

Say-on-pay

Shareholder information on compensation votes
at the **UBS Group AG Annual General Meeting 2020**

Dear Shareholder,

Our compensation philosophy is to align the interests of our employees with those of our investors and clients, building on our three keys to success: our Pillars, Principles and Behaviors. Our Total Reward Principles establish a framework that balances sustainable performance, as well as supporting growth ambitions and appropriate risk-taking, with a focus on conduct and sound risk management practices. Our compensation structure encourages our employees to focus on our clients, create sustainable value, deliver on our growth ambitions and achieve the highest standards of performance. Further, our contribution to supporting the planet, our workforce, our clients and society are important to our success. Therefore, ESG matters are considered in the performance and compensation determination process.

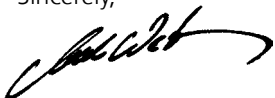
Over the course of 2019, we continued proactively engaging with shareholders on matters around pay. While we have maintained the most important elements of our compensation framework, our review has led to some significant enhancements that further support us in achieving our ambitions for the Group and greater alignment with shareholders' interests. Specifically, we have introduced the new Long-Term Incentive Plan for our most senior leaders and an additional vesting condition in connection with the French cross-border matter, reduced Board of Directors fees including my own compensation, and enhanced disclosure for the Group CEO performance assessment.

This publication provides you with information on the compensation proposals submitted to this year's Annual General Meeting (the AGM). More information regarding our compensation framework for the Group Executive Board (the GEB) and the Board of Directors (the BoD), including related governance and policy, is provided in the UBS Group AG Compensation Report 2019. The report is available at www.ubs.com/annualreport.

At the 2020 AGM, we ask our shareholders to vote on the variable compensation for the GEB for 2019, the fixed compensation for the GEB for 2021, and the compensation for the BoD from the 2020 AGM to the 2021 AGM. In addition, we also ask our shareholders for an advisory vote on our Compensation Report, which describes our compensation framework, including our principles, governance and approach.

Both the advisory vote on our compensation policy and the binding votes on compensation provide transparency on say-on-pay for our shareholders. We are grateful for your participation and respectfully ask for your continued support.

Sincerely,



Axel A. Weber
Chairman of the Board of Directors

At the 2020 AGM, UBS Group AG shareholders are invited to vote on the following compensation-related items. The binding votes on compensation and the advisory vote on the compensation framework reflect our commitment to our shareholders having their say on pay.

Agenda item 2. Advisory vote on the UBS Group AG Compensation Report 2019

The Board of Directors proposes that the UBS Group AG Compensation Report 2019 be ratified in an advisory vote.

We conducted a holistic review of all elements of our compensation framework. While we have maintained the most important elements of our compensation framework, our review has led to some significant changes, as summarized in the tables below.

Key changes to our compensation framework and related disclosures

<p>Introduction of the Long-Term Incentive Plan</p>	<ul style="list-style-type: none"> – Effective for the performance year 2019, we replaced the Equity Ownership Plan (the EOP) with the new equity-based Long-Term Incentive Plan (the LTIP) for our most senior leaders (i.e., Group Executive Board (GEB) members, Group Managing Directors (GMDs) and Group or Divisional Vice Chair role holders). This supports the alignment of compensation with the execution of our strategy, financial performance and long-term growth. – The LTIP features an absolute and a relative performance condition based on reported return on CET1 capital (RoCET1) and relative total shareholder return (rTSR) metrics, creating a strong sensitivity of realized compensation to UBS’s financial performance and share price, and supports alignment with shareholders. – Achieving the maximum payout under the LTIP requires both a three-year average RoCET1 of 18% and, over a three-year period, for our TSR to outperform the peer index by 25 percentage points.
<p>Additional vesting condition in connection with the resolution of the French cross-border matter</p>	<ul style="list-style-type: none"> – For the Group CEO and certain other GEB members, the vesting of a portion (30%) of the 2019 LTIP award is, in addition to RoCET1 and rTSR performance conditions, directly linked to the final resolution of the French cross-border matter. This portion is entirely at risk and subject to forfeiture based on the final cost associated with the resolution of the matter. The same vesting condition also applies to a portion of the Chairman’s 2019 share award. – This is consistent with our approach to align the interests of management with those of shareholders to resolve this matter in the best interests of all shareholders, even though the underlying issue is a legacy matter.
<p>Rebalancing of fees for members of the Board of Directors</p>	<ul style="list-style-type: none"> – Reflecting our holistic review, we have made a number of adjustments that also contribute toward our cost reduction efforts; starting with the current period from the 2019 AGM to the 2020 AGM, the Chairman’s fixed compensation was reduced by 14%. – In the same spirit, from the 2020 AGM onward, the BoD will reduce fees for all its members and eliminate the share price discount at which independent Board members were previously entitled to purchase their mandatory share allocation (minimum 50% of their fees).
<p>Enhanced disclosure for CEO performance assessment</p>	<ul style="list-style-type: none"> – We have enhanced the transparency of the major elements of the performance assessment for the Group CEO. – The disclosure brings further clarity on the overall achievement, weighting and the scale of the assessment.

