



# UBS 2017 Annual General Meeting

**Axel A. Weber**

*Chairman of the Board of Directors*



Spring 2017

# 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) and leverage ratio denominator, liquidity coverage ratio and other financial resources, and the degree to which UBS is successful in implementing changes to its wealth management 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 may impose, or result in, more stringent 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 would have on UBS’s business activities; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve, or confirm, limited reductions of gone concern requirements due to measures to reduce resolvability risk; (vi) 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, completing the implementation of a service company model, 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 relating to capital requirements, resolvability requirements and proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions and the extent to which such changes will have the intended effects; (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; (xiv) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xv) whether UBS will be successful in keeping pace with competitors in updating its technology, including by developing digital channels and tools and in our trading businesses; (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, including methodology, assumptions and stress scenarios, 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 2016. 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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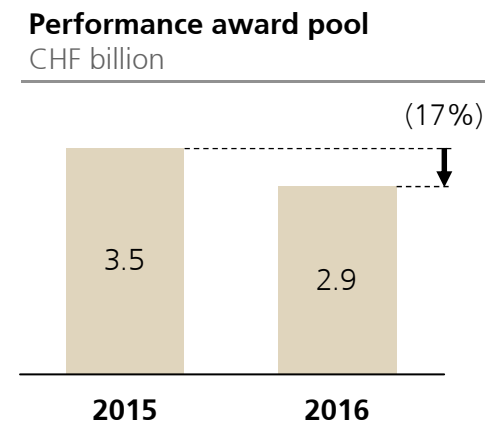
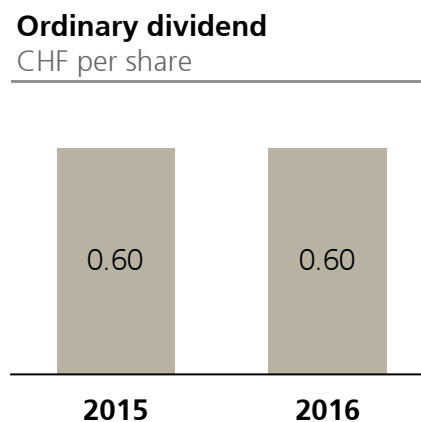
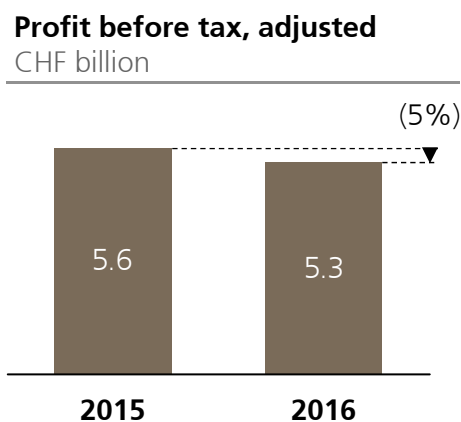
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# Key Messages

## Solid FY16 results in a challenging environment

- Our compensation framework has remained largely unchanged since 2012, with no material changes for 2016. We focused on ensuring stability of our overall framework and reinforcing our principles.
- UBS continued to execute its strategy with discipline and delivered solid results during 2016 while prudently managing resources and risk
  - **Adjusted PBT was CHF 5.3 billion**, down 5% year on year
  - Executed on strategic cost savings initiatives with **total net cost reductions of CHF 1.6 billion**, on course to achieve the CHF 2.1 billion net cost reduction target by the end of 2017
  - **Capital position remained strong** with a CET1 capital ratio of 13.8% and a CET1 leverage ratio of 3.53% (both fully applied)
- Propose **dividend of CHF 0.60 per share**, the same as the ordinary dividend for 2015, representing a payout ratio of 71%
- Total performance award pool was CHF 2.9 billion, down 17% from 2015; performance award pool for the GEB was CHF 71.9 million, down 16% on a per capita basis

