressing these expectations and concerns. UBS has already and clearly positioned itself accordingly. In 2016, the Group Executive Board under Sergio’s leadership, and the Corporate Culture and Responsibility Committee, which I chair, approved a sustainability strategy with two elements. The first, “sustainable investment products and services,” is a continuation of the important work our business divisions have been doing over recent years. The second and new element, “mainstreaming sustainable performance,” means integrating sustainability thinking – or, putting it technically, environmental, social and governance (ESG) considerations – into our core investment processes.
Our three keys are not only the foundation of everything we do, they also build the backbone of this Annual Review. They show how everything we do is connected – from our vision and strategy to our business model, performance and governance. Wherever we refer to our Pillars, Principles and Behaviors, we have added the relevant key word in red at the end of the paragraph. Watch out for the red keys to learn more about how our three keys work in practice.

Our three keys to success
Three keys help us achieve our vision and execute our strategy. They epitomize the best of our heritage.

Our Pillars are the foundation for everything we do.
Capital strength
Efficiency and effectiveness
Risk management

Our Principles are what we stand for as a firm.
Client focus
Excellence
Sustainable performance

Our Behaviors are what we stand for individually.
Integrity
Collaboration
Challenge
February

At the Asiamoney awards, the Investment Bank receives more than 200 accolades across fixed income, hedge fund services, prime brokerage and brokers polls.

March

UBS receives the International Financing Review’s Investment Bank of the Year award.

April

UBS is named Best Global Private Bank by Euromoney and comes first in the Innovative Technology and SRI/Social Impact Investing categories.

At the Greater China Conference 2016, Sergio P. Ermotti underlines UBS’s commitment to China by announcing plans to double headcount there by 2020.

UBS publishes its Annual Report 2015.

UBS Oncology Impact Fund closes, having raised a record-breaking USD 471 million for cancer research and treatments.

UBS Grand Challenge is launched, an internal competition to develop innovative financial solutions to help achieve the UN’s Sustainable Development Goals.

First quarter adjusted profit before tax CHF 1.4 billion

UBS publishes white paper on the Fourth Industrial Revolution for the World Economic Forum in Davos.

UBS and PwC jointly win the WealthBriefing/Family Wealth Report award for their “outstanding contribution to wealth management thought leadership.”
Universum names UBS the most popular employer in the financial services sector among business students in Switzerland.

SPAVEST wins the UBS Grand Challenge with a program to support low-income savers.

UBS clinches top spot in the MyPrivateBanking 2016 Mobile Apps for Wealth Management survey.

The search begins for the first UBS Social Innovators, high-potential social enterprises working to address societal challenges.

Wealth Management publishes its report on the workforce of the future, identifying four key trends set to radically alter the workforce by 2035.

Second quarter adjusted profit before tax CHF 1.7 billion

The Annual General Meeting 2016 of UBS Group AG is held in Basel.

UBS Philanthropy Forum Asia 2016 is held in Singapore.

UBS joins LGBT Pride events around the world.

Capital Finance International confirms UBS as Switzerland’s greenest bank.

5 Broadgate, UBS’s new and sustainably designed London headquarters, open its doors to employees.
UBS is named industry group leader in the Diversified Financials Industry Group of the Dow Jones Sustainability Indices for the second year running.

UBS closes the USD 50 million Loans for Growth fund, generating capital for local entities in frontier and emerging markets that provide financing to small and medium-sized enterprises.

UBS receives the PWM/The Banker Best Global Private Bank award for the fourth consecutive year.

Over 500 athletes between the ages of 7 and 15 compete in the UBS Kids Cup final in Zurich.

UBS Pride Network partners with UNAIDS and the UBS Optimus Foundation to raise global awareness on World AIDS Day.

Ask UBS is launched, a voice-activated service in partnership with Amazon that gives users access to investment insights and opinions of UBS’s CIO House View.

In collaboration with PwC, UBS publishes its latest Billionaires Report, “Are billionaires feeling the pressure?”

Over 150 clients and prospects meet in Switzerland for the annual UBS Global Philanthropy Forum.

Experts from business and academia gather in London for the sixth UBS European Conference.

Choba Choba from Bern, a chocolate producer co-owned by farmers, is named Switzerland’s first UBS Social Innovator.

Over 500 athletes between the ages of 7 and 15 compete in the UBS Kids Cup final in Zurich.

UBS is named industry group leader in the Diversified Financials Industry Group of the Dow Jones Sustainability Indices for the second year running.

UBS Pride Network partners with UNAIDS and the UBS Optimus Foundation to raise global awareness on World AIDS Day.
Our approach to long-term value creation

What we put into the equation

We use and protect our capitals …

Financial
- Risk-weighted assets CHF 223bn (fully applied)
- Leverage ratio denominator CHF 870bn (fully applied)
- CET1 capital CHF 30.7bn (fully applied)
- CHF 69bn total loss-absorbing capacity (fully applied)
- Liquidity buffer (high-quality liquid assets, HQLA) of CHF 196bn

Human
- 55,387 employees worldwide
- 750 new interns hired and 478 new university graduates employed
- Stable management team
- Strong corporate culture
- Diversity and inclusion
- Flexible work models
- Career comeback program

Intellectual
- Over 150 years of experience in banking
- Strong brand
- UBS research
- UBS Business University
- Robo advisory
- UBS International Center of Economics in Society
- UBS Y think tank
- Grand Challenge: 245 financial solution concepts to address society’s big challenges

Social and relationships
- Diversified global client base
- 3,819 client advisors in Wealth Management and a network of 7,025 financial advisors in Wealth Management Americas
- UBS and Society, including:
  - Sustainable investing
  - Community investments and volunteering:
    - CHF 30m direct cash contributions
  - Sponsoring

Natural
- -54% greenhouse gas emissions compared with 2004
- UN SDG commitments
- RE100
- Responsible supply chain

… to deliver added value through our business activities based on our three keys

Three keys help us achieve our vision and execute our strategy. They epitomize the best of our heritage.

Our Pillars are the foundation for everything we do.
- Capital strength
- Efficiency and effectiveness
- Risk management

Our Principles are what we stand for as a firm.
- Client focus
- Excellence
- Sustainable performance

Our Behaviors are what we stand for individually.
- Integrity
- Collaboration
- Challenge

We actively live these Principles and Behaviors. They determine how we work with our stakeholders and each other, how we recruit and how we make decisions.
Our wealth management businesses (WM and WMA) offer our clients tailored advice and investment services, from investment management to estate planning and corporate finance advice, in addition to specific wealth management products and services.

Personal & Corporate Banking (P&C) provides a complete set of banking services for individual, corporate and institutional clients, including pay and save, mortgages, retirement, investing and digital banking.

Asset Management (AM) offers investment capabilities across traditional and alternative asset classes for private clients, intermediaries and institutional investors.

Our Investment Bank (IB) offers advisory, access to capital markets and bespoke financing, equities and equity-linked products, FX, rates and credit.

Our Corporate Center (CC) focuses on efficiency and effectiveness and is responsible for the management of our risks, capital and employee resources.

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Our Investment Bank (IB) offers advisory, access to capital markets and bespoke financing, equities and equity-linked products, FX, rates and credit.

Our Corporate Center (CC) focuses on efficiency and effectiveness and is responsible for the management of our risks, capital and employee resources.
2016 financial highlights

Despite very challenging market conditions and macroeconomic and geopolitical uncertainty, UBS delivered solid results in 2016, while prudently managing resources and risk.

As of 31 December 2016, the Group achieved CHF 1.6 billion of annualized net cost savings, an improvement from CHF 1.1 billion at year-end 2015, and is on track to achieve its CHF 2.1 billion target by the end of 2017.

“Despite a very challenging market environment in 2016, we achieved solid results, thanks to our balanced business and geographic mix, as well as our strong focus on executing our strategy. Wealth Management Americas delivered a record performance, and our Swiss Personal & Corporate Banking business achieved its best full-year results since 2008. While we saw persistent client risk aversion and substantial cross-border outflows, we generated over CHF 42 billion of net new money in our wealth management businesses.”

Sergio P. Ermotti, Group Chief Executive Officer

1 Refer to the “Group performance” section of the Annual Report 2016 for more information on adjusted results.  
2 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the “Capital management” section of the Annual Report 2016 for more information.  
3 Calculated in accordance with Swiss SRB rules. Refer to the “Capital management” section of the Annual Report 2016 for more information.
UBS Group key figures

CHF million, except where indicated

<table>
<thead>
<tr>
<th></th>
<th>As of or for the year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group results</strong></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>28,320</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>24,230</td>
</tr>
<tr>
<td>Operating profit/(loss)</td>
<td>4,090</td>
</tr>
<tr>
<td>before tax</td>
<td></td>
</tr>
<tr>
<td>Net profit/(loss)</td>
<td>3,204</td>
</tr>
<tr>
<td>attributable to shareholders</td>
<td></td>
</tr>
<tr>
<td>Diluted earnings per share (CHF)</td>
<td>0.84</td>
</tr>
<tr>
<td><strong>Key performance indicators</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td></td>
</tr>
<tr>
<td>Return on tangible equity (%)</td>
<td>6.9</td>
</tr>
<tr>
<td>Return on assets, gross (%)</td>
<td>3.0</td>
</tr>
<tr>
<td>Cost/income ratio (%)</td>
<td>85.4</td>
</tr>
<tr>
<td><strong>Growth</strong></td>
<td></td>
</tr>
<tr>
<td>Net profit growth (%)</td>
<td>(48.3)</td>
</tr>
<tr>
<td>Net new money growth for combined wealth management businesses (%)</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Resources</strong></td>
<td></td>
</tr>
<tr>
<td>Common equity tier 1 capital ratio (fully applied, %)</td>
<td>13.8</td>
</tr>
<tr>
<td>Going concern leverage ratio (phase-in, %)</td>
<td>6.4</td>
</tr>
<tr>
<td><strong>Additional information</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td></td>
</tr>
<tr>
<td>Return on equity (RoE) (%)</td>
<td>5.9</td>
</tr>
<tr>
<td>Return on risk-weighted assets, gross (%)</td>
<td>13.2</td>
</tr>
<tr>
<td><strong>Resources</strong></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>935,016</td>
</tr>
<tr>
<td>Equity attributable to shareholders</td>
<td>53,621</td>
</tr>
<tr>
<td>Common equity tier 1 capital (fully applied)</td>
<td>30,693</td>
</tr>
<tr>
<td>Common equity tier 1 capital (phase-in)</td>
<td>21,010</td>
</tr>
<tr>
<td>Risk-weighted assets (fully applied)</td>
<td>222,677</td>
</tr>
<tr>
<td>Common equity tier 1 capital ratio (phase-in, %)</td>
<td>9.0</td>
</tr>
<tr>
<td>Going concern capital ratio (fully applied, %)</td>
<td>17.9</td>
</tr>
<tr>
<td>Going concern capital ratio (phase-in, %)</td>
<td>24.7</td>
</tr>
<tr>
<td>Common equity tier 1 leverage ratio (fully applied, %)</td>
<td>3.5</td>
</tr>
<tr>
<td>Going concern leverage ratio (fully applied, %)</td>
<td>4.6</td>
</tr>
<tr>
<td>Leverage ratio denominator (fully applied)</td>
<td>870,470</td>
</tr>
<tr>
<td>Liquidty coverage ratio (%)</td>
<td>132</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
</tr>
<tr>
<td>Invested assets (CHF billion)</td>
<td>2,821</td>
</tr>
<tr>
<td>Personnel (full-time equivalents)</td>
<td>59,387</td>
</tr>
<tr>
<td>Market capitalization (%)</td>
<td>61,420</td>
</tr>
<tr>
<td>Total book value per share (CHF)</td>
<td>14.44</td>
</tr>
<tr>
<td>Tangible book value per share (CHF)</td>
<td>12.68</td>
</tr>
</tbody>
</table>

1 Refer to “Note 9 Earnings per share (EPS) and shares outstanding” in the “Consolidated financial statements” section of the Annual Report 2016 for more information. 2 Refer to the “Measurement of performance” section of the Annual Report 2016 for the definition of our key performance indicators. 3 Based on adjusted net new money, which excludes the negative effect on net new money in 2015 of CHF 9.9 billion from our balance sheet and capital optimization program. 4 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the “Capital management” section of the Annual Report 2016 for more information. 5 Based on the revised Swiss SRB framework that became effective on 1 July 2016. 6 Based on fully applied risk-weighted assets. 7 Calculated in accordance with Swiss SRB rules. Refer to the “Capital management” section of the Annual Report 2016 for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. 8 Figures reported for 31 December 2016 and 31 December 2015 represent a 3-month average. Refer to the “Treasury management” section of the Annual Report 2016 for more information. The figure reported for 31 December 2014 was calculated on a pro forma basis and represents a period-end number. 9 Includes invested assets for Personal & Corporate Banking. 10 Refer to the “UBS shares” section of the Annual Report 2016 for more information.
Daniel Kalt is Chief Economist Switzerland and Regional Chief Investment Officer Switzerland. He regularly shares global investment views with Swiss wealth management, retail, corporate and institutional clients. In addition to his avid use of social media and regular appearances in Swiss media, he spends 40 percent of his time exchanging views with clients at over 200 presentations and events a year throughout Switzerland.

