



UBS 2016 Annual General Meeting

Axel A. Weber

Chairman of the Board of Directors



Spring 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 targets for risk-weighted assets (RWA) and leverage ratio denominator (LRD), 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) the 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 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 debt that will be eligible for total loss-absorbing capacity (TLAC) requirements, 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, TLAC, 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 or gone concern 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, financial crime, cyber-attacks, and systems failures; (xvi) 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 of its broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xvii) 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 (xviii) 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 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.

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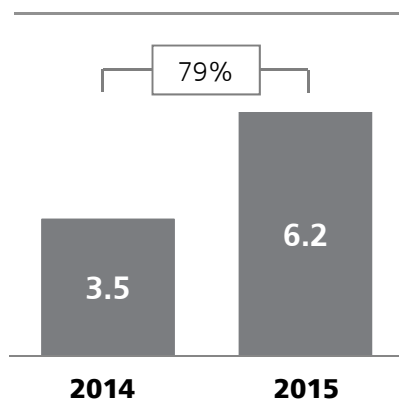
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Key Messages

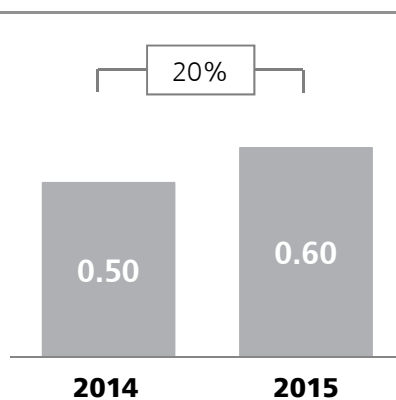
Significant increase in profitability drives increased dividends and performance awards

- Our compensation model remains premised on generating attractive and sustainable returns for shareholders and has remained largely unchanged since 2012
- Our compensation decisions reflect our commitment to deliver competitive compensation for excellent performance while balancing returns to our investors and meeting regulatory capital requirements
- UBS delivered a strong financial performance in 2015:
 - Net profit attributable to shareholders **increased 79%** to CHF 6.2 billion
 - Executed on strategic cost savings initiatives with **total net cost reductions of CHF 1.1 billion compared to 2013**
 - Progressed resolution and recovery planning by implementing UBS Switzerland AG
 - **Increased our leverage ratio by 120 bps** to 5.3%, and **our CET1 capital ratio by 110 bps** to 14.5%, the highest in our peer group of large global banks
- Propose **ordinary dividend of CHF 0.60 per share, up 20% YoY**, reflecting strong operating performance, and special dividend of CHF 0.25 per share, reflecting a significant net upward revaluation of deferred tax assets in 2015

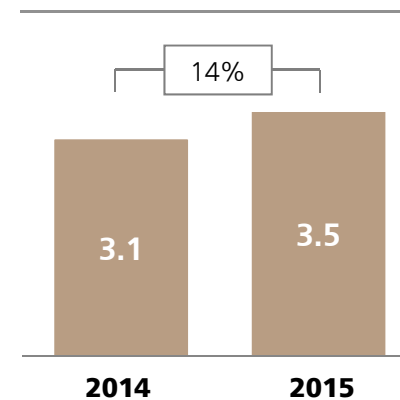
Net profit
CHF billion



Ordinary dividend
CHF per share



Performance award pool
CHF billion

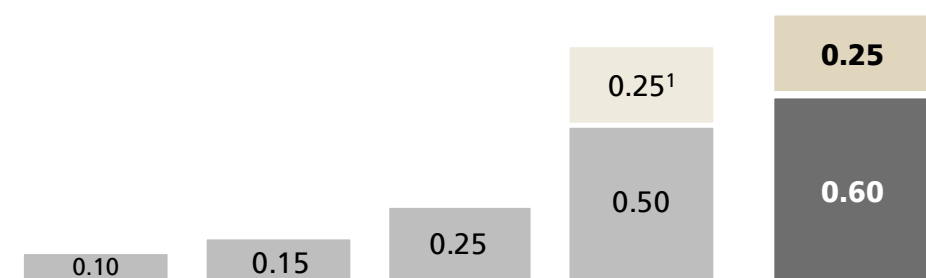


Delivering attractive capital returns to our shareholders

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

Total capital return per share

CHF per share



Financial year	2011	2012	2013	2014	2015
CET1 ratio <small>(fully applied)</small>	~6.7%	~9.8%	12.8%	13.4%	14.5%
Payout ratio ³	9%	N/M	30%	82%	52%

