UBS

UBS Group AG

Compensation Report 2018

Effective from 1 October 2018, the functional currency of UBS Group AG and UBS AG's Head Office in Switzerland changed from Swiss francs to US dollars and that of UBS AG's London Branch from British pounds to US dollars, in compliance with the requirements of International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates. The presentation currency of UBS Group AG's consolidated financial statements has changed from Swiss francs to US dollars to align with the functional currency changes of significant group entities. Prior periods have been restated for this change in presentation currency. Assets, liabilities and total equity were converted to US dollars at closing exchange rates prevailing on the respective balance sheet dates, and income and expenses were translated at the respective average rates prevailing for the relevant periods.

The presentation currency in the Compensation Report has also changed from Swiss francs to US dollars except for the compensation information of GEB members, BoD members and former GEB and BoD members, which is disclosed in Swiss francs with US dollar amounts for reference (translated from CHF to USD at the applicable spot rates or at the 2018 performance award currency exchange rate of CHF/USD 1.02). Refer to "Note 37 Currency translation rates" in the "Consolidated financial statements" section of our Annual Report 2018 for more information on the applicable spot rates.

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Dear shareholders,

The Board of Directors and I wish to thank you for your support once again at last year's Annual General Meeting and for sharing your views on our compensation practices over the past year.

Throughout 2018, the BoD Compensation Committee continued to oversee the compensation activities and ensure that reward reflects performance, prudent risk-taking and supports alignment with our shareholders and other stakeholders. I am pleased to present our Compensation Report for 2018, which provides further information about our compensation philosophy and approach.

Shareholder engagement

In 2018, we continued our engagement with shareholders and other stakeholders to listen to their perspectives about our compensation philosophy and framework. We have considered this valuable feedback in the regular review of our compensation framework and disclosure approach. We concluded that our current framework, which has remained broadly unchanged since 2012, continues to be best suited for our compensation philosophy and aligns with the interests of our investors, clients and employees.

While the feedback was overall positive, it also highlighted opportunities to further increase our transparency and to provide more clarity on certain aspects of our compensation philosophy and framework.

Consequently, we have enhanced our Compensation Report by introducing, among others, the following sections:
- a new "at a glance" section with key financial and compensation figures providing a clearer perspective on pay alignment with performance
- a new "shareholder engagement" section outlining frequent questions from stakeholders and our responses
- a new disclosure of the realized vs. awarded pay for the Group Chief Executive Officer (CEO) demonstrating our rigorous deferral approach
- a more transparent description of the judgment exercised by the Compensation Committee regarding compensation-related aspects such as performance award pool adjustments
- a revised structure and sequence of the Compensation Report enhancing readability and transparency

2018 performance

In 2018 we delivered strong financial results in overall challenging market conditions, demonstrating the soundness of our strategic choices and the strength of our diversified franchise.

Pre-tax growth was strong, resulting in an increase of 16% in net profit attributable to shareholders to USD 4.5 billion (CHF 4.4 billion), when excluding the effect of the US tax law change in the fourth quarter of 2017. We maintained a strong capital position with a CET1 capital ratio of 12.9% and a CET1 leverage ratio of 3.8%, and also met our 2020 capital requirements one year earlier than plan.

Our focus on sustainable performance, balancing cost and capital efficiency supported increased capital returns to investors. Our capital efficiency is reflected in an adjusted[1] return on tangible equity excluding DTAs at 12.9%, and return on CET1 capital at 13.1%.

In 2018, we bought back CHF 750 million of UBS shares, exceeding our target by CHF 200 million. The BoD intends to propose a dividend of CHF 0.70 per share for the financial year 2018, an increase of 8% compared with 2017.

While UBS continues to be one of the few European banks with a share price trading around or above tangible book value per share, we are as disappointed as our shareholders about the absolute share price performance. We believe the share price movement in 2018 does not reflect our overall financial performance and the value of our franchise.

At our Investor Update in October, we presented our strategy for cost and capital efficient growth, along with updated financial targets for the Group and business divisions. We are confident that we can continue to deliver profitable growth via cost discipline and leveraging technology to drive higher returns and create long-term value for our shareholders.

2018 performance award pool and expenses

The Compensation Committee considered the following primary drivers for pay decisions:
- Overall results for the Group and business division
- Quality of results (including developments on and provisions for litigation, regulatory and similar matters)
- Performance relative to peers
- Affordability
- Competitiveness in pay position

We continue to strongly differentiate individual compensation through our pay for performance approach. Pay decisions reflect performance differences by business and geography, as well as consideration for critical roles that drive and support both current and future sustainable performance.

Based on these considerations, the performance award pool for the Group is down about 1% at USD 3.1 billion / CHF 3.0 billion (compared with USD 3.2 billion / CHF 3.1 billion in the prior year).

The modest decrease of the performance award pool, while reflecting the strong performance of the firm in challenging market conditions, also demonstrates our disciplined approach in managing compensation over business cycles without compromising our competitive pay position.

After careful consideration the Committee has maintained the base salaries for the Group Executive Board (GEB) including the Group CEO at current levels. These salary levels have not been changed since 2011.

1 Refer to "Group performance" in the "Financial and operating performance" section of the Annual Report 2018 for more information on adjusted results.

The GEB performance award pool, including the Group CEO, was CHF 73.3 million (for reference USD 74.8 million), a reduction of 1%. As a percentage of the adjusted Group profit before tax, the GEB performance award pool was 1.2%, well below the cap of 2.5%. Reflecting the long-term nature of our deferral program, the Group CEO's realized pay was higher for 2018 than for 2017 due to the first vesting of the Deferred Contingent Capital Plan (awarded in 2012) and vesting of deferred shares under the Equity Ownership Plan (awarded in 2014 and earlier).

2018 compensation philosophy and framework

Our compensation philosophy aligns the interests of our investors, clients and employees. The consistency of our approach (largely unchanged since 2012) continues to reinforce our culture of sustainable performance, accountability and appropriate risk-taking. In addition, it provides clarity in compensation discussions with our employees as well as with our shareholders.

Variable compensation is earned over the performance year and is subject to mandatory deferral for many employees. This deferral approach creates a strong direct alignment of interests between employees and stakeholders.

To incentivize sustainable performance without inappropriate or excessive risk-taking, the Compensation Committee sets performance thresholds for deferred awards at levels to demonstrate the long-term quality of the past year's performance is sustainable.

If the minimum performance thresholds are not achieved, employees are subject to partial or full forfeiture. This approach is intended to discourage short-term profit making at the expense of longer-term performance.

We believe UBS has one of the most rigorous deferral regimes in the industry with a deferral period of up to five years, or longer for certain regulated employees. Our deferred share awards are without upside leverage and are directly aligned with share price returns.

Culture and behaviors

At UBS, we believe that the right strategy and a strong culture drive strong performance. The three keys to success – our Pillars, Principles and Behaviors – embody the foundation of our strategy and culture. They define what we stand for both as a firm and individually. Six years ago we redefined our three keys and we can now say that they are well embedded across UBS. They are at the core of our bank – for all of us, every day. In a fundamental way, they represent our philosophy and the culture of the organization.

The recognition of behaviors and culture is an important element of our framework. To reinforce the behaviors framework established by the BoD and the GEB, we reward not only what results were achieved, but also how they were achieved. We reward doing the right thing; collaborating across the bank and speaking up to identify opportunities and risks. We penalize instances of behavior that do not reflect our values.

Gender-related initiatives

UBS remains committed to hiring, retaining and promoting more women at all levels across the firm. The Compensation Committee systematically reviews any gender pay gap for equivalent roles across the workforce. Our policies and practices are impartial and equal, and we are committed to ensuring that all employees are paid fairly.

In 2018, we continued to develop career support, Human Resources processes and technology solutions to help better attract, develop and retain women at all stages of their careers.

Overall, while we are making progress towards our aspiration of increasing the ratio of women in management roles to one third, progress takes time and we must continue our focus on seeing more women progress into senior roles.

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

Compensation Committee membership

In 2018 Bill Parrett and Reto Francioni stood down from the Committee. I want to thank them both for their valuable input and perspectives that they provided to the Committee over the years. Also in 2018 we welcomed Julie Richardson and Dieter Wemmer to the Committee.

Annual General Meeting 2019

At the 2019 Annual General Meeting (AGM) on 2 May, we will seek your support on the following compensation-related items:

– the maximum aggregate amount of compensation for the BoD for the period from 2019 AGM to 2020 AGM
– the maximum aggregate amount of fixed compensation for the GEB for 2020
– the aggregate amount of variable compensation for the GEB for 2018
– shareholder endorsement in an advisory vote for the Compensation Report

Finally, this will be my last report as the Committee chair. I advised the board in February 2019 that, after 10 years' service, I will retire at the 2019 AGM. It has been my privilege to serve in the capacity of chair of this Committee and I want to take this opportunity to thank our shareholders for their valued input and support and to recognize the tremendous support I have had from management over the years. I wish my successor and the other Committee members every success in the future.

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

Performance and compensation at a glance

Financial achievements and strategic highlights

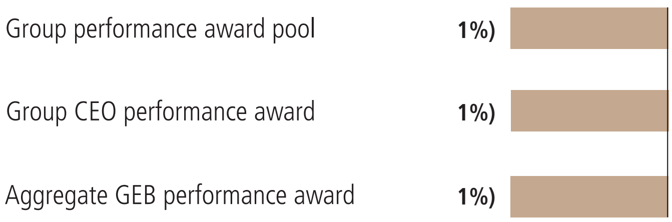
The following highlights the main financial achievements for the performance year 2018:
- delivered strong 2018 financial results in overall challenging market conditions
- Group profit before tax increased by 12% and net profit attributable to shareholders increased by 16%[1]
- maintained a strong capital position and met the 2020 capital requirements one year early
- achieved strong return on CET1 capital of 13.1%[2]
- repurchased CHF 750 million of UBS shares, exceeding the 2018 target of up to CHF 550 million

2018		
USD 6,063 million Adjusted Group profit before tax		
Profitability		Capital
12.9% Adjusted Group RoTE excl. DTAs[3]	USD 4,516 million Net profit attributable to shareholders	12.9% CET1 capital ratio
79.5% Adjusted Group cost / income ratio	USD 5,991 million Group profit before tax	3.8% CET1 leverage ratio

1 Excluding the USD 2,939 million net write-down of deferred tax assets (DTAs) following the enactment of the US Tax Cuts and Jobs Act (TCJA) in the fourth quarter of 2017. 2 Net profit / loss attributable to shareholders divided by average CET1 capital. 3 Calculated as adjusted net profit / loss attributable to shareholders excluding amortization and impairment of goodwill and intangible assets and deferred tax expense / benefit, such as the net write-down due to the TCJA enacted in the fourth quarter of 2017, divided by average tangible equity attributable to shareholders excluding any DTAs that do not qualify as CET1 capital.

Performance award year-on-year development

- Group performance award pool decreased by 1% compared to previous year
- Group CEO performance award of CHF 11.3 million, of which CHF 2 million in cash, bringing his total compensation to CHF 13.8 million (excluding benefits and contributions to retirement benefit plans), a decrease of 1% compared with 2017
- Group Executive Board (GEB) performance award pool, including the Group CEO, of CHF 73.3 million, a decrease of 1%



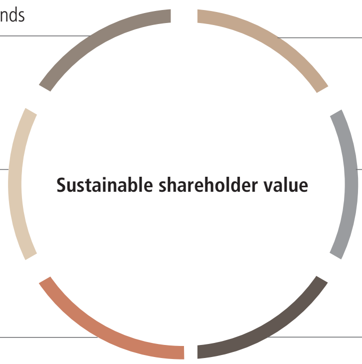
Compensation decision-making approach

To support sustainable shareholder value creation, our performance award decisions are based on business performance (including absolute achievement as well as relative achievement compared with prior year, established performance targets and our peers). When adjusting (positively or negatively) the performance award pool, the Compensation Committee considers the following dimensions:

Market position and trends
When determining the actual pay levels, the Compensation Committee factors in competitive compensation levels and trends

Overall performance
The Compensation Committee assesses Group, business division, regional and / or functional performance on an absolute and relative basis versus prior year, established performance targets and peers, including general market competitiveness

Affordability
To support our sustainable results, the decision-making process includes consideration of affordability



Capital returns to investors
The Compensation Committee considers UBS's capital position (including dividends and share buybacks)

Strategic initiatives
The Compensation Committee considers the progress against our strategic objectives, including capital growth and cost efficiency

Risk profile
The Compensation Committee considers the firm`s risk profile and culture, and the extent to which operational risk has been successfully managed, including risk reduction initiatives

Pay for performance

Our compensation philosophy is to align the interests of investors and clients with those of our employees, thereby linking pay to longer-term sustainable performance.

Sustainable shareholder value	Strong overall performance with net profit attributable to shareholders of USD 4.5 billion, an increase of 16%[1]
	Increased capital returns to investors with proposed dividend per share up 8% and a buyback of CHF 750 million of UBS shares, exceeding our target by CHF 200 million
	Managed operating expenses while investing for future growth
	Overall employee pay levels are aligned to pay competitively for comparable performance, while considering our capital position (including dividends and share buybacks)
Pay delivery mechanisms	Compensation structure is aligned with strategic priorities and focused on sustainability of results
	A significant portion of variable compensation is delivered through a mandatory deferral over a period of five years
	Awarded pay is aligned with adjusted pre-tax profit and capital returns to shareholders over multiple years
	Realized pay cannot exceed the award granted (other than for market movements and return of the instruments)
Consistent approach and strong governance	Compensation framework is largely unchanged since 2012
	Compensation framework approved by shareholders since 2014 (annual advisory vote at AGM)
	GEB compensation is governed by a rigorous process under Compensation Committee and BoD oversight
	Aggregate amounts of GEB compensation are subject to shareholder approval (annual binding say-on-pay vote at AGM)

1 Excluding the USD 2,939 million net write-down of DTAs following the enactment of the TCJA in the fourth quarter of 2017.

Specific additional pay for performance safeguards are in place for GEB members:

GEB compensation pay for performance safeguards	
Cap on individual performance awards (performance award for the Group CEO is capped at five times his fixed compensation and for the other GEB members at seven times)	Cap on total GEB performance award pool (2.5% of adjusted profit before tax)
Cap on individual cash performance award of USD / CHF 2 million	Share ownership requirements
At least 80% of awards are at risk of forfeiture	Six-month notice period in employment contracts
Long-term deferral and no leverage in compensation plans	No hedging strategies allowed

Shareholder engagement and say on pay

UBS is committed to an ongoing dialog on developments and trends in compensation and corporate governance matters. Through regular interaction with shareholders and other external stakeholders, we garner their perspectives, questions and concerns regarding our compensation philosophy and framework. This feedback is important to us when we review our compensation framework, including related disclosures, to confirm that it aligns with the interests of our investors as well as those of our employees. We have summarized frequent questions we received from different stakeholders and our responses below.

How does the Compensation Committee use its discretion to determine the performance award pool?
We enhanced the Compensation Report to better explain how the Compensation Committee applies judgment when determining the firm's overall performance award pool. The performance award pool funding begins with a direct link to risk-adjusted profit as described later in this report. The Compensation Committee then applies discretionary adjustments that reflect a range of factors such as capital returns to investors, risk profile, strategic initiatives, affordability, market position and trends. Consequently, the decision balances consideration of financial performance with a range of qualitative factors including discretion to consider the quality of earnings. With regards to developments on and provisions for litigation, regulatory and similar matters, it is important to distinguish between legacy matters and financial and operating performance for the year. To enable future growth through disciplined execution of our strategy and creation of sustainable shareholder value, it is essential that pay decisions are not driven by the potential impact of legacy matters, which may take several years to be resolved. At the same time, we are mindful of the potential costs of such matters, the prudent management of them and the effect on our share price.

How is the performance of the GEB members measured?
We assess the Group Executive Board (GEB) members' including the Group CEO's performance against a number of financial targets and goals related to our Pillars, Principles, and Behaviors. The financial measures and goals reflect our strategic performance targets, which are disclosed in our Annual Report 2018. To provide further context, we enhanced the performance assessment disclosure for the Group CEO and included details on the weighting of the financial targets as well as three years of actual results.

How are share price developments reflected in pay decisions?
Compensation is awarded based on the assessment of performance achievement while also considering risk profile, capital returns to shareholders, strategic initiatives, affordability and the competitiveness of our pay levels and approach as described in the "at a glance" section. We do not consider absolute share price performance, either positive or negative, directly in our pay decisions as it is not a direct measure of performance. Nevertheless, we do consider relative total shareholder returns in our decision-making process. Additionally, we consider other factors that evaluate the quality of the share price, such as that UBS continues to be one of the few European banks with a share price trading around or above tangible book value per share.

Our mandatory share-based deferral program creates direct alignment with shareholder returns and therefore many employees are directly impacted by the share price. While we are disappointed with our share price performance, we believe the share price movement in 2018 does not reflect the significant progress made during the year, nor the absolute financial performance. We expect that ultimately the value of our franchise and the quality of our earnings will be positively reflected in our share price.

How does UBS set minimum performance thresholds for their deferred awards?
To incentivize sustainable performance and avoid inappropriate or excessive risk-taking, the Compensation Committee sets for selected populations of employees minimum performance thresholds at levels that demonstrate that the long-term quality of the past year's performance is sustainable. Our approach reflects a level of performance that is ambitious and at the same time sustainable in terms of longer-term performance.

Each year, the Compensation Committee reviews thresholds relative to historical performance, our financial plan and our ambitions, and establishes vesting with minimum performance thresholds for our Equity Ownership Plan (EOP) awards. If the minimum performance thresholds are not achieved over a multi-year period, an employee's award is subject to partial or even full forfeiture.

At the time of the award, several performance conditions relating to the respective performance year guide the level of granted variable compensation components. We believe that employees should not have to earn their variable compensation twice through the achievement of future performance targets beyond the minimum threshold level as this may encourage excessive risk-taking. Our approach is intended to discourage short-term profit making at the expense of longer-term performance.

Why does UBS use a deferral instead of a long-term incentive (LTI) plan?

The Compensation Committee regularly reviews our framework to confirm it remains competitive and aligned with stakeholders' interests. In our 2018 review, we concluded that our approach with a deferred annual performance award subject to time-based vesting and minimum performance thresholds for a selected population is best suited for our compensation philosophy. We believe our deferral approach is simple and transparent compared with alternatives such as separate annual incentives and LTI awards.

In our review of alternative approaches, including where individuals would receive additional payouts based on achievement of stretch targets, we concluded these approaches are neither simple nor transparent. They are often accompanied by additional leverage where multiples of the awards are delivered for achieving these targets and are granted to employees at a discounted value. They may also encourage excessive risk-taking and are often only available to a small population of employees.

Our compensation framework has no upward leverage, such as multiplier factors, and consequently does not encourage excessive risk-taking but supports sustainable performance and responsible risk-taking. The same instruments are granted to all eligible employees, although stricter performance conditions are applied to our more senior employees. This approach has allowed us to attract, retain and incentivize a talented workforce.

How does UBS set the maximum aggregate amount of fixed compensation for the GEB members?

We set the maximum aggregate amount of fixed compensation or budget to support the total fixed pay for each individual GEB member. Each GEB member receives a fixed base salary, which is reviewed annually by the Compensation Committee. The Group CEO's annual base salary for 2018 was CHF 2.5 million and has remained unchanged since his appointment in 2011. The other GEB members received a base salary of CHF 1.5 million (or local currency equivalent), also unchanged since 2011. Relative to our competitors for equivalent roles, we believe this level is appropriate. A few GEB members are considered Material Risk Takers (MRTs) for UK / European entities or Senior Management Functions (SMFs) and receive role-based allowances in addition to their base salary as part of their fixed compensation. The budget also includes benefits in line with local practices for other employees. Finally, as the budget is a maximum spend, we include a reserve to consider potential future changes in GEB composition or role changes, and potential additional role-based allowances.

Say-on-pay votes at the AGM

In line with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, we seek binding shareholder approval for the aggregate compensation for the GEB and for the BoD. The BoD believes that prospective approval for the fixed remuneration for the BoD and the GEB provides the firm and its governing bodies with the certainty necessary to operate effectively. Furthermore, retrospective approval for the GEB's variable compensation awards aligns total compensation for the GEB to performance and contribution, and to developments in the marketplace and across peers.

The combination of the binding votes on compensation and the advisory vote on the compensation framework reflects our commitment to our shareholders having their say on pay.

→ **Refer to "Provisions of the Articles of Association related to compensation" in the "Supplemental information" section of this report for more information**

Approved compensation

For the performance year 2018, at the 2017 AGM, shareholders approved a maximum aggregate fixed compensation amount of CHF 31,500,000 for the members of the GEB, including base salaries and role-based allowances, estimated standard contribution to retirement benefit plans, other benefits and a buffer. The aggregate fixed compensation paid in 2018 to the GEB members did not exceed the approved amount for 2018.

→ **Refer to "2018 total compensation for the GEB members" in the "Compensation for the Group CEO and the other GEB members" section of this report**

Say on pay – compensation-related votes at the 2018 AGM

2018 AGM say-on-pay voting schemes	2018 AGM actual shareholder votes	Vote "for"
Binding vote on GEB variable compensation	Shareholders approved CHF 74,150,000 for the financial year 2017[1, 2, 3]	82.6%
Binding vote on GEB fixed compensation	Shareholders approved CHF 31,500,000 for the financial year 2019[3]	84.8%
Binding vote on BoD remuneration	Shareholders approved CHF 14,500,000 for the period from the 2018 AGM to the 2019 AGM[1, 2, 4]	86.1%
Advisory vote on compensation report	Shareholders approved the UBS Group AG Compensation Report 2017 in an advisory vote	81.4%

1 Local currencies are translated into Swiss francs at the exchange rates stated in "Note 34 Currency translation rates" in the "Consolidated financial statements" section of our Annual Report 2017. 2 Excludes the portion related to the legally required employer's social security contributions. 3 Thirteen GEB members were in office on 31 December 2018 including two new GEB members appointed on 1 October 2018 and one on 1 November 2018; two GEB members stepped down on 31 December 2017 and 30 September 2018, respectively; and twelve GEB members were in office on 31 December 2017. 4 Twelve BoD members were in office on 31 December 2018.

Compensation-related proposals for 2019

At the 2019 AGM, we will ask our shareholders to vote on the variable compensation for the GEB for 2018, the fixed compensation for the GEB for 2020 and the compensation for the BoD from the 2019 AGM to the 2020 AGM. In addition, we will also ask our shareholders for an advisory vote on our Compensation Report, which describes our compensation framework, governance and policy. Both the advisory vote on our compensation policy and the binding votes on compensation reflect our commitment to transparent say on pay for our shareholders. The table below outlines our compensation proposals and includes supporting rationales that we intend to submit to the 2019 AGM for binding votes (in line with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations and our Articles of Association).

Compensation-related proposals for binding votes at the 2019 AGM

Item	Proposal	Rationale
GEB variable compensation	The Board of Directors proposes an aggregate amount of variable compensation of CHF 73,300,000 for the members of the GEB for the financial year 2018.	The proposed amount reflects a decrease of 1% compared with the prior year. This modest decrease is in line with the decrease in the overall performance award pool of the firm and demonstrates our disciplined approach in managing GEB compensation over business cycles without compromising our competitive pay position. The proposed amount further reflects the GEB members' achievements in delivering sustainable performance, maintaining a strong capital position and increasing payouts to shareholders in a year with challenging market conditions.
GEB fixed compensation	The Board of Directors proposes a maximum aggregate amount of fixed compensation of CHF 33,000,000 for the members of the GEB for the financial year 2020.	The proposal to increase the budget by CHF 1,500,000 reflects the expanded GEB following the new appointments in 2018. The base salaries for the Group CEO and other GEB members have remained at the same level since 2011. The requested increase amount is aligned with the base salary for one GEB member, resulting in a reduction of the reserve amount while maintaining flexibility in light of evolving EU regulation, Brexit and competitive considerations for a potential role-based allowance.
BoD compensation	The Board of Directors proposes a maximum aggregate amount of compensation of CHF 14,500,000 for the members of the Board of Directors for the period from the 2019 AGM to the 2020 AGM.	The proposed amount is unchanged compared to the previous 2018 / 19 period, reflecting the stable number of BoD members. The amount includes the Chairman's compensation, which has remained unchanged since 2015, as well as fees paid to the independent BoD members. The fixed base fees are unchanged from the 2018 / 19 period and have been broadly flat since 1998.

Compensation philosophy and framework

Our compensation philosophy

Total Reward Principles

Our compensation philosophy is to align the interests of our investors with those of our clients and employees, building on our three keys to success – our Pillars, Principles and Behaviors. Our Total Reward Principles establish a framework that balances sustainable 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 aligns the interests of our stakeholders with those of our employees and encourages our employees to focus on our clients, create sustainable value and achieve the highest standards of performance. Moreover, we reward behaviors that help build and protect the firm's reputation – specifically integrity, collaboration and challenge. We strive for excellence and sustainable performance in everything we do. Compensation for each employee is based on individual, team, business division and Group performance, within the context of the markets in which we operate.

Total Reward Principles

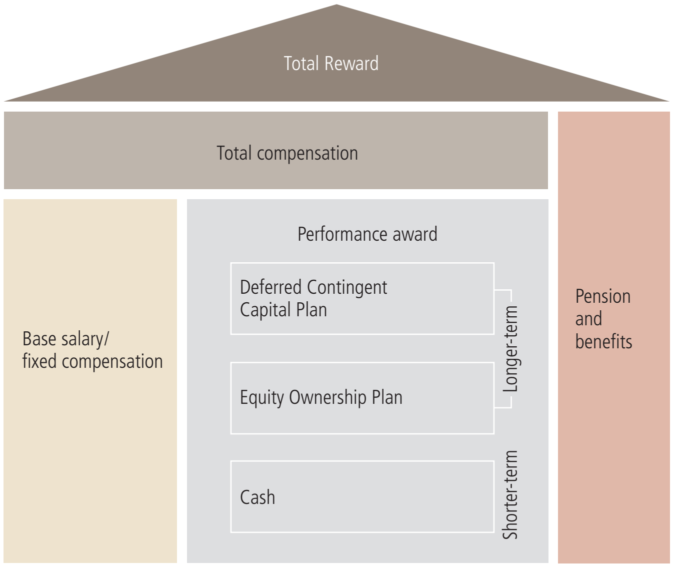
Our Total Reward Principles apply to all employees globally. They may vary in certain locations according to local legal requirements and regulations. The table below provides a summary of our Total Reward Principles.

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

Our Total Reward approach

At UBS, we apply a holistic approach to compensation. Our Total Reward approach consists of fixed compensation (base salary and role-based allowances, if applicable), performance awards (cash performance award and, for employees with total compensation exceeding USD / CHF 300,000, Equity Ownership Plan and Deferred Contingent Capital Plan awards), pension contribution and benefits. Performance awards, where applicable, are determined based on a number of factors, including Group, business division, team and individual performance, and awarded in line with applicable local employment conditions and at the discretion of the firm.

Our Total Reward is structured to support sustainable results. A substantial portion of our performance award is deferred and vests over a period of five years, or longer for certain regulated employees. This deferral approach supports alignment of employee and investor interests, our capital base and the creation of sustainable shareholder value.



Illustrative overview

Performance award

The performance award process consists of pool funding determination, allocation and delivery and, if applicable, deferral to align reward with sustainable performance as outlined in the chart below. This process also includes additional specific pay for performance safeguards for our Group Executive Board (GEB) members.

Performance award

Pool funding determination	Allocation	Delivery and deferral
Performance award pool is determined by considering risk-adjusted and sustainable performance, including:	**Performance awards are allocated to employees based on Group, business division, team and individual performance recognizing what was achieved and how it was achieved, including:**	**Performance awards are delivered through a deferral to align employee interests with investor interests:**
– Overall performance including quality of earnings and capital strength – Returns to investors – Risk profile and adjustments – Progress on strategic initiatives – Affordability – Market competitiveness / position	– Client focus – Financial results and capital management – Risk management – People and talent development – Pillars, Principles and Behaviors	– Substantial amounts of performance awards are deferred – At least 50% deferred for Key Risk Takers – Long-term deferral of up to five years, or longer for certain regulated employees – Shareholder- and debt holder-aligned vehicles – No leverage in compensation plans

Additional GEB pay-for-performance safeguards:

– Cap on individual performance awards and total GEB performance award pool	– Allocations based on a performance assessment considering financial targets and goals that includes Group / business division and / or region performance including our Pillars, Principles and Behaviors – Performance assessment includes evaluation by a control function	– At least 80% of awards are at risk of forfeiture – Cap on cash performance award – Share ownership requirements – Six-month notice period in employment contracts – No hedging strategies allowed – Binding votes on aggregate GEB compensation – Advisory vote on the Compensation Report

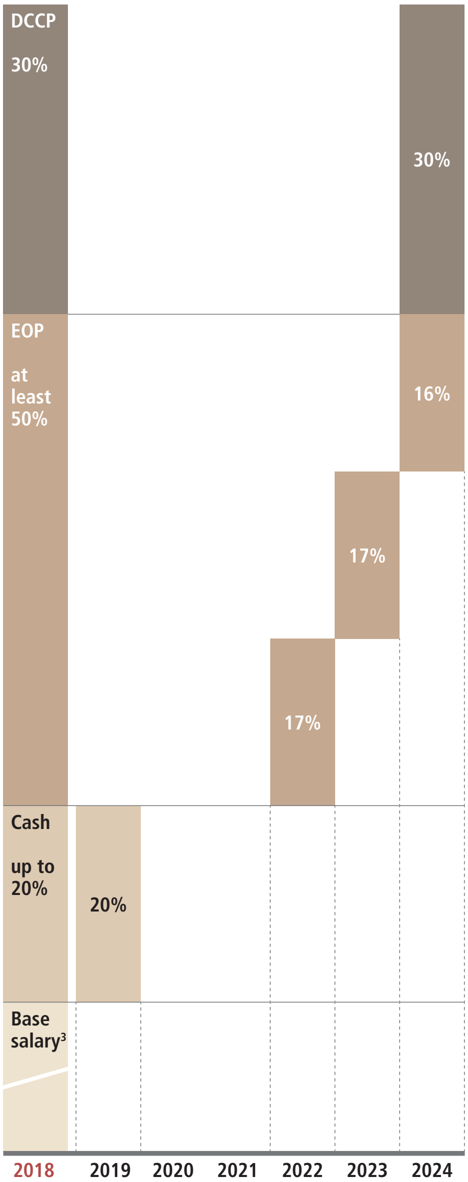
Compensation framework for GEB members

The graph below illustrates the compensation elements, pay mix and pay for performance safeguards for GEB members.

2018 compensation framework for GEB members (illustrative example)

Up to 20% of the annual performance award is paid in the form of cash and at least 80% will be deferred over a period of five years[1], with at least 50% granted under the EOP and the remaining 30% under the DCCP.

Payout of performance award[1]



Key features

DCCP

Notional additional tier 1 (AT1) capital instruments

30% of the performance award is granted under the Deferred Contingent Capital Plan (DCCP). The award vests after five years, subject to write-down if a trigger or viability event occurs. The award is subject to 20% forfeiture for each financial year if UBS does not achieve an adjusted Group profit before tax

Notional interest payments will be made annually, where regulation permits, subject to review and confirmation by the firm

The award is subject to continued employment and harmful acts provisions

EOP

Notional shares

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

Dividend equivalents, where regulation permits, are subject to the same terms as the underlying EOP award

The award is subject to continued employment and harmful acts provisions

Cash

Up to 20% of the performance award is paid out in cash[2], subject to a cash cap of USD / CHF 2 million. Any amount above the cash cap is granted under the EOP

Pay for performance and safeguards

Our compensation framework is designed to pay for performance. A performance award is based on the individual's performance assessment against a number of financial targets and goals related to Pillars, Principles and Behaviors measures

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

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

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

Share retention	1,000,000 UBS shares for the Group CEO 500,000 UBS shares for other GEB members	GEB members are required to hold a certain number of UBS shares as long as they are in office This holding has to be built up within a maximum of five years from the date of their appointment to the GEB

1 Senior Management Functions have extended deferral periods, with the deferred performance awards vesting in equal installments annually between years 3 and 7. Material Risk Takers (MRTs) have an additional 12-month blocking period on their awards post vest. 2 UK MRTs receive 50% in the form of blocked shares. 3 May include role-based allowances in line with market practice in response to regulatory requirements.

GEB share ownership requirements

To align GEB members' interests with those of our shareholders and to demonstrate commitment to the firm, we require the Group CEO and the other GEB members to hold a substantial number of UBS shares. GEB members must build up their minimum shareholding within five years from their appointment and retain it throughout their tenure. The total number of UBS shares held by a GEB member consists of any vested or unvested shares and any privately held shares. GEB members may not sell any UBS shares before they reach the minimum ownership thresholds mentioned below. At the end of 2018, GEB members met their share ownership requirements, except for those appointed during 2016 and 2018, who need to build up and meet the required share ownership level by 2021 and 2023, respectively.

Other employees have no binding share ownership requirements. However, employees that are subject to mandatory deferral for their performance award, receive a significant portion of pay in shares. In addition, through our employee share purchase program, employees below the rank of Managing Director may voluntarily defer a portion of their salary and / or performance award for the purchase of UBS shares. Further, many of our employees choose to retain shares after they are vested and free of restrictions.

Share ownership requirements

Group CEO	min. 1,000,000 shares	Must be built up within five years from their appointment and retained throughout their tenure.
Other GEB members	min. 500,000 shares	

Caps on the GEB performance award pool

The size of the GEB performance award pool may not exceed 2.5% of the adjusted Group profit before tax. This limits the overall GEB compensation based on the firm's profitability.

For 2018, the Group's adjusted profit before tax was USD 6.1 billion and the total GEB performance award pool was USD 74.8 million. The performance award pool as a percentage of adjusted Group profit before tax was 1.2%, which is well below the cap of 2.5%.

In line with the individual compensation caps on the proportion of fixed pay to variable pay for all GEB members (introduced in 2013), the Group CEO's performance award is capped at five times his fixed compensation. Performance awards of other GEB members are capped at seven times their fixed compensation (or two times for GEB members who are also Material Risk Takers (MRTs)). For 2018, performance awards for GEB members and the Group CEO were, on average, 3.2 times their fixed compensation (excluding benefits and contributions to retirement benefit plans).

GEB employment contracts

The employment contracts of the GEB members do not include severance terms, sometimes referred to as golden parachutes, or supplementary pension plan contributions. All employment contracts for GEB members are subject to a notice period of six months. A GEB member leaving the firm before the end of a performance year may be considered for a performance award during that performance year in line with the approach described in this report. Such awards are subject to approval of the BoD, which may decide not to grant any awards.

→ **Refer to the "Compensation for the Group CEO and the other GEB members" section of this report for more information on performance assessment**

Benchmarking for the Group CEO and other GEB members

When recommending performance awards for the Group CEO and the other GEB members, the Compensation Committee reviews the respective total compensation for each role against a financial industry peer group selected for the comparability of their size, business mix, geographic presence and the extent to which they compete with us for talent. The Compensation Committee also considers our peers' strategies, practices, pay levels and regulatory environment, and may periodically reference other firms' pay levels or pay practices, including both financial and non-financial sector peers. The total compensation for a GEB member's specific role considers the compensation paid by our peers for a comparable role and performance. The Compensation Committee periodically reviews and approves the peer group for executive compensation.

The table below presents the composition of our peer group for 2018, which has been reviewed and approved by the Compensation Committee for the performance year 2018:

Bank of America	Goldman Sachs
Barclays	HSBC
BlackRock	JPMorgan Chase
BNP Paribas	Julius Baer
Citigroup	Morgan Stanley
Credit Suisse	Standard Chartered
Deutsche Bank	State Street

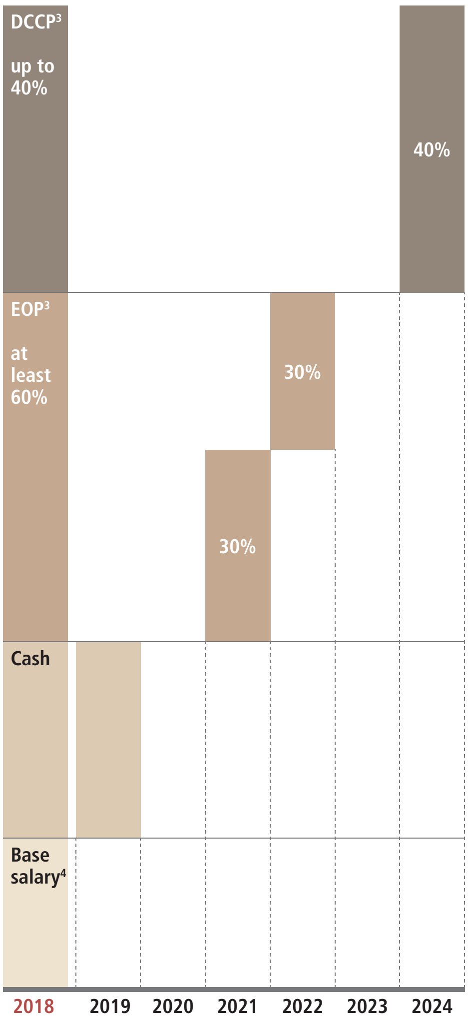
Compensation framework for employees other than GEB members

The graph below provides an overview of the compensation elements, pay mix and specific pay for performance safeguards for our employees other than GEB members, except where otherwise noted in this section.

