



# UBS 2019 Annual General Meeting

Axel A. Weber  
Chairman of the Board of Directors

Spring 2019



# Important information related to this presentation

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**Forward Looking Statements:** This presentation contains statements that constitute “forward-looking statements,” including but not limited to performance targets, expectations and ambitions, as well as management’s outlook for UBS’s financial performance and statements relating to the anticipated effect of transactions and strategic or business 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. For a discussion of the risks and uncertainties that may affect UBS’s future results please refer to the “Risk Factors” and other sections of UBS’s most recent Annual Report on Form 20-F, quarterly reports and other information furnished to or filed with the US Securities and Exchange Commission on Form 6-K, and the cautionary statement on the last page of this presentation. 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.

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**Basel III RWA, LRD and capital:** Basel III numbers are based on the BIS Basel III framework, as applicable for Swiss Systemically relevant banks (SRB). Numbers in the presentation are based on the revised Swiss SRB rules as of 1.1.20 that became effective on 1.7.16, unless otherwise stated. Basel III risk-weighted assets in this presentation are calculated on the basis of Swiss SRB rules as of 1.1.20 unless otherwise stated. Our RWA under BIS Basel III are the same as under Swiss SRB Basel III. Leverage ratio and leverage ratio denominator in this presentation are calculated on the basis of Swiss SRB rules as of 1.1.20, unless otherwise stated. Refer to the “Capital management” section in the 2018 Annual Report for more information.

**Currency translation:** Monthly income statement items of operations with a functional currency other than the US dollar are translated with month-end rates into US dollar.

**Definitions:** “Litigation” refers to net additions/releases to provisions for litigation regulatory and similar matters reflected in the income statement for the relevant period. “Net profit” refers to net profit attributable to shareholders.

**Rounding:** Numbers presented throughout this presentation 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 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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# Topics for discussion

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Key highlights of 2018 financial performance and capital returns

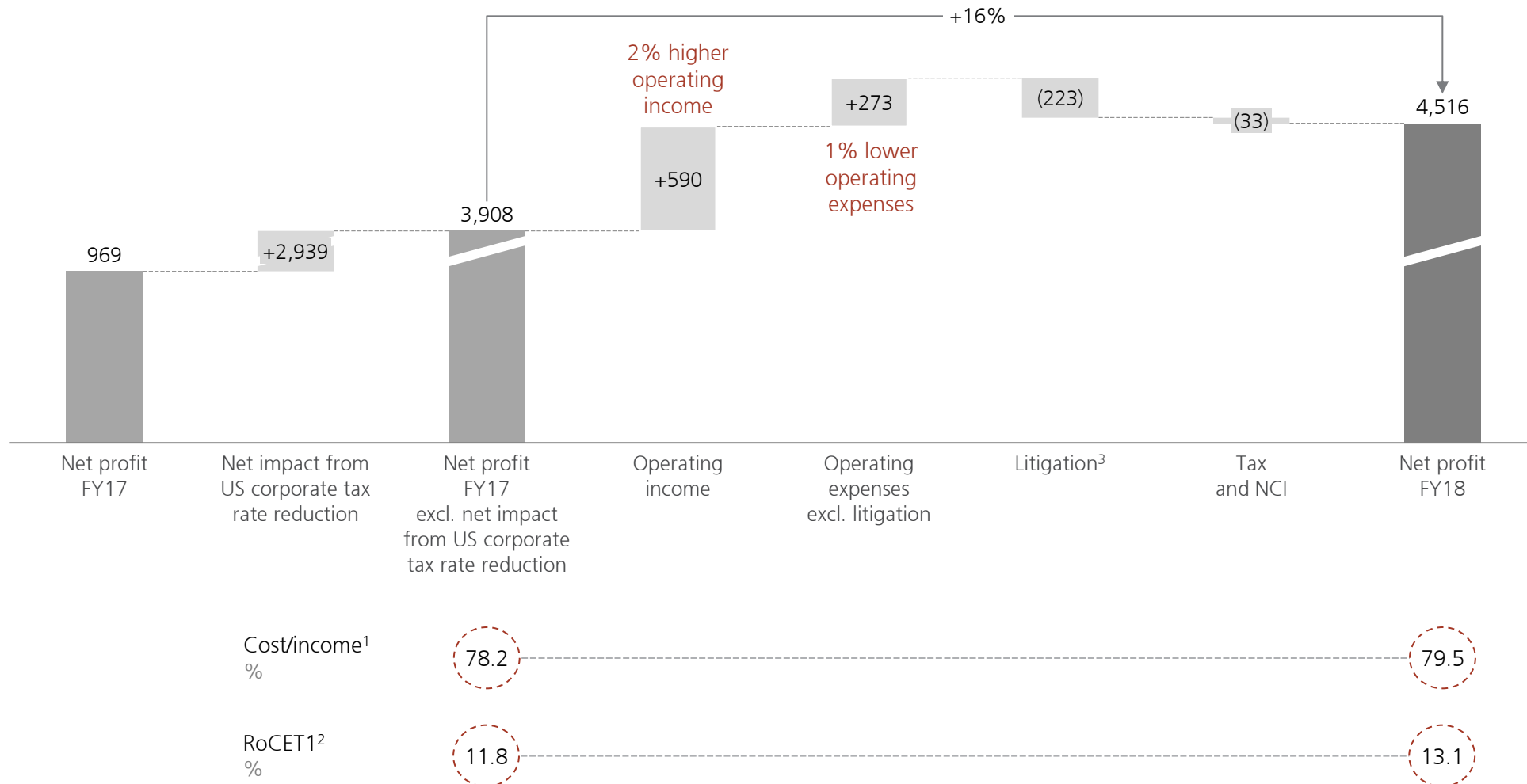
Annual General Meeting agenda items on compensation

AGM: other agenda items, including succession for Board of Directors

Corporate social responsibility / sustainability matters

# Delivered positive operating leverage in FY18

Diversified business model delivered strong profit growth in variable conditions



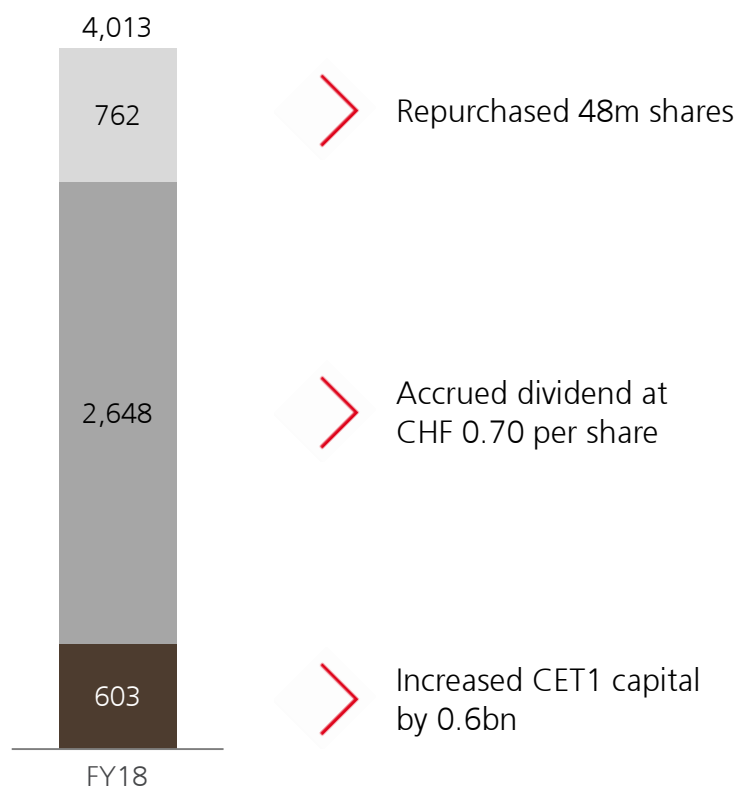
Numbers in USDm unless otherwise indicated, refer to slide 1 for details on adjusted numbers, capital management information and FX rates in this presentation

