UBS

Fourth quarter 2016 results

Fixed income investor presentation

March 10, 2017

Cautionary statement regarding forward-looking statements

This report 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 (LRD) liquidity coverage ratio (LCR) 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, cyber-attacks, 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.

4Q16 results

Adjusted profit before tax CHF 1.0 billion, up 33% YoY

Group

Net profit attributable to shareholders CHF 636 million, diluted EPS CHF 0.17

Reported profit before tax (PBT) CHF 746 million, adjusted PBT CHF 1,003 million

7.3% annualized adjusted return on tangible equity

Fully applied CET1 capital ratio 13.8%, CET1 leverage ratio 3.53%

Business divisions[1]

Wealth Management: PBT CHF 511 million, expenses for litigation provisions[2] of CHF 62 million; NNM outflows CHF 4.1 billion
– 9% YoY decrease in costs, offsetting revenue headwinds

Wealth Management Americas: PBT USD 358 million, expenses for litigation provisions of USD 52 million; NNM outflows USD 1.3 billion
– Strong results with 9% YoY revenue growth to record levels

Personal & Corporate Banking: PBT CHF 395 million; annualized NNBV growth for personal banking 1.1%
– Solid 4Q despite persistent headwinds from negative interest rates

Asset Management: PBT CHF 156 million; NNM outflows excluding money market CHF 9.8 billion
– PBT up 3% when excluding the Alternative Fund Services business sold in 4Q15

Investment Bank: PBT CHF 344 million
– PBT up 54% YoY with highest 4Q revenues since 2012, driven by CCS and Equities; RWA CHF 70 billion and LRD CHF 231 billion

Corporate Center: Pre-tax loss CHF 764 million
– Services pre-tax loss CHF 275 million, Group ALM pre-tax loss CHF 171 million, Non-core and Legacy Portfolio pre-tax loss CHF 317 million

Refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Adjusted numbers unless otherwise indicated; 2 Net expenses for provisions for litigation, regulatory and similar matters

2016 results

Solid performance driven by balanced business mix and disciplined resource management

Solid financial performance

- Adjusted profit before tax CHF 5.3 billion
- Adjusted return on tangible equity 9.0%, 11.1% excluding DTA impact[1]
- Net profit attributable to shareholders CHF 3.2 billion
- Diluted earnings per share CHF 0.84
- Net new money CHF 42.2 billion in wealth management businesses

Continued successful execution and positioning for future success

- Achieved net cost reduction of CHF 1.6 billion[2]
- Continued to invest for growth, while addressing our regulatory agenda

Maintained strong capital position while returning capital to shareholders

- Fully applied CET1 capital ratio 13.8% and CET1 leverage ratio 3.53%
- Proposed ordinary dividend per share unchanged at CHF 0.60[3]

UBS

Refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Excluding the deferred tax asset (DTA) related benefit to net profit attributable to shareholders, and excluding DTA balances from tangible equity; 2 Refer to slide 18 for details on cost reductions; 3 Subject to shareholder approval, the dividend will be paid out of capital contribution reserves for the foreseeable future. Dividends paid out of capital contribution reserves are not subject to the deduction of Swiss withholding tax. For US federal income tax purposes, we expect that the dividend will be paid out of current or accumulated profits

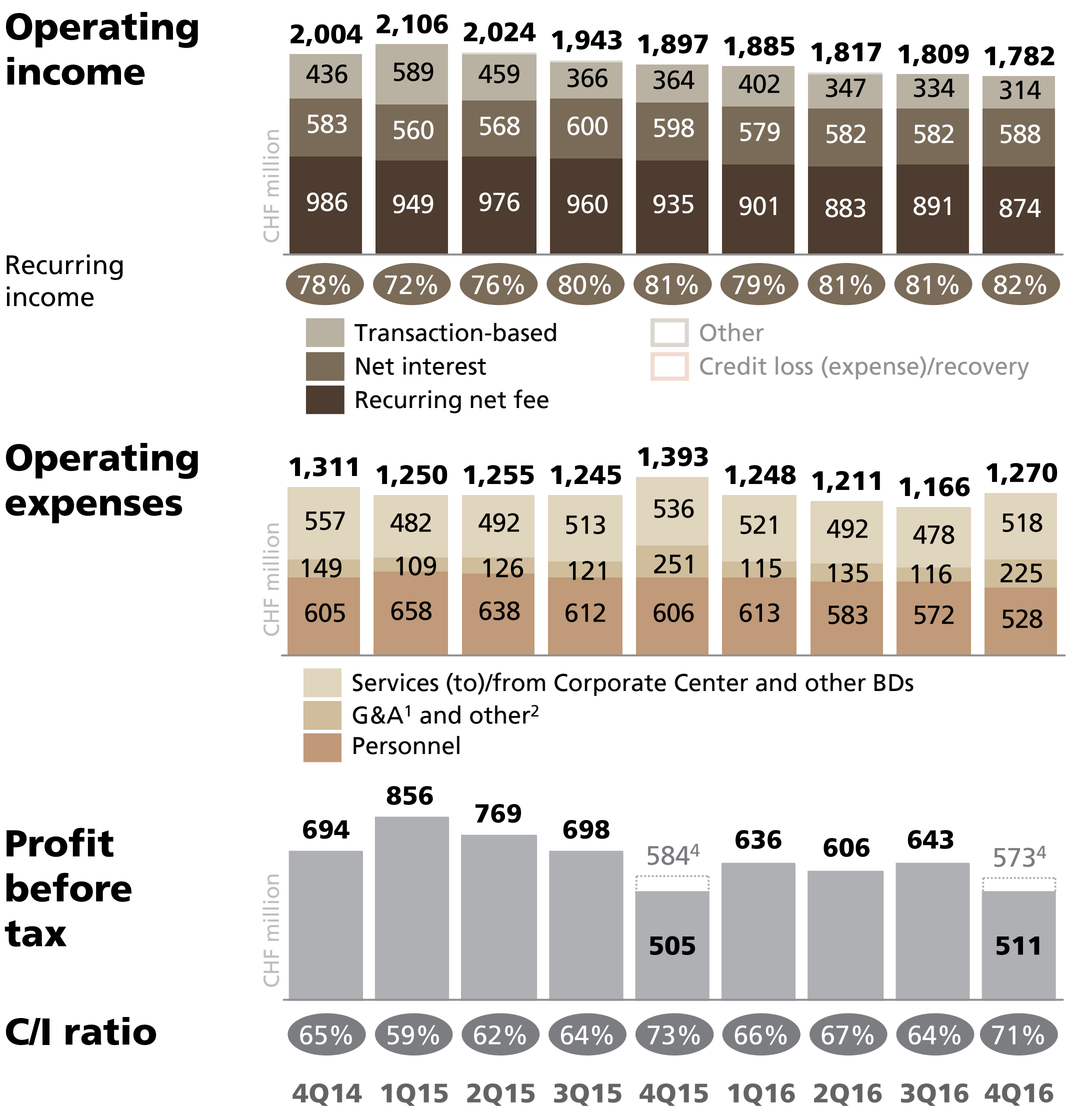
UBS Group AG results (consolidated)

CHF million, except where indicated	FY15	**FY16**	4Q15	3Q16	**4Q16**
Total operating income	30,605	28,320	6,775	7,029	7,055
Total operating expenses	25,116	24,230	6,541	6,152	6,308
Profit before tax as reported	**5,489**	**4,090**	**234**	**877**	**746**
of which: net restructuring expenses	(1,235)	(1,458)	(441)	(444)	(372)
of which: net FX translation gains/(losses)	88	(122)	115		27
of which: gains on sale of financial assets available for sale	11	211			88
of which: gains related to investments in associates	81	21		21	
of which: own credit on financial liabilities designated at fair value	553		35		
of which: net losses related to the buyback of debt	(257)		(257)		
of which: gains/(losses) on sales of subsidiaries and businesses	225	(23)	28		
of which: gains on sales of real estate	378	120			
of which: gain related to a change to retiree benefit plans in the US	21				
of which: impairment of an intangible asset	(11)				
Adjusted profit before tax	**5,635**	**5,341**	**754**	**1,300**	**1,003**
Includes: net expenses for provisions for litigation, regulatory and similar matters	(1,087)	(795)	(365)	(419)	(264)
Includes: annual UK bank levy	(166)	(123)	(166)		(132)
Tax expense/(benefit)	(898)	805	(715)	49	109
Net profit attributable to non-controlling interests	183	82	1	1	1
Net profit attributable to shareholders	**6,203**	**3,204**	**949**	**827**	**636**
Diluted EPS (CHF)	1.64	0.84	0.25	0.22	0.17
Adjusted return on tangible equity (%)	13.7	9.0	11.4	10.1	7.3
Total book value per share (CHF)	14.75	14.44	14.75	14.37	14.44
Tangible book value per share (CHF)	13.00	12.68	13.00	12.66	12.68

Refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

Wealth Management

9% YoY decrease in costs, offsetting revenue headwinds



Operating income CHF 1,782 million

- **Transaction-based income** down YoY as 4Q15 included a CHF 45 million fee received for the shift of clients to P&C
- **Net interest income** down YoY due to lower treasury-related revenues
- **Recurring net fee income** down YoY reflecting shifts to retrocession-free products, changes in clients' asset allocation, and cross-border outflows, more than offsetting the effects of higher average invested assets and mandate penetration and the effect of pricing measures

Operating expenses CHF 1,270 million

- **G&A expenses** down YoY mainly due to lower expenses for litigation provisions (CHF 62 million vs. CHF 79 million in 4Q15)[3]
- **Personnel expenses** down YoY largely due to headcount reductions related to management actions

Profit before tax CHF 511 million

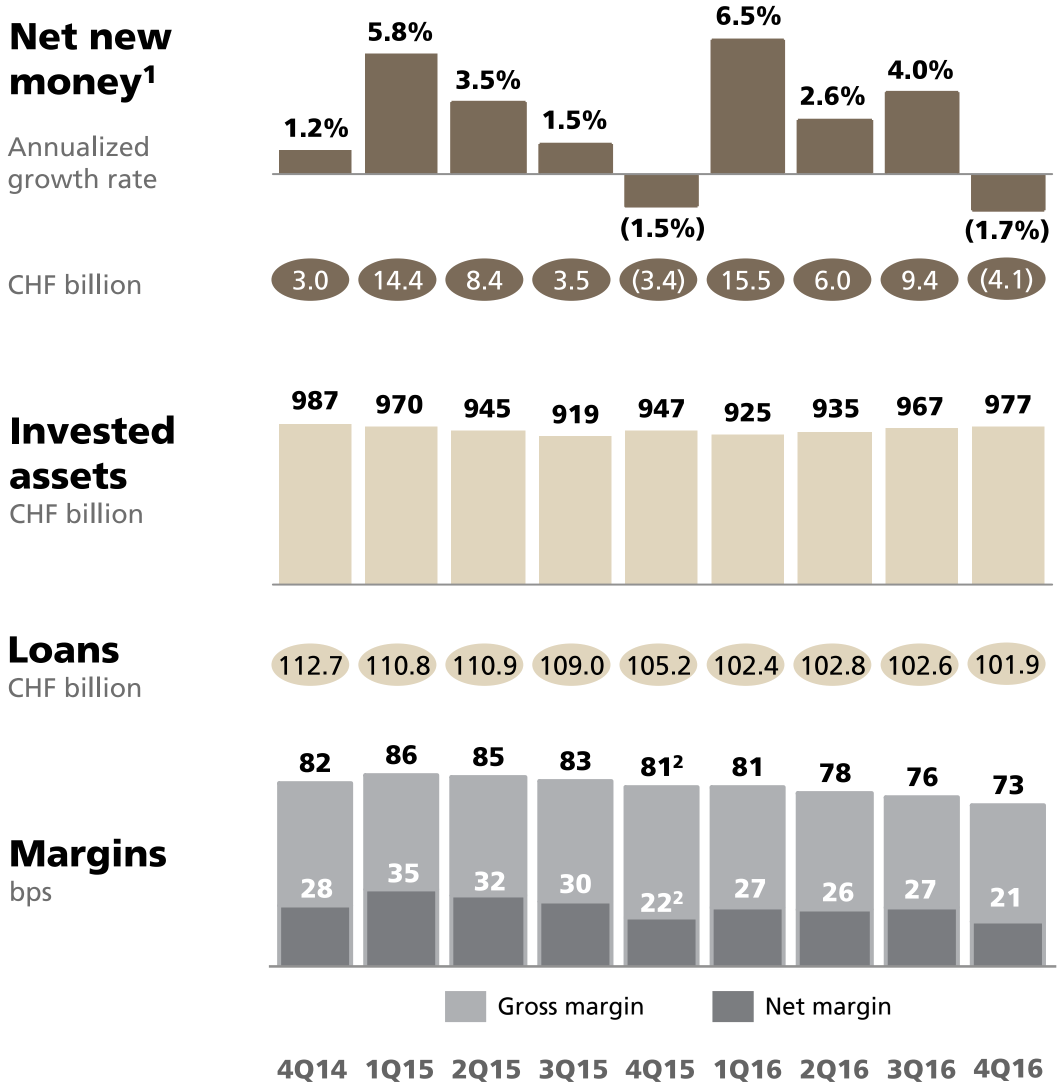
- **Profit before tax** CHF 573 million excluding expenses for litigation provisions
- **Cost/income ratio** 71% vs. 73% 4Q15 (68% vs. 69% in 4Q15 excluding expenses for litigation provisions)

UBS

Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 General and administrative expenses; 2 Depreciation and impairment of property, equipment and software as well as amortization and impairment of intangible assets; 3 4Q16 also included a CHF 9 million annual UK bank levy charge vs. CHF 13 million in 4Q15; 4 Profit before tax excluding net expenses for provisions for litigation, regulatory and similar matters of CHF 79 million in 4Q15 and CHF 62 million in 4Q16

Wealth Management

Invested assets up CHF 10 billion QoQ, NNM driven by cross-border outflows



- **NNM outflows CHF 4.1 billion** driven by CHF 7.4 billion of cross-border outflows, mainly in emerging markets and APAC
- Full-year NNM excluding cross-border outflows CHF 40.6 billion; growth rate of 4.3%

- **Invested assets CHF 977 billion** up QoQ due to FX effects, partly offset by net new money outflows and a net decrease related to sales and acquisitions of subsidiaries and businesses
- **Discretionary and advisory mandate penetration 26.9%**, down 20 bps QoQ reflecting seasonally lower net mandate sales as well as cross-border outflows
- **Gross loans CHF 102 billion** down QoQ as positive FX effects were offset by negative net new loans

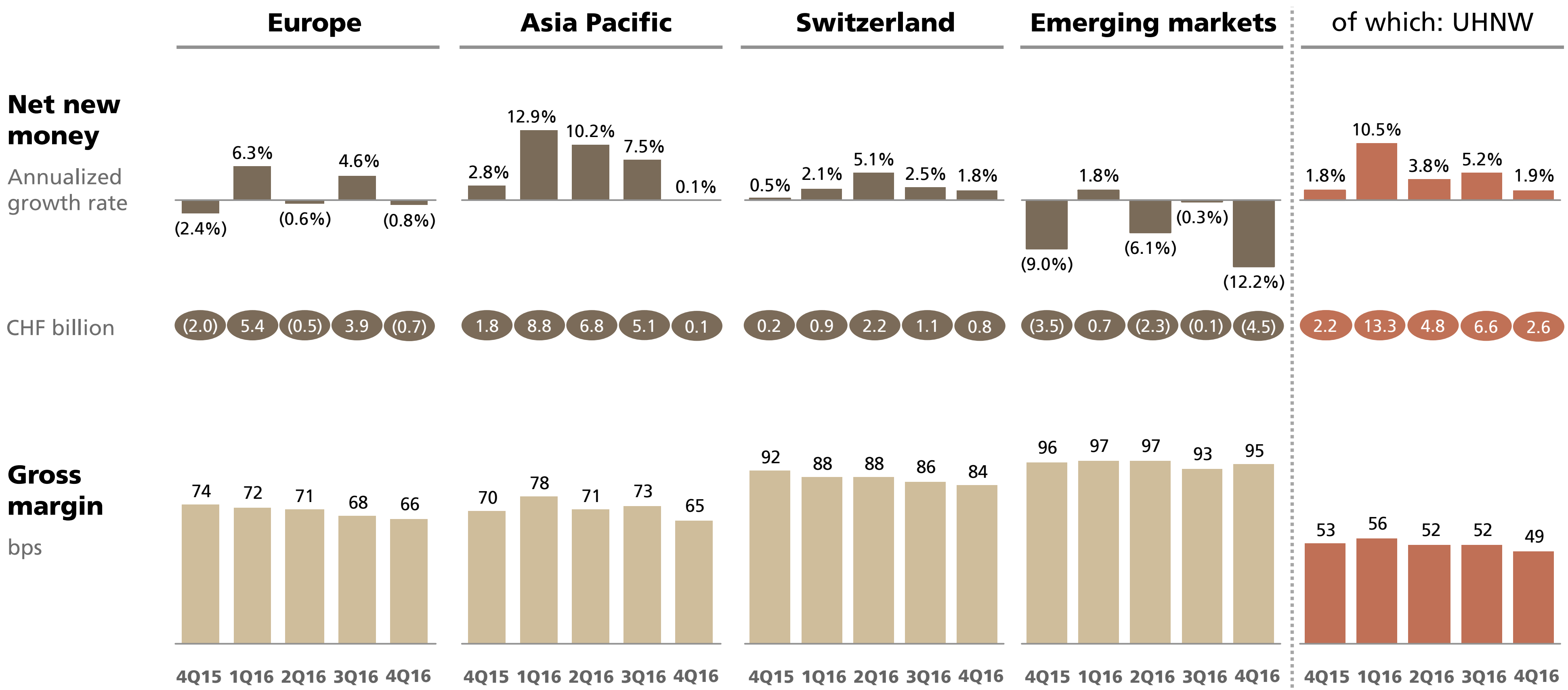
- **Gross margin 73 bps** down QoQ due to the effects of a seasonal decline in transaction-based revenues, particularly in APAC and cross-border outflows

