

UBS Fourth Quarter 2015 Earnings Call Remarks

February 2, 2016

Sergio P. Ermotti (Group CEO): Opening remarks

SLIDE 2 – 2015 – Strong results and execution

Thank you, Caroline. Good morning everyone.

2015 was another year of disciplined execution, where once again, we showed that we can deliver sound advice to clients and strong returns to our shareholders in a variety of market conditions.

For the full year, we reported a net profit attributable to shareholders of 6.2 billion Swiss francs, a 79% increase over 2014. Adjusted profit before tax more than doubled to 5.6 billion, and we delivered a return on tangible equity of almost 14%, above our 2015 target of about 10%. Diluted earnings per share totaled 1.64 francs.

As we expected, we were faced with exceptional levels of volatility, a challenging macroeconomic outlook, escalating geopolitical tensions and a continued deterioration in the risk appetite of our clients. It is no surprise that the turbulent markets continue to impact investor sentiment. And our clients' reluctance to remain fully invested has not changed. Our response is simple and consistent, we stay close to our clients, and maintain our strong risk discipline while carefully managing resources.

We made excellent progress meeting future regulatory requirements in 2015. We created UBS Switzerland AG, established our Group service company as a subsidiary of UBS Group AG, and we successfully issued our first TLAC and AT1 instruments from our holding company.

In addition, we delivered a net cost reduction in the Corporate Center of 1.1 billion francs compared to the full year 2013. While we are slightly behind schedule on cost reduction, we are picking up the pace of

execution and I am confident we can deliver on our 2.1 billion net cost reduction target by the end of next year as previously communicated.

In Non-core and Legacy Portfolio, we continued to successfully reduce resource utilization by taking down risk-weighted assets by 14% and LRD by 47 billion.

Maintaining a strong capital position remains a key competitive advantage for UBS, and we continue to have the best Basel 3 CET1 basis among large global banks, with a fully applied CET1 ratio of 14.5%. Our fully applied Swiss SRB leverage ratio increased to 5.3%, and we believe we are well positioned to comply with future Swiss TBTF requirements.

As a consequence of our strong financial performance last year, and in line with our capital returns policy, the Board of Directors intends to propose for shareholder approval, an ordinary dividend of 60 Rappen per share, up 20% compared to 2014 and a special dividend of 25 Rappen per share.

SLIDE 3 – The world's leading wealth management franchise

UBS is the world's largest wealth manager and the only large-scale player with a truly global wealth management franchise at the center of its strategy.

Our wealth management businesses' number one focus is to stay close to its clients and guide them in achieving their wealth objectives, and we lead the industry in doing this. In better markets the businesses puts clients' money to work, and that happened in the first half of the year. In more challenging markets, they advise clients to ensure they remain positioned to achieve their long term objectives, including reducing risk when appropriate.

In the past three years, we have grown invested assets in our wealth management businesses at 8% per year on average, due both to strong markets and significant net new money, taking our invested asset base to around 2 trillion francs.

Most importantly, profits have grown at nearly twice the rate of revenue, which is a testament to the success of our strategic initiatives to grow higher margin products and services like our banking, lending and mandate offerings, as well as careful management of pricing and good cost control.

While markets have not been kind so far this year, as the world's leading wealth manager, we will not be distracted from our objective to deliver 10-15% annual adjusted pre-tax profit growth in these businesses over the cycle.

SLIDE 4 - 2015 – Strong progress in all our businesses

All of our business divisions delivered strong results in 2015.

Wealth Management delivered its highest adjusted pre-tax profit since 2008, and also made good progress on one of its most critical strategic objectives, growing mandate penetration by 200 basis points. Net new money was solid in aggregate, despite the effects of our balance sheet optimization exercise and elevated client deleveraging. We remain focused on attracting high quality assets, which will drive long term growth rather than short term headlines. That means we are seeking assets that will be invested over time and accretive to our results.

Wealth Management Americas delivered record operating income and record net interest income, as we saw continued growth in our banking and lending products. Net new money was driven by advisors who have been with the firm for over a year and by very strong recruiting in the fourth quarter.

Personal & Corporate Banking recorded another excellent performance, posting its best full year pre-tax profit since 2010 and attracting a record number of new clients, while managing significant interest-rate headwinds.

Asset Management progressed towards its medium-term goal, growing pre-tax profit by 20% compared with 2014. In the second half, net new money was affected by money market outflows and material withdrawals by institutional clients to support their liquidity needs. While overall net new money for the year was negative, the inflows we saw were materially higher in margin, and thus we expect a positive net effect on our revenues in 2016, another example where quality is much more important to us than quantity.

