



# UBS 2018 Annual General Meeting

Axel A. Weber  
Chairman of the Board of Directors

Spring 2018



# Cautionary statement regarding forward-looking statements

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This presentations 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), including to counteract regulatory-driven increases, leverage ratio denominator, 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) continuing low or negative interest rate environment, developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions on the financial position or creditworthiness of UBS’s clients and counterparties as well as on client sentiment and levels of activity; (iii) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss- absorbing capacity (TLAC); (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK and other financial centers that 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, including changes in legal structure and reporting required to implement US enhanced prudential standards, 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, to 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) uncertainty as to the extent to which the Swiss Financial Market Supervisory Authority (FINMA) will confirm limited reductions of gone concern requirements due to measures to reduce resolvability risk; (vii) the uncertainty arising from the timing and nature of the UK exit from the EU and the potential need to make changes in UBS’s legal structure and operations as a result of it; (viii) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (ix) changes in the standards of conduct applicable to our businesses that may result from new regulation or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (x) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses or loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA; (xi) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (xii) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors including differences in compensation practices; (xiii) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters, including from changes to US taxation under the Tax Cuts and Jobs Act; (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 2017. 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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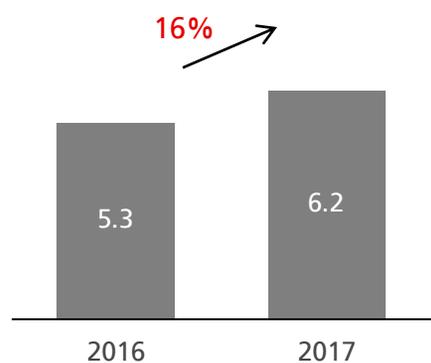
# Key messages

## Strong FY17 financial performance while remaining a leader in corporate social responsibility

- Adjusted Group profit before tax of CHF 6.2bn, up 16% YoY
- Increasing capital returns to shareholders with proposed ordinary dividend of CHF 0.65 per share, up 8% YoY
- Approach to compensation remains largely unchanged since current framework was introduced in 2012
  - Proposed FY17 variable compensation for Group Executive Board (GEB) and Group CEO increased 3% YoY, reflecting strong group performance and progress against qualitative and quantitative objectives
- Executing on Board of Directors (BoD) succession plan
- Focusing on ensuring that sustainability becomes our everyday standard, with a commitment to diversity in our main decision-making bodies and our overall workforce

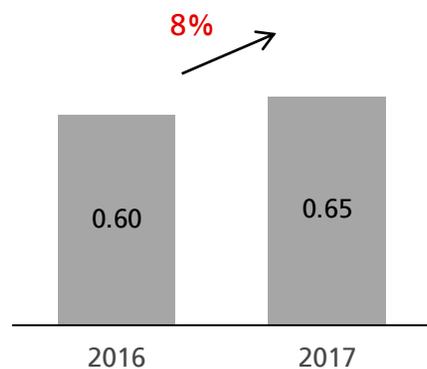
Profit before tax, adjusted

CHF billion



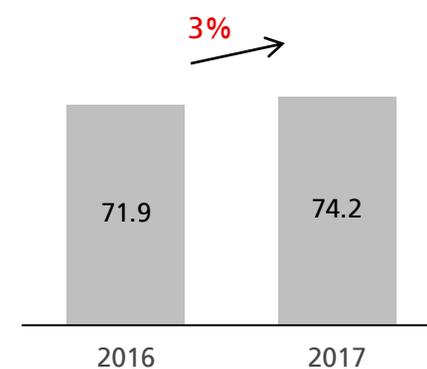
Ordinary dividend

CHF per share



GEB variable compensation

CHF million



# 2018 AGM – Say-on-Pay agenda items

## Say-on-Pay agenda items

1.	1.2 Advisory vote on the UBS Group AG Compensation Report 2017
4.	Approval of the aggregate amount of variable compensation for the members of the Group Executive Board for the financial year 2017
5.	Approval of the maximum aggregate amount of fixed compensation for the members of the Group Executive Board for the financial year 2019
7.	Approval of the maximum aggregate amount of compensation for the members of the Board of Directors from the Annual General Meeting 2018 to the Annual General Meeting 2019

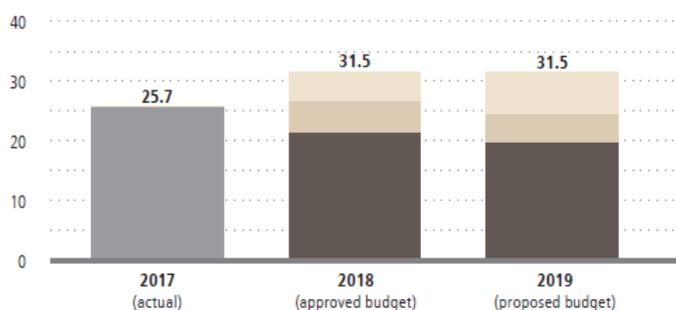
## Summary of key changes / proposals including rationale