UBS

Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Adjusted for outflows of CHF 6.6 billion in 2Q15 and CHF 3.3 billion in 3Q15 related to the balance sheet and capital optimization program; 2 Excluding the CHF 45 million fee received for the shift of clients to Personal & Corporate Banking, adjusted gross margin was 79 bps, and net margin was 20 bps in 4Q15

Wealth Management

Net new money outflows driven by emerging markets



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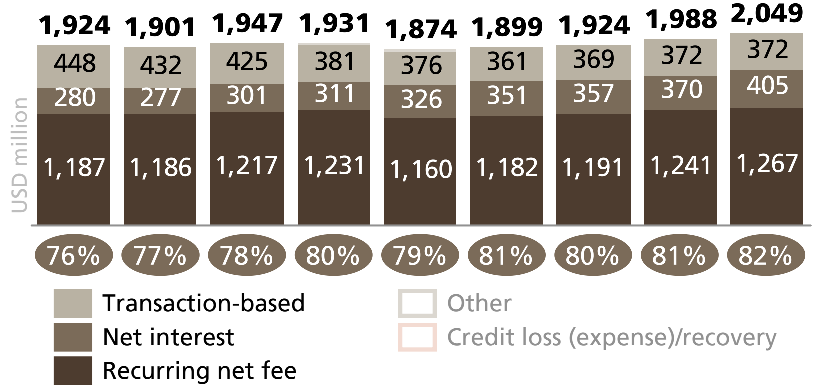
	Europe	Asia Pacific	Switzerland	Emerging markets	of which: UHNW
Invested assets CHF billion	**353**	**292**	**180**	**149**	**552**
Client advisors FTE	**1,317**	**1,016**	**744**	**681**	**805**

Wealth Management Americas

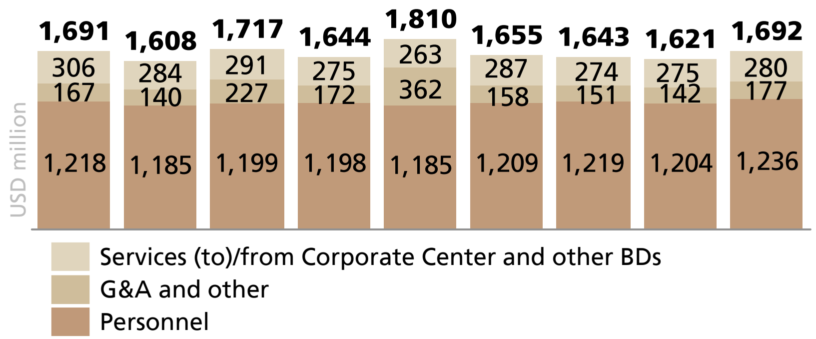
Strong results, PBT USD 358 million with 9% YoY revenue growth to record levels

Operating income

Recurring income

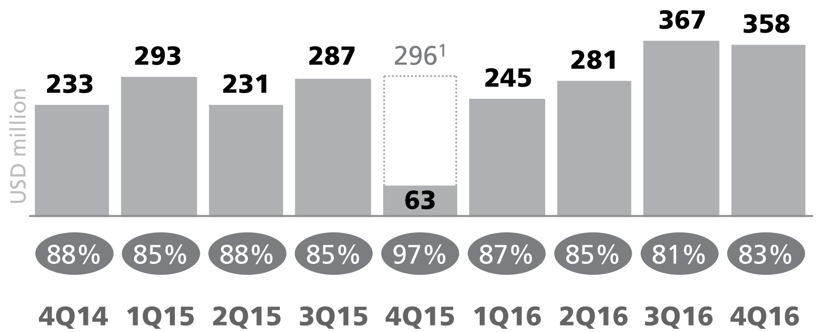


Operating expenses



Profit before tax

C/I ratio



Operating income USD 2,049 million

- **Transaction-based income** down slightly YoY
- **Net interest income** up YoY due to higher short-term interest rates and growth in loan and deposit balances
- **Recurring net fee income** up YoY mainly due to increased managed account fees on higher invested assets

Operating expenses USD 1,692 million

- **G&A expenses** down YoY due to lower expenses for litigation provisions (USD 52 million vs. USD 233 million in 4Q15)
- **Personnel expenses** up YoY reflecting higher performance-based FA compensation

PBT USD 358 million

- **Profit before tax** USD 410 million excluding expenses for litigation provisions
- **Cost/income ratio** 83% vs. 97% in 4Q15 (80% vs. 84% in 4Q15 excluding expenses for litigation provisions)

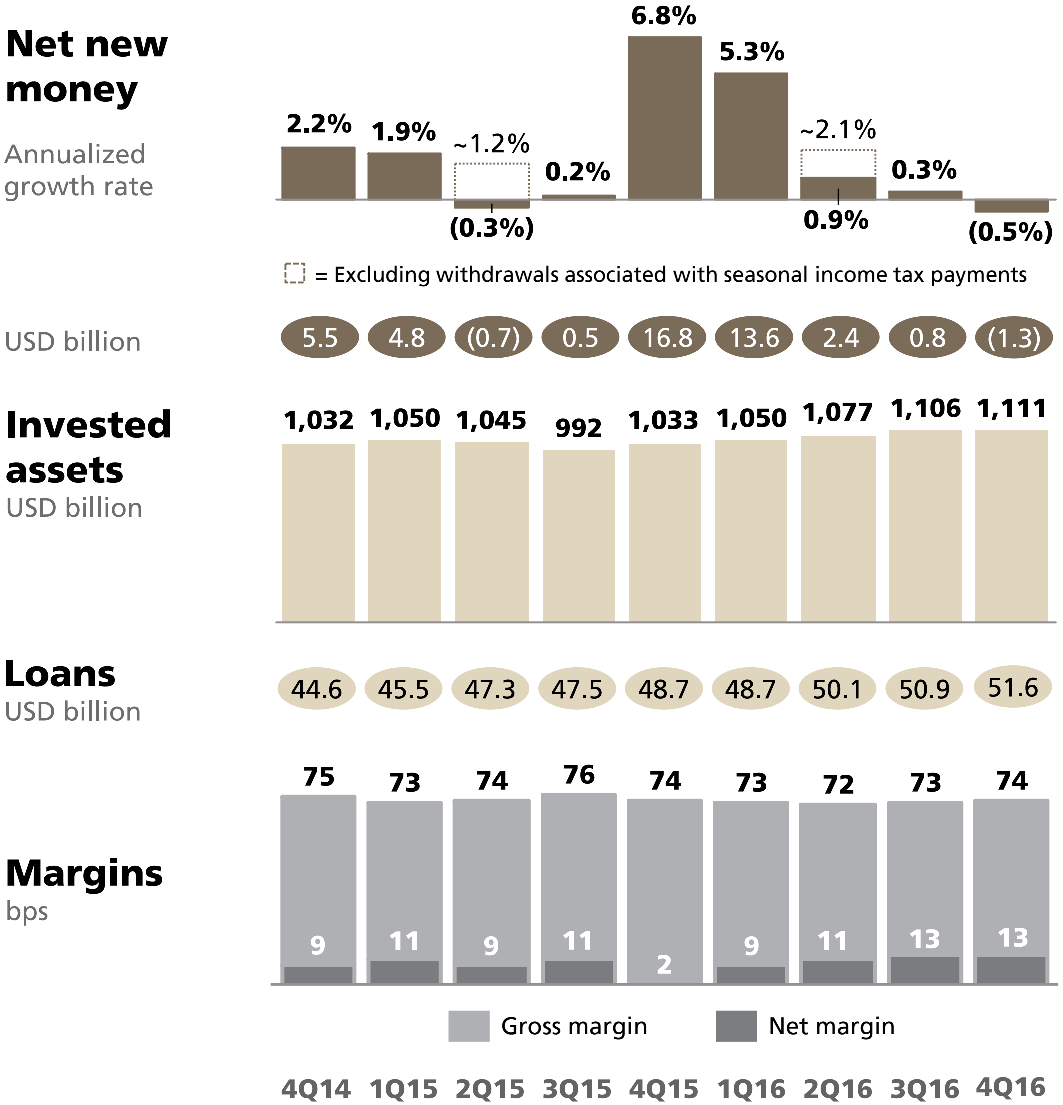
UBS

Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Profit before tax excluding USD 233 million net expenses for provisions for litigation, regulatory and similar matters

Wealth Management Americas

Net margin 13 bps and invested assets USD 1.1 trillion



- **NNM outflows USD 1.3 billion** as net inflows from financial advisors employed with UBS for more than one year were more than offset by net outflows from net recruiting

- **Invested assets USD 1,111 billion** up QoQ as market performance more than offset NNM outflows
- **Managed account penetration 34.7%**, down 10 bps QoQ

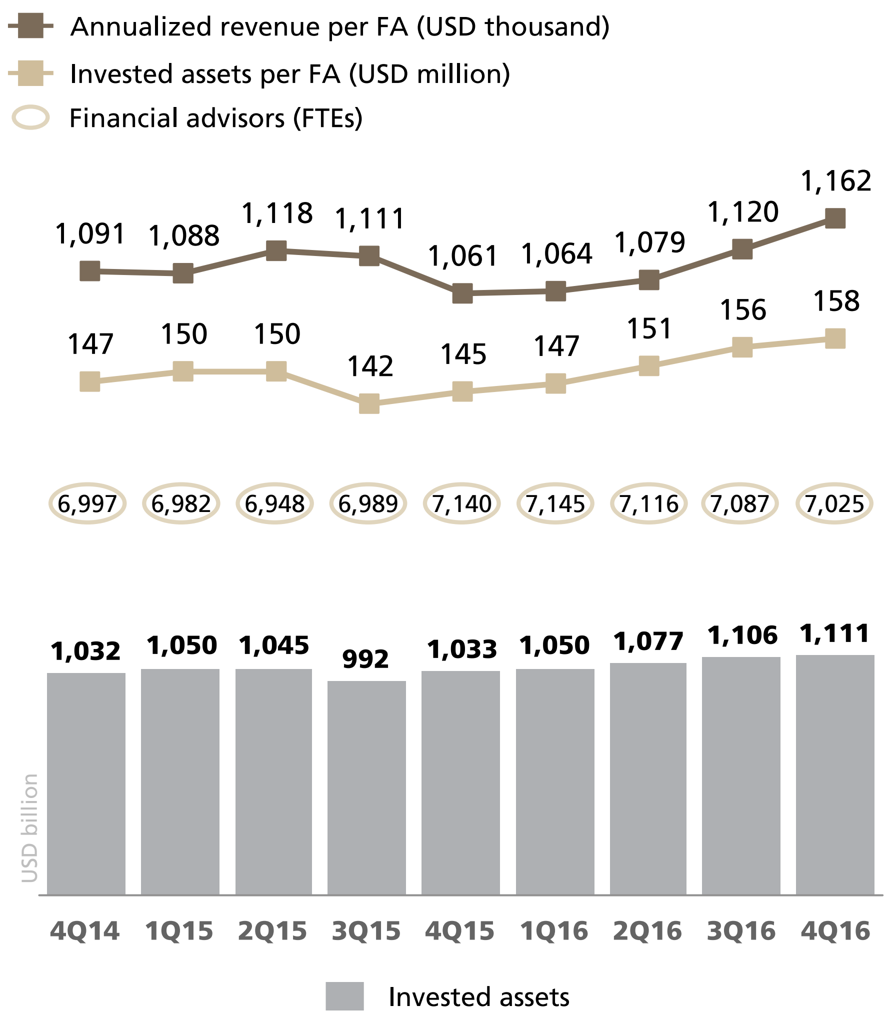
- **Gross loans USD 51.6 billion** up QoQ driven by increases in securities-backed lending and mortgage balances
- **Gross margin 74 bps** up QoQ as revenue growth outpaced invested asset growth

UBS Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

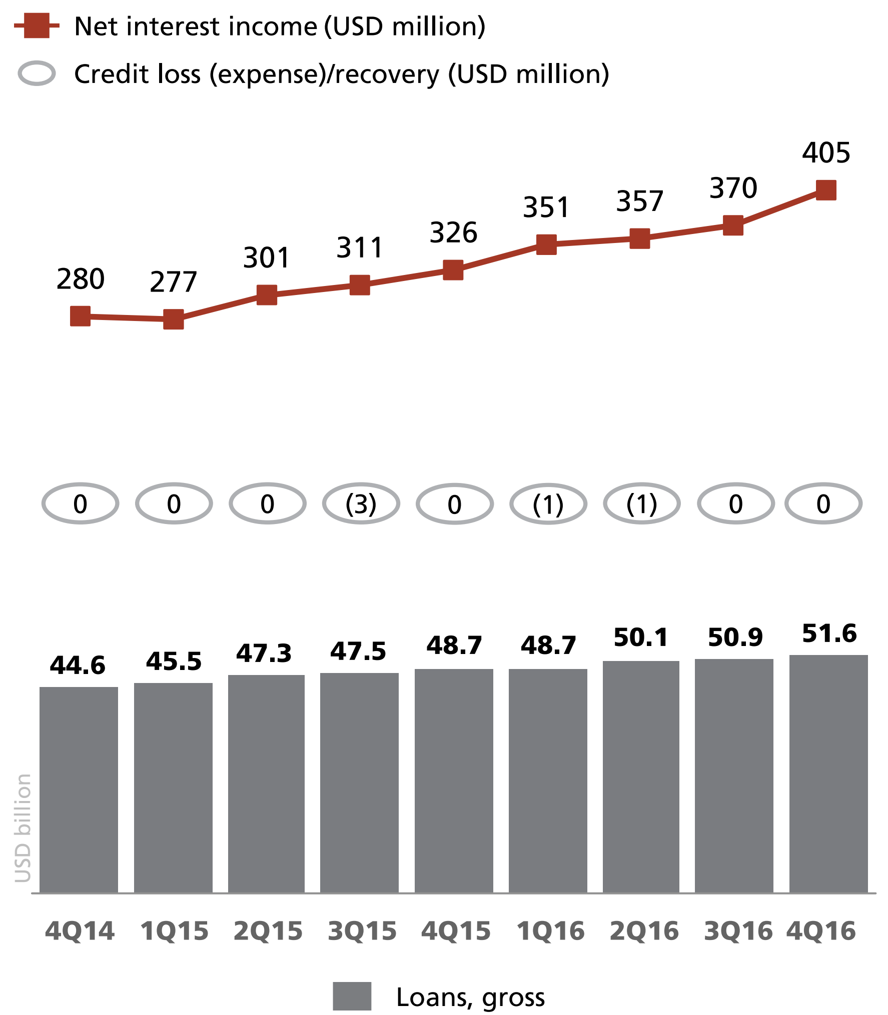
Wealth Management Americas

Industry-leading revenue and invested assets per advisor

Invested assets and FA productivity



Net interest income and lending



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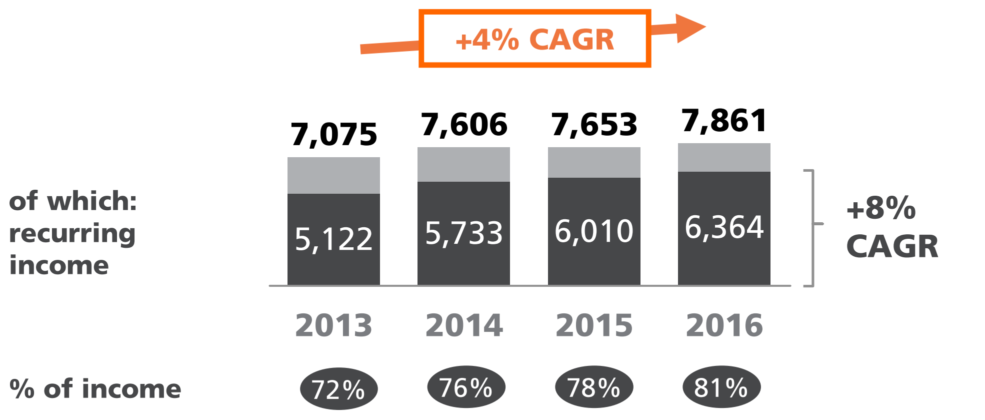
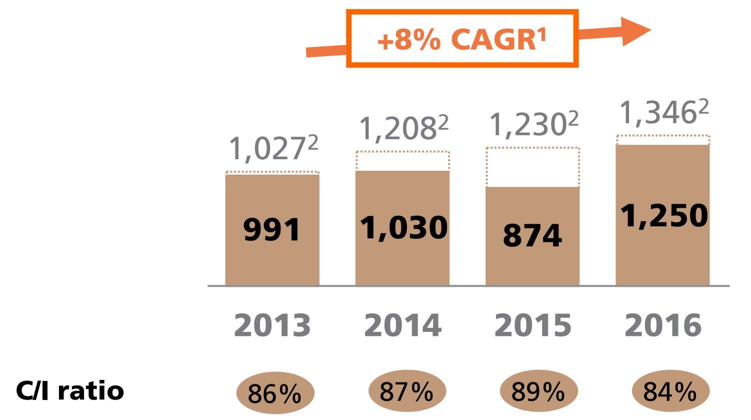
Wealth Management Americas