Daniel is responsible for all research products covering the Swiss economy. From the daily, weekly and monthly House Views to the Swiss Real Estate Bubble Index, the researchers on his team keep Swiss clients up to date.

The weekends also find him traveling around Switzerland, though for his two teenagers’ sporting events. With several evenings a week at client events, Daniel looks forward to getting all the family time he can during free evenings and the weekend.

“Whenever I see an interesting article, I use social media channels to shout it out to followers. By seeing the popularity, I get an idea of what clients are interested in.”

Daniel Kalt
What we are aiming for – today and beyond

Strategy is about choices. At UBS we have a clear idea of who we want to be, what we want to achieve – and how.

Our vision: We want to be recognized for creating superior and sustainable value for our clients, employees and shareholders. Our ambition is to stand out as a winner in our industry: for our expertise, advice and execution, our contribution to society, our work environment and our business success.

Who we want to be: UBS aims to be the leading wealth manager and the premier universal bank in Switzerland, enhanced by an asset manager and investment bank that are world class in their chosen areas of focus. This strategy allows us to take advantage of our unique global presence and capabilities, our superior talent and our unrivaled client franchise. We focus on businesses that:

- have a strong competitive position in their targeted markets
- are capital efficient
- have an attractive long-term structural growth or profitability outlook

Our current strategy was defined in 2011, driven by our decision to focus on our strengths and our anticipation of more demanding regulation following the financial crisis in 2008. Having successfully completed the Group’s strategic transformation in 2014, we intend to continue building on our successful track record.

We have defined three strategic priorities for the Group
1. Continue to execute our strategy and deliver on our performance targets
2. Improve effectiveness and efficiency
3. Invest for growth

Did you know that UBS
… cut its balance sheet by more than 50% since 2007 to ~CHF 900bn?
… has a liquidity buffer of approx. CHF 200bn, almost a third of Swiss GDP, and has CHF 69bn of loss-absorbing capacity?
… is the world’s largest wealth manager with invested assets of ~CHF 2000bn?

“What we do in my business is think from the point of view of the client: How can we adapt to the client? Not vice versa.”

Christine Novakovic
What we have delivered

Successfully executed the transformation of UBS
Made substantial progress in reducing costs and achieving operational efficiency
Solidified position as the world’s largest wealth manager
Provided our clients with leading-edge capabilities and advice
Attracted and retained strong talent

Management priorities

Demonstrate sustainability of our business model
Complete ongoing cost reduction programs
Invest for quality and sustainable growth
Stay close to our clients and adapt to their evolving needs
Reinforce a culture of excellence in everything we do

Christine Novakovic

Christine Novakovic heads the corporate banking business for clients based in Switzerland and for Swiss businesses abroad. To best serve these clients, her team needs to understand their businesses: where they produce their products, their value chain, their reasons for operating in the markets they do. It’s all about relationships.

Christine’s passion for the client is evident in her job history: she left financial services in 2005 (to become an art dealer) because she didn’t like how the focus had shifted from the client to competition between firms. When UBS approached her in 2011, she welcomed the opportunity to be part of the new culture.

Outside of work, she has an active life with her husband, daughter and two dogs. Sitting in an open concept office with her team, you can see she lives the sentiment she’s fond of expressing: when people meet, great things happen.

Continued focus on execution of our strategy
Most material topics in UBS’s environment

We talk regularly to our stakeholders to find out what matters most to them – read more in the following chapters.

<table>
<thead>
<tr>
<th>Topic</th>
<th>What is it about?</th>
<th>What are the risks and opportunities?</th>
<th>What is UBS doing?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial stability and resilience</td>
<td>The ability to absorb market shocks and stress scenarios, i.e., demonstrating financial resilience, is a key concern for clients, investors and regulators, especially with systemically relevant banks</td>
<td>Financial solidity is a competitive advantage, but regulation will increasingly impact how we calculate and manage risk or how we structure UBS and ultimately, how we price our products</td>
<td>We maintained one of the highest fully applied CET1 capital ratios among large global banks and are well positioned to meet the revised Swiss TBTF rules as of 1.1.2020. We also further refined our legal structure</td>
</tr>
<tr>
<td>Client protection</td>
<td>Client protection at UBS means acting in the best interest of clients: client focus, excellence and sustainable performance will make UBS stand out from its peers</td>
<td>Clients are becoming more demanding and may look to other providers for banking-like services, but their entry barriers are high and UBS has client need insights and expertise as well as an unrivaled franchise</td>
<td>In 2015 alone, we invested over CHF 2bn in technology to improve effectiveness and efficiency, provide the best offering to our clients and to safeguard our own security and theirs</td>
</tr>
<tr>
<td>Conduct and culture</td>
<td>Some legacy issues affecting the whole financial industry remain unsolved, affecting stakeholder confidence and creating added costs: UBS has recorded CHF 8.7 billion of provisions for litigation and regulatory matters since 2012</td>
<td>A strong corporate culture has become a competitive advantage, but failure to display exemplary corporate and employee behavior can seriously damage the firm’s assets and reputation</td>
<td>We put strong emphasis on our Principles and Behaviors, including the need to manage potential conduct risks, as well as promoting awareness and mandatory conduct and culture training</td>
</tr>
</tbody>
</table>

We have successfully changed our model

Achieved strategic targets announced in 2011/2012
What do we want to be recognized for?

Each of our following objectives is closely linked to at least one or several of the three most material topics presented on the previous page:

<table>
<thead>
<tr>
<th>Objective</th>
<th>Superior value creation basis</th>
<th>Superior value creation commitments</th>
<th>Superior value creation proof points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superior value for clients</td>
<td>We aim to demonstrate an unrivaled client focus at every level of our business, building relationships that make us stand out from our peers.</td>
<td>We are working to intensify close collaboration across the firm to bring the best of UBS to our clients, while avoiding conflicts of interest internally and externally.</td>
<td>We are the world’s largest wealth manager.¹ WM and WMA clients entrusted us with more than CHF 42bn net new money in 2016, and we saw record net new client acquisition in Personal Banking.</td>
</tr>
<tr>
<td>Superior value for shareholders</td>
<td>Our earnings capacity and capital efficiency support our objective to deliver sustainable and growing returns to shareholders.</td>
<td>We are committed to a total capital return of at least 50% of net profit attributable to shareholders,² and we believe our business model can generate an RoTE &gt;15%.³</td>
<td>We intend to propose a dividend of CHF 0.60 per share for 2016, representing a payout ratio of 71%. We have achieved CHF 1.6bn net cost savings as of 31.12.2016 (measured by our year-end exit rate).</td>
</tr>
<tr>
<td>Superior value for employees</td>
<td>We see our employees not just as stakeholders, but as key contributors to long-term value creation for all our stakeholder groups.</td>
<td>Our three keys to success are embedded in every HR process in the firm, aligning the way we manage people with the culture we want to have.</td>
<td>In Switzerland, we are the second most popular employer among business students, and almost 50% of our employees have worked at UBS for more than 10 years.</td>
</tr>
</tbody>
</table>

➔ Refer to the chapter “How are we doing?” in this review for a full overview of how we measure our Group and business division performance.

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1 Scorpio Partnership Global Private Banking Benchmark 2016. ² Provided that we maintain a fully applied CET1 capital ratio of at least 13% and consistent with our objective of maintaining a post-stress fully applied CET1 capital ratio of at least 10%. ³ Adjusted return on tangible equity. ⁴ Adjusted pre-tax return on attributed equity. ⁵ Under the current capital regime.
From 2012 through 2016, UBS has generated nearly CHF 24 billion of capital, excluding litigation provisions of CHF 8.7 billion, of which it returned CHF 9.7 billion to shareholders.

Rodger von Mentlen

Rodger von Mentlen heads Personal Banking, the branches and people that embody UBS in the eyes of the Swiss. This network builds the strong and long-lasting relationships with clients that will feed other parts of the business. To further this, Rodger will visit branches across the country, week after week, talking to clients and other stakeholders and keeping an eye on their expectations. People are what he loves most about his work, and after 40 years with UBS, he says the people he works with are like family.

Lifelong learning plays an important role in Rodger’s life. The self-described “parallel reader” reads 10 books at one time, with a fondness for literature and philosophy. Spending time with his family and pondering philosophical questions while on walks with his dogs are important for him. In 2013, he also studied corporate governance in the evenings because he is keen to do the best job possible as a board member of several foundations and businesses.

“How anchored are we in the Swiss market? Take a crowded Zurich–Bern train at rush hour: every third passenger has a banking relationship with UBS.”

Rodger von Mentlen

Strong capital generation throughout our transformation

From 2012 through 2016, UBS has generated nearly CHF 24 billion of capital, excluding litigation provisions of CHF 8.7 billion, of which it returned CHF 9.7 billion to shareholders.
The three keys to UBS’s success
Our three keys to success provide the signposts toward making our vision a reality. That is why superior value creation for clients, shareholders and employees at UBS is closely connected to our three keys – our Pillars, Principles and Behaviors.

Key 1 – the Pillars underpin our strategy. They are the foundation for everything we do. Here is what they are – and why they are important. Pillars

Capital strength
Simply put, capital strength is the foundation of our strategy and is a source of competitive advantage. Our capital-accretive and efficient business model helps us adapt to changes in regulatory requirements, while pursuing growth opportunities without the need for significant earnings retention.

Efficiency and effectiveness
Delivering on our net cost savings target is critical to offset the escalating costs associated with regulatory change and to achieve our return objectives. However, it is not just about reducing costs; it also frees up resources to continue to invest in future growth. This means using resources responsibly and sustainably, simplifying our organization and making it easier for clients to do business with us.

“Our three keys are the foundation of our risk culture. Together, they promote appropriate risk taking and safeguard the firm’s reputation – our most valuable asset.”

Christian Bluhm, Group Chief Risk Officer
Corinne Spielmann
Corinne Spielmann provides art direction and creative solutions within Communications & Branding. A conceptual designer for on- and offline publications, she wears many more hats than that: from illustrator to photo shoot organizer. But she wouldn’t have it any other way. The favorite part of her job is the chance to learn something new every day.

Driven by curiosity, Corinne enjoys a challenge. She recently completed a Certificate of Advanced Studies in corporate communications. And though she says the experience was far from her comfort zone, it gave her a richer understanding of internal and external communications.

Her love of creativity is evident outside of work pursuits, too. Corinne paints using a method where she oxidizes reactive metallic paints – the results inspired by several trips to Africa. And she takes singing lessons and sings in a choir. Knowing how high she aims, it comes as no surprise that she’s a soprano.

“It doesn’t matter if you are from a different continent or hard of hearing, like I am – every person here is able to contribute with his or her unique perspective.”