- Cap for immediate cash performance awards increased to CHF / USD 2m to remain competitive without impacting overall pay levels for all relevant employees including GEB members
- Increased shareholding requirements for Group CEO (1,000,000 shares) and other GEB members (500,000 shares) to further strengthen the alignment of our GEB members interests' with those of our shareholders
- Increase aggregate amount to CHF 74.2m, a 3.1% increase YoY reflecting GEB members' accomplishments in delivering overall excellent financial results, maintaining a strong capital position and achieving the net cost reduction target despite significant market headwinds
- No change to the maximum aggregate amount (CHF 31.5m) which is sufficient to navigate through the uncertainty due to ongoing geopolitical and regulatory changes and other potential market considerations
- Increase maximum aggregate amount to CHF 14.5m, reflecting the net increase in BoD members from 11 to 12

## Agenda item 5

### Overview of maximum aggregate amount of fixed compensation for the GEB 2017–2019

CHF million



■ Reserve  
■ Contributions to retirement benefit plans and other benefits  
■ Base salaries and role-based allowance  
■ Actual total fixed compensation 2017

## Agenda item 7

■ Advisory vote    ■ Binding vote

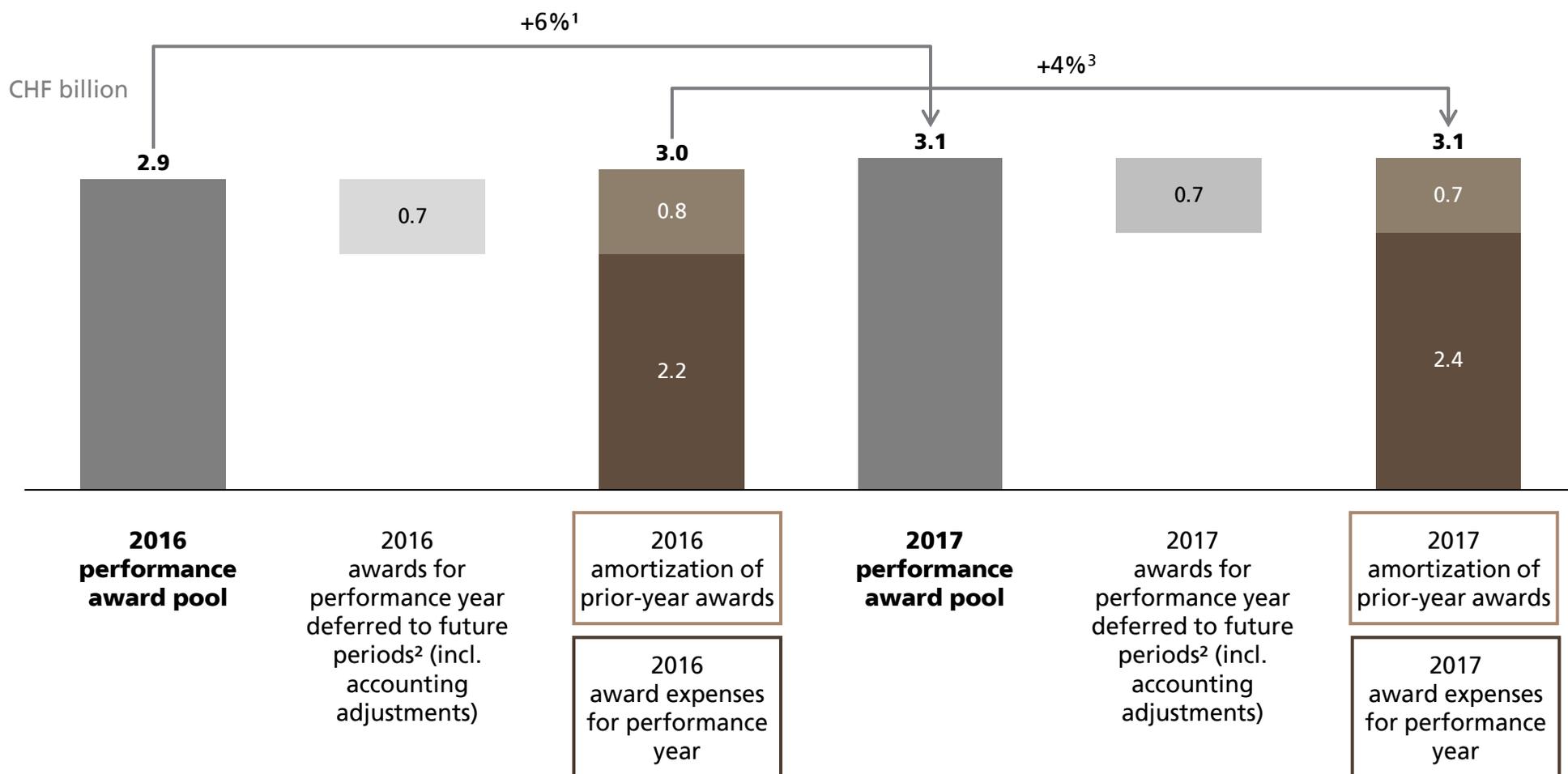
### Maximum aggregate amount of compensation for the BoD for the period from AGM 2018 to AGM 2019