Record full-year PBT with strong underlying trends

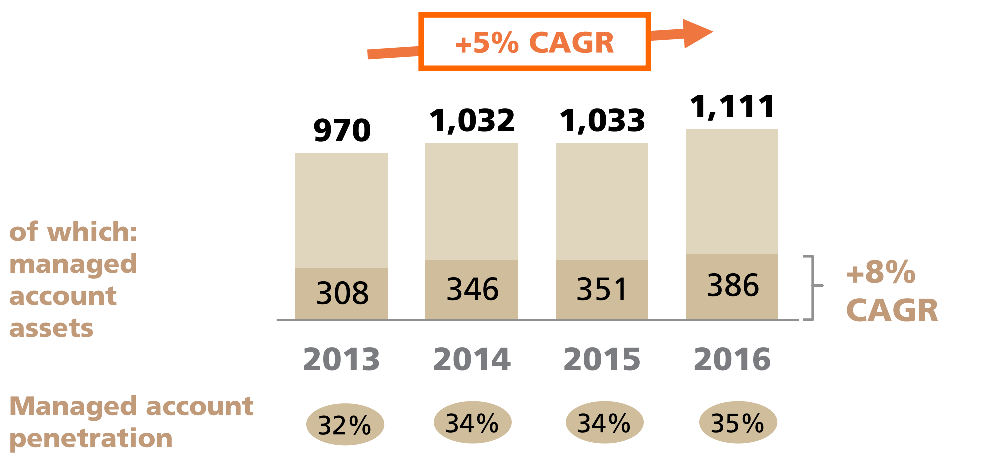
Operating income
USD million



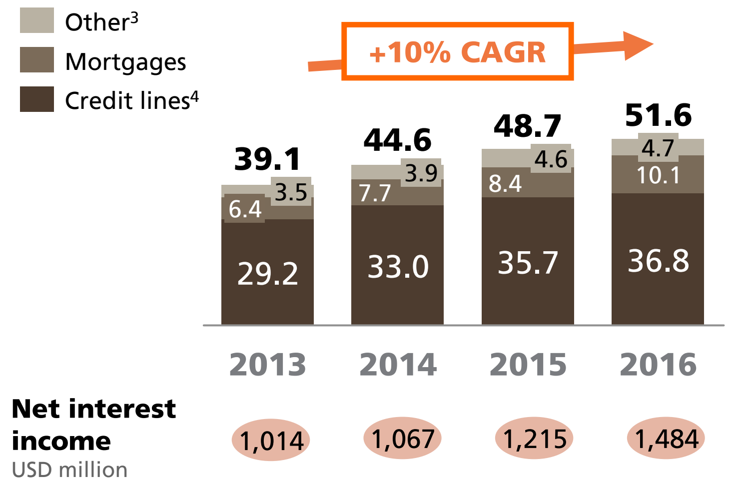
Profit before tax
USD million



Invested assets
USD billion



Loans
Gross, USD billion



UBS

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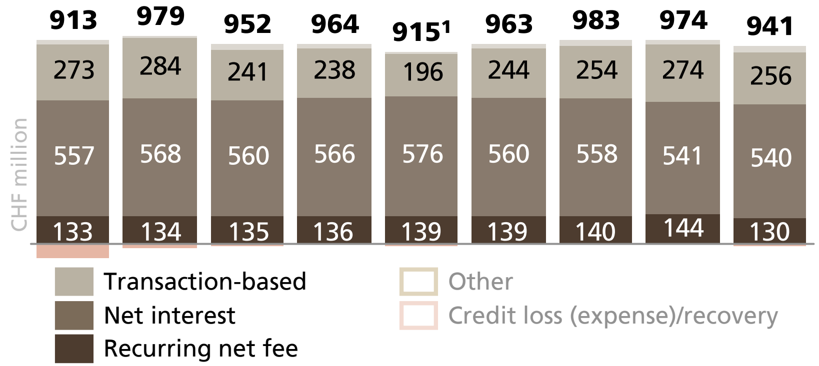
1 9% excluding net expenses for litigation, regulatory and similar matters; 2 Excluding net expenses for provisions for litigation, regulatory and similar matters; 3 Mainly margin loans; 4 Mainly securities-backed lending balances

Personal & Corporate Banking

PBT CHF 395 million, solid 4Q despite persistent headwinds from negative interest rates

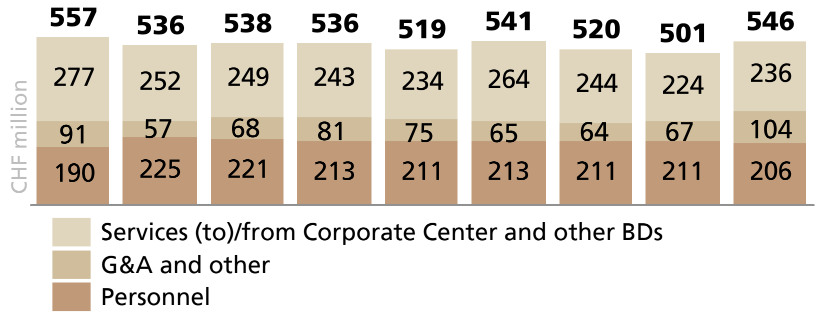
Operating income



Operating income CHF 941 million

- **Transaction-based income** up YoY mainly as 4Q15 included a CHF 45 million fee paid for the shift of clients from Wealth Management
- **Net interest income** down YoY reflecting lower treasury-related income
- **Net credit loss** CHF 8 million

Operating expenses

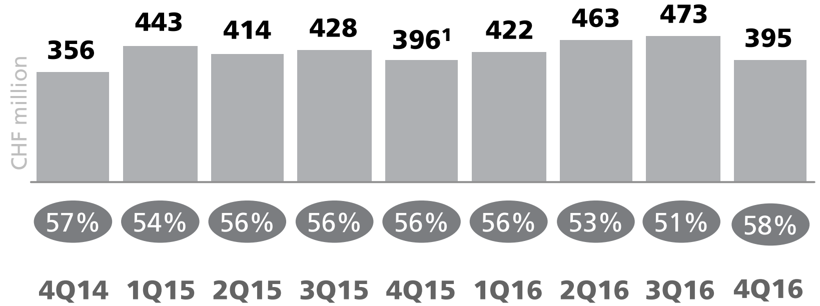


Operating expenses CHF 546 million

- **G&A expenses** up YoY reflecting higher capital-related levies in Switzerland, expenses for litigation provisions, and marketing costs

Profit before tax

C/I ratio



PBT CHF 395 million

- **Cost/income ratio** 58% vs. 56% in 4Q15
- **Net interest margin** 161 bps vs. 170 bps in 4Q15
- **Annualized NNBV growth[2]** 1.1% vs. 0.6% in 4Q15

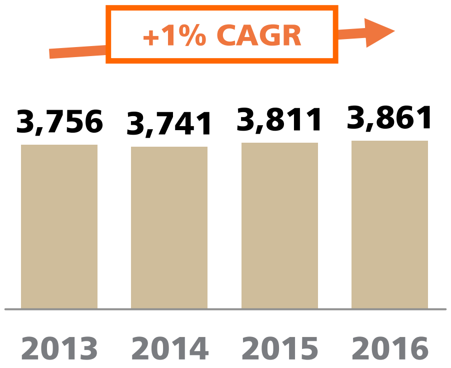
UBS

Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Excluding the CHF 45 million fee paid for the shift of clients from Wealth Management, operating income was CHF 960 million and profit before tax was CHF 441 million in 4Q15; 2 Annualized net new business volume growth for personal banking

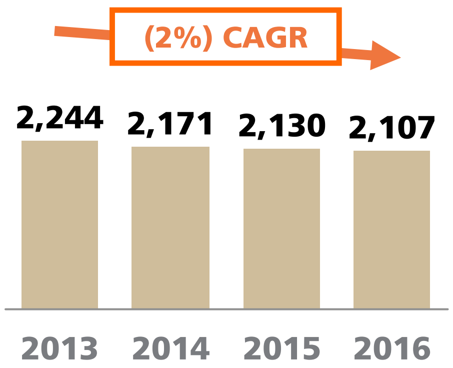
Personal & Corporate Banking

Best full-year PBT since 2008, with record net new client acquisition

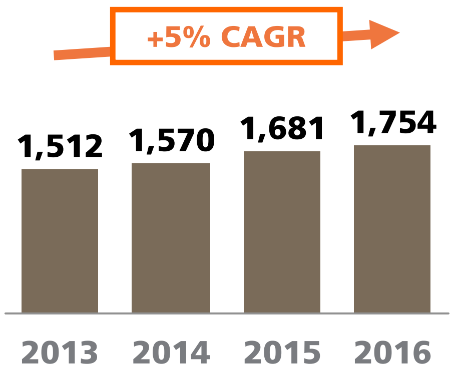
Operating income
CHF million



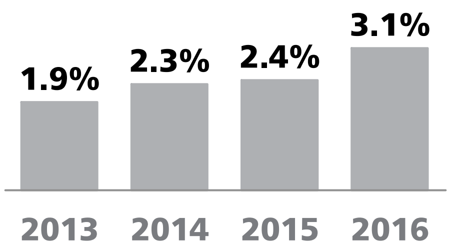
Operating expenses
CHF million



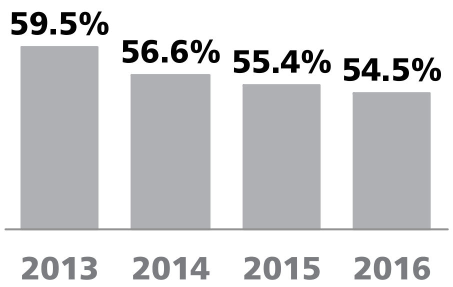
Profit before tax
CHF million



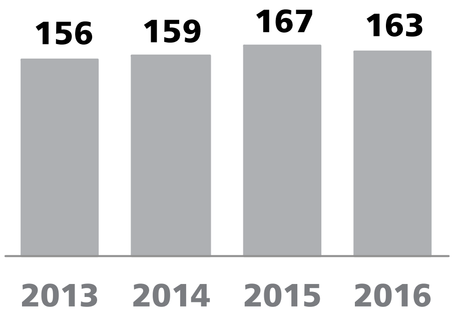
NNBV[1] growth
Personal banking



Cost/income ratio



Net interest margin
bps



UBS

Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Net new business volume

Asset Management

PBT CHF 156 million, up 3% YoY excluding Alternative Fund Services (AFS)

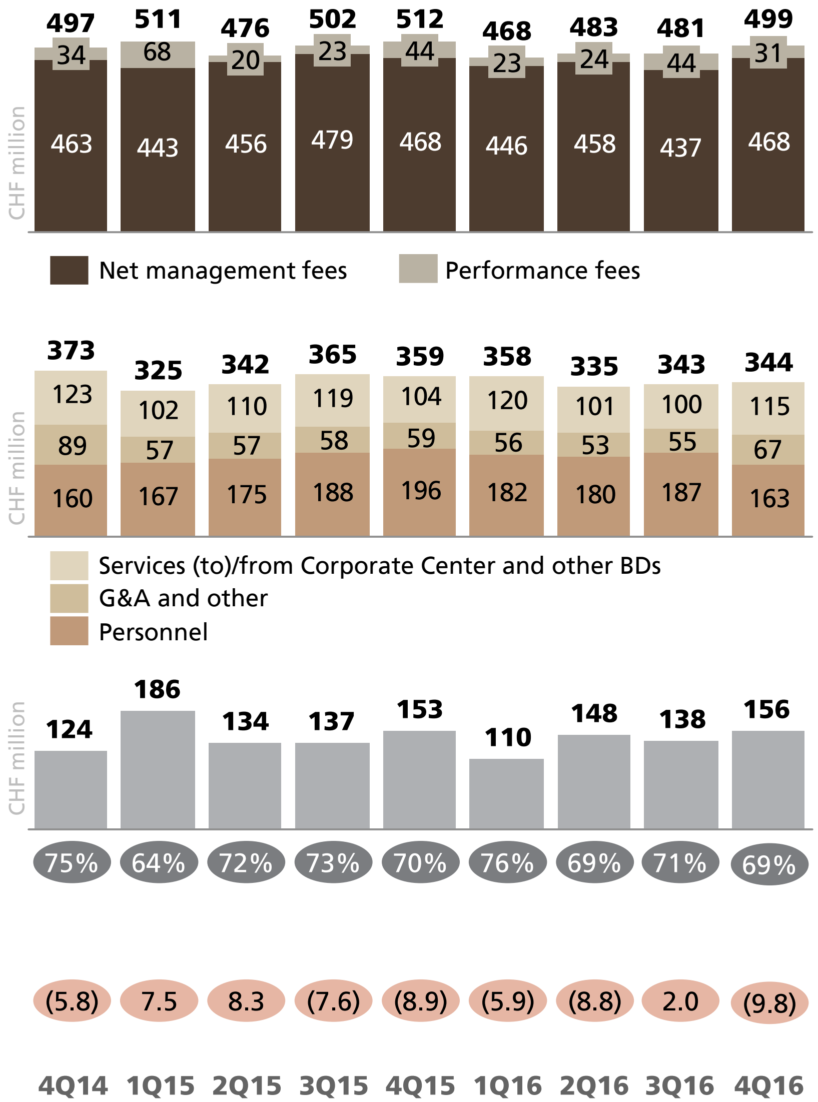
Operating income

Operating expenses

Profit before tax

C/I ratio

Net new money ex. MM



Operating income CHF 499 million

- **Performance fees** down YoY mainly in Equities, Multi Asset & O'Connor
- **Net management fees** stable YoY as the positive effects of fee true-ups of CHF 17 million as well as favorable market and FX movements, were largely offset by lower revenues following the sale of AFS and a decrease in fees related to NNM outflows

Operating expenses CHF 344 million

- **Personnel expenses** down YoY due to lower variable compensation expenses, as well as lower salary expenses, primarily due to the sale of AFS in 4Q15
- **Charges for services** up YoY on higher expenses from Corporate Center

PBT CHF 156 million

- **Cost/income ratio** 69% vs. 70% in 4Q15
- **Invested assets** CHF 656 billion, up CHF 6 billion QoQ
- **Net margin** 10 bps, up 1 bp QoQ
- **Gross margin** 31 bps, up 1 bp QoQ

NNM outflows excluding money market CHF 9.8 billion

Investment Bank

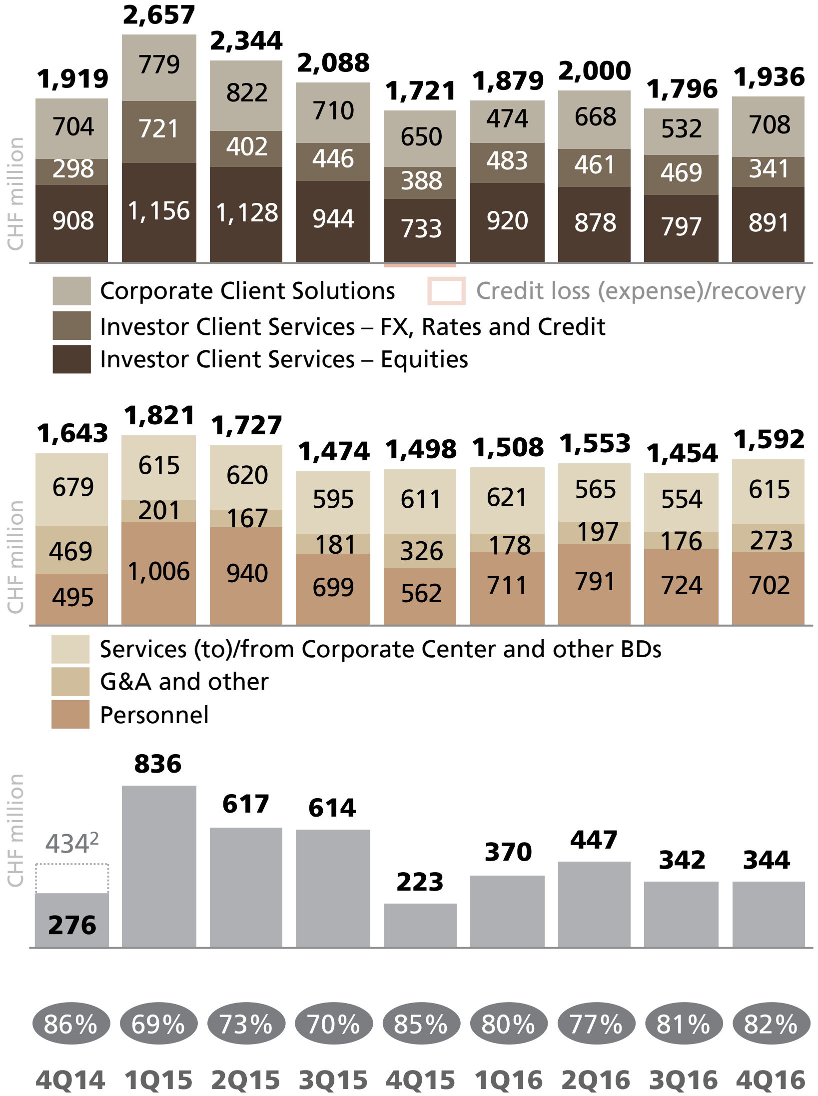
PBT up 54% YoY with highest 4Q revenues since 2012, driven by CCS and Equities

Operating income

Operating expenses

Profit before tax

C/I ratio



Operating income CHF 1,936 million

- **CCS revenues** up 9% YoY with the increase mainly in DCM, and to a lesser extent Advisory and ECM
- **ICS – FRC revenues** down 12% YoY on lower revenues in emerging markets products and in FX and interest rate options
- **ICS – Equities revenues** up 22% YoY with increases in all products, most notably in Derivatives and Financing Services
- **Net credit loss expenses** CHF 5 million vs. CHF 50 million in 4Q15

Operating expenses CHF 1,592 million

- **G&A expenses** down YoY partly due to a lower charge for the annual UK bank levy[1]
- **Personnel expenses** up YoY, largely due to more evenly spread accruals for variable compensation across the year
- Operating expenses excluding variable compensation expense down 7% YoY

PBT CHF 344 million

- **Cost/income** ratio 82% vs. 85% in 4Q15
- **Annualized RoAE[3]** 18% vs. 12% in 4Q15
- **RWA** up CHF 5 billion QoQ to CHF 70 billion
- **LRD** down CHF 15 billion QoQ to CHF 231 billion

