UBS

Fourth quarter 2015 results

Fixed income investor presentation

March 18, 2016

Cautionary statement regarding forward-looking statements

This presentation 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 executing its announced strategic plans, including its cost reduction and efficiency initiatives and its planned further reduction in its Basel III risk-weighted assets (RWA) and leverage ratio denominator (LRD), and the degree to which UBS is successful in implementing changes to its business to meet changing market, regulatory and other conditions; (ii) developments in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, currency exchange rates and interest rates and the effect of economic conditions and market developments on the financial position or creditworthiness of UBS's clients and counterparties; (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 bail-in debt or loss-absorbing capital; (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 (including leverage ratio), liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration or other measures; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve reductions to the incremental RWA resulting from the supplemental operational risk capital analysis mutually agreed to by UBS and FINMA, or will approve a limited reduction of capital requirements due to measures to reduce resolvability risk; (vi) the degree to which UBS is successful in implementing 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, implementing a service company model, the transfer of the Asset Management business to a holding company 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 countries for mandatory structural reform of banks, and the extent to which such changes have the intended effects; (vii) 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; (viii) changes in the standards of conduct applicable to our businesses that may result from new regulation or new enforcement of existing standards, including measures to impose new or enhanced duties when interacting with customers or in the execution and handling of customer transactions; (ix) 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; (x) 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; (xi) 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; (xii) 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; (xiii) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xiv) whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; (xv) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading and systems failures; (xvi) restrictions to the ability of subsidiaries of the Group to make loans or distributions of any kind, directly or indirectly, to UBS Group AG; (xvii) 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; and (xviii) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS's ability to maintain its stated capital return objective. 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 2015. 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.

UBS

2015 – Strong results and execution

Net profit attributable to UBS Group AG shareholders up 79% YoY to CHF 6.2 billion

Strong financial performance

- Adjusted profit before tax more than doubled YoY to CHF 5.6 billion
- Adjusted return on tangible equity 13.7%, above FY15 target of around 10%
- FY15 diluted earnings per share CHF 1.64

Continued successful execution

- Strong business division performance and continued reduction of our risk profile
- Pro-active management of regulatory change, including the creation of UBS Switzerland AG
- Achieved Corporate Center net cost reduction of CHF 1.1 billion based on December 2015 run-rate vs. FY13

Strong results and capital position support increased capital returns

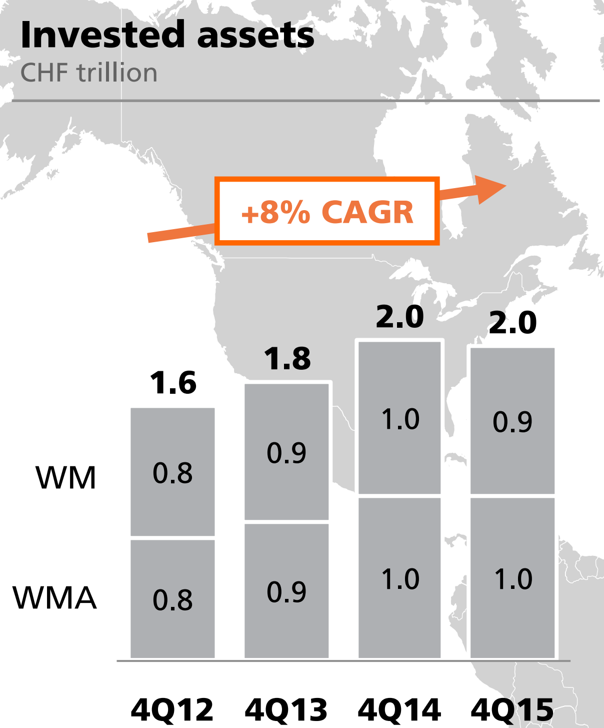
- Strong capital position: 14.5% Basel III CET1 capital ratio and 5.3% Swiss SRB leverage ratio
- Dividend per share to be proposed for the financial year 2015: CHF 0.60 ordinary and CHF 0.25 special

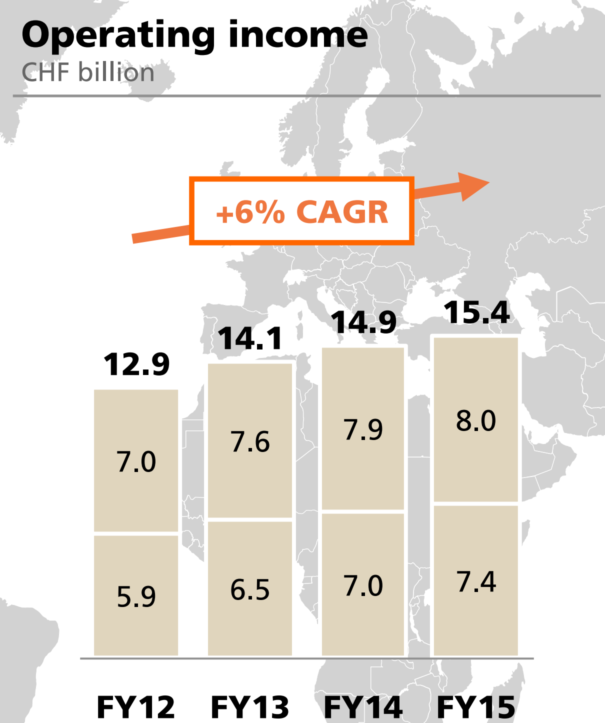
We continue executing our strategy to deliver long-term sustainable profit growth

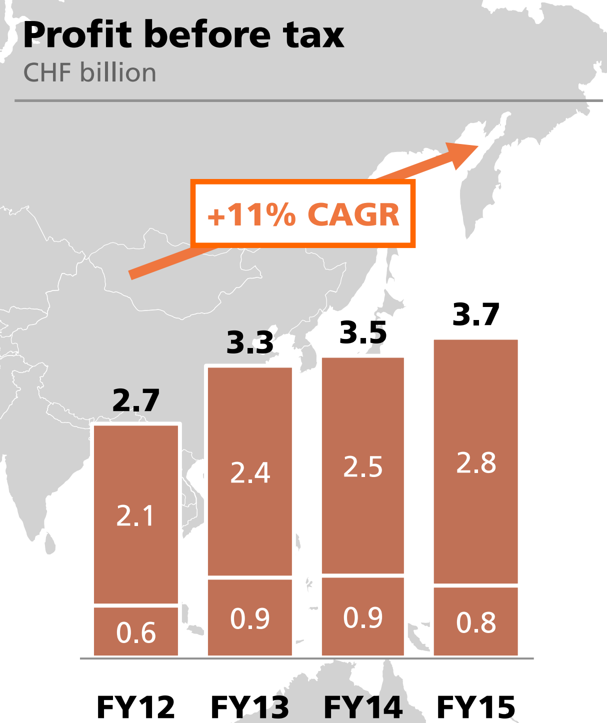
Refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

The world's leading wealth management franchise

UBS is the world's largest and fastest growing wealth manager[1]







Superior long-term growth prospects and a unique global footprint

UBS

Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

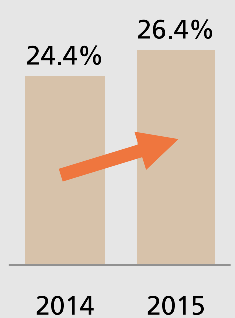
1 Scorpio Partnership Global Private Banking Benchmark 2015, on reporting base currency basis for institutions with AuM >USD 500 billion

2015 – Strong progress in all our businesses

Improved performance in challenging market conditions

Wealth Management

Continued progress in book transformation with mandate penetration up 200 bps

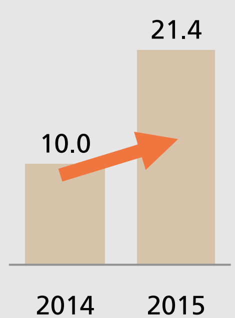


Mandate penetration
% of invested assets

- Optimized resource utilization and continued high-quality inflows

Wealth Management Americas

Strong operating performance and improvement in NNM

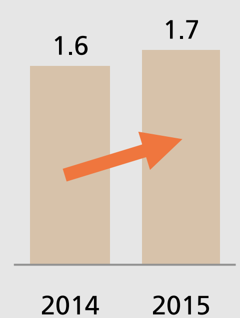


Net new money
USD billion

- Continued prudent growth in lending book and record net interest income

Personal & Corporate Banking

Best PBT since 2010 despite significant interest rate headwinds and FX movements

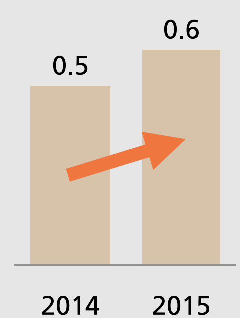


PBT
CHF billion

- Record FY client acquisition (net new account openings)

Asset Management

PBT up 20%, improved efficiency with progress on strategic initiatives

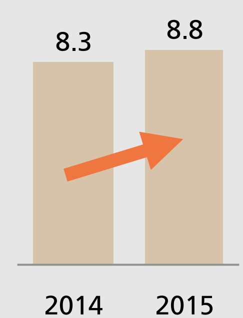


PBT
CHF billion

- Restructuring global distribution organization and streamlining business portfolio

Investment Bank

Strong operating performance in volatile markets; leading position in core businesses



Revenues
CHF billion

- Named 2015 Bank of the Year by *International Financing Review*

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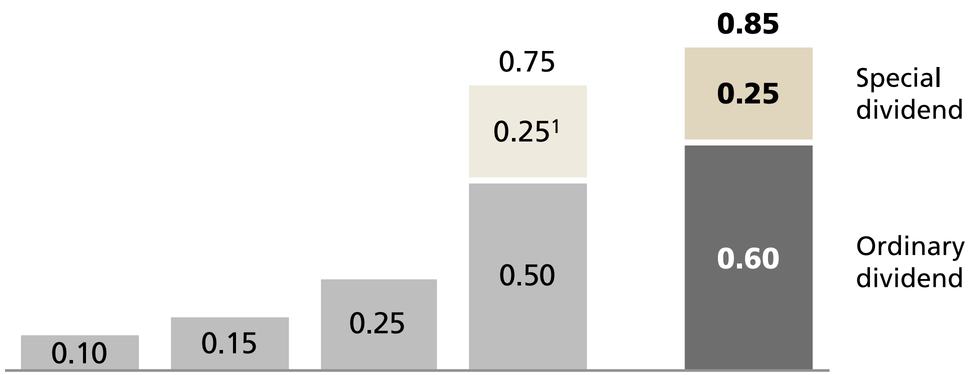
Delivering attractive capital returns to our shareholders

Dividend per share to be proposed for FY15: CHF 0.60 ordinary and CHF 0.25 special dividend

Total capital return per share

CHF per share



Financial year	2011	2012	2013	2014	**2015**
CET1 ratio (fully applied)	~6.7%	~9.8%	12.8%	13.4%	**14.5%**

- Ordinary dividend reflects strong financial performance, special dividend reflects substantial 2015 deferred tax assets write-up
- We expect that dividends will be paid out of capital contribution reserves for the foreseeable future[2]
- Expected key dates for the dividend for FY15:
  - Annual General Meeting: 10 May 2016
  - Ex-dividend date: 12 May 2016
  - Record date: 13 May 2016
  - Payment date: 17 May 2016

We are committed to a total pay-out ratio of at least 50% of net profit[3]

UBS

Refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 One-time supplementary capital return paid out after the completion of the squeeze-out of minority shareholders of UBS AG as part of establishing UBS Group AG in 3Q15; 2 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; 3 Conditional on maintaining a fully applied Basel III CET1 capital ratio of at least 13% and at least 10% post-stress

4Q15 results

Net profit attributable to UBS Group AG shareholders of CHF 949 million

Group

Net profit attributable to UBS Group AG shareholders CHF 949 million, diluted EPS CHF 0.25

Adjusted return on tangible equity 11.4%

Reported profit before tax (PBT) CHF 234 million, adjusted PBT CHF 754 million

Basel III fully applied CET1 capital ratio 14.5% and Swiss SRB fully applied leverage ratio 5.3%

Business divisions[1]

Wealth Management: PBT CHF 505 million including provisions[2] of CHF 79 million; NNM outflows CHF 3.4 billion
- Resilient recurring income in challenging market conditions with very low levels of client activity

Wealth Management Americas: PBT USD 63 million including provisions[2] of USD 233 million; NNM USD 16.8 billion
- Strong NNM and record net interest income

Personal & Corporate Banking: PBT CHF 396 million
- Best fourth quarter PBT since 2011

Asset Management: PBT CHF 153 million; NNM outflows excluding money market CHF 8.9 billion
- PBT up 12% QoQ with positive operating leverage

Investment Bank: PBT CHF 223 million including annual UK bank levy charge of CHF 98 million
- Strong performance in FRC with revenues up 30% YoY; RWA CHF 63 billion and LRD CHF 268 billion

Corporate Center: Pre-tax loss of CHF 586 million
- Significant PBT improvement QoQ on lower provisions[2]

UBS

1 Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
2 Charges for provisions for litigation, regulatory and similar matters

UBS Group AG results (consolidated)

CHF million, except where indicated	FY14	**FY15**	4Q14	3Q15	**4Q15**
Total operating income	28,027	30,605	6,746	7,170	6,775
Total operating expenses	25,567	25,116	6,342	6,382	6,541
Profit before tax as reported	**2,461**	**5,489**	**404**	**788**	**234**
of which: own credit on financial liabilities designated at fair value	292	553	70	32	35
of which: gains on sales of real estate	44	378	20	0	0
of which: gains/(losses) on sale of subsidiaries and businesses	0	225	0	0	28
of which: gain from the partial sales of our investment in Markit	43	11	0	0	0
of which: gain related to our investment in the SIX Group	0	81	0	81	0
of which: net FX translation gains/(losses) from the disposal of subsidaries	0	88	0	(27)	115
of which: net losses related to the buyback of debt in a tender offer	0	(257)	0	0	(257)
of which: impairment of a financial investment available-for-sale	(48)	0	0	0	0
of which: net restructuring charges	(677)	(1,235)	(208)	(298)	(441)
of which: credit related to a change to retiree benefit plans in the US	41	21	8	21	0
of which: impairment of an intangible asset	0	(11)	0	0	0
Adjusted profit before tax	**2,766**	**5,635**	**514**	**979**	**754**
of which: provisions for litigation, regulatory and similar matters	(2,594)	(1,087)	(310)	(592)	(365)
of which: annual UK bank levy	(123)	(166)	(127)	0	(166)
Tax (expense)/benefit	1,180	898	515	1,295	715
Net profit attributable to preferred noteholders	142		31		
Net profit attributable non-controlling interests	32	183	29	14	1
Net profit attributable to UBS Group AG shareholders	**3,466**	**6,203**	**858**	**2,068**	**949**
Diluted EPS (CHF)	0.91	1.64	0.23	0.54	0.25
Return on tangible equity, adjusted (%)	8.6	13.7	8.6	19.5	11.4
Total book value per share (CHF)	13.94	14.75	13.94	14.41	14.75
Tangible book value per share (CHF)	12.14	13.00	12.14	12.69	13.00

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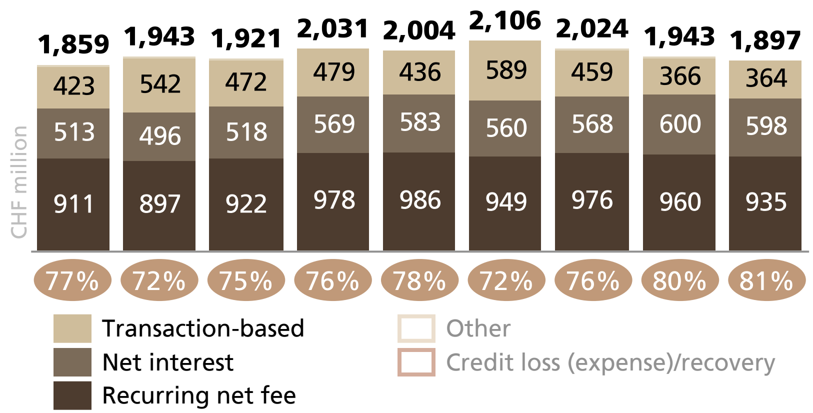
Refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