Our Investment Bank delivered an adjusted return on attributed equity of 31%, substantially above its target of greater than 15%. The IB achieved

excellent financial returns and stayed close to its institutional and corporate clients, helping them to manage through volatile markets.

We saw strong growth in revenues in FRC and Equities, with continued efficient and disciplined resource utilization, in line with client activity levels. We advised on several of the year's landmark transactions, including the two deals named "Equity Issues of the Year" by IFR. UBS acted as joint bookrunner on the Santander capital increase and in North America, we were sole global coordinator and lead left bookrunner on the 1 billion dollar listing of Ferrari.

For the first time ever, International Financing Review named the Investment Bank "Bank of the Year", highlighting the recognition our innovative and sustainable operating model has attracted from the industry. This is yet another example of the remarkable turnaround of our investment bank. A few years ago it would have been inconceivable for UBS to win an award like this, and it is a credit to our employees and our clients who allowed us to deliver such an achievement.

Slide 5 - Delivering attractive capital returns to our shareholders

As I mentioned earlier, our Board intends to recommend an ordinary dividend of 60 Rappen per share and a special dividend of 25 Rappen per share, which will be paid in May following approval at our AGM. We will pay the ordinary dividend as a reflection of our strong operating performance, while the special dividend reflects the substantial upward revaluation of our deferred tax assets in 2015.

Going forward, we remain committed to our policy of returning at least 50% of net profits to shareholders. Although it's still very early in the year, our aim is to continue to grow our ordinary dividend, while building the capital needed to address regulatory requirements and to support our growth.

I would like to add a few comments about our fourth quarter results before I hand over to Kirt.

SLIDE 6 – 4Q15 results

The last quarter of 2015 was the most challenging we have experienced in several years and the risk-off sentiment among our clients intensified.

Having said that, one can't overlook that on an adjusted basis, fourth quarter results were up 47% to 754 million. No matter how you look at it, risk aversion is still very high. Clients know they should invest more, but cash helps them sleep better at night. And while the long-term outlook remains sound, they are questioning the predictability of tomorrow.

Underlying results in WMA, Personal and Corporate and Asset Management were strong, while our largest businesses were most affected by market volatility and client risk aversion. Despite this, we were not tempted to deploy more risk or buy unprofitable net new money to flatter our results. Instead we stayed close to our clients, took risk off and continue to focus on our efficiency measures. Driving sustainable performance and growth are our main priorities, and, as in the past, short term vagaries of the market will not distract us from our goals.

Kirt Gardner (Group CFO): Walk-through of the quarter

Slide 7 - UBS Group AG results (consolidated)

My commentary will reference adjusted results unless otherwise stated.

This quarter, we excluded 28 million Swiss francs of net gains and a 115 million net foreign currency translation gain from the sales of subsidiaries and businesses, an own credit gain of 35 million, a charge of 257 million for a debt buyback, and net restructuring charges of 441 million.

Reported net profit attributable to UBS Group AG shareholders was 949 million, up 11% year-over-year, and profit before tax was 754 million, up 47% year-over-year. We had a reported net tax benefit of 715 million, which included a 794 million benefit with respect to DTAs, partially offset by current tax expenses.

The annualized return on tangible equity was 11.4% for the quarter.

Slide 8 - Wealth Management

Wealth Management performance reflected very challenging market conditions, with the lowest client activity levels seen since the financial crisis.

Profit before tax was 505 million, and included 79 million in charges for provisions for litigation, regulatory and similar matters. Excluding these charges, profit before tax was 584 million.

Operating income was 1.9 billion, down 2% sequentially, driven by lower recurring net fee income, mainly due to the ongoing effects of cross-border outflows.

Net interest income was stable, as higher revenues from deposits were more than offset by lower lending revenues, reflecting deleveraging and disciplined lending practices.

Transaction-based income was 364 million and included a 45 million fee received from Personal & Corporate Banking. Excluding this fee, transaction-based income decreased on significantly lower client activity, primarily in Asia Pacific and emerging markets.

Operating expenses increased to 1.4 billion, largely due to provisions, as well as the annual UK bank levy and other regulatory charges, which totaled 102 million.

In addition, allocations from Corporate Center increased, due to higher charges from Group Technology, as we continued to invest in our platform.