UBS

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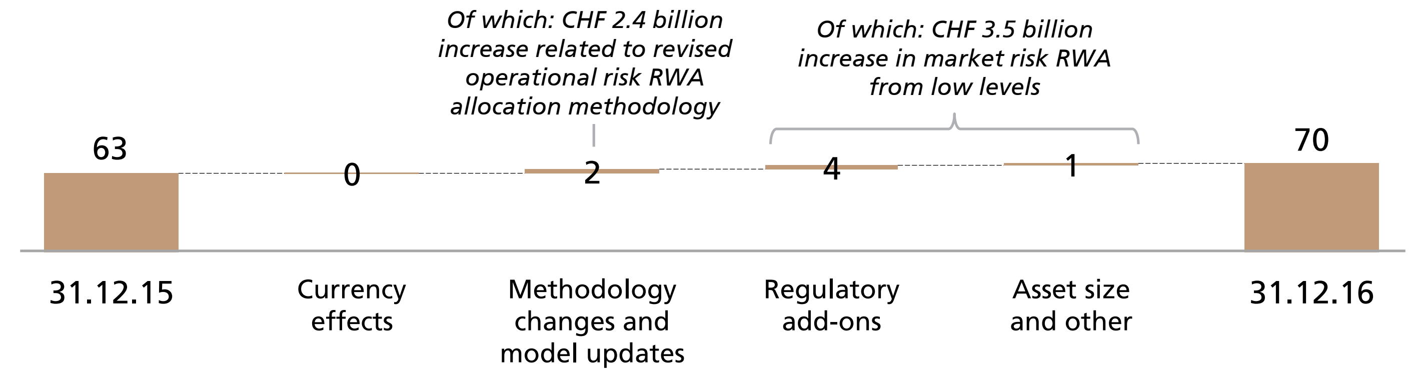
1 Annual UK bank levy charge was CHF 85 million in 4Q16 vs. CHF 98 million in 4Q15; 2 Profit before tax excluding net expenses for provisions for litigation, regulatory and similar matters of CHF 158 million; 3 Annualized return on attributed equity

Investment Bank

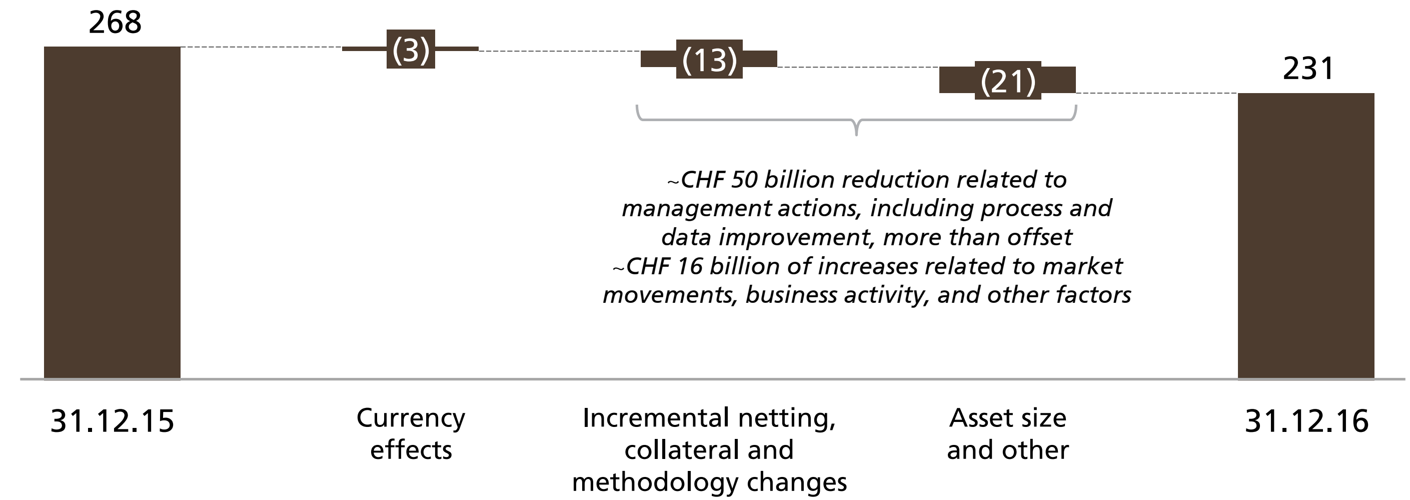
Effective resource management to absorb headwinds and drive returns

RWA
Fully applied, CHF billion



- RWA increase primarily driven by regulatory inflation, market risk factors and operational risk RWA methodology changes

LRD
Fully applied, CHF billion



- Investment Bank LRD decrease reflects effective management of resources

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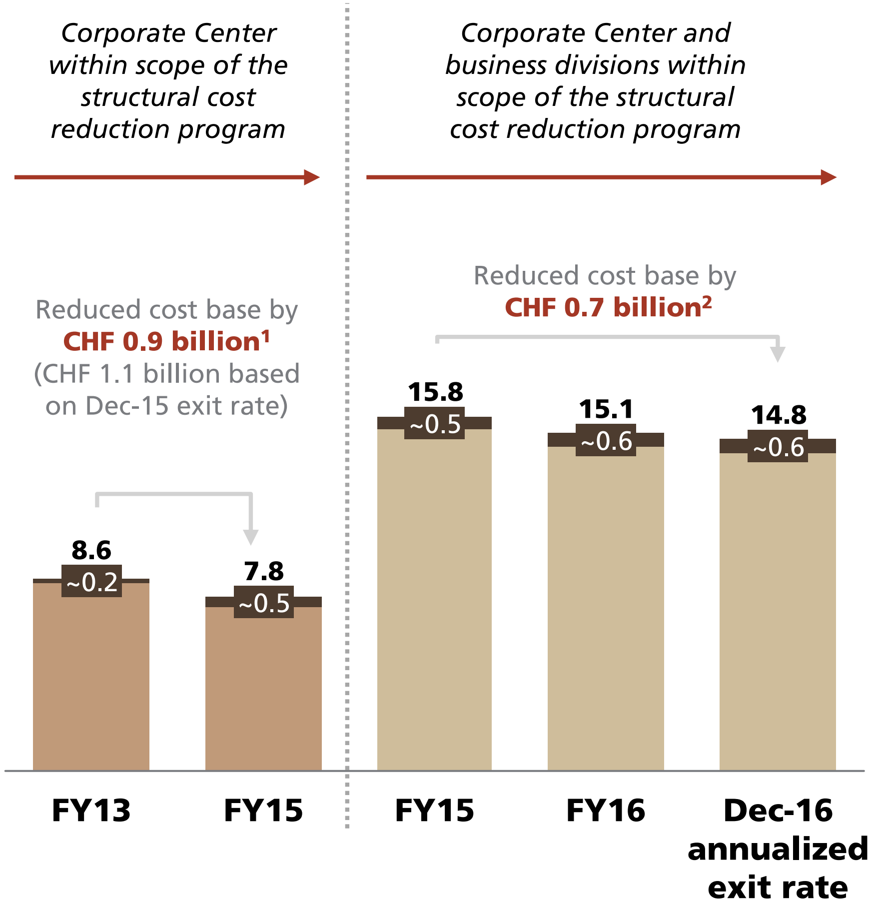
Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

Cost reduction

Achieved CHF 1.6 billion net cost reductions despite higher permanent regulatory expenses

Cost base and net cost reductions
CHF billion



CHF 1.6 billion net cost reductions achieved
based on Dec-16 annualized exit rate

- Non-structural reductions in performance-related compensation for front office not included in savings
- De minimis cost reduction contribution from business exits, apart from Non-core and Legacy Portfolio
- Reductions in temporary regulatory program costs will be incremental to our CHF 2.1 billion net reduction target
- Expected reductions in restructuring costs are not included in our cost savings target
- Restructuring expenses expected to remain around current run rate levels until end-2017, and to taper thereafter

Cost base for net cost reduction program (CC within scope)[3]
Cost base for net cost reduction program (CC and BDs within scope)[3,4]
of which: CC permanent regulatory costs

Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Excl. the impact of FX movements, which were a CHF 0.1 billion headwind; 2 Excl. the impact of FX movements, which were a CHF 0.3 billion benefit;
3 Sum of CC – Services adjusted operating expenses (op-ex) before allocations to business divisions (BDs), CC – NCL adjusted op-ex and CC – Group ALM op-ex, excl. expenses for provisions for litigation, regulatory and similar matters and temporary regulatory program costs; 4 Further includes sum of BD adjusted op-ex before allocations, and excl. expenses for provisions for litigation and other items not representative of underlying net cost reduction performance, mainly related to variable compensation expenses (structural changes to our variable compensation frameworks are recognized as net cost reductions) and WMA FA compensation

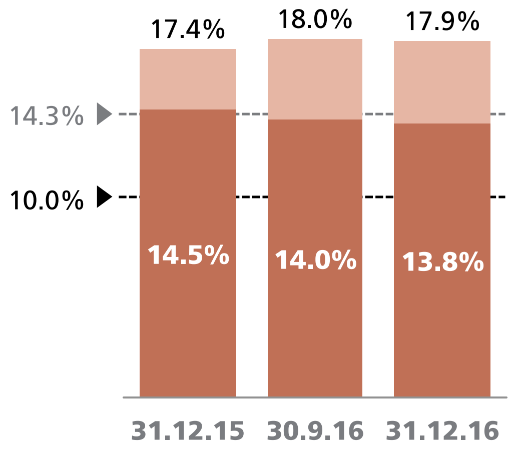
Going concern capital and leverage ratios

13.8% fully applied CET1 ratio and 3.53% fully applied CET1 leverage ratio

Capital ratio[1,2]

Fully applied, CHF billion

- AT1
- CET1
- --- 1.1.20 Going concern requirement (CET1 + AT1)[4]
- --- 1.1.20 CET1 requirement[4]



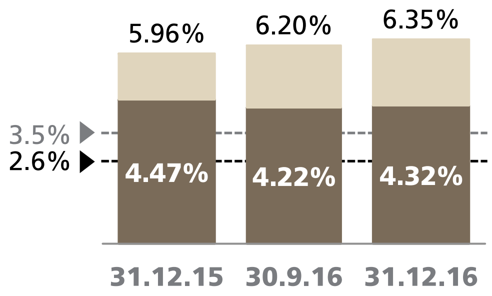
	31.12.15	30.9.16	31.12.16
CET1	**30.0**	**30.3**	**30.7**
RWA	**208**	**217**	**223**

Leverage ratio[2]

CHF billion

Phase-in[3]

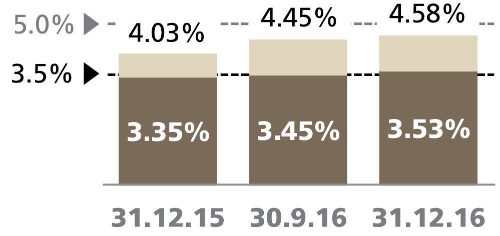
- (AT1 + T2)
- CET1
- --- 1.1.17 Going concern requirement (CET1 + AT1 + T2)
- --- 1.1.17 CET1 requirement



	31.12.15	30.9.16	31.12.16
CET1	**40.4**	**37.2**	**37.8**
LRD	**904**	**882**	**875**

Fully applied, rules as of 1.1.20

- AT1
- CET1
- --- 1.1.20 Going concern requirement (CET1 + AT1)
- --- 1.1.20 CET1 requirement



	31.12.15	30.9.16	31.12.16
CET1	**30.0**	**30.3**	**30.7**
LRD	**898**	**877**	**870**

Refer to the "Capital management" section of the 4Q16 report for more information

1 As of 31.12.16, our post-stress fully applied CET1 capital ratio exceeded 10%; 2 The revised Swiss SRB framework came into effect on 1.7.16, and figures prior to this date are pro forma; 3 Including transitional arrangements; 4 Excludes the effect of countercyclical buffers

Robust liquidity profile and stable funding

Liquidity coverage ratio (LCR)[1]

(CHF billion)	Average 4Q16
High-quality liquid assets[2]	196
Net cash outflows	148
LCR	**132%**

- Our contingent funding sources include a large, multi-currency portfolio of unencumbered, high-quality assets managed centrally by Group ALM, a majority of which is short-term, available and unutilized liquidity facilities at several major central banks, and contingent reductions of liquid trading portfolio assets
- The total weighted liquidity value of high-quality liquid assets was broadly unchanged at CHF 196 billion in the fourth quarter of 2016 as an increase in balances with central banks, which primarily occurred toward the end of the quarter, and an increase in off-balance sheet securities was offset by reductions in other eligible cash balances and on-balance sheet securities.
- For further information on LCR, refer to page 237 of the 2015 Annual Report

Pro-forma net stable funding ratio (NSFR)

(CHF billion)	31.12.16
Available stable funding (ASF)	442
Required stable funding (RSF)	381
NSFR	**116%**

- NSFR framework intends to limit over-reliance on short-term wholesale funding to encourage a better assessment of funding risk across on- and off-balance sheet items, and to promote funding stability
- ASF is defined as the portion of capital and liabilities expected to be available over the period of one year
- RSF is a function of maturity, encumbrance and other characteristics of assets held and off-balance sheet exposures
- We report our estimated pro-forma NSFR based on current guidance from FINMA and will adjust according to final implementation of the BCBS NSFR disclosure standards in Switzerland; the BCBS NSFR regulatory framework requires a ratio of at least 100% as of 2018

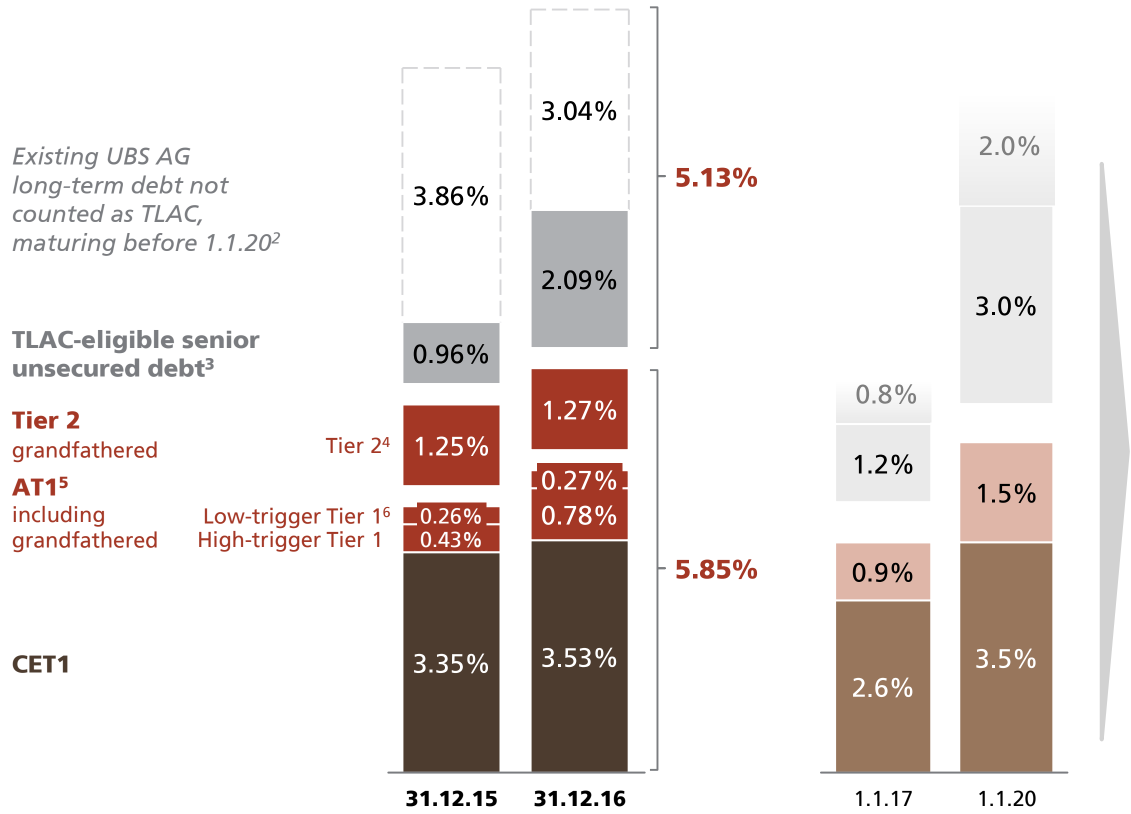
Refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Total adjusted value calculated after the application of haircuts and cash inflow and outflow rates as well as, where applicable, caps on level 2 assets and cash inflows. Effective 1 January 2017, we calculate and monitor our LCR on a daily basis and our reported quarterly average LCR will be the average of daily values during the quarter instead of the average of three month-end values ; 2 Group HQLA include amounts held by UBS Group subsidiaries and branches of UBS AG that are available to meet funding and collateral needs in certain jurisdictions, but are not readily available for use by the Group as a whole. This may be the result of local regulatory requirements, including LCR and large exposure limitations. Funds that are effectively restricted are excluded from the calculation of HQLA

Capital requirements under Swiss SRB

UBS leverage ratio balances vs. Swiss SRB requirements

Leverage ratio[1]

Requirements



Meeting 1.1.20 requirements

TLAC-eligible debt

- 2.09% (CHF 18.2 billion) existing UBS Group AG TLAC bonds[3]
- 3.04% (CHF 26.4 billion) long-term debt not counted in total loss absorbing capacity[2] which we expect to replace upon maturity with UBS Group AG issuance of TLAC-eligible bonds by 1.1.20
- 5% gone concern requirements subject to potential reduction of up to 2% based on improved resilience and resolvability
- We aim to operate with a gone concern ratio below 4% of LRD at 1.1.20

High-trigger AT1 capital[5]