Wealth Management

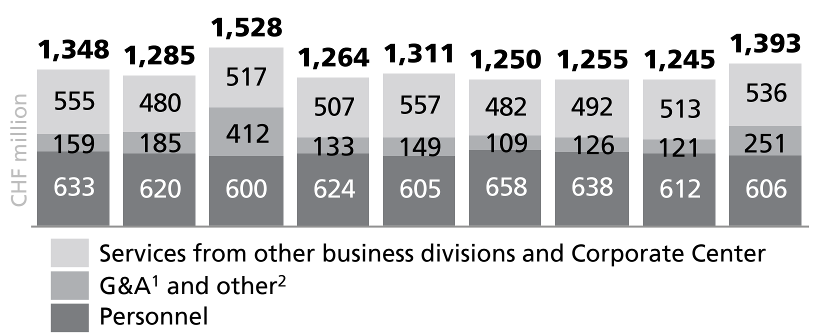
Resilient recurring income in challenging market conditions with low levels of client activity

Operating income

Recurring income

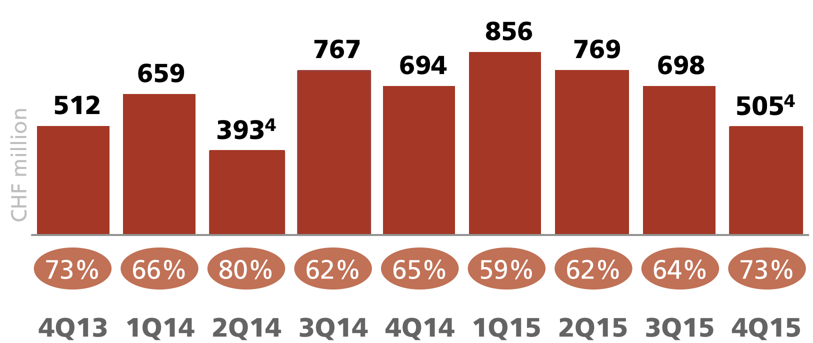


Operating expenses



Profit before tax

C/I ratio



Operating income CHF 1,897 million

- **Transaction-based income** declined on lower client activity, mainly in APAC and emerging markets, largely offset by the previously announced CHF 45 million fee received for the shift of certain clients to Personal & Corporate Banking
- **Recurring net fee income** declined, mainly reflecting lower income due to the ongoing effects of cross-border outflows

Operating expenses CHF 1,393 million

- **Charges for services** increased, mainly due to higher charges from Group Technology
- **G&A expenses** increased and included CHF 79 million litigation provision charges[3], a CHF 13 million annual UK bank levy charge and a CHF 10 million charge related to the EU's Single Resolution Fund
- **Personnel expenses** declined, mainly due to lower expenses for variable compensation, partly offset by an expense for untaken vacation accruals

PBT CHF 505 million, 73% cost/income ratio

PBT CHF 584 million excluding provisions[3] of CHF 79 million, 69% cost/income ratio

Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 General and administrative; 2 Depreciation and impairment of property, equipment and software as well as amortization and impairment of intangible assets; 3 Charges for provisions for litigation, regulatory and similar matters; 4 Including charges for provisions for litigation, regulatory and similar matters of CHF 291 million in 2Q14 and CHF 79 million in 4Q15

Wealth Management

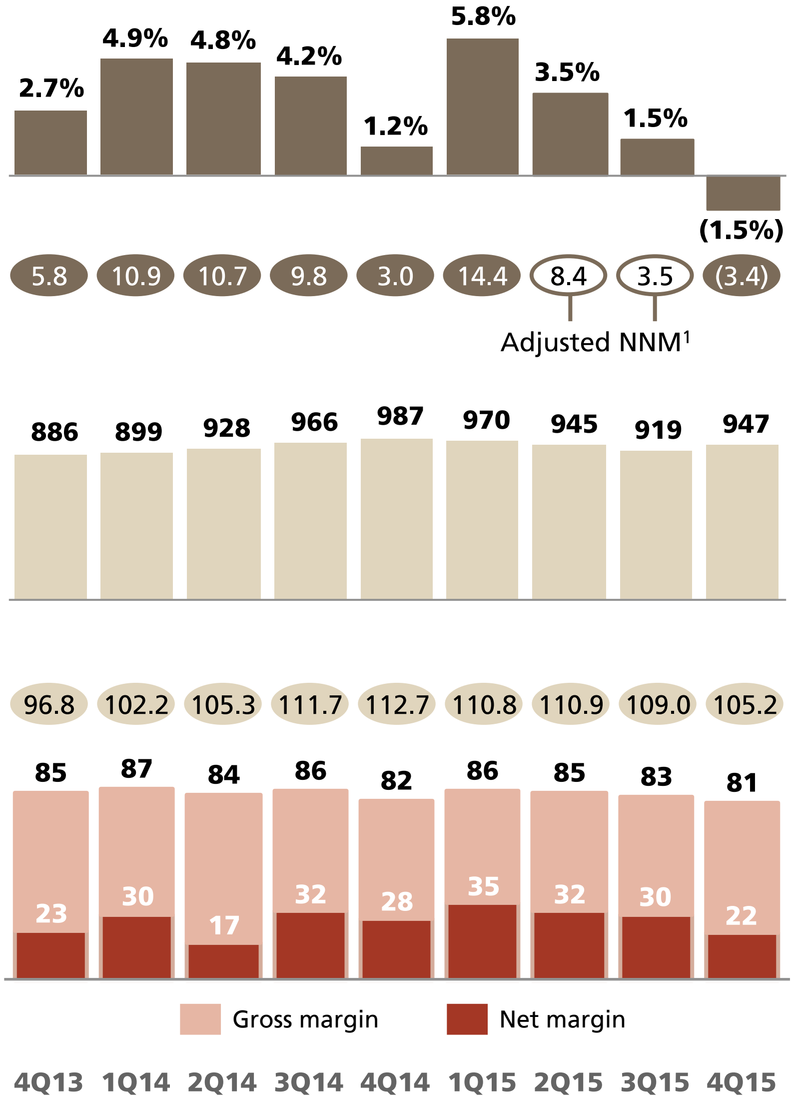
NNM reflecting client deleveraging, seasonal headwinds and strategic discipline

Net new money
Annualized growth rate
CHF billion

Invested assets
CHF billion

Loans
CHF billion

Margins
bps



- **NNM outflows CHF 3.4 billion**, driven by emerging markets and Europe, partly offset by Asia Pacific and Switzerland

  NNM was seasonally low and impacted by continued client deleveraging, cross-border outflows, as well as effects from balance sheet management

- **Invested assets CHF 947 billion**, increased mainly due to CHF 21 billion market performance and CHF 14 billion currency translation effects
- **Mandate penetration 26.4%** vs. 27.0%, largely driven by cross-border outflows
- **Gross loans CHF 105.2 billion**, declined mainly due to client deleveraging
- **Net margin 22 bps**

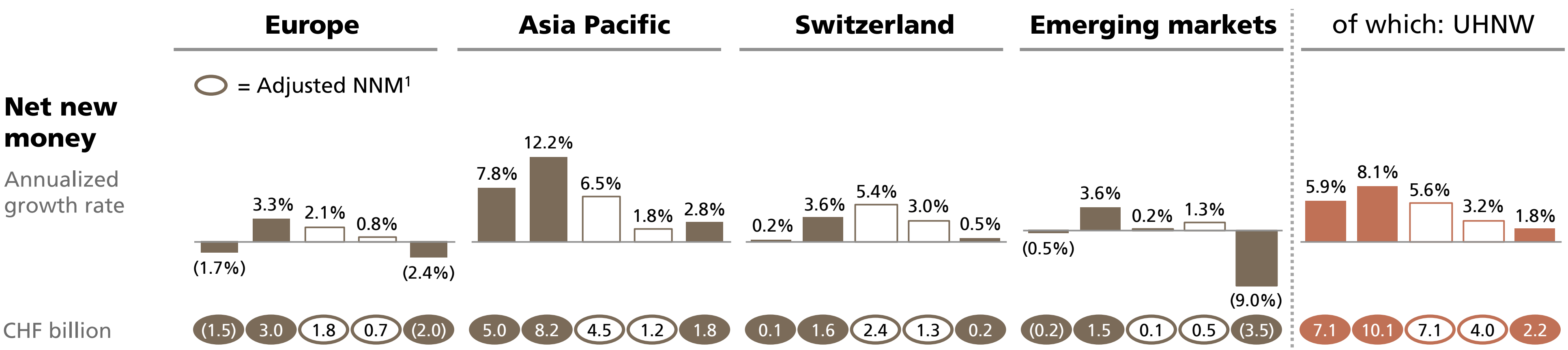
UBS

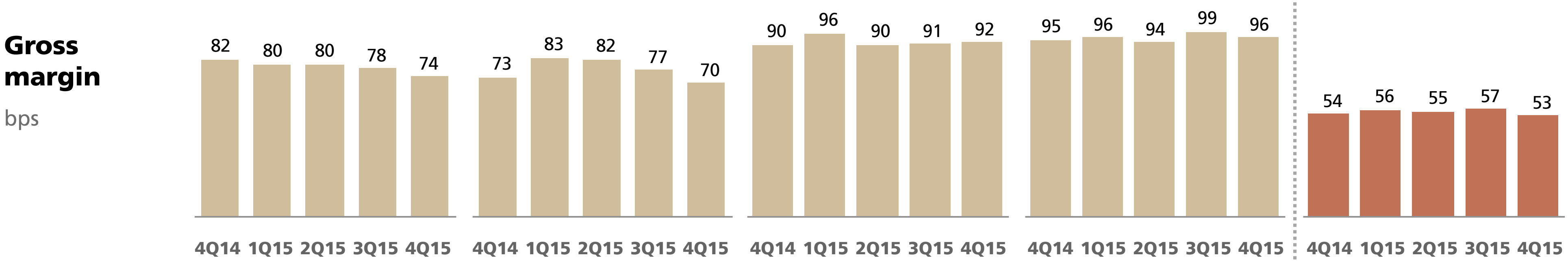
Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Adjusted for outflows of CHF 6.6 billion in 2Q15 and CHF 3.3 billion in 3Q15 related to the WM balance sheet and capital optimization program

Wealth Management

Continued net inflows in APAC and Switzerland





31.12.15	Europe	Asia Pacific	Switzerland	Emerging markets	of which: UHNW
Invested assets CHF billion	**343**	**272**	**174**	**156**	**505**
Client advisors FTE	**1,367**	**1,092**	**771**	**705**	**728**

UBS

Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Based on the WM business area structure, refer to page 13 of the 4Q15 earnings release for more information; 1 Adjusted for outflows of CHF 6.6 billion in 2Q15 and CHF 3.3 billion in 3Q15 related to the WM balance sheet and capital optimization program

Wealth Management Americas

Strong operating performance with record net interest income

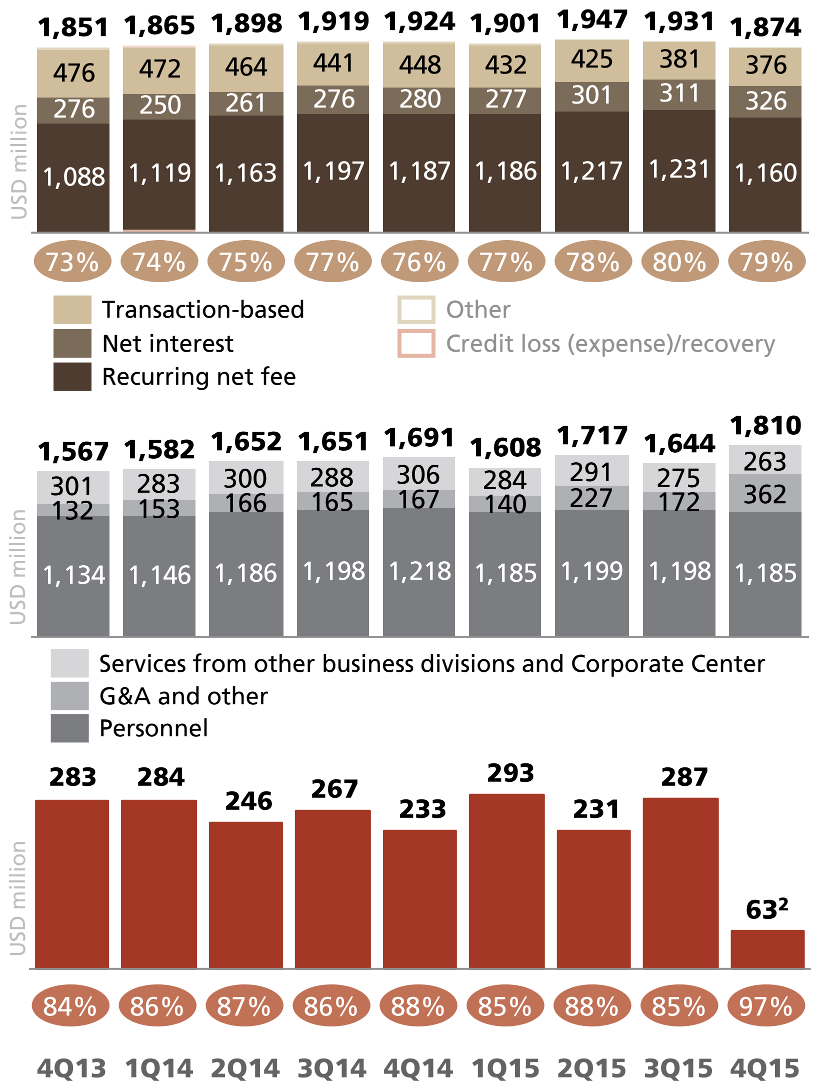
Operating income

Recurring income

Operating expenses

Profit before tax

C/I ratio



Operating income USD 1,874 million

- **Transaction-based income** decreased on lower client activity
- **Net interest income** increased mainly due to higher interest rates and continued growth in loan and deposit balances
- **Recurring net fee income** reflected lower invested asset levels at the end of the previous quarter

Operating expenses USD 1,810 million

- **G&A expenses** increased, primarily due to USD 233 million charges for provisions for litigation, regulatory and similar matters and higher legal fees
- **Personnel expenses** declined, primarily reflecting lower compensable revenues and lower performance-based and variable compensation expenses

PBT USD 63 million, 97% cost/income ratio

PBT USD 296 million excluding provisions[1] of USD 233 million, 84% cost/income ratio

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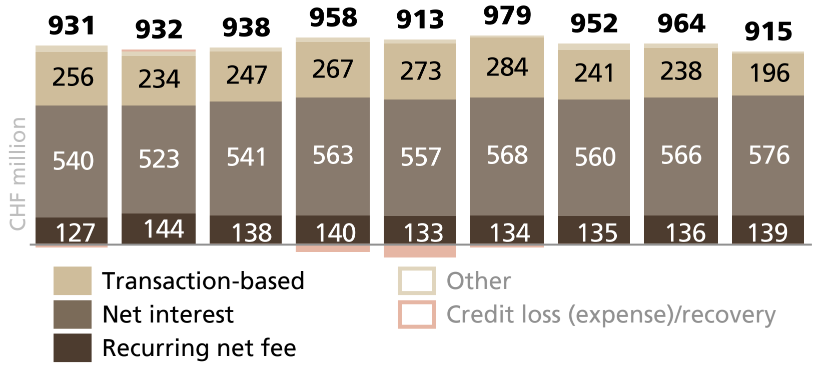
1 Charges for provisions for litigation, regulatory and similar matters; 2 Including USD 233 million charges for provisions for litigation, regulatory and similar matters

Personal & Corporate Banking

Best fourth-quarter PBT since 2011

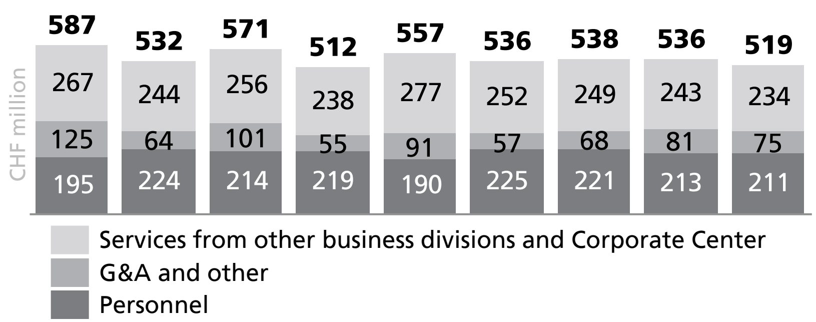
Operating income



Operating income CHF 915 million

- **Transaction-based income** declined, mainly due to the previously announced CHF 45 million fee paid for the shift of certain clients from Wealth Management
- **Net interest income** increased, reflecting higher allocated income from Corporate Center – Group ALM
- **Net credit loss expenses** increased to CHF 11 million, predominantly due to newly impaired positions