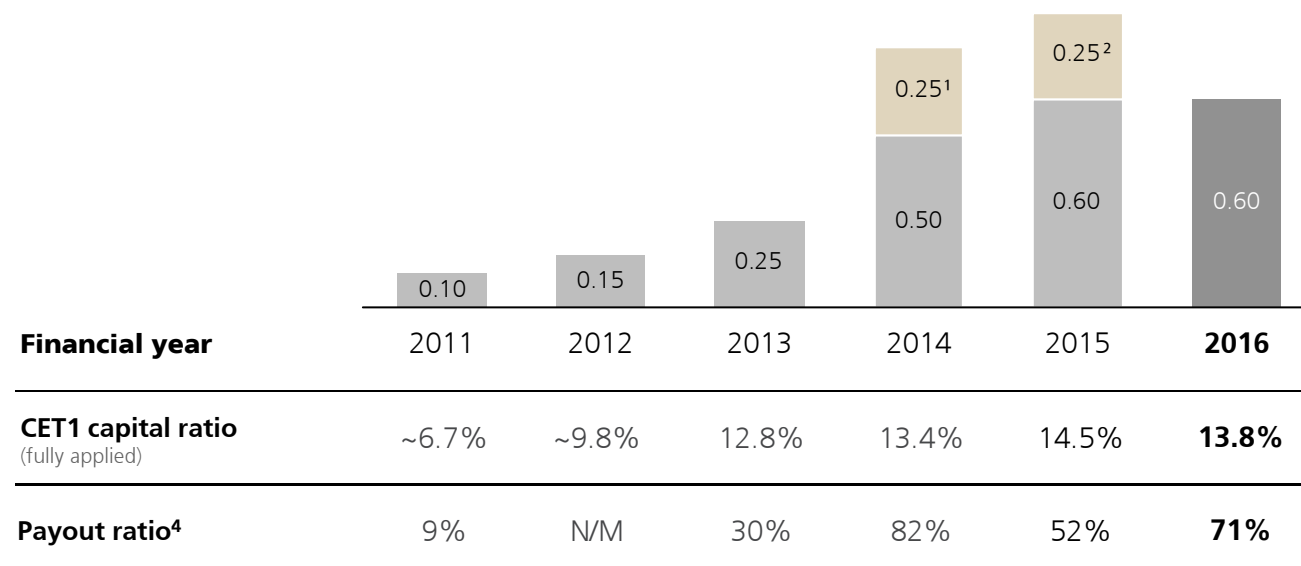


# Delivering attractive capital returns to our shareholders

Proposed ordinary dividend of CHF 0.60 per share for FY16

## Total capital return per share

CHF per share



- We are committed to a total capital return of at least 50% of net profit<sup>3</sup>
- FY16 dividend will be paid out of capital contribution reserves
- Payment date: 10 May 2017  
Record date: 9 May 2017  
Ex-dividend date: 8 May 2017

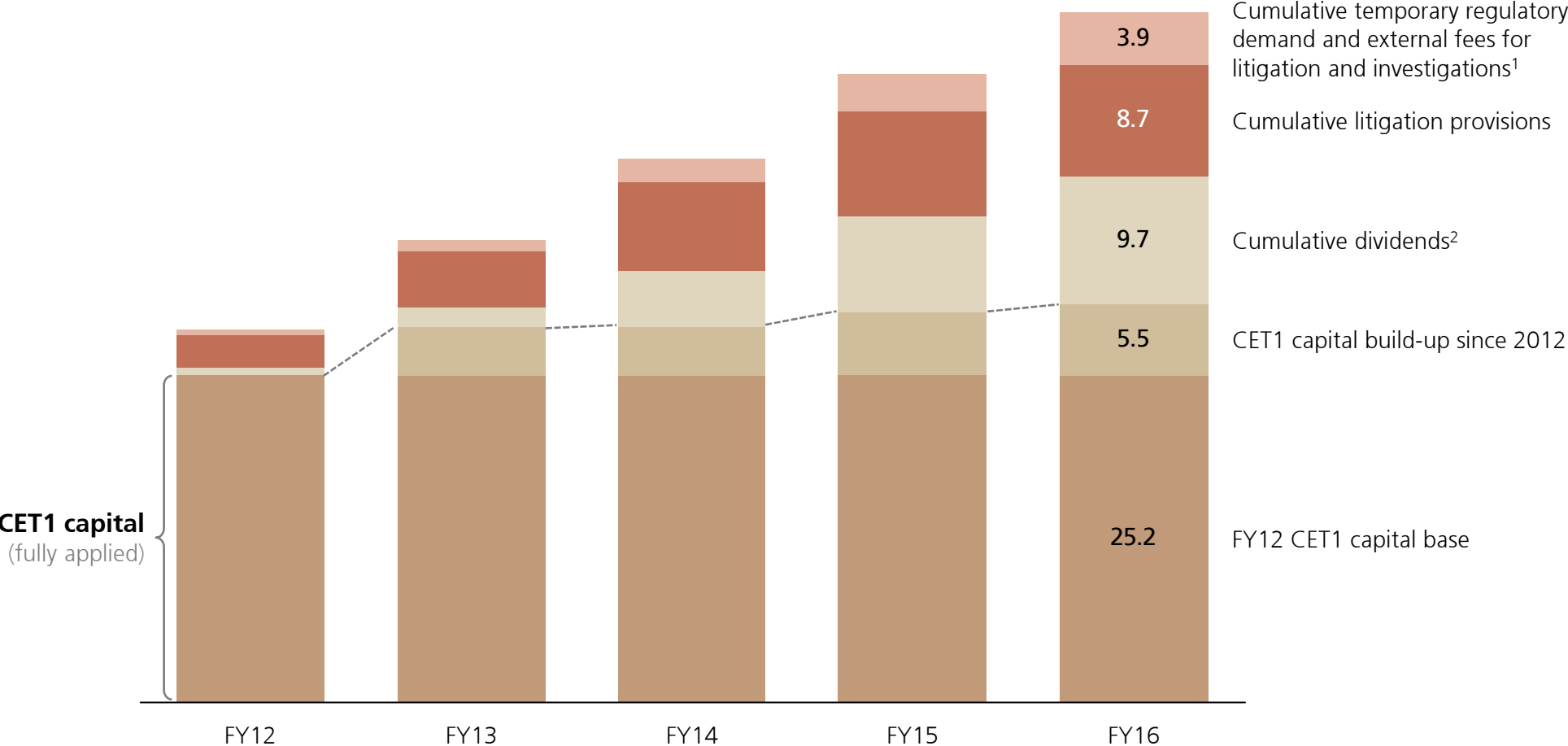


Refer to slide 15 for details about adjusted numbers, capital management information and FX rates in this presentation

1 One-time supplementary capital return paid out after the completion of the squeeze-out of minority shareholders of UBS AG as part of establishing UBS Group AG; 2 Special dividend reflected the significant net upward revaluation of deferred tax assets in 2015; 3 Conditional on maintaining a fully applied CET1 capital ratio of at least 13% and consistent with our objective of maintaining a post-stress fully applied CET1 capital ratio of at least 10%; 4 Total dividend per share as a % of diluted earnings per share

# Strong capital generation throughout our transformation

Over CHF 15 billion of capital generation and dividends despite litigation and regulatory costs



Figures in CHF billion; refer to slide 15 for details about adjusted numbers, capital management information and FX rates in this presentation  
 1 Temporary regulatory program costs not available for 2012, as these costs were not separately tracked until 2013; 2 Includes accruals for proposed dividend of CHF 0.60 per share for 2016

# 2017 AGM agenda items

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## Say-on-pay agenda items

<b>Advisory vote on Compensation Report</b>	The Board of Directors proposes that the UBS Group AG Compensation Report 2016 be ratified in an advisory vote.
<b>Binding vote on variable GEB compensation</b>	The Board of Directors proposes that the aggregate amount of variable compensation of CHF 71,900,000 for the members of the Group Executive Board for the financial year 2016 be approved.
<b>Binding vote on fixed GEB compensation</b>	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 2018 be approved.
<b>Binding vote on BoD remuneration</b>	The Board of Directors proposes that the maximum aggregate amount of compensation of CHF 14,000,000 for the members of the Board of Directors for the period from the Annual General Meeting 2017 to the Annual General Meeting 2018 be approved.

## Other notable agenda items

- Election of new BoD member: Julie G. Richardson
- Appropriation of results and distribution of ordinary dividend of CHF 0.60 per share, to be paid out of the capital contribution reserve

# Balanced scorecard for the Group CEO

Quantitative <sup>1</sup> measures (65%)	Weighting	2016 results	2016 assessment	
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<b>Adjusted Group profit before tax</b>	25%	CHF 5,341 million	2016 vs plan 2016 vs 2015	
<b>Adjusted Group RoTE</b>	25%	9.0%	2016 vs plan 2016 vs 2015	
<b>Capital management<sup>2</sup></b>	15%	CET1 capital ratio, fully applied	2016 vs plan	
Post-stress CET1 ratio, fully applied		2016 vs 2015		
CET1 leverage ratio, fully applied				

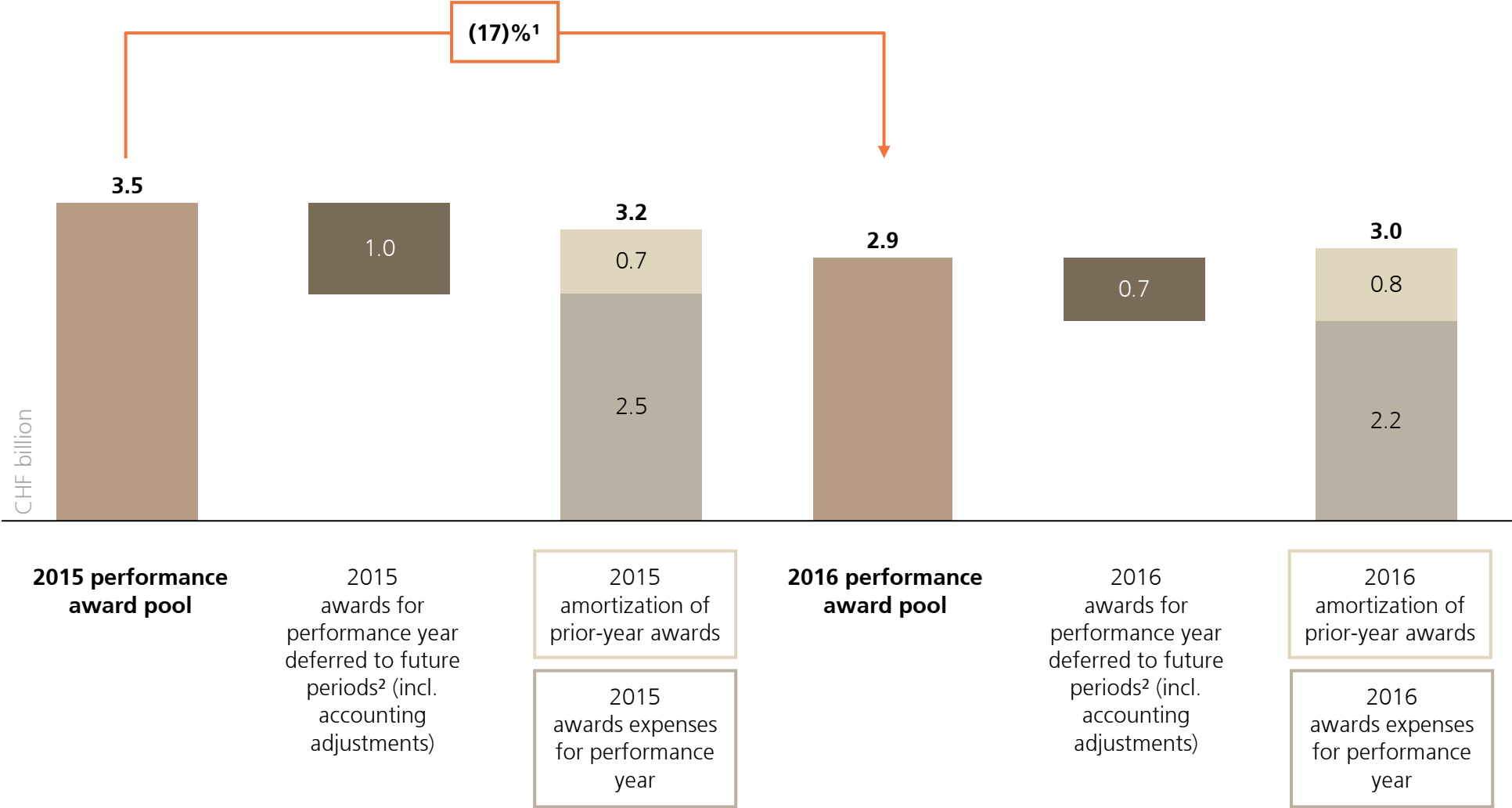
Qualitative <sup>3</sup> measures (35%)	Weighting	2016 assessment	
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<b>Pillars</b>	Capital management	35%	vs goals			
	Efficiency and effectiveness					
	Risk management					
<b>Principles<sup>4</sup></b>	Client focus		35%	vs goals		
	Excellence					
	Sustainable performance					
<b>Behaviors</b>	Integrity			35%	vs goals	
	Collaboration					
	Challenge					