Corinne Spielmann
Risk management
Risks are part of our business, so risk management is about striking the right balance between risk and reward. We promote risk awareness and appropriate behavior by aligning every decision we make with UBS’s strategy, Principles and risk appetite. This includes everything from business planning and execution to performance measurement and compensation.

➔ Refer to the “Risk factors” and “Risk, treasury and capital management” sections of the Annual Report 2016 for detailed information on the risks we face and how we manage them.

Key 2 – the Principles define what we stand for as a firm and help us prioritize when making decisions. Here is what they are – and what they mean: Principles

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

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

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

Key 3 – the Behaviors define what we stand for individually and bring our Principles to life every day. This is the kind of behavior we want to see – and will reward – in our employees: Behaviors

Integrity
• I am responsible and accountable for what I say and do and for UBS’s reputation
• I care about our clients, our investors and my colleagues
• I act as a role model by treating others the way I would like to be treated

Collaboration
• I put the benefits of our clients and the firm before my own or those of my business
• I work across the firm
• I respect and value diverse perspectives

Challenge
• I encourage myself and others to constructively question the status quo
• I learn from past mistakes and experiences
• I speak up if I see something that does not exemplify our high standards
Johannes Wettstein

Johannes Wettstein manages Chairman Axel A. Weber’s client engagements. His focus is on getting a holistic view of our clients and understanding their needs to make sure we serve them as one bank. Johannes enjoys covering some of the Group’s most strategic private, corporate and institutional accounts, knowing how impactful Chairman Weber’s engagement is in strengthening our key client relationships.

For Johannes, service goes well beyond his work. For over 15 years he’s been a volunteer for the charity service of the Order of Malta. With the Malteser youth organization in Zurich, he attends regular dinners and excursions, connecting volunteers to young people with disabilities. Through these dinners and outings he’s formed a special bond with Nicolas Willener (pictured with Johannes). What’s most important to Johannes in this volunteer work is bringing joy and a sense of inclusion to these young people.

“It’s very important to me to be grateful and give back. Everyone can give something back – there’s a million different ways.”

Johannes Wettstein
Bringing out the best – from resources to results

It’s about more than just results. How we achieve them matters, too. It’s part of our DNA how we work together across the firm to make sure we bring the best of UBS to all our stakeholders.

On the face of it, banking is about banking products, services and transactions. But there is more to it than that. Our aim is to make sure our stakeholders – be they investors, clients or employees – get positive long-term results out of their relationship with UBS. Ultimately, it is about making a difference by what we do – and how we do it.

Assessing our stakeholders’ needs
One of the ways to understand if we are on the right track on our value-creation journey is through an annual materiality assessment, which is based on the Global Reporting Initiative (GRI). We reflect its results in a materiality matrix.

We evaluate which topics are relevant for our stakeholders, and we make an assessment of their topics’ impact on our firm’s performance and development. As in previous years, the Corporate Culture and Responsibility Committee (CCRC) of our Board of Directors carefully reviewed this assessment in 2016.

So how does this process work? A group of experts gathers feedback from our stakeholders and feeds it into the materiality assessment. Participating experts form a Group-wide, cross-regional and cross-functional team and interact with various stakeholders every day. Key stakeholder groups are:

- Shareholders
- Clients
- Employees
- Governments and regulators
- Society as a whole

Strategy milestones

- 2011
  - Sergio P. Ermotti appointed Group Chief Executive Officer
  - New strategy: focus on wealth management businesses, Investment Bank to become less complex
- 2012
  - Axel A. Weber appointed Chairman of the Board of Directors
  - Accelerate: speeding up the strategy rollout
  - 150th anniversary

Once the topics that matter most are identified (as well as those that are perceived to be less significant), we summarize the results in our materiality matrix. The matrix shows the current state of play, and also indicates how the topics and stakeholder priorities may develop in the future.

➔ Refer to the chapter “Who do we create value for?” in this review for more details on how we build and maintain relationships with stakeholders

The things that matter
This year’s most material topics were consistent with last year’s, which shows that we have a robust method for identifying the right topics, in other words, those that have an impact on long-term value creation. Several topics are considered material, the top three being:

• Financial stability and resilience
• Conduct and culture
• Client protection

➔ Refer to the chapter “What we are aiming for – today and beyond” in this review for more details on how material topics identified through the annual materiality assessment are linked to our strategy

➔ Refer to ubs.com/ubsandsociety to find out more about our materiality matrix

A rock-solid bank
Not surprisingly, financial stability and resilience remains high on the agenda across the entire range of stakeholders, not only our clients. Our ability to absorb market shocks and pass stress scenarios is a key concern for them, especially because we are a systemically relevant bank.

Capital strength

One of the ways we have addressed these concerns has been by strengthening our capital base and meeting the increased regulatory requirements following the financial crisis of 2008. This has enabled us to achieve one of the highest fully applied CET1 capital ratios among large global banks.

Risk management

Apart from being well capitalized, UBS also has focused on less capital- and balance sheet-intensive businesses, having exited certain businesses and reduced risk-weighted assets (fully applied) from CHF 380 billion in 2011 to CHF 223 billion today.

Another example of how we have adapted to regulatory demands has been through our firm’s new legal structure.
The right kind of behavior
As a global bank we are responsible to our clients: we must treat them fairly, always act with integrity and earn and retain their trust. Conduct risk is the risk that the firm’s or employees’ conduct could unfairly affect clients and distort competition and the integrity of the markets.

We have therefore strengthened conduct risk management throughout the organization to continuously improve our understanding of how our activities can affect our clients and integrate these factors into our day-to-day decision-making.

Risk management and integrity

One example of how we combine our three keys to success to achieve a good risk culture is our Wealth Management Risk Culture program. Training events are organized across the division to discuss real-life situations and best practices. We also created a risk culture award competition for individuals and for teams to highlight the right behavior and show what is expected.

The program also includes temporary job rotations allowing risk managers to put themselves into the shoes of a client advisor and vice versa. This improves our employees’ understanding of the challenges other businesses face and results in better cross-sector communication and collaboration.

The right kind of product and people
A key component of our client focus Principle is the question of product suitability. This is about clients’ quite natural expectation to be offered only products that are appropriate and that they understand.

That’s why our wealth management businesses and Personal & Corporate Banking have put in place a suitability framework. This allows us to develop an investor profile for mandate and advisory clients from which we create a corresponding investment strategy for the client portfolio. In addition, advisory platforms and tools help define products according to their risk characteristics and support both clients and their advisors in assessing the impact of investment products and services.

Excellence

We invest in our employees’ learning and development, for example through the Wealth Management Diploma for all our WM client advisors. We also have a mandatory training program in place for all employees covering a range of compliance and risk-related topics, including anti-money laundering and operational risk. During 2016, our employees participated in approximately 719,000 development activities, including mandatory training sessions.

Risk management

Been there, done that
Sustainability in banking means both seizing opportunities and managing risk. Risk cannot be eliminated completely: risk taking is part of our business, and a prerequisite for value creation. Investing for growth is a strategic priority today – and something we have been doing, for example, for the last 50 years in the Asia Pacific region.

Today, the region – most notably China – represents one of the most important future sources of new business opportunities for UBS across its businesses. In particular, we see great opportunities emerging from China’s wealth creation, market reforms and globalization.

Our strategy in China is to broaden Wealth Management’s leadership position and expand our Asset Management and Investment Bank businesses. To support our growth, UBS plans to double its headcount in China by 2020. The majority will be in Wealth Management, where we currently have over 600 employees.

Collaboration
“We put our clients at the center of the equation, aiming to understand what they really want and how to best serve them.”

Johannes Wettstein
Achievements

• We were the first foreign institution to qualify as a Qualified Foreign Institutional Investor (QFII) in China. We were also the first foreign institution to hold a maximum 49% stake in a Chinese fund management company, UBS SDIC, and the first Swiss bank to establish a wholly foreign-owned bank in China, UBS (China) Limited.

• Our China investment banking business consistently ranks top among international investment banks. We are well positioned to grow our Chinese domestic wealth management business, building on UBS (China) Limited and UBS Securities Co. Limited. We are the leading asset manager offering a broad range of onshore and offshore investment products and capabilities.

• UBS (China) Limited opened a new branch in Shanghai in March 2016. UBS Futures Company Limited launched its financial futures brokerage business in May 2016. The new Business Solution Center in Wuxi opened in November 2016. UBS Business University opened in Shanghai (July 2016) and will open in Beijing (2017).

Money well spent

Faced with increasing revenue headwinds, we are taking responsible measures to save costs across the firm. At the same time, however, we are ensuring that our control framework, quality of client service and strategic growth priorities are not compromised by taking overly aggressive steps to show short-term cost reductions. Efficiency and effectiveness

For example, innovation and digitalization are key priorities and we invest heavily in those areas. As with other trends affecting our industry, disruptive technologies can be seen as both opportunities and threats. Our approach is to both innovate within the firm and work with external partners to identify, develop and integrate new technologies.

“Thinking machines have the potential to become our trusted and dependable assistants, enhancing human capabilities and allowing us to free people from routine work, empowering them to concentrate on more creative, value-added services.”

Axel P. Lehmann, Group Chief Operating Officer

Achievements

• We are investing around CHF 1 billion globally over several years to standardize our operating model and IT platform across Wealth Management. Our One Wealth Management Platform (1WMP) standardizes our processes and unifies the way we develop new services by integrating our historically fragmented infrastructure onto one platform. The platform enables us to provide a better, more consistent client experience and delivery of our investment products and services to better assist our clients to protect and grow their wealth.

• By the end of 2016, UBS had introduced more than 100 robots into the Group COO organization. These “attended robots” help to increase automation and streamline our processes. They perform mostly highly repetitive, time-intensive tasks like data collection and formatting reports. Everything they do is quality-controlled by a human (that’s why they are called attended robots).

• UBS and Clearmatics launched a concept to validate the potential benefits of the Utility Settlement Coin (USC) for capital efficiency, settlement and systemic risk reduction in global financial markets. The project was initially incubated as part of the UBS Crypto 2.0 Pathfinder Program, UBS’s initiative for research and experimentation on blockchain. The successful conclusion of this first phase paved the way for the introduction of additional partners: BNY Mellon, Deutsche Bank, ICAP and Santander now join UBS and Clearmatics.
Haibo Wunderli-Ye supports the head of Investment Products and Services (IPS) and its senior management team. Among her many tasks, she coordinates the IPS management committee, interacts with stakeholders across the firm and provides the senior management with condensed and relevant information to help them make informed decisions.

It’s perhaps no surprise that Haibo moves with ease across different groups both in and out of work. Haibo, who came to Switzerland from China when she was 19, says she learned a lot about Swiss and German culture from the language: the clear rules and the structure of the language are reflected in the culture. With Chinese, she says, it’s so different: You can never just listen to what is said. You have to read between the lines, paying attention to the unspoken.

“We went through a significant transformation. And we’re now working more efficiently with fewer resources. It’s challenging, but people really want it to work.”

Haibo Wunderli-Ye
Saskia de Montrichard (left) and Barbara Bolzon (below) are the power duo behind Group CEO Sergio P. Ermotti, managing his calendar, travel and events, as well as the communication channels with employees, investors and clients. You can tell they’re a team: Barbara starts a sentence, and Saskia finishes it. They work in shifts, one coming in early and the other staying late. They also alternate on-call duties. This gives both of them the ability to have work-life balance.

When Sergio came on board, Saskia was already in the role. It was his idea to have a team of two assistants (but Saskia got to pick). That was over five years ago. Now this model has been replicated in several other senior management offices, because it works so well.

A large part of the role is to maximize efficiency for the Group CEO. But it’s also key to make sure no one feels left out. Saskia and Barbara keep an eye on this issue, rearranging events if needed so that all have access. Even the very young: Saskia came in with her two-year-old on a day off recently and he got to kick around one of Sergio’s collector soccer balls.
“We want to keep our CEO close to people. It’s important to have an open door.”

