

UBS Group AG
Form 6-K
March 15, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

**PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

Date: March 15, 2019

UBS Group AG

Commission File Number: 1-36764

UBS AG

Commission File Number: 1-15060

(Registrants' Names)

Bahnhofstrasse 45, Zurich, Switzerland, and

Aeschenvorstadt 1, Basel, Switzerland

(Address of principal executive offices)

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Indicate by check mark whether the registrants file or will file annual reports under cover of Form 20 F or Form 40-F.

Form 20-F

Form 40-F

This Form 6-K consists of the UBS Group AG audited standalone financial statements for the year ended 31 December 2018, as well as the consent of Ernst & Young Ltd. with respect thereto, which appear immediately following this page.

Standalone financial statements for the year ended 31 December 2018

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UBS Group AG standalone financial statements

UBS Group AG standalone financial statements

Audited I

Income statement

| | | USD million | | CHF million | |
|--|------|--------------------|----------|--------------------|----------|
| | | For the year ended | | For the year ended | |
| | Note | 31.12.18 | 31.12.17 | 31.12.18 | 31.12.17 |
| Dividend income from investments in subsidiaries | 3 | 3,212 | 11 | 3,152 | 10 |
| Other operating income | 4 | 157 | 132 | 155 | 129 |
| Financial income | 5 | 77 | 595 | 76 | 580 |
| Operating income | | 3,446 | 738 | 3,383 | 719 |
| Personnel expenses | 6 | 23 | 21 | 23 | 20 |
| Other operating expenses | 7 | 216 | 99 | 212 | 97 |
| Amortization of intangible assets | | 4 | 4 | 4 | 4 |
| Financial expenses | 8 | 30 | 561 | 30 | 547 |
| Operating expenses | | 273 | 686 | 268 | 668 |
| Profit / (loss) before income taxes | | 3,174 | 52 | 3,114 | 51 |
| Tax expense / (benefit) | | 3 | 4 | 3 | 4 |
| Net profit / (loss) | | 3,171 | 48 | 3,111 | 47 |

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Balance sheet

| | Note | USD million | | CHF million | |
|--|------|-----------------|----------|-----------------|----------|
| | | 31.12.18 | 31.12.17 | 31.12.18 | 31.12.17 |
| Assets | | | | | |
| Liquid assets | 9 | 926 | 2,609 | 910 | 2,543 |
| Marketable securities | 10 | 83 | 102 | 82 | 100 |
| Other short-term receivables | 11 | 788 | 728 | 775 | 710 |
| Accrued income and prepaid expenses | 12 | 7 | 449 | 7 | 437 |
| Total current assets | | 1,804 | 3,888 | 1,774 | 3,790 |
| Investments in subsidiaries | 13 | 41,209 | 41,486 | 40,518 | 40,441 |
| <i>of which: investment in UBS AG</i> | | 40,889 | 41,164 | 40,203 | 40,126 |
| Financial assets | 14 | 1,444 | 8,968 | 1,420 | 8,742 |
| Prepaid assets | | 0 | 9 | 0 | 9 |
| Other intangible assets | | 12 | 17 | 12 | 16 |
| Other non-current assets | | 8 | 0 | 8 | 0 |
| Total non-current assets | | 42,674 | 50,481 | 41,959 | 49,208 |
| Total assets | | 44,479 | 54,369 | 43,733 | 52,998 |
| <i>of which: amounts due from subsidiaries</i> | | 2,938 | 12,376 | 2,888 | 12,064 |
| Liabilities | | | | | |
| Current interest-bearing liabilities | | 457 | 1,682 | 450 | 1,640 |
| Accrued expenses and deferred income | 15 | 1,465 | 1,919 | 1,440 | 1,871 |
| Total short-term liabilities | | 1,922 | 3,601 | 1,890 | 3,511 |
| Long-term interest-bearing liabilities | 16 | 224 | 8,086 | 220 | 7,882 |
| Compensation-related long-term liabilities | 17 | 3,022 | 3,397 | 2,972 | 3,311 |
| Total long-term liabilities | | 3,246 | 11,483 | 3,192 | 11,193 |
| Total liabilities | | 5,168 | 15,084 | 5,082 | 14,704 |
| <i>of which: amounts due to subsidiaries</i> | | 694 | 1,901 | 682 | 1,853 |
| Equity | | | | | |
| Share capital | 18 | 393 | 395 | 386 | 385 |
| General reserves | | 30,846 | 33,529 | 30,271 | 32,683 |
| <i>of which: statutory capital reserve</i> | | 30,846 | 33,529 | 30,271 | 32,683 |
| <i>of which: capital contribution reserve</i> | | 30,846 | 33,529 | 30,271 | 32,683 |
| Voluntary earnings reserve | | 7,513 | 7,512 | 7,452 | 7,323 |
| Treasury shares | 19 | (2,612) | (2,201) | (2,569) | (2,145) |

| | | | | |
|---|---------------|--------|---------------|--------|
| Reserve for own shares held by subsidiaries | 0 | 1 | 0 | 1 |
| Net profit / (loss) | 3,171 | 48 | 3,111 | 47 |
| Equity attributable to shareholders | 39,310 | 39,285 | 38,651 | 38,294 |
| Total liabilities and equity | 44,479 | 54,369 | 43,733 | 52,998 |

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UBS Group AG standalone financial statements

Reconciliation of equity

A reconciliation of equity for the year ended 31 December 2018 from the former Swiss franc presentation currency to the new US dollar presentation currency is provided in the table below.

| <i>In million</i> | Share capital | General reserves | Voluntary earnings reserve | Treasury shares | Reserve for own shares held by subsidiaries | Net profit / (loss) | Total equity |
|---|---------------|------------------|----------------------------|-----------------|---|---------------------|---------------|
| Balance as of 1 January 2018, CHF | 385 | 32,683 | 7,323 | (2,145) | 1 | 47 | 38,294 |
| Exercise of conditional capital options | 0 | 25 | | | | | 25 |
| Dividend distribution | | (2,444) | | | | | (2,444) |
| Change in reserve for own shares | | | 1 | | (1) | | 0 |
| Transactions in treasury shares | | | | 46 | | | 46 |
| Net profit / (loss) appropriation | | | 47 | | | (47) | 0 |
| Net profit / (loss) for the period before conversion, CHF | | | | | | 3,129 | 3,129 |
| CHF equity at conversion date 1 October 2018 ¹ | 386 | 30,265 | 7,371 | (2,100) | 0 | 3,129 | 39,050 |
| USD equity opening balance at conversion date | | | | | | | |
| 1 October 2018 | 393 0 | 30,840 6 | 7,513 | (2,140) | 0 | 3,188 | 39,794 6 |

| | | | | | | | | |
|--|------------|---------------|--------------|----------------|--|----------|--------------|---------------|
| Exercise of conditional capital options | | | | | | | | |
| Change in reserve for own shares | | | 0 | | | 0 | | 0 |
| Transactions in treasury shares | | | (472) | | | | | (472) |
| Net profit / (loss) for the period after conversion, USD | | | | | | (18) | | (18) |
| Balance as of 31 December 2018, USD | 393 | 30,846 | 7,513 | (2,612) | | 0 | 3,171 | 39,310 |

1 Conversion date rate as of 1 October 2018 represents the closing exchange rate as of 30 September 2018 (CHF / USD 1.02).