Slide 9 - Wealth Management

Net new money outflows of 3.4 billion reflects both the challenging environment and wealth management's consistent disciplined approach to managing its business. Net outflows were driven by continued deleveraging, as clients reduced risk in response to extreme uncertainty, as well as cross-border outflows, and proactive and disciplined balance sheet management.

Invested assets increased to 947 billion, on positive market performance and currency effects.

Mandate penetration decreased by 60 basis points to 26.4%, largely driven by cross-border outflows.

Monthly gross margin was 79 basis points in October, decreasing to 77 basis points in November, and picked up slightly to 82 basis points in December.

For the last two quarters, gross margin from transaction-based revenues has been 16 basis points, the lowest since the crisis, while margins from recurring net fees and net interest income have held up.

Slide 10 - Wealth Management

Net new money was positive in APAC, despite continued client deleveraging, and together with net inflows in Switzerland was more than offset by net outflows in emerging markets and Europe.

We expect to meet our 3-5% net new money growth target while absorbing cross-border related outflows and maintaining our quality standards.

Slide 11 - Wealth Management

Despite a challenging quarter, the trends over the past three years underline the business's success in delivering its strategic agenda.

Since the end of 2013, mandate penetration has increased by 440 basis points to 26.4%, and we continue to strive to increase this further to 40%.

The business has attracted nearly 100 billion in adjusted net new money over the past three years, which is more than double the prior three year period. This strong performance was driven by our ultra high net worth segment. We'll build on this success, and look to capture additional growth opportunities, particularly in high net worth.

Pricing discipline has added almost 300 million to annual revenues over the last two years, helping offset the effects of cross-border outflows.

Growth in top line revenues has been complemented by successful management of costs, and we have met our cost/income ratio target for the last three years.

The balance sheet and capital optimization program resulted in a 9 billion reduction in LRD.

Looking ahead, we see additional opportunity to improve both our client offering and our efficiency. We intend to further optimize the delivery of content, by deploying a globally consistent distribution model to capture synergies, as we believe this provides the most value for our clients and shareholders. We will also focus on capitalizing on our scale benefits, by streamlining non-client facing functions.

We are investing in select growth markets and remain committed to a balanced onshore and offshore model.

And, we will continue to optimize our financial resource usage and focus on net new money quality to drive growth.

Slide 12 - Wealth Management Americas

UBS is the only wealth management franchise that is truly global, which benefits both clients and shareholders. These benefits were evident in the fourth quarter, as US markets were less challenged than the rest of the world, and WMA delivered excellent underlying results, with record net interest income and 16.8 billion dollars of net new money.

Profit before tax was 63 million, and included 233 million of litigation provisions. Excluding these charges, PBT was nearly 300 million.

Operating income decreased by 3% as recurring net fee income was impacted by lower invested assets at the end of the prior quarter, and as transaction-based income decreased on lower client activity. This more than offset higher net interest income, which increased by 5% to a record 326 million, as lending and deposit volumes continued to grow.

Excluding provisions, operating expenses decreased on lower personnel costs and charges from other business divisions and Corporate Center.

Slide 13 - Wealth Management Americas

Net new money was 16.8 billion, a 6.8% annualized growth rate, mainly reflecting significant inflows from newly recruited experienced advisors, as well as 4.9 billion from advisors who have been with the firm for more than one year.

Invested assets increased by 4% to over a trillion dollars. Managed account assets were up 3% to 351 billion, and were 34% of total invested assets.

Slide 14 - Wealth Management Americas

Annualized revenue per FA remained industry-leading. We had a very successful recruiting quarter, increasing the number of FAs by 151, with 76% of recruits ranked in the top two quintiles.

Loan balances continued to grow, increasing by 3%.

Slide 15 – Personal & Corporate Banking

Personal and Corporate Banking delivered a profit before tax of 396 million, its strongest fourth quarter since 2011.

Operating income was 915 million, down 5% as higher net interest income was more than offset by lower transaction-based income, which included the 45 million client shift fee paid from P&C to WM.

Net credit loss expense remained at historically low levels.

Operating expenses decreased by 3%, and the cost/income ratio was stable at 56%, comfortably within our target range.

Annualized net new business volume growth for our personal banking business was seasonally slower at 0.6%.

Slide 16 – Personal & Corporate Banking

Personal & Corporate Banking closed another very strong year, further enhancing our leadership position in Switzerland. We were recognized as the "Best Bank in Switzerland" by Euromoney for the fourth consecutive year.