Saskia de Montrichard and Barbara Bolzon
The logic of the firm – our business model

What makes UBS tick? Our business model is the product of our strategy and what we want to be for our clients and other stakeholders. It defines how we operate and how we create value for our stakeholders.

“At UBS we understand value creation to be the total benefit and value generated by UBS through all its activities in all the regions where we operate. It also means contributing actively and materially to society and local communities, while promoting innovation, sustainability and new ideas in banking and financial services.”

Axel A. Weber, Chairman of the Board of Directors and chairperson of the Corporate Culture and Responsibility Committee

“A winning model: UBS’s business model is driven by the strategy of the Group. It is constantly being refined to address the changing needs of clients as well as economic and regulatory developments. The individual business division strategies are designed to contribute to and maximize the value of the Group franchise.

UBS’s success is built on its diversified business model, made up of five business divisions: Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank. These are all supported by Corporate Center.

“Cultural change is not something that happens overnight – but the benefits of it are very long term. Once you change how a person is thinking, you’ve changed a company.”

Michelle Moss

Two and a half years ago, Michelle Moss left the Bahamas on a Friday and started working in Zurich on Monday. Formerly head of the location risk unit for the Bahamas, she now manages business risk for Wealth Management. Michelle’s work focuses on using risk culture to transform the organization.

She hit the ground running after she arrived in Zurich. Michelle had the idea to give out an award for excellence in risk culture. One of the elements of her job she likes best is having management encouragement to create. With support behind her, she just hosted the 2nd Annual Risk Culture Award ceremony with 70 attendees and a keynote address from Jürg Zeltner.

The cultural adaptation has been fascinating. She notes the many ways in which Switzerland and the Bahamas are opposite: the orderliness of Swiss life and the free spirit of Caribbean people. She appreciates both cultures and returns home twice a year for a visit. But she came here on faith and says she knows this is right where she’s supposed to be.
While firmly anchored in its home market of Switzerland, UBS is a global bank that generates over 75% of its revenues outside Switzerland and operates in over 50 countries worldwide, employing approximately 60,000 people.

**The largest and only truly global wealth manager**

With more than CHF 2 trillion of invested assets and a network in more than 40 countries, our wealth management businesses benefit from significant scale and their leading position across the compelling high net worth (HNW) and ultra high net worth (UHNW) client segments in an industry with attractive growth prospects and increasingly high barriers to entry.

The partnership between our wealth management businesses and our other business divisions is a key differentiating factor for UBS and a competitive advantage. **Collaboration**

**Wealth Management (WM)**

WM is the world's leader in HNW and UHNW banking with unrivaled scope and scale. WM wants to widen the gap to competitors providing clients with customized and holistic solutions based on an understanding of their overall, longer-term financial objectives.

WM is the preeminent wealth manager for private clients outside the US. Clients benefit from a comprehensive set of capabilities and expertise, including planning, investing, lending, protection, philanthropy, corporate and banking services. Investment management capabilities are a core component of this value proposition.

**How WM wants to grow**
We believe that the wealth management business has attractive long-term growth prospects and expect its growth to outpace that of global gross domestic product. From a client segment perspective, we believe the global ultra high net worth market – including family offices – has the highest growth potential, followed by the high net worth and affluent markets.
We believe the long-term growth prospects of the wealth management business are attractive in the Americas, with high net worth and ultra high net worth expected to be the fastest-growing client segments in the region.

Our plans to grow center on our ability to deliver holistic advice across the full spectrum of client needs, such as banking and lending, and to continue expanding collaboration efforts across our businesses.

We also plan to continue investing in platforms and technology, while remaining disciplined on cost. Our goals are to strengthen our client relationships, grow market share and support even greater revenue productivity among our financial advisors.

Innovation in action

Wealth Management Americas (WMA)
WMA aims to be the firm of choice for HNW and UHNW clients in the US and the advisors who serve them. Our business is primarily in the US, but also includes Canada, Puerto Rico and Uruguay, as well as other international business booked in the US.

With approximately 7,000 of the most productive advisors in the Americas, WMA has a strong strategic positioning and, combined with the power to deliver everything UBS has to offer globally, a unique opportunity to “feel small and play big.” WMA’s new operating model, announced in mid-2016, is designed to move decision-making closer to clients and to drive organic growth through an increased focus on advisor retention and development. Additionally, enhanced collaboration between WM and WMA allows us to achieve some of the economies of scale of our US competitors.

How WMA wants to grow

Wealth Management Americas and SigFig announced a strategic alliance to create and customize digital tools and services that will complement the expertise of our financial advisors and enhance their clients’ digital experience.

Personal & Corporate Banking (P&C)

P&C holds a leading market position in Switzerland, serving every third household and more than 90% of the 250 largest Swiss companies. P&C wants to be the bank of choice for private clients in Switzerland and the main bank for its corporate and institutional clients. It is a core enabler for other business divisions and therefore central to the Group’s strategy.
How P&C wants to grow
In the private clients segment, we aim to grow our business moderately and selectively in high-quality loans, and further leverage the potential from digitalization. In the corporate and institutional clients segment, our growth strategy is centered on cash flow-based lending and our advisory and trading business, as well as the expansion of our international footprint to serve Swiss companies abroad.

Innovation in action
In 2016, we launched a number of product and service innovations, such as UBS Atrium, an innovative platform in the real estate business, connecting clients and institutional investors. It was developed in close collaboration between P&C and AM.

Cooperation in the form of joint platforms will be established in various areas, such as mobile payments (TWINT), brokerage platforms and e-identification. Simple banking products such as bank deposits, payment transactions and cards will primarily be distributed digitally: digital onboarding and digital signature (introduced end of January 2017) are the new normal.

Our strategy is centered on our wealth management business and our universal bank in Switzerland. These are enhanced by our Asset Management and our Investment Bank. Below, we briefly describe how AM and the IB add value.

Asset Management (AM)
With approximately CHF 650 billion of invested assets and a presence in 22 countries, AM has an overarching goal to provide holistic investment and platform solutions to clients, by leveraging our global reach and investment expertise. Our diversified business model and client base continue to provide a solid foundation to capture growth opportunities.

Investment Bank (IB)
Our IB is capital efficient and client focused. It offers attractive risk-adjusted returns and strives for leadership in areas where we choose to compete. Our focus remains on our traditional strengths in advisory, capital markets, equities and foreign exchange businesses, complemented by a rates and credit platform. With a presence in over 35 countries, we serve corporate, institutional and wealth management clients across the globe. And we do it in partnership with our wealth management, personal and corporate banking, and asset management businesses.

➔ Refer to the “Operating environment and strategy” section of the Annual Report 2016 for further information on our business divisions and their market and competitive environment.

“In Switzerland, UBS is the No. 1 universal bank. We aim to become faster, simpler and even more agile to deliver the best client experience and to further strengthen our leading position.”

Martin Blessing, President Personal & Corporate Banking and President UBS Switzerland

Western Europe

APAC

UHNW

HNW

HNW 14.0%

UHNW 16.0%

HNW 9.5%

UHNW 9.4%
Corporate Center (CC)
Corporate Center is the engine room of UBS. The CC:
• includes the Group’s control functions (e.g., finance, risk, including compliance, and legal) and logistics and support services such as operations, information technology, human resources, communications and branding, physical security and information security
• provides the Group’s liquidity and funding, balance sheet and capital management services
• manages the wind-down of the non-core businesses and legacy positions

Thought leadership through innovation and world-class research
To use the full potential of our business model, it is essential that our clients have access to reliable, high-quality and insightful research that helps them make better decisions. To this end, a wide range of experts from across our business divisions contribute to our industry-leading research capabilities, targeted at specific audiences.

Our Investment Bank offers clients key insights on securities in major financial markets around the globe. In our flagship Q series reports, experts from across the UBS research team respond to questions from clients, providing a coordinated perspective across regions, sectors and asset classes. The UBS Evidence Lab is a team of experienced primary research experts and works closely with UBS Securities Research analysts to uncover new evidence that is not yet reflected in market prices.

Independence, performance, accessibility and consistency
Chief Investment Office Wealth Management (CIO WM) comprises 200 analysts in 13 key financial hubs. CIO WM oversees the investment policy and strategy for more than CHF 2 trillion in invested assets. Its primary goal is to identify and communicate investment opportunities as well as market risks to support investors in preserving and growing their wealth. In its flagship House View and other publications, CIO WM provides guidance on the major long- and short-term economic and other megatrends that impact investors. The UBS House View encompasses asset classes and markets worldwide. It ensures that a consistent client experience underpins both our advisory and discretionary portfolios.

“UBS is truly equal opportunity. If you’re working here and you’re interested, the sky is really the limit.”

Michelle Moss
An ideal base for investment decisions
UBS’s research is independent of product considerations and is directly implemented into discretionary managed portfolios. Our investment views are a consistent driver of our wealth management advice. Everything we do is geared toward ensuring an ideal base for clients’ investment decisions.

By means of independent global coverage, UBS’s research supports and responds to the full range of client challenges, questions and issues – from tactical investment ideas to multigenerational wealth simulations. Our research thus helps drive client acquisition and activity from multiple angles and we believe it is a key reason why clients are drawn to, and remain with, UBS.

UBS and Society
As a leader in sustainability in the financial industry, we focus on the long term and work to create value for our stakeholders. We are committed to promoting the common good by being proactive, purposeful and accountable. Our UBS and Society organization coordinates all our activities and capabilities in sustainable investing (SI) and philanthropy, environmental and human rights policies governing client and supplier relationships, our own environmental footprint and our community investment.

In 2016, our firm maintained its leadership position in the Diversified Financials Industry Group of the Dow Jones Sustainability Indices (DJSI), the most widely recognized sustainability rating. Our commitment and progress in the area of sustainability are also reflected in other important external ratings, rankings and recognitions.

We delivered a range of sustainable investing products and services to clients in 2016. Please see the overview on page 39 of this review.

For further information on our sustainable investment portfolio and strategy, visit ubs.com/sustainableinvesting
**Sustainability and innovation**
Thinking sustainably equals thinking innovatively. That means tapping into the ingenuity and innovative brain power of our employees. In 2016, we did this successfully when we ran the UBS Grand Challenge, an internal competition for UBS employees to develop innovative financial solutions to address some of society’s biggest challenges identified by the UN Sustainable Development Goals (SDGs). More than 1,200 employees in over 300 teams across all divisions and regions submitted 245 proposals. Six were invited to pitch at the final in Zurich to produce the eventual winner, SPAVEST, a program to support low-earning savers.

“UBS has made impressive progress in de-risking since the credit crisis and is now in a strong position for leadership on sustainability within the financial services industry.”
RobecoSAM, DJSI Group Leader Report on UBS

**Helping clients use their wealth for good**
The UBS Optimus Foundation makes UBS unique in the financial industry. UBS is the only global wealth management firm with a foundation that is staffed by leading experts in philanthropy and has a client offering designed to deliver measurable, long-term benefits to the world’s most vulnerable children. Find out more at ubs.com/optimus.

**Libero Maio**
Libero Maio is well known around UBS in Zurich. And well liked. He’s the first point of contact at reception on the senior management floor. And he’s very hard to forget. His personal philosophy of bringing his best every day (not to mention his sunny Southern Italian disposition) colors everything he does from first warm greeting to finely prepared cappuccino.

Libero thinks it all comes down to positive attitude. Noting that anyone can be good in an easy situation, he thinks the secret to shining in challenging situations is one’s attitude.