Statement of appropriation of total profit / (loss) carried forward and proposed dividend distribution out of capital contribution reserve

The Board of Directors proposes that the Annual General Meeting of Shareholders (AGM) on 2 May 2019 approve the following appropriation of total profit / (loss) carried forward.

Proposed appropriation of total profit / (loss) carried forward

| | USD million For the year ended | CHF million For the year ended |
|--|--------------------------------------|--------------------------------------|
| Net profit for the period | 31,121.8 | 31,121.8 |
| Profit / (loss) carried forward | 0 | 0 |
| Total profit / (loss) carried forward available for appropriation | 3,171 | 3,111 |
| Appropriation of total profit / (loss) carried forward | | |
| Appropriation to voluntary earnings reserve | (3,171) | (3,111) |
| Profit / (loss) carried forward | 0 | 0 |

Statement of appropriation of total profit / (loss) carried forward and proposed dividend distribution out of capital contribution reserve (continued)

Proposed dividend distribution out of capital contribution reserve

The Board of Directors proposes that the AGM on 2 May 2019 approve an ordinary dividend distribution of CHF 0.70 in cash per share of CHF 0.10 par value payable out of the capital contribution reserve. Dividends are declared and paid in Swiss francs. The total amount of the dividends will be capped at USD 3,255 million (Cap). To the extent that the USD dividend calculated based on CHF 0.70 per share would exceed the Cap on the day of the AGM, due to the exchange rate determined by the Board of Directors in its reasonable opinion, the CHF per share amount of the dividend will be reduced on a pro-rata basis so that the total USD amount does not exceed the Cap. Provided that the proposed dividend distribution out of the capital contribution reserve is approved, the payment of CHF 0.70 per share will be made on 8 May 2019 to holders of shares on the record date 7 May 2019. The shares will be traded ex-dividend as of 6 May 2019 and, accordingly, the last day on which the shares may be traded with entitlement to receive the dividend will be 3 May 2019.

| | USD million For the year ended | CHF million For the year ended |
|---|--------------------------------------|--------------------------------------|
| | 31.12.18 | 31.12.18 |
| Total statutory capital reserve: capital contribution reserve before proposed distribution¹ | 30,846 | 30,271 |
| Proposed ordinary distribution of capital contribution reserve within statutory capital reserve: CHF 0.70 per dividend-bearing share ² | (3,255) | (2,699) |
| Total statutory capital reserve: capital contribution reserve after proposed distribution | 27,591 | 27,572 |

¹ The Swiss Federal Tax Administration's current position is that, of the CHF 30.3 billion capital contribution reserve available as of 31 December 2018, an amount limited to CHF 15.6 billion is available from which dividends may be paid without a Swiss withholding tax deduction. ² Dividend-bearing shares are all shares issued except for treasury shares held by UBS Group

AG as of the record date. The amount of USD 3,255 million represents the Cap. The amount of CHF 2,699 million presented is based on the total number of shares issued as of 31 December 2018.

UBS Group AG standalone financial statements

Note 1 Corporate information

UBS Group AG is incorporated and domiciled in Switzerland and its registered office is at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland. UBS Group AG operates under article 620ff. of the Swiss Code of Obligations as an *Aktiengesellschaft* (a corporation limited by shares).

UBS Group AG is the ultimate holding company of the UBS Group, the grantor of the majority of UBS's deferred compensation plans and the guarantor of perpetual capital notes which qualify as Basel III additional tier 1 (AT1) capital on a consolidated UBS Group basis and senior debt which contributes to the total loss-absorbing capacity (TLAC) of the Group, issued by UBS Group Funding (Switzerland) AG.

Issuance of additional tier 1 capital instruments

During 2016 and 2015, UBS Group AG issued perpetual capital notes, which qualify as Basel III AT1 capital on a consolidated UBS Group basis. The proceeds from the issuances of those instruments were on-lent to UBS AG.

In May 2018, these perpetual capital notes were transferred to UBS Group Funding (Switzerland) AG at book value with a retrospective effect as of 1 January 2018. The transfer was carried out by means of an issuer substitution pursuant to the voluntary substitution provisions provided in the terms and conditions of the relevant instruments. Following the transfer, the outstanding perpetual capital notes are guaranteed by UBS Group AG, and investors' seniority of claims against UBS Group AG remains unchanged.

In December 2018, the Swiss Parliament approved changes to the tax treatment of too big to fail (TBTF) instruments issued by the holding companies of Swiss systemically important banks. The new law aims to eliminate the additional tax burden imposed on systemically important banks as a result of required issuances of TBTF instruments at the holding company level. In March 2019, the Swiss Federal Council determined that the rule would enter into force retroactively as of 1 January 2019. Going forward, new loss-absorbing additional tier 1 capital instruments and total loss-absorbing capacity (TLAC)-eligible senior unsecured debt will be issued directly out of UBS Group AG. It is also expected that UBS Group AG will assume outstanding capital and debt instruments that were previously issued by UBS Group Funding (Switzerland) AG as a means of managing the aforementioned tax burden.

→ **Refer to Note 16 for more information on the main terms and conditions of the perpetual capital notes issued during 2016 and 2015**

Furthermore, UBS Group AG grants Deferred Contingent Capital Plan (DCCP) awards to UBS Group employees. These DCCP awards also qualify as Basel III AT1 capital on a consolidated UBS Group basis.

As of 31 December 2018, UBS Group AG's distributable items for the purpose of AT1 capital instruments were USD 38.8 billion (CHF 38.2 billion) (31 December 2017: USD 38.8 billion (CHF 37.8 billion)). For this purpose, distributable items are defined in the terms and conditions of the relevant

instruments as the aggregate of (i) net profits carried forward and (ii) freely distributable reserves, in each case, less any amounts that must be contributed to legal reserves under applicable law.

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Note 2 Accounting policies

The UBS Group AG standalone financial statements are prepared in accordance with the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

The functional currency of UBS Group AG is the US dollar. The significant accounting and valuation principles applied are described below.

Change in functional and presentation currency

As of 1 October 2018 (the conversion date) UBS Group AG prospectively changed its functional currency from Swiss francs to US dollars.

UBS Group AG also prospectively changed the presentation currency of its standalone financial statements from Swiss francs to US dollars. The interim Swiss franc financial information of UBS Group AG as of 30 September 2018, including the balance sheet, year-to-date income statement and all related notes, was translated into US dollars at the closing rate on 30 September 2018 (the conversion date rate). This conversion had no impact on the income statement or equity.