- 1.05% (CHF 9.2 billion) comprising CHF 6.8 billion existing high-trigger AT1 and CHF 2.3 billion grandfathered low-trigger AT1[6]
- 2.32% (CHF 20.2 billion) when including grandfathered T2[4]
- We expect to replace maturing grandfathered T2 with UBS Group AG issuance of high-trigger AT1
- We expect to build additional ~CHF 0.8 billion in employee DCCP that qualifies as high-trigger AT1 by 31.12.18

CET1 capital

- 3.53% (CHF 30.7 billion) fully applied CET1 ratio
- Incremental CET1 via earnings accretion

Refer to slide 42 for details about Basel III numbers and FX rates in this presentation

1 Based on fully applied Swiss SRB LRD and fully applied CET1, AT1, T2 capital and TLAC-eligible senior unsecured debt; 2 Debt held at amortized cost, excluding any capital instruments; 3 Also includes non-Basel III-compliant tier 1 and tier 2 capital which qualify as gone concern instruments until one year prior to maturity, with a haircut of 50% applied to the last year of eligibility; 4 Tier 2 instruments can be counted towards going concern capital up to the earliest of the first call date or 31.12.19. From 1.1.20, these instruments may be used to meet the gone concern requirements until one year before maturity, with a haircut of 50% applied to the last year of eligibility. As of 31.12.16, CHF 6.9 billion of low-trigger T2 has a first call and maturity date after 31.12.19; 5 Going concern requirement can be met with a maximum of 1.5% high-trigger AT1 capital and any going concern-eligible capital above this limit can be counted towards the gone concern requirement. Where low-trigger AT1 or T2 instruments are used to meet the gone concern requirements, such requirement may be reduced by up to 1% for the LRD-based requirement; 6 Low-trigger AT1 instruments can be counted towards going concern capital up to the first call date

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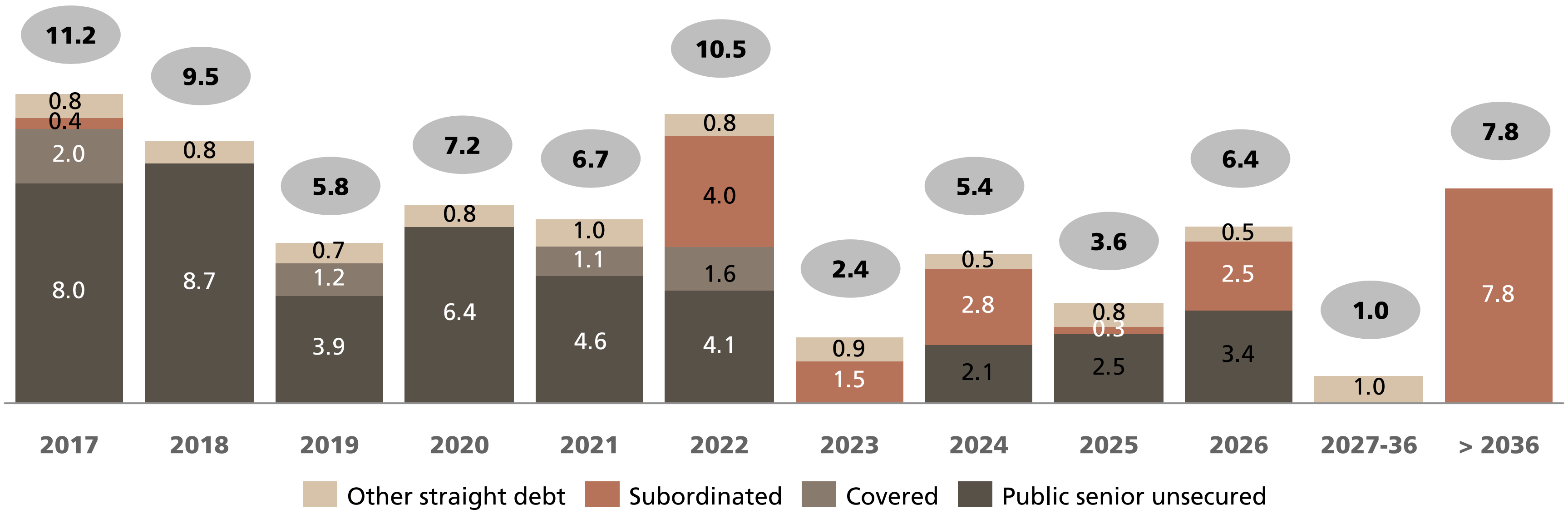
Long-term debt – contractual maturity profile

Amount of long-term debt maturing by period of maturity

CHF billion, 31.12.16



CHF 77.5 billion (CHF 75.8 billion 3Q16) total volume:

- Comprises CHF 58.2 billion of senior and CHF 19.3 billion of subordinated debt
- CHF 11.2 billion, or 14%, of the positions mature within the upcoming 12 months, of which CHF 8.0 billion in public senior unsecured benchmark bonds
- Does not include structured notes (which are Financial Liabilities at Fair Value)
- Does not include CHF 654 million of Hybrid Tier 1 securities

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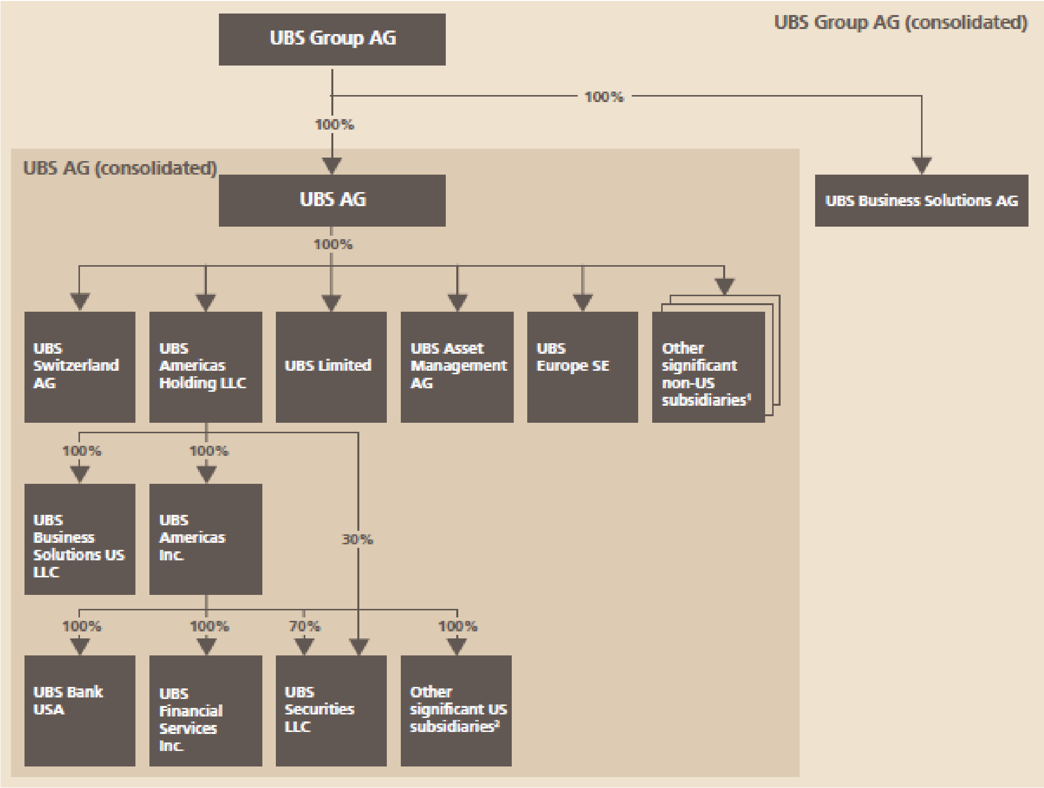
1 Includes publicly and privately placed notes and bonds as well as covered bonds and Swiss cash bonds (Kassenobligationen)

The legal structure of UBS Group

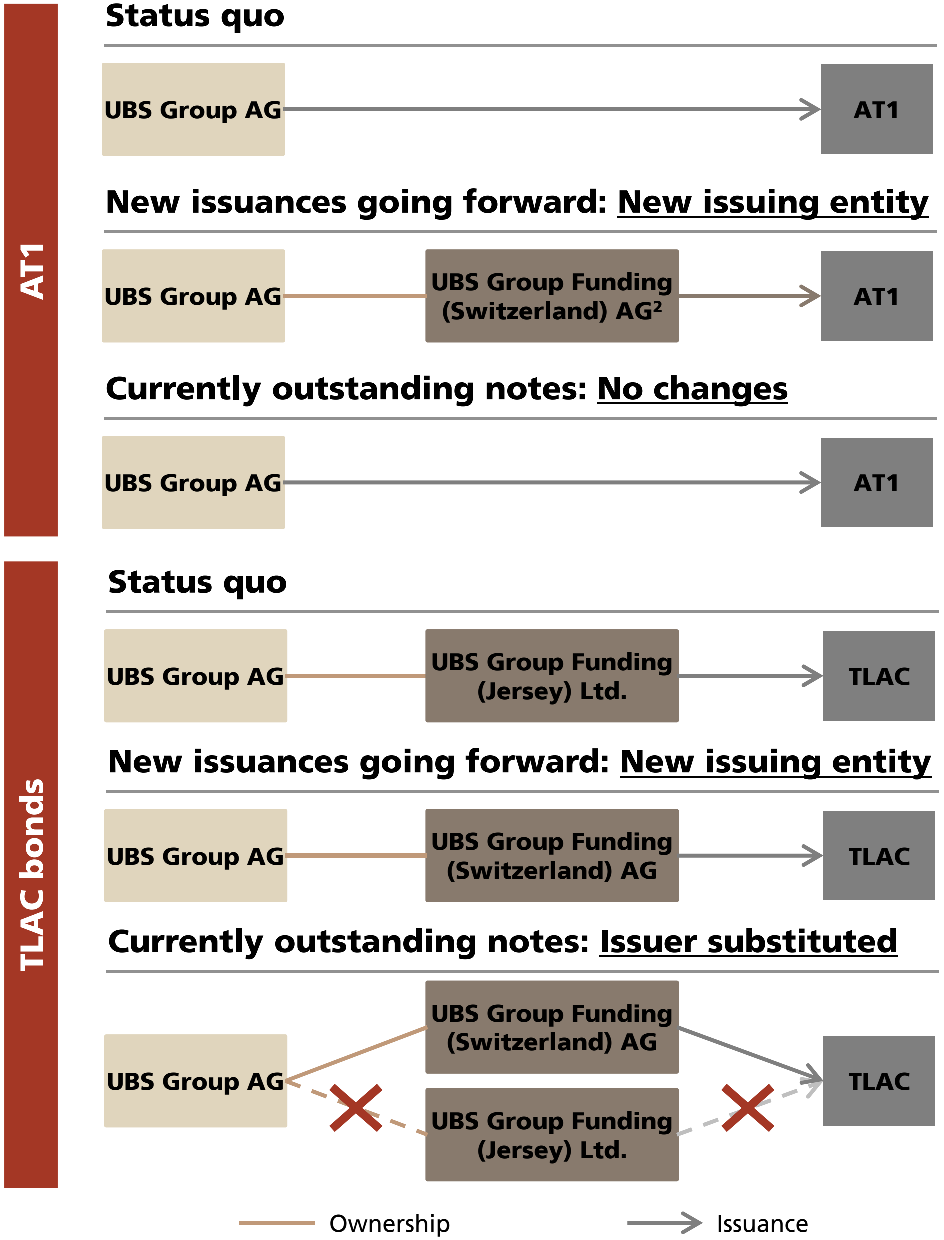
- The chart below provides an overview of certain significant subsidiaries of UBS Group AG and UBS AG as of 31 December 2016. The subsidiaries within the UBS Group AG (consolidated) and UBS AG (consolidated) scope are generally 100% held, with few exceptions.



- During the fourth quarter we merged UBS Deutschland AG and our Wealth Management subsidiaries in European countries into our new European legal entity, UBS Europe SE, which is headquartered in Frankfurt, Germany[3]
- UBS Business Solutions AG and US LLC will act as Group service companies, the purpose of which is to improve resolvability of the Group by enabling us to maintain operational continuity of critical services should a recovery or resolution event occur
- We continue to consider further changes to the Group's legal structure in response to capital and other regulatory requirements

1 Other significant non-US subsidiaries are generally held either directly by UBS AG or indirectly through UBS Switzerland AG or UBS Asset Management AG; 2 Other significant US subsidiaries are generally held either directly by UBS Americas Inc. or indirectly through UBS Financial Services Inc.; 3 refer to page 4 of our fourth quarter 2016 financial report for further details

Debt and capital instrument issuance



- To date, UBS Group AG has been the issuer of all UBS additional tier 1 (AT1) capital instruments and UBS Group Funding (Jersey) Ltd. has been the issuer of all UBS's total loss-absorbing capacity (TLAC) eligible senior unsecured debt
- **UBS Group Funding (Switzerland) AG** has been established to issue all AT1 and TLAC bonds as of 2 March 2017[1]
- In addition UBS intends to **substitute UBS Group Funding (Switzerland) AG as the issuer of outstanding TLAC** bonds issued by UBS Group Funding (Jersey) Limited
- **UBS Group AG will remain, for the time being, the issuer of outstanding AT1**
- The issuer substitution is expected to be **completed by the end of the second quarter of 2017** and will be carried out pursuant to the substitution provisions provided in the **terms and conditions** of the relevant instruments
- TLAC bonds will (continue to) be **guaranteed** by UBS Group AG, and investors' **seniority of claim will remain unchanged**
- Newly issued **AT1 capital instruments will also be fully and unconditionally guaranteed by UBS Group AG**
- **Rating agencies have confirmed there will be no rating impact** on outstanding TLAC bonds as a result of the issuer substitution and it is expected that **newly issued AT1 will be rated consistently** with outstanding instruments
- **Both AT1 and TLAC bonds are exempt from withholding tax under Swiss law**

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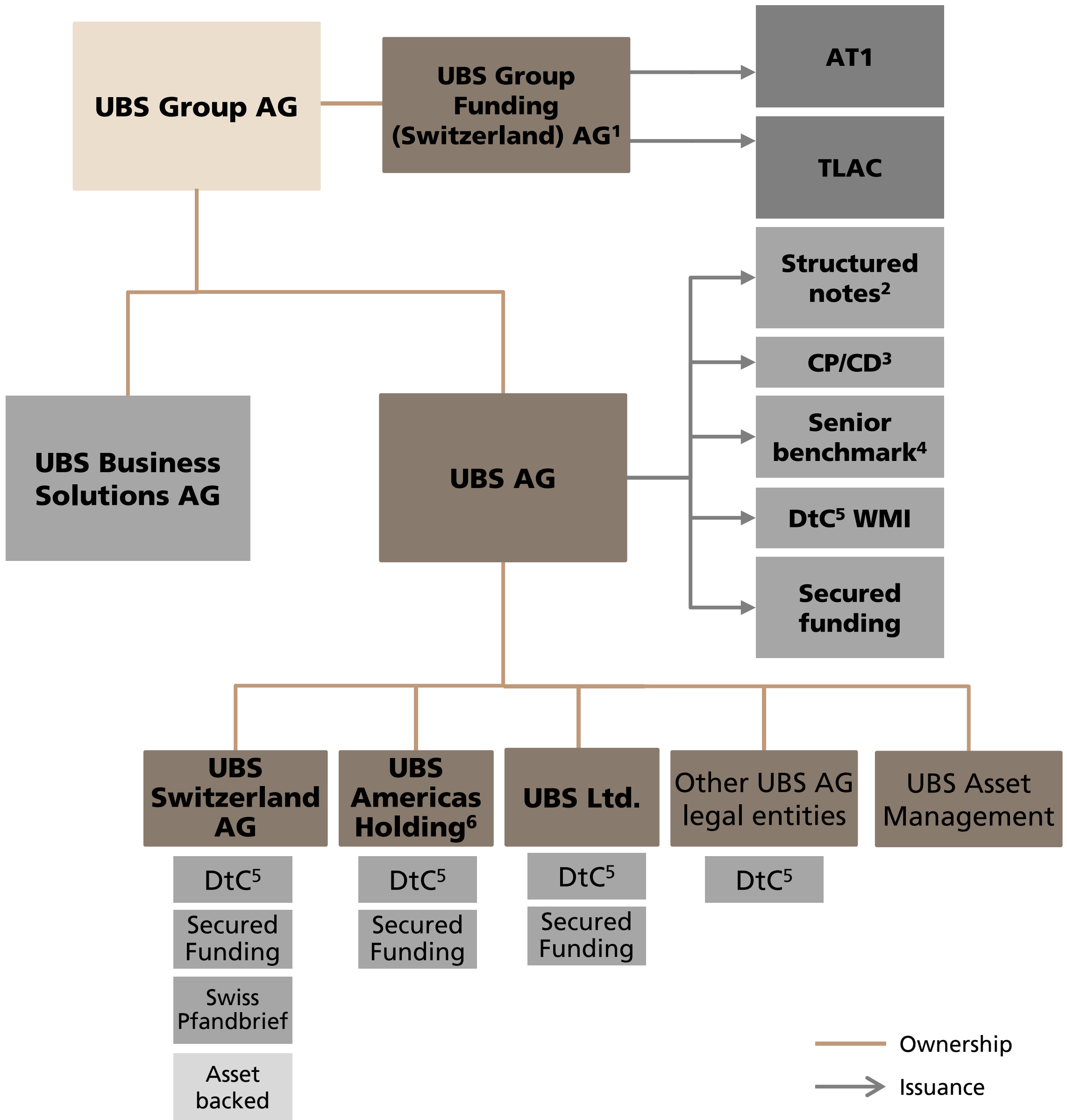
1 See press release of 2 March 2017 on www.ubs.com; 2 Supporting documents on UBS Group Funding (Switzerland) AG are available under the "Disclosures for legal entities" section on www.ubs.com/investors