It’s not hard to bring a smile to Libero’s face, but the topics that light him up the most are his wife Anabela (celebrating 25 years together this year), his two daughters and his garden. In summer he brings all his passions together in the garden — family, friends, homegrown vegetables, wine and conversation. He says his garden gives him the energy to keep his positivity. But really, it’s in his nature. He’s the ultimate people person.
Key sustainable investing products and services in 2016 (select)¹

<table>
<thead>
<tr>
<th>Product/service</th>
<th>Business division</th>
<th>Key features</th>
</tr>
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</table>
| UBS Oncology Impact Fund¹                            | Wealth Management (WM)                 | • Aimed at developing new and innovative treatments for one of the most prominent challenges in healthcare: cancer  
• Closed at USD 471 million                                                                                 |
| UBS Loans for Growth¹                                 | WM                                     | • Provides innovative debt-based funding to emerging market financial intermediaries, which in turn lend to small and medium-sized companies to support local economic development  
• USD 50 million impact fund                                                                               |
| Sustainable investing research¹                       | WM, Wealth Management Americas (WMA), Investment Bank (IB) | • Sustainable value creation in emerging markets; Doing well by doing good: impact investing; Gender diversity matters; Green bonds are investable; Going Further – a philanthropic health portfolio  
• 38 ESG Industry Postcards                                                                               |
| UBS Long Term Themes Equity Fund¹                     | WM, Asset Management (AM)              | • Invests in companies that are solution providers for challenges, including water scarcity, emerging market infrastructure, waste management and recycling, and emerging market healthcare  
• 38 ESG Industry Postcards                                                                               |
| ESG Portfolio Analyzer¹                               | WMA                                    | • Provides transparency and analysis of ESG topics in client portfolios                                                                                                                                       |
| Philanthropy advisory¹                                | WMA                                    | • A total of over 400 ultra high net worth individuals or philanthropists attended UBS Philanthropy Forums in the Americas, Asia and Switzerland  
• Substantial advisory services for nearly 1,000 clients                                                   |
| UBS Optimus Foundation¹                               | WM                                     | • CHF 59 million raised in donations  
• CHF 59 million grants to partners approved                                                                 |
| Actively managed funds¹                               | AM                                     | • Launched in 2016: US Corporate Bond Sustainable, US Enhanced Sustainable Equity, Switzerland Enhanced Sustainable                                                                                         |
| Voting (on behalf of clients)¹                        | AM                                     | • Provided instructions (based on AM’s corporate governance principles) to vote on 97,670 separate resolutions, at 9,895 company meetings                                                                         |
| Renewable energy and cleantech financing¹            | IB                                     | • Participation in significant renewables and cleantech deals globally, for both established utilities clients and innovative growth stage companies                                                        |
| Green bonds¹                                          | IB                                     | • Participation in three major green bond issuances                                                                                                                                                    |
| Energy check-up for SMEs²                             | Personal & Corporate Banking (P&C)     | • UBS SME efficiency bonus for energy reduction plan with overall energy savings of 20,452 MWh/a, equivalent to the annual energy consumption of approximately 1,000 single-family homes |
| Preferred strategic partner for advisory and financing transactions related to Switzerland’s energy strategy 2050¹ | PBC                                    | • Supports energy utilities in raising capital on international capital markets to progress their quest for renewable energy  
• 13 strategic transactions executed for Switzerland’s five large energy utilities                        |

¹ All information provided is as of 31 December 2016. ² Information provided is as of 31 December 2015.

“If we don’t have happy clients, we have no firm. So, I feel important and this gives me passion for my job every day.”

Libero Maio
“The pace of change right now is so fast. We need to look into the future to come back to today, so that we know where we are going.”

Anna De Mezzo
Anna De Mezzo

Anna De Mezzo is a designer for UBS Y, a think tank that imagines possible alternative futures in order to identify opportunities and present innovative views on doing business in the coming decades. By asking questions about the world a half-century away, Anna and her colleagues reverse-engineer to the present to see how the future might be shaped from today. The think tank also acts as facilitator for problem solving and ideation workshops across UBS.

One of the recent topics Anna and her colleagues explored was the future of work. The exploration can help illuminate what UBS could be in the future: What will constitute wealth? What might need protection besides money?
How are we doing?

At the end of the day – our investors want to know how we performed. Our strategy and diversified business model aim to deliver the best possible financial and business performance for our stakeholders.

2016 was marked by macroeconomic uncertainty, geopolitical tensions and divisive politics, which adversely affected client sentiment. Combined with the implementation of stricter prudential standards and the unclear trajectory of the future regulatory landscape, these factors contributed to headwinds for our businesses.

“2016 was a solid year, especially considering the very challenging environment. We believe our strategy and balanced business mix, combined with our focus on execution, position us well to continue to deliver for our clients and shareholders in 2017.”

Kirt Gardner, Group Chief Financial Officer

UBS’s financial performance
UBS’s performance is measured using key performance indicators (KPIs) that allow for comparison of our performance over reporting periods and against our industry peers. The Group and business divisions are managed on the basis of this KPI framework, which identifies profit and growth financial measures, in the context of sound risk and capital management objectives. When determining variable compensation, both Group and business division KPIs are taken into account.

Risk management

Anna De Mezzo
Anna lives in the possibility space outside of work too. Traveling every chance she gets and meeting new people, she’s always game for trying something new (she plays an unusual sport called tchoukball). She changes her habits regularly, always looking to do things in a different way. And, needless to say, she’s always got her eye on the future.
### 2016 Group and business division key performance indicators

<table>
<thead>
<tr>
<th>Key performance indicators</th>
<th>Definition</th>
<th>Group</th>
<th>Wealth Management</th>
<th>Wealth Management Americas</th>
<th>Personal &amp; Corporate Banking</th>
<th>Asset Management</th>
<th>Investment Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net profit growth (%)</strong></td>
<td>Change in net profit attributable to shareholders from continuing operations between current and comparison periods/net profit attributable to shareholders from continuing operations of comparison period</td>
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<tr>
<td><strong>Pre-tax profit growth (%)</strong></td>
<td>Change in business division operating profit before tax between current and comparison periods/business division operating profit before tax of comparison period</td>
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<tr>
<td><strong>Cost/income ratio (%)</strong></td>
<td>Operating expenses/operating income before credit loss (expense) or recovery</td>
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<tr>
<td><strong>Return on tangible equity (RoTE) (%)</strong></td>
<td>Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable)/average equity attributable to shareholders less average goodwill and intangible assets</td>
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<tr>
<td><strong>Return on attributed equity (RoAE) (%)</strong></td>
<td>Business division operating profit before tax (annualized as applicable)/average attributed equity</td>
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</tr>
<tr>
<td><strong>Going concern leverage ratio (phase-in, %)</strong></td>
<td>Total going concern capital/leverage ratio denominator</td>
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<td></td>
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<tr>
<td><strong>Common equity tier 1 capital ratio (fully applied, %)</strong></td>
<td>Common equity tier 1 capital/risk-weighted assets</td>
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<tr>
<td><strong>Net new money growth (%)</strong></td>
<td>Net new money for the period (annualized as applicable)/invested assets at the beginning of the period. Group net new money growth is reported as net new money growth for combined wealth management businesses. Asset Management net new money excludes money market flows</td>
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<tr>
<td><strong>Gross margin on invested assets (bps)</strong></td>
<td>Operating income before credit loss (expense) or recovery (annualized as applicable)/average invested assets</td>
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<tr>
<td><strong>Net margin on invested assets (bps)</strong></td>
<td>Business division operating profit before tax (annualized as applicable)/average invested assets</td>
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<tr>
<td><strong>Net new business volume growth for personal banking (%)</strong></td>
<td>Net new business volume (i.e., total net inflows and outflows of client assets and loans) for the period (annualized as applicable)/business volume (i.e., total of client assets and loans) at the beginning of the period</td>
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<tr>
<td><strong>Net interest margin (%)</strong></td>
<td>Net interest income (annualized as applicable)/average loans</td>
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<tr>
<td><strong>Average VaR (1-day, 95% confidence, 5 years of historical data)</strong></td>
<td>Value-at-risk (VaR) expresses maximum potential loss measured to a 95% confidence level, over a 1-day time horizon and based on five years of historical data</td>
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</tbody>
</table>

1 Removed from the key performance indicator framework in 2017.

### New key performance indicators in 2017

<table>
<thead>
<tr>
<th>Key performance indicators</th>
<th>Definition</th>
<th>Group</th>
<th>Wealth Management</th>
<th>Wealth Management Americas</th>
<th>Personal &amp; Corporate Banking</th>
<th>Asset Management</th>
<th>Investment Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost reduction</strong></td>
<td>Net exit rate cost reduction1</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Going concern leverage ratio (fully applied, %)</strong></td>
<td>Total going concern capital/leverage ratio denominator</td>
<td></td>
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</tbody>
</table>

1 Exit rate compared with full-year 2013 adjusted operating expenses for Corporate Center and full-year 2015 adjusted operating expenses for business divisions. Cost reductions exclude expenses for provisions for litigation, regulatory and similar matters, foreign currency movements and temporary regulatory program costs. Business division adjusted operating expenses are before allocations and exclude items that are not representative of the underlying net cost reduction performance, mainly related to variable compensation expenses and compensation for financial advisors in Wealth Management Americas.
Markus Diethelm

Markus Diethelm is the Group General Counsel of UBS and a member of the Group Executive Board.

Honored with the 2017 Law & Society Award from New York Lawyers for the Public Interest for his unwavering leadership, professionalism and integrity, Markus wants people to speak up when they see something they don’t like or that isn’t right rather than making a fist in their pocket.

Surprises can be unwanted for lawyers, but for Markus it’s one of the elements he likes best about his role. While most people equate surprise with threat, he keeps the optimism of youth where surprise suggests something you want to accept with natural curiosity. He sees new legal cases as a challenge and embraces the responsibility that comes with them, for the outcome can have a big impact on our business and really move the needle.

“As General Counsel it is important to keep the basic norms of professional duties of a lawyer in mind, but also to never shy away from the exquisitely difficult demands these norms may pose when dealing with internal or external pressures. We must maintain the moral independence with an even hand, create a highly collaborative environment and achieve the culture and skill level necessary to perform well and together.”

Markus Diethelm
Our performance targets, expectations and ambitions

The tables below show our performance targets, expectations and ambitions for the Group and business divisions. They are calculated on an annual basis and represent our objectives for sustainable business performance over the cycle. Our performance targets, expectations and ambitions are based on adjusted results and assume constant foreign currency translation rates.

**Group**

<table>
<thead>
<tr>
<th>Target</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted cost / income ratio</td>
<td>60–70%</td>
</tr>
<tr>
<td>Adjusted return on tangible equity</td>
<td>&gt;15%</td>
</tr>
<tr>
<td>Common equity tier 1 capital ratio (fully applied)(^1)</td>
<td>At least 13%(^2)</td>
</tr>
<tr>
<td>Risk-weighted assets (fully applied)</td>
<td>Expectation: around CHF 250 billion short / medium term(^3)</td>
</tr>
<tr>
<td>Leverage ratio denominator (fully applied)</td>
<td>Expectation: around CHF 950 billion short / medium term(^3)</td>
</tr>
<tr>
<td>Net cost reduction(^4)</td>
<td>CHF 2.1 billion by end 2017</td>
</tr>
</tbody>
</table>

\(^1\) Based on the revised Swiss SRB capital framework that became effective on 1 July 2016. Refer to the “Capital management” section of the Annual Report 2016 for more information.
\(^2\) Our capital returns policy also includes our objective of maintaining a post-stress fully applied common equity tier 1 (CET1) capital ratio of at least 10%.
\(^3\) Based on the currently applicable rules. Refer to the “Capital management” section of the Annual Report 2016 for more information. Also reflects known FINMA multipliers and methodology changes for risk-weighted assets (RWA), and assumes normalized market conditions for both RWA and leverage ratio denominator (LRD).
\(^4\) Year-end 2017 exit rate compared with full-year 2013 adjusted operating expenses for Corporate Center and compared with full-year 2015 adjusted operating expenses for business divisions.