We achieved the highest level of full-year profit before tax since 2010, as we successfully offset headwinds with management actions to drive revenues, reduce costs, and increase new business volume growth in our Personal Banking business. Our Swiss franchise is an integral part of our business portfolio, and it underpins the strength of our global brand.

Slide 17 - Asset Management

Asset Management delivered a solid quarter, with profit before tax up 12%.

Operating income was up 2%, on higher performance fees, mainly in Traditional Investments and Global Real Estate.

Net management fees decreased by 2%, as higher fees in Global Real Estate were more than offset by lower fees in other segments.

Net new money outflows excluding money markets was 8.9 billion, driven by a small number of institutional clients with liquidity needs. Excluding these outflows, net new money was over 6 billion.

Slide 18 - Investment Bank

The Investment Bank delivered a profit before tax of 223 million, which included a 98 million charge for the annual UK bank levy.

As clients were less active, the business demonstrated disciplined resource utilization, with balance sheet, RWA and average VaR decreasing quarter-over-quarter and year-over-year.

FX, Rates and Credit performance was strong, as revenues increased by 30% year-over-year, on a strong result in Flow Rates and Macro options and improved performance in Credit Flow.

In Equities, revenues were down 19% year-over-year from a strong fourth quarter 2014. The decrease was largely driven by derivatives, as we saw lower client activity and a challenging trading environment for structured products, particularly in Asia Pacific and EMEA, where we have a significant presence. This, along with lower revenues in Cash, more than offset a strong performance from Financing Services, which delivered its best fourth quarter performance in the last five years.

Corporate Client Solutions delivered 650 million in revenues, down 8% year-over-year, less than the decline in the global fee pool. Revenues in ECM were down from a strong fourth quarter last year. In Advisory, revenues were down, but to a lesser extent than the market fee pool, while DCM revenues were relatively flat.

Net credit loss expense was 50 million and mainly related to the energy sector. As of year-end, our total net lending exposure to the oil and gas sector was 6.1 billion, predominantly in North America. The majority of this exposure was investment grade, and about half of this exposure was to the integrated and mid-stream segments that we expect are less affected by the currently low energy price levels. Exposures potentially vulnerable to low energy prices are closely monitored and macro hedges are in place. Nevertheless, a sustained period of depressed energy prices could result in increased credit loss expense for this sub-segment of our portfolio.

Operating expenses decreased 9% year-over-year to 1.5 billion, driven by lower G&A expenses, primarily reflecting lower litigation provisions.

Slide 19 - Corporate Center

Profit before tax in Corporate Center Services was negative 326 million, down 71 million, as full-year costs incurred by Corporate Center – Services exceeded the cost allocations to the business divisions and Non-core and Legacy Portfolio.

Expenses before allocations increased, mainly due to vacation accruals and higher depreciation charges.

Profit before tax in Group ALM was 51 million, compared with negative 116 million in the prior quarter. We saw a gain of 81 million from interest rate derivatives used to hedge our high-quality liquid asset portfolio, compared with a loss of 201 million in the prior quarter.

Gross funding costs increased by 91 million to 292 million, mostly due to higher fair value gains on internal funding transactions in the prior quarter, but also higher costs following the recent issuances of AT1 instruments and TLAC-eligible debt.

We expect the bond buyback from December and 2016 maturities, to generate a benefit to funding costs of around 170 million in 2016.

Profit before tax in Non-core and Legacy Portfolio was negative 312 million. Operating income was negative 71 million, driven by losses from novation and unwind activities, as well as valuation losses on financial assets designated at fair value.

Operating expenses decreased by 436 million, as costs decreased mainly due to lower litigation provisions, partially offset by a 50 million charge for the annual UK bank levy.

The Non-core and Legacy Portfolio LRD was 46 billion, or 5% of the Group's total LRD. Excluding operational risk RWA, Non-core and Legacy portfolio RWA is down over 40% year-over-year to less than 10 billion.

Slide 20 - Corporate Center cost reductions

Delivering on our cost reduction initiatives continues to be one of our key priorities and is a top priority for me as Group CFO.

We achieved an additional 100 million of annualized net cost reduction in the Corporate Center during the quarter, bringing the total to 1.1 billion. Savings in the quarter were largely driven by lower personnel expenses in Group Operations.

Full-year restructuring charges were 1.2 billion. We still expect to incur the full three billion we've guided for between 2015 and 2017.