Operating expenses

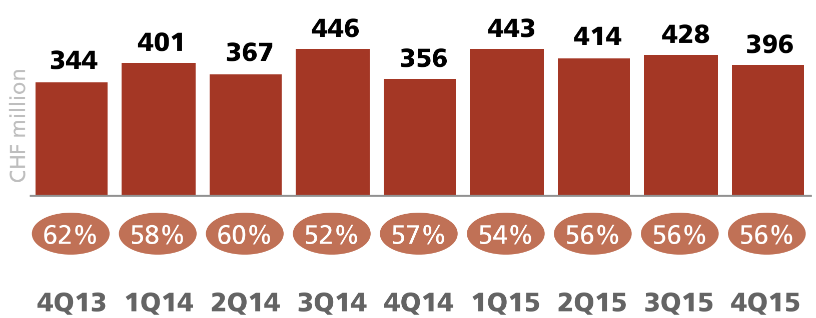


Operating expenses CHF 519 million

- **G&A expenses** declined, primarily driven by lower charitable donations
- **Personnel expenses** decreased, mainly reflecting lower expenses for variable compensation

Profit before tax

C/I ratio



PBT CHF 396 million

- 56% cost/income ratio
- Net interest margin 170 bps vs. 167 bps in 3Q15
- Annualized net new business volume growth for personal banking business 0.6% vs. 2.5 % in 3Q15, following the typical seasonal pattern

Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

Asset Management

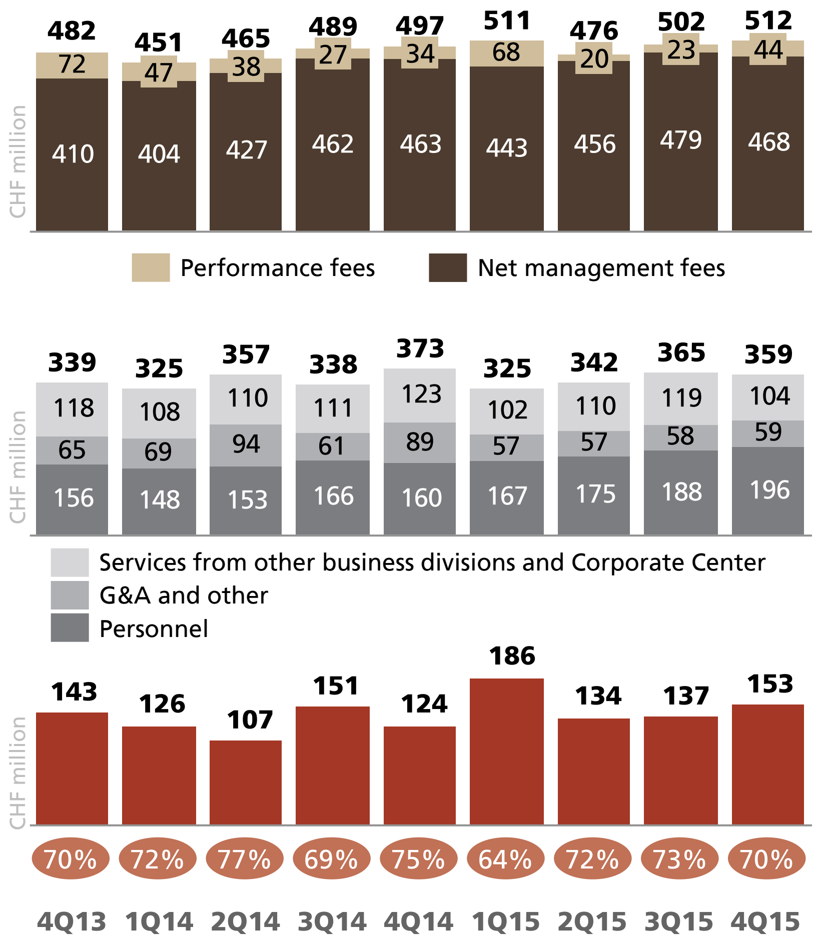
Solid performance – PBT CHF 153 million, up 12% QoQ

Operating income

Operating expenses

Profit before tax

C/I ratio



	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Net new money ex. MM	(4.6)	13.0	11.6	3.8	(5.8)	7.5	8.3	(7.6)	(8.9)

Operating income CHF 512 million

- **Performance fees** increased, mainly in Traditional Investments and in Global Real Estate
- **Net management fees** decreased due to lower fees in Traditional Investments, O'Connor, Hedge Fund Solutions and Fund Services, partly offset by increased fees in Global Real Estate

Operating expenses CHF 359 million

- **Charges for services** decreased, reflecting lower charges from Group Technology and Group Operations
- **Personnel expenses** increased, mainly due to higher salary-related costs as a result of increased staffing levels excluding the effect of the sale of Alternative Fund Services (AFS)

PBT CHF 153 million

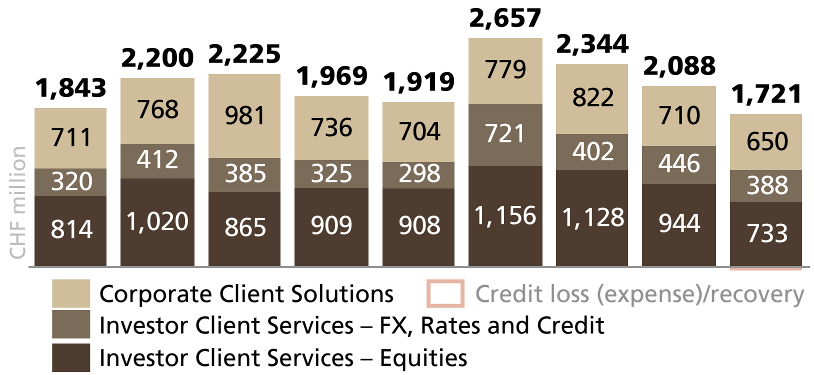
- 70% cost/income ratio
- Invested assets CHF 650 billion
- Net margin 10 bps vs. 9 bps in 3Q15
- Gross margin 32 bps vs. 31 bps in 3Q15

- NNM outflows excluding money market CHF 8.9 billion including CHF 15 billion of outflows, largely from lower-margin passive products, driven by client liquidity needs

Investment Bank

PBT CHF 223 million, strong performance in FRC with revenues up 30% YoY

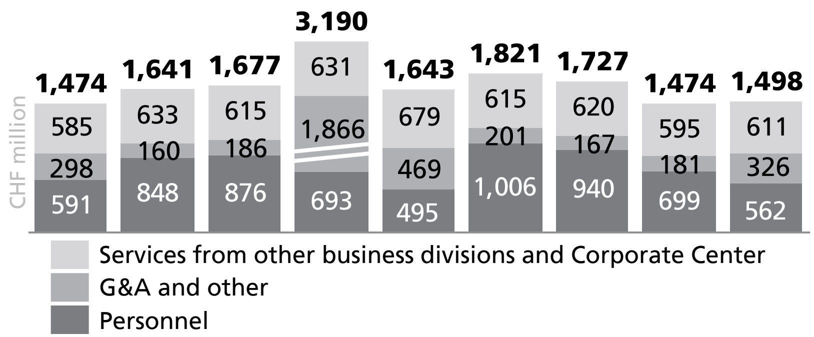
Operating income



Operating income CHF 1,721 million

- **CCS revenues** down 8% YoY reflecting a global decline in the market fee pool
- **ICS – FRC revenues** up 30% YoY driven by continued strong Macro and improved performance in Credit Flow
- **ICS – Equities revenues** down 19% YoY against a very strong comparable quarter, particularly in Derivatives
- **Net credit loss expenses** CHF 50 million, mainly related to the energy sector

Operating expenses

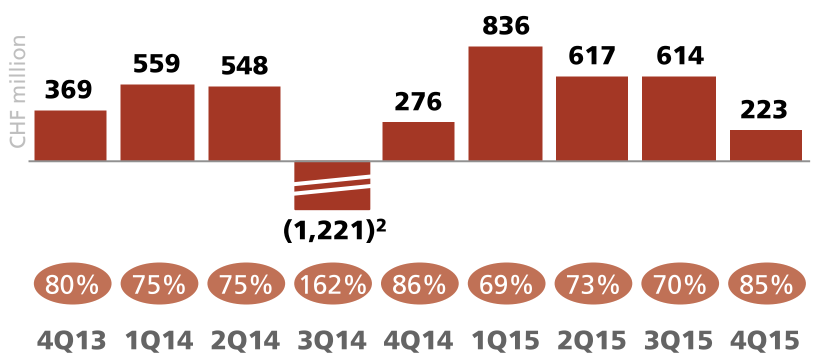


Operating expenses CHF 1,498 million

- Operating expenses excluding litigation provision charges[1] were broadly unchanged YoY, despite a CHF 30 million increase in the annual UK bank levy to CHF 98 million

Profit before tax

C/I ratio



PBT CHF 223 million

- 85% cost/income ratio
- Annualized return on attributed equity 12%
- Basel III RWA CHF 63 billion
- LRD[3] CHF 268 billion

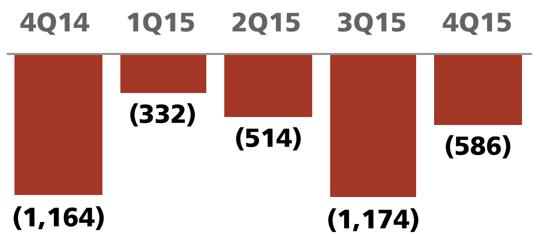
UBS

Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Charges for provisions for litigation, regulatory and similar matters; 2 Including CHF 1,687 million in charges for provisions for litigation, regulatory and similar matters; 3 Calculated in accordance with Swiss SRB rules, from 31.12.15 onwards, these are fully aligned with BIS Basel III rules

Corporate Center

Non-core and Legacy Portfolio LRD below CHF 50 billion

Profit before tax



Corporate Center total (CHF million)

Corporate Center results by unit (CHF million)

	4Q14	1Q15	2Q15	3Q15	4Q15
Services					
Operating income	(6)	(4)	(41)	(38)	(54)
Operating expenses	255	218	212	217	272
o/w before allocations	*2,303*	*2,009*	*2,040*	*2,017*	*2,085*
o/w net allocations	*(2,048)*	*(1,791)*	*(1,827)*	*(1,800)*	*(1,814)*
Profit before tax	**(261)**	**(222)**	**(253)**	**(255)**	**(326)**
Group Asset and Liability Management					
Operating income	(170)	87	(121)	(121)	48
o/w gross income	*161*	*376*	*70*	*86*	*237*
o/w net allocations	*(330)*	*(289)*	*(191)*	*(207)*	*(189)*
Operating expenses	6	(4)	7	(5)	(3)
Profit before tax	**(176)**	**91**	**(127)**	**(116)**	**51**
Non-core and Legacy Portfolio					
Operating income	(376)	(41)	35	(126)	(71)
Operating expenses	350	160	167	677	241
Profit before tax	**(727)**	**(201)**	**(132)**	**(803)**	**(312)**
Personnel (FTEs)	137	125	101	82	77
LRD (CHF billion)[3]	93	84	70	59	46

- **Operating expenses before allocations** increased, mainly due to vacation accruals and an increase in the depreciation of internally generated capitalized software, partly offset by lower marketing expenses
- **Gross income** increased mainly due to hedging activities, which included a gain of CHF 81 million on interest rate derivatives held to hedge high-quality liquid assets[1], compared with a loss of CHF 201 million in the prior quarter, reflecting an increase in US dollar interest rates
- **Operating expenses** declined, predominantly as litigation provision charges[2] decreased by CHF 483 million to CHF 51 million, partly offset by a charge of CHF 50 million for the annual UK bank levy

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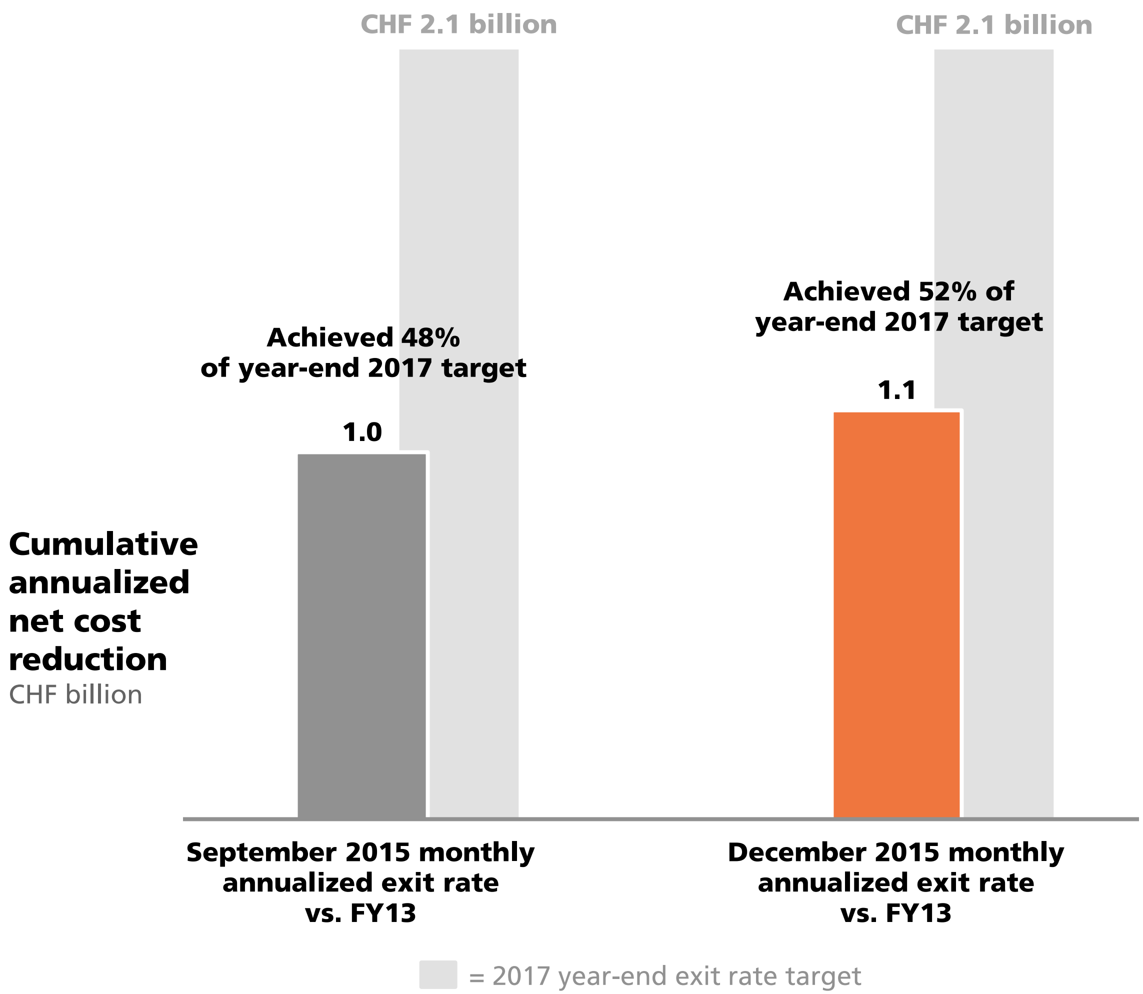
Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Assets hedged are held as available-for-sale, with unrealized fair value changes recorded in other comprehensive income within equity; 2 Charges for provisions for litigation, regulatory and similar matters; 3 Calculated in accordance with Swiss SRB rules, from 31.12.15 onwards, these are fully aligned with BIS Basel III rules

Corporate Center cost reductions

Continued net cost reduction progress



- Achieved CHF 1.1 billion net cost reductions based on December 2015 annualized exit rate
- Improving our effectiveness and efficiency continues to be of highest priority for the Group

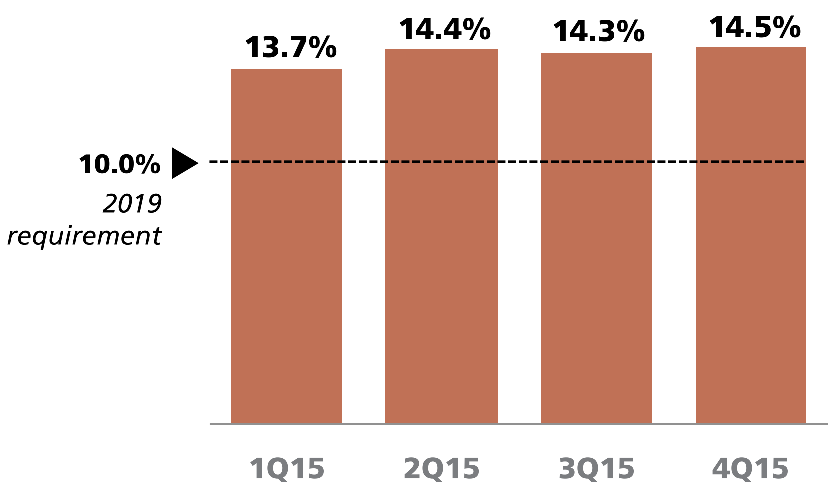
Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