**Business divisions**

<table>
<thead>
<tr>
<th>Division</th>
<th>Net new money growth rate</th>
<th>Adjusted cost / income ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealth Management</td>
<td>3–5%</td>
<td>55–65%</td>
</tr>
<tr>
<td>Wealth Management Americas(^1)</td>
<td>2–4%</td>
<td>75–85%</td>
</tr>
<tr>
<td>Personal &amp; Corporate Banking</td>
<td>1–4% (personal banking)</td>
<td>140–180 bps</td>
</tr>
<tr>
<td>Asset Management</td>
<td>3–5% excluding money market flows</td>
<td>60–70%</td>
</tr>
<tr>
<td>Investment Bank</td>
<td>&gt;15%(^2)</td>
<td>70–80%</td>
</tr>
</tbody>
</table>

\(^1\) Based on US dollars.
\(^2\) Under the current capital regime.

1 Based on the revised Swiss SRB capital framework that became effective on 1 July 2016. Refer to the “Capital management” section of the Annual Report 2016 for more information. Also reflects known FINMA multipliers and methodology changes for RWA, and assumes normalized market conditions for both RWA and LRD. Including RWA and LRD directly associated with activity that Corporate Center – Group Asset and Liability Management manages centrally on the Investment Bank’s behalf.
How we measure our performance
We review our KPI framework on a regular basis, considering our strategy and the market environment in which we operate. Performance targets are a subset of our KPIs, which are defined in order to measure our performance against our strategy. Our KPIs are designed to be assessed on an over-the-cycle basis and are subject to seasonal patterns.

Delivering on our promise – reducing costs
Our effectiveness and efficiency improvements are centered on creating the right infrastructure and cost framework for the future, one component of which is our workforce and footprint. At the end of 2016, we achieved CHF 1.6 billion of annualized net cost reductions toward our target of CHF 2.1 billion by the end of 2017.

Beyond financial performance
We also measure the performance of UBS and Society. Key figures illustrating our progress in 2016 can be found in the diagram below.

UBS and Society KPIs in 2016

How we do business

- 2,671 New business or client cases referred to environmental and social risk unit
- 2,304 approved
- 258 approved with qualifications
- 83 rejected
- 26 pending

How we support our clients

- 54% reduction of UBS greenhouse gas emissions from 2004 to 2016
- 75% reduction target by 2020

Remediation measures requested for 40% of suppliers of newly sourced goods and services with potentially high impacts

Today, 31% of Corporate Center employees and contractors are in offshore or nearshore locations compared with 18% three years ago. This allows us to tap growing talent pools while realizing efficiencies by reducing our footprint in high-cost locations.

Sustainable performance

➔ Refer to the “Financial and operating performance” and “Our strategy” sections of the Annual Report 2016 and to the UBS Group key figures on page 11 in this review for more details
➔ Refer to the “Compensation” section of the Annual Report 2016 and the chapter “How do we manage the firm?” in this review to find out how our financial performance is linked to our compensation framework
Markus Diethelm

Markus brings a sense of excellence and joy to everything he does. And he wants the same for the culture of UBS. He explains it like this:
You want your car to be fully operational. But then you want to grab the wheel, roll down the windows and enjoy the ride.

How we support our communities

- 2,821 UBS total invested assets (in CHF billion)
- 976 = 35% Total sustainable investments
- 830 Norms-based screening
- 145 Core SI products and mandates

- 91% spent in the fields of education and entrepreneurship
- 18,386 employees volunteered
- 155,325 hours on community projects
- 193 community partners supported worldwide
- 117,389 direct beneficiaries as a result of our community investment
- CHF 30 million direct cash contributions

UBS Optimus Foundation

- CHF 59 million raised in donations
- CHF 59 million grants to partners approved

UBS helped improve the well-being of 1.6 million children globally.
UBS contributed a total of CHF 23 million to its affiliated foundations in Switzerland, its Anniversary Education Initiative and to the UBS Optimus Foundation.
“It’s more than just giving advice. I get to contribute my ideas and really add value to the project.”

Adrian Legis
Adrian Legis advises Wealth Management on creating online content, helping with everything from technical capabilities to user perspective. He thrives on helping people solve problems. And he enjoys being a part of projects that connect with the general public, informing people about UBS and generating leads.

The international, dynamic environment really appeals to Adrian. Having worked in both London and Hong Kong, and also in different functions as a trainee in Switzerland, he thinks the variety of professional development possibilities is key to keeping people over the long term.
Who do we create value for?

Banking is a people business. UBS has been in this business for over 150 years. We know that close relationships with our stakeholders are crucial to our success.

We attach great importance to finding out how our stakeholders view us and what their values and priorities are. To this end, we initiate regular and productive dialogue across a wide range of topics.

Our relationships with stakeholders are multifaceted and consist of interactions through regular communications in print, digital and social media channels, events and conferences held across the globe and, most importantly, face-to-face meetings. This engagement is essential for us to understand their expectations and provide long-term value.

Relationships are about mutual interests and also about behavior and trust. That is why UBS’s Principles and Behaviors are the basis for how we build, manage and develop our relationships with our five most important stakeholder groups. A good relationship is the foundation for creating value.

Principles and Behaviors

➔ Refer to the chapter “Bringing out the best – from resources to results” in this review for more details on how we create value across different groups of stakeholders

Investors

UBS senior management and the Investor Relations (IR) team communicate regularly with the investment community, including investors, financial analysts and credit rating agencies. We strive to achieve a consistently fair valuation for UBS’s shares through best-in-class disclosure, transparency and communication practices. IR’s objective is to realize the highest sustainable stock price based upon the underlying fundamentals of UBS.

Attractive capital returns

Our earnings capacity and capital efficiency support our objective to deliver sustainable and growing returns to our shareholders.

Capital strength

We are committed to a total capital return of at least 50% of net profit attributable to shareholders, provided that we maintain a fully applied CET1 capital ratio of at least 13% and consistent with our objective of maintaining a post-stress fully applied CET1 capital ratio of at least 10%. Total capital returns will consist of an ordinary dividend, which we intend to grow steadily over time, and other forms of capital returns. For the financial year 2016, our Board of Directors proposed a dividend payment of CHF 0.60 per share, which is in line with the ordinary dividend paid for 2015, representing a payout ratio of 71%.

Financial disclosure

We fully support transparency and consistent, informative disclosure. We aim to communicate our strategy and results in a way that allows investors to gain a good understanding of how our Group works, what our growth prospects are and the risks our businesses face. We assess feedback from investors and analysts on a regular basis and, where appropriate, reflect it in our disclosures. To continue achieving these goals, we apply the following principles in our financial reporting and disclosure:
Adrian Legis

In his downtime, Adrian likes watching sports, though he wishes the time difference made it easier for him to watch the NBA since he’s a big fan. He plays basketball twice a week – midday Mondays it’s with friends from UBS and other firms. He values the collaboration with colleagues on a different playing field – and the cooperation (not to mention competition) with players at competing firms.

“Within Communications & Branding, it’s almost like a family. I really enjoy the atmosphere and how we work together.”

Adrian Legis
• Transparency that enhances the understanding of economic drivers and builds trust and credibility
• Consistency within each reporting period and between reporting periods
• Simplicity that allows readers to gain a good understanding of the performance of our businesses
• Relevance by focusing not only on what is required by regulation or statute but also on what is relevant to our stakeholders
• Best practice that leads to improved standards

Clients
People who bank with UBS do so because they know we always try to deliver the best of what we can offer as a firm. But we know we must never get complacent, because our clients look for the best, and competition is fierce.

Client focus, therefore, is one of the UBS Principles. Higher levels of client satisfaction tend to correlate with higher net new money, higher net revenues and more referrals.

We learn a lot from our clients just by doing business with them. But we go one step further by taking a more systematic approach to find out how clients see us, what they expect from us and where we can improve.

In Wealth Management, for example, we interviewed over 10,000 clients via an online questionnaire. Here’s what they said:
• UBS is an excellent company, with over 80% seeing us as secure, with a good reputation. The quality of client advisors is also rated well, with 7 out of 10 clients extremely or very satisfied.
• While we see high satisfaction levels with our investment expertise and range of products, we also received some challenging feedback, for example around value for money. This means we aim to provide more value, introduce some simpler, more efficient offerings and more clearly explain the value and premium features we offer.
• We can also improve the process of changing client advisors, because a quarter of our clients are not happy with how this is managed. We need to make sure the client is informed in good time about the change and ideally involve him/her in the process of choosing a new advisor.

Smart solutions, better advice
Apart from our UBS SmartWealth digital initiative in the UK, Wealth Management also launched Ask UBS at the end of 2016, a voice-activated service in partnership with Amazon. It gives users access to UBS CIO House View investment insights and opinions, as well as explanations of financial terminology.

Wealth Management Americas and SigFig announced a strategic alliance to create and customize digital tools and services that will complement the expertise of our financial advisors and enhance their clients’ digital experience.

In 2016, new services such as digital account opening and UBS Safe, where clients can securely store electronic files, were introduced by P&C.

Employees
Our employees’ know-how, talents, motivation and experience underpin our success, and they are the key enablers and catalysts of value creation in our highly competitive marketplace. Their skills, dedication and focus are the basis for making our strategy work.

In light of this, we want to attract, enable, develop and engage the best people with the right skills, a responsible mindset and diverse backgrounds. We invest in our employees and try to ensure that we have effective leadership and human resource practices in place, as well as the structures, technology and training to deliver on our strategy and meet our clients’ needs.

Having a strong culture is vital to our sustained success. Our three keys to success – Pillars, Principles and Behaviors – help us achieve this vision. Our Behaviors put emphasis on integrity, collaboration and challenge. These expectations drive our people management approach, from whom we hire to how we manage, develop, compensate and support our
employees, but also how our employees make decisions and interact. We have initiated the Group Franchise Awards program to recognize culture-building behaviour. It tracks both cross-business collaboration and ideas for simplifying our processes. Our Behaviors are furthermore embedded into our human resource processes, helping us better align the way we manage and reward our people with the culture we want to have.  

We have initiated the Group Franchise Awards program to recognize culture-building behaviour. It tracks both cross-business collaboration and ideas for simplifying our processes. Our Behaviors are furthermore embedded into our human resource processes, helping us better align the way we manage and reward our people with the culture we want to have. Behaviors

→ Refer to the chapter “How do we manage the firm?” in this review for more details on how we align our governance and compensation framework with long-term value creation.

Our employees have access to a wide range of training and professional development opportunities, including role-specific training, business education and executive and key talent programs. We offer extensive training designed to enable client advisors to deliver superior advice and solutions to our clients. All our Wealth Management client advisors must obtain a Wealth Management Diploma, a program accredited by the Swiss Accreditation Service of the State Secretariat of Economic Affairs, which ensures a high level of knowledge and expertise. For certain senior client advisors, we offer extensive training through the Master in Wealth Management program.

“At UBS, we have the ambition to increase the ratio of women in senior management roles to one-third.”

Sabine Keller-Busse, Group Head Human Resources

“We’re constantly preparing for the future – anticipating exactly where the client expects us to be.”

Kathrin Genovese
Career Comeback
Launched in 2016 and currently in its pilot phase, UBS Career Comeback targets experienced professionals who have taken a career break of two years or more and are looking to return to the corporate world.

The program
• **USA:** Returnees are hired into a 16-week paid program that includes a 3.5-day onboarding program, mentoring, coaching and more. And at the end of the program, we explore further employment opportunities with the returnees.
• **Switzerland:** Returnees are hired into regular, open positions. And during the first 12 months of employment, they are part of a program that includes a two-week introductory onboarding program, mentoring, coaching and more.

Governments and regulators
Governments and regulators are shaping the world we live in. We expect that regulation will remain a major driver for change in the industry. While UBS is in favor of strong regulation, we believe that new regulation or a further tightening thereof should take into account the impact on consumers of financial services and the economy as a whole. Sufficient collaborative dialogue between regulators, policymakers and the industry is therefore key, and UBS is actively participating in this dialogue.

Collaboration
UBS supports the international efforts to increase financial stability and reduce the risk of banks that are too big to fail (TBTF). As a result we support the Financial Stability Board in its ambition to complete the remaining core elements of the financial reforms. In particular, we welcome the increased awareness about the need for recognition of foreign resolution actions. This is one of the key concerns to make resolution of global systemically important banks (G-SIBs) operational.