Funding model



- UBS Group AG is the holding company meeting Single Point of Entry requirements and allows for the issuance of total loss-absorbing capacity (TLAC) eligible senior unsecured debt and all capital instruments
- UBS Group Funding (Switzerland) AG, a direct subsidiary of UBS Group AG, will issue TLAC bonds and additional tier 1 (AT1) capital instruments
- Under current Swiss tax law, issuing these directly by UBS Group AG increase the overall tax burden for the Group, however this can be mitigated by issuing through a subsidiary, with a guarantee provided by UBS Group AG
- The Swiss Federal Council has requested the Swiss Federal Tax Administration to propose amendments to the current Swiss tax law in order to reduce the additional tax burden on debt issuances by bank top holding companies
- When such changes become effective, we expect AT1 and TLAC bonds to be issued directly out of UBS Group AG and at that point, we also expect to substitute UBS Group AG as issuer of outstanding capital and debt instruments issued by UBS Group Funding (Switzerland) AG
- Operating company debt is issued out of UBS AG and its branches in form of senior unsecured, Commercial Paper/Certificates of Deposit (CP/CD) and structured debt

1 Supporting documents on UBS Group Funding (Switzerland) AG are available under the "Disclosures for legal entities" section on www.ubs.com/investors; 2 Structured notes are issued out of London, Jersey and Hong Kong branches; 3 CP/CDs are issued out of London, Australia and Hong Kong branches; 4 Senior benchmarks are issued out of London, Jersey and Australia branches; 5 DtC: Due to Customers; 6 On a consolidated basis

Overview of resolution strategy (FINMA)

Switzerland's preferred resolution strategy for its big banks is a FINMA-led recapitalization of the failing entity through the parent company, that is, a so-called a single point of entry bail-in of creditors

PONV[1]

Business as usual

Rebuild cocos[2]

Post-resolution

Restructuring

Management changes

Recovery

Conversion of high trigger contingent convertible bonds (cocos[2]) to common equity

Disposals

Capital and liquidity measures from recovery plan

Rebuild cocos[2]

Resolution

Conducted by FINMA in close co-operation with other regulators; bank management suspended

Conversion of low trigger cocos[2] to common equity

Recapitalisation

Group bail-in

-> Financial stability safe-guarded

Restructuring

Break-up

-> Sales of assets and business lines

Critical operations

-> Maintenance of Swiss systemically important functions (SIFs) and critical operations (COs) in Swiss entity; other COs elsewhere depending on local regulations until disposal or orderly wind-down

Swiss SIFs

Local COs

Liquidation

Orderly wind-down of residual activities

✓ Recapitalisation sources considered sufficient by FINMA

✗ Recapitalisation sources considered insufficient by FINMA

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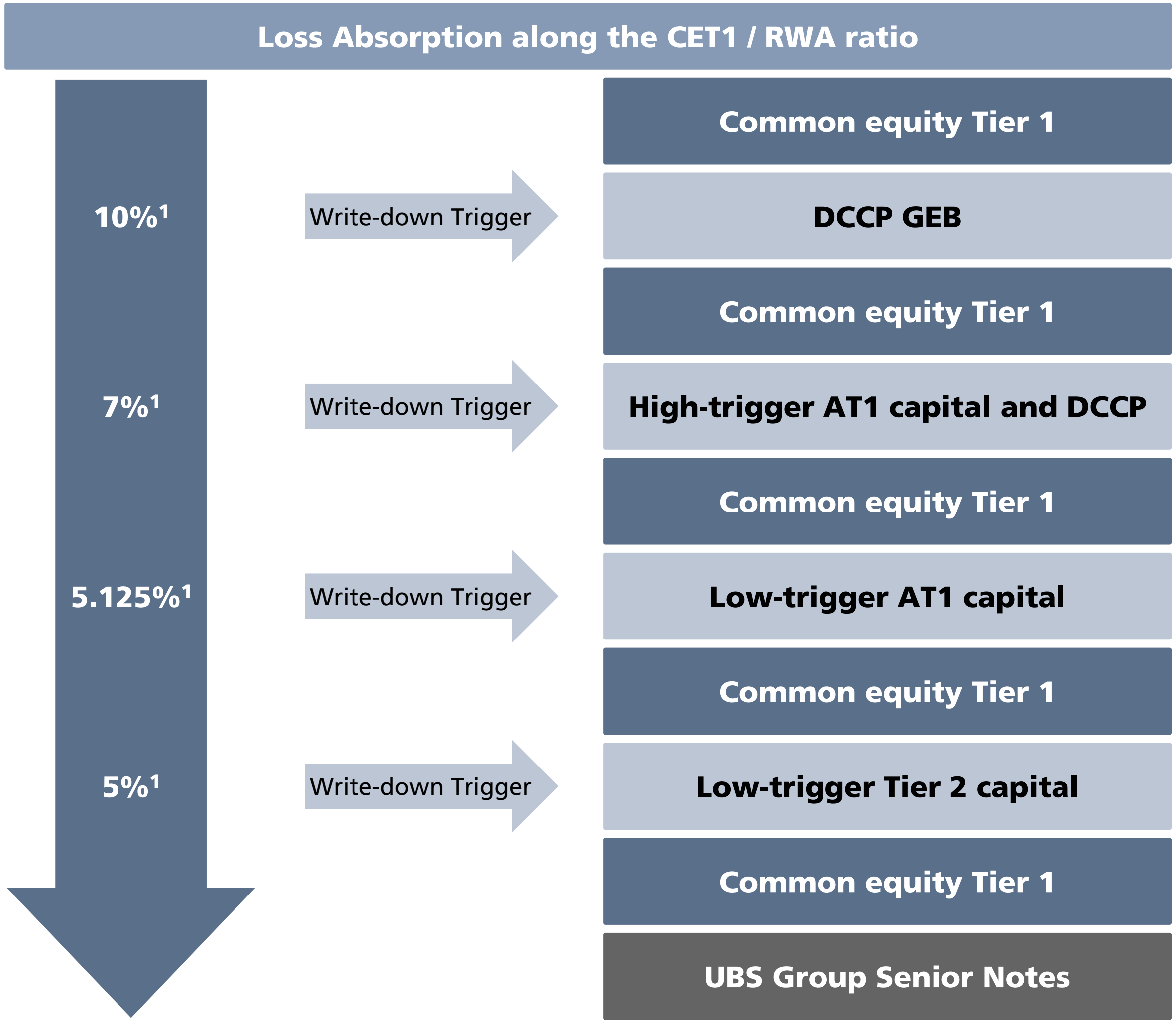
Source: FINMA Annual Report 2013, page 45
1 Point of non-viability; 2 Instead of cocos, UBS currently has high- and low trigger contingent write-down capital instruments outstanding

Write down trigger levels



Article 48 BIO-FINMA provides guidance with respect to bail-in-able debt:

i. sufficient debt needs to be converted into equity to ensure that, without doubt, the firm complies with the capital requirements to continue its business activities after the restructuring;

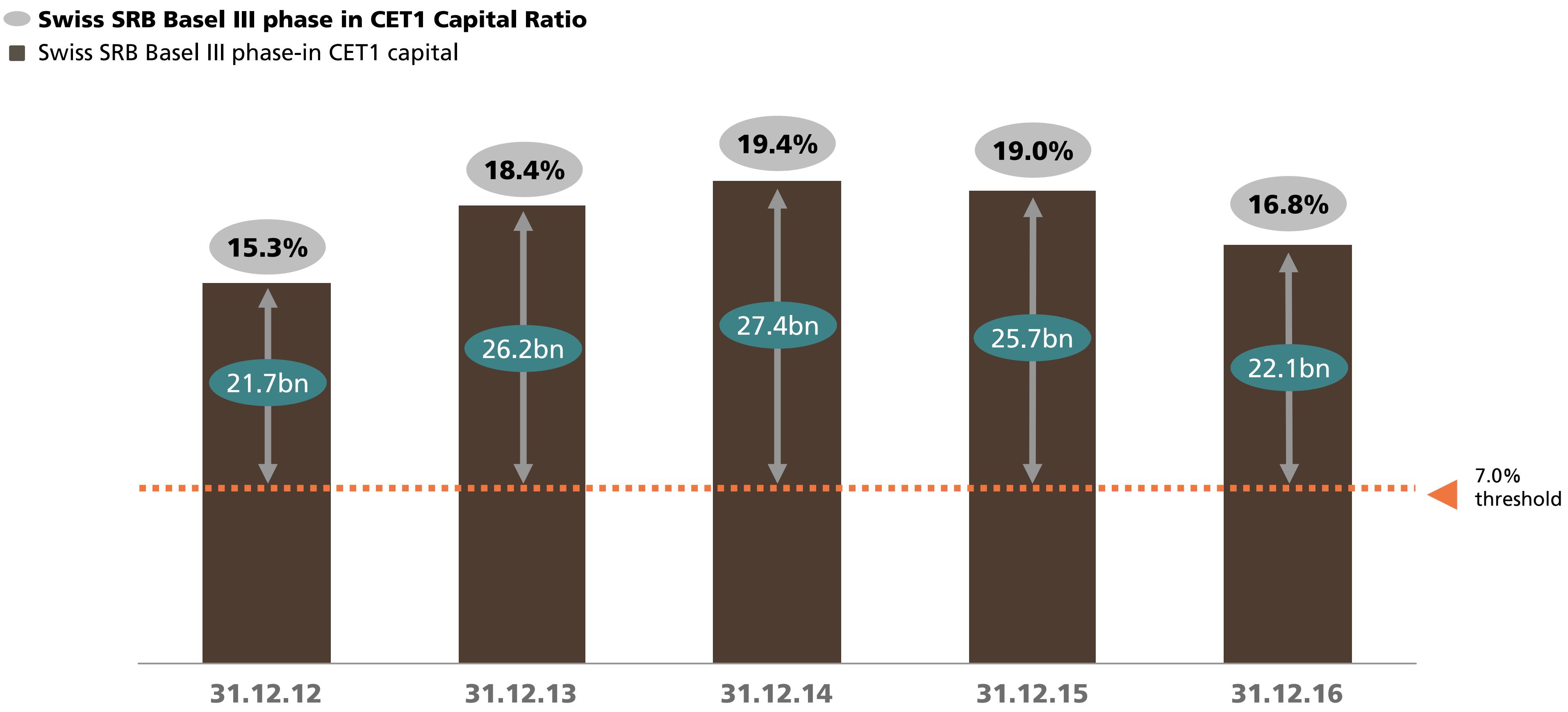
ii. prior to the conversion of the Senior Notes into equity, the company's equity capital is written off completely;

iii. a conversion of the Senior Notes may only be undertaken if the debt instruments of the bank that are part of additional core capital or supplementary capital have already been converted into equity capital, in particular contingent convertible bonds.

Source: Banking Insolvency Ordinance FINMA

1 CET1 ratio calculated on a consolidated basis taking into account UBS Group AG and its affiliates or UBS AG and its affiliates, as applicable

Substantial capital cushion to a 7% trigger threshold



Reported Swiss SRB Basel III – phase-in figures[1] (CHF billion)

	31.12.12	31.12.13	31.12.14	31.12.15	31.12.16
CET1	40.1	42.2	42.9	40.4	37.8
RWA	262	229	221	212	225

Refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Trigger on Tier 1 Capital Notes is computed off Swiss SRB Basel III phase-in CET1

Appendix

Our performance targets, expectations and ambitions

Objectives for sustainable business performance over the cycle

Wealth Management	Net new money growth rate	3-5%
	Adjusted cost/income ratio	55-65%
Wealth Management Americas	Net new money growth rate	2-4%
	Adjusted cost/income ratio	75-85%
Personal & Corporate Banking	Net new business volume growth rate	1-4% (personal banking)
	Net interest margin	140-180 bps
	Adjusted cost/income ratio	50-60%
Asset Management	Net new money growth rate	3-5% excluding money market flows
	Adjusted cost/income ratio	60-70%
	Adjusted annual pre-tax profit	Ambition: CHF 1 billion in the medium term
Investment Bank	Adjusted annual pre-tax RoAE	>15%[1]
	Adjusted cost/income ratio	70-80%
	RWA (fully applied)	Expectation: around CHF 85 billion short/medium term[2,3]
	LRD (fully applied)	Expectation: around CHF 325 billion short/medium term[2,3]
Group	Net cost reduction	CHF 2.1 billion by end 2017
	Adjusted cost/income ratio	60-70%
	Adjusted return on tangible equity	>15%
	Basel III CET1 ratio (fully applied)	at least 13%[4]
	RWA (fully applied)	Expectation: around CHF 250 billion short/medium term[2]
	LRD (fully applied)	Expectation: around CHF 950 billion short/medium term[2]

10-15% annual adjusted pre-tax profit growth for combined businesses over the cycle

Refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation; Refer to page 30 of the Annual Report 2016 for definitions
1 Under the current capital regime; 2 Based on the currently applicable rules. Refer to the "Capital management" section of this report for more information. Also reflects known FINMA multipliers and methodology changes for RWA, and assumes normalized market conditions for both RWA and LRD; 3 Including RWA and LRD directly associated with activity that Corporate Center – Group Asset and Liability Management manages centrally on the Investment Bank's behalf; 4 Our capital returns policy also includes our objective of maintaining a post-stress fully applied common equity tier 1 (CET1) capital ratio of at least 10%

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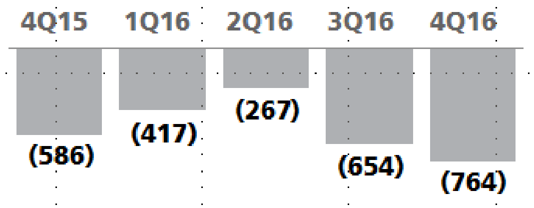
Corporate Center

Profit before tax



Corporate Center total (CHF million)

Corporate Center results by unit (CHF million)

	4Q15	1Q16	2Q16	3Q16	4Q16
Services					
Operating income	(54)	(55)	(42)	(66)	(59)
Operating expenses	272	156	170	148	216
o/w before allocations	2,085	2,022	1,890	1,830	2,028
o/w net allocations	(1,814)	(1,866)	(1,720)	(1,683)	(1,812)
Profit before tax	**(326)**	**(211)**	**(213)**	**(214)**	**(275)**
Group Asset and Liability Management					
Operating income	48	(27)	71	30	(171)
o/w risk management net income after allocations	*(75)*	*(17)*	*(53)*	*(39)*	*(57)*
o/w accounting asymmetries related to economic hedges	*102*	*(89)*	*61*	*95*	*(40)*
o/w hedge accounting ineffectiveness	*(21)*	*39*	*11*	*(23)*	*(20)*
o/w other	*44*	*40*	*52*	*(3)*	*(53)*
Operating expenses	(3)	(2)	2	0	0
Profit before tax	**51**	**(25)**	**70**	**30**	**(171)**
Non-core and Legacy Portfolio					
Operating income	(71)	(47)	19	46	(53)
Operating expenses	241	133	143	516	264
o/w expenses for litigation provisions	51	23	23	408	129
o/w annual UK bank levy	50	0	(2)	0	33
Profit before tax	**(312)**	**(181)**	**(124)**	**(470)**	**(317)**

- **Services operating expenses before allocations** decreased YoY due to our cost reduction program
- **Group ALM income** driven by accounting asymmetries related to economic hedges and other effects from hedge accounting, as well as risk management net income after allocations
- **NCL operating expenses** decreased YoY largely due to lower expenses from CC – Services and due to lower expenses for litigation provisions
- **NCL LRD** down CHF 3 billion QoQ to CHF 22 billion

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Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

Group ALM operating income

Business division-aligned risk management includes managing the interest rate risk in the banking book on behalf of Wealth Management and Personal & Corporate Banking and high-quality liquid asset (HQLA) portfolios on behalf of specific business divisions

Capital investment and issuance includes managing the Group's equity and capital instruments, including instruments that will contribute to our total loss-absorbing capacity (TLAC)

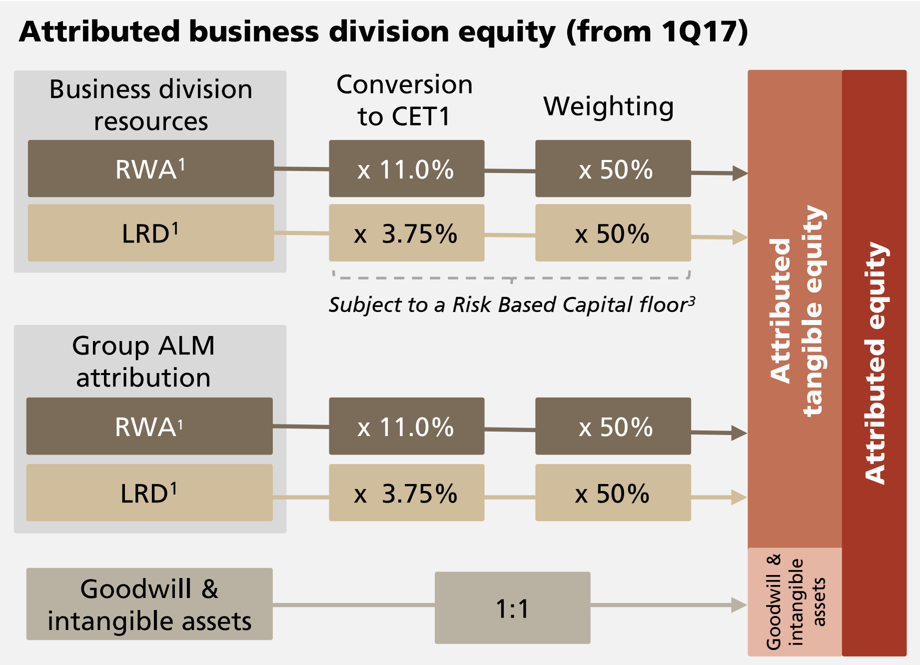
Group structural risk management includes activities performed to meet overall Group-wide risk management objectives such as managing the Group's HQLA and long-term debt portfolios