Cornerstones of our compensation framework

<p>Consistent approach to key elements has been maintained</p>	<ul style="list-style-type: none"> – Strong alignment between compensation and risk-adjusted financial performance. – Consideration of behaviors and conduct in performance assessment and compensation. – High mandatory deferral rates into UBS shares and UBS contingent capital. – Long deferral periods over five years. – Forfeiture and clawback provisions.
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Compensation framework

The most important elements of our compensation framework remain unchanged. In particular, performance awards continue to be based on the employee's annual performance assessment and we are maintaining the long-term nature of our compensation framework through mandatory deferrals into equity and contingent capital instruments.

We have modified the delivery of the deferred equity portion for our most senior leaders (i.e., GEB members, GMDs and Group or Divisional Vice Chair role holders) with the new Long-Term Incentive Plan (the LTIP) replacing the Equity Ownership Plan (the EOP) to enhance focus on delivering on our return targets and increasing alignment with shareholders. The LTIP features absolute and relative performance conditions based on reported return on CET1 capital (RoCET1) and relative total shareholder return (rTSR) metrics, creating a strong sensitivity of realized compensation to UBS's financial performance and share price. The final number of vesting shares is based on the achievements against these two equally-weighted performance conditions over a three-year performance period.

For our GEB members, 20% of their performance award is paid in cash while 80% is deferred. Fifty percent (50%) of the performance award is granted under the new LTIP, which vests in years 3, 4 and 5 after grant. The remaining 30% is granted under the DCCP and vests in year 5 after grant year. We believe UBS has one of the most rigorous deferral regimes in the industry.

For the 2019 compensation decisions for the GEB, the Compensation Committee has also considered the French cross-border decision at the Court of First Instance in February 2019 and the resulting share price development, reflecting alignment with shareholders on this matter. Additionally, the final outcome of the matter will impact the payout of the 2019 LTIP award through the RoCET1 metric. Furthermore, for the Group CEO and certain other GEB members, in total up to CHF 7.3 million, or 30% of the 2019 LTIP awards at grant, are at risk and directly linked to the final resolution of the French matter. Furthermore, a new malus clause allows the Compensation Committee to assess any new information that becomes available in the future and to retrospectively reduce the 2019 LTIP award by up to the total amount if such new information would have impacted our compensation decision in 2019.

Agenda item 8.1. Approval of the maximum aggregate amount of compensation for the members of the Board of Directors from the 2020 AGM to the 2021 AGM

The Board of Directors proposes that the maximum aggregate amount of compensation of CHF 13,000,000 for the members of the Board of Directors for the period from the 2020 AGM to the 2021 AGM be approved.

Compensation of BoD members

The Compensation Committee regularly reviews the remuneration framework for Board members, taking into account shareholder feedback, to confirm it remains competitive and appropriately reflects their work on the Board of UBS.

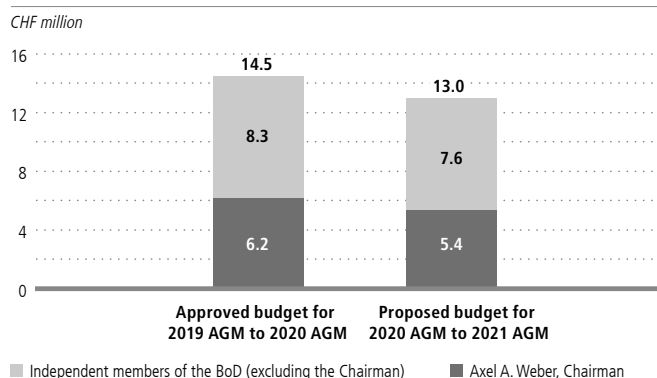
For the Chairman, effective from the 2019 AGM to the 2020 AGM, his contractually fixed compensation has been reduced by CHF 0.8 million to CHF 4.9 million, a reduction of 14%. In addition, to further demonstrate the Chairman's alignment with shareholder interests, a portion of up to CHF 0.6 million of his 2019 share award is subject to the same new vesting condition linked to the resolution of the French cross-border matter that has been introduced for the Group CEO and certain other GEB members. The remaining portion of his share award (CHF 0.8 million) is fully vested but blocked for four years.

For independent Board members, we concluded that our fundamental compensation approach remains appropriate. However, effective from the 2020 AGM onward, a number of adjustments will be made to reduce the level of the Board's compensation while still maintaining competitive fee levels.

We will reduce the fixed base fee by CHF 25,000 (i.e., approximately 8%) for each board member and rebalance certain other fees. Furthermore, the 15% discount for share purchases by Board members will be eliminated. Overall, these adjustments will result in a total reduction of approximately 14%.

2020 AGM to 2021 AGM proposed BoD compensation

The proposed amount reflects a decrease of 10% or CHF 1,500,000 compared to the previous year. The amount includes the Chairman's compensation, which decreased by 14% effective from the 2019 AGM, as well as the reduced fees for independent Board members, which will become effective from the 2020 AGM.



Note: Excludes UBS's portion related to the legally required social security contributions, which can vary depending on BoD composition as well as the prevailing tax and employment jurisdictions of the BoD members. For the period from the 2020 AGM to the 2021 AGM, the corresponding amount is estimated at CHF 0.8 million, and for the period from 2019 AGM to 2020 AGM at CHF 0.7 million. For detailed information, refer to the "Board of Directors compensation" section in the UBS Group AG 2019 Compensation Report.

Agenda item 8.2. Approval of the aggregate amount of variable compensation for the members of the Group Executive Board for the financial year 2019

The Board of Directors proposes that the aggregate amount of variable compensation of CHF 70,250,000 for the members of the Group Executive Board for the financial year 2019 be approved.

GEB performance assessment

The performance assessment is the starting point for determining a GEB member's annual performance award. We assess the GEB members' performance against a number of financial targets and goals related to Pillars, Principles and Behaviors.

The financial measures for the Group CEO are based on overall Group performance. For the other GEB members, those are based on both Group performance and the performance of the relevant business division and/or region; those who lead Group functions are assessed on the performance of the Group and the function they oversee. The achievements relative to goals related to Pillars and Principles are additional factors for assessing the overall quality and sustainability of the financial results.

For 2019, we have enhanced the transparency of the major elements of the Group CEOs performance assessment. The new disclosure brings further clarity on the overall achievement, weighting and the scale of the assessment.

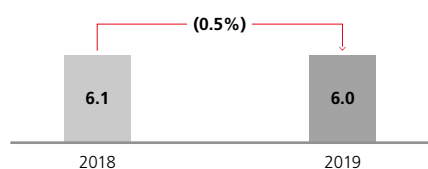
2019 proposed GEB performance awards

In 2019, profit before tax decreased 7% to USD 5.6 billion while adjusted profit before tax decreased slightly to USD 6.0 billion. Return on common equity tier 1 (CET1) capital was 12.4%. Our CET1 capital ratio was 13.7% and the CET1 leverage ratio was 3.9%, both above our capital guidance of around 13% and 3.7%, respectively. For 2019, the BoD intends to propose a dividend of USD 0.73 per share, an increase compared with 2018. During 2019, we repurchased USD 0.8 billion of UBS shares. The sum of our 2019 proposed dividend and share repurchases is USD 3.4 billion, or 80% of our net profits, which is highly attractive compared to peers.

Given the overall accomplishments of the GEB members, including the Group CEO, both individually and collectively, the BoD proposes that shareholders approve the aggregate 2019 variable compensation for the members of the GEB of CHF 70,250,000. As a percentage of adjusted Group profit before tax, the GEB performance award pool is 1.2%, well below the cap of 2.5%.

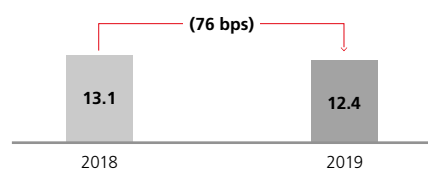
Adjusted Group profit before tax

USD billion



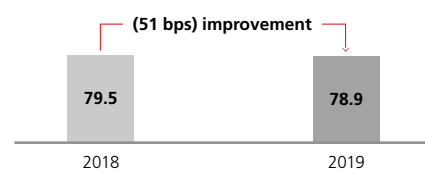
Return on CET1 capital

in %



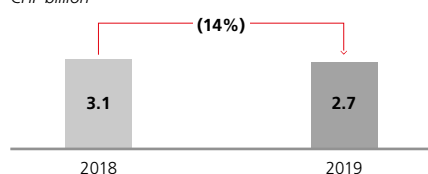
Adjusted cost/income ratio

in %



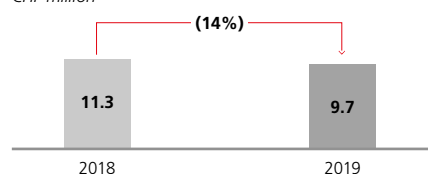
Group performance award pool

CHF billion



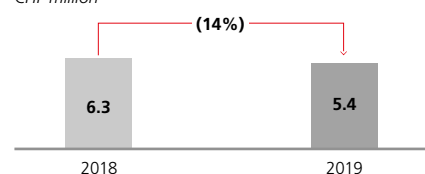
Group CEO performance award

CHF million



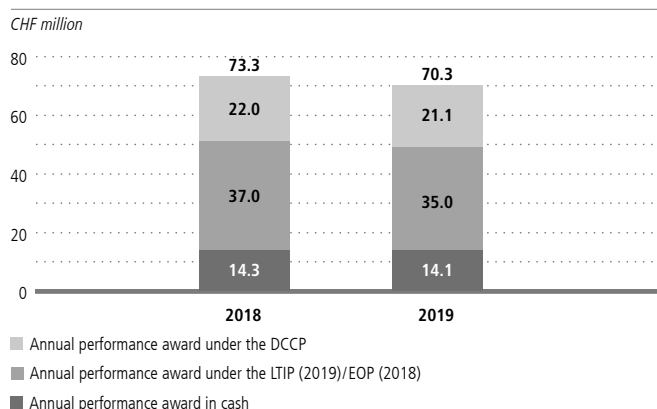
Per capita GEB performance award pool

CHF million



The proposed amount reflects the above mentioned overall solid financial results in mixed market conditions, continued strong capital position and increased capital distributions to shareholders. Furthermore, the BoD also considered a range of factors including risk-adjusted profit, returns and capital strength, as well as relative performance, progress on ESG, regulatory and litigation matters, including the impact of the French cross-border matter on the firm and the resulting share price development.

The proposed amount reflects a reduction of 14% on a per capita basis and 4% overall compared to the previous year, and this change is comparable to the 14% decrease in the overall Group performance award pool. The pool also reflects the increase in number of GEB members, which does not reflect a meaningful change in the total cost to shareholders.



Note: Cash includes blocked shares for two GEB members in 2019 and for three GEB members in 2018, in accordance with applicable UK regulation. Excludes the portion related to the legally required employer's social security contributions for 2019 and 2018, which are currently estimated at grant at CHF 3.6 million and CHF 3.86 million, respectively. For detailed information, refer to the "Total compensation for GEB members" table in the UBS Group AG 2019 Compensation Report.

Agenda item 8.3. Approval of the maximum aggregate amount of fixed compensation for the members of the Group Executive Board for the financial year 2021

The Board of Directors proposes that the maximum aggregate amount of fixed compensation of CHF 33,000,000 for the members of the Group Executive Board for the financial year 2021 be approved.

GEB fixed compensation

The Group CEO's annual base salary for 2019 was CHF 2.5 million and has remained unchanged since his appointment in 2011. The other GEB members each received a base salary of CHF 1.5 million (or local currency equivalent), also unchanged since 2011.

Two GEB members are considered Material Risk Takers (MRTs), including one UK Senior Management Function

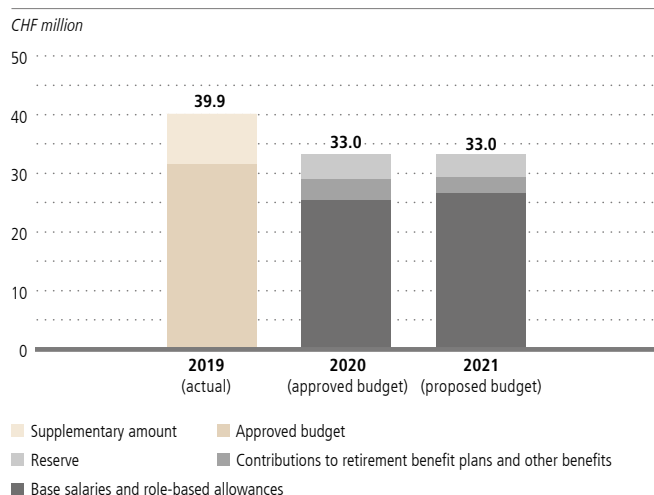
(SMF), for UK/EU entities. In addition to the base salary, role-based allowances are part of their fixed compensation. This allowance, which reflects the market value of a specific role, represents a shift in the compensation mix between fixed and variable compensation and not an increase in total compensation.

2021 proposed GEB fixed compensation budget

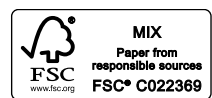
The proposed budget amount includes the fixed base salaries, role-based allowances as well as benefits in line with local practices for other employees. Finally, as the budget is a maximum spend, we include a reserve to maintain flexibility for potential future changes in GEB composition or role changes.

The proposed amount for 2021 is unchanged from the previous year reflecting unchanged base salaries for the Group CEO and other GEB members. As stated above, it further reflects the increase in number of GEB members but does not lead to a meaningful increase in the total cost to shareholders. The changes in GEB composition were made to optimize our governance structure and execute on our strategic priorities.

The proposed amount reduces the reserve from our 2020 amount while providing flexibility in light of evolving EU regulations, Brexit and competitive considerations for a potential additional role-based allowance. This notably reflects a decrease from 2019 spend, which included the use of the supplementary amount to support GEB member appointments after AGM approval.



Note: As authorized by the Articles of Association, a supplementary amount was used in 2019 to pay the fixed compensation of new GEB members (including replacement awards) that exceeded the originally budgeted amount. Retirement benefit contributions and other benefits are a projection and may vary due to labor market conditions and individual circumstances. The fixed compensation excludes the portion related to the legally required employer's social security contributions for the financial year 2021 (estimated at CHF 1.45 million), which are not considered compensation.



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