



Say-on-pay

Shareholder information on compensation votes
at the **UBS Group AG Annual General Meeting 2018**



Dear shareholder,



In 2017 we continued to execute our strategy with discipline, delivering excellent results while prudently managing resources and risk. These results have allowed us to propose an increase in dividends while maintaining a strong capital position. For 2017, our compensation philosophy and overall framework have remained largely unchanged and we continue to focus on rewarding performance while aligning the interests of our investors, clients and employees. This consistency in our approach to compensation since 2012 has strengthened our culture of sustainable performance, accountability and appropriate risk-taking. It also creates clarity in compensation discussions with our employees as well as with our shareholders.

This publication provides you with information and background on the compensation proposals submitted to the Annual General Meeting (AGM), which are in line with the Swiss Ordinance against Excessive Compensation and our Articles of Association.

At the AGM 2018, we ask our shareholders to vote on the variable compensation for the Group Executive Board (GEB) for 2017, the fixed compensation for the GEB for 2019, and the compensation for the Board of Directors (BoD) from the AGM 2018 to the AGM 2019. In addition, we also ask our shareholders for an advisory vote on our Compensation Report, which describes our compensation strategy, including our principles, governance and practices.

Both the advisory vote on our compensation policy and the binding votes on compensation reflect our commitment to transparent say-on-pay for our shareholders. We are grateful for your participation.

The specific votes on compensation that we will submit to our shareholders are outlined in this brochure in greater detail. More information regarding our compensation framework for the GEB and the BoD, including related governance and policy, is provided in the UBS Group AG Compensation Report 2017 at www.ubs.com/annualreport.

Sincerely,

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

Axel A. Weber
Chairman of the Board of Directors

This document and the information contained herein are provided solely for information purposes, and are not to be construed as a solicitation of an offer to buy or sell any securities or other financial instruments in Switzerland, the United States or any other jurisdiction. No investment decision relating to securities of or relating to UBS Group AG or its affiliates should be made on the basis of this document. Refer to the management report for the year ended 31 December 2017 for additional information. This report is available at www.ubs.com/annualreport. UBS undertakes no obligation to update the information contained herein.

Say-on-pay at the Annual General Meeting 2018

At the AGM 2018, UBS Group AG shareholders are invited to vote on the compensation-related items highlighted below. This is in line with article 43 para. 1 of the Articles of Association of UBS Group AG.

AGM 2018 agenda

1. UBS Group AG management report and consolidated and standalone financial statements for the financial year 2017
 - 1.1. Approval of the UBS Group AG management report and consolidated and standalone financial statements
 - 1.2. Advisory vote on the UBS Group AG Compensation Report 2017
 2. Appropriation of retained earnings and distribution of ordinary dividend out of capital contribution reserve
 3. Discharge of the members of the Board of Directors and the Group Executive Board for the financial year 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
 6. Elections
 - 6.1. Re-election of members of the Board of Directors
 - 6.2. Election of new members to the Board of Directors
 - 6.3. Election of the members of the Compensation Committee
 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
 8. Re-elections
 - 8.1. Re-election of the independent proxy, ADB Altorfer Duss & Beilstein AG, Zurich
 - 8.2. Re-election of the auditors, Ernst & Young Ltd, Basel
 - 8.3. Re-election of the special auditors, BDO AG, Zurich
- Advisory vote on compensation-related item
■ Binding vote on compensation-related item

Agenda item 1.2: Advisory vote on the UBS Group AG Compensation Report 2017

The Board of Directors proposes that the UBS Group AG Compensation Report 2017 be ratified in an advisory vote.

2017 compensation philosophy and framework

The Board of Directors (BoD) encourages shareholders to continue to support the compensation framework through the advisory vote on the UBS Group AG Compensation Report 2017. Our approach to compensation has remained largely unchanged since we introduced our current Total Reward framework in 2012. The Compensation Report 2017 includes details on the firm's compensation policy, framework and governance, with specific focus on the policies and practices applicable to the Group Executive Board (GEB) and the BoD. The report is available at www.ubs.com/annualreport.