As the primary presentation currency of the standalone financial statements of UBS Group AG is US dollars, amounts in Swiss francs are additionally presented for each component of the financial statements. UBS Group AG applies the modified closing rate method for translating the US dollar amounts into Swiss francs: assets and liabilities are translated at the closing rate, equity positions at historic rates and income and expense items at the weighted average rate for the period. All resulting currency translation effects are recognized separately in Voluntary earnings reserve, amounting to a positive currency translation effect of CHF 81 million as of 31 December 2018. Under Swiss Code of Obligations, prior-period financial statements have not been restated. All comparative prior-period information as of and for the year ended 31 December 2017 is translated at the closing rate as of 31 December 2017.

Foreign currency translation

Transactions denominated in foreign currency are translated into US dollars at the spot exchange rate on the date of the transaction. At the balance sheet date, all current assets and short-term liabilities as well as *Financial assets* measured at fair value, which are denominated in a foreign currency, are translated into US dollars using the closing exchange rate. For other non-current assets and long-term liabilities, where the asset mirrors the terms of a corresponding liability or the asset and liability otherwise form an economic hedge relationship, the asset and liability are treated as one unit of account for foreign currency translation purposes, with offsetting unrealized foreign currency translation gains and losses based on the closing exchange rate presented net in the income statement. *Investments in subsidiaries* measured at historic cost are translated at the spot exchange rate on the date of the

transaction. Currency translation effects from dividends paid in Swiss francs are recognized in equity. All other currency translation effects are recognized in the income statement.

The main currency translation rates used by UBS Group AG are provided in Note 37 of the consolidated financial statements.

Marketable securities

Marketable securities include investments in alternative investment vehicles (AIVs) with a short-term holding period. The holding period is deemed short term if the vesting of the awards hedged by the AIV is within 12 months after the balance sheet date. These are equity instruments and are measured at fair value based on quoted market prices or other observable market prices as of the balance sheet date. Gains and losses resulting from fair value changes are recognized in *Financial income* and *Financial expenses*, respectively.

Financial assets

Financial assets include investments in AIVs with a long-term holding period. The holding period is deemed long-term if the vesting of the awards hedged by the AIV is more than 12 months after the balance sheet date. These are equity instruments and are measured at fair value based on their quoted market prices or other observable market prices as of the balance sheet date. Gains and losses resulting from fair value changes are recognized in *Financial income* and *Financial expenses*, respectively.

Investments in AIVs that have no quoted market price or no other observable market price are recognized as *Financial assets* and are measured at their acquisition cost adjusted for impairment losses.

Financial assets further include loans granted to UBS AG that substantially mirror the terms of AT1 perpetual capital notes issued and fixed-term deposits with UBS AG with maturities more than 12 months after the balance sheet date. The loans and deposits are measured at nominal value.

→ **Refer to Note 14 for more information**

Derivative instruments

UBS Group AG uses derivative instruments to manage exposures to foreign currency risks from investments in foreign subsidiaries. The derivative instruments are entered into with UBS AG, mirroring the conditions of the closing transactions UBS AG enters into with third parties.

Derivative instruments are measured at fair value based on quoted market prices or other observable market prices as of the balance sheet date. Unrealized gains and losses are recognized as *Accrued income and prepaid expenses* and *Accrued expenses and deferred income*, respectively. Corresponding gains and losses resulting from fair value changes are recognized in *Financial income* and *Financial expenses*, respectively.

UBS Group AG standalone financial statements

Note 2 Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries are equity interests that are held to carry on the business of UBS Group or for other strategic purposes. They include all subsidiaries directly held by UBS Group AG through which UBS conducts its business on a global basis. The investments are measured individually and carried at cost less impairment.

→ **Refer to Note 13 for more information**

→ **Refer to Note 2 in the “Consolidated financial statements” section of this report for a description of businesses of the UBS Group**

Treasury shares

Treasury shares acquired by UBS Group AG are recognized at acquisition cost and are presented as a deduction from shareholders' equity. Upon disposal or settlement of related share awards, the realized gain or loss is recognized through the income statement as *Financial income* and *Financial expenses*, respectively. For settlement of related share awards, the realized gains and losses on treasury shares represent the difference between the market price of the treasury shares at settlement and their acquisition cost.

For shares of UBS Group AG acquired by a direct or indirect subsidiary, a *Reserve for own shares held by subsidiaries* is generally created in UBS Group AG's equity. However, where UBS AG or UBS Switzerland AG acquire shares of UBS Group AG and hold them in their trading portfolios, no *Reserve for own shares held by subsidiaries* is created.

→ **Refer to Note 19 for more information**

Equity participation and other compensation plans

Transfer from UBS AG to UBS Group AG

The transfer of the deferred compensation plans and related hedging assets in 2014 was conducted on an arm's length basis, with a step-up of the plan obligation to fair value. This step-up resulted in a net liability that was recorded in the standalone financial statements of UBS AG and transferred to UBS Group AG (net liability related to deferred compensation plan transfer) in 2014. The fair value of this net liability is taken into account in the income statement over the average vesting period (for share awards) or upon exercise / expiry (for option awards) as *Other operating income*. Upon exercise of option awards that are settled using conditional capital, the fair value of this net liability is recorded in the *Statutory capital reserve* within *General reserves*. The difference between the fair value of the hedging assets and the fair value of the obligations on the plans transferred was compensated for with a loan from UBS AG to UBS Group AG.

Equity participation plans

The grant date fair value of equity-settled share-based compensation awards granted to employees is generally recognized over the vesting period of the awards. Awards granted in the form of UBS Group AG shares and notional shares are settled by delivering UBS Group AG shares at vesting and are recognized as *Compensation-related long-term liabilities* if vesting is more than 12 months after the balance sheet date or as *Accrued expenses and deferred income* if vesting is within 12 months from the balance sheet date. The amount recognized is adjusted for forfeiture assumptions, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date. The grant date fair value is based on the UBS Group AG share price, taking into consideration post-vesting sale and hedge restrictions, non-vesting conditions and market conditions, where applicable.

Upon settlement of the share awards, any realized gain or loss is recognized in the income statement as *Other operating income* and *Other operating expenses*, respectively. Realized gains and losses on share awards represent the difference between the market price of the treasury shares at settlement and the grant date fair value of the share awards.

For certain awards, employees receive beneficial and legal ownership of the underlying UBS Group AG shares at the grant date (prepaid awards). Such prepaid awards are recognized as *Prepaid assets* if vesting is more than 12 months after the balance sheet date or as *Accrued income and prepaid expenses* if vesting is within 12 months from the balance sheet date.

Shares awarded to employees that are settled using conditional capital are accounted for as follows at settlement: the amount paid by the employees for the nominal value of the shares awarded is recorded in *Share capital*, while any paid amount exceeding the nominal value is considered to be share premium and is recorded in the *Statutory capital reserve* within *General reserves*.

Other compensation plans

Deferred compensation plans that are not share-based, including DCCP awards and awards in the form of AIVs, are accounted for as cash-settled awards. The present value or fair value of the amount payable to employees that is settled in cash is recognized as a liability generally over the vesting period, as *Compensation-related long-term liabilities* if vesting is more than 12 months after the balance sheet date and as *Accrued expenses and deferred income* if vesting is within 12 months from the balance sheet date. The liabilities are remeasured at each balance sheet date at the present value of the corresponding DCCP award and the fair value of investments in AIVs, respectively. Gains and losses resulting from remeasurement of the liabilities are recognized in *Other operating income* and *Other operating expenses*, respectively.

Note 2 Accounting policies (continued)

Recharge of compensation expenses

Expenses related to deferred compensation plans are recharged by UBS Group AG to its subsidiaries employing the personnel. Upon recharge, UBS Group AG recognizes a receivable from its subsidiaries corresponding to a liability representing its obligation toward employees.

Dispensations in the standalone financial statements

As UBS Group AG prepares consolidated financial statements in accordance with IFRS, UBS Group AG is exempt from various disclosures in the standalone financial statements. The dispensations include the management report and the statement of cash flows, as well as certain note disclosures.

UBS Group AG standalone financial statements

Income statement notes

Note 3 Dividend income from investments in subsidiaries

Dividend income from investments in subsidiaries in 2018 consists of USD 3,123 million (CHF 3,065 million) received from UBS AG related to the financial year 2017, which was approved by the Annual General Meeting of Shareholders of UBS AG on 26 April 2018, USD 86 million (CHF 84 million) received from UBS Business Solutions AG related to the financial year ended 31 December 2017, which was approved by the Annual General Meeting of Shareholders of UBS Business Solutions AG on 19 April 2018, and USD 3 million (CHF 3 million) received from UBS Group Funding (Switzerland) AG related to the financial year ended 31 December 2017, which was approved by the Annual General Meeting of Shareholders of UBS Group Funding (Switzerland) AG on 8 March 2018. In 2017, dividend income from investments in subsidiaries consisted of USD 5 million (CHF 5 million) received from UBS Business Solutions AG related to the financial year ended 31 December 2016, which was approved by the Annual General Meeting of Shareholders of UBS Business Solutions AG on 27 April 2017, and USD 5 million (CHF 5 million) received from UBS Group Funding (Jersey) Ltd. in the course of the liquidation of the entity, which was dissolved on 24 November 2017.

Note 4 Other operating income

| | USD million | | CHF million | |
|--|--------------------|--------------------|--------------------|--------------------|
| | For the year ended | For the year ended | For the year ended | For the year ended |
| | 31.12.18 | 31.12.17 | 31.12.18 | 31.12.17 |
| Fair value gains on AIV awards | 8 | 0 | 9 | 0 |
| Gains related to equity-settled awards ¹ | 106 | 107 | 105 | 104 |
| Amortization of net liability related to deferred compensation plan transfer | 5 | 1 | 5 | 1 |
| Commission income from guarantees issued | 37 | 25 | 36 | 24 |
| Total other operating income | 157 | 132 | 155 | 129 |

¹ Gains related to equity-settled awards in 2017 include the release of hidden reserves of USD 90 million (CHF 88 million).

Note 5 Financial income

| | USD million | | CHF million | |
|--|--------------------|--------------------|--------------------|--------------------|
| | For the year ended | For the year ended | For the year ended | For the year ended |
| | 31.12.18 | 31.12.17 | 31.12.18 | 31.12.17 |
| Fair value gains on marketable securities and financial assets | 0 | 51 | 0 | 49 |
| Fair value gains on derivatives | 6 | 0 | 6 | 0 |
| Treasury share gains | 47 | 0 | 46 | 0 |
| Interest income on long-term receivables from UBS AG | 13 | 539 | 13 | 525 |
| Interest income on liquid assets | 11 | 5 | 11 | 5 |
| Foreign currency translation gains | 0 | 0 | 0 | 0 |
| Total financial income | 77 | 595 | 76 | 580 |

Note 6 Personnel expenses

Personnel expenses include recharges from UBS AG and UBS Business Solutions AG for personnel-related costs for activities performed by the personnel of those companies for the benefit of UBS Group AG.

UBS Group AG had no employees throughout 2018 and 2017. All employees of the UBS Group, including the members of the Group Executive Board (GEB) of UBS Group AG, were employed by subsidiaries of UBS Group AG. As of 31 December 2018, the UBS Group employed 66,888 personnel (31 December 2017: 61,253) on a full-time equivalent basis.

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Note 7 Other operating expenses

| | USD million | | CHF million | |
|---|--------------------|----------|--------------------|----------|
| | For the year ended | 31.12.17 | For the year ended | 31.12.17 |
| | 31.12.18 | | 31.12.18 | |
| Fair value losses on AIV awards | 0 | 49 | 0 | 48 |
| Losses related to equity-settled awards | 184 | 19 | 181 | 18 |
| Capital tax | 14 | 15 | 14 | 14 |
| Other | 18 | 16 | 17 | 16 |
| Total other operating expenses | 216 | 99 | 212 | 97 |

Note 8 Financial expenses

| | USD million | | CHF million | |
|---|--------------------|----------|--------------------|----------|
| | For the year ended | 31.12.17 | For the year ended | 31.12.17 |
| | 31.12.18 | | 31.12.18 | |
| Fair value losses on marketable securities and financial assets | 8 | 0 | 8 | 0 |
| Impairment losses on financial assets | 0 | 2 | 0 | 2 |
| Treasury share losses | 0 | 13 | 0 | 12 |
| Interest expense on interest-bearing liabilities | 13 | 546 | 13 | 532 |
| Interest expense on derivatives | 6 | 0 | 6 | 0 |
| Fees paid | 1 | 1 | 1 | 1 |
| Foreign currency losses | 2 | 0 | 2 | 0 |
| Total financial expenses | 30 | 561 | 30 | 547 |

UBS Group AG standalone financial statements

Balance sheet notes

Note 9 Liquid assets

As of 31 December 2018, liquid assets comprised USD 542 million (CHF 533 million) held on current accounts at UBS Switzerland AG and UBS AG and USD 384 million (CHF 378 million) of time deposits placed with UBS AG. As of 31 December 2017, liquid assets comprised USD 1,706 million (CHF 1,663 million) held on current accounts at UBS Switzerland AG and UBS AG and USD 903 million (CHF 880 million) of time deposits placed with UBS AG.

Note 10 Marketable securities

Marketable securities include investments in AIVs related to compensation awards vesting within 12 months after the balance sheet date.

Note 11 Other short-term receivables

| | USD million | | CHF million | |
|--|-----------------|----------|-----------------|----------|
| | 31.12.18 | 31.12.17 | 31.12.18 | 31.12.17 |
| Loans to UBS Business Solutions AG | 216 | 83 | 213 | 80 |
| Receivables from employing entities related to compensation awards | 567 | 637 | 557 | 621 |
| Other | 5 | 9 | 5 | 9 |
| Total other short-term receivables | 788 | 728 | 775 | 710 |

Note 12 Accrued income and prepaid expenses

| | USD million | | CHF million | |
|--|-----------------|----------|-----------------|----------|
| | 31.12.18 | 31.12.17 | 31.12.18 | 31.12.17 |
| Accrued interest income | 6 | 378 | 6 | 368 |
| Other accrued income and prepaid expenses | 1 | 71 | 1 | 69 |
| Total accrued income and prepaid expenses | 7 | 449 | 7 | 437 |

Note 13 Investments in subsidiaries

Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares, which are held by UBS Group AG or UBS AG, respectively. The proportion of ownership interest held is equal to the voting rights held by UBS Group AG or UBS AG, respectively. The country where the respective registered office is located is also the principal place of business. UBS AG operates through a global network of branches and a significant proportion of its business activity is conducted outside Switzerland in the UK, US, Singapore, Hong Kong and other countries. UBS Europe SE has branches and offices in a number of EU member states, including Germany, Italy, Luxembourg, Spain and Austria. Share capital is provided in the currency of the legally registered office.

In 2017, UBS transferred shared services functions in Switzerland from UBS AG to UBS Business Solutions AG. This transfer resulted in a decrease of the investment value of UBS AG and a corresponding increase in the investment value of UBS Business Solutions AG.

UBS Group Funding (Jersey) Ltd. was dissolved in 2017.

Subsidiaries of UBS Group AG as of 31 December 2018

| Company | Registered office | Share capital in million | Equity interest accumulated in % |
|--|-------------------------------|--------------------------|----------------------------------|
| UBS AG | Zurich and Basel, Switzerland | CHF 385.8 | 100.0 |
| UBS Business Solutions AG ¹ | Zurich, Switzerland | CHF 1.0 | 100.0 |
| UBS Group Funding (Switzerland) AG | Zurich, Switzerland | CHF 0.1 | 100.0 |

¹ UBS Business Solutions AG holds subsidiaries in Poland, China and India.

Individually significant subsidiaries of UBS AG as of 31 December 2018¹

| Company | Registered office | Primary business division | Share capital in million | Equity interest accumulated in % |
|--------------------------|---------------------------|---------------------------|--------------------------|----------------------------------|
| UBS Americas Holding LLC | Wilmington, Delaware, USA | Corporate Center | USD 2,250.0 ² | 100.0 |
| UBS Asset Management AG | Zurich, Switzerland | Asset Management | CHF 43.2 | 100.0 |
| UBS Bank USA | Salt Lake City, Utah, USA | Global Wealth Management | USD 0.0 | 100.0 |

| | | | | | |
|--------------------------------|------------------------------|------------------------------------|-----|----------------------|-------|
| UBS Europe SE | Frankfurt, Germany | Global Wealth Management | EUR | 446.0 | 100.0 |
| UBS Financial Services Inc. | Wilmington, Delaware, USA | Global Wealth Management | USD | 0.0 | 100.0 |
| UBS Limited | London, United Kingdom | Investment Bank | GBP | 226.6 ³ | 100.0 |
| UBS Securities LLC | Wilmington, Delaware, USA | Investment Bank | USD | 1,283.1 ⁴ | 100.0 |
| UBS Switzerland AG | Zurich, Switzerland | Personal & Corporate Banking | CHF | 10.0 | 100.0 |

1 Includes direct and indirect subsidiaries of UBS AG. 2 Comprised of common share capital of USD 1,000 and non-voting preferred share capital of USD 2,250,000,000. 3 The combined UK business transfer and cross-border merger of UBS Limited into UBS Europe SE, which was formally concluded on 1 March 2019, was treated as an adjusting event after the reporting period in UBS AG standalone financial statements for the year ended 31 December 2018. 4 Comprised of common share capital of USD 100,000 and non-voting preferred share capital of USD 1,283,000,000.

Individually significant subsidiaries of UBS AG are those entities that contribute significantly to the Group's financial position or results of operations, based on a number of criteria, including the subsidiaries' equity and their contribution to the Group's total assets and profit or loss before tax, in accordance with Swiss regulations.

→ **Refer to Note 31 in the "Consolidated financial statements" section of this report for more information**

Note 14 Financial assets

| | USD million | | CHF million | |
|--|-----------------|----------|-----------------|----------|
| | 31.12.18 | 31.12.17 | 31.12.18 | 31.12.17 |
| Long-term receivables from UBS AG ¹ | 993 | 8,460 | 976 | 8,247 |
| Long-term receivables from UBS Business Solutions AG | 224 | 211 | 220 | 205 |
| Investments in alternative investment vehicles at fair value related to awards vesting after 12 months | 224 | 293 | 220 | 286 |
| Investments in alternative investment vehicles at cost less impairment | 4 | 4 | 4 | 4 |

| | | | | |
|-------------------------------|--------------|-------|--------------|-------|
| Total financial assets | 1,444 | 8,968 | 1,420 | 8,742 |
|-------------------------------|--------------|-------|--------------|-------|

1 As of 31 December 2017, long-term receivables from UBS AG included the onward lending of the proceeds from the issuances of additional tier 1 perpetual capital notes. Refer to Note 1 for more information.

UBS Group AG standalone financial statements

Note 15 Accrued expenses and deferred income

| | USD million | | CHF million | |
|--|-----------------|----------|-----------------|----------|
| | 31.12.18 | 31.12.17 | 31.12.18 | 31.12.17 |
| Short-term portion of net liability related to deferred compensation plan transfer | 3 | 6 | 3 | 6 |
| Short-term portion of compensation liabilities | 1,405 | 1,499 | 1,382 | 1,461 |
| <i>of which: Deferred Contingent Capital Plan</i> | 550 | 499 | 541 | 486 |
| <i>of which: other deferred compensation plans</i> | 856 | 1,000 | 841 | 975 |
| Accrued interest expense | 4 | 365 | 3 | 356 |
| Other | 53 | 49 | 52 | 47 |
| Total accrued expenses and deferred income | 1,465 | 1,919 | 1,440 | 1,871 |

Note 16 Long-term interest-bearing liabilities

Long-term interest-bearing liabilities totaled USD 224 million (CHF 220 million) as of 31 December 2018 comprising fixed-term loans from UBS AG. As of 31 December 2017, long-term interest bearing liabilities totaled USD 8,086 million (CHF 7,882 million) comprising USD 7,875 million (CHF 7,677 million) of notes issued and USD 211 million (CHF 205 million) of fixed-term loans from UBS AG. In May 2018, outstanding perpetual capital notes that qualify as Basel III AT1 capital issued by UBS Group AG were transferred to UBS Group Funding (Switzerland) AG at book value by means of an issuer substitution with a retrospective effect as of 1 January 2018.

→ **Refer to Note 1 for more information**

Notes issued, overview by amount, maturity and coupon

| | Maturity ¹ | Coupon ¹ | 31.12.17 | | |
|---|-----------------------|---------------------|-------------------------|----------------|----------------|
| | | | Carrying value | Carrying value | Carrying value |
| <i>In million, except where indicated</i> | | | in transaction currency | in USD | in CHF |
| Euro-denominated low-trigger loss-absorbing additional tier 1 | | | | | |
| perpetual capital notes | 19.02.22 | 5.750% | 1,000 | 1,200 | 1,170 |
| US dollar-denominated low-trigger loss-absorbing | 19.02.25 | 7.000% | 1,250 | 1,250 | 1,218 |

additional tier 1

perpetual capital notes
US dollar-denominated
high-trigger loss-absorbing
additional tier 1

| | | | | | |
|--|----------|--------|-------|-------|-------|
| perpetual capital notes US dollar-denominated high-trigger loss-absorbing additional tier 1 | 19.02.20 | 7.125% | 1,250 | 1,250 | 1,218 |
|--|----------|--------|-------|-------|-------|

| | | | | | |
|--|----------|--------|-------|-------|-------|
| perpetual capital notes US dollar-denominated high-trigger loss-absorbing additional tier 1 | 07.08.25 | 6.875% | 1,575 | 1,575 | 1,535 |
|--|----------|--------|-------|-------|-------|

| | | | | | |
|--|----------|--------|-------|-------|-------|
| perpetual capital notes US dollar-denominated high-trigger loss-absorbing additional tier 1 | 22.03.21 | 6.875% | 1,500 | 1,500 | 1,462 |
|--|----------|--------|-------|-------|-------|

| | | | | | |
|---------------------------|----------|--------|-------|-------|-------|
| perpetual capital notes | 10.08.21 | 7.125% | 1,100 | 1,100 | 1,072 |
| Total notes issued | | | | 7,875 | 7,677 |

1 The disclosed maturity refers to the first call date of the respective issuance and the disclosed coupon refers to the fixed coupon rate from the issue date up to, but excluding, the first call date.

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Note 17 Compensation-related long-term liabilities

| | USD million | | CHF million | |
|---|--------------|--------------|--------------|--------------|
| | 31.12.18 | 31.12.17 | 31.12.18 | 31.12.17 |
| Long-term portion of net liability related to deferred compensation plan transfer | 0 | 3 | 0 | 3 |
| Long-term portion of compensation liabilities | 3,022 | 3,394 | 2,972 | 3,308 |
| <i>of which: Deferred Contingent Capital Plan</i> | 1,415 | 1,543 | 1,391 | 1,504 |
| <i>of which: other deferred compensation plans</i> | 1,607 | 1,850 | 1,581 | 1,804 |
| Total compensation-related long-term liabilities | 3,022 | 3,397 | 2,972 | 3,311 |

Note 18 Share capital

As of 31 December 2018, the issued share capital consisted of 3,855,634,749 (31 December 2017: 3,853,096,603) registered shares at a par value of CHF 0.10 each.

→ Refer to “UBS shares” in the “Capital management” section of this report for more information on UBS Group AG shares

Note 19 Treasury shares

| | Number of registered shares | Average price in USD | Average price in CHF |
|--|-----------------------------|----------------------|----------------------|
| Balance as of 31 December 2016 | 138,441,772 | 16.12 | 16.41 |
| <i>of which: treasury shares held by UBS Group AG</i> | 138,386,307 | 16.12 | 16.41 |
| <i>of which: treasury shares held by UBS AG and other subsidiaries</i> | 55,465 | 15.78 | 16.06 |
| Acquisitions | 54,828,640 | 16.28 | 15.87 |
| Disposals | (1,689,932) | 16.65 | 16.23 |
| Delivery of shares to settle equity-settled awards | (59,278,930) | 16.75 | 16.32 |
| Balance as of 31 December 2017 | 132,301,550 | 16.65 | 16.23 |
| <i>of which: treasury shares held by UBS Group AG¹</i> | 132,211,630 | 16.65 | 16.23 |
| <i>of which: treasury shares held by UBS AG and other subsidiaries</i> | 89,920 | 17.99 | 17.54 |
| Acquisitions | 103,979,927 | 15.32 | 15.10 |
| Disposals | (2,438,508) | 16.90 | 16.61 |
| | (67,375,167) | 16.69 | 16.39 |

Delivery of shares to settle
equity-settled awards

| | | | |
|--|--------------------|--------------|--------------|
| Balance as of 31 December 2018 | 166,467,802 | 15.71 | 15.45 |
| <i>of which: treasury shares held by UBS Group AG¹</i> | 166,203,791 | 15.71 | 15.46 |
| <i>of which: treasury shares held by UBS AG and other subsidiaries</i> | 264,011 | 12.27 | 12.05 |

1 Treasury shares held by UBS Group AG had a carrying value of USD 2,612 million (CHF 2,569 million) as of 31 December 2018 (31 December 2017: USD 2,201 million (CHF 2,145 million)).

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Additional information

Note 20 Guarantees

As of 31 December 2018, UBS Group Funding (Switzerland) AG, a subsidiary of UBS Group AG, had issued USD 31,448 million (CHF 30,920 million) equivalent of senior debt which contributes to the total loss-absorbing capacity (TLAC) of the Group (31 December 2017: USD 28,422 million (CHF 27,706 million)). Further, UBS Group Funding (Switzerland) AG had issued USD 10,334 million (CHF 10,161 million) equivalent of perpetual capital notes which qualify as Basel III AT1 capital on a consolidated UBS Group basis. UBS Group AG issued guarantees to the external investors against any default in payments of interest and principal by UBS Group Funding (Switzerland) AG.

Note 21 Assets pledged to secure own liabilities

As of 31 December 2018, total pledged assets of UBS Group AG amounted to USD 1,862 million (CHF 1,831 million). These assets consisted of certain liquid assets, marketable securities and financial assets and were pledged to UBS AG. As of 31 December 2017, total pledged assets of UBS Group AG amounted to USD 4,449 million (CHF 4,337 million). The associated liabilities secured by these pledged assets were USD 633 million (CHF 623 million) and USD 1,846 million (CHF 1,800 million) as of 31 December 2018 and 31 December 2017, respectively.

Note 22 Contingent liabilities

UBS Group AG is jointly and severally liable for the combined value added tax (VAT) liability of UBS entities that belong to the VAT group of UBS in Switzerland.

Note 23 Significant shareholders**Shareholders registered in the UBS Group AG share register with 3% or more of total share capital**

| <i>% of share capital</i> | 31.12.18 | 31.12.17 |
|---|-----------------|----------|
| Chase Nominees Ltd., London | 12.08 | 11.16 |
| DTC (Cede & Co.), New York ¹ | 7.23 | 6.64 |
| Nortrust Nominees Ltd., London | 4.14 | 4.11 |

1 DTC (Cede & Co.), New York, "The Depository Trust Company," is a US securities clearing organization.

General rules

Under the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015 (FMIA), anyone holding shares in a company listed in Switzerland, or holding derivative rights related to shares of such a company, must notify the company and the SIX Swiss Exchange (SIX) if the holding reaches, falls below or exceeds one of the following thresholds: 3, 5, 10, 15, 20, 25, 33 $\frac{1}{3}$, 50, or 66 $\frac{2}{3}$ % of voting rights, regardless of whether or not such rights may be exercised. Nominee companies that cannot autonomously decide how voting rights are exercised are not obligated to notify the company and SIX if they reach, exceed or fall below the threshold percentages.

Pursuant to the Swiss Code of Obligations, UBS discloses in its financial statements the identity of any shareholder with a holding of more than 5% of the total share capital of UBS Group AG.

Shareholders not registered in the UBS share register

According to the FMIA disclosure notifications filed with UBS Group AG and the SIX as of 31 December 2018, the following entities held more than 3% of the total share capital of UBS Group AG: Dodge & Cox, San Francisco, disclosed a holding of 3.03% of the total share capital of UBS Group AG on 30 November 2018; BlackRock Inc., New York, disclosed a holding of 4.99% on 28 August 2018; and MFS Investment Management, Boston, disclosed a holding of 3.05% on 10 February 2016. The above disclosures have not been subsequently superseded and no new disclosures of significant shareholdings have been made since 31 December 2018.

In accordance with the FMIA, the aforementioned holdings are calculated in relation to the total share capital of UBS Group AG reflected in its Articles of Association at the time of the respective disclosure notification.

Information on disclosures under the FMIA is available at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Shareholders registered in the UBS share register

The shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) listed in the table above were registered in the UBS share register with 3% or more of the total share capital of UBS Group AG as of 31 December 2018 or as of 31 December 2017.

Cross-shareholdings

UBS Group AG has no cross-shareholdings where reciprocal ownership would be in excess of 5% of capital or voting rights with any other company.

UBS Group AG standalone financial statements

Note 24 Share and option ownership of the members of the Board of Directors, the Group Executive Board and other employees**Shares awarded**

| | For the year ended 31.12.18 | | | For the year ended 31.12.17 | | |
|--------------------------------------|-----------------------------|--------------------------------|--------------------------------|-----------------------------|--------------------------------|--------------------------------|
| | Number of shares | Value of shares in USD million | Value of shares in CHF million | Number of shares | Value of shares in USD million | Value of shares in CHF million |
| Awarded to members of the BoD | 354,265 | 6 | 6 | 416,980 | 7 | 7 |
| Awarded to members of the GEB | 2,996,831 | 52 | 51 | 2,720,614 | 44 | 43 |
| Awarded to other UBS Group employees | 55,332,567 | 926 | 908 | 61,152,037 | 896 | 874 |
| Total | 58,683,663 | 984 | 965 | 64,289,631 | 947 | 923 |

→ Refer to the “Corporate governance and compensation” section of this report for more information on the terms and conditions of the shares and options awarded to the members of the Board of Directors and the Group Executive Board

Number of shares of BoD members¹

| Name, function | on 31 December | Number of shares held | Voting rights in % |
|--|----------------|-----------------------|--------------------|
| Axel A. Weber, Chairman | 2018 | 764,329 | 0.042 |
| | 2017 | 642,100 | 0.037 |
| Michel Demaré, Vice Chairman | 2018 | 322,558 | 0.018 |
| | 2017 | 290,694 | 0.017 |
| David Sidwell, Senior Independent Director | 2018 | 189,805 | 0.010 |
| | 2017 | 154,672 | 0.009 |
| Jeremy Anderson, member ² | 2018 | 0 | 0.000 |
| | 2017 | – | – |
| Reto Francioni, member | 2018 | 98,832 | 0.005 |
| | 2017 | 76,772 | 0.004 |
| Ann F. Godbehere, member | 2018 | 259,225 | 0.014 |
| | 2017 | 232,263 | 0.013 |
| Fred Hu, member ² | 2018 | 0 | 0.000 |
| | 2017 | – | – |

| | | | | |
|--|-------------|------------------|---|-------|
| | 2017 | | – | – |
| William G. Parrett, former member ² | 2018 | | – | – |
| | 2017 | 106,916 | | 0.006 |
| Julie G. Richardson, member | 2018 | 17,157 | | 0.001 |
| | 2017 | 0 | | 0.000 |
| Isabelle Romy, member | 2018 | 114,802 | | 0.006 |
| | 2017 | 94,376 | | 0.005 |
| Robert W. Scully, member | 2018 | 47,074 | | 0.003 |
| | 2017 | 29,917 | | 0.002 |
| Beatrice Weder di Mauro, member | 2018 | 145,601 | | 0.008 |
| | 2017 | 126,809 | | 0.007 |
| Dieter Wemmer, member | 2018 | 31,159 | | 0.002 |
| | 2017 | 14,002 | | 0.001 |
| Total | 2018 | 1,990,542 | | 0.109 |
| | 2017 | 1,768,521 | | 0.102 |

1 Includes blocked and unblocked shares held by BoD members, including those held by related parties. No options were granted in 2018 and 2017. 2 At the 2018 AGM, Jeremy Anderson and Fred Hu were newly elected and William G. Parrett did not stand for re-election.

Note 24 Share and option ownership of the members of the Board of Directors, the Group Executive Board and other employees (continued)

Share and option ownership / entitlements of GEB members¹

| Name, function | on December 2018 | Number of unvested shares / at risk ² | Number of vested shares | Total number of shares | Potentially | Number of options³ | Potentially |
|---|--------------------------------------|---|-------------------------------|---------------------------------------|------------------------------------|--|--|
| | | | | | conferred voting rights in % | | conferred voting rights in % ⁴ |
| Sergio P. Ermotti, Group Chief Executive Officer | 2018 | 1,715,430 | 1,757,766 | 3,473,196 | 0.191 | 0 | 0.000 |
| Martin Blessing, Co-President Global Wealth Management | 2017 | 1,632,464 | 460,377 | 2,092,841 | 0.121 | 0 | 0.000 |
| Christian Bluhm, Group Chief Risk Officer | 2018 | 256,356 | 0 | 256,356 | 0.014 | 0 | 0.000 |
| Markus U. Diethelm, Group General Counsel | 2017 | 65,761 | 0 | 65,761 | 0.004 | 0 | 0.000 |
| Kirt Gardner, Group Chief Financial Officer | 2018 | 259,745 | 0 | 259,745 | 0.014 | 0 | 0.000 |
| Robert Karofsky, Co-President Investment Bank | 2017 | 131,520 | 0 | 131,520 | 0.008 | 0 | 0.000 |
| Sabine Keller-Busse, Group Chief Operating | 2018 | 614,222 | 317,516 | 931,738 | 0.051 | 0 | 0.000 |
| | 2017 | 589,659 | 194,000 | 783,659 | 0.045 | 0 | 0.000 |
| | 2018 | 343,120 | 107,472 | 450,592 | 0.025 | 0 | 0.000 |
| | 2017 | 264,718 | 61,652 | 326,370 | 0.019 | 0 | 0.000 |
| | 2018 | 500,902 | 254,119 | 755,021 | 0.042 | 0 | 0.000 |
| | 2017 | – | – | – | – | – | – |
| | 2018 | 259,762 | 263,362 | 523,124 | 0.029 | 0 | 0.000 |
| | 2017 | 244,676 | 176,602 | 421,278 | 0.024 | 0 | 0.000 |

| | | | | | | | |
|---|-------------|-----------|-----------|-------------------|-------|----------------|-------|
| Officer Ulrich Körner, President Asset Management and | 2018 | 910,951 | 95,597 | 1,006,548 | 0.055 | 0 | 0.000 |
| | 2017 | 881,979 | 95,597 | 977,576 | 0.057 | 0 | 0.000 |
| President UBS EMEA Axel P. Lehmann, President Personal & Corporate Banking and President UBS Switzerland Tom Naratil, Co-President Global Wealth Management and President UBS Americas Piero Novelli, Co-President Investment Bank Andrea Orcel, former President Investment Bank Markus Ronner, Group Chief Compliance and Governance Officer Kathryn Shih, President UBS Asia Pacific | 2018 | 307,090 | 277,978 | 585,068 | 0.032 | 0 | 0.000 |
| | 2017 | 156,180 | 277,978 | 434,158 | 0.025 | 0 | 0.000 |
| | 2018 | 1,132,938 | 484,075 | 1,617,013 | 0.089 | 0 | 0.000 |
| | 2017 | 1,047,311 | 422,298 | 1,469,609 | 0.085 | 281,640 | 0.016 |
| | 2018 | 471,049 | 256,367 | 727,416 | 0.040 | 0 | 0.000 |
| | 2017 | – | – | – | – | – | – |
| | 2018 | – | – | – | – | – | – |
| | 2017 | 1,328,113 | 251,439 | 1,579,552 | 0.091 | 0 | 0.000 |
| | 2018 | 161,152 | 173 | 161,325 | 0.009 | 0 | 0.000 |
| | 2017 | – | – | – | – | – | – |
| | 2018 | 503,772 | 150,000 | 653,772 | 0.036 | 0 | 0.000 |
| | 2017 | 581,546 | 0 | 581,546 | 0.034 | 74,599 | 0.004 |
| Total | 2018 | 7,436,489 | 3,964,425 | 11,400,914 | 0.627 | 0 | 0.000 |
| | 2017 | 6,923,927 | 1,939,943 | 8,863,870 | 0.513 | 356,239 | 0.021 |

1 Includes all vested and unvested shares and options of GEB members, including those held by related parties. 2 Includes shares granted under variable compensation plans with forfeiture provisions. The actual number of shares vesting in the future will be calculated under

the terms of the plans. Refer to “Compensation philosophy and framework” in the “Compensation” section of this report for more information on the plans. 3 Refer to “Note 30 Employee benefits: variable compensation” in the “Consolidated financial statements” section of this report for more information. 4 No conversion rights outstanding.

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Note 25 Related parties

Related parties are defined under the Swiss Code of Obligations as direct and indirect participants with voting rights of 20% or more, management bodies (BoD and GEB), external auditors and direct and indirect investments in subsidiaries. Payables due to members of the GEB and the external auditors are provided in the table below. Amounts due from and due to subsidiaries are provided on the face of the balance sheet.

| | USD million | | CHF million | |
|--|-----------------|----------|-----------------|----------|
| | 31.12.18 | 31.12.17 | 31.12.18 | 31.12.17 |
| Payables due to the members of the GEB | 156 | 170 | 154 | 166 |
| <i>of which: Deferred Contingent Capital Plan</i> | 78 | 79 | 77 | 77 |
| <i>of which: other deferred compensation plans</i> | 78 | 91 | 77 | 89 |
| Payables due to external auditors | 0 | | 0 | |

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Zurich, 15 March 2019

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in each of the following registration statements of UBS Group AG, UBS AG and their affiliates:

- (1) on Form F-3 (Registration Number 333-225551), and each related prospectus currently outstanding under such registration statement,
- (2) on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; and 333-228653), and each related prospectus currently outstanding under any of the aforementioned registration statements,
- (3) the base prospectus of Corporate Asset Backed Corporation (CABCO) dated 23 June 2004 (Registration Number 333-111572),
- (4) the Form 8-K of CABCO dated 23 June 2004 (SEC File Number 001-13444), and
- (5) the Prospectus Supplements relating to the CABCO Series 2004-101 Trust dated 10 May 2004 (Registration Number 033-91744) and 17 May 2004 (Registration Number 033-91744-05),

of our report dated 14 March 2019, with respect to the standalone financial statements of UBS Group AG for the year ended 31 December 2018 included in this Report of Foreign Private Issuer (Form 6-K) dated March 15, 2019, filed with the Securities and Exchange Commission.

Ernst & Young Ltd

/s/ Marie-Laure Delarue

/s/ Ira S. Fitlin

Marie-Laure Delarue

Ira S. Fitlin

Licensed Audit Expert

Certified Public Accountant (U.S.)

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This Form 6-K is hereby incorporated by reference into (1) each of the registration statements of UBS AG on Form F-3 (Registration Number 333-225551) and of UBS Group AG on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; and 333-228653), and into each prospectus outstanding under any of the foregoing registration statements, (2) any outstanding offering circular or similar document issued or authorized by UBS AG that incorporates by reference any Form 6-K's of UBS AG that are incorporated into its registration statements filed with the SEC, and (3) the base prospectus of Corporate Asset Backed Corporation ("CABCO") dated June 23, 2004 (Registration Number 333-111572), the Form 8-K of CABCO filed and dated June 23, 2004 (SEC File Number 001-13444), and the Prospectus Supplements relating to the CABCO Series 2004-101 Trust dated May 10, 2004 and May 17, 2004 (Registration Number 033-91744 and 033-91744-05).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

UBS Group AG

By: /s/ Todd Tuckner

Name: Todd Tuckner

Title: Group Controller and

Chief Accounting Officer

By: /s/ David Kelly

Name: David Kelly

Title: Managing Director

UBS AG

By: /s/ Todd Tuckner

Name: Todd Tuckner

Title: Group Controller and
Chief Accounting Officer

By: /s/ David Kelly

Name: David Kelly

Title: Managing Director

Date: March 15, 2019