Capital and leverage ratios

Strong capital position with 14.5% Basel III CET1 ratio and 5.3% Swiss SRB leverage ratio

Basel III CET1 capital ratio[1]

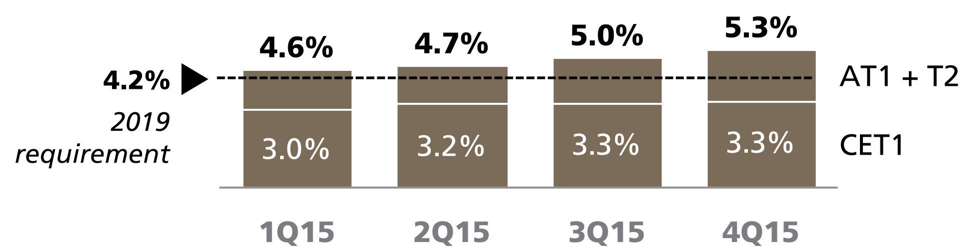
Swiss SRB, fully applied, CHF billion



	1Q15	2Q15	3Q15	4Q15
CET1 capital	29.6	30.3	30.9	30.0
RWA	216	210	216	208

Swiss SRB Leverage ratio

Fully applied, CHF billion



	1Q15	2Q15	3Q15	4Q15
Total capital	44.5	44.6	47.6	47.4
LRD[2]	977	944	946	898

Current Swiss SRB regulation[3]

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Refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation; 1 As of 31.12.15, our post-stress fully applied Basel III CET1 capital ratio exceeded 10%; 2 Calculated in accordance with Swiss SRB rules, from 31.12.15 onwards, these are fully aligned with BIS Basel III rules; 3 Numbers presented on this slide do not reflect the new requirements for Swiss systemically relevant banks as proposed by the Swiss Federal Council in December 2015

Robust liquidity profile and stable funding

Funding plan is regularly reviewed and adapted to changes in requirements

Liquidity coverage ratio (LCR) [1]

(CHF billion)	Average 4Q15
High-quality liquid assets	208
Net cash outflows	167
LCR	**124%**

- Our contingent funding sources include a large, multi-currency portfolio of unencumbered, high-quality assets managed centrally by Group ALM, a majority of which are short-term, available and unutilized liquidity facilities at several major central banks, and contingent reductions of liquid trading portfolio assets
- We regularly assess and test all material, known and expected cash flows, as well as the level and availability of high-grade collateral that could be used to raise additional funding if required
- We monitor the LCR in Swiss francs and in all other significant currencies to manage any currency mismatches between HQLA and the net expected cash outflows in times of stress
- The weighting of cash outflows and inflows for the LCR is prescribed by FINMA, based on BIS guidance, and depends on criteria such as maturity, counterparty and industry type, stability of deposits, operational purpose of the balance for a client, covering of short positions, encumbrance, netting agreements, volatility and collateral requirements

Pro-forma net stable ratio (NSFR)

(CHF billion)	31.12.15
Available stable funding (ASF)	426
Required stable funding (RSF)	403
NSFR	**105%**

- 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

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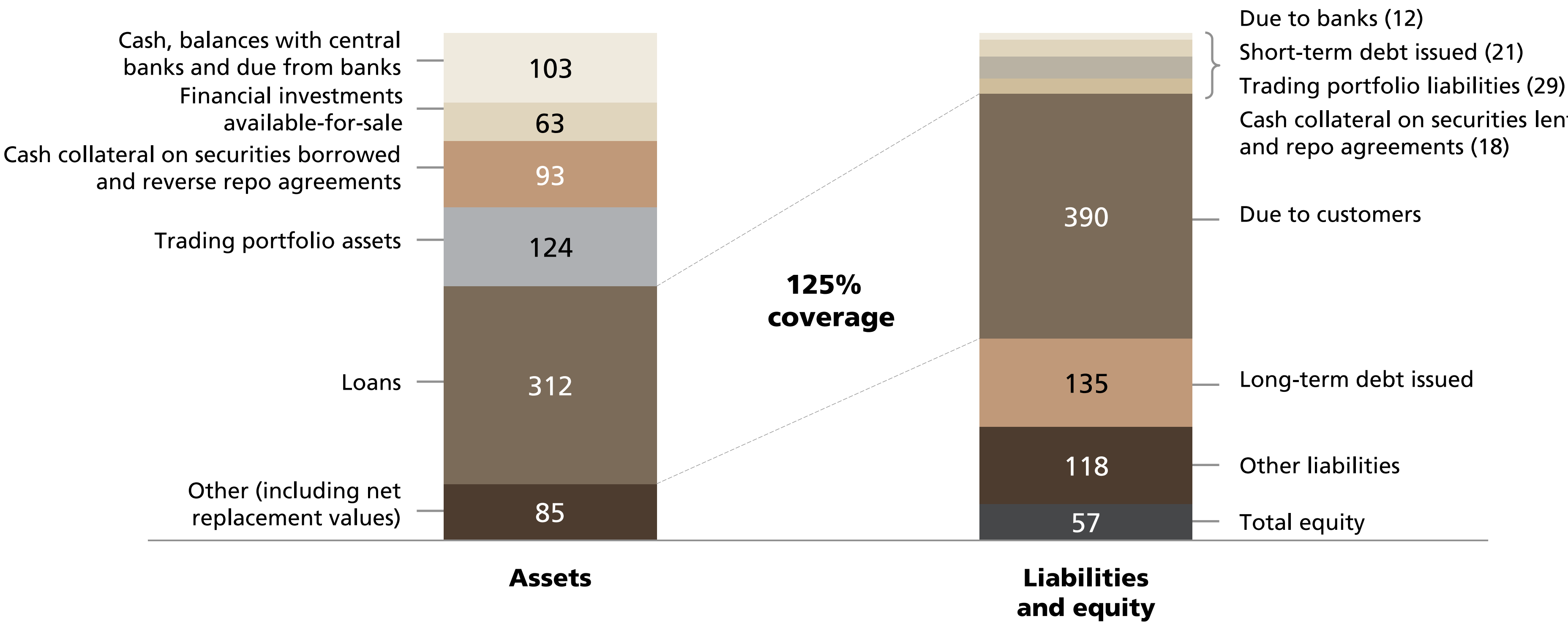
Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 The average fourth quarter 2015 net cashflows and liquidity coverage ratio disclosed in our fourth quarter 2015 earnings release were adjusted from CHF 163 billion and 128% to CHF 167 billion and 124% respectively; 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

Strong balance sheet

Asset funding[1]
31.12.15, CHF billion

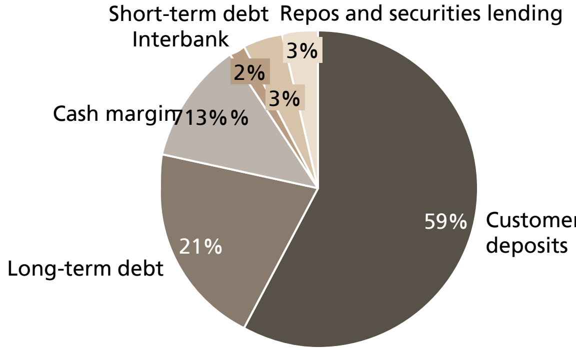


Refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Refer to the "Liquidity and Funding Management" section of the 2015 annual Report report for further detail

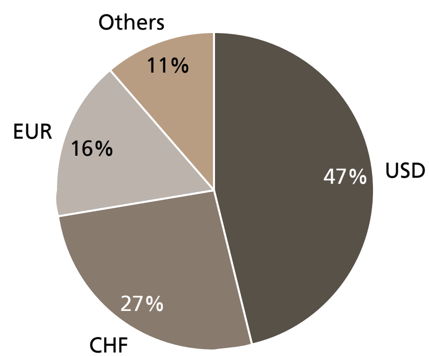
Diversified funding sources

Funding plan is regularly reviewed and adapted to changes in requirements

Funding by source
31.12.15



Funding by currency
31.12.15



- Our business activities generate asset and liability portfolios that are broadly diversified by market, product, tenor and currency
- This reduces our exposure to individual funding sources and provides a broad range of investment opportunities, reducing liquidity risk
- Since the end of 2011 the reliance on short term debt, defined as short term debt plus due to banks, has continually decreased from slightly above CHF100bn to around CHF33bn
- Repo reduction in line with strategy
- During 2015 we issued senior unsecured debt totaling the equivalent of CHF 13.6 billion, we contributed to our loss-absorbing capital by issuing additional tier 1 perpetual capital notes equivalent to CHF 3.5 billion and CHF 1.5 billion, and we issued senior unsecured debt that will contribute to our total loss-absorbing capacity equivalent to CHF 5.3 billion
- We also continue to raise medium- and long-term funds through medium-term notes and private placements and through CHF 0.8 billion of Swiss Pfandbriefe issuances
- In December 2015, as part of optimizing our interest expense, we successfully executed a cash tender offer to repurchase certain senior and subordinated debt and covered bonds with an aggregate principal repurchase amount equivalent to approximately CHF 6.1 billion

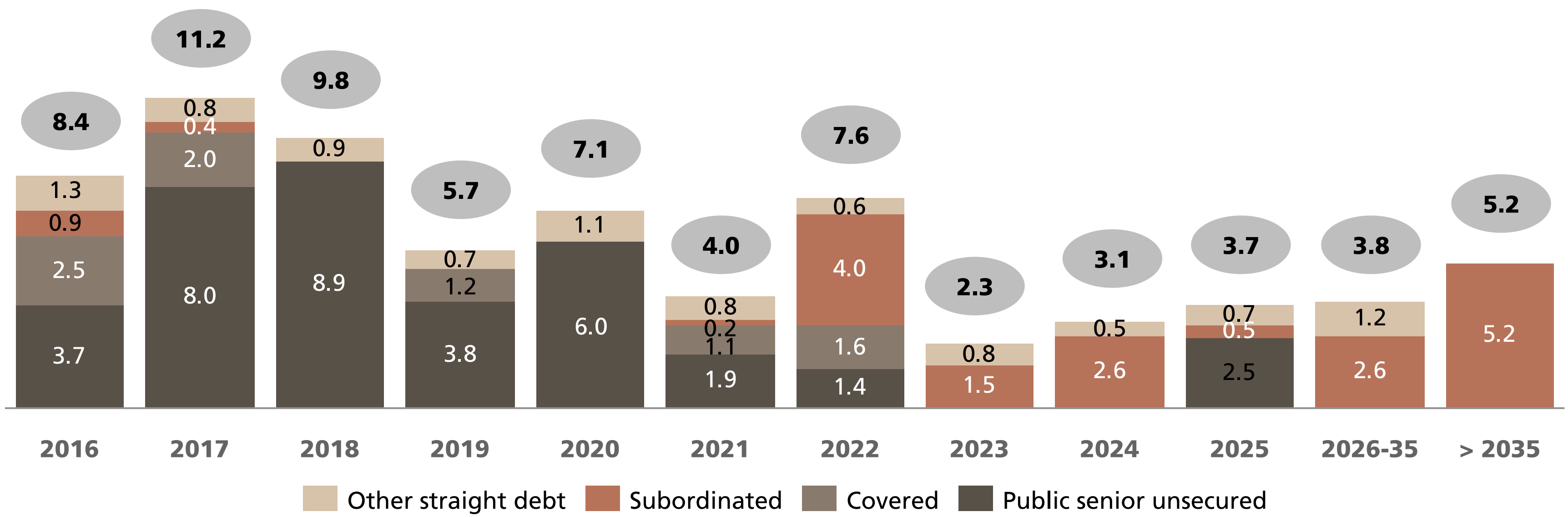
UBS

Refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

Long-term debt – contractual maturity profile

Amount of long-term debt maturing by period of maturity

CHF billion, 31.12.15

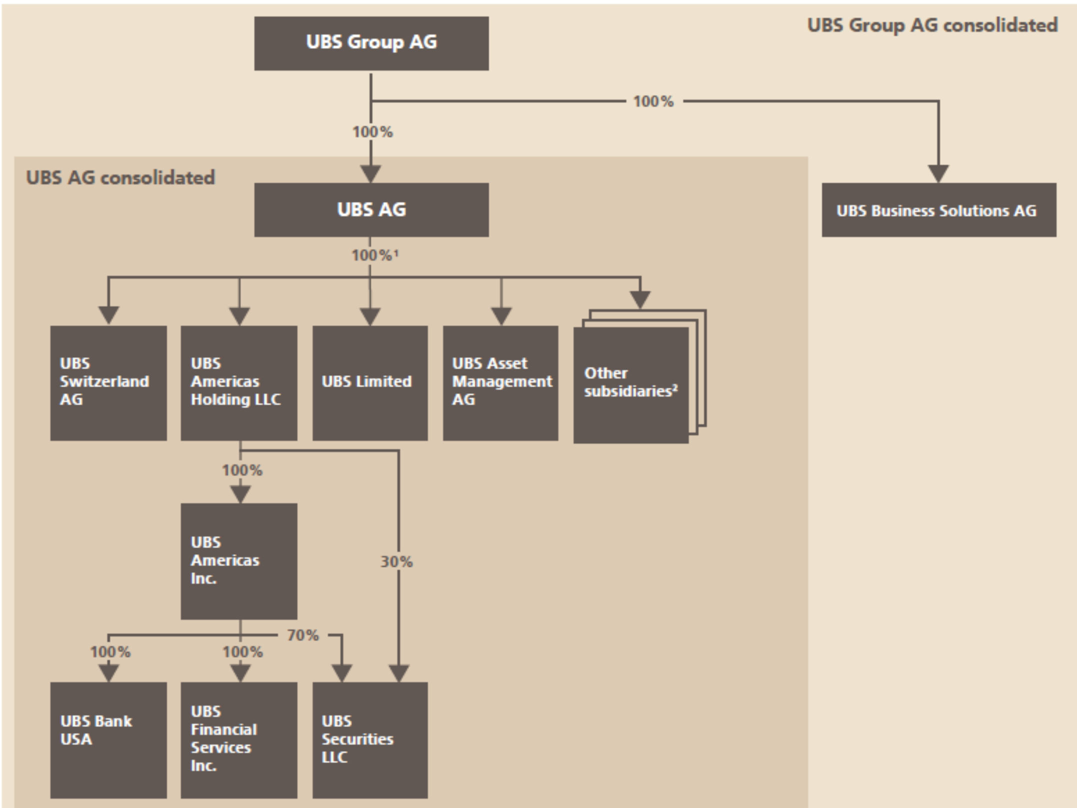


CHF 71.9 billion (CHF 76.3 billion 3Q15) total volume:

- Comprises CHF 54.1 billion of senior and CHF 17.8 billion of subordinated debt
- CHF 8.4 billion, or 12%, of the positions mature within the upcoming 12 months, of which CHF 3.7 billion in public senior unsecured benchmark bonds
- Does not include structured notes (which are Financial Liabilities at Fair Value)
- Does not include CHF 1.9 billion of Hybrid capital subject to phase-out

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

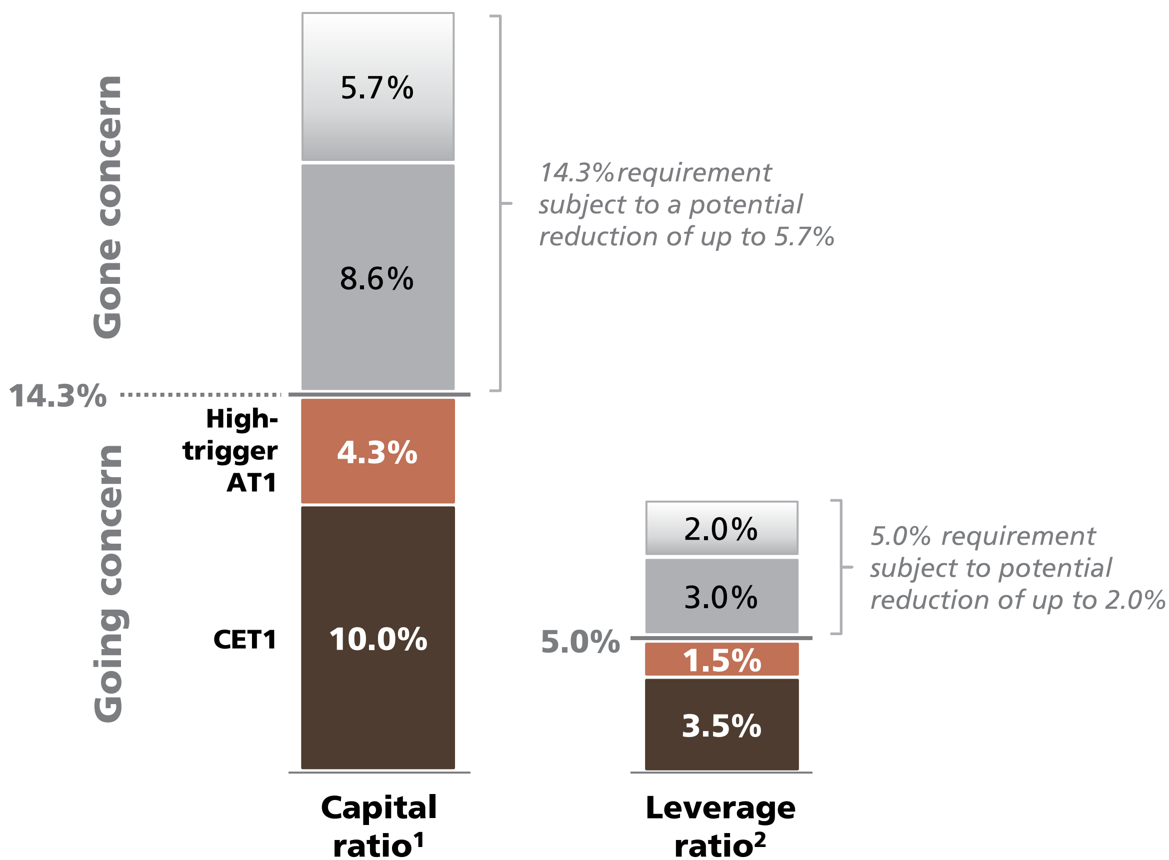


1 Direct and indirect holdings. 2 UBS AG and the significant subsidiaries shown in this chart hold in aggregate 100% of these other subsidiaries with very few exceptions.

- UBS Group AG as our holding company meets Single Point of Entry requirements and allows for issuance of bail-in eligible debt
- UBS Business Solutions AG acts as the Group service company, 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 have completed implementation of the revised business and operating model for UBS Limited under which it bears and retains a larger proportion of the risk and reward of its business activities
- We expect to transfer the majority of the operating subsidiaries of AM into UBS Asset Management during 2016
- In the US we intend to designate our subsidiary UBS Americas Holding LLC as our Intermediate Holding Company for our US subsidiaries prior to the 1 July 2016 deadline under new rules for foreign banks under Dodd-Frank
- We continue to consider further changes in response to capital and other regulatory requirements, and in order to obtain any rebate in capital requirements for which the Group may be eligible
- Changes may include, amongst others;
  - transfer of operating subsidiaries of UBS AG to UBS Group AG
  - Consolidation of operating subsidiaries in the EU
  - adjustments to the booking entity or location of products and services

New requirements under draft proposal for revised Swiss SRB

Expected to become effective end-2019, with a transitional period starting 1.7.16



TLAC Gone concern (TLAC)

- Overall requirement mirrors the going concern requirement
- To be met with bail-in instruments (TLAC)
- Potential reduction of up to 2% leverage ratio (5.7% capital ratio) based on Group resilience and resolvability[3]

HT AT1 CET1 Going concern capital

- Overall size depends on total LRD and Swiss market share
- Maximum of 1.5% can be met with high-trigger AT1 capital instruments
- Grandfathering: all existing AT1 and T2 instruments recognized towards high-trigger AT1 capital at least until 2019[4,5]

Refer to slide 44 for details about Basel III numbers and FX rates in this presentation

1 In percent of RWA; 2 In percent of LRD; 3 The size of the rebate has not yet been determined; 4 Low-trigger AT1 instruments can be counted towards going concern capital up to the first call date; 5 T2 instruments can be counted towards going concern capital up to the earlier of the first call date or 31.12.19 (and after 31.12.19 towards gone concern requirements up to the first call date)

New requirements under draft proposal for revised Swiss SRB

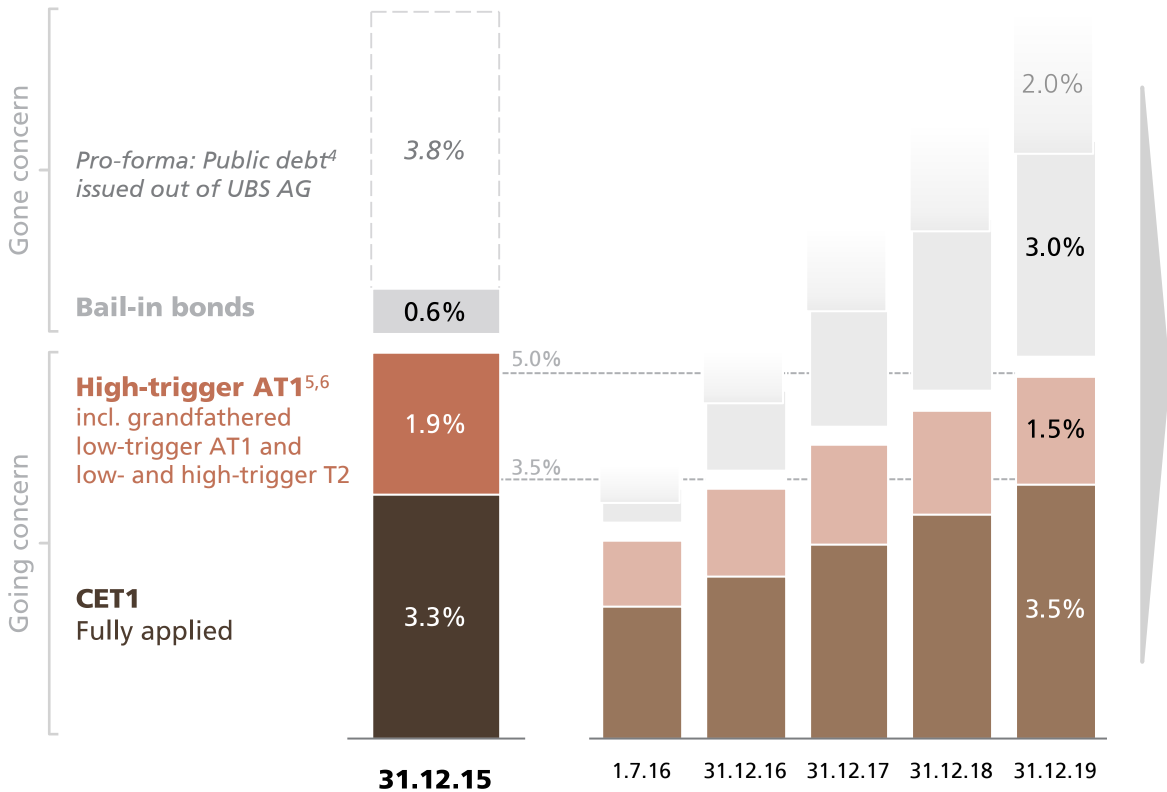
We will be compliant from the inception of the new requirements

UBS leverage ratio balances vs. revised Swiss SRB

UBS position as of 31.12.15[1]

Phase-in leverage ratio requirements[2]

Gone concern requirement is subject to a potential reduction of up to 2.0%



Meeting 2019 requirements

Gone concern (bail-in bonds)

- 0.6% (CHF 5.6 billion) existing UBS Group AG TLAC bonds[3]
- 3.8% (CHF 34.0 billion) UBS AG public debt[4] which we expect to replace upon maturity with UBS Group AG issuance of TLAC-eligible bonds by 31.12.19
- Requirement is subject to potential reduction of up to 2% based on improved resilience and resolvability

High-trigger AT1 capital[6]

- 1.9% (CHF 17.4 billion) comprising CHF 3.8 billion existing high-trigger AT1 capital and CHF 13.6 billion grandfathered instruments (low-trigger AT1 and low- and high-trigger T2 instruments)[5,7]
- We expect to build another ~CHF 1.5 billion in employee high-trigger AT1 DCCP capital by 31.12.19
- We expect to replace maturing grandfathered T2 with UBS Group AG issuance of high-trigger AT1

CET1 capital

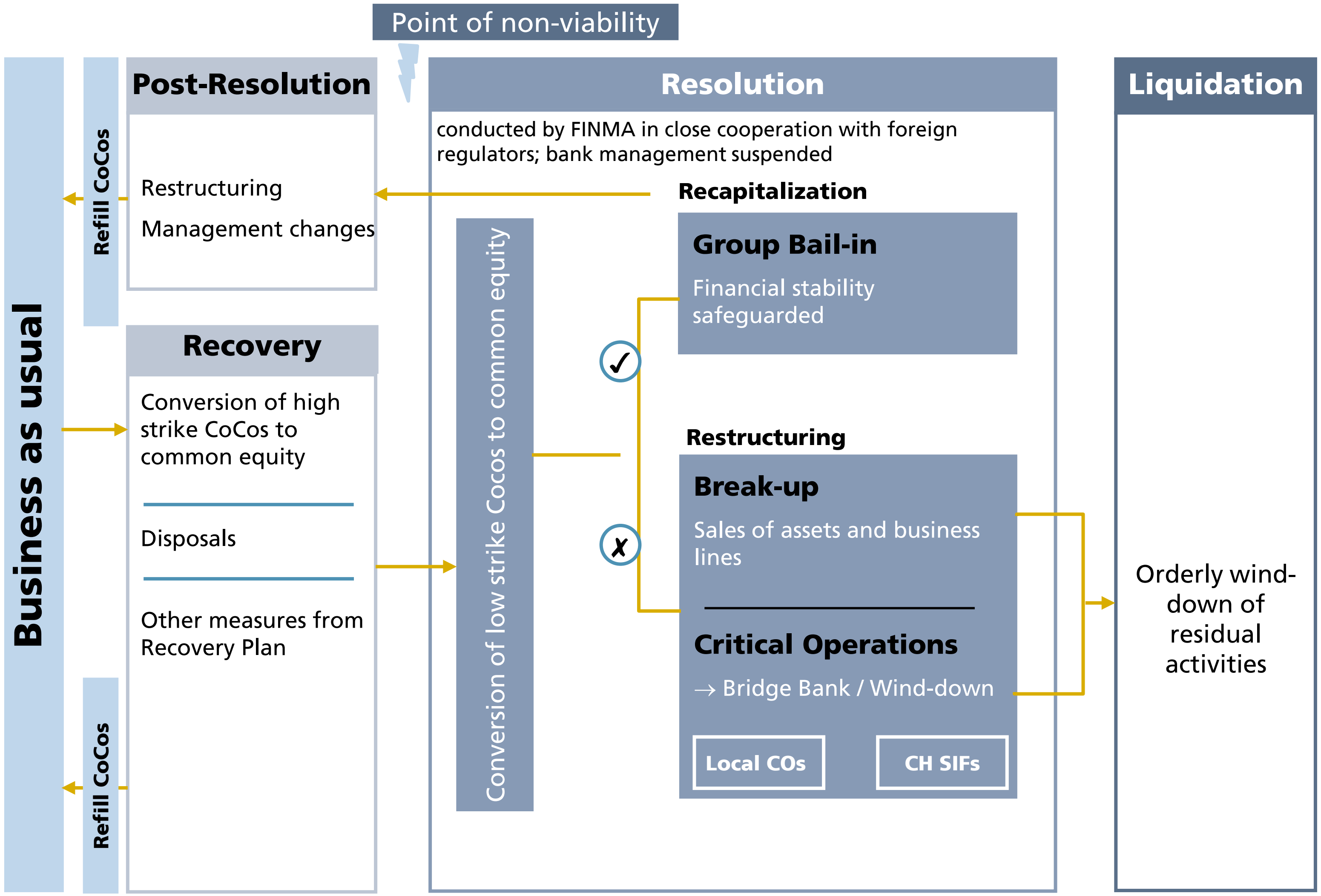
- 3.3% (CHF 30.0 billion) CET1
- Incremental ~15 bps of CET1 leverage ratio via earnings accretion (~CHF 3 billion assuming CHF 950 billion LRD[8])

Refer to slide 44 for details about Basel III numbers and FX rates in this presentation

1 Based on 31.12.15 fully applied Swiss SRB LRD of CHF 898 billion and fully applied CET1 and AT1 capital including instruments subject to grandfathering rules; 2 Phase-in requirements in the chart are illustrative; 3 UBS Group AG senior unsecured debt expected to be TLAC-eligible; 4 Excluding structured notes; 5 Low-trigger AT1 instruments can be counted towards going concern capital up to the first call date and T2 instruments can be counted towards going concern capital up to the earliest of the first call date or 31.12.19 (and after 31.12.19 towards gone concern capital up to the first call date); 6 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; 7 Including CHF 6.6 billion low-trigger T2 with first call and maturity date after 31.12.19, which will qualify as gone concern after 31.12.19; 8 Per our short/medium term expectation

UBS

Overview of resolution strategy (FINMA)



✓ Recapitalization sources considered **sufficient** by FINMA

✗ Recapitalization sources considered **insufficient** by FINMA

Source: FINMA Annual Report 2013, page 45

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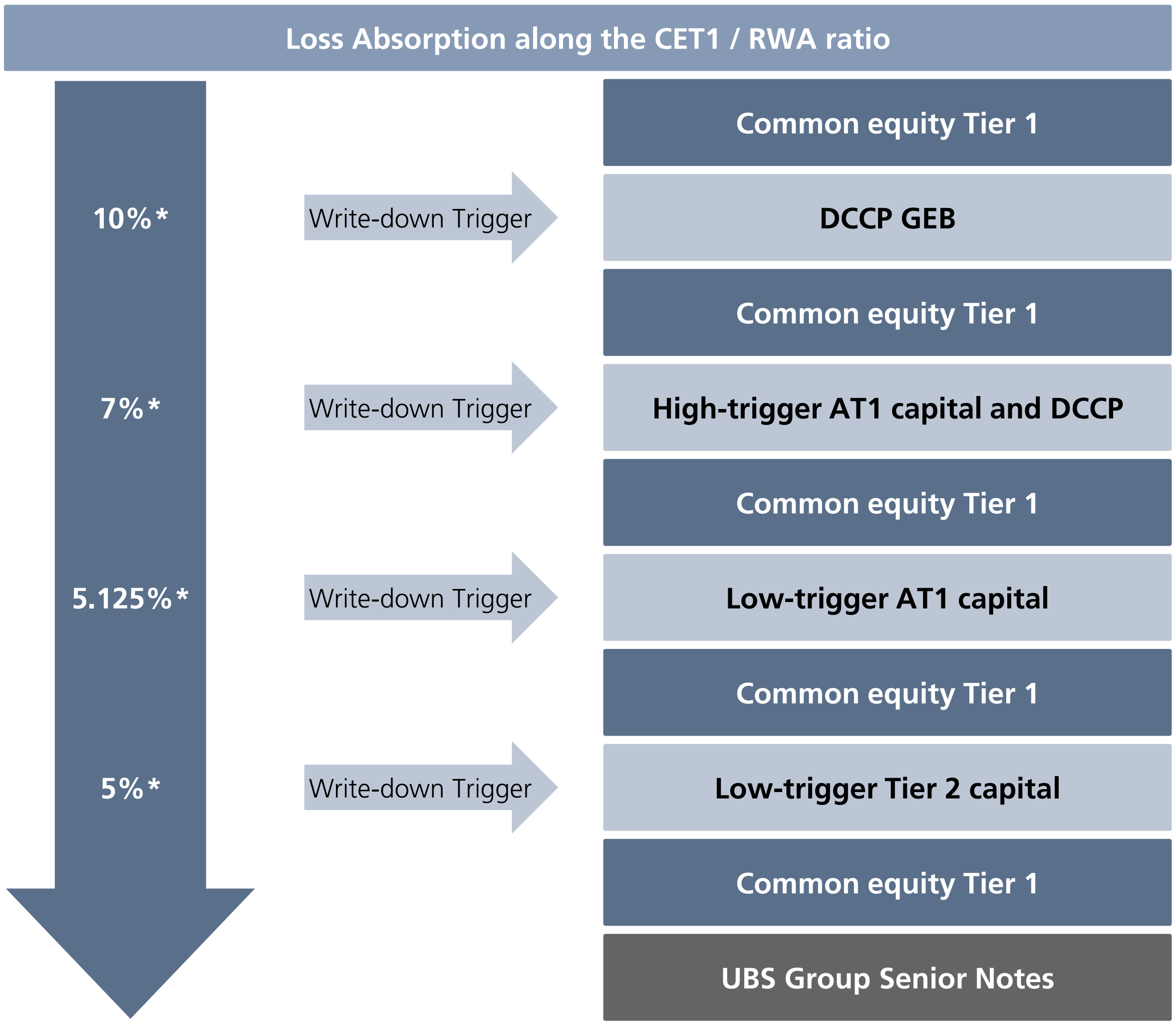
Write down trigger levels



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

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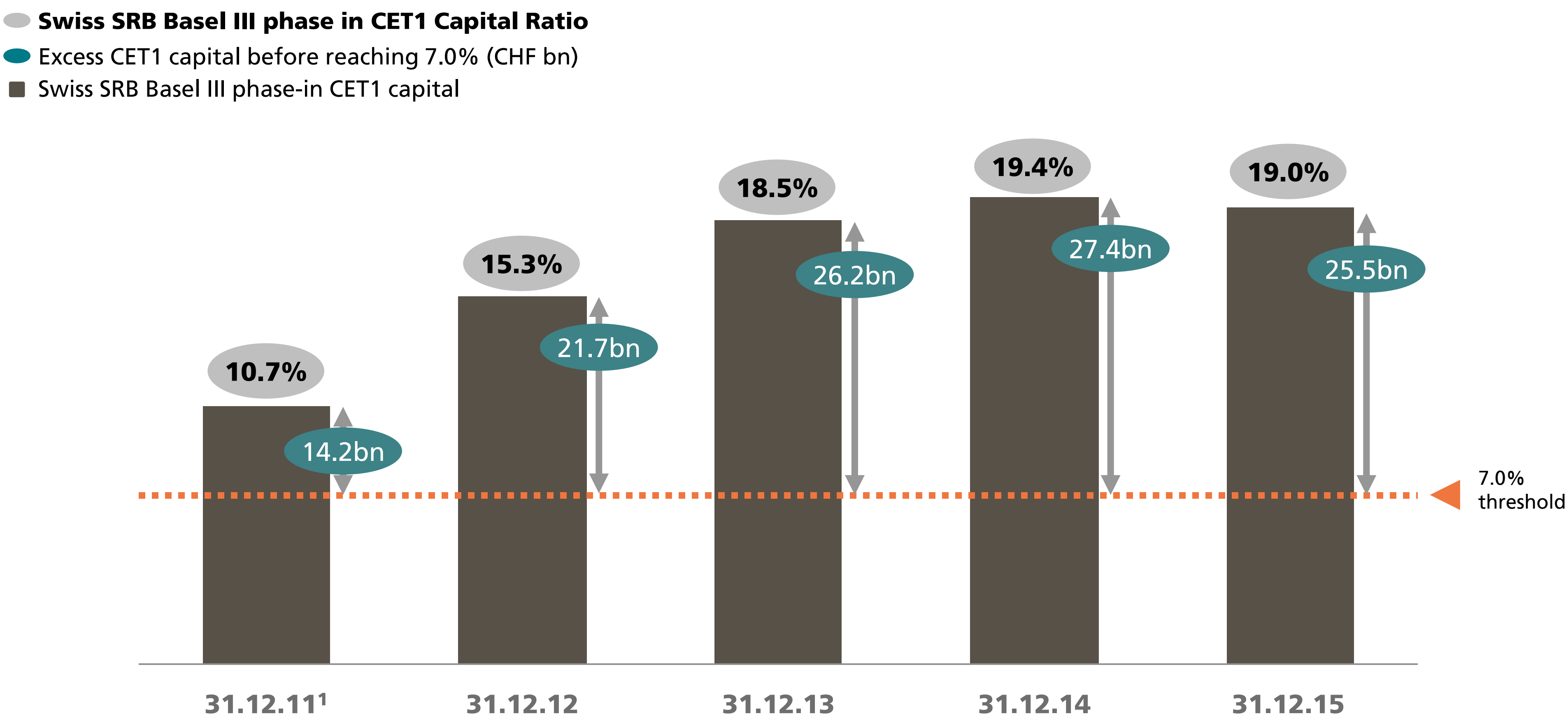
* CET1 ratio calculated on a consolidated basis taking into account UBS Group AG and its affiliates or UBS AG and its affiliates, as applicable

Substantial capital cushion to a 7% trigger threshold



Reported Swiss SRB Basel III – phase in figures [2] (CHF billion)

	31.12.11	31.12.12	31.12.13	31.12.14	31.12.15
CET1	41.0	40.1	42.2	42.9	40.4
RWA	383	262	229	221	212

Refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1. Basel III phase in CET1 ratios applied retrospectively for December 2011; 2 Trigger on Tier 1 Capital Notes is computed off Swiss SRB Basel III phase in CET1

Continued focus on execution …

What we have delivered		Management priorities
✓	Execution of the transformation of UBS	Deliver our performance targets
✓	Made substantial progress in reducing costs and achieving operational efficiency	Improve effectiveness and efficiency
✓	Solidified position as the world's largest and fastest growing wealth manager[1]	Invest for growth

… to drive sustainable performance and returns to our shareholders

UBS

1 Scorpio Partnership Global Private Banking Benchmark 2015, on reporting base currency basis for institutions with AuM >USD 500 billion

Appendix A

Appendix materials

UBS

Group and business division targets and expectations

Ranges for sustainable performance over the cycle[1]

Business divisions and Corporate Center

Wealth Management	Net new money growth rate	3-5%	10-15% annual adjusted pre-tax profit growth for combined businesses through the cycle
	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	CHF 1 billion in the medium term	
Investment Bank	Adjusted annual pre-tax RoAE	>15%	
	Adjusted cost/income ratio	70-80%	
	RWA (fully applied)	Expectation: around CHF 85 billion short/medium term	
	BIS Basel III LRD (fully applied)	Expectation: around CHF 325 billion short/medium term	
Corporate Center	Net cost reduction[2]	CHF 2.1 billion by 2017	

Group	Adjusted cost/income ratio	60-70%, expectation: 65-75% short/medium term
	Adjusted return on tangible equity	>15%, expectation: approximately at 2015 level in 2016, approximately 15% in 2017 and >15% in 2018
	Basel III CET1 ratio (fully applied)	at least 13%[3]
	RWA (fully applied)	Expectation: around CHF 250 billion short/medium term
	LRD (fully applied)	Expectation: around CHF 950 billion short/medium term

UBS

Refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Refer to page 11 of the 3Q15 financial report for details; 2 Measured by year-end exit rate vs. FY13 adjusted operating expenses, net of changes in charges for provisions for litigation, regulatory and similar matters, FX movements and changes in regulatory demand of temporary nature; 3 Our capital returns policy is also subject to maintaining a post-stress fully applied CET1 capital ratio of at least 10%

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	BBB+	12.2.15	Positive (2.12.15)
Short-Term Counterparty Credit Rating	A-2	12.2.15	Affirmed (2.12.15)

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)

Scope Ratings	Rating	Last rating change	Status / outlook
Issuer Credit-Strength Rating	A	Solicited 3.8.15	Stable (3.8.15)
Short-Term Debt Rating	S-1	Solicited 3.8.15	Stable (3.8.15)

UBS AG

Standard & Poor's	Rating	Last rating change	Status / outlook
Long-Term Counterparty Credit Rating	A	29.11.11	Positive (2.12.15)
Short-Term Counterparty Credit Rating	A-1	19.12.08	Affirmed (2.12.15)
Stand-alone Credit Profile	a-	29.4.14	Affirmed (2.12.15)

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 (11.1.16)
Short-term debt rating	P-1	29.6.98	Affirmed (11.1.16)
Counterparty risk rating	Aa3(cr)	(11.1.16)	(11.1.16)
Baseline credit assessment	baa1	11.1.16	(11.1.16)

Fitch	Rating	Last rating change	Status / outlook
Long-Term Issuer Default Rating	A	13.10.11	Positive (8.12.15)
Short-Term Issuer Default Rating	F1	13.10.11	Affirmed (8.12.15)
Viability Rating	a	17.4.13	Affirmed (8.12.15)

Scope Ratings	Rating	Last rating change	Status / outlook
Issuer Credit-Strength Rating	A	Solicited 3.8.15	Stable (3.8.15)
Short-Term Debt Rating	S-1	Solicited 3.8.15	Stable (3.8.15)

UBS

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 – UBS Switzerland and UBS Limited

UBS Switzerland AG

Standard & Poor's	Rating	Last rating change	Status / outlook
Long-Term Counterparty Credit Rating	A	15.6.15	Positive (2.12.15)
Short-Term Counterparty Credit Rating	A-1	15.6.15	Affirmed (2.12.15)

Fitch	Rating	Last rating change	Status / outlook
Long-Term Issuer Default Rating	A	15.6.15	Positive (8.12.15)
Short-Term Issuer Default Rating	F1	15.6.15	Affirmed (8.12.15)

UBS Limited

Standard & Poor's	Rating	Last rating change	Status / outlook
Long-Term Counterparty Credit Rating	A	29.11.11	Positive (2.12.15)
Short-Term Counterparty Credit Rating	A-1	19.12.08	Affirmed (2.12.15)

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 (11.1.16)

Fitch	Rating	Last rating change	Status / outlook
Long-Term Issuer Default Rating	A	13.10.11	Positive (8.12.15)
Short-Term Issuer Default Rating	F1	13.10.11	Affirmed (8.12.15)

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.

Wealth Management

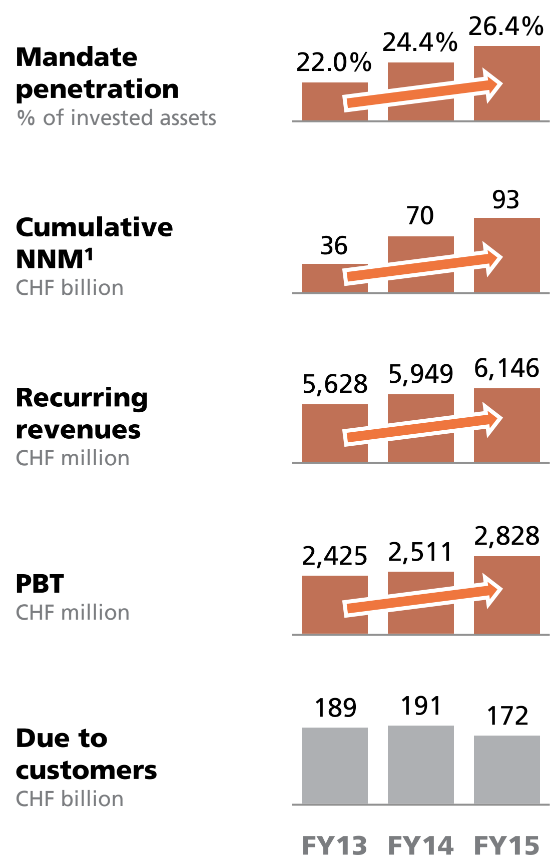
Clear strategic priorities to drive growth and profitability

Strategic agenda	Progress	2016 priorities

Strategic agenda

- **Investment engine and book transformation:** apply our global expertise across the entire client base
- **UHNW growth and HNW reinvigoration:** capitalize on our global market-leading position in UHNW; refocus and invest in HNW
- **Pricing:** implement pricing aligned with value proposition
- **Cost efficiency:** manage direct costs to stay within cost/income targets
- **Adapt our operating model:** efficiency, simplicity and digital innovation
- **Optimize resource utilization:** to meet overall Group objectives

Progress



2016 priorities

- **Leverage our industry-leading investment and advice capabilities**
- **Deploy a globally consistent distribution model**
- **Utilize scale benefits and streamline non-client facing functions**
- **Selectively invest in growth markets**
- **Refocus and invest in our HNW and affluent businesses**
- **Prudently manage financial resources to meet overall Group objectives**

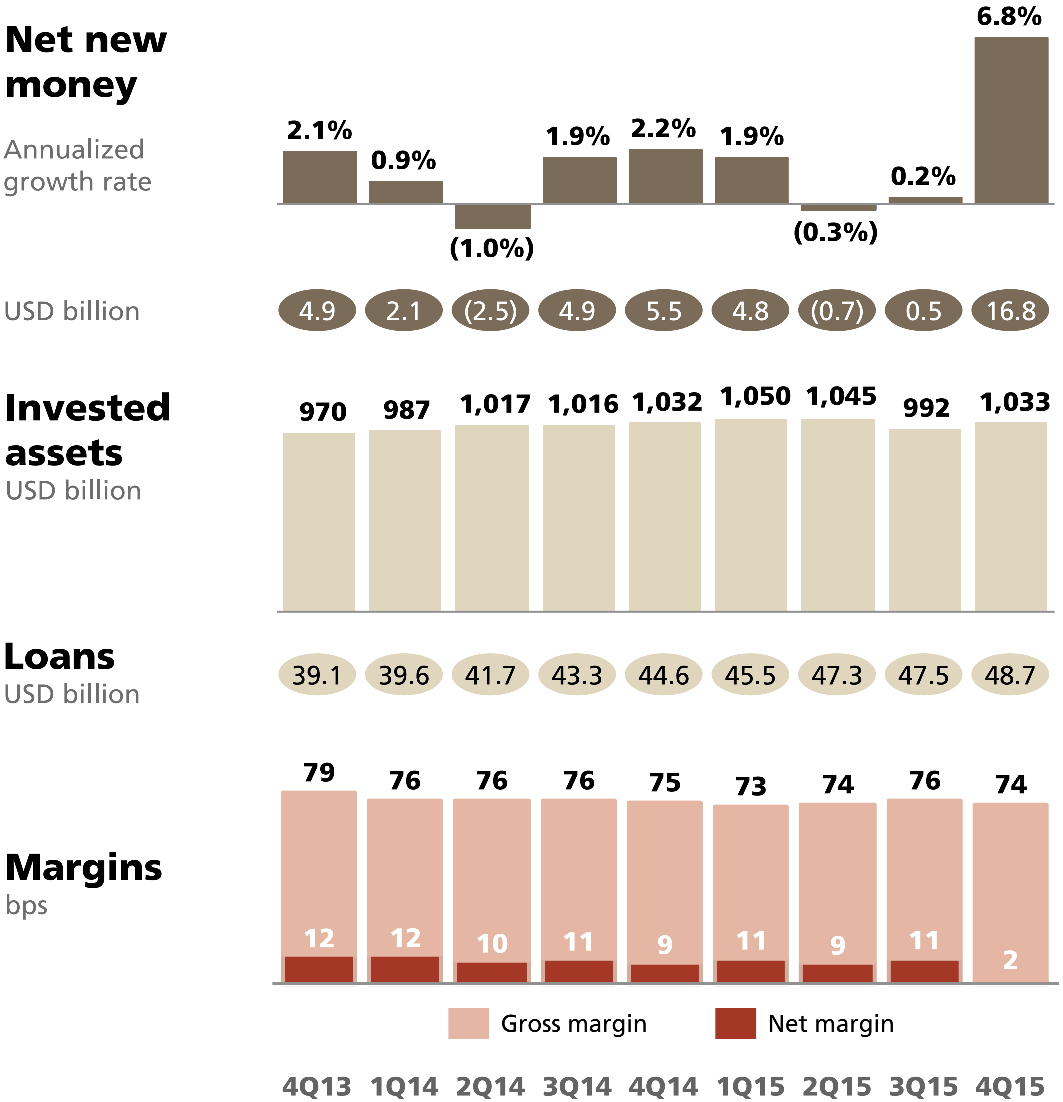
UBS

Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Excludes outflows related to the WM balance sheet and capital optimization program in FY15

Wealth Management Americas

Strong NNM USD 16.8 billion



- **NNM USD 16.8 billion, 6.8% annualized growth rate**, with significant inflows from newly recruited advisors, as well as CHF 4.9 billion net inflows from advisors who have been with the firm for more than one year
- **Invested assets USD 1,033 billion** increased on positive market performance and strong NNM
- Managed accounts penetration 34%
- **Gross loans USD 48.7 billion**
- **Net margin 2 bps**

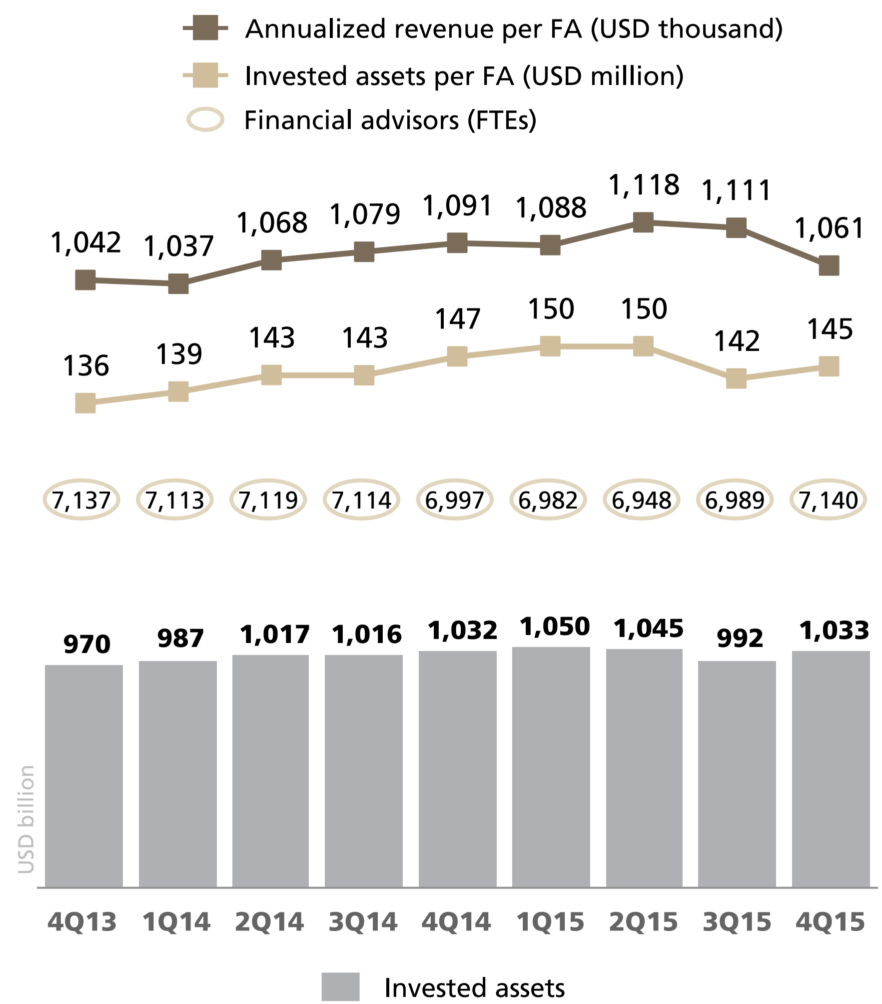
UBS

Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

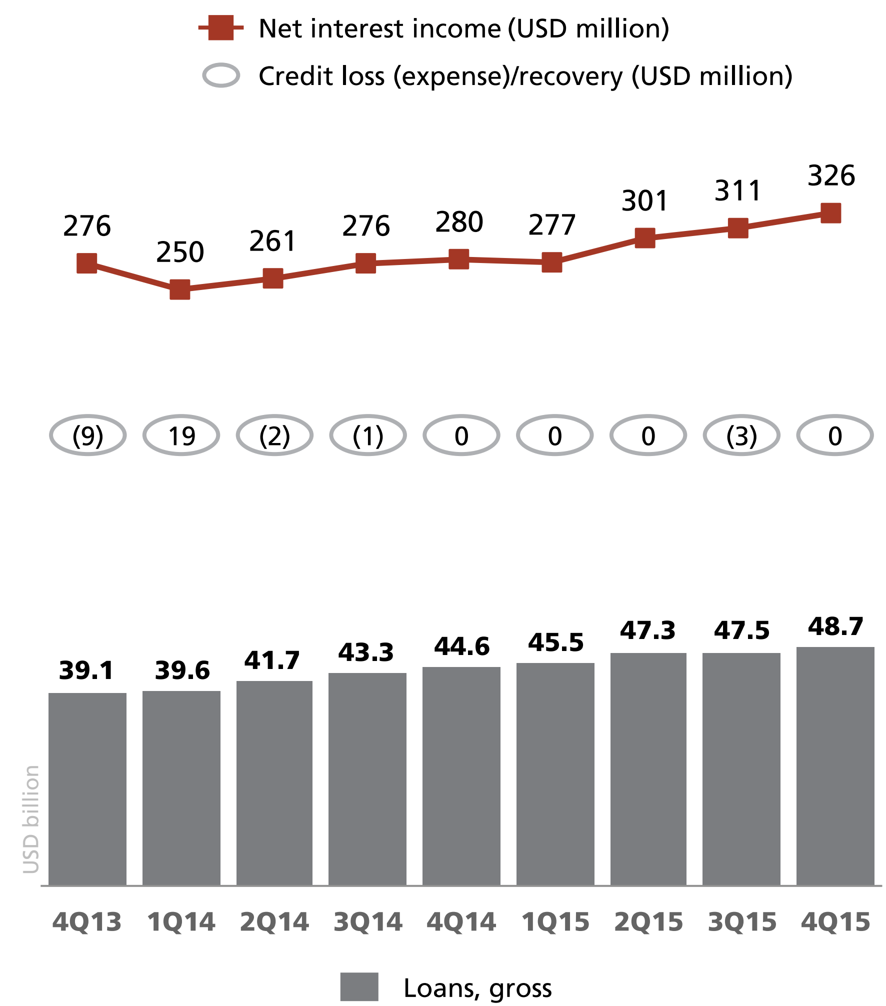
Wealth Management Americas

Industry-leading productivity per advisor for revenue and invested assets

Invested assets and FA productivity



Net interest income and lending

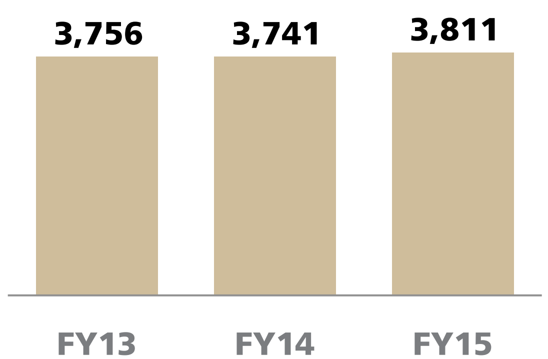


UBS Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

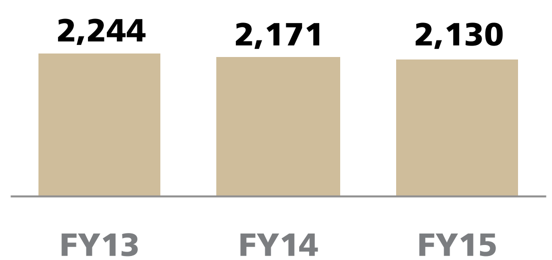
Personal & Corporate Banking

Continued success in Switzerland's leading franchise

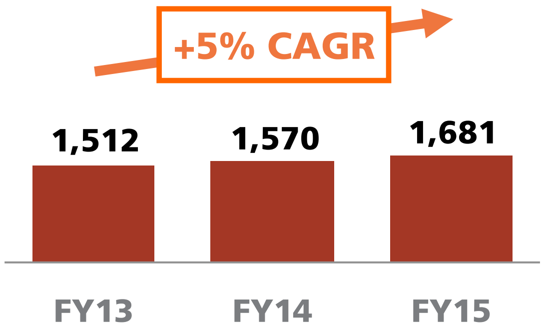
Operating income
CHF million



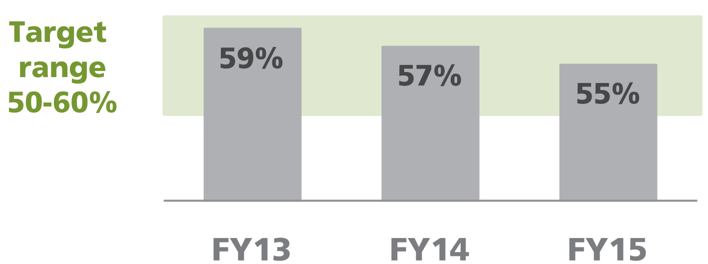
Operating expenses
CHF million



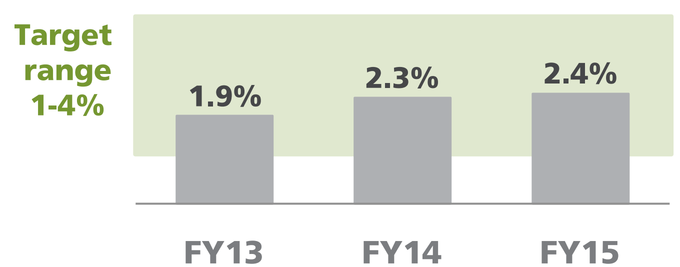
Profit before tax
CHF million



Cost/income ratio
%



Net new business volume growth
Personal banking, %



Best Bank in Switzerland[1] for the fourth consecutive year

UBS

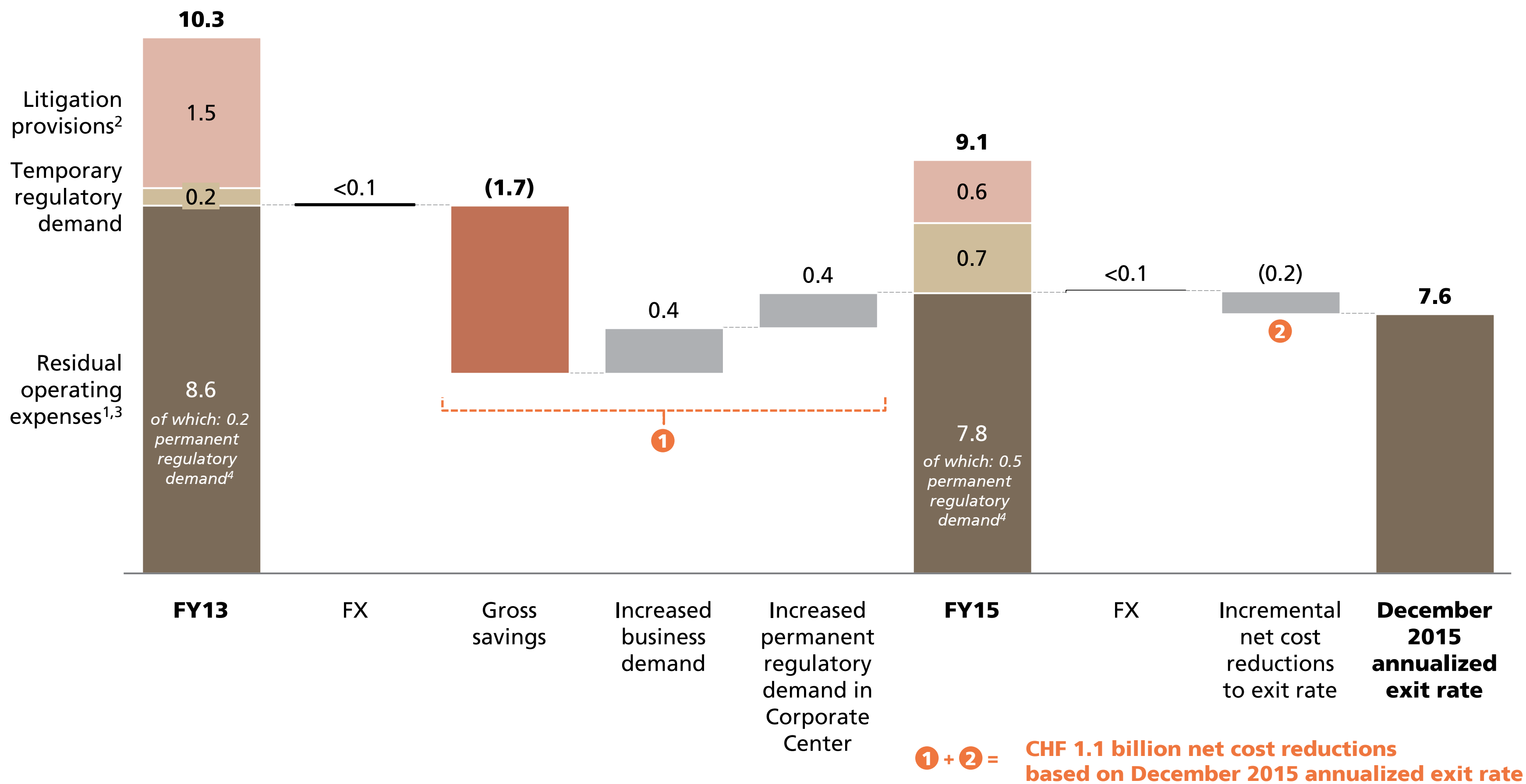
Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Euromoney 2015

Corporate Center cost reductions

Gross savings of ~CHF 1.7 billion FY15 vs. FY13 have been partially offset by increased business demand and permanent regulatory costs

Corporate Center operating expenses before allocations[1]

CHF billion



Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Sum of Corporate Center – Services operating expenses before allocations to business divisions, Corporate Center – Non-core and Legacy Portfolio operating expenses and Corporate Center – Group ALM operating expenses; 2 Charges for provisions for litigation, regulatory and similar matters; 3 Excluding litigation provisions and regulatory demand of temporary nature; 4 Additional ~CHF 0.1 billion regulatory demand of permanent nature recorded in business division operating expenses

Corporate Center cost reductions

Examples of cost reduction activities in progress[1]

Workforce & footprint

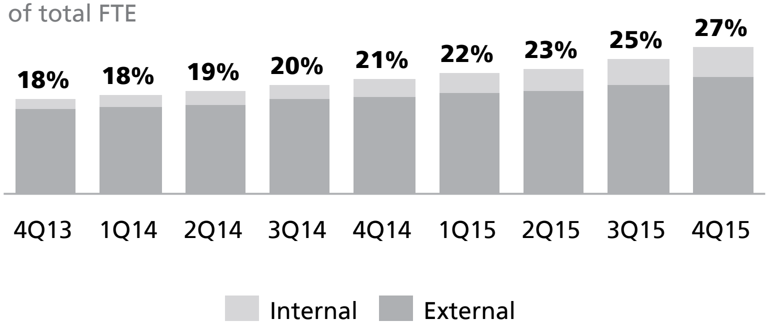
Approximate proportion of savings:[2,3,4]

2015	2017
~75%	~55%

Improving cost efficiency by optimizing global workforce model and footprint

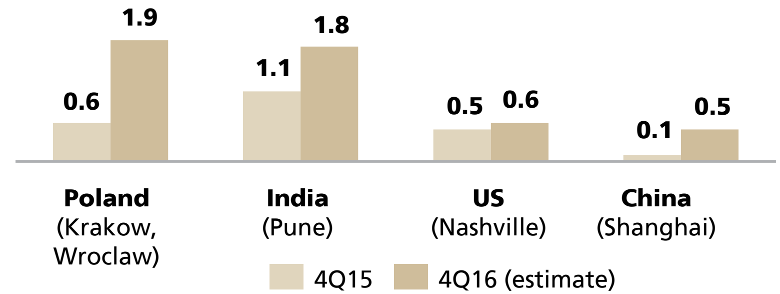
Share of FTEs in offshore and nearshore locations

% of total FTE



Desk capacity created since 4Q14 in strategic locations

FTE thousands



Organization & process optimization

2015	2017
~15%	~20%

Realizing cost synergies, simplifying our organization and creating centers of excellence

- **Single application delivery function within Group Technology:** converging multiple business-aligned functions
- **Integrated middle office:** converged and centralized multiple teams from across operations and finance
- **Reporting and analytics service:** one unit centralizing previously dispersed reporting functions within Corporate Center

Technology

2015	2017
~10%	~25%

Reducing costs and improving effectiveness

Technology infrastructure modernization

Upgrading our technology foundation and increasingly moving from multiple, dedicated hardware solutions to firm-wide, virtualized, 'as-a-service' offerings:

Infrastructure	Databases	End-user
Servers migrated: **26%**	Databases migrated: **24%**	FTEs using virtual desktops: **~7k**

Application simplification

Modernization and re-engineering of the application portfolio to replace, reduce and simplify legacy systems; milestones achieved:

- **Wealth Management:** unified platform deployed in Germany in advance of APAC and European roll-out
- **ICS – FX, Rates and Credit:** initial deployment of target state cross-asset platform

We are taking continued action to improve effectiveness and efficiency

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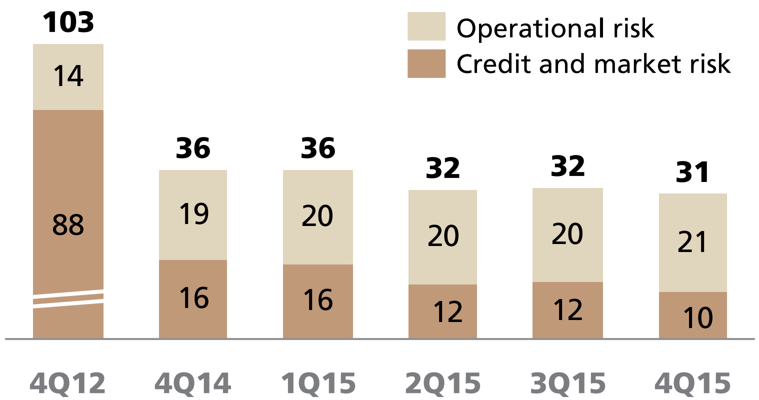
1 Corporate Center excluding Non-core and Legacy Portfolio; 2 Percentage of cumulative gross exit rate savings vs. FY13 as % of total for the three illustrated levers Workforce & footprint, Organization & process optimization and Technology; 3 Gross cost savings exclude, e.g., increased business demand and increased regulatory demand; 4 Examples of activities for each lever, e.g. Technology infrastructure modernization, are illustrative and non-exhaustive

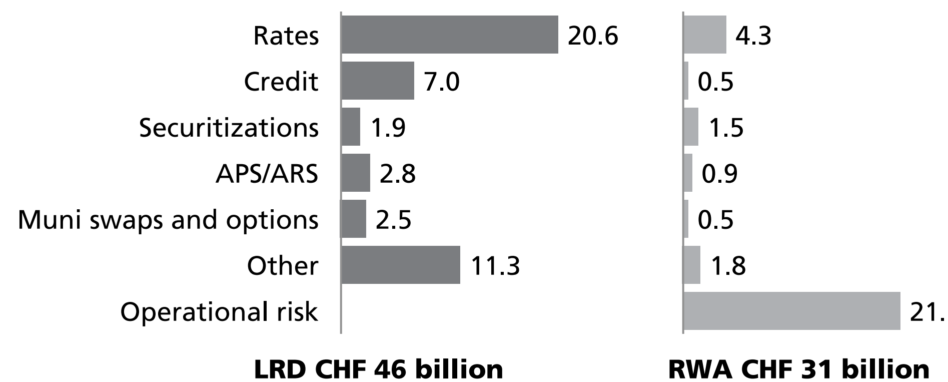
Corporate Center – Non-core and Legacy Portfolio

Credit and market risk RWA down ~90% since 4Q12

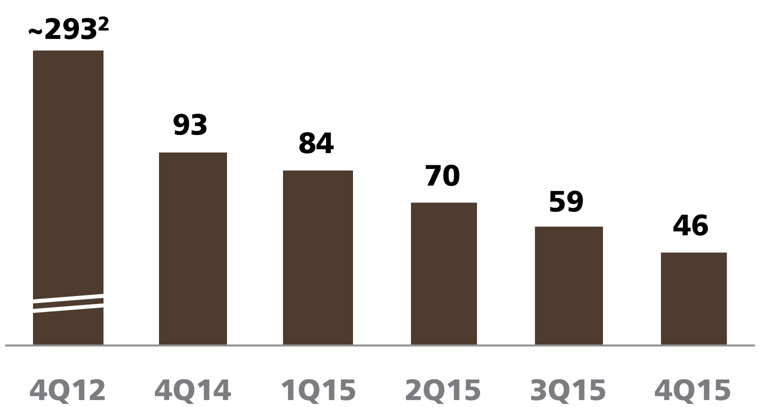
RWA
CHF billion



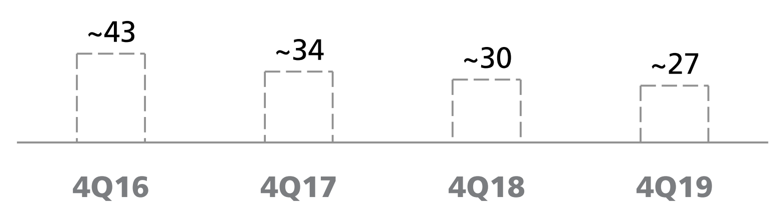
LRD[1] and RWA by category
CHF billion, 31.12.15



LRD[1]
CHF billion



LRD: natural decay[1,3]
CHF billion

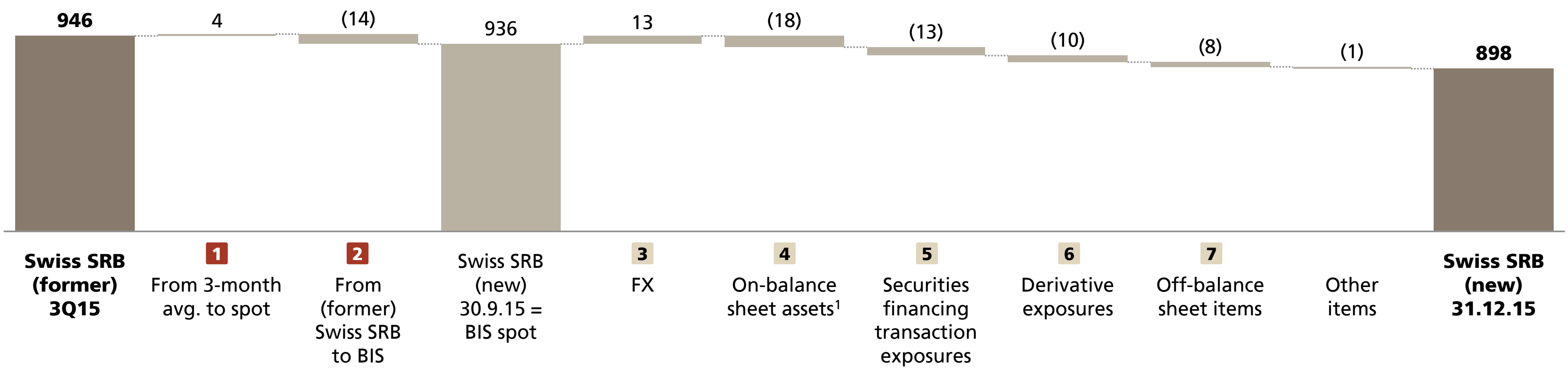


Refer to slide 44 for details about Basel III numbers and FX rates in this presentation
1 Calculated in accordance with Swiss SRB rules, from 31.12.15 onwards, these are fully aligned with BIS Basel III rules; 2 Pro-forma estimate based on period-end balance; 3 Pro-forma estimate excluding any further unwind activity based on 31.12.15 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

LRD: former Swiss SRB vs. new Swiss SRB

Swiss SRB rules for the calculation of LRD are fully aligned with BIS Basel III rules as of 31.12.15

Swiss SRB LRD
CHF billion



Changes due to regulatory methodology

1 **From 3-month average to spot:** Change from 3-month average to spot

2 **Regulatory methodology:** Change due to the alignment of the calculation methodology to new Swiss SRB (BIS aligned) rules on a spot basis

Changes due to QoQ movements in Swiss SRB (new)

3 **FX:** mainly due to USD appreciation

4 **On-balance sheet assets[1]:** largely due to lower cash and balances at central banks, resulting from the repurchase of senior and subordinated debt and covered bonds as well as net maturities of short-term debt, partly offset by the issuance of long-term unsecured debt

5 **Securities financing transaction exposures:** mainly reflecting a reduced need for externally sourced collateral and client driven reductions, as well as a decrease in counterparty credit risk due to the consideration of incremental collateral

6 **Derivative exposures:** mainly reflecting the ongoing reduction activity in Corporate Center – Non-core and Legacy Portfolio, as well as client-driven reductions in notional volumes and fair value decreases in the Investment Bank

7 **Off-balance sheet items:** primarily driven by active portfolio management and the reassessment of forward starting transactions

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Refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Excluding derivatives and securities financing transactions

Net tax benefit and deferred tax assets

4Q15 included net additional recognized deferred tax assets of CHF 794 million

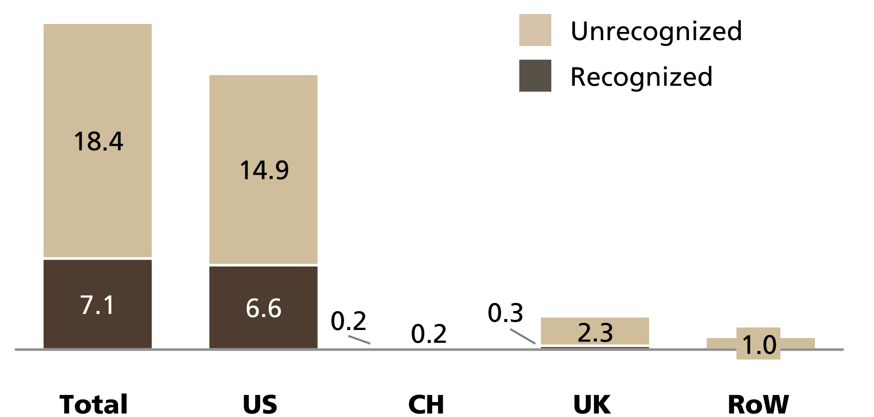
4Q15 net tax benefit of CHF 715 million

CHF million

	3Q15	4Q15
Profit before tax (as reported)	**788**	**234**
Net deferred tax **benefit** with respect to net additional DTAs	(1,513)	(794)
Other net tax **expense** in respect of taxable profits	218	79
Net tax expense/(benefit)	**(1,295)**	**(715)**

Tax loss DTAs[1,2,3]

CHF billion, 31.12.15



- 4Q15 net upward revaluation of recognized deferred tax assets of CHF 794 million, mainly related to the annual reassessment of our deferred tax assets, following the completion of our business planning process in 4Q15, as well as the recording of part of the net deferred tax benefit associated with the establishment of the US Intermediate Holding Company
- We currently expect to recognize additional net DTAs of approximately CHF 0.5 billion in 2H16, assuming no changes to planning assumptions

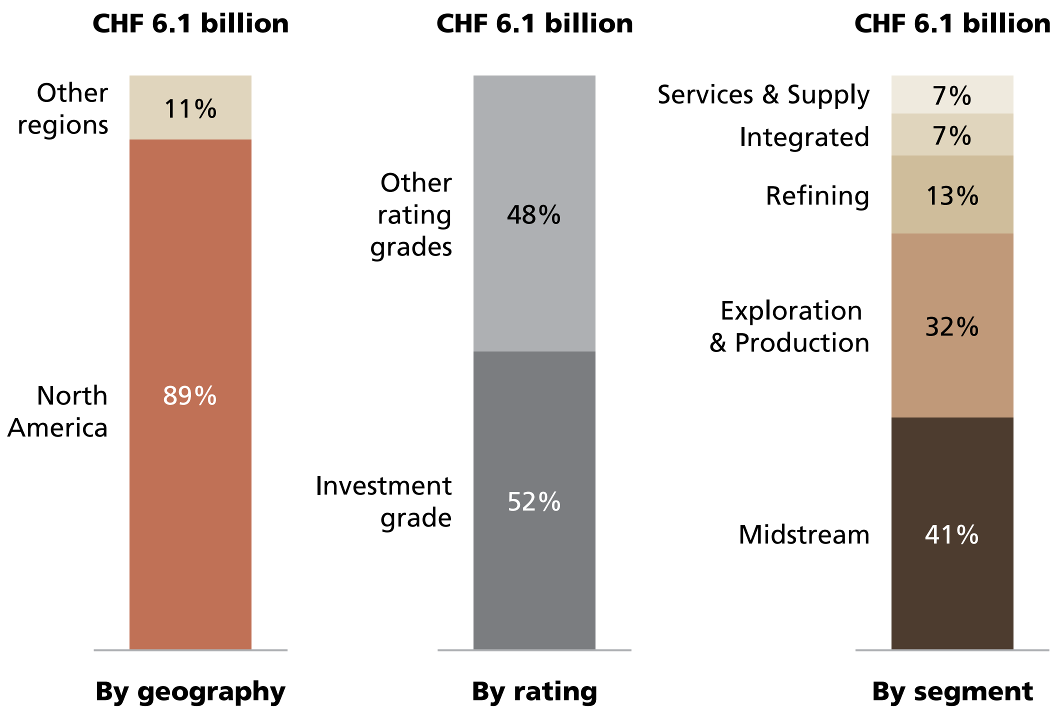
UBS

1 Refer to pages 75-76 of the 2014 annual report for more information; 2 As of 31.12.15, net DTAs recognized on UBS's balance sheet were CHF 12.8 billion, of which tax loss DTAs of CHF 7.1 billion and DTAs for temporary differences of CHF 5.7 billion; 3 Average unrecognized tax losses have an approximate remaining life of ~14 years in the US, ~2 years in Switzerland and an indefinite life in the UK

Oil and gas exposures

We are closely monitoring the sector given the potential negative effects of sustained low energy prices

Oil and gas net lending exposure[1] CHF billion



Services & Supply (CHF 0.4 billion): generally serving Exploration & Production companies, which are significantly reducing costs in response to lower energy prices

Integrated (CHF 0.5 billion): 100% of counterparties rated investment grade

Refining (CHF 0.8 billion): predominantly asset-based lending

Exploration & Production (CHF 2.0 billion): mainly US Reserve Based Loans where the borrowing base structure is closely tied to the value of proven reserves

Midstream (CHF 2.5 billion): infrastructure-like segment expected to be resilient to lower energy prices because transportation revenues are largely fee or volume based

1 As of 31.12.15, total net lending exposure to the oil and gas sector, predominantly recorded within the Investment Bank, see page 191 of the 2015 Annual Report for further information

Adjusted results

Adjusting items		FY14	FY15	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
CHF million												
Operating income as reported (Group)		**28,027**	**30,605**	**6,307**	**7,258**	**7,147**	**6,876**	**6,746**	**8,841**	**7,818**	**7,170**	**6,775**
of which:												
Gains/(losses) on sale of subsidiaries and businesses	WM		169						141	56		(28)
	AM		56									56
Gain related to our investment in the SIX Group	WM		15								15	
	P&C		66								66	
Gain from the partial sales of our investment in Markit	IB	43	11			43				11		
Impairment of a financial investment available-for-sale	IB	(48)					(48)					
Own credit on financial liabilities designated at FV	CC - Group ALM	292	553	(94)	88	72	61	70	226	259	32	35
Net FX translation gains/(losses) from the disposal of subsidiaries	CC - Group ALM		88								(27)	115
Gains on sales of real estate	CC - Services	44	378	61	23	1		20	378			
Net losses related to the buyback of debt in a tender offer	CC - Group ALM		(257)	(75)								(257)
Operating income adjusted (Group)		**27,696**	**29,526**	**6,415**	**7,147**	**7,031**	**6,863**	**6,656**	**8,096**	**7,492**	**7,084**	**6,854**
Operating expenses as reported (Group)		**25,567**	**25,116**	**5,858**	**5,865**	**5,929**	**7,430**	**6,342**	**6,134**	**6,059**	**6,382**	**6,541**
of which:												
Net restructuring charges	WM	185	323	41	40	38	60	48	46	69	74	133
	WMA	55	137	26	10	7	15	23	24	24	39	50
	P&C	64	101	12	15	13	20	16	16	17	28	41
	AM	50	82	13	4	2	5	39	18	4	23	38
	IB	261	396	89	124	27	50	60	70	66	118	143
	CC - Services	30	140	(7)	2	4	16	8	119	0	2	19
	CC - NCL[1]	31	56	24	9	(2)	10	14	11	13	15	17
Credit related to changes to retiree benefit plans in the US	WMA	(9)	(21)				(3)	(7)			(21)	
	AM	(8)					(8)					
	IB	(20)					(19)	(1)				
	CC - NCL[1]	(3)					(3)					
Impairment of an intangible asset	IB		11							11		
Operating expenses adjusted (Group)		**24,931**	**23,891**	**5,660**	**5,661**	**5,840**	**7,287**	**6,142**	**5,829**	**5,857**	**6,105**	**6,100**
Operating profit/(loss) before tax as reported		**2,461**	**5,489**	**449**	**1,393**	**1,218**	**(554)**	**404**	**2,708**	**1,759**	**788**	**234**
Operating profit/(loss) before tax adjusted		**2,766**	**5,635**	**755**	**1,486**	**1,191**	**(424)**	**514**	**2,268**	**1,635**	**979**	**754**

Adjusted numbers unless otherwise indicated, refer to slide 44 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Refer to page 6 of the 4Q15 earnings release for an overview of adjusted numbers; 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 page 6 of the 4Q15 earnings release 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 indicative tax rates (i.e., 2% for own credit, 22% for other items, and with certain large items assessed on a case-by-case basis). Refer to page 7 of the 4Q15 financial supplement 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 Swiss SRB Basel III numbers unless otherwise stated.

Basel III risk-weighted assets in this presentation are calculated on the basis of Basel III fully applied unless otherwise stated. Our RWA under BIS Basel III are the same as under Swiss SRB Basel III.

Leverage ratio and leverage ratio denominator in this presentation are calculated on the basis of fully applied Swiss SRB rules, unless otherwise stated. From 31.12.15 onwards, these are fully aligned with BIS Basel III rules. 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 4Q15 earnings release 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.