Slide 21 – Corporate Center cost reductions

We've encountered higher permanent regulatory costs and business demand, than was originally anticipated.

Over the past two years, we've generated 1.7 billion of gross saves, which have been partially offset by a 400 million increase related to higher permanent regulatory costs and a 400 million increase related to higher business demand. Despite these headwinds, we are fully committed to our net cost reduction targets. We currently expect to achieve 1.4 billion of net savings by around the middle of this year, and we continue to target 2.1 billion by year-end 2017.

Slide 22 – Corporate Center Services cost reductions

To deliver on our cost targets, we continue to focus our efforts on the strategic levers described in previous quarters. The majority of savings can be categorized into one of three areas: workforce and footprint, organization and process optimization, and technology.

Today, 27% of employees and contractors are in offshore or near shore locations, compared with 18% only two years ago. In addition to lower future personnel expenses, this is allowing us to realize efficiencies in high-cost real estate.

Through organization and process optimization, we look to increase effectiveness and efficiency by leveraging common capabilities and creating centralized functions. To give one example, we've created a Reporting and Analytics Services unit, adopting common reporting processes and leading edge technology to provide a better quality and lower-cost service to the business.

Within Group Technology, we continue to modernize our infrastructure and simplify our portfolio of applications.

For example, we are migrating databases and servers to shared internal cloud services, which are less costly to run, and more responsive to our business needs.

We are also rolling out our virtual desktop platform, which helps our employees to become more efficient, while also reducing costs. In time, the platform will also lead to reduced real estate costs as more of our employees can work flexibly, both in the office and from home.

We invested around 300 million in 2015 in our application portfolio to significantly reduce the number of applications, simplify and modernize our technology, and reduce operational risk.

The savings associated with our technology initiatives require more lead time, but by the completion of our program, we expect technology to contribute to a sizeable portion of our cost savings.

Slide 23 - Capital and leverage ratios

Our capital position improved from already strong levels, with our fully applied Basel III CET1 capital ratio increasing to 14.5% and a fully applied Swiss SRB leverage ratio at 5.3%.

Our CET1 capital ratio increased by 20 basis points as we reduced RWA by 9 billion, mainly reflecting book size reductions, partially offset by currency effects and methodology changes. This more than offset the impact of

lower CET1 capital, which decreased as we accrued for dividends to shareholders and due to tax effects.

We issued 1.4 billion of TLAC eligible debt in the fourth quarter, which will contribute to the proposed gone-concern capital ratios. AT1 capital increased by 0.6 billion, mainly due to deferred contingent capital awards, to be granted to employees for the 2015 performance year.

Our fully applied BIS Basel III leverage ratio denominator was 898 billion, and we've provided further details on LRD movements in the appendix of this presentation.

From December 2015, the Swiss SRB LRD calculation is fully aligned to the BIS Basel III rules.

It is worthwhile highlighting that, given our balance sheet composition, our LRD is sensitive to foreign exchange as well as other market moves. For example, currently, a 1% appreciation of the US Dollar against the Swiss Franc would cause approximately a 4 billion increase in our LRD.

Thank you, and with that, I will now hand it back over to Sergio.

Sergio P. Ermotti (Group CEO): Closing remarks

SLIDE 24 – Continued focus on our strategy...

Thank you, Kirt. Before we open up for questions, I would like to close with a few remarks.

While dovish tones from the FED and ECB have helped stabilize markets in the last few days, uncertainties around energy prices and the outlook for China are still driving a very cautious sentiment.

We have begun a year that clearly looks very challenging, and our outlook remains in line with our previous guidance. So what does that mean for us? By focusing on our strengths, including capital and the clarity of our strategy, we believe we have the ability to gain share of wallet and market share. We need to maintain our global perspective on the trends driving long term wealth accumulation. That is the reason we are keen to invest in



those businesses and geographies that will sustain growth over the long-term. Opportunities exist, particularly in the US and Asia.

We must also keep our focus on execution, including our cost reduction program. Our goal is to deliver sustainable costs savings that improve our long-term effectiveness. As we do that, we will free up resources which enables us to selectively invest for growth.

Most importantly, in the current environment, staying close to our clients and delivering on our commitments remains paramount.

These factors will underpin our ability to deliver value to shareholders and I have every confidence in the future success of UBS.

Thank you. And now Kirt and I will take your questions.

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. 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Use of adjusted numbers

Unless otherwise indicated, "adjusted" figures exclude the adjustment items listed on the slide 35 of the 4Q15 results presentation, 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.

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