Compensation governance

The BoD's Compensation Committee is responsible for the governance and oversight of our compensation framework and practices. Our Compensation Committee consists of four independent BoD members who are elected each year at the AGM.

Total Reward Principles

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 and prudent risk-taking with a focus on conduct and sound risk management practices. Our compensation structure is aligned with our strategic priorities and encourages our employees to focus on our clients, create sustainable value and achieve the highest standards of performance. Moreover, we reward behaviors that help build and protect the firm's reputation – specifically integrity, collaboration and challenge.

GEB compensation

Each GEB member receives a fixed base salary and is eligible to be considered for an annual performance award. One GEB member is considered a Material Risk Taker (MRT) in the UK and is in a UK Senior Management Function (SMF). Therefore, he receives a role-based allowance in addition to the base salary.

At least 80% of GEB members' performance awards are deferred, while a maximum of 20% may be paid out in the form of immediate cash, which is capped in order to defer a higher portion, thus aligning GEB members' interests with those of our shareholders. To remain competitive, we have revised the cash cap to CHF/USD 2 million (or local currency equivalent) without impacting the overall pay levels for all relevant employees including GEB members. Any amount above this cap is granted in notional UBS shares under the Equity Ownership Plan (EOP).

A minimum of 50% of the overall GEB member's performance award is granted under the EOP, which vests in three equal installments after years 3, 4 and 5, provided that performance conditions are met. The remaining 30% is granted under the Deferred Contingent Capital Plan (DCCP), which vests after five years, subject to a common equity tier 1 capital ratio write-down trigger of 10%, which is higher than the trigger for other employees and holders of similar debt issued by the UBS Group. Moreover, GEB members forfeit 20% of the granted DCCP award for each year with an adjusted Group loss before tax during the vesting period. This means that 100% of the award is subject to risk of forfeiture.

Additional provisions apply for the GEB member whose role is considered an SMF, including longer deferral as well as longer blocking and clawback periods. Given that an SMF is also an MRT, 50% of the upfront performance award is delivered in vested UBS shares that are blocked for 12 months.

The size of the GEB performance award pool may not exceed 2.5% of the adjusted Group profit before tax. This links the overall GEB compensation to the firm's profitability. The total GEB performance award pool proposed for 2017 is CHF 74.2 million or 1.2% of the Group's adjusted profit before tax (CHF 6.2 billion), well below the cap of 2.5%. Additionally, the Group CEO's performance award is capped at five times his fixed compensation. Performance awards for other GEB members are capped at seven times their fixed compensation (or two times for the GEB member who is also an MRT).

To further strengthen the alignment of our GEB members' interests with those of our shareholders, we have substantially increased our share ownership requirements. The revised policy requires the Group CEO to hold a minimum of 1,000,000 UBS shares (up from 500,000) and other GEB members to hold a minimum of 500,000 UBS shares (up from 350,000).

BoD compensation

Independent BoD members receive fixed fees for their services, 50% of which must be used to purchase blocked UBS shares. The members may elect to use up to 100% of their fees to purchase blocked UBS shares. This preserves BoD members' independence from senior management and reinforces their focus on long-term strategic planning, supervision and governance. As a non-independent BoD member, the Chairman receives a cash payment, blocked UBS shares and benefits as well as contributions to the retirement benefit plan in line with local practices for other employees.

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

For all employees with total compensation exceeding CHF/USD 300,000, a significant part of their performance award will be deferred over a period of five years, or longer for certain regulated employees. Of the deferred annual performance award, 60% is deferred in UBS notional shares under the EOP and the remaining 40% is deferred in notional instruments under the DCCP. These plans include forfeiture provisions and performance conditions.

To reinforce our culture and our approach to manage risk and to emphasize the importance we place on the sustainability of results, we deliver our variable compensation through a deferral rather than a long-term incentive plan. This aligns our employees' and stakeholders' interests and appropriately links compensation to longer-term sustainable performance. We believe UBS has a deferral regime with one of the longest vesting periods in the industry.