Capital strength
➔ Refer to the “Regulation and supervision” and “Regulatory and legal developments” sections of the Annual Report 2016 for more details

Society
As the largest wealth manager in the world and Switzerland’s leading universal bank, we see it as our duty to be a trusted and reliable corporate citizen.

We want to generate long-term, sustainable and measurable benefits for our clients, shareholders and communities. We are constantly looking for better ways to do business and support our clients and communities. Our concept of stewardship goes beyond our clients’ assets, to encompass taking care of what we leave behind for future generations. We don’t measure success by financial performance alone, but include performance relating to the environment, good governance, our social impact and other key components of sustainability. To this end, we assess our progress by:
• making sustainability the everyday standard across the firm
• making sustainable performance part of every client conversation
• supporting clients in channeling a growing portion of their assets toward addressing societal challenges, including through innovative financial mechanisms
• training employees in sustainability
• creating a credible sustainability approach
• measuring the impact of our community investment activities
• supporting the transition to a low-carbon economy through our comprehensive climate change strategy

In Wealth Management, we aim at systematically integrating a sustainable investing (SI) optionality in our mandate offerings, as well as providing our clients with impact investing products and sustainable mutual fund solutions. In 2016, we further expanded the SI optionality to core affluent and high net worth clients from global emerging markets, Germany and Italy.

The UBS Long Term Themes Equity Fund invests in companies that are solution providers for challenges, including water scarcity, emerging market infrastructure, waste management and recycling and emerging market healthcare.

Kathrin Genovese
Kathrin Genovese supports the senior coverage team taking care of UBS’s Global UHNW clients and prospects.

She makes sure this senior coverage is most efficient and effective in offering UHNW clients advice and bespoke solutions. She brings a wealth of experience from her previous work on the client side – she understands what UHNW clients need and expect from a financial services provider. Kathrin also works directly with some of the bank’s largest Wealth Management clients.

With her leisure pursuits, Kathrin is equally disciplined, taking her tennis racquet with her all over the globe. After she’s been on the road for a couple weeks, though, there’s nothing like getting home to her family.
“We’ve become change experts. Today there’s no way you can succeed in this business without being good at change.”

Markus Ronner
UBS Manage™ offerings with SI focus are constructed with a focus on investing in instruments with a favorable SI rating, while staying in line with our Chief Investment Office House View. On average, one in five UBS Manage™ Advanced (CH) clients chooses the SI focus for their newly opened mandate. We also arrange platforms, roundtables and networking events for our clients to exchange ideas and gather know-how.

Sustainable performance

→ Refer to the chapter “The logic of the firm – our business model” in this review for more details on how we combine sustainability and innovation to create value

Supporting our communities

We have a responsibility toward the communities in which we operate. We therefore have a long-standing global Community Affairs strategy, executed through regional programs focused on two key themes: education and entrepreneurship. In 2016, we strengthened our strategic focus on our key themes through increased global measurement and coordination, and by enhancing existing and new partnerships in our local communities.

During the course of the year, UBS made direct cash contributions totaling CHF 30 million. During the year, 30% of our employees volunteered in social and community engagement projects, compared with 27% in 2015. Additionally, UBS contributed a total of CHF 23 million to its affiliated foundations in Switzerland, the UBS Optimus Foundation and the UBS Anniversary Education Initiative. In 2016, the UBS Optimus Foundation helped improve the well-being of 1.6 million children globally. Our Community Affairs program benefited 117,389 young people and entrepreneurs across all of the regions in which we operate.

Sponsorship of culture and sports

Sponsorship has a long-standing tradition at UBS with a current focus on the two core areas Contemporary Art and Formula 1. These global themes are supported by regional platforms in sports and culture. The sponsorship engagements reflect our dedication to supporting the communities where we live and work.

A global exhibition

Women: New Portraits was a global tour of new photographs by Annie Leibovitz, commissioned and sponsored by UBS. The portraits feature women of outstanding achievement, including artists, musicians, CEOs, politicians, writers and philanthropists. In 2016, the exhibition traveled around the world with free admission for the general public. Aligned with the focus UBS places on education, over 200 free learning events accompanied the exhibition globally, presented in collaboration with 28 universities, 10 leading cultural organizations and over 150 women’s groups.

Good fun

In the UBS Kids Cup, young athletes from all over Switzerland compete in three athletics events: sprinting, long jumping and throwing. The best from this group move on to the 24 cantonal finals, where they battle for the right to compete in the Swiss final held at the legendary Letzigrund Stadium in Zurich. UBS has been supporting the UBS Kids Cup young athletes program since 2011. Every year, it brings together well over 100,000 children from across Switzerland up to the age of 15. Many former participants have gone on to compete in international athletics competitions.

Markus Ronner

Markus Ronner oversees all interactions with regulators and governments. He advises the Board and senior management on the impact of regulation and how it will affect our business model. With this, a big part of his team’s work is navigating change.

Markus says UBS is leading on change to make the firm fit for today’s regulatory regime. The recipe for success is a strong understanding of new regulations and knowing how to respond and what the priorities are. Having the right skills and experience is essential – and gives UBS a competitive advantage.

In his 36 years with UBS, Markus has seen a lot of changes. But he sees the firm as particularly strong right now. The hard work over the last few years has yielded stability, a strong culture, a clear strategy and strong quality of earnings. Reflecting on the journey, he suggests that it’s perhaps only possible to gain such a strong and sustainable framework out of the challenges the bank faced in the past.
Fatma Amour

Fatma Amour is helping to implement the new service management which helps UBS to trace and predict the supply chain that enables the firm to make the best choices.

In her 16 years at UBS, Fatma has acquired a range of new professional skills, combining vocational study with her work commitments. She has already completed a Certificate of Advanced Studies (CAS) in strategic management, and in 2017 will pursue a second CAS, this time in finance and leadership.

This ambitious woman is also the mother of two young boys. With flexibility in location and work hours, she’s able to work full time while getting all the quality time with her family that she needs (not to mention some yoga time).

“I’ve always felt the environment here is very inclusive. There’s always been an interest to put me in a role where I can perform and grow the best, supporting me in my career.”

Fatma Amour
I've always felt the environment here is very inclusive. There's always been an interest to put me in a role where I can perform and grow the best, supporting me in my career.
How do we manage the firm?

Our governance framework supports the creation of long-term value by linking to our strategic objectives and the performance of the individuals delivering on these objectives.

Shareholders
The general meeting of shareholders is the supreme corporate body of UBS. All shareholders registered with voting rights are invited to general meetings of shareholders.

Chairman and Board of Directors
Under the leadership of the Chairman, the Board of Directors (BoD) decides on the strategy of the Group, upon recommendation by the Group CEO, exercises ultimate supervision over management and appoints all Group Executive Board (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. The committees shown in the graphic assist the BoD in the performance of its responsibilities. These committees and their charters are described in the Organization Regulations, published at ubs.com/governance.

Checks and balances – Board of Directors and Group Executive Board
The BoD decides on the strategy of the Group upon recommendation by the Group CEO, and supervises and monitors the business, whereas the GEB, headed by the Group CEO, has executive management responsibility. The functions of Chairman of the BoD and Group CEO are assigned to two different people, ensuring a separation of power. The BoD delegates the management of the business to the GEB.

Group CEO and Group Executive Board
Under the leadership of the Group CEO, the GEB has executive management responsibility for the steering of the Group and its business. It assumes overall responsibility for developing the Group and business division strategies and the implementation of approved strategies.
Aligning performance with value creation through our strategic objectives
Effective performance management, sound compensation practices and personal accountability are critical for our success. We continue to place an emphasis on values to support cultural change within the firm. Therefore, when assessing performance, we not only take into account what was achieved, but also how those results were achieved.

This means that an employee’s behavior forms an integral part of their overall performance evaluation. This is how we link everything we do to our three keys. These performance and behavior assessments influence both promotion and compensation decisions. Our annual performance management supports individual and collective contribution to our business results and culture.

Three keys

Linking reward to our strategic objectives and Behaviors
Our compensation philosophy is to align the interests of our employees with those of our clients and investors, building on our guiding Principles of client focus, excellence and sustainable performance.

In addition to the firm’s Principles, our Behaviors related to integrity, collaboration and challenge are part of the performance management approach.

How do we ensure that our employees contribute to the success of UBS based on our Pillars, Principles and Behaviors?
Our Total Reward Principles establish the framework for determining our performance award pool and guide the allocation and delivery mechanisms of compensation to employees, including deferred compensation programs. The Principles underpin our approach to compensation by establishing a framework that balances performance and prudent risk-taking with a focus on conduct and sound risk management practices. Our compensation structure is aligned with our strategic priorities. It encourages employees to develop a strong client franchise, create sustainable value and achieve the highest standards of performance.

Our performance award pool funding framework is based on business performance, which we measure across multiple dimensions. We consider performance relative to our industry peers, general market competitiveness and progress against our strategic objectives, including capital growth, as well as risk-weighted assets, balance sheet and cost efficiency.

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 and individual performance and behavior, reflecting their overall contribution to the firm’s success. The award is at the complete discretion of the firm. The performance award may include a shorter-term immediate cash award and a longer-term deferred performance award. The deferred performance award includes provisions that put the award at risk of forfeiture for several years.

For further information on our corporate governance, visit ubs.com/governance
Additionally, our employees can purchase shares via our Equity Plus Plan. 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) for the purchase of UBS shares. Eligible employees may buy 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, provided the employee remains employed with the firm and has retained the purchased shares throughout the holding period.

**How we assess the performance of our executives**

Our performance assessment of the GEB members is based on a balanced scorecard (see table on the next page), which allows us to assess an individual’s performance against a number of quantitative and qualitative key performance indicators (KPIs). Quantitative measures include Group and business division, regional and/or functional performance 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 degree to which an individual has achieved the quantitative measures, coupled with an assessment of performance against the qualitative measures, provides an overall rating.

We believe our governance framework puts a system in place that supports the creation of sustainable value, for all our stakeholders.

“I appreciate that I am empowered and given accountability and responsibility, but also able to maintain a work-life balance.”

Fatma Amour
Overview of the quantitative and qualitative measures – balanced scorecard for the Group Executive Board

<table>
<thead>
<tr>
<th>Quantitative/qualitative measures</th>
<th>Group</th>
<th>A range of financial metrics including adjusted Group return on tangible equity, adjusted Group profit before tax, CET1 capital ratio (fully applied)</th>
</tr>
</thead>
<tbody>
<tr>
<td>**Business division, regional and or functional KPIs (if applicable)**¹</td>
<td></td>
<td>Business division and/or regional KPIs vary but may include: net new money growth rate, adjusted divisional/regional profit before tax, adjusted cost/income ratio, net new business volume growth rate, net interest margin, adjusted RoAE, Basel III RWA and LRD expectations</td>
</tr>
<tr>
<td>Specific functional KPIs for Corporate Center GEB members</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pillars</strong></td>
<td>Capital management</td>
<td>Establishes and maintains capital strength and CET1 capital ratio. Generates efficiencies and deploys our capital more efficiently and effectively</td>
</tr>
<tr>
<td>Efficiency and effectiveness</td>
<td></td>
<td>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</td>
</tr>
<tr>
<td>Risk management</td>
<td></td>
<td>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 relationship with regulators through ongoing dialogue</td>
</tr>
<tr>
<td><strong>Principles</strong>²</td>
<td>Client focus</td>
<td>Increases client satisfaction and maintains 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</td>
</tr>
<tr>
<td>Excellence</td>
<td></td>
<td>Human Capital Management – develops successors for the most senior positions, facilitates talent mobility within the firm and promotes a diverse and inclusive workforce</td>
</tr>
<tr>
<td>Sustainable performance</td>
<td></td>
<td>Brand and Reputation – protects the Group’s reputation and ensures full compliance with our standards and principles</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Culture – takes a personal role in making Principles and Behaviors front and center of the business requirements. 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 stakeholders</td>
</tr>
<tr>
<td><strong>Behaviors</strong></td>
<td>Integrity</td>
<td>Is responsible and accountable for what they say and do; cares about clients, investors and colleagues; acts as a role model</td>
</tr>
<tr>
<td>Collaboration</td>
<td></td>
<td>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</td>
</tr>
<tr>
<td>Challenge</td>
<td></td>
<td>Encourages self and others to constructively challenge the status quo; learns from mistakes and experiences</td>
</tr>
</tbody>
</table>

¹ Both regional and functional KPIs may include qualitative measures. ² Overall results may also consider strategic progress and result relative to market environment.