1 Adjusted; 2 Adjusted for (2,939m) net impact from US corporate tax rate reduction due to the enactment of the Tax Cuts and Jobs Act (TCJA); 3 Includes increase in provisions related to the cross-border wealth management legal matter in France to USD 516m

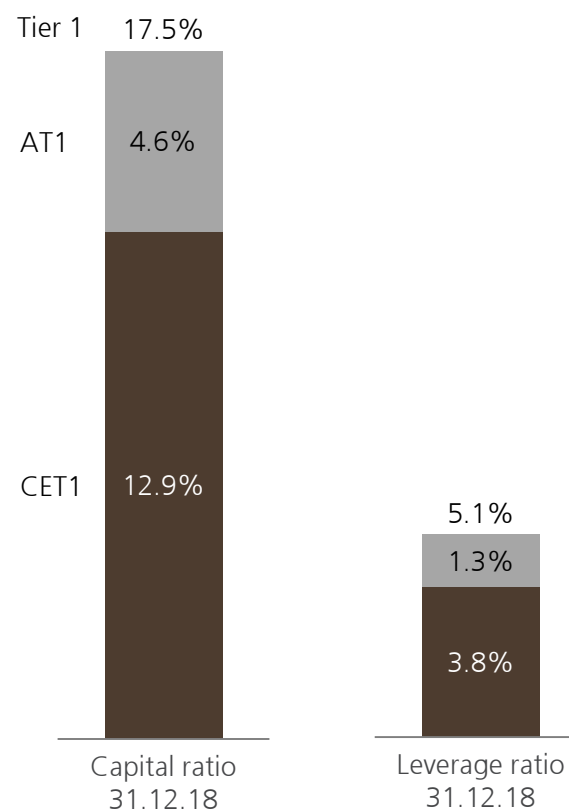
# FY18 capital generation of 4bn

Highly capital-generative business model

## Strong capital generation



## Strong capital position



# 2019 AGM – Say-on-Pay agenda items

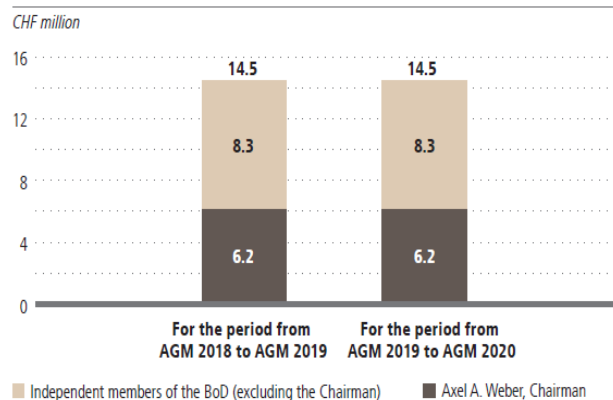
## Say-on-Pay agenda items

## Summary of key changes / proposals including rationale

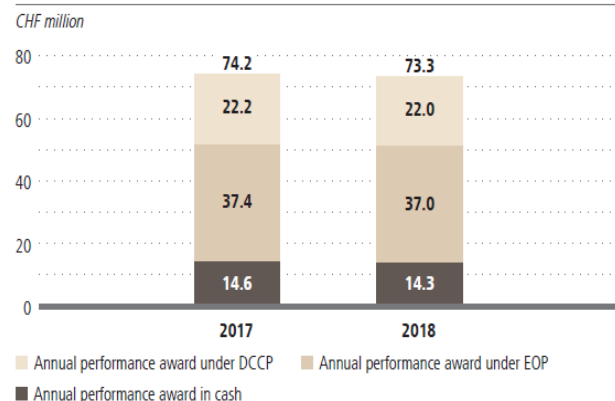
2.	Advisory vote on the UBS Group AG Compensation Report 2018	
8.1.	Approval of the maximum aggregate amount of compensation for the members of the BoD from the 2019 AGM to the 2020 AGM	<ul style="list-style-type: none"> <li>➤ No change to the maximum aggregate amount of compensation of CHF 14,500,000 for the members of the BoD, reflecting stable number of BoD members.</li> </ul>
8.2.	Approval of the aggregate amount of variable compensation for the members of the GEB for the financial year 2018	<ul style="list-style-type: none"> <li>➤ Decrease in the aggregate amount of variable compensation by 1% to CHF 73,300,000, in line with the decrease in the overall performance award pool for the firm and demonstrates UBS' disciplined approach in managing GEB compensation over business cycles without compromising our competitive pay position.</li> </ul>
8.3.	Approval of the maximum aggregate amount of fixed compensation for the members of the GEB for the financial year 2020	<ul style="list-style-type: none"> <li>➤ Increase of CHF 1.5m to CHF 33,000,000 reflects the expanded GEB following new appointments in 2018 and is aligned with the base salary for one GEB member. While the reserve amount is reduced, it is sufficient to maintaining flexibility in light of evolving EU regulation, Brexit and competitive considerations for role-based allowance.</li> </ul>

Advisory vote
  Binding vote

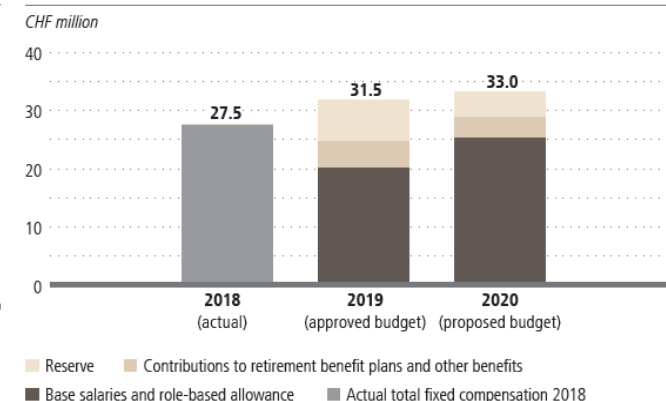
### Agenda item 8.1.



### Agenda item 8.2.



### Agenda item 8.3.

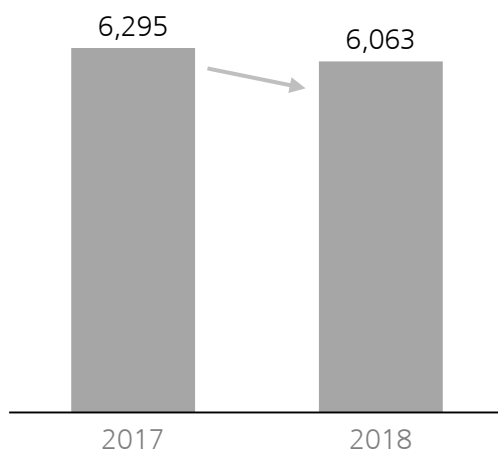


# 2018 performance award pool

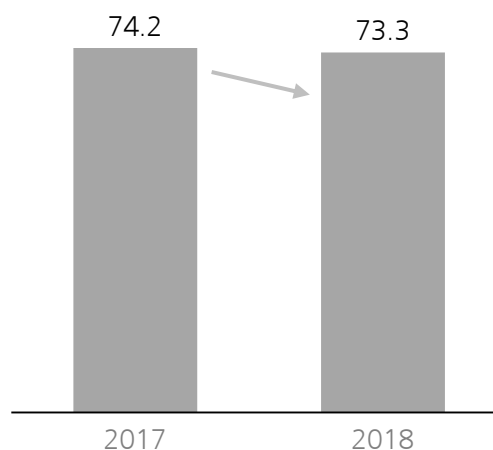
## GEB variable compensation down 1% YoY

- › Delivered strong financial results in overall challenging market conditions, reflecting the strength of the business model
- › 4% YoY decrease in adjusted PBT, with 2% increase in operating income more than offset by 4% increase in operating expenses driven by higher litigation charges
- › 1% YoY decrease in proposed FY18 variable compensation for the GEB, in line with the decrease in the overall performance award pool for the firm
- › This reflects GEB members' achievements in difficult market conditions while also maintaining discipline in managing GEB compensation over business cycles
- › Total Group variable compensation performance award pool of 3.1bn down 1% YoY
- › Expenses recognized in the 2018 IFRS income statement of 2.5bn also down 1% YoY

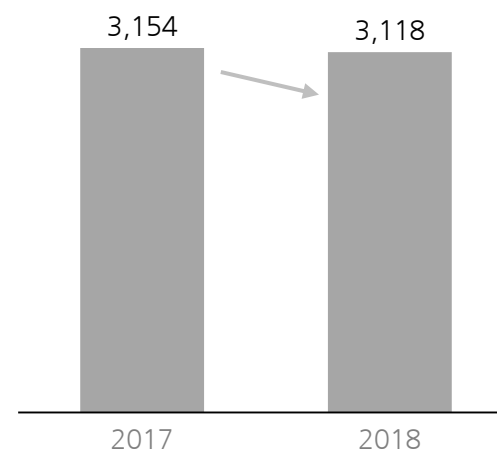
Adjusted PBT



GEB variable compensation (CHFm)



Total variable compensation<sup>1</sup>

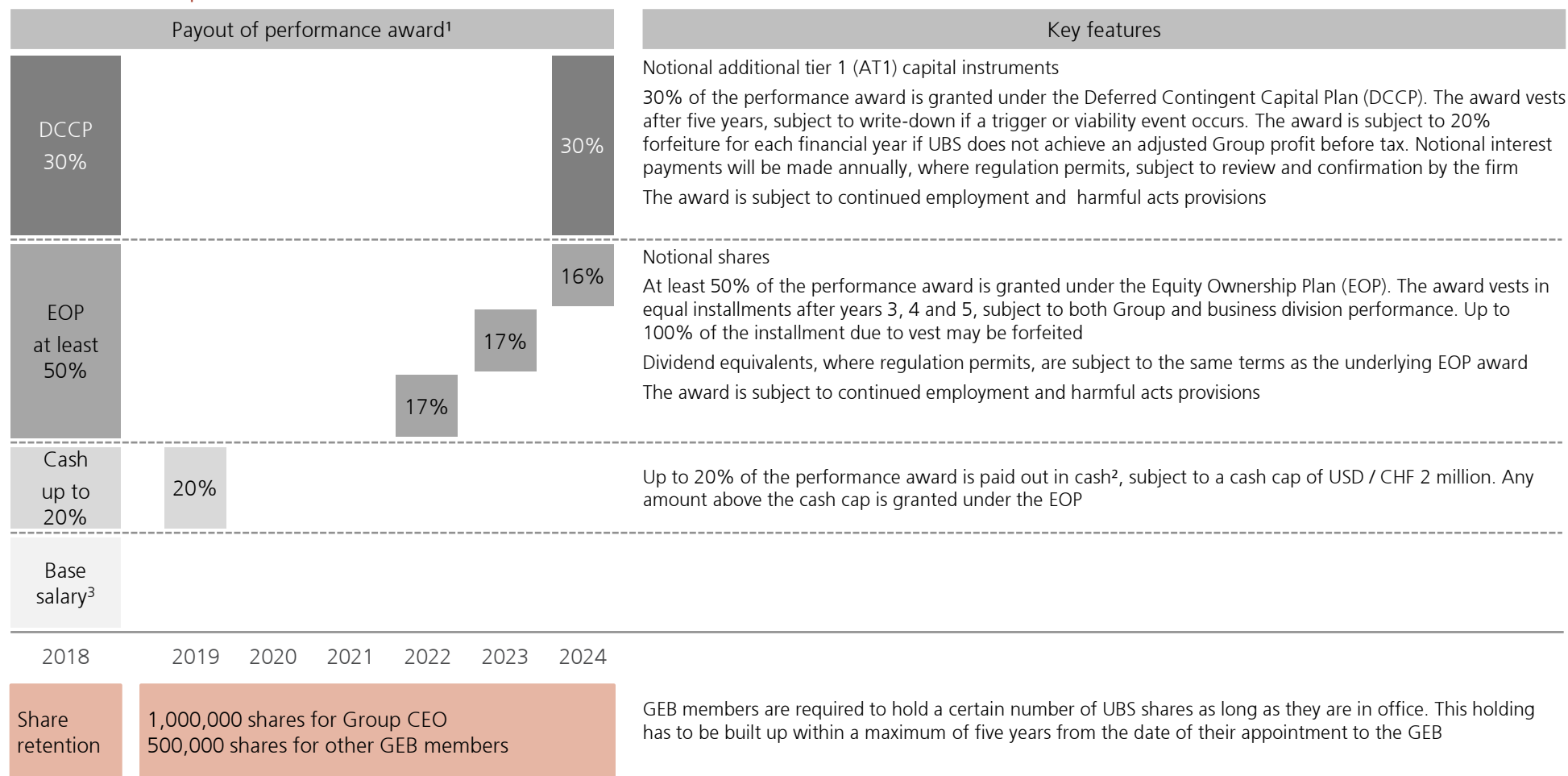


# 2018 compensation framework for GEB members

## Payout structure remains unchanged

- Up to 20% of the annual performance award paid in the form of cash and at least 80% deferred over a period of 5 years<sup>1</sup>, of which at least 50% granted under the EOP and the remaining 30% under the DCCP

### Illustrative example:



Refer to pages 260-263 of our 2018 Compensation Report within our 2018 UBS Group AG Annual Report for further information





<sup>1</sup> 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; <sup>2</sup> UK MRTs receive 50% in the form of blocked shares. <sup>3</sup> May include role-based allowances in line with market practice in response to regulatory requirements.



# Performance assessment for the Group CEO

Performance award is based on the achievement of both financial targets and goals related to Pillars, Principles, and Behaviors

- › The BoD Chairman and the Compensation Committee establish objectives, evaluate performance and propose the total individual compensation for the Group CEO

Weightings	Performance measures	2016 results	2017 results	2018 results	Weighting	Assessment Vs Plan
65%	<b>Adjusted Group profit before tax</b>	USD 5,439m	USD 6,295m	USD 6,063m	40%	
	<b>Adjusted Cost / income ratio</b>	80.8%	78.2%	79.5%	20%	
	<b>Adjusted Group return on tangible equity excluding DTAs<sup>1</sup></b>	11.3%	13.7%	12.9%	20%	
	<b>Capital management</b> 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%	
	<b>Pillars and Principles</b>	<b>Achievements</b>				
		Overall performance exceeded expectations (details provided in the Compensation Report)				
35%	<b>Behaviors</b> Integrity Collaboration Challenge	Overall performance exceeded expectations (details provided in the Compensation Report)				

Numbers in USDm unless otherwise indicated, refer to slide 1 for details on adjusted numbers, capital management information and FX rates in this presentation

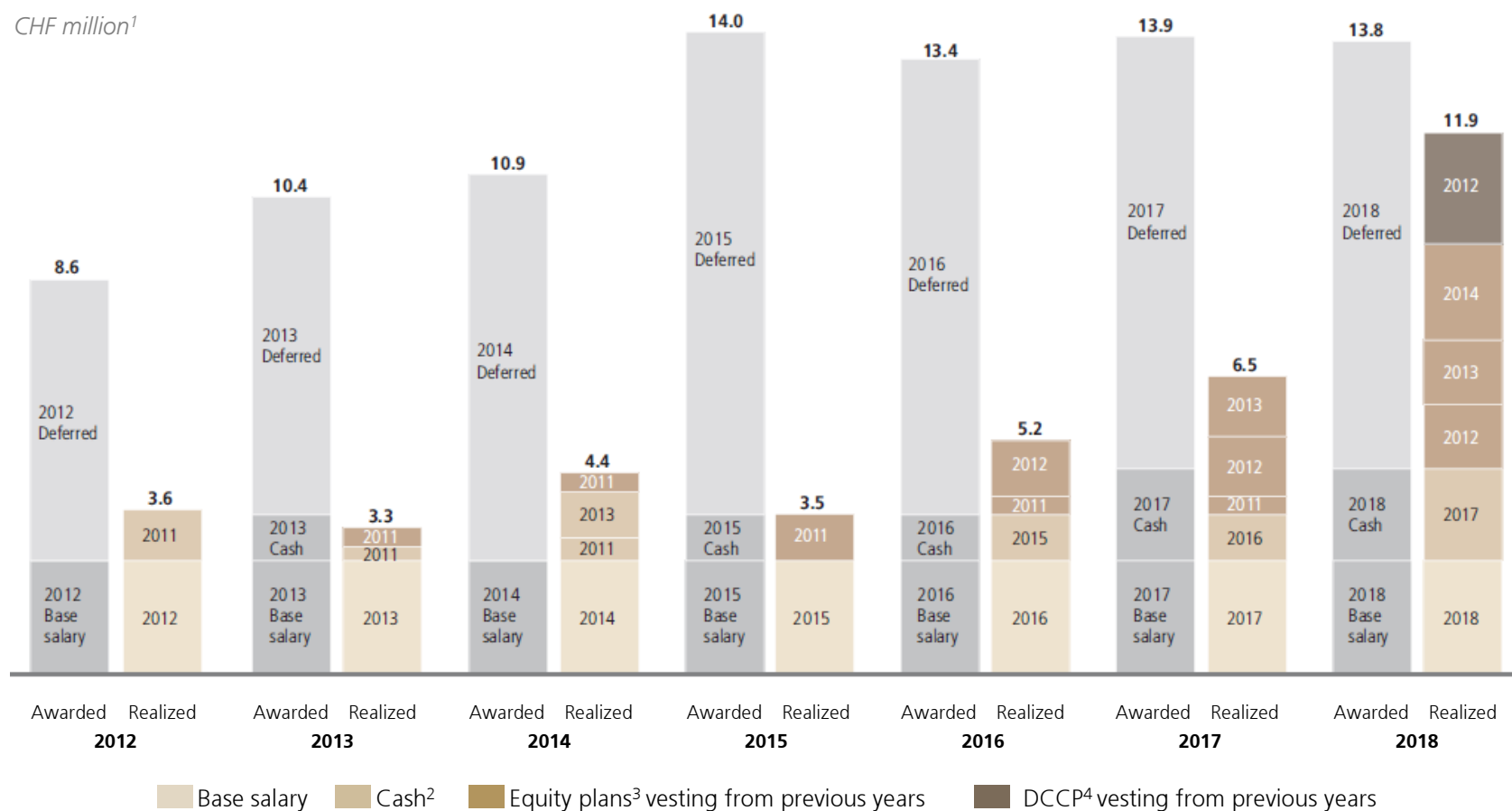
<sup>1</sup> Calculated as adjusted net profit / loss attributable to shareholders excluding amortization and impairment of goodwill and intangible assets and deferred tax expense / benefit, such as the net write-down due to the US Tax Cuts and Jobs Act enacted in the fourth quarter of 2017, divided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

# Total compensation for the Group CEO over time

Awarded vs. realized pay illustrates the impact of deferrals over time; no upward leverage

- 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).
- Reflecting the long-term nature of our deferral program, the Group CEO's realized pay was higher for 2018 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).

CHF million<sup>1</sup>



<sup>1</sup> 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; <sup>2</sup> Paid out based on previous performance year. 2012, 2013 and 2014 include Cash Balance Plan installments; <sup>3</sup> Includes all installments paid out under respective EOP, SEEOP and PEP plans, excludes dividend payments; <sup>4</sup> The first DCCP installment was paid out in March 2018 (awarded in March 2012), excludes interest payments.

# 2019 AGM – other agenda items

## Other agenda items

## Summary of key changes

1.	Approval of the UBS Group AG management report and consolidated and standalone financial statements for the financial year 2018	
3.	<p>Appropriation of total profit and distribution of ordinary dividend out of capital contribution reserve:</p> <ul style="list-style-type: none"> <li>› 3.1. Appropriation of total profit</li> <li>› 3.2. Distribution of ordinary dividend out of capital contribution reserve</li> </ul>	<ul style="list-style-type: none"> <li>› 3.1. On a standalone basis, UBS Group AG recorded a net profit of USD 3,171 million (CHF 3,111 million) for 2018, which the BoD proposes to fully appropriate to the voluntary earnings reserve.</li> <li>› 3.2. The BoD proposes an ordinary dividend distribution of CHF 0.70 in cash per share of CHF 0.10 par value payable out of the capital contribution reserve. Furthermore, the BoD proposes to cap the total amount of dividends at USD 3,255 million.</li> </ul>
4.	Discharge of the members of the BoD and the GEB for the financial year 2018	
5.	Re-election of members of the BoD	
6.	<p>Election of new members to the BoD</p> <ul style="list-style-type: none"> <li>› 6.1. William C. Dudley</li> <li>› 6.2. Jeanette Wong</li> </ul>	› The BoD proposes that William C. Dudley and Jeanette Wong be elected as members of the BoD for a one-year term of office.
7.	Election of the members of the Compensation Committee	

## Agenda item 3

### Proposed appropriation of total profit/(loss) carried forward

For the year ended 31.12.18	USD million	CHF million
Net profit for the period	3,171	3,111
Profit/(loss) carried forward	0	0
<b>Total profit/(loss) carried forward available for appropriation</b>	<b>3,171</b>	<b>3,111</b>
<b>Appropriation of total profit/(loss) carried forward</b>		
Appropriation to voluntary earnings reserve	(3,171)	(3,111)
<b>Profit/(loss) carried forward</b>	<b>0</b>	<b>0</b>

For the year ended 31.12.18	USD million	CHF million
<b>Total statutory capital reserve: capital contribution reserve before proposed distribution<sup>1</sup></b>	<b>30,846</b>	<b>30,271</b>
Proposed ordinary distribution of capital contribution reserve within statutory capital reserve: CHF 0.70 per dividend-bearing share <sup>2</sup>		(2,699)
Total amount of dividends capped in US dollars <sup>3</sup>	(3,255)	
<b>Total statutory capital reserve: capital contribution reserve after proposed distribution</b>	<b>27,591</b>	<b>27,572</b>

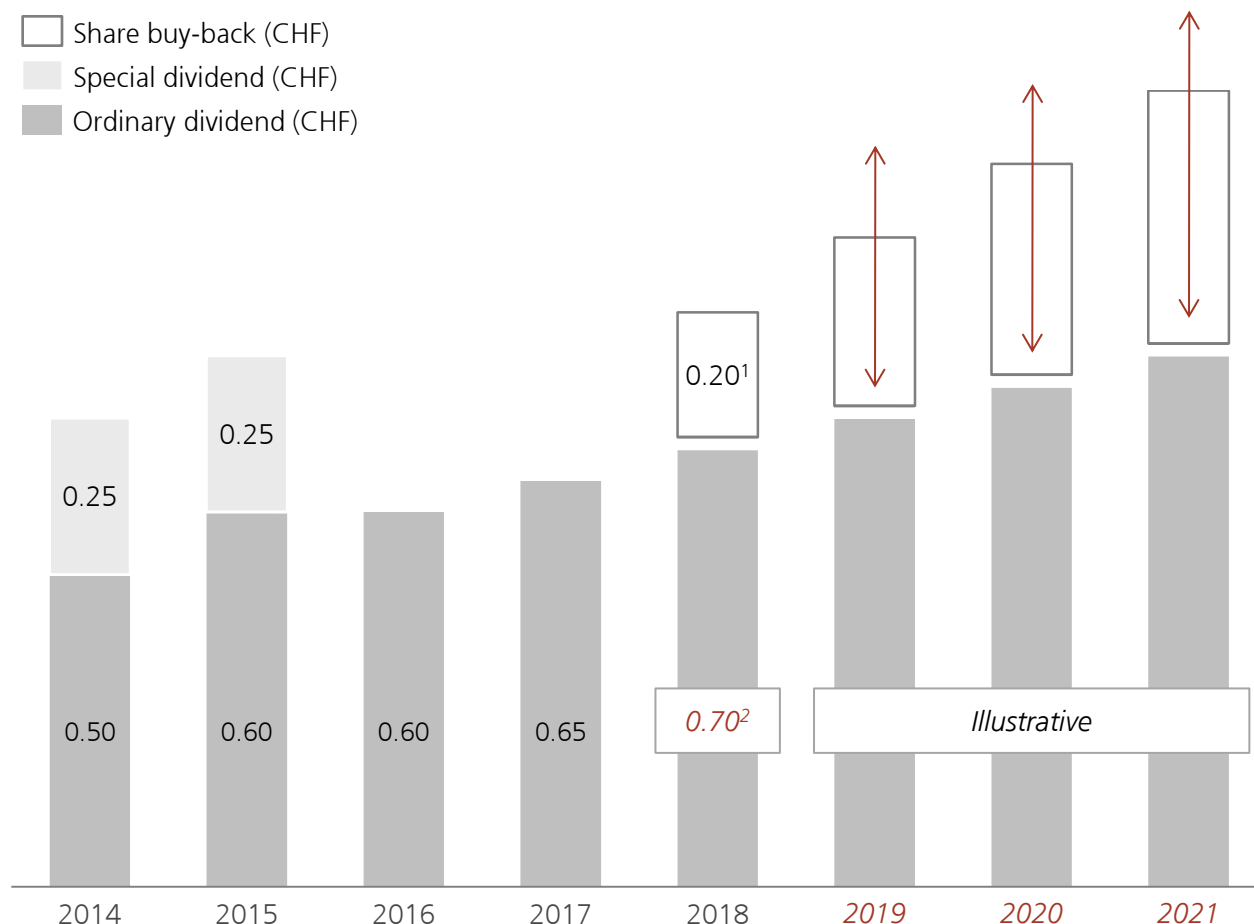


1 The Swiss Federal Tax Administration's current position is that, of the CHF 30.3 billion capital contribution reserve available as of 31 December 2018, an amount limited to CHF 15.6 billion is available from which dividends may be paid without a Swiss withholding tax deduction; 2 Dividend-bearing shares are all shares issued except for treasury shares held by UBS Group AG as of the record date. The amount of CHF 2,699 million presented is based on the total number of shares issued as of 31 December 2018; 3 The amount of USD 3,255 million represents the technical cap to the dividend payment described in more detail on pages 2 and 3 of the Invitation to the Annual General Meeting

# Proposed ordinary dividend of CHF 0.70 per share for FY18

Increasing capital returns to our shareholders

- Share buy-back (CHF)
- Special dividend (CHF)
- Ordinary dividend (CHF)



## 2018 dividend and total return

- CHF 0.70 ordinary dividend per share proposed for the financial year 2018
- Dividend payout ratio 54%
- Total payout ratio including buy-back 70%

## Committed to our capital returns policy

- Target dividend per share growth of mid-to-high single digit percent per annum
- Return excess capital after dividend accruals, likely in the form of buy-backs, after considering our outlook

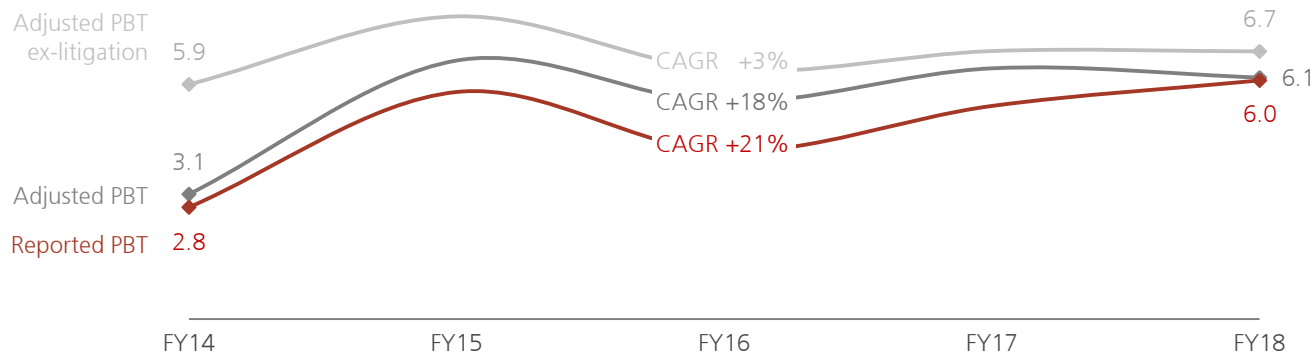


<sup>1</sup> Per share value implied by dividing CHF 750m by shares outstanding as of 31.12.17; <sup>2</sup> Dividend proposal subject to shareholder approval, dividends will be paid out of capital contribution reserves for the foreseeable future. Dividends paid out of capital contribution reserves are not subject to the deduction of Swiss withholding tax. For US federal income tax purposes, we expect that dividends will be paid out of current or accumulated profits. Expected key dates for the dividend for FY18: AGM 2.5.18, ex-dividend date 6.5.19, record date 7.5.19, payment date 8.5.19

# Shareholder returns of 3.4bn for FY18

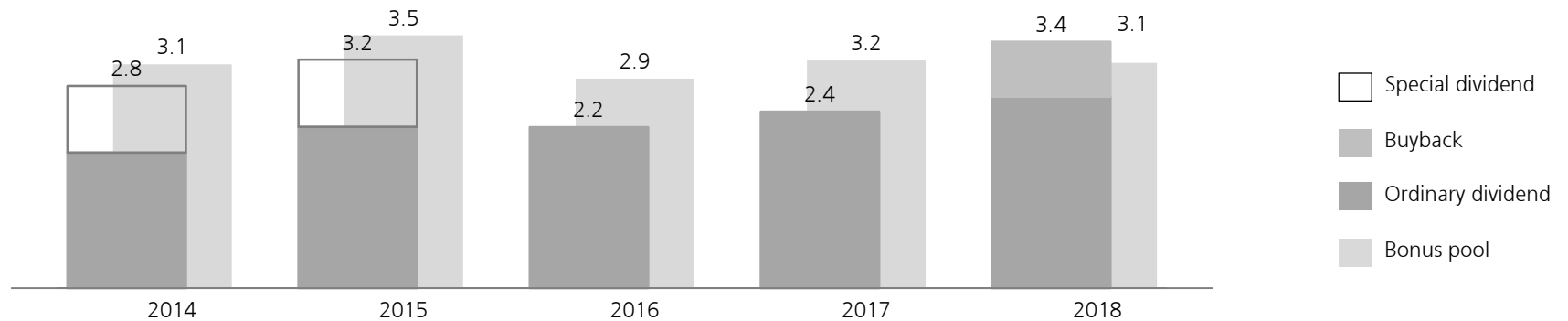
Proposed ordinary dividend of CHF 0.70 per share for FY18

## Profits



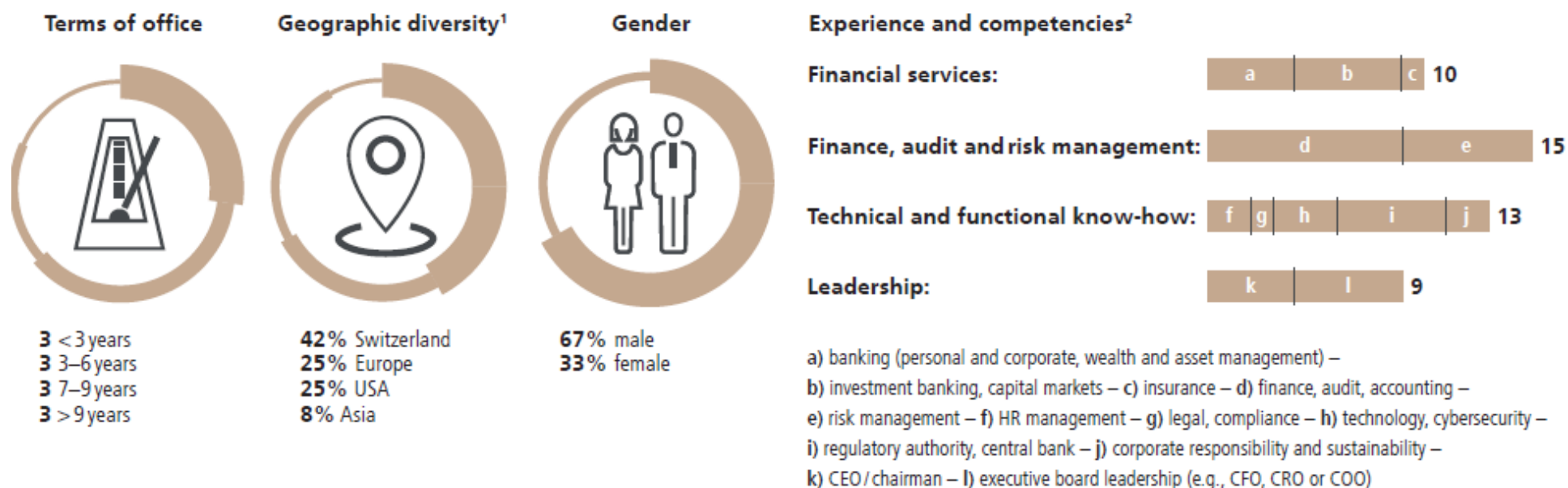
**19bn**  
 cumulative net profits  
 2014-2018

## Shareholder returns<sup>1,2</sup> and bonus pool



# Board of Directors – UBS Group AG

- › The Governance and Nominating Committee uses a skills / experience matrix as a tool to identify any gaps in the competencies considered most relevant to the BoD, taking into consideration the firm's business exposure, risk profile, strategy and geographic reach
- › Categories and ratings are reviewed annually to confirm that the BoD possesses the most relevant experience and competencies
- › BoD members rated their four strongest competencies out of 12 categories. All competencies were represented in 2018 with particularly strong levels of experience in 1) financial services; 2) finance, audit, accounting; and 3) risk management
- › 9 of the 12 BoD members have held or currently hold chairman or executive board-level leadership positions
- › William C. Dudley and Jeannette Wong nominated for election to the BoD of UBS Group AG; Ann F. Godbehere and Michel Demaré not standing for re-election to the BoD of UBS Group AG



# Election of new members to the Board of Directors

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## 6.1. William C. Dudley

### **Motion**

The Board of Directors proposes that William C. Dudley be elected as a member of the Board of Directors for a one-year term of office.

William C. Dudley (1953) became chief executive officer of the Federal Reserve Bank of New York (NY Fed) in 2009, a position he held until 2018. In that capacity, he served as the vice chairman and a permanent member of the Federal Open Market Committee. Previously, Mr. Dudley served as executive vice president of the Markets Group at the NY Fed and Head of the Markets Group from 2007 to 2009. Prior to the NY Fed, Mr. Dudley joined Goldman Sachs in 1986 and held several senior management positions. He was partner and managing director and for a decade the chief US economist.

In 2012, Mr. Dudley was appointed chairman of the Committee on the Global Financial System of the Bank for International Settlements (BIS). Prior to that, he served as chairman of the former Committee on Payment and Settlement Systems of the BIS from 2009 to 2012. He was a member of the Board of Directors of the BIS from 2009 to 2018.

Mr. Dudley is an American citizen. He has a bachelor's degree from New College of Florida and received his doctorate in economics from the University of California, Berkeley in 1982.

Currently, Mr. Dudley is a senior research scholar at the Griswold Center for Economic Policy Studies at Princeton University. He is a member of the Group of Thirty and the Council on Foreign Relations.

Mr. Dudley complies with the mandate threshold set forth in Article 31 of the UBS Group AG Articles of Association.



## 6.2. Jeanette Wong

### **Motion**

The Board of Directors proposes that Jeanette Wong be elected as a member of the Board of Directors for a one-year term of office.

Jeanette Wong (1960) was group executive responsible for the Institutional Banking business at the Singapore-based DBS Group from 2008 to March 2019, encompassing Corporate Banking, Global Transaction Services, Strategic Advisory and Mergers & Acquisitions. Previously, she served as chief financial officer of the DBS Group between 2003 and 2008. Ms. Wong has spent more than 30 years working in different senior management roles within the financial industry in Singapore. She started her career in 1982 with positions at Banque Paribas and Citibank, before helping to build up JP Morgan's Asia and emerging markets business over a sixteen-year career with the firm.

Ms. Wong is a Singapore citizen. She holds an MBA from the University of Chicago and a BA in business administration from the National University of Singapore.

Ms. Wong sits on the boards of Essilor International / EssilorLuxottica, Jurong Town Corporation and PSA International. She is a board member of FFMC Holdings Pte. Ltd. and Fullerton Fund Management Company Ltd. In addition, she is a member of the NUS Business School Management Advisory Board and a member of the Global Advisory Board, Asia, for the University of Chicago Booth School of Business. Ms. Wong is also a member of the Securities Industry Council.

Ms. Wong complies with the mandate threshold set forth in Article 31 of the UBS Group AG Articles of Association.

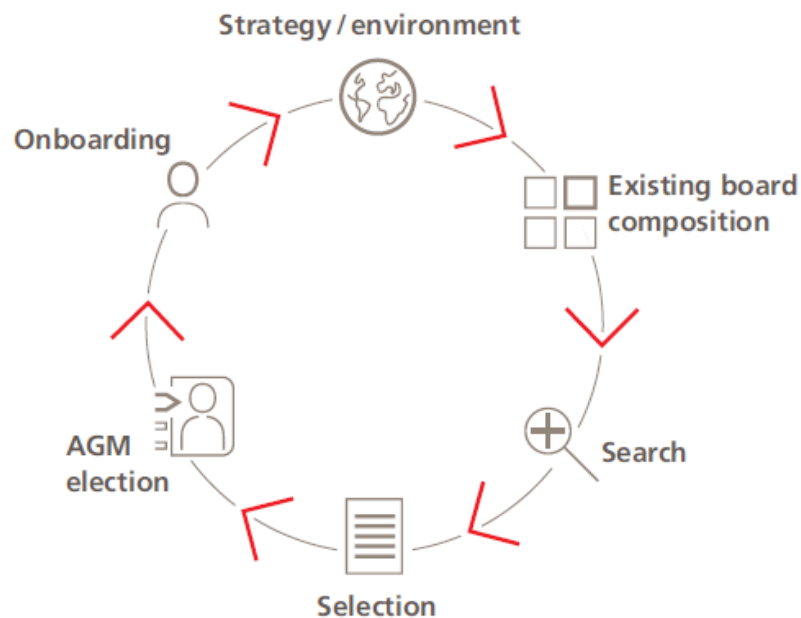
# Succession planning

One of the key responsibilities of both the BoD and the GEB

Across all divisions and regions, an inclusive talent development and succession planning process is in place that is intended to foster the personal development and Group-wide mobility of our employees. Succession plans for all leadership positions, up to and including all positions on the GEB, are managed under the lead of the Group CEO. The BoD reviews and approves the succession plans of the GEB and the management layer below.

For the BoD, the Chairman leads a systematic succession planning process as illustrated in the chart below.

**Board of Directors' succession planning process**



- › Our strategy and the business environment constitute the main drivers in our succession planning process for new BoD members as they define the key competencies required on the BoD
- › Taking diversity and tenure of the existing BoD composition into account, the Governance and Nominating Committee defines the recruiting profile for the search
- › Both external and internal sources contribute to identifying suitable candidates
- › The Chairman and the members of the Governance and Nominating Committee meet with potential candidates and, with the support of the full BoD, nominations are submitted to the AGM for approval
- › New BoD members follow an in-depth onboarding process that is designed to enable them to integrate efficiently and become effective in their new role
- › As a result of this succession planning process, the composition of the BoD includes a broad spectrum of skills, educational backgrounds, experience and expertise, in line with the demanding requirements of a leading global financial services firm.



# UBS in society

Driving change that matters to create long-term value for clients, employees, investors and society

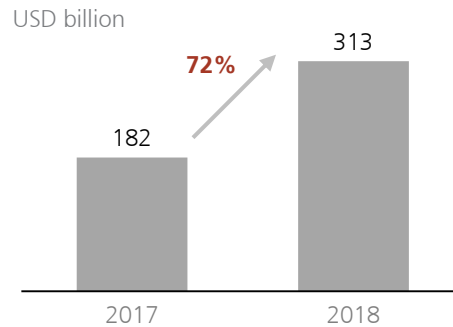
## Governance and principles

- > BoD's **Corporate Culture and Responsibility Committee** approves UBS in society's strategy and monitors our corporate culture and responsibility programs
- > Head of UBS in society reports to **CEO** and chairs committee responsible for execution of UBS in society strategy across the Group
- > **Global Environmental and Social Risk Committee** chaired by Group CRO and application of comprehensive environmental and social risk framework
- > **Comprehensive disclosure** (following the five-year pathway outlined by the FSB's TCFD<sup>1</sup>) on climate change risks and opportunities
- > Our **climate strategy** underlines our commitment to the UN Sustainable Development Goals on affordable and clean energy and climate action

## Sustainable investing

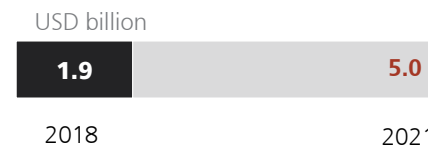
- > Total sustainable investing (SI) assets represented **USD 1,110 billion**, constituting 36% of our total invested assets
- > GWM launched the world's first fully SI cross-asset mandate portfolio for private clients, which is comprised entirely of SI instruments
- > AM launched the Climate Aware fund - an innovative rules-based equities strategy to address carbon risks and opportunities in portfolios

### Core SI



### Impact investments for the SDGs

Goal to direct USD 5 billion of client assets into new impact investments for the SDGs by the end of 2021



## Client and corporate philanthropy

- > Supporting clients in achieving their philanthropic goals through tailor-made advice and leveraging global networks
- > **UBS Optimus Foundation**: USD 66.6 million in donations raised; USD 81.8 million grants approved; well-being of 2.8 million children globally improved.
- > **Three Development Impact Bonds** in education and health care launched.



of the UBS workforce volunteered (25,256 employees)

MEMBER OF  
**Dow Jones Sustainability Indices**

In Collaboration with RobecoSAM

DJSI industry group leader in the Diversified Financials Industry Group



Appendix

# Supporting materials

# Selection of frequently asked questions (1/2)

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Summary of frequent questions we received from different stakeholders and our responses



## Share price development

### 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



## Performance thresholds

### 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 multiyear 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.

# Selection of frequently asked questions (2/2)

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Summary of frequent questions we received from different stakeholders and our responses



## Deferral vs. LTI

### 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.



## GEB fixed compensation

### 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.

# Pay delivery subject to performance conditions

Our compensation framework is designed to pay for performance and create sustainable shareholder value

- › 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
- › 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:
  - › 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

		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

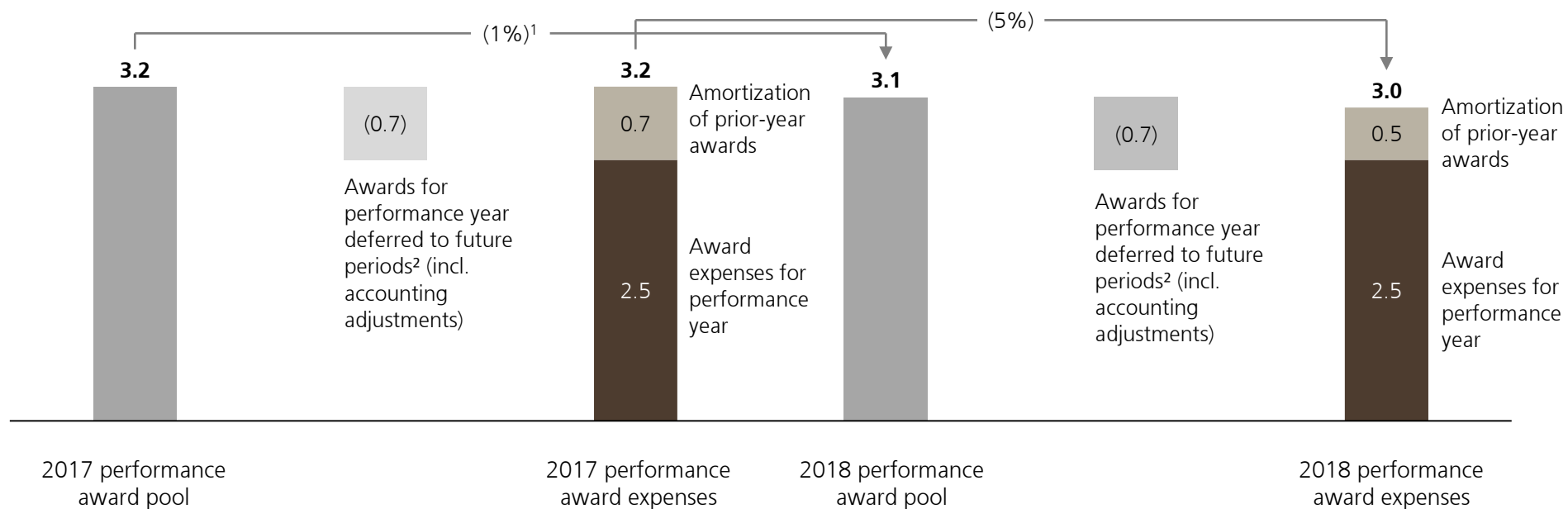
# Group Executive Board compensation framework

Annual performance awards subject to shareholder approval

	Framework	2018 figures
Performance award cap – CEO	5x fixed compensation <sup>1</sup>	4.5x
Performance award cap – other GEB members	7x fixed compensation <sup>1</sup>	3.0x
Performance award cap – full GEB pool	2.5% of adjusted Group PBT	1.2%
Determination of individual performance awards	Assessment against financial targets and goals related to Pillars, Principles, and Behaviors	-
EOP <sup>2</sup> portion of deferred compensation	At least 62.5%	62.7%
DCCP <sup>3</sup> portion of deferred compensation	Up to 37.5%	37.3%
DCCP's CET1 capital ratio write-down trigger	10%	12.9%

# Performance award pool and expenses

Performance award pool reflects a decrease of 1% from 2017 while expenses decreased by 5%



# Board of Directors – UBS Group AG

- › The Board of Directors (BoD), led by the Chairman, is composed of 12 members with ultimate responsibility for the success of the Group
- › The BoD proposes the Chairman, who is elected by shareholders at the AGM, as are the other individual BoD members and the members of the Compensation Committee
- › Members serve 1+ committees<sup>5</sup>: Audit (5 members), Compensation (4), Corporate Culture and Responsibility (4), Governance and Nominating Committee (4), and Risk (5)
- › BoD members may hold mandates outside UBS Group: up to a maximum of 4 mandates in listed companies and 5 additional mandates in non-listed companies
- › During 2018, 22 scheduled BoD meetings and calls were held, 16 of which were attended by GEB members, with average participation rate of 99%.

## Board of Directors

Members in 2018	Meeting attendance without GEB <sup>3</sup>		Meeting and call attendance with GEB <sup>4</sup>		Key responsibilities include:
Axel A. Weber, Chairman	8/8	100%	16/16	100%	<p>The BoD has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It decides on the Group's strategic aims and the necessary financial and human resources upon recommendation of the Group CEO and sets the Group's values and standards to ensure that its obligations to its shareholders and other stakeholders are met.</p> <p>Refer to the Organization Regulations of UBS Group AG at <a href="http://www.ubs.com/governance">www.ubs.com/governance</a> for more information</p>
Michel Demaré	8/8	100%	16/16	100%	
David Sidwell	8/8	100%	16/16	100%	
Jeremy Anderson <sup>1</sup>	6/6	100%	11/11	100%	
Reto Francioni	8/8	100%	16/16	100%	
Ann F. Godbehere	8/8	100%	16/16	100%	
Fred Hu <sup>1</sup>	5/6	83%	10/11	91%	
William G. Parrett <sup>2</sup>	2/2	100%	5/5	100%	
Julie G. Richardson	8/8	100%	16/16	100%	
Isabelle Romy	8/8	100%	16/16	100%	
Robert W. Scully	8/8	100%	16/16	100%	
Beatrice Weder di Mauro	8/8	100%	16/16	100%	
Dieter Wemmer	8/8	100%	16/16	100%	

<sup>1</sup> Jeremy Anderson and Fred Hu were elected to the BoD at the 2018 AGM; indicated are attended and total meetings after their election. <sup>2</sup> William G. Parrett did not stand for re-election at the 2018 AGM; indicated are his attended and total meetings up to the AGM. <sup>3</sup> Additionally, four ad hoc calls took place in 2018. <sup>4</sup> Additionally, one ad hoc call took place in 2018.

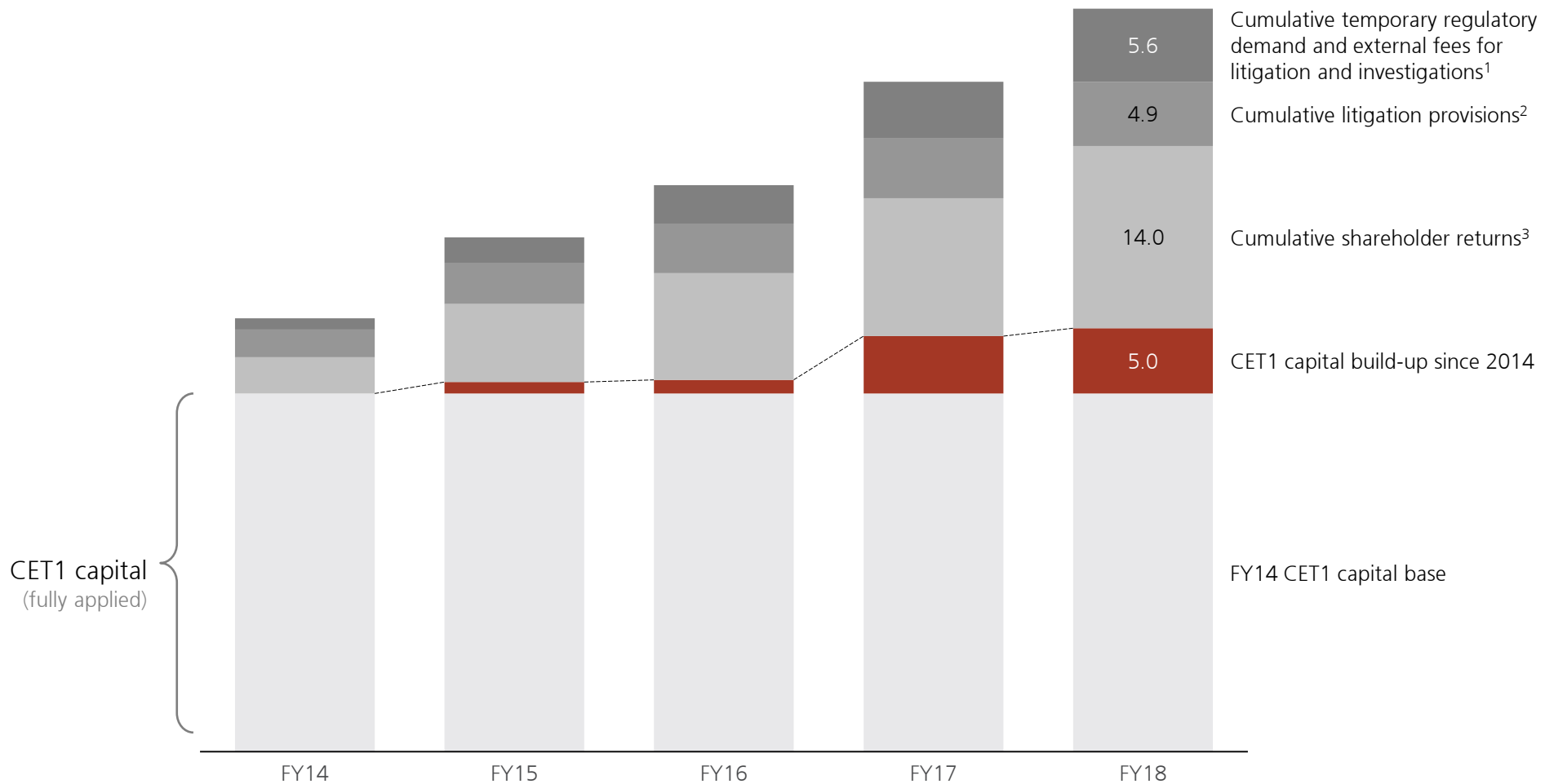


<sup>1</sup> Jeremy Anderson and Fred Hu were elected to the BoD at the 2018 AGM; indicated are attended and total meetings after their election; <sup>2</sup> William G. Parrett did not stand for re-election at the 2018 AGM; indicated are his attended and total meetings up to the AGM; <sup>3</sup> Additionally, four ad hoc calls took place in 2018; <sup>4</sup> Additionally, one ad hoc call took place in 2018; <sup>5</sup> The BoD committees and their charters are described in the Organization Regulations, published at [www.ubs.com/governance](http://www.ubs.com/governance)



# Strong capital generation

USD 19bn of capital generation since 2014 despite litigation and regulatory costs



Figures in USD billion, refer to slide 1 for details on adjusted numbers, capital management information and FX rates in this presentation.

<sup>1</sup> Temporary regulatory program costs not available for 2012, as these costs were not separately tracked until 2013; <sup>2</sup> Includes provisions for litigation, regulatory and similar matters used in conformity with designated purpose and existing balance of provisions at the end of 2018; <sup>3</sup> Includes accruals for proposed dividend of CHF 0.70 per share for 2018 and USD 762m share buyback in 2018

# Cautionary statement regarding forward-looking statements

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This presentation 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. 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