	For the period from AGM 2018 to AGM 2019	For the period from AGM 2017 to AGM 2018
<i>CHF, except where indicated</i>		
Axel A. Weber, Chairman	6,200,000	6,200,000
Independent members of the BoD (excluding the Chairman) <sup>1</sup>	8,300,000	7,800,000
<b>Total amount (to be) approved by shareholders<sup>2</sup></b>	<b>14,500,000</b>	<b>14,000,000</b>
Total amount paid for the period from AGM 2017 to AGM 2018		13,133,565

<sup>1</sup> There were 10 independent BoD members in office on 31 December 2017. Julie G. Richardson was elected at the AGM 2017 as BoD member and also appointed as Risk Committee member. Joseph Yam stepped down as BoD member at the AGM 2017. <sup>2</sup> Excludes UBS's portion related to the legally required social security contributions, which for the period from AGM 2018 to AGM 2019 are estimated at CHF 0.9 million, and may vary depending on the prevailing tax and employment jurisdictions of the BoD members. The corresponding amount for the period from AGM 2017 to AGM 2018 was estimated at CHF 0.9 million.

# Performance award pool and expenses

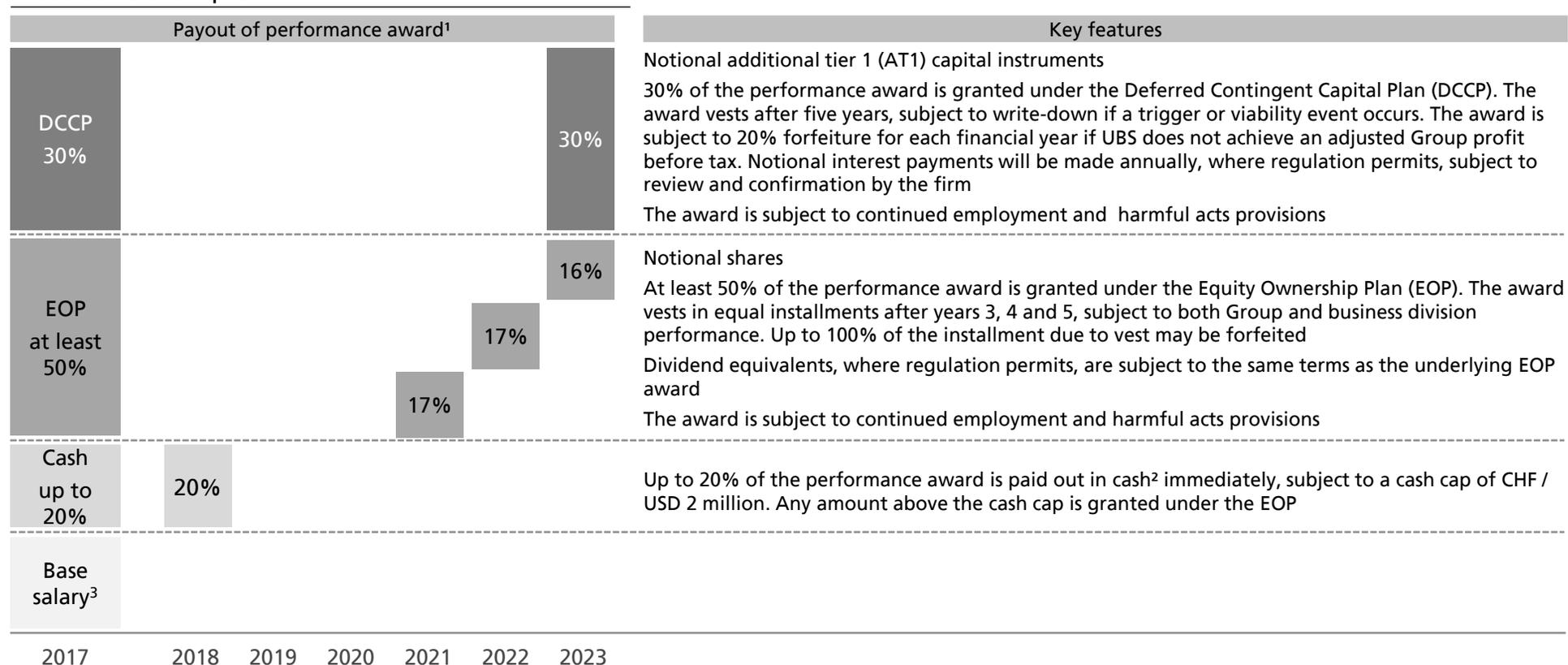
Performance award pool reflects an increase of 6% from 2016 while expenses increased by 4%