The potential realized pay cannot exceed the award granted other than for market movements and returns of the instruments. Therefore, our compensation plans have no upward leverage, such as multiplier factors, and consequently do not encourage excessive risk-taking.

Change

Revised cap for immediate cash performance awards to CHF/USD 2 million

Increased shareholding requirements for the Group CEO (1,000,000 shares) and other GEB members (500,000 shares)

Rationale

To remain competitive without impacting overall pay levels for all relevant employees including GEB members

To further strengthen the alignment of our GEB members' interests with those of our shareholders

2017 compensation framework for the GEB

	Fixed compensation and benefits	
	Fixed compensation¹	Retirement benefit plans and other benefits
Description	Fixed compensation reflects role and market practice	Provides a level of retirement benefits and other relevant coverages based on local market practice and regulations
Vesting schedule	–	–
Performance conditions	–	–
Delivery	Cash	Country specific
Caps on compensation	–	–
Shareholding requirement	–	–

Variable compensation

Individual performance award based on assessment of performance against a number of quantitative and qualitative key performance indicators

Cash (up to 20% of the performance award) ²	EOP (at least 50% of the performance award)	DCCP (30% of the performance award)
Rewards performance against objectives, values and behaviors	Rewards long-term shareholder value creation and sustainable growth	Rewards long-term prudent risk-taking and capital strength
	Provides alignment with shareholders' interests	Provides alignment with debt holders' interests
Immediate (2018)	3–5 years (2021–2023) ³	5 years (2023) ³
–	Vesting based on achieving adjusted Group return on tangible equity and business division return on attributed equity thresholds over the three financial years before vesting	Vesting based on the firm being profitable and meeting Group common equity tier 1 capital ratio thresholds
Cash	UBS equity	Settlement in either cash or a marketable AT1 capital instrument

Cap on the total GEB performance award pool of 2.5% of the adjusted Group profit before tax

Individual caps on the proportion of variable to fixed compensation for the GEB members (variable compensation for the Group CEO is capped at five times fixed compensation; variable compensation for the other GEB members is capped at seven times fixed compensation or two times for the GEB member who is also an MRT)

Share ownership policy under which each GEB member must build up and hold a minimum of 500,000 UBS shares. The Group CEO must build up and hold a minimum of 1,000,000 UBS shares.

¹ May include role-based allowances that have been made in line with market practice in response to regulatory requirements, delivered in cash and blocked UBS shares. ² Performance award paid out in cash is subject to a cap of CHF/USD 2 million (or local currency equivalent). The GEB member who is considered a UK Material Risk Taker receives 50% in the form of blocked UBS shares. ³ The performance award for the GEB member who is in a UK Senior Management Function has an extended deferral period, with the deferred performance award vesting in equal installments between years 3 and 7, subject to applicable clawback provisions.

Agenda item 4: Approval of the aggregate amount of variable compensation for the members of the Group Executive Board for the financial year 2017

The Board of Directors proposes that the aggregate amount of variable compensation of CHF 74,150,000 for the members of the Group Executive Board for the financial year 2017 be approved.

2017 performance assessment for the GEB members and proposed 2017 performance awards

We delivered excellent 2017 financial results. Adjusted profit before tax increased 16% to CHF 6.2 billion and reported profit before tax increased 29% to CHF 5.3 billion, reflecting higher operating income and a reduction in operating expenses. We also achieved our CHF 2.1 billion net cost reduction target while investing for growth.

Net profit attributable to UBS Group AG shareholders was CHF 1.1 billion, and included a CHF 2.9 billion net write-down of deferred tax assets (DTAs) following the enactment of the US Tax Cuts and Jobs Act in the fourth quarter of 2017, which reduced the federal corporate tax rate from 35% to 21%. This resulted primarily in a reduction of the potential future value of previously recognized US tax losses. Excluding this net DTA write-down, net profit attributable to shareholders would have increased 22% to CHF 3.9 billion. Our 2017 adjusted return on tangible equity excluding DTAs was 13.8%.