		As of or for the quarter ended	
CHF million, except where indicated	31.12.16	30.9.16	31.12.15
Results			
1 Business division-aligned risk management net income	210	202	239
2 Capital investment and issuance net income	(6)	(5)	39
3 Group structural risk management net income	(163)	(141)	(174)
Total risk management net income before allocations	41	56	103
Allocations to business divisions and other CC units	(98)	(95)	(180)
of which: Wealth Management	*(87)*	*(95)*	*(118)*
of which: Wealth Management Americas	*(48)*	*(26)*	*(27)*
of which: Personal & Corporate Banking	*(71)*	*(81)*	*(111)*
of which: Asset Management	*(1)*	*(1)*	*(3)*
of which: Investment Bank	*78*	*66*	*69*
of which: CC – Services	*0*	*0*	*(24)*
of which: CC – Non-core and Legacy Portfolio	*31*	*42*	*34*
Total risk management net income after allocations	(57)	(39)	(75)
Accounting asymmetries related to economic hedges	(40)	95	102
Hedge accounting ineffectiveness	(20)	(23)	(21)
Net foreign currency translation gains / (losses)	27		115
Net gains / (losses) related to the buyback of debt			(257)
Own credit on financial liabilities designated at fair value			35
Other	(53)	(3)	45
Total operating income as reported	(144)	30	(59)
Total operating income (adjusted)	(171)	30	48

Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Refer to the "Corporate Center – Group Asset and Liability Management" section of the fourth quarter 2016 report for details

Equity attribution framework

Revised framework reflects evolved regulatory requirements



4Q16 average attributed equity *CHF billion*	Current framework	Revised framework[2]
WM	3.4	6.0
WMA	2.6	6.7
P&C	4.1	5.9
AM	1.4	1.7
IB	7.6	9.5
Business division (BD) total	19.1	29.8
CC	29.0	23.8
o/w: Services	22.8	19.9
o/w: Group items[4]	21.3	18.3
o/w: Group ALM	4.4	2.3
o/w: Non-core and Legacy Portfolio (NCL)	1.8	1.6
Avg. equity attributed to BDs and CC	**48.1**	**53.5**
Difference	5.4	0.0
Avg. equity attributable to shareholders	**53.5**	**53.5**

- Group ALM attribution to business divisions and Corporate Center based on RWA and LRD directly associated with activity managed centrally by Group ALM on their behalf, primarily reflecting the HQLA to cover their LCR net cash outflows based on the Group's 110% LCR requirement
- Equity related to the goodwill and intangible assets associated with the acquisition of PaineWebber previously held in Corporate Center – Services now allocated to business divisions, resulting in full allocation of goodwill and intangible assets to business divisions
- Costs of going and gone concern instruments allocated proportionally to financial resources, consistent with attributed equity framework with ~80% allocated to business divisions[5]
- Investment Bank adjusted annual pre-tax return on attributed equity target unchanged at >15%[6]
  - Short/medium term expectation for IB RWA/LRD unchanged at ~CHF 85 billion/~CHF 325 billion[7] respectively, including Group ALM allocations
  - Implied IB CET1 capital ratio of >13%; going and gone concern capital attributed to the IB implies a total capital ratio of >30% in 4Q16

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Refer to the "Recent developments" section of the 4Q16 report for more information
1 Fully applied; 2 Pro-forma, based on revised methodology applicable from 1Q17; 3 Risk-based capital (RBC) is converted to its CET1 equivalent based on a conversion factor that considers the amount of RBC exposure covered by loss-absorbing capital (LAC). Refer to page 175 of the 2015 Annual Report for definition of Risk Based Capital (RBC); 4 A majority of which is related to DTAs, and including other regulatory deduction items (refer to page 47 of the 4Q16 for more information); 5 Based on attributed equity less Group items and less goodwill and intangible assets; 6 Under the current capital regime; 7 Reflects known FINMA multipliers and methodology changes for RWA, and assumes normalized market conditions for both RWA and LRD

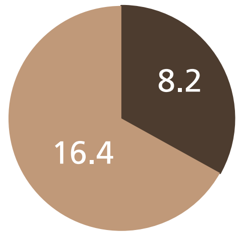
Net tax expense and deferred tax assets (DTAs)

Net tax expense
CHF million

	4Q16	FY16
Net deferred tax expense/(benefit) with respect to net additional DTAs	**(166)**	**(582)**
of which: US	(136)	(817)
of which: UK	71	158
of which: Switzerland (CH)	(82)	88
of which: Other	(19)	(11)
Other net tax expense in respect of 2016 taxable profits	**275**	**1,387**
of which: current tax expenses	203	811
of which: deferred tax expenses	72	576
Net tax expense/(benefit)	**109**	**805**

Tax loss DTAs[1,2]
CHF billion, 31.12.16

	US	UK	CH	Other	Total
Recognized	7.9	0.1	0.1	0.1	**8.2**
Unrecognized	13.7	2.1	0.0	0.6	**16.4**
Total	**21.6**	**2.2**	**0.1**	**0.7**	**24.6**



- 7-year DTA measurement period unchanged; profit forecasts based on 3-year strategic plan[3]
- US DTAs are not currently amortized given the remaining life and level of unrecognized US tax losses; i.e., US DTAs are effectively replenished as taxable profits arise
- Assuming the DTA measurement period remains unchanged, we would expect a write-down to Group DTAs of ~CHF 200 million[4] for every one percentage point reduction in the US federal corporate income tax rate when the tax law change is enacted and ignoring any other potential US corporate tax law changes (e.g., to the corporate tax base or to the tax loss carryover period) that could have a bearing on the measurement of US DTAs

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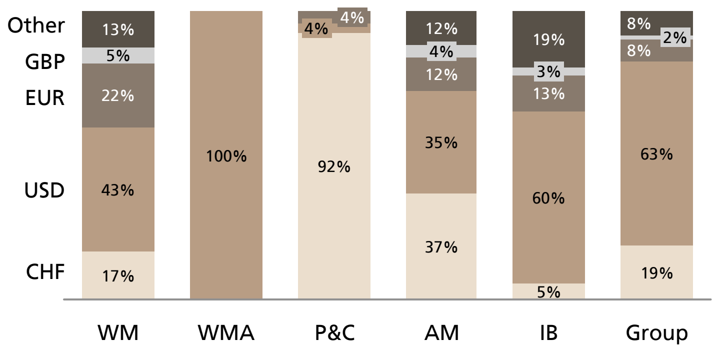
1 As of 31.12.16, net DTAs recognized on UBS's balance sheet were CHF 13.2 billion, of which tax loss DTAs were CHF 8.2 billion and DTAs for temporary differences were CHF 5.0 billion; 2 Average unrecognized tax losses have an approximate remaining life of ~13 years in the US and an indefinite life in the UK; 3 Assumes moderate profit growth for years 4-7; 4 Estimated total reduction based on the current recognized US DTAs, net of the corresponding adjustment to some of the temporary difference DTAs in Switzerland

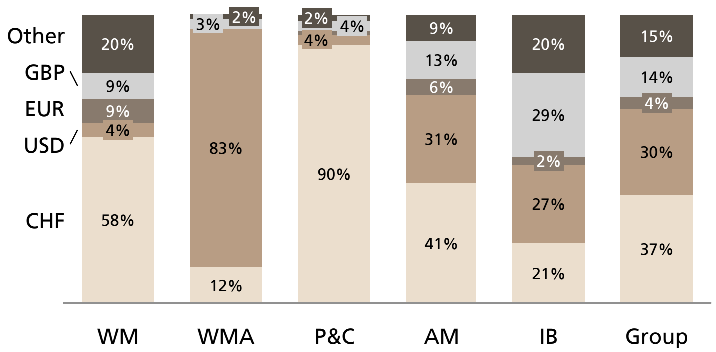
Earnings – illustration of FX translation impact

Indicative FX mix of revenues/expenses
% of total for 2017[1]

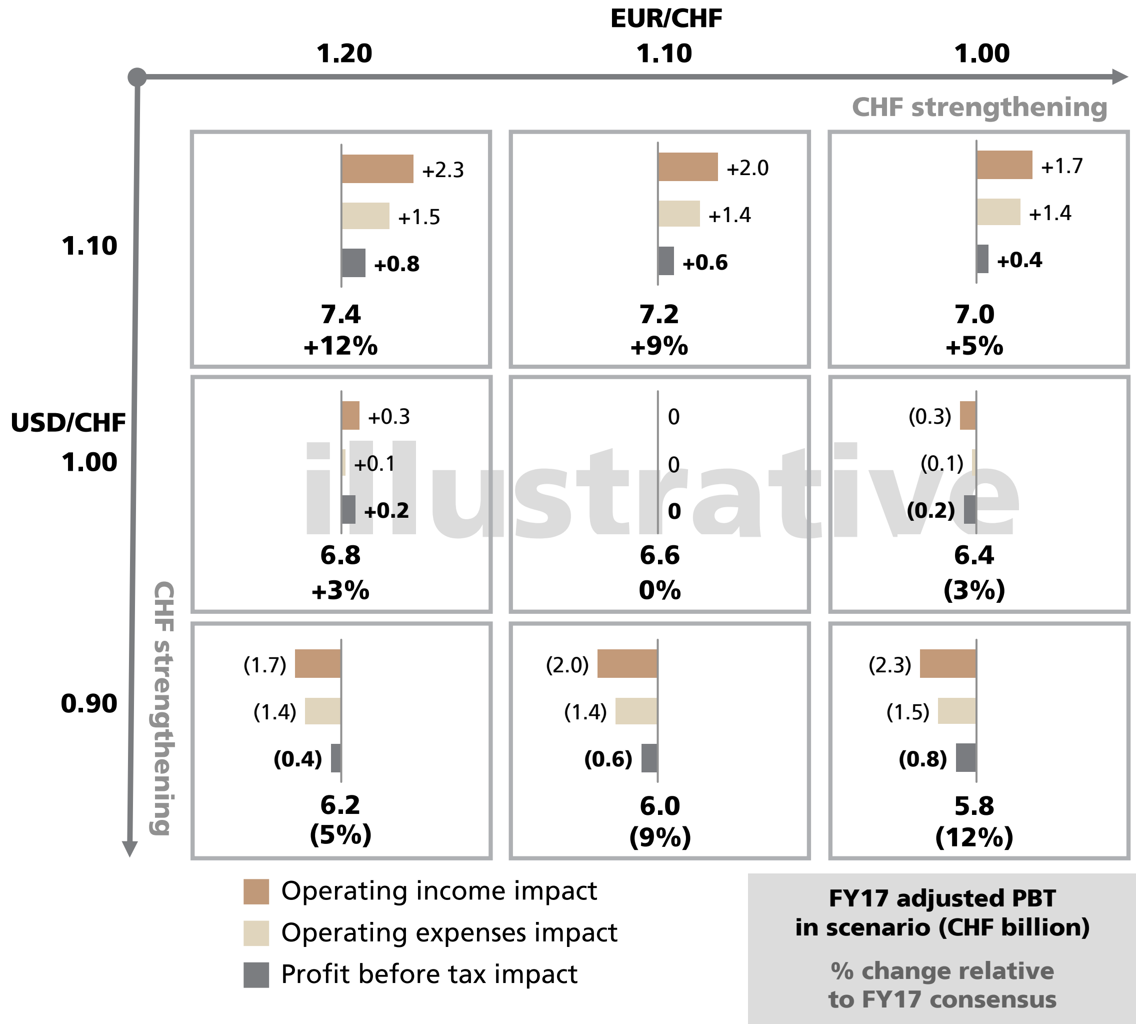
Operating income



Operating expenses



FX translation impact vs. FY17 consensus PBT of 6.6 billion[2,3,4]
CHF billion, adjusted, % change relative to consensus dated 10.1.17

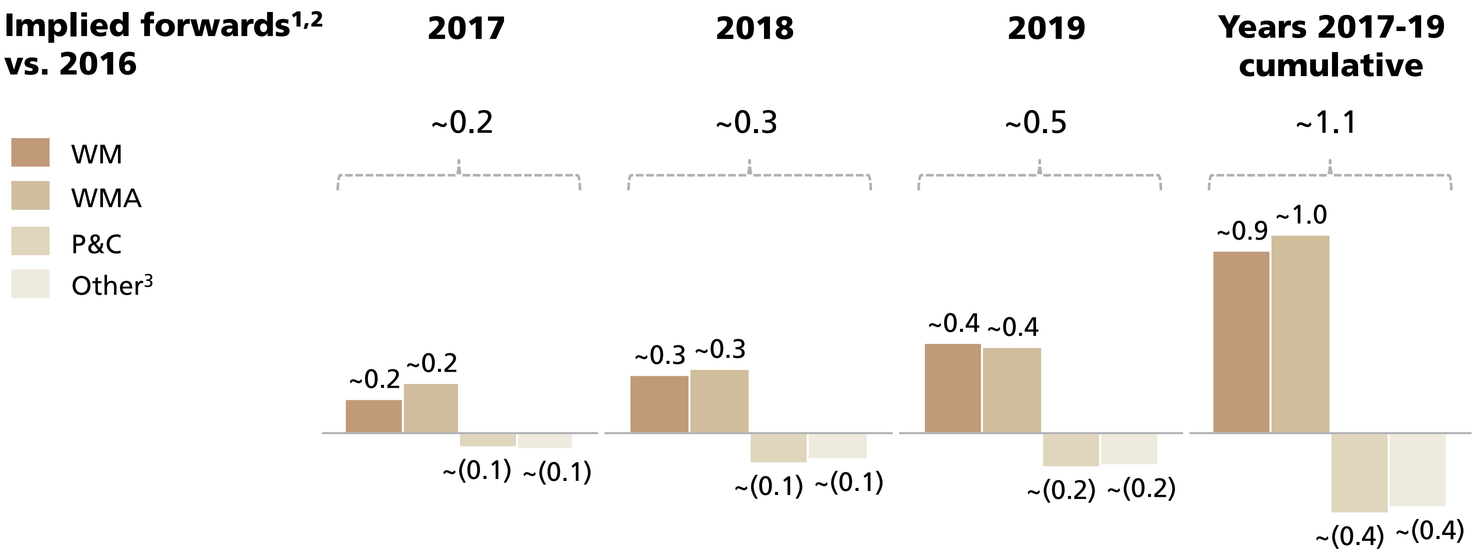


1 Currency distribution based on EUR/CHF 1.10 and USD/CHF 1.00, for scenario analysis other currencies assumed to change in-line with USD/CHF; 2 Illustrative FX translation effect only, and excludes impact of e.g., changes in interest rates, invested assets, market performance and management actions; 3 Average FX rates in the period 4.1.17 to 10.1.17 (consensus collection period) was EUR/CHF ~1.10 and USD/CHF ~1.00; 4 Based on consensus collected from 22 sell-side analysts on 10.1.17, on an adjusted basis further excluding net expenses for provisions for litigation, regulatory and similar matters

Interest rate sensitivity and funding costs

Estimated annual net interest income (NII) impact

CHF billion, assuming static balance sheet, constant FX rates and no management action



- Implied rise in USD interest rates would more than offset the impact of implied negative CHF rates
- Implied forward scenario does not incorporate higher funding costs or allocation impact from revised equity attribution framework

Higher funding costs may offset potential benefits of implied forward rates

- **Group: >CHF 0.1 billion of increased funding costs in 2017 (vs. 2016)** due to issuance of AT1 and TLAC-eligible instruments
- **Business divisions: additional ~CHF 0.1 billion net NII headwinds in 2017 (vs. 2016)** due to revised equity attribution framework[4]; impact would principally affect the Investment Bank, Personal & Corporate Banking and Wealth Management

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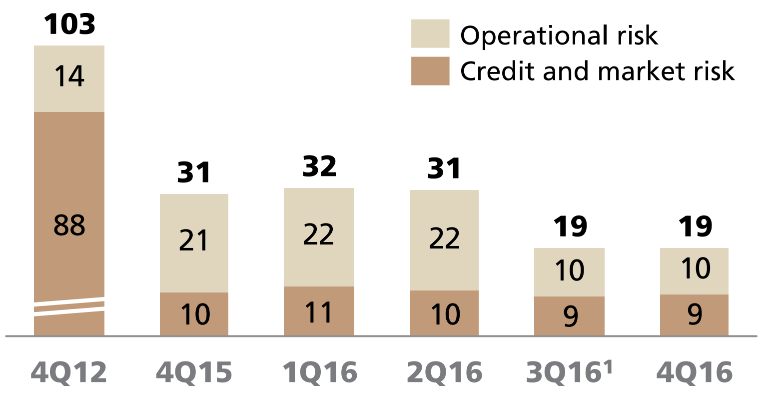
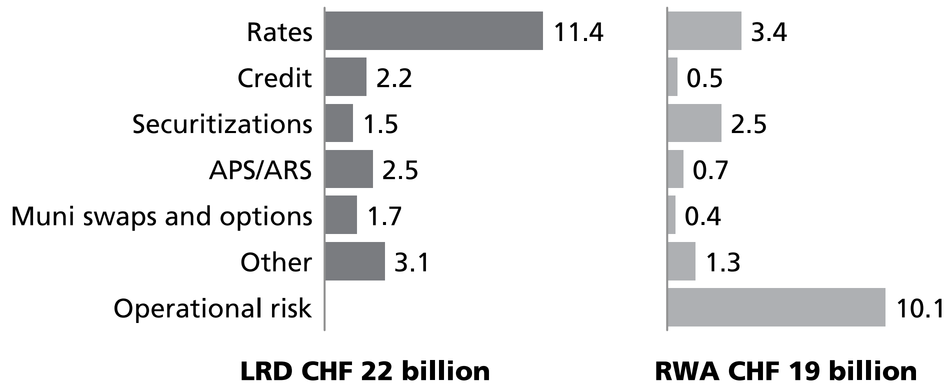
Refer to page 12 of the 4Q16 report for more information on our interest rate sensitivity
1 Including NII generated from invested equity, which is managed centrally by Group ALM and is allocated to the business divisions. Does not reflect the revisions to our equity allocation framework, effective 1Q17; 2 Implied forward interest rates as of 31.12.16; 3 Represents invested equity after allocations to WM, WMA and P&C, and mostly relates to CC – Services; 4 Refer to slide 31 for more information on our revised equity attribution framework