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> For further information on compensation, especially on compensation of the Group CEO and the GEB members, please refer to the Compensation Report 2016. The Compensation Report includes overviews of the compensation determination process, the compensation framework for the GEB and our compensation model for all employees.
Our Board of Directors

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

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

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

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

Robert W. Scully  Member of the Risk Committee

David Sidwell  Senior Independent Director / Chairperson of the Risk Committee

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

Reto Francioni  Member of the Compensation Committee / member of the Corporate Culture and Responsibility Committee / member of the Risk Committee

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

Ann F. Godbehere  Chairperson of the Compensation Committee / member of the Audit Committee

Dieter Wemmer  (not on this picture) Member of the Risk Committee
The Board of Directors (BoD) of UBS Group AG, under the leadership of the Chairman, consists of six to twelve members as per our Articles of Association. The BoD decides on the strategy of the Group upon recommendation of the Group Chief Executive Officer (Group CEO) and is responsible for the overall direction, supervision and control of the Group and its management as well as for supervising compliance with applicable laws, rules and regulations. The BoD exercises oversight over UBS Group AG and its subsidiaries and is responsible for ensuring the establishment of a clear Group governance framework to ensure effective steering and supervision of the Group, taking into account the material risks to which UBS Group AG and its subsidiaries are exposed. The BoD has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls, approves all financial statements for issue and appoints and removes all Group Executive Board (GEB) members.
Our Group Executive Board

1. Sergio P. Ermotti Group Chief Executive Officer
2. Martin Blessing President Personal & Corporate Banking and President UBS Switzerland
3. Markus U. Diethelm Group General Counsel
4. Kathryn Shih President UBS Asia Pacific
5. Kirt Gardner Group Chief Financial Officer
6. Sabine Keller-Busse Group Head Human Resources
7. Ulrich Körner President Asset Management and President UBS Europe, Middle East and Africa
8. Christian Bluhm Group Chief Risk Officer
9. Jürg Zeltner President Wealth Management
10. Tom Naratil President Wealth Management Americas and President UBS Americas
11. Andrea Orcel President Investment Bank
12. Axel P. Lehmann Group Chief Operating Officer
UBS Group AG operates under a strict dual board structure, as mandated by Swiss banking law, and therefore the BoD delegates the management of the business to the Group Executive Board (GEB). Under the leadership of the Group CEO, the GEB has executive management responsibility for the steering of the Group and its business. It assumes overall responsibility for developing the Group and business division strategies and the implementation of approved strategies.

› To read the full biographies of our BoD and GEB members, visit www.ubs.com/bod or www.ubs.com/geb or refer to “Board of Directors” or “Group Executive Board” in the “Corporate governance” section of the Annual Report 2016
Where are we headed?

Your Annual Review is based on the Integrated Reporting Framework – why?

Sergio P. Ermotti We see an increasing demand for more relevant, focused and concise reporting, rather than the increasingly voluminous formats seen today. Also it is probably fair to say that current reporting is largely designed to be backward-looking and that, because of the voluminous nature I alluded to, does not necessarily bring out the connectivity in terms of greater alignment between strategy, input and output or outcomes in a succinct fashion.

With the Annual Review 2016, we are continuing the journey UBS embarked on last year, and we accept that it is still a work in progress. I think the need for a focused kind of transparency will increase even further. That does not mean producing even thicker reports, but continuously improving their quality. Clearly, UBS wants to stay in the top league, also in terms of disclosure. This also means employing innovative concepts in the reporting space. We did so last year with our first go at applying the Integrated Reporting Framework. We received confirmation that we are on the right track with what we did. So, this year our journey toward integrated reporting continues.

Can you briefly add examples of topics that you believe will become more important over the coming years?

Axel A. Weber Personally, I think the topic of shareholder participation is likely to become even more relevant. Also, I think many banks are underestimating climate change and associated risks that could impact their balance sheets. It is quite possible that environmental stress tests will be the norm five years from now, just like market stress tests are today.

What can UBS do to help improve people’s lives today and in future?

Sergio P. Ermotti We focus on a sustainable, long-term approach in everything we do, without losing focus on the here and now. When we invest, hire and make any business decision, we must do that with a long-term view and then focus on maximizing positive outcome while minimizing the negative ones. Banks need to get better at demonstrating the value they bring to clients, the economy and society as a whole.

How do you make sure the views of our shareholders as well as other stakeholders are reflected in our goals?

Axel A. Weber Interaction with our shareholders is a personal priority for me. I meet with UBS’s top 100 shareholders twice a year and get direct feedback from them. This is an extremely valuable experience with our shareholders candidly expressing what they like about our bank and where they believe there is room for improvement. To give you an example for both; our bank clearly receives kudos for our strategic clarity and disciplined execution, while one of the criticisms concerns current and expected litigation costs. We also endeavor to capture the views of our broader community of stakeholders on the topics they regard as most relevant to UBS. For this, we conduct our annual UBS Materiality Assessment, as defined by the Global Reporting Initiative, and capture the results in a matrix. It covers 25 topics, the top-rated being, as we explained earlier on in this review, “conduct and culture,” “client protection” and “financial stability and resilience.” Other topics in the matrix are of course also relevant. Let me highlight “governance,” which is a key priority for me as Chairman. Good governance means not just safeguarding the status quo, but challenging it and looking at topics that could become more relevant in the future.

What can UBS do to help improve people’s lives today and in future?

Sergio P. Ermotti We focus on a sustainable, long-term approach in everything we do, without losing focus on the here and now. When we invest, hire and make any business decision, we must do that with a long-term view and we must then focus on maximizing positive outcome while minimizing the negative ones. Banks need to get better at demonstrating the value they bring to clients, the economy and society as a whole.

“Thinking machines will support making banks better at what they do and how they do it.”

Axel A. Weber
That is not something that the Chairman or the GEB can do on their own. That is why actively engaging our firm’s employees is a critical factor in the successful execution of important programs of our firm, to address some of the challenges of today and tomorrow. These include promoting climate-conscious investments, improving the infrastructure in developing countries or helping to encourage saving for retirement, to name a few. In 2016, I also took over as Chairman of the UBS Optimus Foundation, whose work has already benefited millions of children, while helping clients achieve their philanthropic goals. So we at UBS do not just offer banking. It is about working with clients to help them find the right answers to the questions that matter to them. But, of course, giving them access to state-of-the-art products and services – and the choice and flexibility how they want to interact with us – is a key factor in creating value for them.

What are the major trends impacting UBS’s business in the coming years?

Axel A. Weber  
Politics has come to the forefront as a major source of uncertainty and a major driver of financial markets, while regulation has become one of the major drivers for making business choices today. Of course, like any financial services provider you still have to define a strategy that is right for you and reflects the new paradigm in banking, as we did for UBS early on and before many of our peers. Also, new technologies such as blockchain, artificial intelligence and intelligent automation are likely to shape the face of financial services over the long term. Our view is that thinking machines will support making banks better at what they do and how they do it. What this means for banks, bankers and banking clients is something we explored in the most recent of a series of UBS Future of Finance white papers we regularly publish.

Where do you see the biggest opportunity for UBS going forward – and the biggest challenge?

Sergio P. Ermotti  
Well, weak global growth, low or negative interest rates, geopolitical tension, new technologies – it is hard to say which of these will present the biggest challenge. Plus we are faced with a myriad of regulatory changes. We have spent around CHF 3.5 billion since 2013 to meet regulatory requirements. In terms of markets, the US and China will remain our biggest growth opportuni-
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Corporate calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 April 2017</td>
<td>First-quarter 2017 results</td>
</tr>
<tr>
<td>4 May 2017</td>
<td>Annual General Meeting</td>
</tr>
<tr>
<td>28 July 2017</td>
<td>Second-quarter 2017 results</td>
</tr>
<tr>
<td>27 October 2017</td>
<td>Third-quarter 2017 results</td>
</tr>
</tbody>
</table>

“*We want to make sustainability part of every client conversation.*”

Rina Kupferschmid-Rojas

Rina Kupferschmid-Rojas is a woman on a mission. As Global Head of Sustainable Investing in Wealth Management, she leads the charge to screen investments according to sustainability criteria, to de-risk portfolios and increase long-term returns. As spokesperson and thought leader, she works with international organizations and heads up research to educate the industry and clients.

Rina says that improvements in transparency and the disclosure of environmental, social and governance – or ESG – criteria have changed what investors want. And the next generation is expected to be even more focused on sustainability issues. From a strategic perspective, then, she thinks it’s imperative to screen equities for sustainability for the long-term performance of the firm.

Outside of work, Rina founded and works with the World Economic Forum Young Global Leaders Impact Lab, which brings the Young Global Leaders to New York City to talk about how to tackle big global challenges. And she teaches sustainable investing at Columbia University. On a mission, indeed.
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TDD foreign shareholders +1-201-680 6610

Corporate information
UBS Group AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares.
Its registered office is at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, phone +41-44-234 1111, 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).

The Annual Review 2016 “Connecting value” is available as a tablet version at UBS Newsstand/Annual Review (App Store or Google Play Store) and as a PDF version at ubs.com/investors.
"Sustainability is not limited to environmental concerns; it includes economic and social issues that optimize our business."

Jürg Meier

Jürg Meier is fund manager for one of eight UBS real estate funds and investment foundation in Switzerland. Jürg manages the portfolio as if it were backed by his own assets, and since 2009 it has grown from one commercial building worth CHF 20 million to 40 buildings worth over CHF 600 million.

He is also sustainability manager for all eight of the Swiss real estate funds and investment foundations, implementing a strategy to invest in buildings that are energy efficient, have low CO₂ emissions and use sustainable materials. Building sustainably also means that the buildings have higher value, command better rental fees and save tenants money over the long term.

Getting to create visible, tangible investments is important to Jürg. As he puts it, we all live and work in real estate. And what is created will be for decades – even centuries – impacting our environment. Outside of work, he values how a beautiful home can help create a balance between work and private life. A sustainable balance, you might say.

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 the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator, liquidity coverage ratio and other financial resources, 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) 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 effects of economic conditions, market developments, and geopolitical tensions on the financial position or creditworthiness of UBS's clients and counterparties as well as on client sentiment and levels of activity; (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 eligible for total loss-absorbing capacity (TLAC); (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, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these would have on UBS's business activities; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve, or confirm, limited reductions of gone concern requirements due to measures to reduce resolvability risk; (vi) the degree to which UBS is successful in implementing further 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, completing the implementation of a service company model, 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 jurisdictions for mandatory structural reform of banks or systemically important institutions and the extent to which such changes will have the intended effects; (vii) the uncertainty arising from the timing and nature of the UK exit from the EU and the potential need to make changes in UBS's legal structure and operations as a result of it; (viii) 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; (ix) changes in the standards of conduct applicable to our businesses that may result from new regulation or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (x) 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, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA; (xi) 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; (xii) 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; (xiii) 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; (xiv) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xv) whether UBS will be successful in keeping pace with competitors in updating its technology, including by developing digital channels and tools and in our trading businesses; (xvi) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks, and systems failures; (xvii) 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 or the regulators of UBS's operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xviii) 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 (xix) 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 2016. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Adjusted results | Please refer to the “Group performance” section of our Annual Report 2016 for more information on adjusted results.

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

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