



Say-on-pay

Shareholder information on compensation votes
at the **UBS Group AG Annual General Meeting 2015**



Dear shareholder,



In 2014, we completed our strategic transformation, while embedding a culture that is both a source of pride and a competitive advantage for the firm. As part of the initiative to change our culture, there is focus not only on what employees have contributed, but also on how they have contributed through UBS's principles and behaviors. We believe that HOW we deliver results is as important as the results themselves. That's why we embedded accountability even deeper into our daily activities at all levels of our firm. This included safeguards on pay, appropriate compensation governance oversight and ensuring that our compensation programs do not incentivize inappropriate risk-taking.

In this publication, we provide information and background on compensation-related votes with regard to the Group Executive Board (GEB) and the Board of Directors (BoD), which are subject for the first time to a binding approval from the shareholders in line with the Swiss Ordinance against Excessive Compensation and our Articles of Association.

At the Annual General Meeting (AGM) 2015, we're asking shareholders to vote on the variable compensation for the GEB for the performance year 2014, the fixed compensation for the GEB for the financial year 2016, and the compensation for the BoD from the AGM 2015 to the AGM 2016.

The BoD believes that prospective votes regarding the maximum fixed compensation for the GEB and the BoD provide the firm and its governing bodies with the certainty needed to operate effectively.

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The shareholders' vote on the aggregate variable compensation for the GEB in relation to the preceding year allows shareholders to make an informed decision on compensation considering pay in light of actual performance achieved.

As in the past, we ask you, as shareholders, to cast an advisory vote on the UBS Group AG Compensation Report 2014. This provides us with your valuable feedback on the firm's compensation framework and policy more generally. The combination of the binding votes on compensation and the advisory vote on the compensation framework reflects our full commitment to informed say-on-pay for our shareholders.

The specific votes that we want our shareholders to participate in are outlined in this brochure in greater detail. I trust this additional information is helpful to you. Further information regarding our compensation framework for the GEB and the BoD, including related governance and policy, can also be found in the UBS Group AG Compensation Report 2014 on www.ubs.com/annualreport.

Sincerely,

A handwritten signature in black ink, appearing to read 'Axel Weber', with a stylized flourish extending to the right.

Axel A. Weber
Chairman of the Board of Directors

Say-on-pay at the Annual General Meeting 2015

Starting at the AGM 2015, and in line with the Ordinance against Excessive Compensation in Listed Stock Corporations, we are seeking shareholders' approval of the aggregate total compensation for the GEB and aggregate total compensation for the BoD. The say-on-pay requirements are outlined in the Articles of Association. They were approved by the AGM 2014 and UBS shareholders are invited to vote on the following compensation-related agenda items at the AGM 2015 (highlighted in the AGM agenda in blue on the next page).

AGM 2015 Agenda

1. Annual report, UBS Group AG consolidated and standalone financial statements for the financial year 2014
 - 1.1. Approval of annual report and UBS Group AG consolidated and standalone financial statements
 - 1.2. Advisory vote on the UBS Group AG Compensation Report 2014
2. Appropriation of results and distribution of dividend
 - 2.1. Appropriation of results and distribution of ordinary dividend out of capital contribution reserve
 - 2.2. Supplementary distribution of a dividend out of capital contribution reserve upon the completion of the acquisition of all shares in UBS AG
3. Discharge of the members of the Board of Directors and the Group Executive Board for the financial year 2014
4. Approval of the aggregate amount of variable compensation for the members of the Group Executive Board for the financial year 2014
5. Approval of the maximum aggregate amount of fixed compensation for the members of the Group Executive Board for the financial year 2016
6. Elections
 - 6.1. Re-election of members of the Board of Directors
 - 6.2. Election of a new member for the Board of Directors: Jes Staley
 - 6.3. Election of members of the Human Resources and Compensation Committee
7. Approval of the maximum aggregate amount of compensation for the members of the Board of Directors from the 2015 Annual General Meeting to the 2016 Annual General Meeting
8. Re-elections
 - 8.1. Re-election of the independent proxy, ADB Altorfer Duss & Beilstein AG, Zurich
 - 8.2. Re-election of the auditors, Ernst & Young Ltd, Basel
 - 8.3. Re-election of the special auditors, BDO AG, Zurich

■ Advisory vote on compensation-related item

■ Binding vote on compensation-related item

Agenda item 1.2: Advisory vote on the UBS Group AG Compensation Report 2014

The Board of Directors proposes that the UBS Group AG Compensation Report 2014 be ratified in an advisory vote.

2014 compensation principles and framework

The BoD encourages shareholders to support the 2014 compensation framework through the advisory vote on the UBS Group AG Compensation Report 2014, which includes details on the firm's compensation policy, framework and governance, with specific focus on the policies and practices applicable to the GEB and the BoD. The report is available electronically under: www.ubs.com/annualreport.

Compensation governance framework

The BoD's Human Resources and Compensation Committee (HRCC) is responsible for ensuring strong governance and oversight of our compensation process. It comprises four independent BoD members elected annually by the UBS Group AG AGM.

Total Reward Principles

Our Total Reward Principles reflect our focus on pay for performance, sustainable profitability, sound governance and risk awareness. They support the firm's strategy by promoting and rewarding behaviors that enhance the firm's position and reputation.

GEB compensation

Each GEB member receives a fixed base salary and is eligible to receive an annual performance award. The GEB's compensation framework contains a number of features to encourage appropriate risk-taking and behaviors that lead to sustainable performance and results.

GEB members' performance assessment is based on a balanced scorecard, which allows the BoD to assess an individual's performance against a number of quantitative and qualitative key performance indicators (KPI). GEB compensation levels are reviewed against those of a peer group of companies. Overall, total compensation for GEB members is targeted at market pay for market performance.

Performance awards are delivered in a shorter-term, immediate cash performance award and in a longer-term deferred performance award, which is deferred for up to five years. As outlined in our UBS Group AG Compensation Report 2014, at least 80% of a GEB member's performance award is deferred. Furthermore, the entire deferred compensation of a GEB member is subject to performance conditions. For the performance year 2014, a minimum of 50% of the overall perfor-

mance award is granted under the Equity Ownership Plan (EOP), which vests in three equal installments from years three to five, subject to performance conditions being met. The remaining 30% of the overall performance award is granted under the Deferred Contingent Capital Plan (DCCP). Under the DCCP, GEB members are awarded notional additional tier 1 (AT1) instruments that vest in year five, subject to performance conditions being met, with discretionary annual interest payments. Lastly, for each GEB member, a maximum of 20% of the overall performance award can be paid out in the form of immediate cash, subject to a cap of CHF/USD 1 million (or local currency equivalent). Any amount above this cap is awarded in notional UBS Group AG shares under the EOP.

Overall, the total potential GEB performance award pool is capped at 2.5% of the adjusted Group profit before tax. This links overall GEB compensation to the firm's profitability. As the Group's adjusted profit before tax for 2014 was CHF 2.8 billion, the GEB 2014 performance award pool was capped at CHF 69 million. The actual total GEB performance award pool for 2014 was CHF 58 million, or 2.1% of the Group's adjusted profit before tax. Additionally, the Group CEO's performance award is capped at five times his base salary. Performance awards for other GEB members are capped at seven times their base salaries.

A graphical overview of the compensation framework is provided on the following pages.

BoD compensation

BoD members receive fixed fees for their services, 50% of which they must use to purchase blocked UBS Group AG shares. Alternatively, they may elect to purchase blocked UBS Group AG shares using 100% of their fees. BoD members do not receive variable compensation. This bolsters BoD members' independence from senior management and helps to maintain their focus on long-term strategic planning, supervision and governance. The Chairman, as a non-independent BoD member, receives a cash payment, blocked UBS Group AG shares and benefits as well as contributions to retirement benefits plan.

Deferral of performance awards and UBS compensation plans for all other employees

For all employees with total compensation exceeding CHF/USD 300,000, a significant part of their performance award will be deferred for up to five years. Of the deferred annual performance award, 60% is deferred in UBS Group AG notional shares under the EOP and the remaining 40% is deferred in notional instruments under the DCCP. These plans include forfeiture provisions and performance conditions. Our goal is to focus our employees on the longer-term profitability of the firm.

2014 compensation framework for the GEB

	Fixed compensation and benefits	
	Base salary	Retirement benefits plan and other benefits
Description	Reflects responsibilities, job characteristics, experience and skill set	Provides a level of retirement benefits and other relevant coverages based on local market practice and regulations
Vesting schedule	–	–
Performance conditions	–	–
Delivery	Cash	Country specific
Caps on compensation	–	–
Shareholding requirement	–	–

Variable compensation

Performance award based on a balanced scorecard assessing the individual's performance against a number of quantitative and qualitative key performance indicators

Cash (up to 20% of the performance award)

Rewards performance against objectives, values and behaviors

Immediate (2015)

–

Cash

EOP (at least 50% of the performance award)

Rewards long-term shareholder value creation and sustainable growth

Provides alignment to shareholders

3–5 years (2018–2020)

Vesting based on achieving Group RoTE and divisional RoAE targets over the three financial years before vesting

Equity

DCCP (30% of the performance award)

Rewards long-term prudent risk-taking and capital strength

Provides alignment to debtholders

5 years (2020)

Vesting based on the firm being profitable and meeting phase-in tier 1 capital thresholds

Settlement in either cash or a marketable AT1 instrument

- Cap on the total GEB performance award pool of 2.5% of adjusted Group profit before tax
- Individual caps on the proportion of variable to fixed pay for GEB members (Group CEO has variable pay capped at five times fixed pay and other GEB members have variable pay capped at seven times fixed pay)

Share ownership policy under which each GEB member must build up and hold a minimum of **350,000** UBS Group AG shares. The Group CEO must build up and hold a minimum of **500,000** UBS Group AG shares.

Agenda item 4: Approval of the aggregate amount of variable compensation for the members of the Group Executive Board for the financial year 2014

The Board of Directors proposes that the aggregate amount of variable compensation of CHF 58,403,535 for the members of the Group Executive Board for the financial year 2014 be approved.

2014 performance assessment for the GEB members and proposed 2014 performance awards

For 2014, we delivered a net profit attributable to UBS Group AG shareholders of CHF 3.5 billion, a 9% increase on the prior year. The Group return on equity increased to 7.0%. The firm's success in 2014 is highlighted by the fact that we have now achieved the key targets we set out in 2011 and 2012. We reduced risk-weighted assets and improved our leverage ratio. Our fully applied Basel III common equity tier 1 capital ratio was 13.4% at the end of the year, above the target of 13%, and remains the best in our peer group of large global banks. We are also above our post-stress capital ratio target of 10%. In addition, the firm's fully applied Swiss systemically relevant banks' leverage ratio on a fully applied basis increased by 70 basis points to 4.1% in 2014, and is close to our 2019 regulatory requirement of 4.2%.

As a result, the BoD is proposing a dividend of CHF 0.50 for 2014. This is an

increase of 100% on 2013 and represents 55% of the Group's reported net profit for 2014. In addition, the firm is on track with the implementation of the new Group holding company structure. As part of this process, the firm proposes a one-time supplementary capital return of CHF 0.25 per share.

The BoD recognized that the Group's financial performance for 2014 was strong, though tempered by the effects of charges for provisions for litigation, regulatory and similar matters.

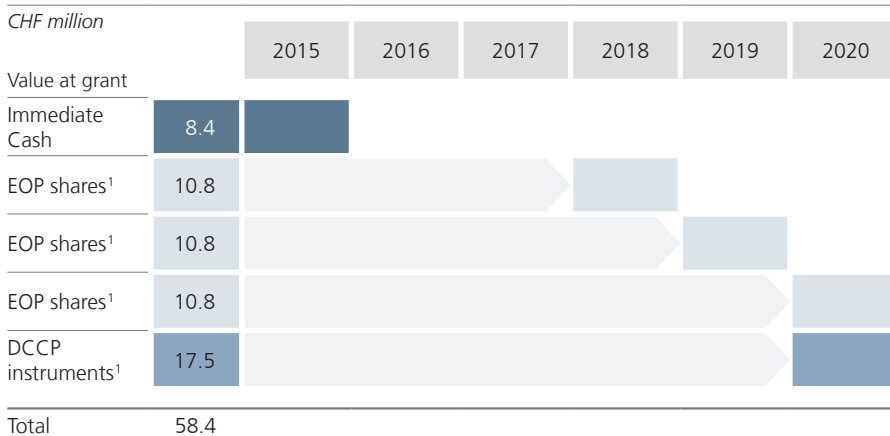
In a challenging environment, UBS's business divisions demonstrated strong performance throughout the year. UBS further strengthened its position as the world's largest wealth manager, successfully targeting the fastest growing wealth segments and high-quality revenues. Clients continued to have great confidence in UBS's strategy, as demonstrated, for example, by net new money inflows into the firm's wealth management businesses.

Aggregate amount of variable compensation for the GEB

CHF, except where indicated ¹	2014
Annual performance award in immediate cash	8,423,177
Annual performance award under EOP ²	32,459,299
Annual performance award under DCCP ³	17,521,060
Total amount subject to shareholders' approval^{4,5}	58,403,535

¹ Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of UBS Group AG Annual Report 2014. ² Number of UBS Group AG shares to be granted (on 8 May 2015), subject to shareholders' approval, is determined by dividing the amount by CHF 16.50 or USD 17.41, the average closing share price of UBS Group AG shares over the last ten trading days in February 2015. ³ Awards to be granted on 8 May 2015, subject to shareholders' approval, reflects the amount of the notional instrument excluding future notional discretionary interest. For DCCP awards 2014/15, the notional interest rate is set at 7.125% for awards denominated in USD and 4.000% for awards denominated in CHF. ⁴ This figure excludes the portion related to the legally required employer's social security contributions for 2014, which are currently estimated at CHF 3.7 million. ⁵ 10 GEB members were in office on 31 December 2014.

Timing of potential delivery of the variable compensation for the GEB 2014^{1,2}



¹ Aggregate amount at grant ² Deferred awards under EOP and DCCP are subject to forfeiture.

- Immediate cash to be paid in May 2015
- EOP UBS Group AG shares vesting and allocation subject to multi-year profitability performance conditions
- DCCP cash payment subject to solvability and profitability conditions between 2015 and 2019

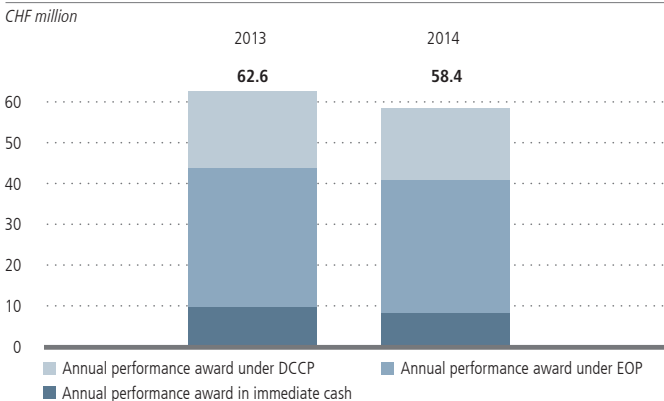
In setting the performance awards for GEB members, the HRCC and BoD considered such factors as individual performances as assessed on a balanced scorecard of quantitative and qualitative measures and in light of market positioning and trends.

Given the overall accomplishments of the Group CEO and the GEB members, both individually and collectively, especially considering the challenging market environment and the success in resolving legacy matters, the BoD proposes that shareholders approve the aggregate 2014 variable compensation for the members of the GEB of CHF 58,403,535, as set out in the table on the previous page. This amount excludes legally required

employer’s contributions to social security, as such contributions are not considered compensation and can only be estimated at the time of grant.

The BoD approved the recommendation that the Group CEO would not receive an immediate cash performance award, and that any approved performance award would instead be delivered 100% in deferred instruments subject to performance conditions. The BoD also approved that all other GEB members would receive their performance awards in immediate cash and deferred awards under EOP and DCCP, as outlined in the agenda item 1.2. of this brochure and detailed in the UBS Group AG Compensation Report 2014.

Overview of aggregate GEB variable compensation 2013–2014¹



¹ Please refer to footnotes in the table on the previous page for further details.

Agenda item 5: Approval of the maximum aggregate amount of fixed compensation for the members of the Group Executive Board for the financial year 2016

The Board of Directors proposes that the maximum aggregate amount of fixed compensation of CHF 25,000,000 for the members of the Group Executive Board for the financial year 2016 be approved.

Each GEB member receives a fixed base salary. Since the Group CEO's appointment in 2011, his annual base salary has remained unchanged at CHF 2.5 million. Other GEB members' salaries have been, and remain unchanged at CHF 1.5 million (or local currency equivalent).

Currently, one GEB member is considered as UK Code Staff and receives a role-based allowance in addition to his base salary. This allowance reflects the market value of a specific role and is only paid as long as the GEB member is considered to be a regulated employee in line with the Capital Requirements Directive IV (CRD IV). The introduction of this allowance represents a shift in the compensation mix between fixed and variable compensation and is not an increase in total compensation.

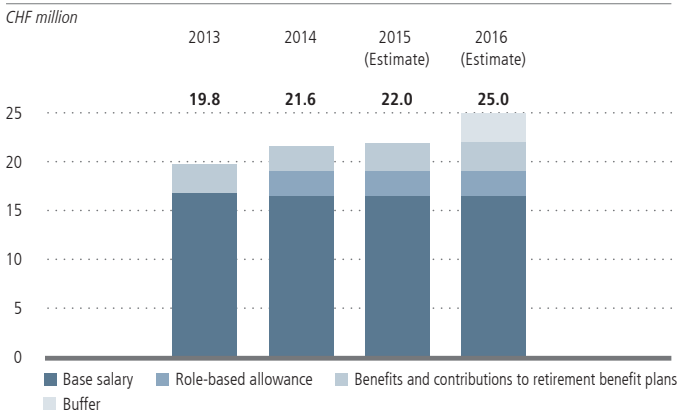
The proposed maximum aggregate fixed compensation for the GEB amounts to CHF 25,000,000. This proposal includes base salaries, role-based allowances in line with market practice in response to CRD IV, estimated standard contribution to retirement benefits plans, other benefits and a buffer. The buffer is considered as necessary for potential changes, particularly for regulatory requirements. Other fixed compensation (i.e., retirement benefits contributions and other benefits) is a projection and may vary due to labor market conditions and individual circumstances.

The proposed maximum aggregate amount of fixed compensation for the GEB for the financial year 2016 is calculated on the assumption that the number of GEB members remains

unchanged. It excludes the portion related to the legally required employer's social security contributions estimated for the financial year 2016¹, which is not considered compensation. The proposed amount is based on 2014 year-end foreign exchange rates and excludes future foreign exchange fluctuations.

¹ The amount in relation to legally required employer's social security contributions is estimated for the financial year 2016 at CHF 1.0 million.

Overview of total fixed compensation for GEB 2013–2016



Agenda Item 7: Approval of the maximum aggregate amount of compensation for the members of the Board of Directors from the 2015 Annual General Meeting to the 2016 Annual General Meeting

The Board of Directors proposes that the maximum aggregate amount of compensation of CHF 14,000,000 for the members of the Board of Directors for the period from the 2015 Annual General Meeting to the 2016 Annual General Meeting be approved.

Compensation of the members of the Board of Directors

Independent BoD members receive fixed fees for their services. BoD members do not receive variable compensation.

As a non-independent BoD member, the Chairman's cash and equity-based compensation is capped at CHF 5,700,000, excluding benefits and contribution to retirement benefits plan. Of this amount he receives a cash payment of CHF 3,500,000 with the remaining balance delivered in UBS Group AG shares blocked for four years. In addition, he also receives contributions to the retirement benefits plan and other benefits whose value is included in total compensation. For the period from AGM 2015 to AGM 2016, the proposed total compensation for the Chairman including estimated pension and other benefits amounts to a maximum of CHF 6,200,000.

All independent BoD members receive an annual fixed base fee of CHF 325,000 per person. In addition to the base fee, independent BoD members receive committee retainers that reflect their engagement and participation on the firm's various BoD committees. The Senior Independent Director and the Vice Chairman of the BoD each receive an additional fee of CHF 250,000.

When assessing and determining the BoD fee structure, the HRCC considers the level of engagement, effort and personal accountability of UBS BoD members to fulfill their roles. Fees have remained generally unchanged at this level since 1998.

The proposed maximum aggregate amount of compensation for the BoD amounts to CHF 14,000,000.

This proposal includes the compensation for the Chairman and fees for independent BoD members and is calculated on the assumption that the number of BoD members and each individual's committee and committee chair responsibilities remain unchanged for the period from the AGM 2015 to the AGM 2016. A buffer is also included in the calculation at an average cost of CHF 700,000 to take into account potential changes in BoD committees compositions. The amount proposed excludes UBS's portion related to the legally required social security contributions which can only be estimated at this point in time.

Independent BoD members are required to use a minimum of 50% of their fees to purchase UBS Group AG shares that are blocked for four years. They may elect to use 100% of their fees to purchase blocked UBS Group AG shares. The number of UBS Group AG shares that independent BoD members are entitled to receive is calculated with a discount of 15% below the market price prevailing at the time of issuance. The value of the discount on the share price is excluded from the total maximum amount subject to shareholders' approval. It is provided in light of the blocking period.

Maximum aggregate amount of compensation for the BoD for the period from the AGM 2015 to the AGM 2016

<i>CHF, except where indicated</i> ¹	For the period from AGM 2015 to AGM 2016
Axel A. Weber, Chairman	6,200,000
Independent members of the BoD (excluding the Chairman) ²	7,800,000
Total amount subject to shareholders' approval ^{3,4}	14,000,000

¹ Local currencies are converted into CHF using the exchange rates as detailed in "Note 36 Currency translation rates" in the "Financial information" section of the UBS Group AG Annual Report 2014. ² Helmut Panke does not stand for re-election at the AGM 2015 and thus excluded from the aggregate compensation. The BoD proposes that Jes Staley will be elected at the AGM 2015 as new BoD member, therefore his remuneration is included in the proposed maximum aggregate amount. ³ A buffer to take into account potential changes in BoD committees compositions is included based at an average cost of CHF 700,000. ⁴ This figure does not include UBS's portion related to the legally required social security contributions. The amount is estimated for the period from AGM 2015 to AGM 2016 at CHF 0.7 million, based on the current tax and employment jurisdictions of the BoD members.

The cover picture shows Annie Chu, UBS Group Technology Hong Kong, with colleagues. Annie graduated from the Hong Kong University of Science and Technology with a dual degree in chemical engineering and business management, and is one of the graduate trainees and apprentices featured in UBS's Annual Review 2014 – Shaping the future. UBS is a truly global firm and our people are our greatest asset. We invest in our employees and aim to give them what they need to excel. After all, it is their drive, talent and experience that will enable us to continue to deliver for our clients and shareholders and build for future success. To find out more about Annie and the other trainees featured in UBS's Annual Review 2014 – Shaping the future you can access an iPad version at UBS Newsstand / Annual Review and a PDF version Imprint on www.ubs.com/annualreport.



ClimatePartner^o
climate neutral

Print | ID: 53232-1411-1014

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Shaping the future

Annual Review 2014

The Annual Review 2014 – Shaping the future will be available at the beginning of April 2015 in an iPad version at UBS Newsstand/Annual Review and in a PDF version on ubs.com/investors.



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