# 2017 compensation framework for GEB members

- Payout structure remains unchanged with up to 20% of the annual performance award paid in the form of immediate 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
- To remain competitive, we revised the immediate cash cap to CHF 2m without impacting overall pay levels
- We substantially increased share ownership requirements, further aligning GEB interests with those of shareholders

## Illustrative example:



### Share retention

1,000,000 shares for Group CEO  
500,000 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



Refer to pages 10-18 of our 2017 Compensation Report for further information

1 Senior Management Functions have extended deferral periods, with the deferred performance awards vesting in equal installments between years 3 and 7;  
2 UK Material Risk Takers receive 50% in the form of blocked shares; 3 May include role-based allowances that have been made 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 quantitative and qualitative objectives

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

Weightings	Quantitative measures	2016 results	2017 results	Assessment Vs Plan
				100%
65%	Adj. Group profit before tax	CHF 5,341m	CHF 6,194m	
	Adj. Group return on tangible equity excl. DTAs	11.3%	13.8%	
	Capital Management - CET1 capital ratio - CET1 leverage ratio - Post-stress CET1 ratio <sup>1</sup>	13.8% 3.53% >10%	13.8% 3.69% >10%	
	<b>Qualitative measures</b>	<b>Achievements<sup>2</sup></b>		
	Pillars - Capital Strength - Efficiency and Effectiveness - Risk Management	Overall performance met expectations		
	Principles - Client Focus - Excellence - Sustainable Performance	Overall performance exceeded expectations		
35%	Behaviors - Integrity - Collaboration - Challenge	Overall performance exceeded expectations		

# 2018 AGM - other agenda items

## Other agenda items

1.	1.1 Approval of the UBS Group AG management report and consolidated and standalone financial statements
2.	Appropriation of retained earnings and distribution of ordinary dividend out of capital contribution reserve
3.	Discharge of the members of the BoD and the GEB for the financial year 2017
6.	Elections: 6.1. Re-election of members of the BoD, 6.2. Election of new members to the BoD, 6.3. Election of the members of the Compensation Committee
8.	Re-elections: 8.1. Re-election of the independent proxy, 8.2. Re-election of the auditors, 8.3. Re-election of the special auditors

## Summary of key changes

<ul style="list-style-type: none"> <li>Proposal to fully appropriate 2017 net profit of CHF 47m to the voluntary earnings reserve</li> <li>Proposal for ordinary dividend distribution of CHF 0.65 in cash per share of CHF 0.10 par value payable out of the capital contribution reserve</li> </ul>
<ul style="list-style-type: none"> <li>Proposal to elect Jeremy Anderson and Fred Hu as a members of the BoD for a one-year term of office</li> </ul>

## Agenda Item 2

### Proposed appropriation of retained earnings

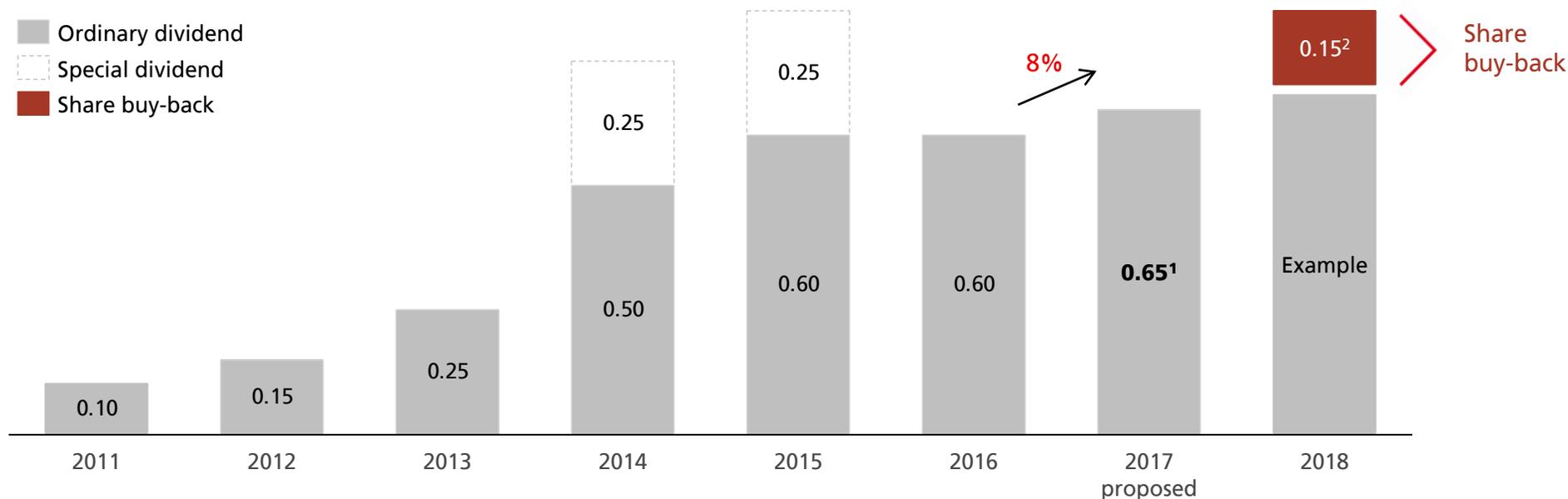
	For the year ended
<i>CHF million</i>	31.12.17
Net profit for the period	47
Retained earnings carried forward	0
<b>Total retained earnings available for appropriation</b>	<b>47</b>
<b>Appropriation of retained earnings</b>	
Appropriation to voluntary earnings reserve	(47)
Retained earnings carried forward	0

<i>CHF million, except where indicated</i>	31.12.17
<b>Total statutory capital reserve: capital contribution reserve before proposed distribution<sup>1</sup></b>	<b>32,683</b>
Proposed ordinary distribution of capital contribution reserve within statutory capital reserve: CHF 0.65 per dividend-bearing share <sup>2</sup>	(2,505)
<b>Total statutory capital reserve: capital contribution reserve after proposed distribution</b>	<b>30,179</b>

<sup>1</sup> The Swiss Federal Tax Administration's current position is that, of the CHF 32.7 billion capital contribution reserve available as of 31 December 2017, an amount limited to CHF 18.0 billion is available from which dividends may be paid without a Swiss withholding tax deduction.  
<sup>2</sup> 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 2,505 million presented is based on the total number of shares issued as of 31 December 2017.

# Increasing capital returns to our shareholders

Proposed ordinary dividend of CHF 0.65 per share for FY17



## Capital considerations 2018 - 2020

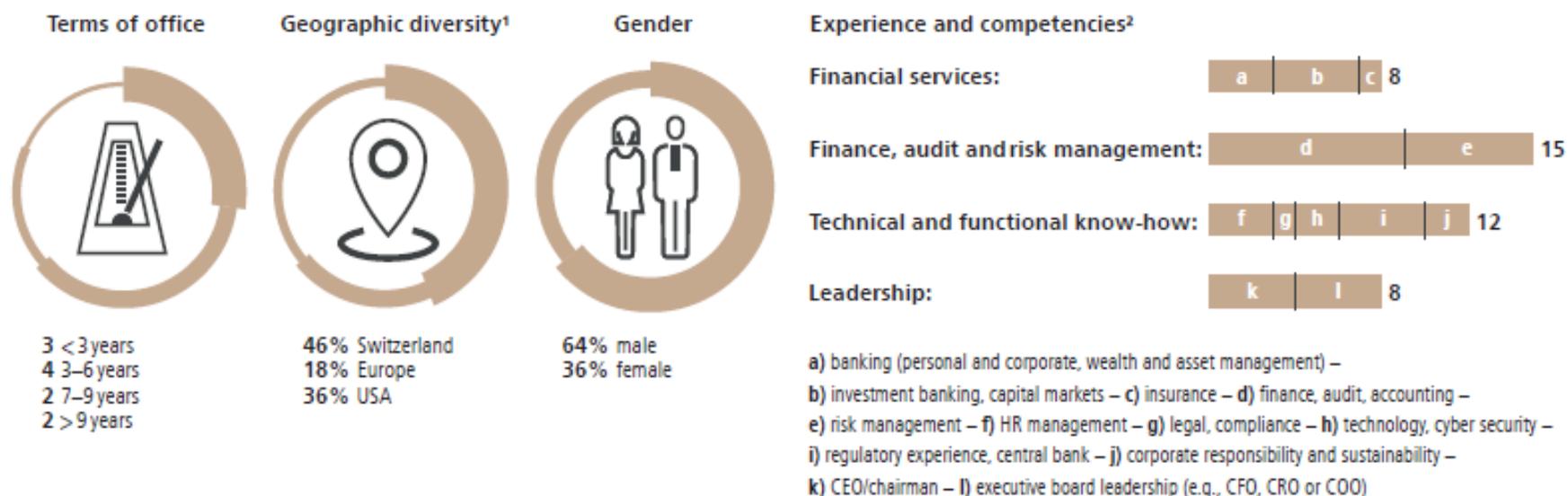
- Our priority is to pay an ordinary dividend, growing at mid-to-high single digit percentage per annum
- Initiating a 3-year buy-back program of up to CHF 2bn, targeting up to CHF 550m in 2018
- ~4bn in CET1 capital build while operating at ~13% CET1 capital ratio and ~3.7% CET1 leverage ratio
- We consider LRD to be our binding capital constraint until the end of 2020

Numbers in CHF unless otherwise indicated. Refer to slide 16 for details on Basel III numbers and FX rates in this presentation

1 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 FY17: AGM 3.5.18, ex-dividend date 7.5.18, record date 8.5.18, payment date 9.5.18; 2 Implied per share value of CHF 550m divided by 3,721m shares outstanding on 31.12.17

# Board of Directors – UBS Group AG

- The Governance and Nominating Committee uses a skills / experience matrix to identify any gaps in relevant BoD competencies, considering the bank'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 to perform their duties
- BoD members rated their four strongest competencies out of 12 categories. All competencies were represented in 2017 with particularly strong levels of experience in 1) finance, audit, accounting; 2) risk management; and 3) financial services
- 8 of the 11 BoD members have held or currently hold chairman or executive board-level leadership positions
- Jeremy Anderson and Fred Hu nominated for election to the BoD of UBS Group AG; William G. Parrett 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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## 6.2.1 Jeremy Anderson

### A. Motion

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

Jeremy Anderson (born 1958) was chairman of Global Financial Services at KPMG International from 2010 until November 2017. He has spent over 30 years working with the banking and insurance industry in an advisory capacity, covering a broad range of topics, including strategy, audit and risk management, technology and operational transformation, mergers and bank restructuring. Jeremy Anderson joined KPMG International in 2004.

He was head of Financial Services KPMG Europe from 2006 to 2011 and also head of Clients and Markets KPMG Europe from 2008 to 2011. From 2004 to 2008 he headed its UK Financial Services Practice. Prior to that he served as a member of Atos Origin's Group Management Board and as head of its UK operations after Atos acquired KPMG Consulting UK in 2002. Jeremy Anderson joined KPMG's UK consulting business in 1985 and led the firm as CEO from 2000 to 2002, having previously been a partner in its financial services business. He started his career with Triad Computing Systems in 1980.

Jeremy Anderson is a British citizen and graduated with a bachelor's degree in economics from the University College London.

He is a trustee of the UK's Productivity Leadership Group.

Jeremy Anderson complies with the mandate thresholds set forth in Article 31 of the UBS Group AG Articles of Association.



## 6.2.2 Fred Hu

### A. Motion

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

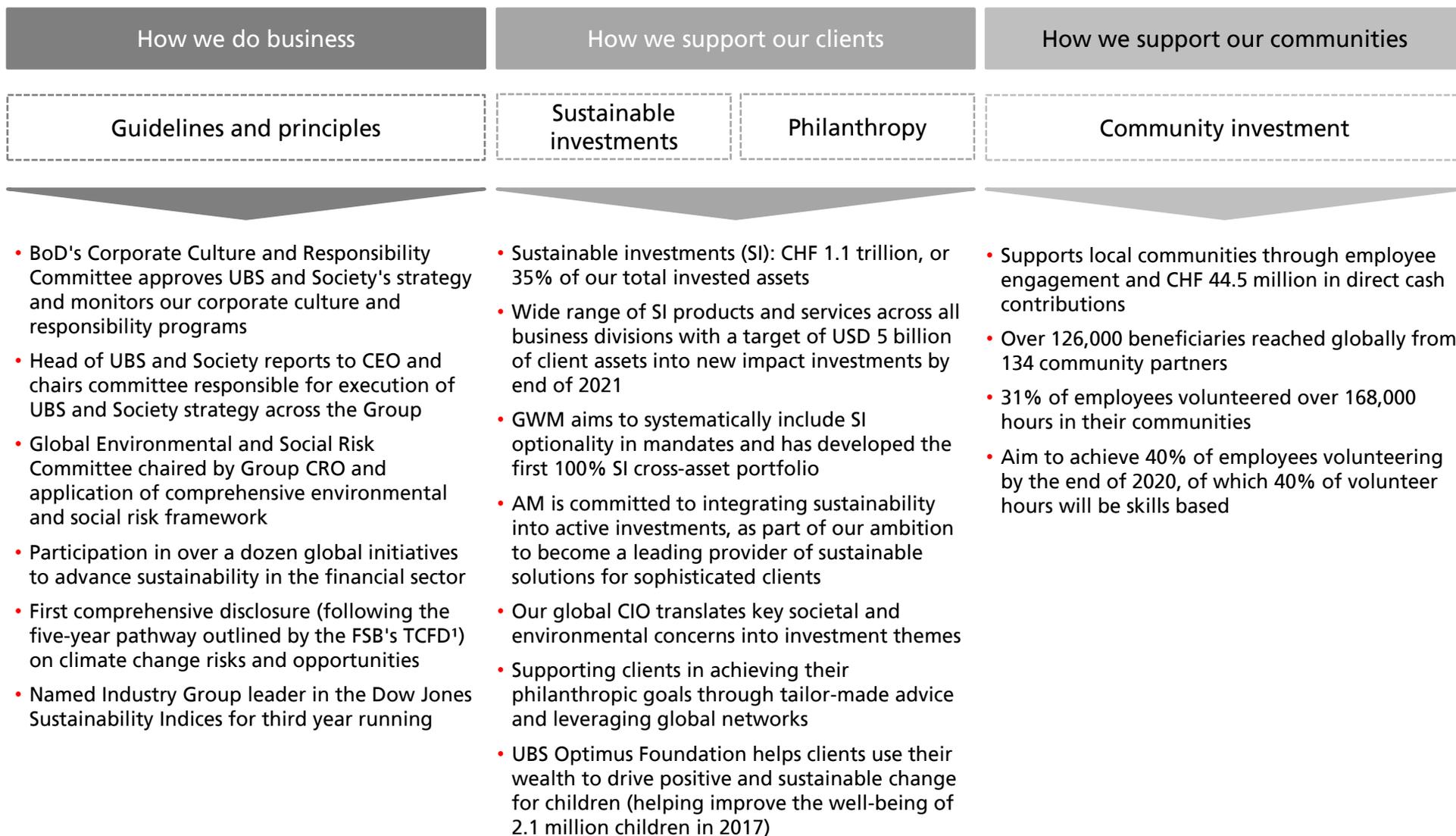
Fred Hu (born 1963) has been chairman of Primavera Capital Group, a China-based global investment firm since 2010. Prior to founding Primavera, Fred Hu held various senior positions at Goldman Sachs from 1997 to 2010, where he was instrumental in building the firm's franchise in the region. He was partner and chairman of Greater China from 2008 to 2010 and partner and co-head Investment Banking China from 2004 to 2008. Before that he held the position of Goldman Sachs' Chief Economist. From 1991 to 1996, he served as an economist at the International Monetary Fund in Washington, DC, and was previously the co-director of the National Center for Economic Research and professor at Tsinghua University. He holds a master in engineering science from Tsinghua University, and a master and PhD in economics from Harvard University. Fred Hu is a Chinese citizen.

Fred Hu is the non-executive chairman of the board of Yum China Holdings and a board member of Hong Kong Exchanges and Clearing Ltd. and Hang Seng Bank Ltd. He is engaged in a number of non-profit organizations, including the Nature Conservancy's Asia Pacific Council.

Fred Hu complies with the mandate thresholds set forth in Article 31 of the UBS Group AG Articles of Association.

# UBS and Society

Advancing sustainability through our everyday business and in the financial sector



Appendix

# Supporting materials

# Group Executive Board compensation framework

Annual performance awards subject to shareholder approval

	Framework	2017 figures
Performance award cap - CEO	5x fixed compensation <sup>1</sup>	4.6x
Performance award cap – other GEB members	7x fixed compensation <sup>1</sup>	3.3x
Performance award cap – full GEB pool	2.5% of adjusted Group PBT	1.2%
Determination of individual performance awards	Assessment against quantitative and qualitative measures	-
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%	13.8%

# Board of Directors – UBS Group AG

- The Board of Directors (BoD), led by the Chairman, is composed of 11 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>1</sup>: Audit (5 members), Compensation (4), Corporate Culture and Responsibility (4), Governance and Nominating Committee (4), Risk (5), and the Special Committee (4) focused on internal and regulatory investigations
- BoD members may hold mandates outside UBS Group – max. 4 mandates in listed plus 5 additional in non-listed companies
- During 2017, 23 scheduled BoD meetings and calls were held, 14 of which were attended by GEB members, with average participation of 99%.

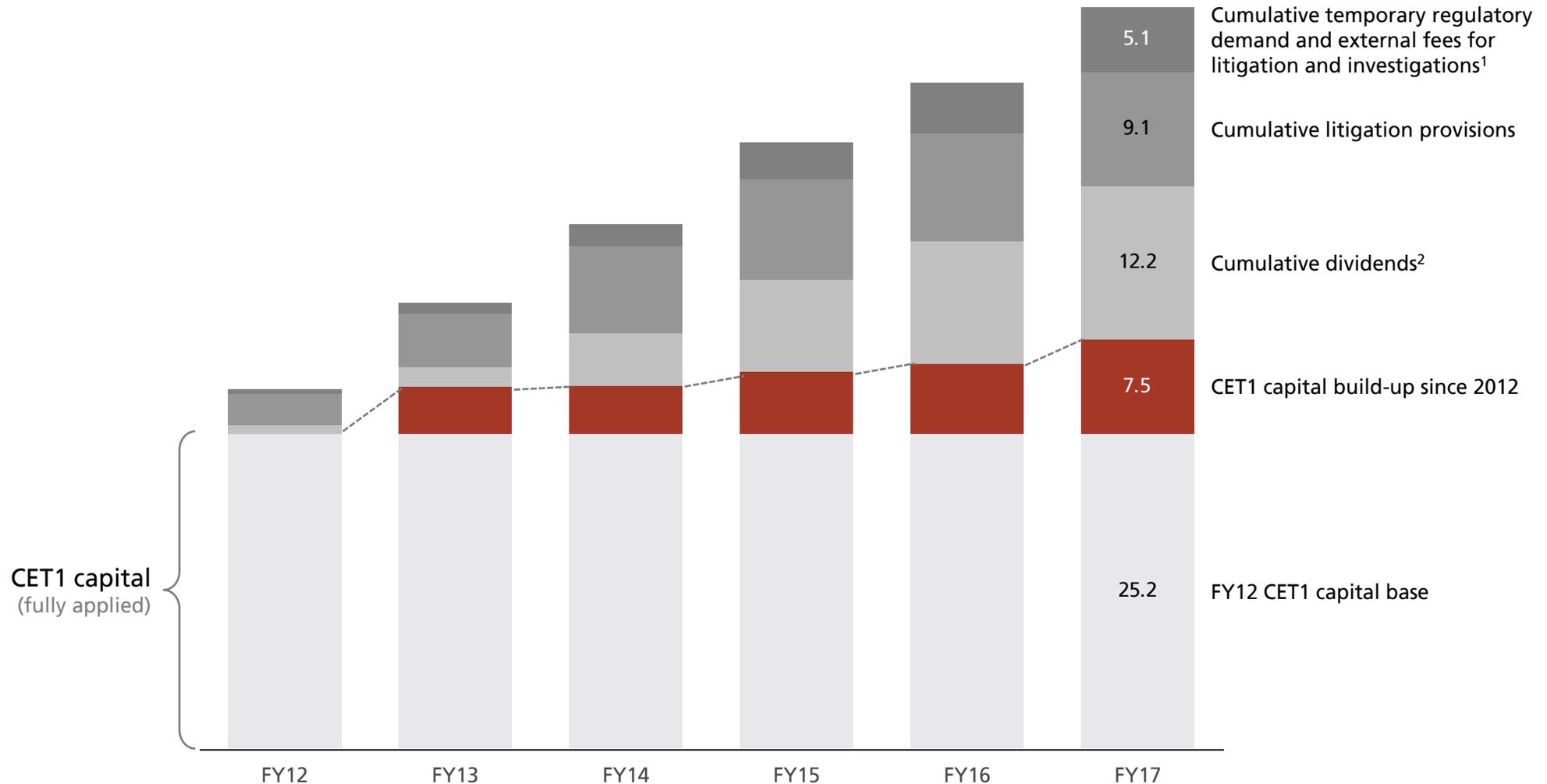
## Board of Directors

Members on 31 December 2017	Meeting attendance without GEB <sup>2</sup>		Meeting and call attendance with GEB <sup>3</sup>		Key responsibilities include:
Axel A. Weber, Chairman	9/9	100%	14/14	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	9/9	100%	14/14	100%	
David Sidwell	9/9	100%	14/14	100%	
Reto Francioni	9/9	100%	14/14	100%	
Ann F. Godbehere	9/9	100%	14/14	100%	
William G. Parrett	9/9	100%	14/14	100%	
Julie G. Richardson <sup>1</sup>	7/7	100%	11/11	100%	
Isabelle Romy	9/9	100%	14/14	100%	
Robert W. Scully	9/9	100%	14/14	100%	
Beatrice Weder di Mauro	9/9	100%	14/14	100%	
Dieter Wemmer	8/9	89%	13/14	93%	

<sup>1</sup> Julie G. Richardson was elected to the BoD at the AGM 2017. <sup>2</sup> Additionally, four unscheduled calls and meetings took place in 2017. <sup>3</sup> Additionally, two unscheduled meetings took place in 2017.

# Strong capital generation

Almost CHF 20bn of capital generation since 2012 despite litigation and regulatory costs



Figures in CHF billion; refer to slide 16 for details about 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 accruals for proposed dividend of CHF 0.65 per share for 2017

# Important information related to this presentation

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## **Use of adjusted numbers**

Unless otherwise indicated, "adjusted" figures exclude the adjustment items on pages 60-61 of the Annual Report 2017 which is available in the section "Annual reporting" at [www.ubs.com/investors](http://www.ubs.com/investors)., to the extent applicable, on a Group and business division level. Adjusted results are a non-GAAP financial measure as defined by SEC regulations.

If applicable for a given adjusted KPI (i.e., adjusted return on tangible equity), adjustment items are calculated on an after-tax basis by applying an indicative tax rate. Refer to page 68 of the Annual Report 2017 for more information.

## **Basel III RWA, Basel III capital and Basel III liquidity ratios**

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 framework that became effective on 1 July 2016, unless otherwise stated.

Basel III risk-weighted assets in this presentation are calculated on the basis of Basel III fully applied 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 fully applied Swiss SRB rules, unless otherwise stated. Refer to the "Capital management" section in the Annual Report 2017 for more information.

## **Currency translation**

Monthly income statement items of foreign operations with a functional currency other than Swiss francs are translated with month-end rates into Swiss francs.

## **Rounding**

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

## **Tables**

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

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