2018 compensation framework for employees other than GEB members (illustrative example)

A mandatory deferral framework applies to employees that receive performance awards with total compensation in excess of USD / CHF 300,000. A significant portion of the performance award is deferred over a period of five years, with at least 60% of the deferred performance award granted under the EOP and up to 40% under the DCCP[1, 2].

Payout of performance award[1,2]



Key features

Notional additional tier 1 (AT1) instruments

Not more than 40% of the deferred performance award is granted under the DCCP. The award vests in year 5, subject to forteiture if a capital ratio trigger or viability event occurs

Notional interest payments will be made annually, where regulation permits, subject to review and confirmation by the firm

The award is subject to continued employment and harmful acts provisions

Notional shares[5]

At least 60% of the deferred performance award is granted under the Equity Ownership Plan (EOP). The award vests in equal installments after the years 2 and 3, subject to continued employment and harmful acts provsions

Awards granted to GMDs, KRTs (including Highly Paid Employees) and SMFs are also subject to forteiture if Group and respective business division performance conditions over the performance period are not met[6]

Dividend equivalents, where regulation permits, are subject to the same terms as the underlying EOP award

Mandatory deferral framework applies to employees with total compensation in excess of USD / CHF 300,000

Cash incentive is graduated, based on the relevant deferral mix. Higher performance awards result in a higher deferral rate. Any amount above the cash cap is granted under the EOP

Pay for performance and safeguards

Our compensation framework is designed to pay for performance. A performance award is based on the individual's performance assessment against a number of financial targets and goals related to Pillars, Principles and Behaviors

At least 60% of the deferred performance award is at risk of forfeiture

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

Our compensation framework contains a number of features supporting appropriate risk management with safeguards to discourage inappropriate risk-taking:

- potential realized pay cannot exceed the award granted (other than for market movements and returns); no upward leverage, such as multiplier factors. The final deferred payout can be forfeited up to 100% in cases where performance conditions are not met or harmful acts provisions apply
- a mix of shorter-term and longer-term performance awards with a focus on deferral
- provisions that enable the firm to trigger forfeiture of some, or all, of the unvested deferred performance award if an employee commits certain harmful acts, or if the employment is terminated for cause

1 Asset Management employees in investment areas receive at least 75% of their deferred performance awards in notional funds under the EOP and up to 25% under the DCCP; Asset Management employees in non-investment areas receive at least 50% of their deferred performance awards in notional funds plus at least 25% in notional UBS shares under the EOP, and up to 25% under the DCCP. 2 Certain regulated employees, such as UK SMFs or MRTs, are subject to additional requirements (e.g., more stringent deferral requirements, additional blocking periods). 3 Graduated, based on updated 2018/19 deferral mix. 4 May include role-based allowances in line with market practice in response to regulatory requirements. 5 Notional funds for Asset Management employees. 6 Includes Asset Management employees who are Group Managing Directors (GMDs) or Key Risk Takers (KRTs) including Highly Paid Employees.

Benchmarking for employees other than GEB members

We generally consider market practice in our pay decisions and framework. Our market review reflects a number of factors, including the comparability of the business division, location, scope and the diversity of our businesses. For certain businesses or roles, we may take into account practices at other major international banks, other large Swiss private banks, private equity firms, hedge funds and non-financial firms. Furthermore, we also benchmark employee compensation internally for comparable roles within and across business divisions and locations.

Employee share purchase program

The Equity Plus Plan is our employee share purchase program. It allows employees below the rank of Managing Director to voluntarily defer up to 30% of their base salary and / or up to 35% of their performance award (up to USD / CHF 20,000 annually) for the purchase of UBS shares. Eligible employees may buy UBS shares at market price and receive one additional share for every three shares purchased through the program. The additional shares vest after a maximum of three years, provided the employee remains employed with the firm and has retained the purchased shares throughout the holding period.

→ **Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2018 for more information**

Compensation for US financial advisors in Global Wealth Management

In line with market practice for US wealth management businesses, the compensation for US financial advisors in Global Wealth Management is comprised of production payout and deferred compensation awards. Production payout, paid monthly, is primarily based on compensable revenue. Financial advisors may also qualify for deferred compensation awards, which generally vest over a six-year period. The awards are based on strategic performance measures, including production, length of service with the firm and net new business. Production payout rates and deferred compensation awards may be reduced for, among other things, errors, negligence or carelessness, or a failure to comply with the firm's rules, standards, practices and policies or applicable laws and regulations.

Compensation elements

Overall, we look across all elements of pay when making our decisions on total compensation. We regularly review our principles and compensation framework to remain competitive and aligned with stakeholders. For 2018, we made no material changes to our overall framework. We will continue to review our approach to salaries and performance awards in light of market developments, affordability, our performance and our commitment to deliver sustainable returns to our shareholders. Our policies and practices are impartial and equal, and we are committed to ensuring that all employees are paid fairly.

Base salary and role-based allowance

Employees' fixed compensation (e.g., base salary) reflects their level of skill, role and experience, as well as local market practice. Base salaries are usually paid monthly or fortnightly in line with local market practice. We offer our employees competitive base salaries that reflect the location, function and role. Salary increases generally consider promotions, skill set, performance and overall responsibility.

Each GEB member receives a fixed base salary, which is reviewed annually by the Compensation Committee. The Group CEO's annual base salary for 2018 was CHF 2.5 million and has remained unchanged since his appointment in 2011. The other GEB members received a base salary of CHF 1.5 million (or local currency equivalent), also unchanged since 2011.

In addition to a base salary and as part of fixed compensation, some employees may receive a role-based allowance. This allowance represents a shift in the compensation mix between fixed and variable compensation and not an increase in total compensation. It reflects the market value of a specific role and is fixed, non-forfeitable compensation. Unlike salary, a role-based allowance is paid only as long as the employee is in a specific role. Similar to previous years, 2018 role-based allowances consisted of a cash portion and, where applicable, a blocked UBS share award.

A few GEB members are considered Material Risk Takers (MRTs) for UK / European entities due to their impact on those entities, regardless of personal domicile. In addition to base salary, role-based allowances are part of their fixed compensation.

At the Annual General Meeting, shareholders are asked to approve the maximum aggregate amount of fixed compensation for the members of the GEB for the following financial year. The amount requested includes a reserve to consider potential future changes in GEB composition or role changes, and potential additional role-based allowances.

→ **Refer to the "Supplemental information" section of this report for more information on MRTs and Senior Management Functions (SMFs)**

→ **Refer to the "Shareholder engagement and say on pay" section of this report for more information on the shareholders' vote on the GEB compensation**

Pensions and benefits

For all employees, we offer certain benefits such as health insurance and retirement benefits. These benefits vary depending on the employee's location and are intended to be competitive in each of the markets in which we operate. Pension contributions and pension plans also vary across locations and countries in accordance with local requirements and market practice. However, pension plan rules in any one location are generally the same for all employees, including management.

For GEB members, pension contributions and benefits are in line with local practices for other employees. No enhanced or supplementary pension contributions exist for the GEB.

Performance award

Most of our employees are eligible for an annual performance award. The level of the award, where applicable, generally depends on the firm's overall performance, the employee's business division, team and individual performance, and behavior, reflecting their overall contribution to the firm's results.

In addition to the firm's Pillars and Principles, Behaviors related to integrity, collaboration and challenge are part of the performance management approach. Therefore, when assessing performance, we take into account not only what was achieved, but also how those results were achieved.

Our deferred compensation plans

To reinforce our culture, risk management approach and emphasis on sustainable performance, we deliver part of our annual variable compensation through a deferral. We believe our approach with a single incentive decision and a deferral is simple and transparent, and is best suited to implementing our compensation philosophy and delivering sustainable performance. This aligns our employees' and stakeholders' interests and appropriately links compensation to longer-term sustainable performance. Deferred compensation is delivered through two plans: (i) the Equity Ownership Plan (EOP), which primarily aligns employee interest with those of our shareholders, and (ii) the Deferred Contingent Capital Plan (DCCP), which aligns employee interest with the interests of debt holders.

The potential realized pay cannot exceed the award granted other than for market movements and returns of the instruments. Therefore, our compensation plans have no upward leverage, such as multiplier factors, and consequently do not encourage excessive risk-taking. We believe our deferral regime has one of the longest vesting periods in the industry. The average deferral period is 4.4 years for GEB members and 3.5 years for employees below GEB level.

To further promote sustainable performance, our deferred compensation components include malus conditions. These enable the firm to forfeit unvested deferred awards under certain circumstances, including performance and harmful acts.

Additionally, deferred awards granted to our most senior employees and to Highly Paid Employees (employees with a total compensation exceeding USD / CHF 2.5 million) are subject to performance conditions. Under the EOP and DCCP, employees who are not Material Risk Takers (MRTs) may receive annual dividend equivalents / notional interest payments. From performance year 2017, European Banking Authority guidelines no longer permit MRTs to receive dividend or interest payments on instruments awarded as deferred variable remuneration. Where dividend payments are not permitted, the grant price of the EOP award is adjusted for the expected dividend yield over the vesting period to reflect the fair value of the non-dividend bearing award. Similarly, where interest payments are not permitted, the DCCP award reflects the fair value of the granted non-interest bearing award.

For employees other than GEB members, a portion of performance awards above a total compensation of USD / CHF 300,000 is deferred in UBS notional shares and / or UBS notional instruments over a period of five years, or longer for certain regulated employees. Of the deferred annual performance award, at least 60% is deferred in UBS notional shares under the EOP and up to 40% in notional capital instruments under the DCCP. Asset Management employees in investment areas continue to receive at least 75% of their deferred performance awards in notional funds under the EOP and up to 25% under the DCCP. From performance year 2018, Asset Management employees in non-investment areas will receive at least 50% of their deferral in notional funds plus at least 25% in notional UBS shares under the EOP, and up to 25% under the DCCP. This aligns Asset Management employee compensation more closely with industry standards and also aligns the non-investment areas to Group performance.

The deferred amount increases at higher marginal rates in line with the value of the performance award. The portion of the performance award paid out in cash is capped at USD / CHF 2 million (or the equivalent in other currencies). Amounts in excess of the cash cap are deferred in notional shares under the EOP. The effective deferral rate therefore depends on the amount of the performance award and the amount of total compensation.

For each GEB member, at least 80% of the performance award is deferred, while a maximum of 20% can be paid out in cash, which is capped to defer a higher portion and thus further aligns GEB members' and shareholders' interests. For the performance year 2018, a minimum of 50% of the overall performance award is granted under the EOP, which vests in three equal installments in years 3 to 5, provided that performance conditions are met. The remaining 30% of the overall performance award is granted under the DCCP. For the GEB member whose role was considered in 2018 a UK Senior Management Function (SMF), additional provisions applied that are described under "UK Senior Managers and Certification Regime" in the "Supplemental information" section of this report.

→ **Refer to the "Performance conditions for EOP awards granted in 2019" section of this report for more information on performance conditions**

→ **Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2018 for more information**

→ **Refer to the "Supplemental information" section of this report for more information on MRTs and SMFs**

→ **Refer to "Vesting of outstanding awards granted in prior years subject to performance conditions" in the "Supplemental information" section of this report for more information**

Equity Ownership Plan

The Equity Ownership Plan (EOP) is a mandatory deferral plan for all employees with total compensation greater than USD / CHF 300,000. For the performance year 2018, we granted EOP awards to 4,130 employees.

The plan includes provisions that allow the firm to reduce or fully forfeit the unvested deferred portion of the granted EOP award if an employee commits certain harmful acts, and in most cases trigger forfeiture where employment has been terminated.

For GEB members, Group Managing Directors (GMDs), Key Risk Takers (KRTs) (including Highly Paid Employees) and Senior Management Functions (SMFs), the EOP awards granted will only vest if both Group and business division performance conditions are met. For all awards granted for the performance years 2017 (awarded in early 2018) and prior, the Group performance condition was based on the average adjusted return on tangible equity (RoTE) excluding deferred tax assets (DTAs) over the performance period. Starting with the EOP awards granted in 2019 for the performance year 2018, the Group performance condition is based on the average reported return on CET1 capital (RoCET1), consistent with our revised performance targets and ambitions, which became effective at the beginning of 2019. Business division performance is measured on the basis of their average adjusted return on attributed equity (RoAE). For Corporate Center employees, it is measured on the basis of the average operating businesses' adjusted RoAE. The Group and business division thresholds for Performance EOP awards granted in 2019 reflect the changes announced at our 2018 Investor Update and demonstrate our commitment to sustainable performance. At the same time, it reflects moving from an adjusted to a reported Group performance measure, as well as pushing out additional costs from Corporate Center and increasing attributed equity for business divisions. On a like-for-like basis the thresholds established for 2019 are comparable to prior year thresholds.

The primary measure to determine vesting of EOP awards is the average adjusted Group RoTE excluding DTAs and from 2019 onwards the average reported Group RoCET1.

If the Group performance measure is equal to or above the performance threshold of 8%, the EOP award will vest in full, provided that the relevant business division performance condition has also been met. If the Group performance measure is 0% or negative, the installment will be fully forfeited regardless of any business division's individual performance. If the Group performance measure is between 0% and 8%, the award will vest on a linear basis at 0–100%, again provided that the relevant business division performance condition is met.

The secondary measure to determine vesting of EOP awards is business division adjusted RoAE. If the business division adjusted RoAE performance threshold (refer to the table on the next page) is met, the EOP award will vest in accordance with the achievement of the Group performance. However, if the business division adjusted RoAE is 0% or below, the respective awards of employees in this business division are subject to complete forfeiture. If the business division adjusted RoAE is between 0% and the business division threshold, these awards are subject to forfeiture of up to 40%. The Compensation Committee determines whether the performance conditions have been met.

One of our key objectives is to deliver sustainable performance, and therefore we link the EOP award vesting with minimum performance thresholds over a multi-year time horizon. Unlike many of our competitors, who set maximum targets for their LTI plans, our deferred awards have no upward leverage. Consequently our awards are aligned with sustainable results and do not encourage excessive risk-taking. This approach promotes sustainable performance by establishing a minimum level of performance, below which awards are subject to full or partial forfeiture.

→ **Refer to "Vesting of outstanding awards granted in prior years subject to performance conditions" in the "Supplemental information" section of this report for more information**

Performance conditions for EOP awards granted in 2019

At the time of the Equity Ownership Plan (EOP) award, several performance conditions relating to the respective performance year guide the level of granted variable compensation components. In addition, the Compensation Committee sets for selected populations of employees minimum future performance thresholds at levels to demonstrate that the long-term quality of the past year's performance is sustainable.

Each year the Compensation Committee reviews thresholds relative to historical performance, our financial plan and our ambitions and establishes vesting with minimum performance thresholds for our EOP awards. If the minimum performance thresholds are not achieved over a multi-year period, an employee's award is subject to partial or full forfeiture.

Once set, the performance thresholds remain in place for all EOP performance vesting installments for that particular award year. For GEB members, the award vests in equal installments after years 3, 4 and 5. For GMDs and KRTs, including Highly Paid Employees, the award vests in equal installments after years 2 and 3.

	Vesting after	Applicable performance period
GEB / SMF[1]	3 years (installment 1)	2019, 2020 and 2021
	4 years (installment 2)	2020, 2021 and 2022
	5 years (installment 3)	2021, 2022 and 2023
GMDs, Key Risk Takers (including Highly Paid Employees)	2 years (installment 1)	2019 and 2020
	3 years (installment 2)	2019, 2020 and 2021

1 Senior Management Functions have extended deferral periods, with the deferred performance awards vesting in equal installments between years 3 and 7 (including DCCP).

Average reported Group RoCET1 performance threshold

Average reported Group RoCET1	≥8%

Business division adjusted RoAE performance thresholds

Global Wealth Management	≥19%
Personal & Corporate Banking	≥12%
Asset Management	≥20%
Investment Bank	≥8%
Corporate Center[1]	≥12%

1 For Corporate Center employees, average operating businesses adjusted RoAE performance threshold.

Illustrative example for EOP performance conditions

The final amount of any award vesting under the EOP can vary; firstly, according to the level of achievement of the average reported RoCET1 relative to threshold, and secondly, subject to business division adjusted RoAE performance thresholds being satisfied, as applicable. In the event that average reported RoCET1 is below the minimum performance threshold requirement, and additionally, if the business division adjusted RoAE is 0% or below, the respective awards of employees in this business division are subject to full forfeiture. If the business division adjusted RoAE is between 0% and the business division performance threshold, these awards are subject to forfeiture of up to 40%. The table below illustrates full-vest, partial vest and full-forfeiture scenarios.

		Group Performance (RoCET1)		
		≤ 0%	Between 0% and threshold	≥ threshold
Divisional Performance (RoAE)	≤ 0%	Full forfeiture	Full forfeiture	Full forfeiture
	Between 0% and threshold	Full forfeiture	Partial vest	Partial vest
	≥ threshold	Full forfeiture	Partial vest	Full vest

Deferred Contingent Capital Plan

The Deferred Contingent Capital Plan (DCCP) is a mandatory deferral plan for all employees with total compensation greater than USD / CHF 300,000. For the performance year 2018, we granted DCCP awards to 4,093 employees.

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

DCCP awards vest in full after five years and up to seven years for SMFs, unless there is a trigger event. Awards are forfeited if a viability event occurs, that is, if FINMA notifies the firm in writing that the DCCP awards must be written down to prevent an insolvency, bankruptcy or failure of UBS, or if the firm receives a commitment of extraordinary support from the public sector that is necessary to prevent such an event. Additionally, they are written down if the Group's common equity tier 1 (CET1) capital ratio falls below 10% for GEB members and below 7% for all other employees.

As an additional performance condition, GEB members forfeit 20% of their award for each loss-making year during the vesting period. This means that 100% of the award is subject to risk of forfeiture. Like the EOP, the DCCP also has provisions that allow the firm to apply malus conditions on some, or all, of the unvested deferred portion of a granted award if an employee commits certain harmful acts, or in most cases trigger forfeiture where employment has been terminated.