Corporate Center – Non-core and Legacy Portfolio

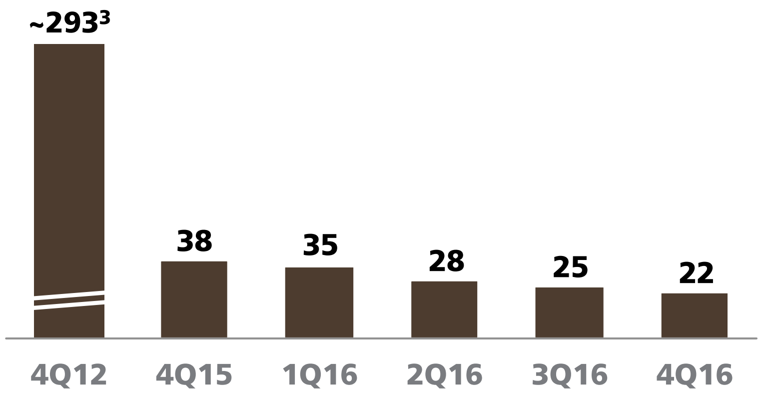
RWA
CHF billion



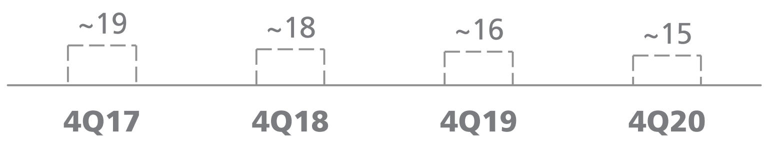
LRD[2] and RWA by category
CHF billion, 31.12.16



LRD[2]
CHF billion



LRD: natural decay[2,4]
CHF billion



Refer to slide 42 for details about Basel III numbers and FX rates in this presentation
1 Beginning in 3Q16, we revised our methodology for the allocation of operational risk RWA to business divisions (BDs) and Corporate Center (CC); operational risk RWA in CC – Non-core and Legacy Portfolio decreased by CHF 11.4 billion, while operational risk RWA in all BDs and other CC units increased; 2 Calculated in accordance with Swiss SRB rules. From 31.12.15 onward, these are aligned with BIS Basel III rules and are therefore not fully comparable;
3 Pro forma estimate based on period-end balance; 4 Pro forma estimate excluding any further unwind activity based on 31.12.16 data, assuming positions are held to maturity. LRD balances can vary materially due to market movements, changes in regulation, changes in margin requirements and other factors

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Credit ratings – UBS Group AG and UBS AG

UBS Group AG

Standard & Poor's	Rating	Last rating change	Status / outlook
Long-Term Counterparty Credit Rating	A-	6.6.16	Stable (6.6.16)
Short-Term Counterparty Credit Rating	A-2	12.2.15	Affirmed (6.6.16)
Unsupported Group Credit Profile	a	6.6.16	(6.6.16)
Additional Tier 1 instruments	BB+	6.6.16	Stable (6.6.16)

Fitch	Rating	Last rating change	Status / outlook
Long-Term Issuer Default Rating	A	12.2.15	Positive (8.12.15)
Short-Term Issuer Default Rating	F1	12.2.15	Affirmed (8.12.15)
Additional Tier 1 instruments	BB+	19.2.15	Affirmed (14.6.16)

Scope Ratings	Rating	Last rating change	Status / outlook
Senior Debt Rating	A	Solicited 3.8.15	Positive (20.6.16)
Short-Term Debt Rating	S-1	Solicited 3.8.15	Stable (1.6.16)
Additional Tier 1 instruments	BBB-	Solicited 3.8.15	Positive (20.6.16)

UBS AG

Standard & Poor's	Rating	Last rating change	Status / outlook
Long-Term Counterparty Credit Rating	A+	6.6.16	Stable (6.6.16)
Short-Term Counterparty Credit Rating	A-1	19.12.08	Affirmed (6.6.16)
Stand-alone Credit Profile	a	6.6.16	(6.6.16)
Basel III-compliant Tier 2 instruments	BBB+	6.6.16	Affirmed (6.6.16)

Moody's	Rating	Last rating change	Status / outlook
Long-term deposit rating	Aa3	11.1.16	Stable (11.1.16)
Long-term senior debt rating	A1	11.1.16	Stable (11.1.16)
Short-term deposit rating	P-1	29.6.98	Affirmed (13.12.16)
Short-term debt rating	P-1	29.6.98	Affirmed (13.12.16)
Counterparty risk rating	Aa3(cr)	11.1.16	Affirmed (13.12.16)
Baseline credit assessment	baa1	11.1.16	Affirmed (13.12.16)

Fitch	Rating	Last rating change	Status / outlook
Long-Term Issuer Default Rating	A+	14.6.16	Stable (14.6.16)
Short-Term Issuer Default Rating	F1	13.10.11	Affirmed (13.12.16)
Viability Rating	a	17.4.13	Affirmed (13.12.16)
Basel III-compliant Tier 2 instruments	BBB+	17.4.13	Affirmed (13.12.16)

Scope Ratings	Rating	Last rating change	Status / outlook
Issuer Credit Strength Rating	A+	1.6.16	Positive (20.6.16)
Short-Term Debt Rating	S-1	Solicited 3.8.15	Positive (20.6.16)
Basel III-compliant Tier 2 instruments	BBB+	Solicited 3.8.15	Positive (20.6.16)

Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency

Credit ratings – other UBS subsidiaries

UBS Switzerland AG

Standard & Poor's	Rating	Last rating change	Status / outlook
Long-Term Counterparty Credit Rating	A+	6.6.16	Stable (6.6.16)
Short-Term Counterparty Credit Rating	A-1	15.6.15	Affirmed (6.6.16)

Fitch	Rating	Last rating change	Status / outlook
Long-Term Issuer Default Rating	A+	14.6.16	Stable (14.6.16)
Short-Term Issuer Default Rating	F1	13.10.11	Affirmed (13.12.16)

UBS Americas Holding LLC

Standard & Poor's	Rating	Last rating change	Status / outlook
Long-Term Counterparty Credit Rating	A-	4.11.16	Stable (4.11.16)
Short-Term Counterparty Credit Rating	A-2	4.11.16	Initiated (4.11.16)

UBS Limited

Standard & Poor's	Rating	Last rating change	Status / outlook
Long-Term Counterparty Credit Rating	A+	6.6.16	Stable (6.6.16)
Short-Term Counterparty Credit Rating	A-1	19.12.08	Affirmed (6.6.16)

Moody's	Rating	Last rating change	Status / outlook
Long-term senior debt rating	A1	11.1.16	Stable (11.1.16)
Short-term debt rating	P-1	18.10.02	Affirmed (13.12.16)

Fitch	Rating	Last rating change	Status / outlook
Long-Term Issuer Default Rating	A+	14.6.16	Stable (14.6.16)
Short-Term Issuer Default Rating	F1	13.10.11	Affirmed (13.12.16)

Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency

Regional performance – 4Q16

CHF billion

		Americas		Asia Pacific		EMEA		Switzerland		Global		Total	
		4Q15	4Q16	4Q15	4Q16	4Q15	4Q16	4Q15	4Q16	4Q15	4Q16	4Q15	4Q16
Operating income	Wealth Management	0.1	0.1	0.5	0.5	0.9	0.8	0.4	0.4	0.0	(0.0)	1.9	1.8
	Wealth Management Americas	1.9	2.1	-	-	-	-	-	-	-	-	1.9	2.1
	Personal & Corporate Banking	-	-	-	-	-	-	0.9	0.9	-	-	0.9	0.9
	Asset Management	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.1	-	-	0.5	0.5
	Investment Bank	0.6	0.7	0.4	0.5	0.5	0.6	0.2	0.2	(0.0)	(0.0)	1.7	1.9
	Corporate Center	-	-	-	-	-	-	-	-	(0.1)	(0.3)	(0.1)	(0.3)
	Group	**2.8**	**3.0**	**1.0**	**1.0**	**1.5**	**1.6**	**1.6**	**1.6**	**(0.0)**	**(0.3)**	**6.9**	**6.9**
Operating expenses	Wealth Management	0.1	0.1	0.4	0.3	0.8	0.6	0.2	0.2	0.0	0.0	1.4	1.3
	Wealth Management Americas	1.8	1.7	-	-	-	-	-	-	-	-	1.8	1.7
	Personal & Corporate Banking	-	-	-	-	-	-	0.5	0.5	-	-	0.5	0.5
	Asset Management	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	(0.0)	(0.0)	0.4	0.3
	Investment Bank	0.4	0.5	0.4	0.4	0.6	0.6	0.1	0.1	(0.0)	(0.0)	1.5	1.6
	Corporate Center	-	-	-	-	-	-	-	-	0.5	0.5	0.5	0.5
	Group	**2.5**	**2.4**	**0.8**	**0.8**	**1.4**	**1.3**	**0.9**	**1.0**	**0.5**	**0.4**	**6.1**	**5.9**
Pre-tax performance	Wealth Management	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.0	(0.0)	0.5	0.5
	Wealth Management Americas	0.1	0.4	-	-	-	-	-	-	-	-	0.1	0.4
	Personal & Corporate Banking	-	-	-	-	-	-	0.4	0.4	-	-	0.4	0.4
	Asset Management	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.2	0.2
	Investment Bank	0.1	0.2	0.0	0.1	(0.0)	0.1	0.1	0.0	0.0	0.0	0.2	0.3
	Corporate Center	-	-	-	-	-	-	-	-	(0.6)	(0.8)	(0.6)	(0.8)
	Group	**0.3**	**0.6**	**0.2**	**0.2**	**0.1**	**0.3**	**0.7**	**0.6**	**(0.5)**	**(0.7)**	**0.8**	**1.0**

Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
The allocation of P&L to these regions reflects, and is consistent with, the basis on which the business is managed and its performance evaluated. These allocations involve assumptions and judgments that management considers reasonable, and may be refined to reflect changes in estimates or management structure. The main principles of the allocation methodology are that client revenues are attributed to the domicile of the client, and trading and portfolio management revenues are attributed to the country where the risk is managed. Expenses are allocated in line with revenues. Certain revenues and expenses, such as those related to Non-core and Legacy Portfolio, certain litigation expenses and other items, are managed at the Group level, and are included in the Global column

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Regional performance – FY16

CHF billion

		Americas		Asia Pacific		EMEA		Switzerland		Global		Total	
		2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Operating income	Wealth Management	0.5	0.4	2.1	2.0	3.8	3.4	1.6	1.5	0.0	(0.0)	8.0	7.3
	Wealth Management Americas	7.4	7.8	-	-	-	-	-	-	-	-	7.4	7.8
	Personal & Corporate Banking	-	-	-	-	-	-	3.8	3.9	-	-	3.8	3.9
	Asset Management	0.7	0.7	0.3	0.3	0.4	0.4	0.6	0.6	-	-	2.0	1.9
	Investment Bank	2.8	2.8	2.6	1.9	2.5	2.3	1.0	0.8	(0.1)	(0.1)	8.8	7.6
	Corporate Center	-	-	-	-	-	-	-	-	(0.4)	(0.4)	(0.4)	(0.4)
	Group	**11.3**	**11.6**	**5.0**	**4.1**	**6.7**	**6.1**	**7.0**	**6.7**	**(0.5)**	**(0.4)**	**29.5**	**28.1**
Operating expenses	Wealth Management	0.3	0.3	1.4	1.3	2.6	2.4	0.8	0.8	0.0	0.0	5.1	4.9
	Wealth Management Americas	6.5	6.5	-	-	-	-	-	-	-	-	6.5	6.5
	Personal & Corporate Banking	-	-	-	-	-	-	2.1	2.1	-	-	2.1	2.1
	Asset Management	0.5	0.5	0.2	0.2	0.3	0.3	0.3	0.3	(0.0)	(0.0)	1.4	1.4
	Investment Bank	2.1	2.0	1.7	1.6	2.1	2.0	0.6	0.5	0.0	0.0	6.5	6.1
	Corporate Center	-	-	-	-	-	-	-	-	2.2	1.7	2.2	1.7
	Group	**9.5**	**9.3**	**3.3**	**3.1**	**5.1**	**4.8**	**3.9**	**3.8**	**2.2**	**1.8**	**23.9**	**22.8**
Pre-tax performance	Wealth Management	0.1	0.1	0.7	0.7	1.2	1.0	0.8	0.7	0.0	(0.0)	2.8	2.4
	Wealth Management Americas	0.8	1.2	-	-	-	-	-	-	-	-	0.8	1.2
	Personal & Corporate Banking	-	-	-	-	-	-	1.7	1.8	-	-	1.7	1.8
	Asset Management	0.2	0.2	0.1	0.1	0.1	0.1	0.3	0.2	0.0	0.0	0.6	0.6
	Investment Bank	0.7	0.8	0.9	0.3	0.4	0.3	0.4	0.2	(0.1)	(0.1)	2.3	1.5
	Corporate Center	-	-	-	-	-	-	-	-	(2.6)	(2.1)	(2.6)	(2.1)
	Group	**1.8**	**2.3**	**1.7**	**1.0**	**1.6**	**1.4**	**3.2**	**2.9**	**(2.7)**	**(2.2)**	**5.6**	**5.3**

Adjusted numbers unless otherwise indicated; refer to slide 42 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
The allocation of P&L to these regions reflects, and is consistent with, the basis on which the business is managed and its performance evaluated. These allocations involve assumptions and judgments that management considers reasonable, and may be refined to reflect changes in estimates or management structure. The main principles of the allocation methodology are that client revenues are attributed to the domicile of the client, and trading and portfolio management revenues are attributed to the country where the risk is managed. Expenses are allocated in line with revenues. Certain revenues and expenses, such as those related to Non-core and Legacy Portfolio, certain litigation expenses and other items, are managed at the Group level, and are included in the Global column

Adjusted results

Adjusting items		FY15	FY16	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
CHF million												
Operating income as reported (Group)		**30,605**	**28,320**	**6,746**	**8,841**	**7,818**	**7,170**	**6,775**	**6,833**	**7,404**	**7,029**	**7,055**
of which:												
Gains on sale of financial assets available for sale	WM		21							21		
	WMA		10									10
	P&C		102							102		
	IB	11	78			11						78
Gains/(losses) on sales of subsidiaries and businesses	WM	169	(23)		141	56		(28)		(23)		
	AM	56						56				
Gains related to investments in associates	WM	15					15					
	P&C	66	21				66				21	
Own credit on financial liabilities designated at FV	CC - Group ALM	553		70	226	259	32	35				
Net FX translation gains/(losses)	CC - Group ALM	88	(122)				(27)	115	(123)	(26)		27
Gains on sales of real estate	CC - Services	378	120	20	378					120		
Net losses related to the buyback of debt	CC - Group ALM	(257)						(257)				
Operating income adjusted (Group)		**29,526**	**28,113**	**6,656**	**8,096**	**7,492**	**7,084**	**6,854**	**6,956**	**7,210**	**7,008**	**6,940**
Operating expenses as reported (Group)		**25,116**	**24,230**	**6,342**	**6,134**	**6,059**	**6,382**	**6,541**	**5,855**	**5,915**	**6,152**	**6,308**
of which:												
Net restructuring expenses	WM	323	447	48	46	69	74	133	79	86	139	143
	WMA	137	139	23	24	24	39	50	33	38	38	31
	P&C	101	117	16	16	17	28	41	23	31	41	21
	AM	82	100	39	18	4	23	38	20	34	34	12
	IB	396	577	60	70	66	118	143	117	163	181	116
	CC - Services	140	57	8	119	0	2	19	(8)	20	4	40
	CC - NCL[1]	56	21	14	11	13	15	17	2	5	7	8
	Group	1,235	1,458	208	305	191	298	441	265	377	444	372
Gain related to changes to retiree benefit plans in the US	WMA	(21)		(7)			(21)					
	IB			(1)								
Impairment of an intangible asset	IB	11				11						
Operating expenses adjusted (Group)		**23,891**	**22,772**	**6,142**	**5,829**	**5,857**	**6,105**	**6,100**	**5,590**	**5,538**	**5,708**	**5,936**
Operating profit/(loss) before tax as reported		**5,489**	**4,090**	**404**	**2,708**	**1,759**	**788**	**234**	**978**	**1,489**	**877**	**746**
Operating profit/(loss) before tax adjusted		**5,635**	**5,341**	**514**	**2,268**	**1,635**	**979**	**754**	**1,366**	**1,672**	**1,300**	**1,003**

1 Non-core and Legacy Portfolio

Important information related to this presentation

Use of adjusted numbers
Unless otherwise indicated, “adjusted” figures exclude the adjustment items listed on the previous slide, to the extent applicable, on a Group and business division level. Adjusted results are a non-GAAP financial measure as defined by SEC regulations. Refer to pages 7-10 of the 4Q16 report which is available in the section "Quarterly reporting" at 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 page 13 of the 4Q16 report for more information.

Basel III RWA, Basel III capital and Basel III liquidity ratios
Basel III numbers are based on the BIS Basel III framework, as applicable for Swiss Systemically relevant banks (SRB). Numbers in the presentation are based on the revised Swiss SRB framework that became effective on 1 July 2016, 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 onward, these are aligned with BIS Basel III rules. Prior period figures are calculated in accordance with former Swiss SRB rules and are therefore not comparable.

Refer to the “Capital management” section in the 4Q16 report 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 presentation 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.

Tables
Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis.