

Say-on-pay

Shareholder information on compensation votes
at the **UBS Group AG Annual General Meeting 2019**

Dear shareholder,

In 2018 we delivered strong financial results in overall challenging market conditions, demonstrating the soundness of our strategic choices and the strength of our diversified franchise. Our focus on sustainable performance, balancing cost and capital efficiency allowed increased capital returns to investors. We are confident that we can continue to deliver profitable growth via cost discipline, leveraging technology and exploiting growth opportunities to drive higher returns and create long-term value for our shareholders.

We have reviewed our compensation framework and concluded that our current framework, which has remained broadly unchanged since 2012, continues to be best suited for our compensation philosophy and aligns with the interests of our investors, clients and employees.

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. More information regarding our compensation framework for the Group Executive Board (GEB) and the Board of Directors (BoD), including related governance and policy, is provided in the UBS Group AG Compensation Report 2018, which has been enhanced to further improve the readability and transparency including new disclosures. The report is available at www.ubs.com/annualreport.

At the 2019 AGM, we ask our shareholders to vote on the compensation for the BoD from the 2019 AGM to the 2020 AGM, the variable compensation for the GEB for 2018, and the fixed compensation for the GEB for 2020. 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 policy.

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.

Sincerely,



Axel A. Weber
Chairman of the Board of Directors

At the 2019 AGM, UBS Group AG shareholders are invited to vote on compensation-related items. The binding votes on compensation in line with article 43 para. 1 of the Articles of Association of UBS Group AG 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 2018 Compensation Report

The Board of Directors proposes that the UBS Group AG 2018 Compensation Report be ratified in an advisory vote.

2018 compensation philosophy

Our compensation philosophy is to align the interests of our investors with those of our clients and employees. 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 reflects our strategic priorities and aligns the interests of our stakeholders with those of our employees. It encourages our employees to focus on our clients, create sustainable value and achieve the highest standards of performance.

Performance assessment

We assess Group and business division performance, including achievement against a set of performance targets. We also consider performance relative to industry peers, general market competitiveness and progress against our strategic objectives, including capital growth as well as risk-weighted assets and cost efficiency. The Compensation Committee then applies discretionary adjustments that reflect a range of factors such as capital returns to investors, risk profile, strategic initiatives, affordability, market position and trends. Consequently, the decisions balance consideration of financial performance with a range of qualitative factors and further discretion to consider the quality of earnings.

With regard to developments on and provisions for litigation, regulatory and similar matters, it is important to distinguish between legacy matters and financial and operating performance for the year. To enable future growth through disciplined execution of our strategy and creation of sustainable shareholder value, it is essential that pay decisions are not driven by the potential impact of legacy matters which may take several years to be resolved. At the same time, we are mindful of the potential costs of such matters, the prudent management of them and the effect on our share price.

We take into account relative total shareholder returns in our decision-making process and also evaluate the quality of the share price – UBS continues to be one of the few European banks with a share price trading around or above tangible book value per share. We do not consider absolute share price performance, neither positive nor negative, directly in our pay decisions. However, a significant portion of our compensation is granted in deferred shares, and hence the absolute share price performance directly affects the value of the granted share-based compensation.

Compensation framework

Variable compensation is earned over the performance year and all employees with total compensation exceeding USD/CHF 300,000 have a significant part of their performance award deferred through our Equity Ownership Plan (EOP) and Deferred Contingent Capital Plan (DCCP).

For GEB members, at least 80% of the performance awards are deferred while a maximum of 20% may be paid out in cash. A minimum of 50% is granted under the EOP, which vests after years 3, 4 and 5 provided that performance conditions are met. The remaining 30% is granted under the DCCP, which vests after 5 years. We believe UBS has one of the most rigorous deferral regimes in the industry. Our share-based EOP deferral program, which is without upside leverage, creates direct alignment with shareholder returns as many employees are directly impacted by the share price. Further, for selected populations of employees, minimum performance thresholds are set at levels that demonstrate that the long-term quality of the past year's performance is sustainable.

Our compensation approach balances a long deferral to align with shareholder interests with competitive considerations to support attracting, retaining and incentivizing a talented workforce. We believe our approach with a single incentive decision and a deferral is simple and transparent, and is best suited to implementing our compensation philosophy. Further, the consistency of our approach (largely unchanged since 2012) continues to reinforce our culture of sustainable performance, accountability and appropriate risk-taking. In addition, it provides clarity in compensation discussions with our employees as well as with our shareholders.

Agenda item 8.1. Approval of the maximum aggregate amount of compensation for the members of the Board of Directors from the 2019 AGM to the 2020 AGM

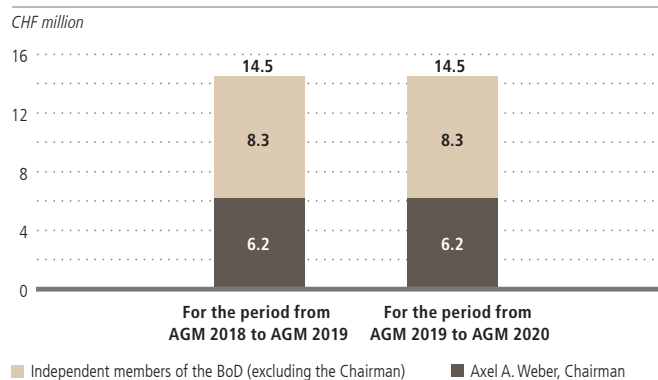
The Board of Directors proposes that the maximum aggregate amount of compensation of CHF 14,500,000 for the members of the Board of Directors for the period from the 2019 AGM to the 2020 AGM be approved.

Compensation of BoD members

The Chairman's total compensation is contractually fixed at CHF 5.7 million and has remained unchanged since 2015. It consists of a cash payment of CHF 3.5 million and a share component of CHF 2.2 million delivered in UBS shares (blocked for four years). In addition, he receives contributions to the retirement benefit plan and other benefits that are included in the proposed total compensation, which amounts to a maximum of CHF 6.2 million from the 2019 AGM to the 2020 AGM, unchanged from 2018/2019.

All other BoD members are deemed independent directors and receive a fixed base fee of CHF 325,000 per annum. The fixed base fees are unchanged from the 2018/2019 period and have been broadly flat since 1998. In addition, they receive fees for committee chair or membership positions. The Senior Independent Director and the Vice Chairman of the BoD each receive an additional fee of CHF 250,000. Independent BoD members must use a minimum of 50% of their fees to purchase UBS shares (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 blocked UBS shares at a discount of 15% below the average closing price of the 10 trading days leading up to and including the grant date. The total amount paid from the 2018 AGM to the 2019 AGM was CHF 13,458,422 compared to the approved amount of CHF 14,500,000.

The proposed total amount of CHF 14,500,000 for 2019/2020 is unchanged compared to the previous 2018/2019 period, reflecting the stable number of BoD members. The amount includes the Chairman's compensation as well as fees paid to the independent BoD members.



Note: Excludes UBS's portion related to the legally required social security contributions, which for the period from AGM 2019 to AGM 2020 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 2018 to AGM 2019 was estimated at CHF 0.9 million. For detailed information, refer to the section "Board of Directors governance and compensation" in the UBS Group AG 2018 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 2018

The Board of Directors proposes that the aggregate amount of variable compensation of CHF 73,300,000 for the members of the Group Executive Board for the financial year 2018 be approved.

GEB performance assessment

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, they are based on both Group performance and the performance of the relevant business division and/or region; for those who lead Group functions, they are assessed on the performance of the Group and the function they oversee.

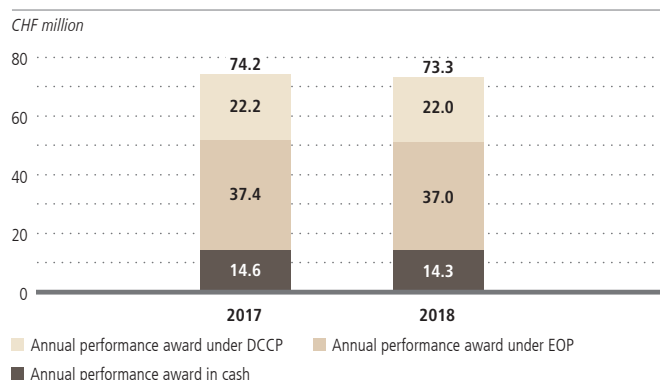
The performance assessment is the starting point for determining a GEB member's annual performance award. This approach is not mechanical, as the Compensation Committee can exercise its judgment with respect to the performance achieved relative to the prior year, the strategic plan and competitors, and considers the Group CEO's recommendation. The Compensation Committee's recommendations are then reviewed and subject to the approval of the BoD.

2018 proposed GEB performance awards

In 2018, pre-tax growth was strong, resulting in an increase of 16% in net profit attributable to shareholders to USD 4.5 billion (CHF 4.4 billion), when excluding the effect of the US tax law change in the fourth quarter of 2017.

Given the overall accomplishments of the GEB members, including the Group CEO, both individually and collectively, the BoD proposes that shareholders approve the aggregate 2018 variable compensation for the members of the GEB of CHF 73,300,000. As a percentage of the Group's adjusted profit before tax, the GEB performance award pool is 1.2%, well below the cap of 2.5%.

The proposed amount reflects a decrease of 1% compared with the prior year. This modest decrease is in line with the decrease in the overall performance award pool of the firm and demonstrates our disciplined approach in managing GEB compensation over business cycles without compromising our competitive pay position. The proposed amount further reflects the GEB members' achievements in delivering sustainable performance, maintaining a strong capital position and increasing payouts to shareholders in a year with challenging market conditions.



Note: Cash includes blocked shares for three GEB members, in accordance with applicable UK regulation. Excludes the portion related to the legally required employer's social security contributions for 2018 and 2017, which are currently estimated at grant at CHF 3.86 million and CHF 3.95 million, respectively. For detailed information, refer to the table "Total compensation for GEB members" in the UBS Group AG 2018 Compensation Report.

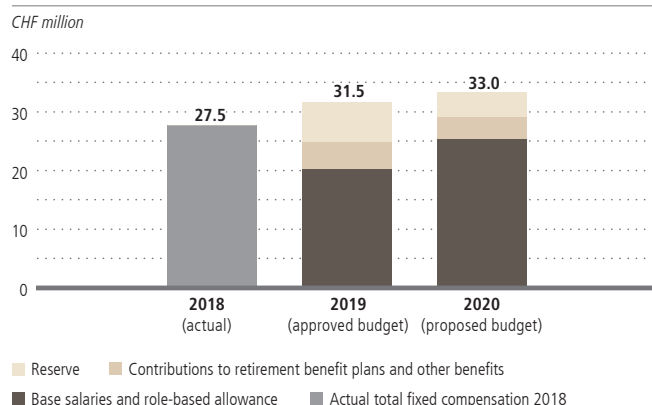
Agenda item 8.3. Approval of the maximum aggregate amount of fixed compensation for the members of the Group Executive Board for the financial year 2020

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 2020 be approved.

2020 proposed GEB fixed compensation budget

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. A few GEB members are considered Material Risk Takers for UK/European entities or Senior Management Functions and receive role-based allowances that reflect the market value of the specific role in addition to their base salary as part of their fixed compensation. The budget also includes benefits in line with local practices for other employees. Finally, as the budget is a maximum spend, we include a reserve to consider potential future changes in GEB composition or role changes.

The proposal to increase the budget by CHF 1.5 million reflects the expanded GEB following the new appointments in 2018 and is aligned with the base salary for one GEB member. While the reserve amount is reduced, it is sufficient to maintaining flexibility in light of evolving EU regulation, Brexit and competitive considerations for a potential role-based allowance.



Note: 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 2020 (estimated at CHF 1.52 million), which are not considered compensation.

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