Under the DCCP, employees who are not MRTs may receive discretionary annual notional interest payments. The notional interest rate for grants in 2019 was 3.40% for awards denominated in Swiss francs and 6.85% for awards denominated in US dollars. These interest rates are based on the current market rates for similar AT1 capital instruments. Notional interest will be paid out annually, subject to review and confirmation by the Compensation Committee.

Over the last five years, USD 2.0 billion of DCCP was issued, contributing to the Group's total loss-absorbing capacity (TLAC). Therefore, DCCP awards not only support competitive pay, but also provide a loss absorption buffer that protects the firm's capital position. The following table illustrates the impact of the DCCP on our AT1 and tier 2 capital as well as on our TLAC ratio.

→ **Refer to the "Supplemental information" section of this report for more information on performance award- and personnel-related expenses**

→ **Refer to the "Supplemental information" section of this report for more information on longer vesting and clawback periods for MRTs and SMFs**

Impact of the Deferred Contingent Capital Plan on our loss-absorbing capacity[1]

USD million, except where indicated	31.12.18	31.12.17	31.12.16
Deferred Contingent Capital Plan (DCCP)	2,005	2,160	2,231
of which: high-trigger loss-absorbing additional tier 1 capital	*2,005*	*1,714*	*1,356*
of which: high-trigger loss-absorbing tier 2 capital[2]	*0*	*447*	*875*
DCCP contribution to the total loss-absorbing capacity ratio (%)	0.8	0.9	1.0

1 Refer to "Bondholder information" at www.ubs.com/investors for more information on the capital instruments of UBS Group AG and of UBS AG both on a consolidated and a standalone basis. 2 Relates to DCCP awards granted for the performance years 2012 and 2013 - based on Swiss SRB framework including transitional arrangements (phase-in) as of 31 December 2017 and 31 December 2016; based on the former Swiss SRB framework for 31 December 2015. As of 31 December 2018, both of these DCCP awards no longer meet the grandfathering treatment under Swiss TBTF capital requirements.

Other variable compensation components

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

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

These other variable compensation components are subject to a comprehensive governance process. Authorization and responsibility may go up to the Compensation Committee, depending on the amount or type of such payments.

Employees who are made redundant may receive severance payments. Our severance terms comply with the applicable local laws (legally obligated severance). In certain locations, we may provide severance packages that are negotiated with our local social partners and may go beyond the applicable minimum legal requirements (standard severance). Such payments are governed by location-specific severance policies. In addition, we may make severance payments that exceed legally obligated or standard severance payments (supplemental severance) where we believe that they are aligned with market practice and appropriate under the circumstances. No severance payments are made to members of the GEB.

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

	Total 2018	*of which: expenses recognized in 2018*[5]	*of which: expenses to be recognized in 2019 and later*	Total 2017	Number of beneficiaries	
USD million, except where indicated					2018	2017
Total sign-on payments[1]	30	*20*	*11*	34	178	149
of which: Key Risk Takers[2]	*7*	*4*	*4*	*25*	*6*	*15*
Total replacement payments[3]	72	*7*	*65*	96	299	278
of which: Key Risk Takers[2]	*19*	*2*	*16*	*52*	*11*	*27*
Total guarantees[3]	48	*26*	*22*	37	54	39
of which: Key Risk Takers[2]	*12*	*5*	*7*	*20*	*5*	*9*
Total severance payments[1,4]	165	*165*	*0*	222	1,524	2,205
of which: Key Risk Takers	*4*	*4*	*0*	*2*	*18*	*6*

1 GEB members are not eligible for sign-on or severance payments. 2 Expenses for Key Risk Takers are full-year amounts for individuals in office on 31 December 2018. Key Risk Takers include employees with a total compensation exceeding USD / CHF 2.5 million (Highly Paid Employees). 3 No GEB member received replacement payments or guarantees for 2018 or 2017. 4 Severance payments include legally obligated and standard severance. 5 Expenses before post-vesting transfer restrictions.

2018 performance and compensation funding

Our performance in 2018

We delivered strong 2018 financial results in overall challenging market conditions, reflecting the strength of our business model. Profit before tax increased by 12% to USD 6.0 billion, mainly reflecting higher operating income and a reduction in operating expenses. Adjusted[1] profit before tax decreased by 4% to USD 6.1 billion due to higher adjusted operating expenses, partly offset by an increase in adjusted operating income. For further details on our Group and business division performance refer to the "Financial and operating performance" section of the Annual Report 2018.

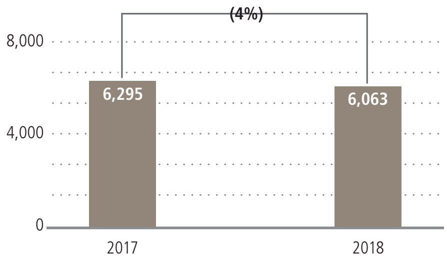
Net profit attributable to shareholders increased by 16% to USD 4.5 billion (excluding the effect of the US tax law change in the fourth quarter of 2017). Adjusted[1] return on tangible equity excluding deferred tax assets (DTAs) was 12.9%. Reported return on common equity tier 1 (CET1) capital was 13.1%, which compares well with our peers.

Our capital position remained strong with a CET1 capital ratio at 12.9% and a CET1 leverage ratio of 3.8%, both in line with our capital guidance of around 13% and 3.7%, respectively. We increased our total loss-absorbing capacity by USD 3.4 billion to USD 83.7 billion.

For the financial year 2018, the Board of Directors intends to propose a dividend of CHF 0.70 per share, an increase of 8% on the prior year. During 2018, we repurchased CHF 750 million of shares, exceeding the 2018 target of up to CHF 550 million.

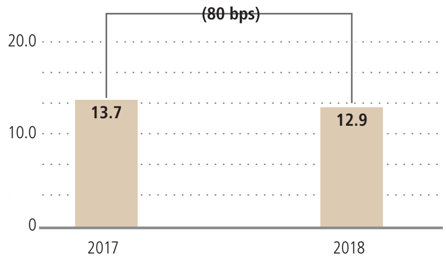
Adjusted profit before tax

USD million



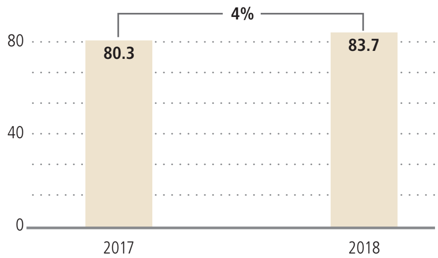
Adjusted return on tangible equity excluding DTAs[2]

in %



Total loss-absorbing capacity

USD billion



1 Refer to "Group performance" in the "Financial and operating performance" section of the Annual Report 2018 for more information on adjusted results. 2 The adjusted return on tangible equity excluding DTAs is calculated as the adjusted net profit / loss attributable to shareholders excluding amortization and impairment of goodwill and intangible assets and deferred tax expense / benefit, such as the net write-down due to the TCJA enacted in the fourth quarter of 2017, divided by average tangible equity attributable to shareholders excluding any DTAs that do not qualify as CET1 capital.

Performance award pool funding

Our performance award pool funding framework is based on business performance, which is measured across multiple dimensions as outlined below.

We assess Group and business division performance, including achievement against a set of performance targets, and we also consider performance relative to industry peers, general market competitiveness and progress against our strategic objectives, including capital growth as well as risk-weighted assets and cost efficiency. We look at the firm's risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives.

Our compensation philosophy focuses on balancing performance with prudent risk-taking and retaining talented employees. To achieve this, as performance increases, we reduce our overall performance award funding percentage. In years of strong performance, this prevents excessive compensation, resulting in an increased proportion of profit before performance award being available for distribution to shareholders or growing the Group's capital. In years where performance declines, the performance award pool will generally decrease; however, funding rates may increase.

The performance award pool funding process starts with the accrual of a percentage of each business division's risk-adjusted profit before performance award. In determining the final pool, we also consider progress against our strategic objectives, quality of earnings, affordability, returns to investors and market competitiveness. Business division performance is adjusted for items that do not represent underlying performance (for example, gains or losses on the sale of a property or a business).

Corporate Center funding is linked to overall Group performance and reflects headcount, workforce location and demographics. For each functional area, quantitative and qualitative assessments evaluate service quality, risk management and financial achievements. To help evaluate service quality, business divisions provide input into the evaluation and assessment of Corporate Center areas; however, control functions are evaluated independently of the divisions they oversee, supervise or monitor. Ultimately, our pay decisions reflect the overall and individual performance as well as the competitive market for talent in these areas, to ensure an efficient and effective Corporate Center.

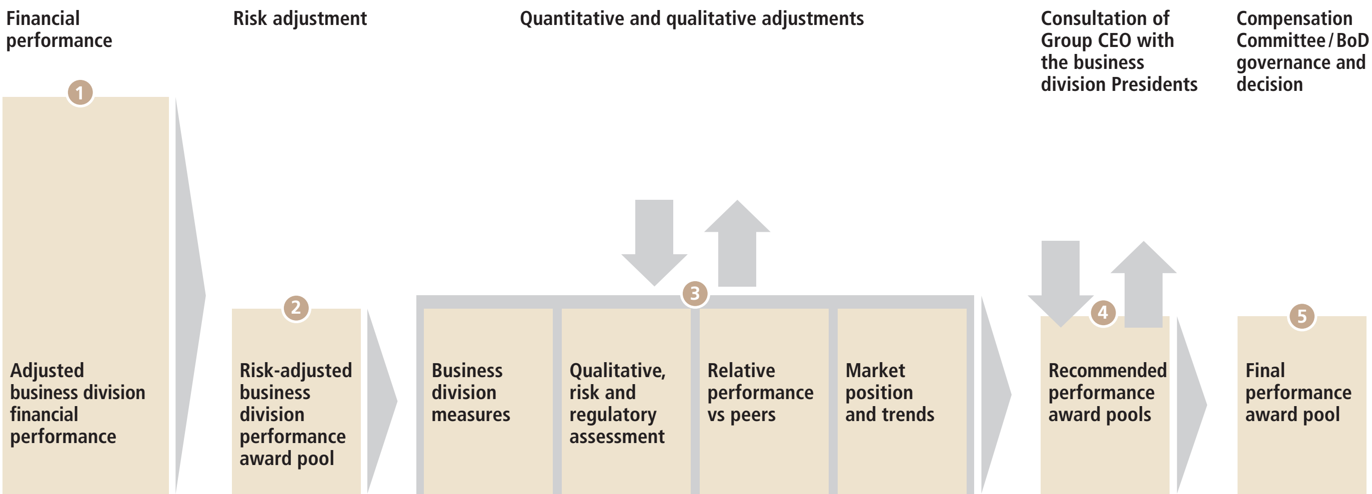
Before making its final recommendation to the BoD, the Compensation Committee can apply positive or negative discretion to the performance award pool, including recommending a zero award. When adjusting the pool, the Compensation Committee considers various factors such as relative performance, market environment, shareholder returns, the effect of changes in financial accounting standards, litigation and regulatory costs as well as competitive pressure. The Compensation Committee decision balances consideration of financial performance with a range of qualitative factors and takes account of the quality of earnings including developments on and provisions for litigation, regulatory and similar matters. In that regard, it is important to distinguish between legacy matters and financial and operating performance for the year. To enable future growth through disciplined execution of our strategy and creation of sustainable shareholder value, it is essential that pay decisions are not driven by the potential impact of legacy matters which may take several years to be resolved. At the same time, we are mindful of the potential costs of such matters, the prudent management of them and the effect on our share price.

As described above, reflecting the aforementioned considerations, over the past six years, the Compensation Committee applied discretionary adjustments to the performance award pool of between -6% and +2%, resulting in a downward adjustment in all but one year.

An illustrative overview with more details on the process is presented in the chart on the next page.

→ **Refer to "Group performance" in the "Financial and operating performance" section of the Annual Report 2018 for more information on adjusted results**

Performance award pool funding process – illustrative overview



1	**Adjusted business division financial performance**	The starting point for the funding process is the adjusted business division financial performance, which excludes items that are not reflective of the underlying business performance
2	**Risk-adjusted business division performance award pool**	Predetermined business division-specific funding rates are applied to risk-adjusted performance, incorporating market, credit and operational (including conduct) risk
3	**Business division measures**	Each division is assessed based on specific measures (e.g., net new money growth rate, return on attributed equity)
	Qualitative, risk and regulatory assessment	Qualitative assessment (e.g., quality of earnings), assessment of regulatory compliance and risk assessment (such as legal, compliance, reputational and operational risk) support alignment to our Total Reward Principles
	Relative performance vs peers	Performance is also assessed relative to our peers
	Market position and trends	Market intelligence based on external advisors helps assess the competitiveness of our pay levels and compensation structure. It also provides a prospective view of market trends in terms of absolute compensation levels, compensation framework and industry practice
4	**Recommended performance award pools**	The business division performance award pool determination process, based on quantitative and qualitative assessments, results in a recommendation from the Group CEO (after consultation with the business division Presidents) to the Compensation Committee for consideration
5	**Final performance award pool**	The Compensation Committee considers the recommendation in the context of our overall performance, capital strength, risk profile, affordability, capital returns to investors, progress on strategic initiatives, market competitiveness / position, as well as business and geographic trends. The committee verifies it is in line with our strategy embodied in our Total Reward Principles to create sustainable shareholder value and may alter the recommendations of the Group CEO (upward or downward, including recommending a zero award) before making its final recommendation to the BoD

Compensation for the Group CEO and the other GEB members

Performance assessment

Annual performance awards for the Group CEO and the other Group Executive Board (GEB) members are based on the GEB compensation determination process as illustrated below and, in aggregate, subject to shareholder approval at the AGM.

We assess the GEB members' performance against a number of financial targets and goals related to Pillars, Principles, and Behaviors. The financial measures for the Group CEO are based on overall Group performance. For the other GEB members, they are based on both Group performance and the performance of the relevant business division and / or region; for those who lead Group functions, they are assessed on the performance of the Group and the function they oversee.

The weighting between Group, business division, regional and functional measures varies depending on a GEB member's role. A significant weight is given to Group measures for all GEB members. The achievements relative to goals related to Pillars and Principles are additional factors for assessing the overall quality and sustainability of the financial results. The financial measures including Pillars and Principles account for 65% of the assessment, while Behaviors account for 35%.

The "Overview of the performance assessment measures" table in this section outlines the measures on which the performance assessment is based.

Overview of the GEB compensation determination process

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

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

	Objective setting	Performance assessment	Compensation decisions
Decision-making process	The financial targets are based on Group, business division, regional and / or functional performance, depending on the role of the GEB member Financial targets and goals for Pillars and Principles are based on the strategic plan Financial measures including consideration of Pillars and Principles account for 65% while Behaviors account for 35%	The financial targets are assessed based on actual results vs plan and year-on-year performance Achievements relative to goals related to Pillars and Principles are additional factors for assessing the quality and sustainability of financial results Behaviors assess how the executive achieved the financial results	When determining actual pay levels, the Compensation Committee factors in: – performance and affordability – performance assessment – relative performance vs peers – compensation market value and trends – other parameters deemed relevant Final compensation decisions for GEB members consider the Group CEO's recommendation (the Group CEO makes no recommendation on his own awards)
Role of the BoD and Compensation Committee	The Compensation Committee: – together with the BoD Chairman establishes the objectives for the Group CEO – together with the Group CEO reviews objectives for the other GEB members	The Compensation Committee: – together with the BoD Chairman evaluates the performance of the Group CEO and determines the overall assessment – together with the Group CEO reviews the performance assessment for the other GEB members	The Compensation Committee proposes to the BoD: – together with the BoD Chairman the total individual compensation for the Group CEO – together with the Group CEO the total individual compensation for the other GEB members The final decision on the aggregate amount is subject to shareholder approval

The performance assessment is the starting point for determining a GEB member's annual performance award. This approach is not mechanical, as the Compensation Committee can exercise its judgment with respect to the performance achieved relative to the prior year, the strategic plan and competitors, and considers the Group CEO's recommendation. The Compensation Committee's recommendations are then reviewed and subject to the approval of the BoD. The Compensation Committee, and then the full BoD, follows a similar process in setting the compensation for the Group CEO, except that the recommendation is from the Chairman of the BoD.

Overview of the performance assessment measures

The table below presents the measures for the 2018 performance assessment of the Group CEO and GEB members.

Performance measures		
Group measures		A range of financial measures including adjusted Group profit before tax, adjusted Group cost / income ratio, adjusted Group return on tangible equity excluding DTAs, CET1 ratios
Business division, regional and / or functional measures (if applicable)[1]		Business division and / or regional measures 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 Specific functional measures for Corporate Center GEB members
Pillars	Capital strength	Establishes and maintains capital. Generates efficiencies and deploys our capital more efficiently and effectively
	Efficiency and effectiveness	Contributes to the development and execution of our strategy and success across all business lines, functions and regions. Considers market conditions, relative performance and other factors
	Risk management	Reinforces risk management through an effective control framework. Captures the degree to which risks are self-identified and focuses on the individual's success to comply with all the various regulatory frameworks. Helps shape the firm's relationship with regulators through ongoing dialog
Principles	Client focus	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
	Excellence	Human Capital Management – develops successors for the most senior positions, facilitates talent mobility within the firm and promotes a diverse and inclusive workforce Product and Service Quality – strives for excellence in the products and services we offer to our clients
	Sustainable performance	Brand and Reputation – protects the Group's reputation and reinforces full compliance with our standards and principles Culture and Growth – takes a personal role in making Principles and Behaviors front and center of the business requirements, including a focus on sustainable growth. 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 reinforcing our collective behaviors

Behaviors	
Integrity	Is responsible and accountable for what they say and do; cares about clients, investors, and colleagues; acts as a role model
Collaboration	Places the interests of clients and the firm before their own and those of their business; works across the firm; respects and values diverse perspectives
Challenge	Encourages self and others to constructively challenge the status quo; learns from mistakes and experiences

1 Both regional and functional measures may include qualitative measures.

2018 compensation for the Group Chief Executive Officer

The performance award for the Group CEO, Sergio P. Ermotti, is based on the achievement of financial targets plus goal achievements relative to Pillars, Principles, and Behaviors, as described earlier in this section. These targets were set to reflect the strategic priorities determined by the Chairman and the BoD, including risk-adjusted profitability, cost / income ratio, capital position and adjusted return on tangible equity, as well as a range of measures to assess the quality and sustainability of the performance. Financial measures, including consideration of Pillars and Principles, account for 65% of Mr. Ermotti's performance assessment, while the remaining 35% is based on behavioral measures. The table on the following page summarizes the metrics used to assess Mr. Ermotti's performance as Group CEO for 2018.

The BoD recognized Mr. Ermotti's continued focus on managing the Group for the long term and delivering sustainable performance. In a year with challenging market conditions, he led the improvement in the firm's overall performance while maintaining its strong capital position, enabling the BoD to increase payouts to shareholders. Net profit attributable to shareholders increased 16% year-on-year to USD 4.5 billion, excluding the USD 2.9 billion net write-down in the fourth quarter of 2017 of deferred tax assets (DTAs) following the enactment of the US Tax Cuts and Jobs Act. Group profit before tax increased by 12% to USD 6.0 billion while adjusted[1] profit before tax decreased by 4% to USD 6.1 billion. In addition, despite market headwinds and legacy issues leading to higher provisions for litigation, regulatory and similar matters, our overall financial results for the year were near plan.

Under Mr. Ermotti's stewardship, UBS's profitability remained strong, with adjusted[1] return on tangible equity excluding DTAs at 12.9%, and reported return on CET1 capital at 13.1%. The CET1 capital ratio of 12.9% and CET1 leverage ratio of 3.8% were both in line with our capital guidance and UBS met 2020 capital requirements one year early. The Group's total loss-absorbing capacity was further strengthened by USD 3.4 billion to USD 83.7 billion. During 2018, UBS repurchased CHF 750 million of shares, exceeding the 2018 target of up to CHF 550 million.

The BoD also acknowledged Mr. Ermotti's achievements in 2018 as exceeding expectations related to our Pillars, Principles and Behaviors. He continued to lead cost- and capital-efficient execution, successfully sharpened the Group's clear strategy, and spearheaded initiatives to deliver future growth. At the same time, Mr. Ermotti maintained a clear tone from the top in setting and demanding high standards in risk management and risk remediation.

Mr. Ermotti successfully focused the organization on growth with the development of innovative solutions and digital offerings for clients across all businesses. He further extended his significant personal engagement with clients and promoted client centricity in the firm's decision-making.

In 2018, Mr. Ermotti reshaped the GEB. Reflecting his strong attention to talent development, succession planning and internal mobility to support continuity across the organization, all four new leadership appointments to the GEB were internal candidates. He also remained committed to further improve diversity at senior levels.

The BoD recognized Mr. Ermotti at the forefront of the firm's culture and behavior program. He personally championed the behavior principles across the organization and consistently emphasized the significance of these topics to employees and in public forums. Further he continued to display a strong commitment to culture as a strategic differentiator with continuous improvement through constructive challenge and delivering the whole bank to clients through effective cross-divisional collaboration.

In determining the annual compensation for the Group CEO, the BoD assessment balances consideration of financial performance with a range of qualitative factors and takes into account the quality of earnings including developments on and provisions for litigation, regulatory and similar matters, while distinguishing between legacy matters and financial and operating performance for the year. Recognizing Mr. Ermotti's achievements in 2018, the BoD approved the proposal by the Compensation Committee to grant him a performance award of CHF 11.3 million, resulting in a total compensation for the year of CHF 13.8 million (excluding benefits and contributions to his retirement benefit plan). The performance award is subject to shareholder approval as part of the aggregate GEB 2018 variable compensation and will be delivered 18% (CHF 2 million) in cash and the remaining 82% (CHF 9.3 million) subject to deferral and forfeiture provisions, as well as meeting performance threshold conditions over five years.

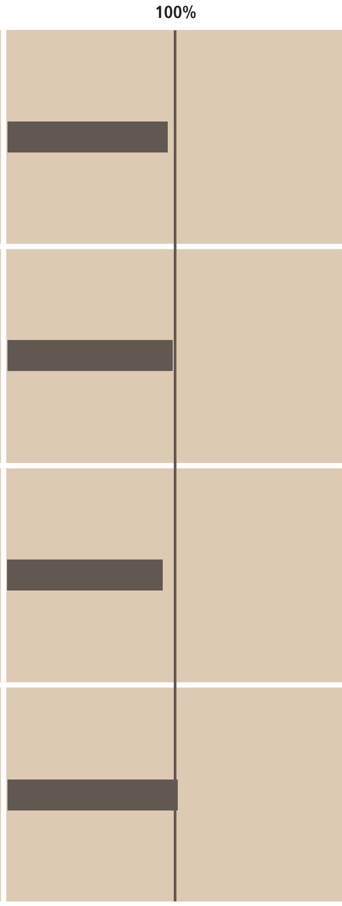
→ **Refer to the "Compensation philosophy and framework" section of this report for more information**

1 Refer to "Group performance" in the "Financial and operating performance" section of the Annual Report 2018 for more information on adjusted results.

Performance assessment for the Group CEO

The chart below illustrates the 2018 assessment of the Group CEO's performance. When assessing the financial performance, the Compensation Committee considers additional factors to judge the quality and sustainability of the financial results. These additional factors are based on the Group CEO's achievement of goals related to Pillars and Principles, including relative performance, market conditions, client satisfaction and talent management. For additional details on the assessment, refer to the description on the previous page.

Weighting	Performance Measures	2016 results	2017 results	2018 results	Weighting	2018 Assessment Vs Plan
65%	**Adjusted Group profit before tax**	USD 5,439 million	USD 6,295 million	USD 6,063 million	40%	
	Adjusted Cost/income ratio	80.8%	78.2%	79.5%	20%	
	Adjusted Group return on tangible equity excluding DTAs[1]	11.3%	13.7%	12.9%	20%	
	Capital management CET1 capital ratio CET1 leverage ratio Post-stress CET1 ratio	13.8% 3.5% Achieved	13.8% 3.7% Achieved	12.9% 3.8% Achieved	20%	
	Pillars and Principles	**Achievements** Overall performance exceeded expectations, given: Mr. Ermotti's continued focus on managing the Group for the long-term and delivering sustainable performance. In a year with challenging market conditions, he led the improvement in the firm's overall performance while maintaining its strong capital position, enabling the BoD to increase payouts to shareholders. Further, Mr. Ermotti continued to lead cost and capital efficient execution, successfully sharpened the Group's clear strategy, and spearheaded initiatives to deliver future growth. He also extended further his significant personal engagement with clients and promoted client centricity across the firm. Mr. Ermotti set and demanded high standards in risk management and risk remediation. In 2018 he reshaped his GEB, reflecting his strong attention to talent development, succession planning, and internal mobility; and he remained committed to further improve diversity at senior levels.				
35%	**Behaviors** Integrity Collaboration Challenge	Overall performance exceeded expectations, given clear tone from top and: Mr. Ermotti remained at the forefront of the firm's culture and behavior program. He personally championed the behavior principles across the organization and consistently emphasized the significance of these topics to employees and in public forums. Mr. Ermotti continued to display a strong commitment to culture as a strategic differentiator with continuous improvement through constructive challenge, and delivering the whole bank to clients through effective cross divisional collaboration. The BoD further acknowledged Mr. Ermotti as a role model in considering the views of clients, investors and colleagues alike, and in treating others with respect. In addition, he continued to communicate in a clear and highly consistent manner, maintained an excellent track record of delivering on his commitments, and took decisive yet considerate actions that are consistently in the best interest of the firm.				



1 Calculated as adjusted net profit/loss attributable to shareholders excluding amortization and impairment of goodwill and intangible assets and deferred tax expense/benefit, such as the net write-down due to the US Tax Cuts and Jobs Act enacted in the fourth quarter of 2017, divided by average tangible equity attributable to shareholders excluding any DTAs that do not qualify as CET1 capital.

2018 total compensation for the GEB members

The GEB performance awards are subject to approval by the BoD based on the assessment of financial targets as well as goals related to Pillars, Principles and Behaviors and, in aggregate, subject to shareholder approval. The aggregate 2018 performance award pool for the GEB was CHF 73.3 million (for reference USD 74.8 million), a decrease of 1% compared with the prior year. This decrease is in line with the decrease in the overall performance award pool of the firm. Group profit before tax increased by 12% to USD 6.0 billion while adjusted profit before tax decreased by 4% to USD 6.1 billion.

The Compensation Committee has confirmed that performance conditions for all GEB members' awards due to vest in March 2019 have been satisfied, and thus the awards will vest in full.

At the 2019 AGM, shareholders will vote on the aggregate 2018 total variable compensation for the GEB in Swiss francs. Therefore, the tables below provide the awarded compensation for the Group CEO and the GEB members in Swiss francs, and for reference, the total amounts in US dollars for comparability with financial performance. The individual variable performance awards for each GEB member will only be confirmed upon shareholder approval at the AGM.

→ **Refer to the Provisions of the Articles of Association related to compensation in the "Supplemental Information" section of this report for more information**

Audited |

Total compensation for GEB members[1]

Group CEO, Sergio P. Ermotti (highest paid)

CHF										USD (for reference)[2]		
For the year	Base salary	Contribution to retirement benefit plans[3]	Benefits[4]	Total fixed compensation	Cash[5]	Performance award under EOP[6]	Performance award under DCCP[7]	Total variable compensation	Total fixed and variable compensation[8]	Total fixed compensation	Total variable compensation	Total fixed and variable compensation[8]
2018	2,500,000	261,181	62,813	2,823,994	2,000,000	5,910,000	3,390,000	11,300,000	14,123,994	2,882,971	11,535,991	14,418,962
2017	2,500,000	261,181	41,261	2,802,442	2,000,000	5,980,000	3,420,000	11,400,000	14,202,442			

Aggregate of all GEB members[9,10,11]

CHF										USD (for reference)[2]		
For the year	Base salary[12]	Contribution to retirement benefit plans[3]	Benefits[4]	Total fixed compensation	Cash[5]	Performance award under EOP[6]	Performance award under DCCP[7]	Total variable compensation	Total fixed and variable compensation[8]	Total fixed compensation	Total variable compensation	Total fixed and variable compensation[8]
2018	22,948,016	2,540,085	2,042,509	27,530,610	14,269,889	37,040,111	21,990,000	73,300,000	100,830,610	28,105,565	74,830,812	102,936,377
2017	21,459,305	2,439,414	1,842,848	25,741,566	14,550,000	37,355,000	22,245,000	74,150,000	99,891,566			

1 Local currencies have been translated into Swiss francs at the relevant year-end closing exchange rates, or at the performance award currency exchange rate. 2 Swiss franc amounts have been translated into US dollars for reference at the 2018 performance award currency exchange rate of CHF / USD 1.02. 3 Includes the portion related to the employer's contribution to the statutory pension scheme. 4 All benefits are valued at market price. 5 For GEB members who are also MRTs or SMFs, the cash portion includes blocked shares. 6 For EOP awards for the performance year 2018, the number of shares has been determined by dividing the amount by CHF 12.622 or USD 12.610, the average closing price of UBS shares over the last ten trading days leading up to and including the grant date. For EOP awards for the performance year 2017, the number of shares was determined by dividing the amount by CHF 17.999 or USD 19.234, the average closing price of UBS shares over the last ten trading days in February 2018. Starting with performance year 2017, GEB members who are also MRTs are no longer permitted to receive dividend payments on EOP awards. Accordingly, the number of shares for these GEB members was determined by dividing the amount by the share price used for other EOP awards, adjusted for the expected dividend yield over the vesting period, which represents the fair value of the non-dividend bearing awards. 7 The amounts reflect the amount of the notional additional tier 1 (AT1) capital instrument excluding future notional interest. For DCCP awards for the performance year 2018, the notional interest rate is set at 6.85% for awards denominated in US dollars and 3.40% for awards denominated in Swiss francs. For DCCP awards for the performance year 2017, the notional interest rate is set at 5.85% for awards denominated in US dollars and 2.30% for awards denominated in Swiss francs. Starting with performance year 2017, GEB members who are also MRTs are no longer permitted to receive interest payments on DCCP awards. Accordingly, the amounts reflect the fair value of the granted non-interest bearing awards. 8 Excludes the portion related to the legally required employer's social security contributions for 2018 and 2017, which are estimated at grant at CHF 5,175,418 and CHF 5,181,559, respectively, of which CHF 886,455 and CHF 893,257, respectively, for the highest-paid GEB member. The legally required employees' social security contributions are included in the amounts shown in the table above, as appropriate. 9 Thirteen GEB members were in office on 31 December 2018 including two new GEB members appointed on 1 October 2018 and one on 1 November 2018; two GEB members stepped down on 31 December 2017 and 30 September 2018 respectively; and 12 GEB members were in office on 31 December 2017. 10 2018 includes compensation for six months paid under the employment contract during the notice period to one GEB member who stepped down on 31 December 2017, as well as compensation for one GEB member who stepped down on 30 September 2018 for nine months in office as a GEB member plus for three months paid under the employment contract during the notice period. No payments during notice period were made in 2017. 11 2018 includes compensation for two newly appointed GEB members for three months in office as GEB members, and for one newly appointed GEB member for two months in office as a GEB member. 12 Includes role-based allowances in line with market practice in response to regulatory requirements.

Total realized compensation for Sergio P. Ermotti

To further illustrate the effect of our lengthy deferral approach in place since 2012, we disclose the annual realized compensation of Sergio P. Ermotti, including a multi-year comparison with his total awarded compensation.

The realized compensation reflects the total amount paid out in the year. It includes the base salary, cash performance award payments, and all deferred performance awards vested in the year. As such, realized pay is the natural culmination of awards granted and approved by shareholders in previous years. Since our compensation plans have no upward leverage, such as multiplier factors, the potential realized pay cannot exceed the award granted (other than for market movements and returns).

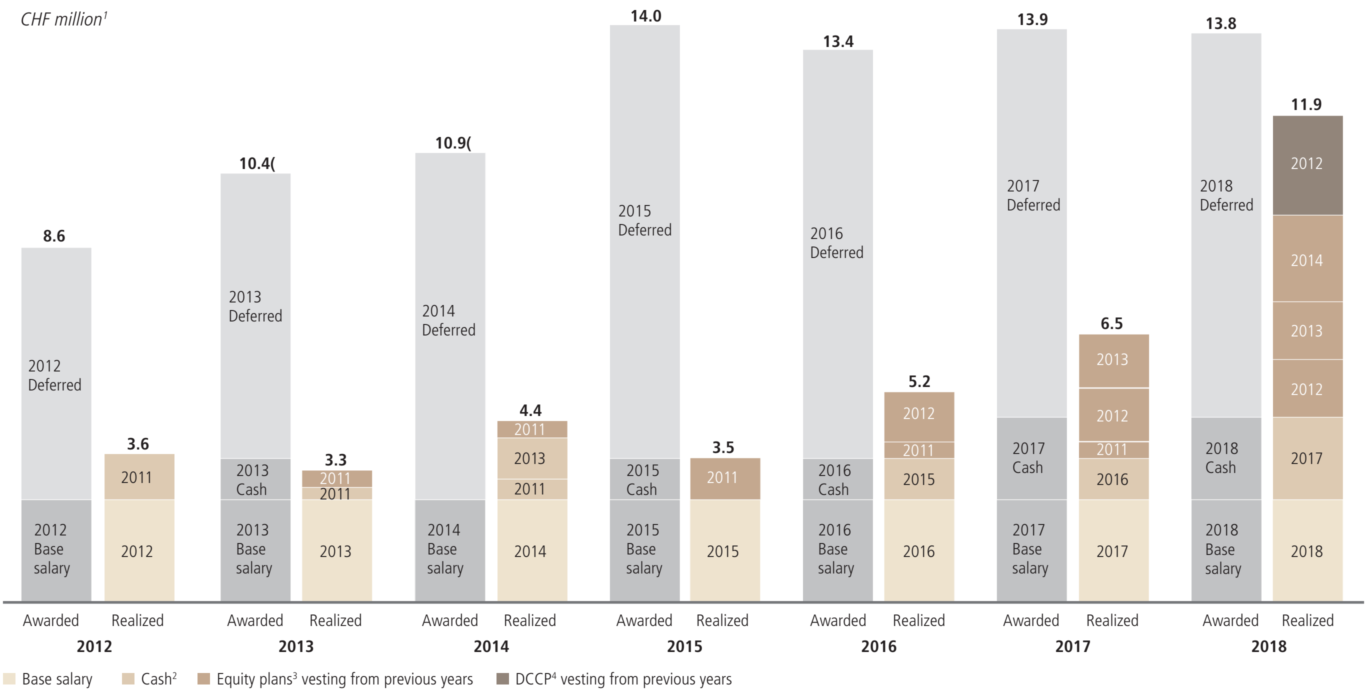
The table below provides information on the total awarded and realized compensation paid out to Sergio P. Ermotti since his appointment (excluding 2011 salary earned).

Total realized compensation vs awarded compensation for Sergio P. Ermotti[1]

CHF						Realized	Awarded
For the year	Base salary	Cash award[2]	Deferred cash award[3,4]	Performance award under equity plans[4,5]	Performance award under DCCP[4]	Total realized fixed and variable compensation[6]	Total awarded fixed and variable compensation[6]
2018	2,500,000	2,000,000	0	4,986,563	2,440,000	11,926,563	13,800,000
2017	2,500,000	1,000,000	0	2,951,043	0	6,451,043	13,900,000
2016	2,500,000	1,000,000	0	1,667,128	0	5,167,128	13,400,000
2015	2,500,000	0	0	1,018,440	0	3,518,440	14,000,000
2014	2,500,000	1,000,000	373,441	537,217	0	4,410,658	10,900,000
2013	2,500,000	0	349,622	423,623	0	3,273,245	10,400,000
2012	2,500,000	553,200[3]	553,200	0	0	3,606,400	8,600,000

1 Appointed on 24 September 2011 as Group CEO ad interim and confirmed on 15 November 2011. 2 Paid out based on previous performance year. For 2012 this includes Cash Balance Plan installments (discontinued in 2012). 3 Cash Balance Plan installments. For 2012, due to applicable UK FSA regulations, deferred cash includes blocked shares. 4 Excludes dividend / interest payments. 5 Includes all installments paid out under the EOP, Senior Executive Equity Ownership Plan (SEEOP, discontinued in 2012) and Performance Equity Plan (PEP, discontinued in 2012). 6 Excludes contributions to retirement benefit plans and benefits. Includes social security contributions paid by Sergio P. Ermotti but excludes the portion related to the legally required social security contributions paid by UBS.

The chart below further illustrates the effect of our deferral approach over time. The bars for realized pay show which components (base salary, cash, equity plans, DCCP) deliver the realized compensation and in which year the respective component had been awarded. The bars for awarded compensation show the split between fixed compensation (base salary) and variable compensation (cash component and deferred awards) and highlight that a significant portion of the variable compensation is deferred.



1 Excludes contributions to retirement benefit plans and benefits. Includes social security contributions paid by Sergio P. Ermotti but excludes the portion related to the legally required social security contributions paid by UBS. 2 Paid out based on previous performance year. 2012, 2013 and 2014 include Cash Balance Plan installments. 3 Includes all installments paid out under respective EOP, SEEOP and PEP plans, excludes dividend payments. 4 The first DCCP installment was paid out in March 2018 (awarded in March 2012), excludes interest payments.

Board of Directors governance and compensation

Our compensation governance

Board of Directors and Compensation Committee

The Board of Directors (BoD) is ultimately responsible for approving the compensation strategy proposed by the Compensation Committee, which determines compensation-related matters in line with the principles set forth in the Articles of Association.

As determined in the Articles of Association and the firm's Organization Regulations, the Compensation Committee supports the BoD in its duties to set guidelines on compensation and benefits, to approve certain compensation and to scrutinize executive compensation. It is responsible for the governance and oversight of our compensation process and practices, including considering the alignment between pay and performance and that our compensation system does not encourage inappropriate risk-taking. Our Compensation Committee consists of four independent BoD members, who are elected annually by shareholders at the Annual General Meeting (AGM).

Among other responsibilities, the Compensation Committee, on behalf of the BoD:
- reviews our Total Reward Principles;
- reviews and approves the design of the compensation framework;
- reviews performance award funding throughout the year and proposes the final performance award pool to the BoD for approval;
- together with the Group CEO, reviews performance targets and performance assessments and proposes base salaries and annual performance awards for the other Group Executive Board (GEB) members to the BoD, which approves the total compensation of each GEB member;
- together with the Chairman of the BoD, establishes performance targets, evaluates performance and proposes the compensation for the Group CEO to the BoD;
- approves the total compensation for the Chairman of the BoD;
- together with the Chairman, proposes the total individual compensation for independent BoD members for approval by the BoD;
- together with the BoD, proposes the maximum aggregate amounts of compensation for the BoD and for the GEB, to be submitted for approval by shareholders at the AGM;
- approves remuneration / fee frameworks for external supervisory board members of Significant Group Entities and periodically reviews remuneration / fee frameworks for external supervisory board members of Significant Regional Entities; and
- reviews the compensation report and approves any material public disclosures on compensation matters.

The Compensation Committee meets at least four times a year. In 2018, the Compensation Committee held seven meetings and two conference calls. All meetings were fully attended. The Chairman of the BoD and the Group CEO attended all meetings and calls. The Chairman of the BoD and the Group CEO were not present during discussions related to their own compensation or performance evaluations. The Chair of the Compensation Committee may also invite other executives to join the meeting in an advisory capacity. No individual whose compensation is reviewed is allowed to attend meetings during which specific decisions are made about that same individual's compensation. Such decisions are subject to approval of the Compensation Committee and the BoD.

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

On 31 December 2018, the Compensation Committee members were Ann F. Godbehere, who chairs the committee, Michel Demaré, Julie G. Richardson and Dieter Wemmer.

External advisors

The Compensation Committee may retain external advisors to support it in fulfilling its duties. In 2018, HCM International Ltd. provided independent advice on compensation matters. HCM International Ltd. holds no other mandates with UBS. The compensation consulting firm Willis Towers Watson provided the Compensation Committee with data on market trends and pay levels, including in relation to GEB and BoD compensation. Various subsidiaries of Willis Towers Watson provide similar data to Human Resources in relation to compensation for employees below the BoD and GEB level. Willis Towers Watson holds no other compensation-related mandates with UBS.

The Risk Committee's role in compensation

The Risk Committee, a committee of the BoD, works closely with the Compensation Committee to reinforce that our approach to compensation reflects proper risk management and control. The Risk Committee supervises and sets appropriate risk management and risk control principles and receives regular briefings on how risk is factored into the compensation process. It also monitors Group Risk Control's involvement in compensation and reviews risk-related aspects of the compensation process.

→ **Refer to *www.ubs.com/governance* for more information**

Compensation Committee 2018 / 2019 key activities and timeline

This table provides an overview of the Compensation Committee's key activities from the 2018 AGM to the 2019 AGM.

	June	July	Sept	Oct	Nov	Dec[1]	Jan	Feb
Strategy, policy and governance								
Total Reward Principles			●					
Three-year strategic plan on variable compensation						●	●	
Compensation disclosure and stakeholder communication matters	●	●	●	●		●	●	●
AGM reward-related items	●							●
Compensation Committee governance						●		●
Annual compensation review								
Accruals and full-year forecast of the performance award pool funding		●		●	●	●	●	
Performance targets and performance assessment of the Group CEO and GEB members						●	●	●
Group CEO and GEB members' salaries and individual performance awards				●		●	●	
Update on market practice, trends and peer group matters	●				●			
Pay for performance, including governance on certain higher-paid employees, and non-standard compensation arrangements	●	●	●			●	●	●
Board of Directors remuneration						●	●	●
Compensation framework								
Compensation framework and deferred compensation matters	●	●	●	●		●	●	●
Risk and regulatory								
Risk management in the compensation approach and joint meeting with BoD Risk Committee				●		●		
Regulatory activities impacting employees and engagement with regulators	●	●		●		●		●

1 The Compensation Committee held two meetings in December 2018.

Compensation governance

The table below provides an overview of compensation governance by specific role.

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

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

2018 compensation for the Board of Directors

Chairman of the BoD

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

The Chairman presides over all general meetings of shareholders and the BoD, and works with the committee chairpersons to coordinate the work of all BoD committees. Together with the Group CEO, the Chairman is responsible for effective communication with shareholders and other stakeholders, including government officials, regulators and public organizations. This is in addition to establishing and maintaining a close working relationship with the Group CEO and other GEB members, and providing advice and support when appropriate, as well as continuing to strengthen and promote our culture through the three keys to success – our Pillars, Principles and Behaviors.

The Chairman's total compensation is contractually fixed at CHF 5.7 million, excluding benefits and pension fund contributions. His total compensation for 2018, which has remained unchanged since 2015, consisted of a cash payment of CHF 3.5 million and a share component of CHF 2.2 million delivered in 174,298 UBS shares at CHF 12.622 per share. The shares are blocked from distribution for four years. Accordingly, his total reward, including benefits and pension fund contributions for his service as Chairman for the full year 2018, was CHF 6,033,422.

→ **Refer to "Board of Directors" in the "Corporate governance" section of the Annual Report 2018 for more information on the responsibilities of the Chairman**

The share component aligns the Chairman's pay with the Group's long-term performance. The Chairman's employment agreement does not provide for severance terms or supplementary contributions to pension plans. Benefits for the Chairman are in line with local practices for UBS employees. The Compensation Committee approves the Chairman's compensation annually, taking into consideration fee or compensation levels for comparable roles outside the firm.

Independent BoD members

All BoD members except the Chairman are deemed independent directors and receive a fixed base fee of CHF 325,000 per annum. In addition to the base fee, independent BoD members receive committee fees for their services on the firm's various board committees. The Senior Independent Director and the Vice Chairman of the BoD each receive an additional fee of CHF 250,000. Independent BoD members must use a minimum of 50% of their fees to purchase UBS shares, which are blocked for four years. They may elect to use up to 100% of their fees to purchase blocked UBS shares. In all cases, the number of shares that independent BoD members are entitled to purchase is calculated at a discount of 15% below the average closing price of the 10 trading days leading up to and including the grant date. Independent BoD members do not receive performance awards, severance payments or benefits. The chart on the following page provides details and additional information on the remuneration framework for independent BoD members.

Base fees, committee fees and any other payments to be received by independent BoD members are subject to an annual review based on a proposal submitted by the Chairman of the BoD to the Compensation Committee, which in turn submits a recommendation to the BoD for approval. The BoD proposes at each AGM for shareholder approval the aggregate amount of BoD remuneration in Swiss francs, including compensation of the Chairman, which applies until the subsequent AGM. Therefore, the tables on the next page provide the compensation for the Chairman and the independent BoD members in Swiss francs, and for reference the total amounts in US dollars.

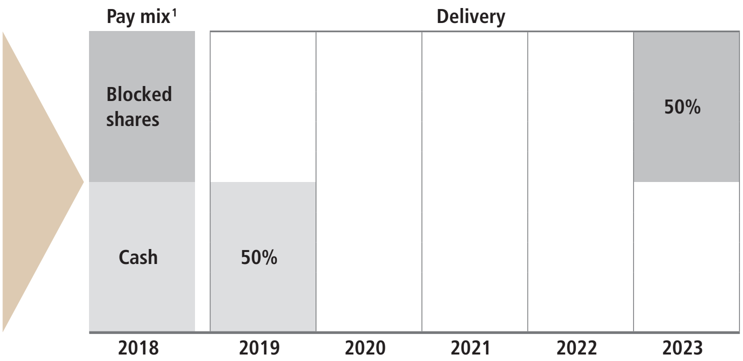
The "Remuneration details and additional information for independent BoD members" table shows the remuneration for each independent BoD member for the period from the 2018 AGM to the 2019 AGM. The fixed base fees are unchanged from the 2017 / 2018 period and have been broadly flat since 1998.

2018 / 2019 remuneration framework for independent BoD members

CHF, except where indicated

Base fees as well as fees for committee chair or membership and / or specific roles are paid per annum. At least 50% of the total amounts must be used to purchase UBS shares, which are blocked for four years.

Fixed base fee	325,000	
Senior Independent Director	250,000	
Vice Chairman	250,000	
	Chair	Member
Audit Committee	300,000	200,000
Compensation Committee	300,000	100,000
Governance and Nominating Committee		100,000
Corporate Culture and Responsibility Committee		50,000
Risk Committee	400,000	200,000



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

Audited |

Total payments to BoD members

CHF, except where indicated	For the year	Total[1]	*USD (for reference)* Total[1,2]
Aggregate of all BoD members	2018	13,458,422	13,739,490
	2017	13,133,565	

1 Includes social security contributions paid by the BoD members but excludes the portion related to the legally required social security contributions paid by UBS, which for 2018 is estimated at grant at CHF 831,746 and for 2017 at CHF 664,074. 2 Swiss franc amounts have been translated into US dollars for reference at the 2018 performance award currency exchange rate of CHF / USD 1.02.

Audited |

Compensation details and additional information for non-independent BoD members

CHF, except where indicated

Name, function[1]	For the year	Base salary	Annual share award[2]	Benefits[3]	Contributions to retirement benefit plans[4]	Total[5]	*USD (for reference)* Total[5,6]
Axel A. Weber, Chairman	2018	3,500,000	2,200,000	72,241	261,181	6,033,422	6,159,425
	2017	3,500,000	2,200,000	72,384	261,181	6,033,565	

1 Axel A. Weber was the only non-independent member in office on 31 December 2018 and on 31 December 2017, respectively. 2 These shares are blocked for four years. 3 Benefits are all valued at market price. 4 Includes the portion related to UBS's contribution to the statutory pension scheme. 5 Excludes the portion related to the legally required social security contributions paid by UBS, which for 2018 is estimated at grant at CHF 369,966 and for 2017 at CHF 367,999. The legally required social security contributions paid by the non-independent BoD members are included in the amounts shown in this table, as appropriate. 6 Swiss franc amounts have been translated into US dollars for reference at the 2018 performance award currency exchange rate of CHF / USD 1.02.

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Remuneration details and additional information for independent BoD members

CHF, except where indicated

Name, function[1]	Audit Committee	Compensation Committee	Corporate Culture and Responsibility Committee	Governance and Nominating Committee	Risk Committee	For the period AGM to AGM	Base fee	Committee fee(s)	Additional payments[2]	Total[3]	Share percentage[4]	Number of shares[5,6]
Michel Demaré, Vice Chairman	M	M		M		2018/2019	325,000	400,000	250,000	975,000	100	86,010
	M	M		M		2017/2018	325,000	400,000	250,000	975,000	50	31,864
David Sidwell, Senior Independent Director				M	C	2018/2019	325,000	500,000	250,000	1,075,000	50	50,097
				M	C	2017/2018	325,000	500,000	250,000	1,075,000	50	35,133
Jeremy Anderson, member	C		M			2018/2019	325,000	350,000		675,000	50	31,456
						2017/2018	–	–		–	–	–
Reto Francioni, member			M		M	2018/2019	325,000	250,000		575,000	50	26,796
		M	M		M	2017/2018	325,000	350,000		675,000	50	22,060
Ann F. Godbehere, member	M	C				2018/2019	325,000	500,000		825,000	50	38,447
	M	C				2017/2018	325,000	500,000		825,000	50	26,962
Fred Hu, member						2018/2019	325,000	–		325,000	50	15,145
						2017/2018	–	–		–	–	–
William G. Parrett, former member						2018/2019	–	–		–	–	–
	C	M	M			2017/2018	325,000	450,000		775,000	50	25,328
Julie G. Richardson, member		M			M	2018/2019	325,000	300,000		625,000	50	29,126
					M	2017/2018	325,000	200,000		525,000	50	17,157
Isabelle Romy, member	M			M		2018/2019	325,000	300,000		625,000	50	29,126
	M			M		2017/2018	325,000	300,000		625,000	50	20,426
Robert W. Scully, member					M	2018/2019	325,000	200,000		525,000	50	24,466
					M	2017/2018	325,000	200,000		525,000	50	17,157
Beatrice Weder di Mauro, member	M		M			2018/2019	325,000	250,000		575,000	50	26,796
	M		M			2017/2018	325,000	250,000		575,000	50	18,792
Dieter Wemmer, member		M			M	2018/2019	325,000	300,000		625,000	50	29,126
					M	2017/2018	325,000	200,000		525,000	50	17,157
Total 2018/2019										7,425,000		
Total 2018/2019 in USD (for reference)[7]										7,580,065		
Total 2017/2018										7,100,000		

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

1 Eleven independent BoD members were in office on 31 December 2018. At the 2018 AGM, Jeremy Anderson and Fred Hu were newly elected and William G. Parrett did not stand for re-election. Ten independent BoD members were in office on 31 December 2017. 2 These payments are associated with the Vice Chairman or the Senior Independent Director function. 3 Excludes UBS's portion related to the legally required social security contributions, which for the period from the 2018 AGM to the 2019 AGM is estimated at grant at CHF 461,780 and which for the period from the 2017 AGM to the 2018 AGM was estimated at grant at CHF 296,075. The legally required social security contributions paid by the independent BoD members are included in the amounts shown in this table, as appropriate. 4 Fees are paid 50% in cash and 50% in blocked UBS shares. However, independent BoD members may elect to have 100% of their remuneration paid in blocked UBS shares. 5 For 2018, UBS shares, valued at CHF 12.622 (average closing price of UBS shares over the last 10 trading days leading up to and including the grant date), were granted with a price discount of 15%. These shares are blocked for four years. For 2017, UBS shares, valued at CHF 17.999 (average closing price of UBS shares at the SIX Swiss Exchange over the last 10 trading days of February 2018), were granted with a price discount of 15%. These shares are blocked for four years. 6 Number of shares is reduced in case of the 100% election to deduct legally required contributions. All remuneration payments are, where applicable, subject to social security contributions and / or withholding tax. 7 Swiss franc amounts have been translated into US dollars for reference at the 2018 performance award currency exchange rate of CHF / USD 1.02.

Supplemental information

Fixed and variable compensation for GEB members

Fixed and variable compensation for GEB members[1, 2, 3]

	Total for 2018		Not deferred		Deferred[4]		Total for 2017
CHF million, except where indicated	Amount	%	Amount	%	Amount	%	Amount
Total compensation							
Amount[5]	96	100	37	39	59	61	96
Number of beneficiaries	15						12
Fixed compensation[5, 6]	23	24	23	100	0	0	21
Cash-based	21	22	21		0		20
Equity-based	2	2	2		0		2
Variable compensation	73	76	14	19	59	81	74
Cash[7]	14	15	14		0		15
Equity Ownership Plan (EOP)[8]	37	39	0		37		37
Deferred Contingent Capital Plan (DCCP)[8]	22	23	0		22		22

1 The figures relate to all GEB members in office during 2018. Thirteen GEB members were in office on 31 December 2018 including two new GEB members appointed on 1 October 2018 and one on 1 November 2018; two GEB members stepped down on 31 December 2017 and 30 September 2018 respectively; and twelve GEB members were in office on 31 December 2017. 2 2018 includes compensation for six months paid under the employment contract during the notice period to one GEB member who stepped down on 31 December 2017, as well as compensation for one GEB member who stepped down on 30 September 2018 for nine months in office as a GEB member plus for three months paid under the employment contract during the notice period. No payments during notice period were made in 2017. 3 2018 includes compensation for two newly appointed GEB members for three months in office as GEB members, and for one newly appointed GEB member for two months in office as a GEB member. 4 Based on the specific plan vesting and reflecting the total award value at grant, which may differ from the accounting expenses. 5 Excludes benefits and employer's contribution to retirement benefit plans. Includes social security contributions paid by GEB members but excludes the portion related to the legally required social security contributions paid by UBS. 6 Includes base salary and role-based allowances, rounded to the nearest million. 7 Includes allocation of vested but blocked shares, in line with the remuneration section of the UK Prudential Regulation Authority Rulebook. 8 For the GEB members who are also MRTs, the awards starting with performance year 2017 are no longer permitted to include dividend and interest payments. Accordingly, the amounts reflect for the EOP the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards.

Regulated staff

Key Risk Takers

Key Risk Takers (KRTs) are defined as those employees who, by the nature of their roles, have been determined to materially set, commit or control significant amounts of the firm's resources and / or exert significant influence over its risk profile. This includes employees who work in front-office roles, logistics and control functions. Identifying KRTs globally is part of our risk control framework and an important element in ensuring we incentivize only appropriate risk-taking. For 2018, in addition to all GEB members, 675 employees were classified as KRTs throughout the UBS Group globally, including all GMDs and all employees with a total compensation exceeding USD / CHF 2.5 million (Highly Paid Employees) who may not have been identified as KRTs during the performance year.

In line with regulatory requirements, the performance of employees identified as KRTs during the performance year is evaluated by the control functions. In addition, KRTs' performance awards are subject to a mandatory deferral rate of at least 50%, regardless of whether the deferral threshold has been met. A KRT's deferred compensation award will only vest if the relevant Group and / or business division performance conditions are met. Consistent with all other employees, the deferred portion of KRTs' compensation is also subject to forfeiture or reduction if the KRT commits harmful acts.

Fixed and variable compensation for Key Risk Takers[1]

	Total for 2018		Not deferred		Deferred[2]		Total for 2017
USD million, except where indicated	Amount	%	Amount	%	Amount	%	Amount
Total compensation							
Amount[3]	1,250	100	758	61	492	39	1,327
Number of beneficiaries	675						707
Fixed compensation[3,4]	417	33	417	100	0	0	435
Cash-based	395	32	395		0		408
Equity-based	22	2	22		0		28
Variable compensation	833	67	341	41	492	59	891
Cash[5]	341	27	341		0		372
Equity Ownership Plan (EOP)[6]	305	24	0		305		320
Deferred Contingent Capital Plan (DCCP)[6]	186	15	0		186		200

1 Includes employees with a total compensation exceeding USD / CHF 2.5 million (Highly Paid Employees), excluding GEB members who were in office during the performance year 2018, except the three new GEB members appointed during 2018, who are included for their compensation received for their roles as KRTs prior to their GEB member appointments. 2 Based on the specific plan vesting and reflecting the total value at grant, which may differ from the accounting expenses. 3 Excludes benefits and employer's contribution to retirement benefits plan. Includes social security contributions paid by KRTs but excludes the portion related to the legally required social security contributions paid by UBS. 4 Includes base salary and role-based allowances. 5 Includes allocation of vested but blocked shares, in line with the remuneration section of the UK Prudential Regulation Authority Rulebook. 6 Starting with performance year 2017, KRTs who are also MRTs are no longer permitted to receive dividend and interest payments. Accordingly, the amounts reflect for the EOP the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards.

Material Risk Takers

For relevant EU-regulated entities we identify individuals who are deemed to be Material Risk Takers (MRTs) based on local regulatory requirements, the respective EU Commission Delegated Regulation and the EU Capital Requirements Directive of 2013 (CRD IV). This group consists of senior management, risk takers, selected staff in control or support functions and certain employees whose total compensation is above a specified threshold. For 2018, UBS identified 754 MRTs across its EU entities.

Variable compensation awarded to MRTs is subject to specific requirements from local regulators such as a maximum variable to fixed compensation ratio which is set at 100% unless approved to be increased to 200% by the shareholders of the respective legal entity. UBS has obtained approval as appropriate through relevant shareholders' votes to increase the variable to fixed pay ratio to 200%. Other applicable regulatory requirements for this population include a minimum deferral rate of 40% to 60% on performance awards and the delivery of at least 50% of any upfront performance award in UBS shares that vest immediately but are blocked for 12 months.

Any notional shares granted to MRTs under the EOP and notional DCCP awards for their performance in 2018 are subject to a six- or 12-month blocking period post vesting and do not pay out dividends or interest during the deferral period.

Since 2015, performance awards granted to UK MRTs have been subject to clawback provisions for a period of up to seven years from the date of grant. In line with the EBA guidelines, clawback has also been introduced in other EU jurisdictions as applicable. Under these provisions, the firm may claim repayment of both the immediate and the vested deferred element of any performance award if an individual is found to have contributed substantially to significant financial losses for the Group or corporate structure in scope, a material downward restatement of disclosed results, or engaged in misconduct and / or failed to take expected actions that contributed to significant reputational harm.

UK Senior Managers and Certification Regime

The Senior Managers and Certification Regime (SMCR) of the UK Prudential Regulation Authority and Financial Conduct Authority requires that individuals with specified responsibilities, performing certain significant functions and / or those in certain other identified categories be designated as Senior Management Functions (SMFs).

SMFs are subject to specific compensation requirements, including longer deferral as well as longer blocking and clawback periods. The deferral period for SMFs is seven years, with the deferred performance awards vesting in equal annual installments between years three and seven. Additionally, these awards are subject to a 12-month blocking period post vesting. The clawback policy for SMFs permits clawback for up to 10 years from the date of performance award grants (applicable if an individual is subject to an investigation at the end of the initial seven-year clawback period). All SMFs are also identified as MRTs and as such subject to the same prohibitions on dividend and interest payments.

Control functions and Group Internal Audit

Our control functions must be independent in order to monitor risk effectively. Therefore, their compensation is determined separately from the revenue producers that they oversee, supervise or monitor. Their performance award pool is based not on the performance of these businesses, but on the performance of the Group as a whole. In addition, we consider other factors, such as how effectively the function has performed, and our market position. Decisions on individual compensation for the senior managers of the control functions are made by the function heads and approved by the Group CEO. Decisions on individual compensation for the members of Group Internal Audit (GIA) are made by the Head GIA and approved by the Chairman of the BoD. Upon proposal by the Chairman, total compensation for the Head GIA is approved by the Compensation Committee in consultation with the Audit Committee.

2018 performance award pool and expenses

Performance awards granted for the 2018 performance year

The "Variable compensation" table below shows the amount of variable compensation awarded to employees for the performance year 2018, together with the number of beneficiaries for each type of award granted.

In the case of deferred awards, the final amount paid to an employee depends on performance conditions and consideration of relevant forfeiture provisions. The deferred share award amount is based on the market value of these awards on the date of grant.

Variable compensation[1]

	Expenses recognized in the IFRS income statement		Expenses deferred to future periods[4]		Adjustments[4]		Total		Number of beneficiaries	
USD million, except where indicated	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Non-deferred cash	2,089	2,088	0	0	0	0	2,089	2,088	51,809	45,664
Deferred compensation awards	373	399	585	594	71	73	1,029	1,067	3,967	4,922
of which: Equity Ownership Plan	*217*	*239*	*325*	*329*	*71[5]*	*73[5]*	*613*	*642*	*3,768*	*4,483*
of which: Deferred Contingent Capital Plan	*131*	*135*	*238*	*238*	*0*	*0*	*369*	*373*	*3,934*	*4,891*
of which: Asset Management EOP	*25*	*25*	*22*	*27*	*0*	*0*	*47*	*52*	*284*	*439*
Total variable compensation – performance award pool	2,461	2,487	585	594	71	73	3,118	3,154	51,819	45,671
Variable compensation – other[2]	162	151	180	196	(96)[6]	(80)[6]	246	268		
Financial advisor (FA) variable compensation[3]	3,266	3,080	484	525	0	0	3,750	3,605	6,850	6,822
Total variable compensation including FA variable compensation	5,889	5,718	1,250	1,316	(25)	(6)	7,114	7,027		

1 Expenses under "Variable compensation – other" and "Financial advisor variable compensation" are not part of UBS's performance award pool. 2 Comprised of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense and remeasurements related to the Deferred Contingent Capital Plan. 3 Financial advisor compensation consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure, new assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. 4 Estimate. The actual amount to be expensed in future periods may vary, e.g., due to forfeitures. 5 Represents estimated post-vesting transfer restriction and forfeiture discounts. 6 Included in expenses deferred to future periods is an amount of USD 96 million (2017: USD 80 million) in interest expense and remeasurements related to the Deferred Contingent Capital Plan. As the amount recognized as performance award represents the present value of the award at the date it is granted to the employee, this amount is adjusted out in the analysis.

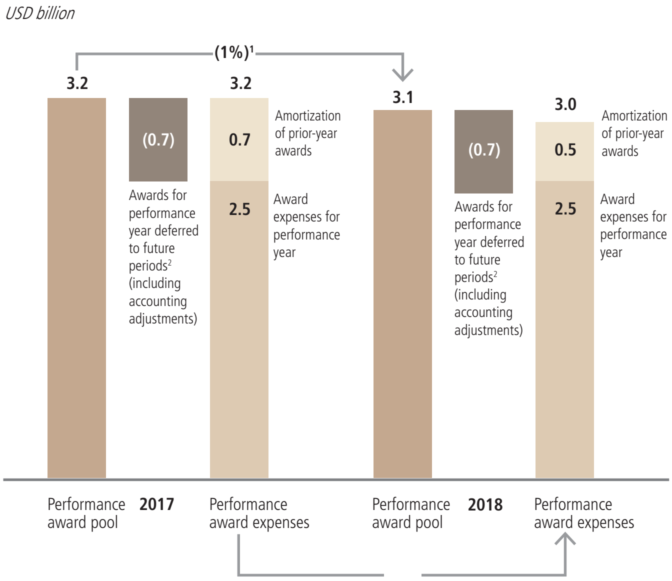
2018 performance award pool and expenses

The performance award pool, which includes performance-based variable awards for 2018, was USD 3.1 billion, reflecting a decrease of 1% compared with 2017. Consistent with prior years, the movements in deferred tax assets (DTA), whether positive or negative, do not affect the funding of the performance award pool as DTAs do not reflect the underlying business performance and are not within management's control.

Performance award expenses for 2018 decreased by 5% to USD 3.0 billion. This decrease reflects the change in the performance award pool for 2018 as well as lower expenses related to the amortization of awards from prior years. The "Performance award pool and expenses" chart on this page compares the performance award pool with performance award expenses.

→ **Refer to the "2018 performance and compensation funding" section of this report for more information**

Performance award pool and expenses



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

Amortization of deferred compensation

Performance award expenses include all immediate expenses related to 2018 compensation awards as well as expenses deferred to 2018 related to awards made in prior years. The chart "Amortization of deferred compensation" shows the amount at the end of 2018 of awards to be amortized in subsequent years. This was USD 1.2 billion as of 31 December 2018 and USD 1.3 billion as of 31 December 2017.

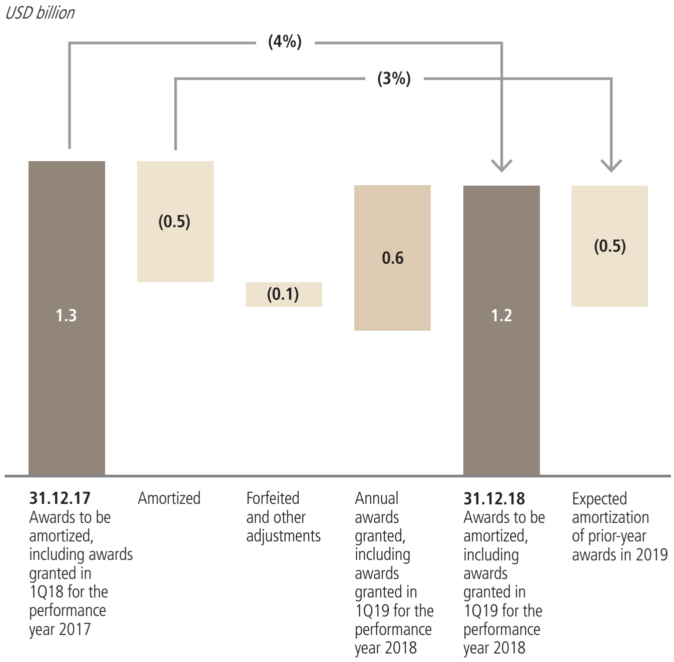
→ **Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2018 for more information**

GEB and KRTs deferred compensation

The "GEB and KRTs deferred compensation" table on the next page shows the current economic value of unvested outstanding deferred variable compensation awards subject to ex-post adjustments. For share-based plans, the economic value is determined based on the closing share price on 28 December 2018. For notional funds, it is determined using the latest available market price for the underlying funds at year-end 2018, and for deferred cash plans, it is determined based on the outstanding amount of cash owed to award recipients.

The "GEB and KRTs ex-post explicit and implicit adjustments to deferred compensation in 2018" table on the next page shows the value of actual ex-post explicit and implicit adjustments to outstanding deferred compensation in the financial year 2018. Ex-post adjustments occur after an award has been granted. Ex-post explicit adjustments occur when we adjust compensation by forfeiting deferred awards. Ex-post implicit adjustments are unrelated to any action taken by the firm and occur as a result of share price movements that affect the value of an award. The total value of ex-post explicit adjustments made to UBS shares in 2018, based on the approximately 6.2 million shares forfeited during 2018, is a reduction of USD 76.8 million. The size of implicit adjustments is mainly due to a decrease in the share price. The share price as of year-end means that many of the options previously granted remain out of the money. Hence, the majority of outstanding option awards had no intrinsic value at the end of 2018.

Amortization of deferred compensation



GEB and KRTs deferred compensation[1,2]

USD million, except where indicated	Relating to awards for 2018[3]	Relating to awards for prior years[4]	Total	of which: exposed to ex-post explicit and / or implicit adjustments	Total deferred compensation year-end 2017[5]	Total amount of deferred compensation paid out in 2018[6]
GEB						
Deferred Contingent Capital Plan[7]	22	96	119	100%	104	13
Equity Ownership Plan (including notional funds, if applicable)[7]	38	107	145	100%	181	29
Discontinued deferred compensation plans[8] 0	0		0 0	100%		0
KRTs						
Deferred Contingent Capital Plan	186	865	1,051	100%	1,148	113
Equity Ownership Plan (including notional funds) [7]	305	674	979	100%	1,535	429
Discontinued deferred compensation plans[7] 0	0		0 0	100%		0
Total GEB and KRTs	551	1,742	2,294		2,967	584

1 Based on the specific plan vesting and reflecting the economic value of the outstanding awards, which may differ from the accounting expenses. Year-to-year reconciliations would also need to consider the impacts of additional items including off-cycle awards, FX movements, population changes, and dividend equivalent reinvestments. 2 Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2018 for more information. 3 Where applicable, amounts are translated into USD at the performance award currency exchange rate. For GEB members who were appointed to the GEB during 2018, awards have been pro-rated between KRT and GEB entries accordingly. 4 Takes into account the ex-post implicit adjustments, given the share price movements since grant. For GEB members who were appointed to the GEB part way through 2018, awards have been fully reflected in the GEB entries. Where applicable, amounts are translated from award currency into USD using FX rates as at 31 December 2018. 5 Values from the 2017 Compensation Report in CHF have been translated to USD using the 31 December 2017 FX rate. 6 Valued at distribution price and FX rate for all awards distributed in 2018. For GEB members who were appointed to the GEB during 2018, value of the awards paid out according to their role at the time of distribution. 7 Starting with performance year 2017, GEB members and KRTs who are also MRTs are no longer permitted to receive dividend and interest payments. Accordingly, the amounts reflect for the EOP the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards. 8 Senior Executive Equity Ownership Plan (SEEOP) and Incentive Performance Plan (IPP).

GEB and KRTs ex-post explicit and implicit adjustments to deferred compensation in 2018

	Ex-post explicit adjustments[1]		Ex-post implicit adjustments to unvested awards[2]	
USD million	31.12.18	31.12.17	31.12.18	31.12.17
GEB				
Deferred Contingent Capital Plan	0	0	0	0
Equity Ownership Plan (including notional funds, if applicable)	0	0	(28)	26
Discontinued deferred compensation plans	0	0	0	0
KRTs				
Deferred Contingent Capital Plan	(17)	(7)	0	0
Equity Ownership Plan (including notional funds)	(13)	(6)	(166)	214
Discontinued deferred compensation plans	0	0	0	0
Total GEB and KRTs	(30)	(13)	(194)	240

1 Ex-post explicit adjustments are calculated as units forfeited during the year, valued at the share price on 31 December 2018 (USD 12.38) for 2018. The 2017 data is valued using the share price on 31 December 2017 (CHF 17.94) and translated to USD using the 31 December 2017 FX rate. For the notional funds awarded to Asset Management employees under the EOP, this represents the forfeiture credits recognized in 2018 and 2017. For the DCCP, the fair value at grant of the forfeited awards during the year is reflected. For GEB members who were appointed to the GEB during 2018, awards have been fully reflected in the GEB entries. 2 Ex-post implicit adjustments for UBS shares are calculated based on the difference between the weighted average grant date fair value and the share price at year-end. The amount for notional funds is calculated using the mark-to-market change during 2018 and 2017. For GEB members who were appointed to the GEB during 2018, awards have been fully reflected in the GEB entries. Values from 2017 Compensation Report in CHF have been converted to USD using the 31 December 2017 FX rate.

Total personnel expenses for 2018

As of 31 December 2018, there were 66,888 employees (on a full-time equivalent basis), an increase of 9% compared with the prior year. This increase largely reflects our insourcing activities, which are part of our integrated workforce strategy, where roles previously performed by external staff have been brought back inside UBS in permanent employee positions. The "Personnel expenses" table below shows our total personnel expenses for 2018. It includes salaries, pension contributions and other personnel costs, social security contributions and variable compensation. Variable compensation includes cash performance awards paid in 2019 for the 2018 performance year, the amortization of unvested deferred awards granted in previous years and the cost of deferred awards granted to employees who are eligible for retirement in the context of the compensation framework at the date of grant.

The performance award pool reflects the value of performance awards granted relating to the 2018 performance year, including awards that are paid out immediately and those that are deferred. To determine our variable compensation expenses, the following adjustments are required in order to reconcile the performance award pool to the expenses recognized in the Group's financial statements prepared in accordance with International Financial Reporting Standards (IFRS):
– reduction for the future amortization (including accounting adjustments) of unvested deferred awards granted in 2019 for the performance year 2018
– addition for the 2018 amortization of unvested deferred awards granted in prior years

As a large part of compensation consists of deferred awards, the amortization of unvested deferred awards granted in prior years forms a significant part of the IFRS expenses in both 2017 and 2018.

→ **Refer to "Note 6 Personnel expenses" and "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2018 for more information**

Personnel expenses

	Expenses recognized in the IFRS income statement				
USD million	Related to the performance year 2018	Related to prior performance years	Total expenses recognized in 2018	Total expenses recognized in 2017	Total expenses recognized in 2016
Salaries[1]	6,448	0	6,448	6,154	6,305
Non-deferred cash	2,089	(32)	2,057	2,062	1,799
Deferred compensation awards	373	565	938	1,088	1,215
of which: Equity Ownership Plan	*217*	*309*	*526*	*583*	*708*
of which: Deferred Contingent Capital Plan	*131*	*226*	*357*	*444*	*435*
of which: Asset Management EOP	*25*	*28*	*53*	*57*	*66*
of which: Other performance awards	*0*	*2 4*	*2*		*6*
Total variable compensation – performance awards[2]	2,461	534	2,995	3,151	3,013
of which: guarantees for new hires	*26*	*17*	*43*	*36*	*30*
Replacement payments[3]	7	64	72	72	87
Forfeiture credits	0	(136)	(136)	(107)	(74)
Severance payments[4]	123	0	123	113	220
Retention plan and other payments	33	33	66	63	76
Deferred Contingent Capital Plan: interest expense	0	119	119	111	115
Total variable compensation – other[2]	162	80	243	252	425
Contractors	489	0	489	460	426
Social security	788	3	791	814	755
Pension and other post-employment benefit plans[5]	457	0	457	723	678
Financial advisor variable compensation[2,6]	3,266	789	4,054	4,064	3,740
Other personnel expenses	628	26	654	581	570
Total personnel expenses[7]	14,700	1,432	16,132	16,199	15,913

1 Includes role-based allowances. 2 Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2018 for more information. 3 Payments made to compensate employees for deferred awards forfeited as a result of joining UBS. Includes the expenses recognized in the financial year (mainly the amortization of the award). 4 Includes legally obligated and standard severance payments. 5 Refer to "Note 29 Pension and other post-employment benefit plans" in the "Consolidated financial statements" section of the Annual Report 2018 for more information. 6 Consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure, new assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. 7 Includes net restructuring expenses of USD 286 million, USD 545 million and USD 763 million for the years ended 31 December 2018, 31 December 2017 and 31 December 2016, respectively. Refer to "Note 32 Changes in organization and acquisitions and disposals of subsidiaries and businesses" in the "Consolidated financial statements" section of the Annual Report 2018 for more information.

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

The tables below show the extent to which the performance conditions for awards granted in prior years have been met and the percentage of the awards that vest in 2019.

Equity Ownership Plan (EOP) 2013 / 2014, EOP 2014 / 2015, EOP 2015 / 2016 and EOP 2016 / 2017		
Performance conditions	Performance achieved	% of installment vesting
Adjusted return on tangible equity[1] and divisional return on attributed equity	The Group and divisional performance conditions have been satisfied. For the EOP 2013 / 2014, the third and final installment for the Group Executive Board (GEB) members vests in full. For the EOP 2014 / 2015, the second installment for the GEB members and the second installment for all other employees covered under the plan vest in full. For the EOP 2015 / 2016, the first installment for the GEB members and the second installment for all other employees covered under the plan vest in full. For the EOP 2016 / 2017, the first installment for all other employees covered under the plan vests in full	100%

1 The assessment for vesting purposes excludes the effect of deferred tax assets (DTAs). Furthermore, DTAs, when positive, have never had an impact on the performance award vesting.

Deferred Contingent Capital Plan (DCCP) 2013 / 2014		
Performance conditions	Performance achieved	% of installment vesting
Common equity tier 1 (CET1) capital ratio, viability event and additionally for GEB, Group adjusted profit before tax	The performance conditions have been satisfied. The DCCP 2013 / 2014 vests in full	100%

Discontinued deferred compensation plans

The table below lists discontinued compensation plans that had outstanding balances as of 31 December 2018. The firm has not granted any options and SARs since 2009. The strike price for stock options awarded under prior compensation plans has not been reset.

→ **Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2018 for more information**

Plan	Years granted	Eligible employees	Instrument	Performance conditions	Vesting period and other conditions	Status as of March 2019
Key Employee Stock Appreciation Rights Plan (KESAP) and Key Employee Stock Option Plan (KESOP)	2002–2009	Selected employees (approximately 17,000 employees between 2002 and 2009)	Share-settled stock appreciation rights (SARs) or stock options	None	Vests in full three years after grant, subject to continued employment, non-solicitation of clients and employees and non-disclosure of proprietary information	Expired (some options / SARs remain exercisable)

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Share and option ownership / entitlements of GEB members[1]

Name, function	on 31 December	Number of unvested shares / at risk[2]	Number of vested shares	Total number of shares	Potentially conferred voting rights in %	Number of options[3]	Potentially conferred voting rights in %[4]
Sergio P. Ermotti, Group Chief Executive Officer	2018	1,715,430	1,757,766	3,473,196	0.191	0	0.000
	2017	1,632,464	460,377	2,092,841	0.121	0	0.000
Martin Blessing, Co-President Global Wealth Management	2018	256,356	0	256,356	0.014	0	0.000
	2017	65,761	0	65,761	0.004	0	0.000
Christian Bluhm, Group Chief Risk Officer	2018	259,745	0	259,745	0.014	0	0.000
	2017	131,520	0	131,520	0.008	0	0.000
Markus U. Diethelm, Group General Counsel	2018	614,222	317,516	931,738	0.051	0	0.000
	2017	589,659	194,000	783,659	0.045	0	0.000
Kirt Gardner, Group Chief Financial Officer	2018	343,120	107,472	450,592	0.025	0	0.000
	2017	264,718	61,652	326,370	0.019	0	0.000
Robert Karofsky, Co-President Investment Bank	2018	500,902	254,119	755,021	0.042	0	0.000
	2017	–	–	–	–	–	–
Sabine Keller-Busse, Group Chief Operating Officer	2018	259,762	263,362	523,124	0.029	0	0.000
	2017	244,676	176,602	421,278	0.024	0	0.000
Ulrich Körner, President Asset Management and President UBS EMEA	2018	910,951	95,597	1,006,548	0.055	0	0.000
	2017	881,979	95,597	977,576	0.057	0	0.000
Axel P. Lehmann, President Personal & Corporate Banking and President UBS Switzerland	2018	307,090	277,978	585,068	0.032	0	0.000
	2017	156,180	277,978	434,158	0.025	0	0.000
Tom Naratil, Co-President Global Wealth Management and President UBS Americas	2018	1,132,938	484,075	1,617,013	0.089	0	0.000
	2017	1,047,311	422,298	1,469,609	0.085	281,640	0.016
Piero Novelli, Co-President Investment Bank	2018	471,049	256,367	727,416	0.040	0	0.000
	2017	–	–	–	–	–	–
Andrea Orcel, former President Investment Bank	2018	–	–	–	–	–	–
	2017	1,328,113	251,439	1,579,552	0.091	0	0.000
Markus Ronner, Group Chief Compliance and Governance Officer	2018	161,152	173	161,325	0.009	0	0.000
	2017	–	–	–	–	–	–
Kathryn Shih, President UBS Asia Pacific	2018	503,772	150,000	653,772	0.036	0	0.000
	2017	581,546	0	581,546	0.034	74,599	0.004
Total	2018	7,436,489	3,964,425	11,400,914	0.627	0	0.000
	2017	6,923,927	1,939,943	8,863,870	0.513	356,239	0.021

1 Includes all vested and unvested shares and options of GEB members, including those held by related parties. 2 Includes shares granted under variable compensation plans with forfeiture provisions. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to "Compensation philosophy and framework" section of this report for more information on the plans. 3 Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2018 for more information. 4 No conversion rights outstanding.

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

	Total	*of which: vested*	*of which: vesting*				
			2019	*2020*	*2021*	*2022*	*2023*
Shares on 31 December 2018	11,400,914	*3,964,425*	*1,889,712*	*1,826,864*	*1,858,391*	*1,266,430*	*595,092*
			2018	*2019*	*2020*	*2021*	*2022*
Shares on 31 December 2017[3]	9,840,946	*1,941,018*	*1,796,694*	*1,825,372*	*1,992,458*	*1,465,516*	*819,888*

1 Includes shares held by related parties. 2 Includes shares granted under variable compensation plans with forfeiture provisions. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to the "Compensation philosophy and framework" section of this report for more information. 3 Includes all vested and unvested shares of Jürg Zeltner who stepped down from the GEB on 31 December 2017.

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Number of shares of BoD members[1]

Name, function	on 31 December	Number of shares held	Voting rights in %
Axel A. Weber, Chairman	2018	764,329	0.042
	2017	642,100	0.037
Michel Demaré, Vice Chairman	2018	322,558	0.018
	2017	290,694	0.017
David Sidwell, Senior Independent Director	2018	189,805	0.010
	2017	154,672	0.009
Jeremy Anderson, member[2]	2018	0	0.000
	2017	–	–
Reto Francioni, member	2018	98,832	0.005
	2017	76,772	0.004
Ann F. Godbehere, member	2018	259,225	0.014
	2017	232,263	0.013
Fred Hu, member[2]	2018	0	0.000
	2017	–	–
William G. Parrett, former member[2]	2018	–	–
	2017	106,916	0.006
Julie G. Richardson, member	2018	17,157	0.001
	2017	0	0.000
Isabelle Romy, member	2018	114,802	0.006
	2017	94,376	0.005
Robert W. Scully, member	2018	47,074	0.003
	2017	29,917	0.002
Beatrice Weder di Mauro, member	2018	145,601	0.008
	2017	126,809	0.007
Dieter Wemmer, member	2018	31,159	0.002
	2017	14,002	0.001
Total	2018	1,990,542	0.109
	2017	1,768,521	0.102

1 Includes blocked and unblocked shares held by BoD members, including those held by related parties. No options were granted in 2018 and 2017. 2 At the 2018 AGM, Jeremy Anderson and Fred Hu were newly elected and William G. Parrett did not stand for re-election.

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

	Total	*of which: unblocked*	*of which: blocked until*			
			2019	*2020*	*2021*	*2022*
Shares on 31 December 2018	1,990,542	*636,397*	*323,051*	*335,587*	*366,570*	*328,937*
			2018	*2019*	*2020*	*2021*
Shares on 31 December 2017	1,768,521	*294,924*	*366,821*	*347,106*	*364,161*	*395,509*

1 Includes shares held by related parties.

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Vested and unvested options of GEB members[1]

on 31 December	Total number of options[2]	Number of options[3]	Year of grant	Vesting date	Expiry date	Strike price
Tom Naratil, Co-President Global Wealth Management and President UBS Americas[4]						
2018	0					
2017	**281,640**	181,640	2008	1.3.2011	28.2.2018	CHF 35.66
		100,000	2009	1.3.2012	27.2.2019	CHF 11.35
Kathryn Shih, President UBS Asia Pacific						
2018	0					
2017	74,599	74,599	2008	1.3.2011	28.2.2018	CHF 35.66

1 Includes all options held by GEB members, including those held by related parties. 2 No conversion rights outstanding. 3 Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2018 for more information. 4 Tom Naratil exercised his remaining 100,000 options on 28 November 2018.

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Loans granted to GEB members[1]

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

CHF, except where indicated[2]

Name, function	on 31 December	Loans[3]	*USD (for reference)* Loans[3]
Ulrich Körner, President Asset Management and President UBS EMEA (highest loan in 2018)	2018	8,240,000	8,380,492
Ulrich Körner, President Asset Management and President UBS EMEA (highest loan in 2017)	2017	8,240,000	
Aggregate of all GEB members[4]	2018	33,204,000	33,770,128
	2017	37,442,914	

1 No loans have been granted to related parties of the GEB members at conditions not customary in the market. 2 Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. 3 All loans granted are secured loans. 4 Excludes unused uncommitted credit facilities of CHF 2,949,690 in 2018 that had been granted to one GEB member, and of CHF 4,952,596 in 2017 that had been granted to two GEB members.

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Loans granted to BoD members[1]

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

CHF, except where indicated[2]

	on 31 December	Loans[3,4,5]	*USD (for reference)* Loans[3,4,5]
Aggregate of all BoD members	2018	600,000	610,230
	2017	3,524,370	

1 No loans have been granted to related parties of the BoD members at conditions not customary in the market. 2 Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. 3 All loans granted are secured loans. 4 CHF 600,000 for Reto Francioni in 2018 and CHF 600,000 for Reto Francioni and CHF 2,924,370 for William G. Parrett in 2017. 5 Excludes an unused uncommitted credit facility of CHF 243,698 that had been granted to one BoD member in 2017.

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Compensation paid to former BoD and GEB members[1]

CHF, except where indicated[2]

		For the year	Compensation	Benefits	Total	*USD (for reference)* Total
Former BoD members	0	2018		0	0	0
	0	2017		0	0	
Aggregate of all former GEB members[3]		2018	0	45,556	45,556	46,333
		2017	336,789	44,636	381,425	
Aggregate of all former BoD and GEB members		2018	0	45,556	45,556	46,333
		2017	336,789	44,636	381,425	

1 Compensation or remuneration that is related to the former members' activity on the BoD or GEB or that is not at market conditions. 2 Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. 3 Includes a payment in 2018 to one former GEB member and payments in 2017 to two former GEB members.

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Provisions of the Articles of Association related to compensation

Under the say-on-pay provisions in Switzerland, shareholders of Swiss-listed companies have significant influence over board and management compensation. At UBS, this is achieved by means of an annual binding say-on-pay vote in accordance with the following Articles of Association provisions related to compensation:

Say on pay: In line with article 43 of the Articles of Association of UBS Group AG, the General Meeting shall approve the proposals of the Board of Directors in relation to:
a) the maximum aggregate amount of compensation of the Board of Directors for the period until the next Annual General Meeting;
b) the maximum aggregate amount of fixed compensation of the Group Executive Board for the following financial year; and
c) the aggregate amount of variable compensation of the Group Executive Board for the preceding financial year.

The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods. In the event the General Meeting does not approve a proposal of the Board of Directors, the Board of Directors shall determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts and submit the amount(s) so determined for approval by the General Meeting. The Corporation or companies controlled by it may pay or grant compensation prior to approval by the General Meeting, subject to subsequent approval.

Principles of compensation: In line with articles 45 and 46 of the Articles of Association of UBS Group AG, compensation of the members of the Board of Directors shall comprise a base remuneration and may comprise other compensation elements and benefits. Compensation of the members of the Board of Directors is intended to recognize the responsibility and governance nature of their role, to attract and retain qualified individuals and to ensure alignment with shareholders' interest.

Compensation of the members of the Group Executive Board shall comprise fixed and variable compensation elements. Fixed compensation shall comprise the base salary and may comprise other compensation elements and benefits. Variable compensation elements shall be governed by financial and non-financial performance measures that take into account the performance of the Corporation and / or parts thereof, targets in relation to the market, other companies or comparable benchmarks, short- and long-term strategic objectives and / or individual targets. The Board of Directors or, where delegated to it, the Compensation Committee determines the respective performance measures, the overall and individual performance targets, and their achievements. The Board of Directors or, where delegated to it, the Compensation Committee aims to ensure alignment with sustainable performance and appropriate risk-taking through adequate deferrals, forfeiture conditions, caps on compensation, harmful acts provisions and similar means with regard to parts of or all of the compensation. Parts of variable compensation shall be subject to a multi-year vesting period.

Additional amount for GEB members appointed after the vote on the aggregate amount of compensation by the AGM: In line with article 46 of the Articles of Association of UBS Group AG, if the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover the compensation of a person who becomes a member of or is being promoted within the Group Executive Board after the General Meeting has approved the compensation, the Corporation or companies controlled by it shall be authorized to pay or grant each such Group Executive Board member a supplementary amount during the compensation period(s) already approved. The aggregate pool for such supplementary amounts per compensation period shall not exceed 40% of the average of total annual compensation paid or granted to the Group Executive Board during the previous three years.

→ **Refer to *www.ubs.com/governance* for more information**

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To the General Meeting of
UBS Group AG, Zurich

Basel, 14 March 2019

Report of the statutory auditor on the compensation report

We have audited the compensation report dated 14 March 2019 of UBS Group AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the following tables labeled "audited" of the compensation report: *Total compensation for GEB members, Total payments to BoD members, Compensation details and additional information for non-independent BoD members, Remuneration details and additional information for independent BoD members, Loans granted to GEB members, Loans granted to BoD members* and *Compensation paid to former BoD and GEB members*.

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

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

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

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

Opinion
In our opinion, the compensation report for the year ended 31 December 2018 of UBS Group AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

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

Bruno Patusi
Licensed audit expert

Information sources

Reporting publications

Annual publications: *Annual Report (SAP no. 80531):* Published in English, this single-volume report provides descriptions of: our Group strategy and performance; the strategy and performance of the business divisions and Corporate Center; risk, treasury and capital management; corporate governance, corporate responsibility and our compensation framework, including information on compensation for the Board of Directors and the Group Executive Board members; and financial information, including the financial statements. *Auszug aus dem Geschäftsbericht (SAP no. 80531):* This publication provides the translation into German of selected sections of the Annual Report. *Annual Review (SAP no. 80530):* This booklet contains key information on our strategy and performance, with a focus on corporate responsibility at UBS. It is published in English, German, French and Italian. *Compensation Report (SAP no. 82307):* The report discusses our compensation framework and provides information on compensation for the Board of Directors and the Group Executive Board members. It is available in English and German.

Quarterly publications: The quarterly financial report provides an update on our strategy and performance for the respective quarter. It is available in English.

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

Other information

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

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

Messaging service: Email alerts to news about UBS can be subscribed to under "UBS news alert" at *www.ubs.com/investors*. Messages are sent in English, German, French or Italian, with an option to select theme preferences for such alerts.

Form 20-F and other submissions to the US Securities and Exchange Commission: We file periodic reports and submit other information about UBS to the US Securities and Exchange Commission (SEC). Principal among these filings is the annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934. The filing of Form 20-F is structured as a wrap-around document. Most sections of the filing can be satisfied by referring to parts of the annual report. However, there is a small amount of additional information in Form 20-F that is not presented elsewhere and is particularly targeted at readers in the US. Readers are encouraged to refer to this additional disclosure. Any document that we file with the SEC is available on the SEC's website *www.sec.gov*. Refer to *www.ubs.com/investors* for more information.

Returning home

In 2018, we returned to our newly-renovated historic headquarters. This story and more in our Annual Review 2018.

Available from 1 April 2019
ubs.com/annualreview

Corporate information

UBS Group AG is incorporated and domiciled in Switzerland and operates under art. 620ff. of 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 11 11, and its corporate identification number is CHE-395.345.924. UBS Group AG was incorporated on 10 June 2014 and was established in 2014 as the holding company of the UBS Group. UBS Group AG shares are listed on the SIX Swiss Exchange and on the New York Stock Exchange (ISIN: CH0244767585; CUSIP: H42097107). UBS Group AG owns 100% of the outstanding shares of UBS AG.

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

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Corporate calendar UBS Group AG

Publication of the first quarter 2019 report:	Thursday, 25 April 2019
Annual General Meeting 2019:	Thursday, 2 May 2019
Publication of the second quarter 2019 report:	Tuesday, 23 July 2019
Publication of the third quarter 2019 report:	Tuesday, 22 October 2019

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Cautionary Statement Regarding Forward-Looking Statements | This report contains statements that constitute "forward-looking statements," including but not limited to management's outlook for UBS's financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development. While these forward-looking statements represent UBS's judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations. These factors include, but are not limited to: (i) the degree to which UBS is successful in 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 (LRD), including to counteract regulatory-driven increases, liquidity coverage ratio and other financial resources, and the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (ii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions, 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, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific 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 will or would have on UBS's business activities; (v) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements 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, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments, and the extent to which such changes will have the intended effects; (vi) UBS's ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (vii) the uncertainty arising from the timing and nature of the UK exit from the EU; (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, potentially large fines or monetary penalties, or the 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 as well as the amount of capital available for return to shareholders; (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; (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) UBS's ability to implement new technologies and business methods, including digital services and technologies and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xv) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (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 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 2018. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Starting in 2018, percentages, percent changes, and adjusted results are calculated on the basis of unrounded figures. Information on absolute changes between reporting periods, which is provided in text and that can be derived from figures displayed in the tables, is calculated on a rounded basis.

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. Percentage changes are presented as a mathematical calculation of the change between periods.

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