



Morgan Stanley European Financials Conference 2017

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Group Chief Executive Officer

March 22, 2017



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 the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator, liquidity coverage ratio and other financial resources, and the degree to which UBS is successful in implementing changes to its wealth management businesses to meet changing market, regulatory and other conditions; (ii) continuing low or negative interest rate environment, developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions on the financial position or creditworthiness of UBS’s clients and counterparties as well as on client sentiment and levels of activity; (iii) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK and other financial centers that may impose, or result in, more stringent capital, TLAC, leverage ratio, liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these would have on UBS’s business activities; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve, or confirm, limited reductions of gone concern requirements due to measures to reduce resolvability risk; (vi) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements, including changes in legal structure and reporting required to implement US enhanced prudential standards, completing the implementation of a service company model, and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements relating to capital requirements, resolvability requirements and proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions and the extent to which such changes will have the intended effects; (vii) the uncertainty arising from the timing and nature of the UK exit from the EU and the potential need to make changes in UBS’s legal structure and operations as a result of it; (viii) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (ix) changes in the standards of conduct applicable to our businesses that may result from new regulation or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (x) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses or loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA; (xi) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (xii) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors including differences in compensation practices; (xiii) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xiv) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xv) whether UBS will be successful in keeping pace with competitors in updating its technology, including by developing digital channels and tools and in our trading businesses; (xvi) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks, and systems failures; (xvii) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS’s operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xviii) the degree to which changes in regulation, capital or legal structure, financial results or other factors, including methodology, assumptions and stress scenarios, may affect UBS’s ability to maintain its stated capital return objective; and (xix) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2016. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

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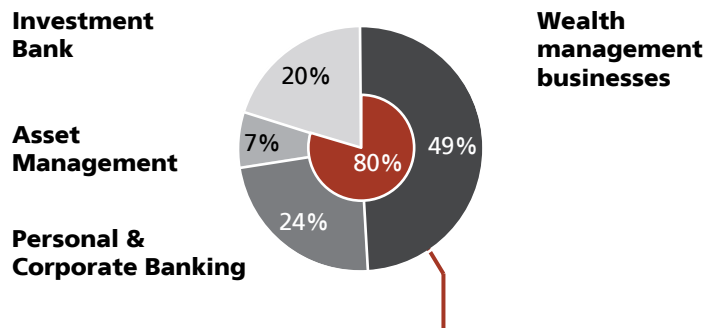


Balanced and well diversified businesses mix

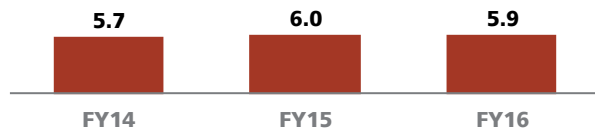
Leading wealth management businesses and Swiss universal bank

PBT by business division

FY16 PBT, excluding Corporate Center, CHF billion

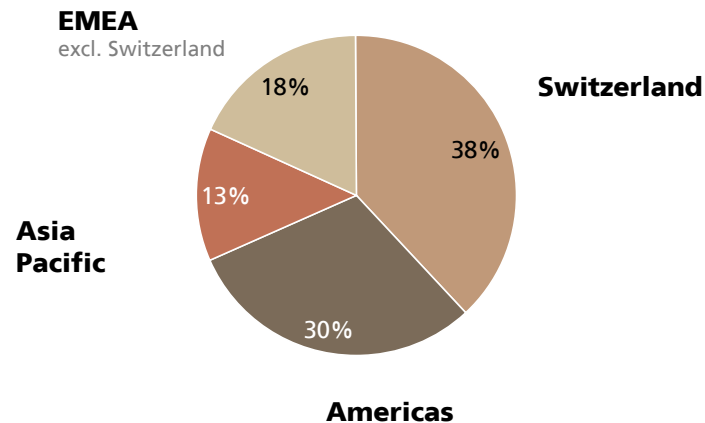


WM, WMA, P&C and AM (80% of FY16 business division PBT)



