

How do we do business?

The last decade has been a turbulent time for banks with the industry's reputation badly damaged. So how can UBS regain the client confidence it had lost and create a future where both performance and transparency count? What measures has it taken to avoid the mistakes of the past, what contribution can its employees make and how do the three keys lead to strategic and business success?

Our strategy led us to redefine our values and corporate culture and to integrate them into a sustainable long-term approach that benefits all our stakeholders. The infographic below summarizes the road traveled since the financial crisis and some of the steps we have taken since then to resolve legacy issues and transform our firm.

Tying strategy and corporate culture

We believe that the right strategy and a sound corporate culture drive strong performance. Therefore we established the UBS Code of Conduct and Ethics. This document defines the way we do business and sets out the standards that apply to everything and everyone at UBS. In a nutshell, the Code underscores the critical importance of responsible

behavior and covers our dealings with clients, counterparties, shareholders, regulators, business partners and other stakeholders – including each other.

Opening the door to the future

What we call our three keys to success – our Pillars, Principles and Behaviors – embodies the foundation of our strategy and culture. We're working to embed the keys throughout the organization so that we can unlock the full potential of our firm.

Because we believe that leadership drives culture and that culture drives performance, we have also defined criteria that establish what good leadership looks like (UBS House



View on Leadership). These are a set of explicit expectations for our leaders that establish consistent leadership standards across UBS, in particular in the areas of people, client, and change and results leadership. We also use the UBS House View on Leadership to help us make the right decisions when hiring, developing and promoting present and future UBS leaders.

Beyond the balance sheet

All of our employees’ annual performance evaluations measure not only whether their goals were achieved (the “what”), but also whether they were achieved according to our Behaviors (the “how”). In 2015, we introduced separate ratings for individual goals and behaviors to further emphasize the importance of integrity, collaboration and challenge in daily business activities. Both goal and behavior ratings are a factor in development, reward and promotion decisions.

And in practice?

The disciplined execution of our strategy based on our Pillars, Principles and Behaviors is crucial for the protection of our clients’ interests and the value of UBS’s franchise. With our strategy, clients are the focus of everything we do. But in practice, what does this mean?

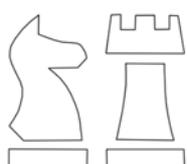
Keeping our promise

In wealth management for example, we made our clients a promise: to offer superior advice and solutions for their wealth. For our clients, this translates into

- actively listening and fully understanding their needs;
- providing them with clear investment guidance and excellence in execution thanks to our research capabilities and our investment process;
- treating our clients’ assets as if they were our own; and
- only offering suitable solutions that match their level of sophistication and understanding as well as their appetite for risk.

“It is not just what we do, but also how we do it. It is therefore not just about returns, but also about conducting ourselves professionally and responsibly, recognizing our role in society.”

Sergio P. Ermotti, Group Chief Executive Officer



Outcomes

- Positive corporate culture sustainable over the long term
- Many legacy issues resolved and associated risks reduced
- Enhanced detection capabilities (financial crime, “Know your client”)
- Stronger capital base gives more flexibility
- Improved resolvability in line with TBTF
- Tax regularization and product suitability
- Enhanced employee engagement

Success indicators/public recognition

- Regained client confidence/increased client satisfaction
- Progressive capital returns to shareholders since 2011
- Received a number of important industry awards
- Progress recognized by regulators, rating agencies
- UBS sets Swiss benchmark for client advisor certification
- UBS online banking recognized as industry leading
- UBS seen as one of the most attractive employers
- UBS is industry group leader DJ Sustainability Indices

Learning the lessons

We also invest in our employees' learning and development (through the compulsory Wealth Management Diploma for all our WM client advisors for example) and in technology (we are a member of roughly 80 stock exchanges and every relevant clearing and settlement infrastructure).

And to make sure that all of us have a common understanding of our culture and the way we do business, our approximately 60,000 employees working in more than 50 countries attend compulsory e-learning training sessions on these topics every year.

We 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 2015, our employees and external staff were required to complete over 800,000 mandatory training sessions, an increase of approximately 14% compared with 2014.