Our capital position remained strong. As of 31 December 2017, our fully applied common equity tier 1 (CET1) capital ratio remained stable at 13.8% and our fully applied CET1 leverage ratio improved from 3.5% to 3.7%. We increased our fully applied total loss-absorbing capacity by CHF 9.1 billion to CHF 78.3 billion.

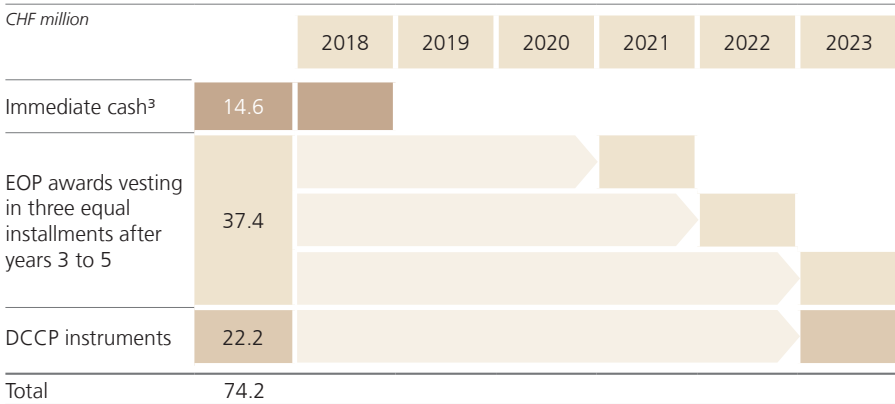
Reflecting this strong performance, the Board of Directors proposes for the financial year 2017 a dividend of CHF 0.65 per share, an increase of 8% on the prior year. We will also initiate a share repurchase program of up to CHF 2 billion over the next three years, commencing with up to CHF 550 million in 2018.

The compensation for the Group CEO and the other GEB members is governed by a rigorous process under Compensation Committee and BoD oversight. We assess the GEB members' performance against a number of quantitative and qualitative key performance indicators.

The performance assessment is the starting point for determining a GEB member's annual performance award. When recommending performance awards for the Group CEO and each individual GEB member, the respective total compensation for each role is reviewed against the broader market as well as a group of peer companies. The Compensation Committee's recommendations are reviewed and must be approved by the BoD.

Given the overall accomplishments of the GEB members, including the Group CEO, both individually and collectively, in the context of overall Group performance and our ambition to align our compensation to appropriate external performance benchmarks, the BoD proposes that shareholders approve the aggregate 2017 variable compensation for the members of the GEB of CHF 74,150,000. As a percentage of the Group's adjusted profit before tax, the GEB performance award pool was 1.2%, well below the cap of 2.5%.

Timing of delivery of the variable compensation for the GEB for 2017^{1,2}



Illustrative overview

¹ Deferred awards under EOP and DCCP are subject to forfeiture. ² The performance award for the GEB member who is in a UK Senior Management Function has an extended deferral period, with the deferred performance award vesting in equal installments between years 3 and 7, subject to the applicable clawback provisions. ³ UK Material Risk Takers receive 50% in the form of blocked shares.

- Immediate cash to be paid in May 2018
- EOP UBS shares vesting and allocation subject to multi-year performance conditions
- DCCP vesting subject to profitability conditions and trigger or viability events between 2018 and 2022

The BoD approved that the Group CEO and all GEB members would receive their performance awards in immediate cash and deferred awards under EOP and DCCP as outlined in the agenda item 1.2 of this brochure and detailed in the UBS Group AG Compensation Report 2017.

Aggregate amount of variable compensation for the GEB

<i>CHF, except where indicated¹</i>	2017	2016
Annual performance award in immediate cash ²	14,550,000	11,289,350
Annual performance award under EOP ³	37,355,000	39,040,650
Annual performance award under DCCP ⁴	22,245,000	21,570,000
Total amount subject to shareholder approval^{5,6}	74,150,000	71,900,000

¹ Local currencies have been translated into Swiss francs at the exchange rates stated in "Note 34 Currency translation rates" in the "Consolidated financial statements" section of the Annual Report 2017 or at the performance award currency exchange rate. ² In accordance with the remuneration section of the UK Prudential Regulation Authority Rulebook, the immediate cash includes blocked UBS shares for one GEB member. ³ For EOP awards, the number of UBS shares has been determined by dividing the amount by the average closing price of UBS shares over the last ten trading days in the month of February following the performance year. Starting with performance year 2017, the GEB member who is also an MRT is no longer permitted to receive dividend payments on EOP awards. Accordingly the number of shares for this GEB member was determined by dividing the amount by the share price used for other EOP awards, adjusted for the expected dividend yield over the vesting period, which represents the fair value of the non-dividend-bearing awards. ⁴ The amounts reflect the amount of the notional additional tier 1 (AT1) capital instrument excluding future notional interest. Starting with performance year 2017, the GEB member who is also an MRT is no longer permitted to receive interest payments on DCCP awards. Accordingly the amounts reflect the fair value of the granted non-interest-bearing awards. ⁵ Excludes the portion related to the legally required employer's social security contributions for 2017 and 2016, which are estimated at grant at CHF 5.18 million and CHF 5.13 million, respectively. ⁶ 2016 includes compensation for Lukas Gähwiler for eight months in office as a GEB member.

Proposal

Increased aggregate amount (CHF 74.2 million) of variable compensation for GEB members for the financial year 2017

Rationale

Increase of 3.1% year on year 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. This increase of 3.1% compares with a 16% increase in adjusted profit before tax and a 6% increase in the overall performance award pool of the firm

Agenda item 5: Approval of the maximum aggregate amount of fixed compensation for the members of the Group Executive Board for the financial year 2019

The Board of Directors proposes that the maximum aggregate amount of fixed compensation of CHF 31,500,000 for the members of the Group Executive Board for the financial year 2019 be approved.

Each GEB member receives a fixed base salary. The Group CEO's annual base salary is CHF 2.5 million and has remained unchanged since his appointment in 2011. The other GEB members receive a salary of CHF 1.5 million (or local currency equivalent), also unchanged since 2011.

Currently, one GEB member is considered a Material Risk Taker (MRT), a regulated employee, in line with the EU Capital Requirements Directive IV (CRD IV), and is in a UK Senior Management Function (SMF) and therefore receives a role-based allowance, which consists of a cash portion and a blocked UBS shares award in addition to the base salary. This allowance reflects the market value of this specific role and is only paid while the GEB member is considered an MRT. Compared with other GEB members, this allowance represents a shift in the compensation mix between fixed and variable compensation and not an increase in total compensation.

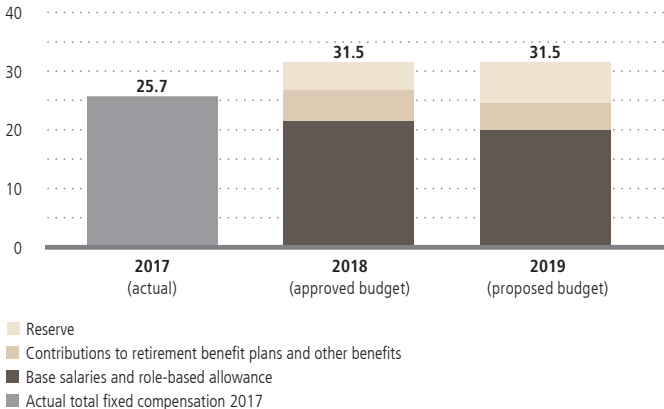
The proposed maximum aggregate of fixed compensation for all GEB members for 2019 amounts to CHF 31,500,000, unchanged from the approved amount for 2018. This proposal includes base salaries, role-based allowances, estimated standard contribution to retirement benefit plans, other benefits and a reserve to navigate through the uncertainty of geopolitical and regulatory changes, and other potential market considerations. Other fixed compensation (i.e., retirement benefit contributions and other benefits) is 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 estimated for the financial year 2019¹, which are not considered compensation. The proposed amount is based on 2017 year-end foreign exchange rates and does not consider future foreign exchange movements.

¹ The amount in relation to legally required employer's social security contributions is estimated for the financial year 2019 at CHF 1.632 million.

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

CHF million



Proposal

No change to the maximum aggregate amount (CHF 31.5 million) of fixed compensation for GEB members proposed for the financial year 2019

Rationale

We continue to prudently manage the fixed compensation expense of the GEB. At this point in time, we propose an unchanged maximum aggregate amount of fixed compensation that is sufficient to navigate through the uncertainty due to ongoing geopolitical and regulatory changes and other potential market considerations. Such changes and considerations include, for example, the impact of the evolving EU landscape and regulations, which might affect the future composition of the GEB

Agenda item 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

The Board of Directors proposes that the maximum aggregate amount of compensation of CHF 14,500,000 for the members of the Board of Directors for the period from the Annual General Meeting 2018 to the Annual General Meeting 2019 be approved.

Compensation of the members of the Board of Directors

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

As a non-independent BoD member, the Chairman receives cash and equity-based compensation fixed at CHF 5,700,000, excluding benefits and contributions to the retirement benefit plan. Of this amount, he receives a cash payment of CHF 3,500,000 with the balance delivered in UBS shares blocked for four years. In addition, he also receives contributions to the retirement benefit plan and other benefits. This value is included in the proposed total compensation for the Chairman, which is unchanged and amounts to a maximum of CHF 6,200,000 for the period from AGM 2018 to AGM 2019.

Each independent BoD member receives an annual fixed base fee of CHF 325,000. The fixed base fees are unchanged from the 2016/17 period and broadly flat since 1998. In addition to the fixed base fee, independent BoD members receive committee retainers for their engagement and services on the firm's various BoD committees.

The Vice Chairman and the Senior Independent Director each receive an additional fee of CHF 250,000. These fees cover their additional duties including supporting the Chairman with his responsibilities and authorities and providing him advice. They facilitate Group-wide, in conjunction with the Chairman and the Governance and Nominating Committee, good corporate governance, balanced leadership and control within the Group, the Board and the committees.

When assessing and determining the BoD fee structure, the Compensation Committee considers the BoD members' level of engagement, effort and personal accountability in fulfilling their roles.

The proposed maximum aggregate amount of compensation for the BoD for the period from AGM 2018 to AGM 2019 amounts to CHF 14,500,000. This proposal includes the compensation for the Chairman and the fees for the independent BoD members. The amount proposed excludes UBS's portion related to the legally required social security contributions, which can only be estimated at this point in time.

Independent BoD members must use at least 50% of their fees to purchase UBS shares that are blocked for four years. They may elect to use up to 100% of their fees to purchase blocked UBS shares. In light of the blocking period, the independent BoD members are entitled to purchase such blocked UBS shares at a discount of 15% on the market price per share prevailing at the time of issuance. The value of the discount on the share price is excluded from the total maximum amount that is subject to shareholder approval.

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

<i>CHF, except where indicated</i>	For the period from AGM 2018 to AGM 2019	For the period from AGM 2017 to AGM 2018
Axel A. Weber, Chairman	6,200,000	6,200,000
Independent members of the BoD (excluding the Chairman) ¹	8,300,000	7,800,000
Total amount (to be) approved by shareholders²	14,500,000	14,000,000
Total amount paid for the period from AGM 2017 to AGM 2018		13,133,565

¹ 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. ² 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.

Proposal

Increased maximum aggregate amount (CHF 14.5 million) of compensation for BoD members from AGM 2018 to AGM 2019

Rationale

Increase reflects the net increase in BoD members from 11 to 12 (refer to agenda item 6.2)

Annual Review

2017

The Annual Review 2017
will be available from April 2018
in UBS branches and online.

ubs.com/annualreview



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