PBT by region

FY16 PBT, excluding Corporate Center and items managed globally



Our leading franchises generate globally diversified earnings

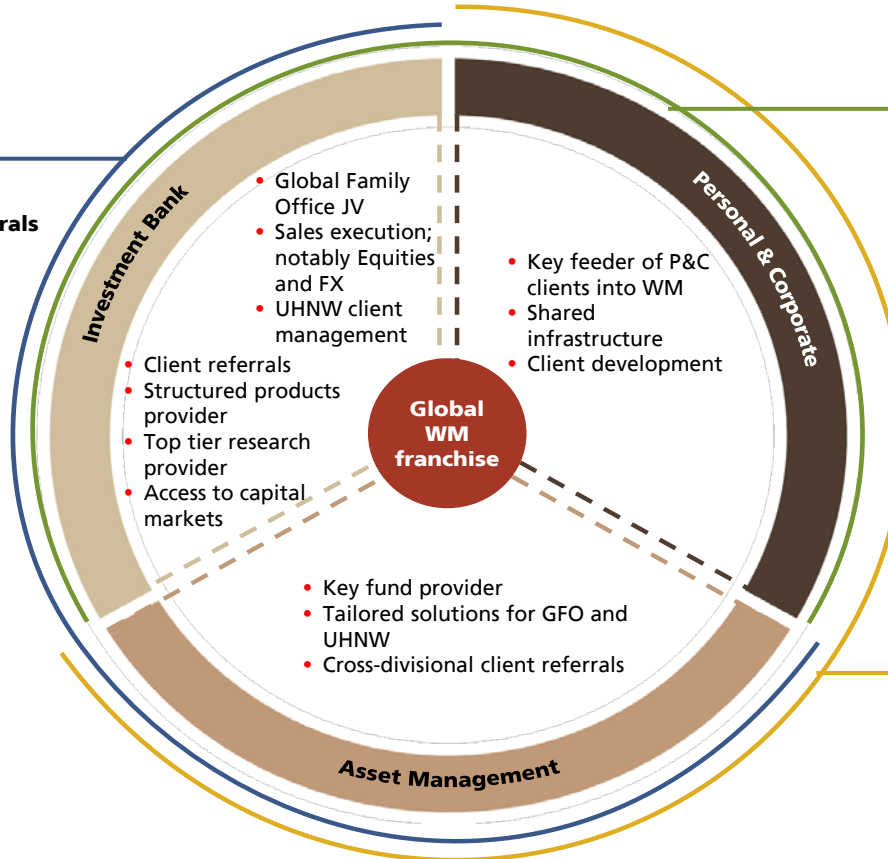


Adjusted numbers unless otherwise indicated, refer to slide 9 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

Compelling synergies

IB ↔ AM

- Joint client proposition
- Cross-divisional client referrals
- Brokerage execution
- Research provider
- Access to capital markets



IB ↔ P&C

- Thought leadership; access to global expertise and market insights
- IB product provider (FX, precious metals, equities, fixed income)
- IB research

P&C ↔ AM

- AM fund distribution
- Thought leadership; access to global expertise and market insights

The world's only truly global wealth management franchise

Our footprint is unique with a strong presence in developed and growth markets

UBS invested assets
31.12.16

CHF billion

North America¹

1,131

- ~7% estimated market CAGR²
- 7,025 financial advisors

Emerging markets^{1,4}

149

- ~10% estimated market CAGR²
- 681 client advisors

Europe including Switzerland³

533

- ~7% estimated market CAGR²
- 2,061 client advisors

UHNW globally^{5,6}

1,006

- ~9% estimated market CAGR²
- 1,301 client advisors⁷

- **Fundamentally attractive industry economics**
- **Compelling growth prospects**
- **Still highly fragmented industry**

APAC

292

- ~11% estimated market CAGR²
- 1,016 client advisors



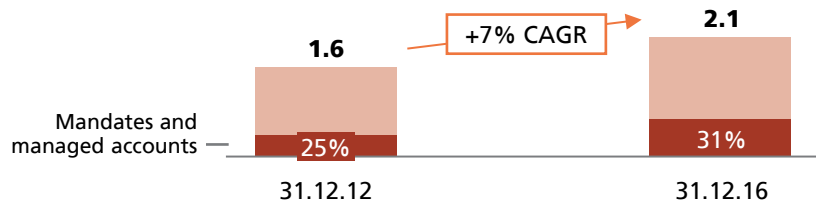
1 WMA's Latin America business is included in the North America invested assets, not in emerging markets; 2 2015-2020 CAGR estimates based on BCG World Wealth Report 2016, excluding households with <USD 1 million of financial wealth; 3 Includes Western Europe and all other countries not covered elsewhere, beneficiary owner domicile view, invested assets are the sum of the invested assets reported in Europe and Switzerland; 4 Middle East & Africa, Latin America and Eastern Europe; 5 UHNW invested assets and client advisors overlap with the regional split; 6 WM: Clients with >CHF 50 million of investable assets; WMA: Clients with more than >USD 10 million of investable assets; 7 Client advisors who exclusively serve UHNW clients

Our combined wealth management businesses

Good progress in challenging environments; well positioned to capture future growth

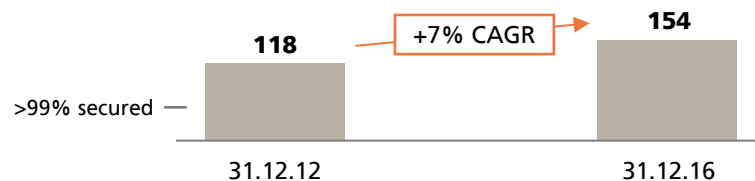
Invested assets

WM + WMA, CHF trillion



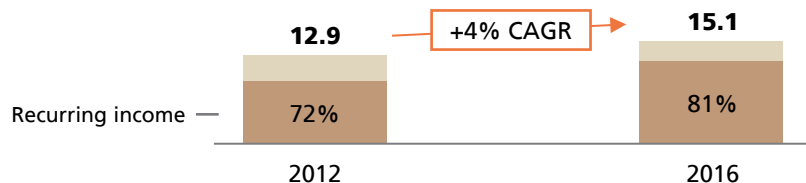
Loans

WM + WMA, CHF billion



Revenues

WM + WMA, CHF billion



PBT

WM + WMA, CHF billion

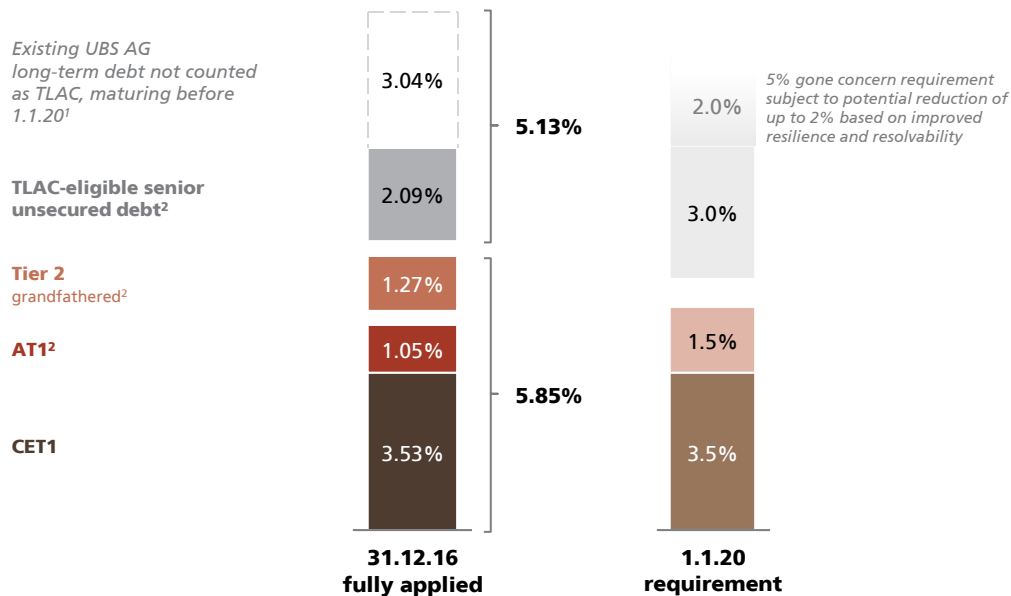


Adjusted numbers unless otherwise indicated, refer to slide 9 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

Capital strength

Well positioned vs. capital requirements; incremental issuance will result in higher funding costs

UBS leverage ratio balances vs. Swiss SRB requirements



- UBS AG long-term debt¹ to be gradually replaced with UBS Group AG TLAC-eligible bonds
- Maturing/callable grandfathered T2 to be replaced with UBS Group AG issuance of high-trigger AT1
- Incremental CET1 capital via earnings accretion

Higher funding costs for business divisions

- ~CHF 0.3 billion net NII headwinds expected in 2017 (vs. 2016) partly due to higher funding costs and the revised equity attribution framework³
- Impact would principally affect the Investment Bank, Personal & Corporate Banking and Wealth Management

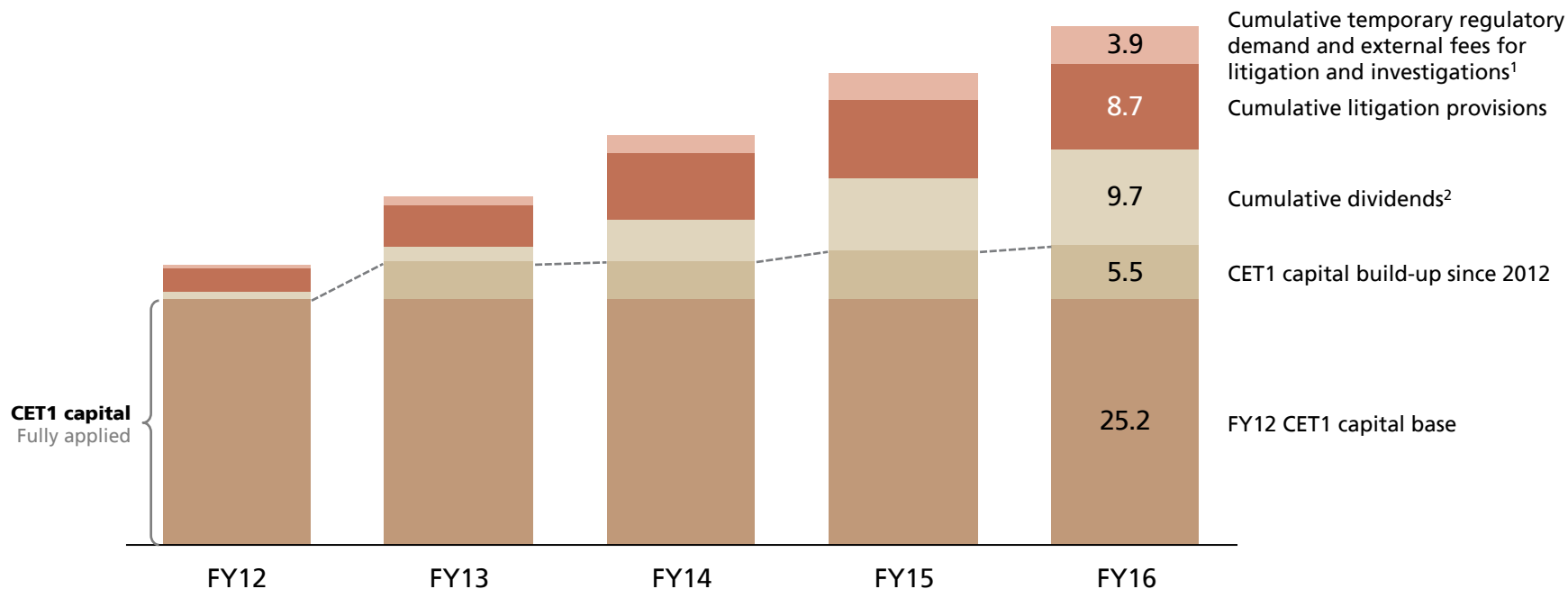


Refer to slide 9 for details about Basel III numbers and FX rates in this presentation

¹ Debt held at amortized cost, excluding any capital instruments; ² Refer to slide 9 for information on instruments and their eligibility for leverage ratio requirements under Swiss SRB; ³ Refer to slides 20 and 25 of our 4Q16 results presentation for more information about our revised equity attribution framework and net interest income

Strong capital generation throughout our transformation

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



Figures in CHF billion; refer to slide 9 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

¹ Temporary regulatory program costs not available for 2012, as these costs were not separately tracked until 2013; ² Includes accruals for proposed dividend of CHF 0.60 per share for 2016

Management priorities

1

Continue to execute our strategy and deliver on our performance targets

2

Improve effectiveness and efficiency

3

Invest for growth

Important information related to this presentation

Use of adjusted numbers

Unless otherwise indicated, “adjusted” figures exclude the adjustment items on pages 65-67 of the Annual Report 2016 which is available in the section “Annual reporting” at www.ubs.com/investors., to the extent applicable, on a Group and business division level. Adjusted results are a non-GAAP financial measure as defined by SEC regulations.

If applicable for a given adjusted KPI (i.e., adjusted return on tangible equity), adjustment items are calculated on an after-tax basis by applying an indicative tax rate. Refer to pages 27-30 of the Annual Report 2016 for more information.

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 Annual Report 2016 for more information.

Leverage ratio requirements under Swiss SRB

The 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. Low-trigger AT1 instruments can be counted towards going concern capital up to the first call date (under grandfathering provisions). Tier 2 instruments can be counted towards going concern capital up to the earliest of the first call date or 31.12.19 (under grandfathering provisions). 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. The gone concern requirement can be met with TLAC-eligible senior unsecured debt, usually issued from the non-operating holding company or guaranteed special purpose vehicles. This 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.

Refer to the “Capital management” section in the Annual Report 2016 for more information.

Currency translation

Monthly income statement items of foreign operations with a functional currency other than Swiss francs are translated with month-end rates into Swiss francs.

Rounding

Numbers presented throughout this 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.