Refer to slide 15 for details about adjusted numbers, capital management information and FX rates in this presentation

1 Quantitative measures and target levels were based on internal performance objectives in our 2016 Operating Plan; 2 CET1 capital ratio and post-stress CET1 ratio exceeded plan and required capital thresholds. Overall assessment was driven by CET1 leverage ratio; 3 The qualitative measures used to assess the effectiveness of the Group CEO are outlined in detail in the table "Overview of the quantitative and qualitative measures – balanced scorecard" in the Annual Report 2016; 4 Overall results also consider strategic progress and result relative to market environment.

# Performance award expenses





Appendix

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## Supporting materials

# Group Executive Board compensation framework

Total GEB performance award pool 1.3% of adjusted Group PBT, well below cap

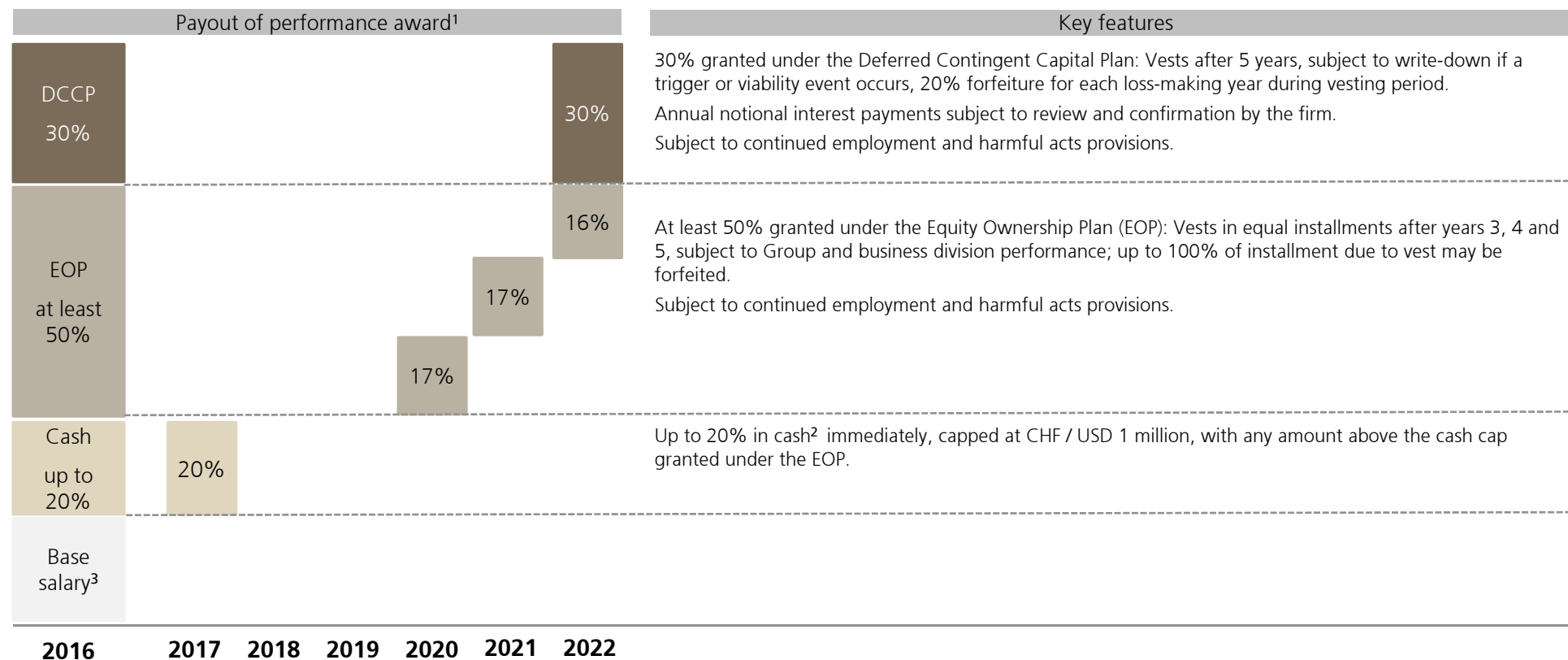
## Framework

Performance award cap - CEO	5x fixed compensation
Performance award cap – other GEB members	7x fixed compensation
Performance award cap – full GEB	2.5% of the Group's adjusted PBT
Determination of individual performance awards	KPI scorecard
Equity portion of deferred compensation	At least 62.5%
DCCP <sup>1</sup> portion of deferred compensation	Up to 37.5%
DCCP's CET1 capital ratio write-down trigger	10%

# 2016 compensation framework for GEB members

Remains unchanged from 2015: Annual performance award up to 20% in immediate cash, 80% deferred with at least 50% in notional shares and 30% in notional additional tier 1 instruments. Average deferral period for GEB members is 4.4 years.

Illustrative example:



Share retention 500,000 shares for Group CEO  
350,000 shares for other GEB members

GEB members are required to hold a certain number of UBS shares as long as they are in office, to be built up within a maximum of five years from GEB appointment date.



Refer to pages 10-15 of our 2016 Compensation Report for further information

<sup>1</sup> Senior Management Functions have extended deferral periods, with the deferred performance awards vesting in equal installments between years 3 and 7; <sup>2</sup> UK Material Risk Takers receive 50% in the form of blocked shares; <sup>3</sup> May include role-based allowances that have been made in line with market practice in response to regulatory requirements

# 2016 deferred variable compensation plans

Most employees are eligible for an annual discretionary performance award, depending on the firm's and employee's business division performance, as well as individual performance and behavior. Those with total compensation exceeding CHF / USD 300,000 have a specific amount of overall performance award deferred<sup>1</sup> and delivered through two plans: EOP primarily aligns employee interest with those of our shareholders and DCCP with the interests of bondholders.

## Overview of our deferred variable compensation plans

	Equity Ownership Plan	Deferred Contingent Capital Plan
<b>Beneficiaries</b>	GEB members, Key Risk Takers and all employees with total compensation greater than CHF / USD 300,000	GEB members, Key Risk Takers and all employees with total compensation greater than CHF / USD 300,000
<b>Deferral mix (between EOP and DCCP)</b>	GEB members: at least 62.5% Asset Management employees: at least 75% All other employees: at least 60%	GEB members: up to 37.5% Asset Management employees: up to 25% All other employees: up to 40%
<b>Vesting schedule</b>	GEB members/SMFs: vests in three installments after years 3, 4 and 5 Asset Management employees: vests in three installments after years 2, 3 and 5 All other employees: vests in equal installments after years 2 and 3	SMFs: vests in two installments after years 6 and 7 GEB members (who are not SMFs) and all other employees: vests in full after 5 years
<b>Conditions influencing payout</b>	Share price	√
	Forfeiture clauses	√
	Harmful acts	√
	Performance conditions	GEB members, GMDs, Key Risk Takers (including Highly Paid Employees) and SMFs: number of UBS shares delivered at vesting depends on the achievement of both Group and respective business division performance conditions <sup>1</sup>
<b>Profitability as funding driver</b>	√	√
<b>Instrument</b>	UBS notional shares <sup>2</sup> (eligible for dividend equivalents)	Notional instruments and interest

<sup>1</sup> Includes Asset Management employees who are GMDs or Key Risk Takers (including Highly Paid Employees). <sup>2</sup> Notional funds for Asset Management employees.

The DCCP contributes to the Group's total loss-absorbing capital. Therefore, it not only supports competitive pay, but also provides a loss absorption buffer of CHF 2.3 billion in the form of additional tier 1 and tier 2 capital that protects the firm's capital position:

### Impact of the Deferred Contingent Capital Plan on our loss-absorbing capacity<sup>1</sup>

CHF million, except where indicated	31.12.16	31.12.15	31.12.14
<b>Deferred Contingent Capital Plan (DCCP)</b>	<b>2,271</b>	1,903	1,413
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>	<i>1,380</i>	991	467
<i>of which: high-trigger loss-absorbing tier 2 capital<sup>2</sup></i>	<i>891</i>	912	946
DCCP contribution to the total loss-absorbing capacity ratio (%) <sup>3</sup>	<b>1.0</b>	0.9	0.7

<sup>1</sup> Refer to "Bondholder information" at [www.ubs.com/investors](http://www.ubs.com/investors) for more information on the capital instruments of UBS Group AG and of UBS AG both on a consolidated and a standalone basis. <sup>2</sup> DCCP awards granted for the performance years 2012 and 2013. Swiss SRB framework including transitional arrangements (phase-in) as of 31 December 2016. Based on the former Swiss SRB framework for 31 December 2015 and 31 December 2014. <sup>3</sup> Impact for periods prior to 31 December 2016 were calculated for the former Swiss SRB total capital ratio.



For further information on the compensation model for non-GEB members and deferred variable compensation plans please refer to our 2016 Compensation Report pages 25-33  
1 For 2016, 48% of the overall performance award for this group of employees was deferred

# 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 (6), and the Special Committee (4) focused on internal and regulatory investigations
- BoD members may hold mandates outside UBS Group – max. 4 in listed companies plus 5 additional mandates in non-listed companies
- During 2016, 19 BoD meetings and calls were held, 9 of which were attended by GEB members, with average participation of 97%.

## Board of Directors

Members on 31 December 2016	Meeting attendance without GEB <sup>2</sup>		Meeting and call attendance with GEB		Key responsibilities include:
Axel A. Weber, Chairman	10/10	100%	9/9	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	10/10	100%	9/9	100%	
David Sidwell	10/10	100%	9/9	100%	
Reto Francioni	10/10	100%	9/9	100%	
Ann F. Godbehere	10/10	100%	9/9	100%	
William G. Parrett	10/10	100%	9/9	100%	
Isabelle Romy	10/10	100%	8/9	89%	
Robert W. Scully <sup>1</sup>	7/7	100%	6/6	100%	
Beatrice Weder di Mauro	10/10	100%	9/9	100%	
Dieter Wemmer <sup>1</sup>	4/7	57%	3/6	50%	
Joseph Yam	10/10	100%	9/9	100%	

<sup>1</sup> Robert W. Scully and Dieter Wemmer were elected to the BoD at the AGM 2016. <sup>2</sup> Additionally, two unscheduled calls took place in 2016.

# UBS and Society

## Making sustainability the everyday standard



- BoD's Corporate Culture and Responsibility Committee monitors our corporate culture and responsibility initiatives
- GEB oversees and coordinates execution of UBS and Society and defines and monitors our environmental and social risk framework
- Participation in over a dozen global initiatives to advance sustainability in the financial sector, member of Financial Stability Board Task Force on Climate-related Financial Disclosures
- Named Diversified Financials Industry Group leader in the Dow Jones Sustainability Indices for second year running
- Commitment to RE100, sourcing 100% of UBS's electricity from renewable sources by 2020

- All business divisions contribute innovative Sustainable Investing (SI) products and services; e.g., SI research and funds, providing renewable and cleantech financing, green bonds
- Sustainable investments: CHF 976 billion, over a third of our total invested assets and one of largest such portfolios
- WM aims to systematically include SI optionality in mandate offerings
- UBS Oncology Impact Fund raised USD 471 million, largest amount ever for an impact fund dedicated to a single cause
- Support clients in achieving their philanthropic goals through tailor-made advice
- Donations to our client foundation UBS Optimus reached high of CHF 59 million, improving well-being of 1.6 million children globally

- Support local communities through employee engagement and CHF 30 million in direct cash contributions, majority spent in education and entrepreneurship
- 30% of employees volunteered over 155,000 hours, benefitting over 117,000 young people and entrepreneurs globally
- Program launched to find and support high-potential social enterprises delivering solutions to society's most pressing challenges
- Also contributed CHF 23 million to our affiliated Swiss foundations, the UBS Optimus Foundation and the Anniversary Education Initiative

# Our three keys to success

## Performance management process aligned to our desired culture and behaviors

### Pillars

Capital strength  
Efficiency and effectiveness  
Risk management

**What is the basis of our strategy?**

### Principles

Client focus  
Excellence  
Sustainable performance

**What do we stand for as a firm?**

### Behaviors

Integrity  
Collaboration  
Challenge

**How do we manage our workforce?**

#### Principles of good supervision

Framework with clear expectations regarding supervisory responsibilities, including:

- set a good example of professional behavior and act as a role model
- be open about issues, be alert to unusual behavior and act on red flags to ensure that issues are resolved

#### UBS House View on Leadership

- Setting consistent leadership standards across UBS
- Integrated into all promotion, hiring and development processes at Director-level and higher

#### Leadership development and training

- Developing current and future leaders is crucial to our success
- The annual Senior Leadership Experience helps define our expectations for leadership excellence
- Group wide key talent programs prepare both junior and more experienced employees for enhanced responsibilities
- Mandatory training sessions: In 2016, an average of 11.8 training sessions or 2.4 training days per employee

#### Performance Evaluation

- We assess performance and behavior as both elements impact long-term profitability and culture
- Our year end reviews measure both what was achieved and how, with separate ratings for the specific behaviors above
- Our Total Reward Principles underpin our approach to compensation through a framework balancing performance with prudent risk-taking
- Our compensation philosophy is to align interests of employees with those of clients and investors, including through deferrals of performance awards above a certain total compensation threshold

# Important information related to this presentation

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## **Use of adjusted numbers**

Adjusted results are a non-GAAP financial measure as defined by SEC regulations. Refer to page 65 of the Annual Report 2016 which is available in the section "Annual reporting" at [www.ubs.com/investors](http://www.ubs.com/investors) for an overview of adjusted numbers.

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 pages 27-30 of the Annual Report 2016 for more information.

## **Capital management information**

Capital management numbers in this presentation are based on the BIS Basel III framework, as applicable for Swiss Systemically relevant banks (SRB). Numbers in the presentation are Swiss SRB Basel III numbers, calculated on a fully applied basis, 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. From 31.12.15 onwards, these are fully aligned with BIS Basel III rules.

Refer to the "Capital Management" section in the Annual Report 2016 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 report 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.