Standing out from the crowd

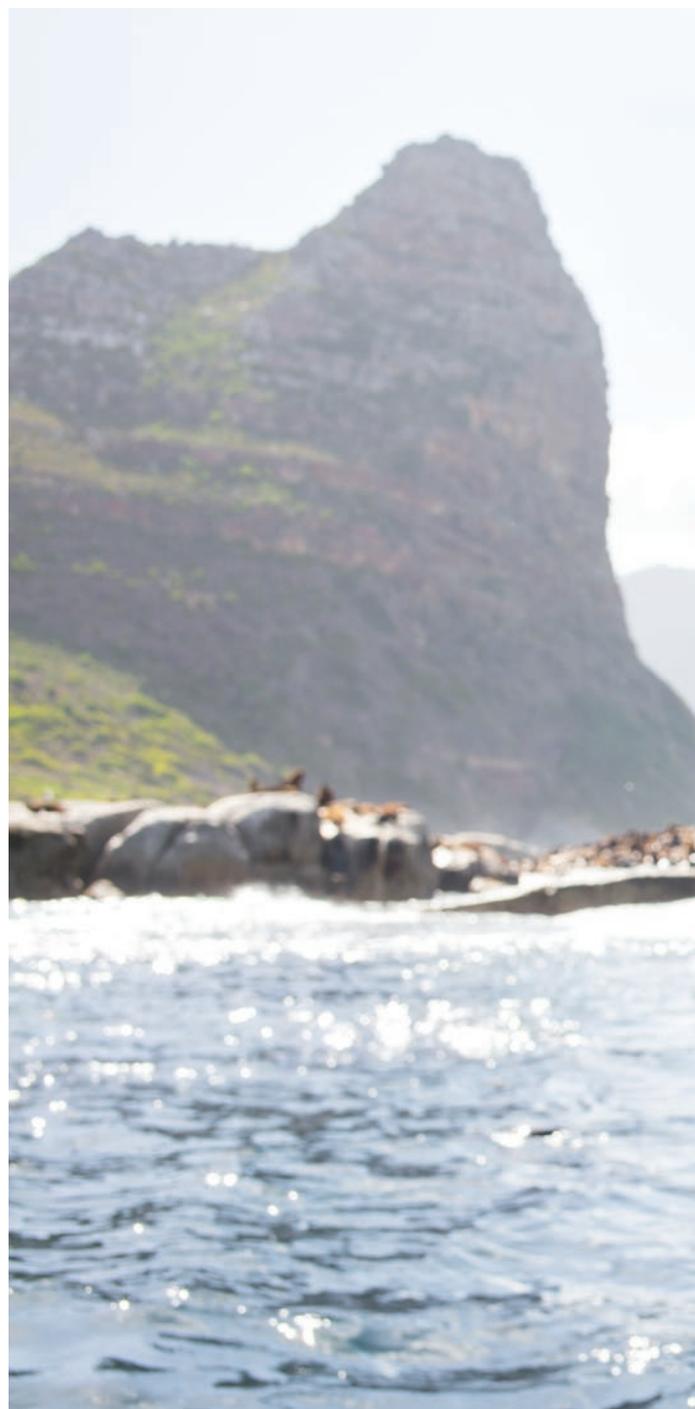
We are able to help our clients find the right solutions because executing our strategy also meant that we concentrated on our areas of excellence. Combined with our investments in people and systems, this enables us to offer expertise and know-how that differentiate us from our peers.

Keeping our assets in shape

To continue the successful execution of our strategy, we protect our assets from being lost, stolen, damaged or misused. For example, to protect our bank and its reputation, we have a global whistle-blowing policy and procedures. These provide a formal framework and multiple channels for all employees to speak up.

It's good to talk

If employees suspect breaches of laws, regulations or legal requirements to which the Group is subject, or of our Code of Conduct and Ethics or policies, or of any relevant professional standards, they can use a dedicated website or a telephone hotline to raise concerns confidentially. Our policies prohibit adverse action against employees acting in good faith. Following a comprehensive communications campaign, including a video message from our Chairman and CEO, cases brought to our attention have risen significantly since 2008. In line with our intent to actively encourage challenge, UBS employees are increasingly speaking up, and half of the cases reported in 2015 merited further investigation.



Hanli Prinsloo

My interest in ocean conservation started with competitive freediving. I was fascinated by the ability of the body to be underwater and redefining the limits of what the body could do. While traveling for the sport, I started to get opportunities to swim with marine animals, and my experiences swimming with these intelligent and often highly misunderstood creatures ignited my need to protect them and their environment. That led me to start the I AM WATER Foundation and to try to put systems in place to share these experiences with others.



"You can't change people's behavior by telling them what to do, but showing them the problem inspires them to change."

Hanli Prinsloo



State-of-the-art protection

To help us reduce operational risk linked to human behavior, we protect UBS's assets by enhancing our operational risk management capabilities. For example, we've made significant investments in technology to enable us to detect and react to potential issues faster, and to improve our ability to identify suspicious transactions or matters relating to political sanctions. We've also improved transaction surveillance and restricted the personal investment activities of our employees worldwide.

"The brand campaign is an expression of the successful strategic transformation UBS has undergone over the past four years."

Sergio P. Ermotti, Group Chief Executive Officer

A new structure

Another way to protect the bank and its clients is by adapting to the evolving and demanding regulatory environment in which we operate. Our legal structure improves the resolvability of the Group in response to too big to fail (TBTF) requirements in Switzerland and other countries in which the Group operates.

Industry recognition

We have received leading industry awards in numerous categories, including from *Euromoney*, *International Financing Review* and *The Banker*. We also took over the leadership position in 2015 in the Diversified Financials industry group of the Dow Jones Sustainability Indices, a recognition of what we have achieved since we started our journey of transformation.

UBS: brand new

Many of the changes that have occurred at UBS in the last four years found expression in our successful global brand campaign launched in September. The campaign featured a series of life- and career-defining questions asked by clients that ended with the promise: "For some of life's questions, you're not alone. Together we can find an answer."



We explain that we need to be more responsible about how we consume seafood because we are eating away the food that sea creatures rely on. If you encounter a seal or a dolphin yourself, rather than just reading about it, it is easier to understand and even feel what it means that we are eating it out of existence. The same with pollution. When you go for a wonderful blue water snorkel, someplace extremely remote that you think must be pristine, and you bump into plastic every time you surface, it's an experience you don't forget. And there are no parts of the oceans anymore that are free of floating plastic waste.

I really believe that these direct experiences people have can be transformational. And I think that is an added value, because it makes people start to ask questions, start to see things they hadn't seen before and start to think. I don't believe you can change behavior by telling people what to do. But by allowing them to see, they will change their behavior themselves. **Hanli Prinsloo**