- We are committed to a total pay-out ratio of at least 50% of net profit²
- We intend to grow the ordinary dividend progressively



Refer to slide 14 for details about adjusted numbers, capital management 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; 2 Conditional on maintaining a fully applied Basel III CET1 capital ratio of at least 13% and at least 10% post-stress; 3 Total dividend per share as a % of diluted earnings per share

2016 AGM agenda items

Say-on-pay agenda items

Advisory vote on Compensation Report	The Board of Directors proposes that the UBS Group AG Compensation Report 2015 be ratified in an advisory vote.
Binding vote on variable GEB compensation	The Board of Directors proposes that the aggregate amount of variable compensation of CHF 71,250,000 for the members of the Group Executive Board for the financial year 2015 be approved.
Binding vote on fixed GEB compensation	The Board of Directors proposes that the maximum aggregate amount of fixed compensation of CHF 28,500,000 for the members of the Group Executive Board for the financial year 2017 be approved.
Binding vote on BoD remuneration	The Board of Directors proposes that the maximum aggregate amount of compensation of CHF 14,000,000 for the members of the Board of Directors for the period from the Annual General Meeting 2016 to the Annual General Meeting 2017 be approved.

Other notable agenda items

- Appropriation of results and distribution of dividend, to be paid out of capital contribution reserve:
 - Ordinary dividend of CHF 0.60 per share, reflecting our strong operating performance
 - Special dividend of CHF 0.25 per share, reflecting the significant net upward revaluation of deferred tax assets in 2015
- Election of new members to the Board of Directors:
 - Robert W. Scully
 - Dieter Wemmer

Our three keys to success

Performance management process aligned to our desired culture and behaviors

Pillars

Capital strength
Efficiency and effectiveness
Risk Management

Principles

Client focus
Excellence
Sustainable performance

Behaviors

Integrity
Collaboration
Challenge

What is the basis of our strategy?

What do we stand for as a firm?

How do we manage our workforce?

Principles of good supervision

Framework with clear expectations regarding supervisory responsibilities, including:

- setting a good example of professional behavior and act as a role model
- be open about issues, be alert to unusual behavior and act on red flags to ensure that issues are resolved

UBS House View on Leadership

- set of expectations for leaders to establish consistent leadership standards across UBS
- integrated into all promotion, hiring and development processes for positions at Director-level and higher

Leadership development and training

- Senior Leadership Experience: integrated leadership development program for our top 300 leaders to advance our strategic and cultural priorities
- Accelerate/Ascent: development programs for ED, D and AD-levels aimed at accelerating our top-talents' readiness for more senior roles and build the firm's leadership pipeline
- Mandatory training sessions: in 2015, over 800,000 mandatory training sessions were completed, an increase of ~14% from 2014; ~65% of these sessions were related to compliance and operational risk control

Performance Evaluation

- Business goals translated into individual performance and behavior goals and risk objectives
- Multi-rater approach to evaluate *what* was achieved and *how* it was achieved
- Separate ratings for goals and behaviors with both factoring into development, compensation and promotion decisions
- Forfeiture of some or all of deferred compensation for certain harmful acts
- Performance conditions for variable compensation plans to align interests with shareholders and bondholders
- In 2015 on average across the firm, 38% of performance awards were deferred; for the GEB, 86% of performance awards were deferred

UBS and Society

Cross-divisional platform to make sustainability the everyday standard

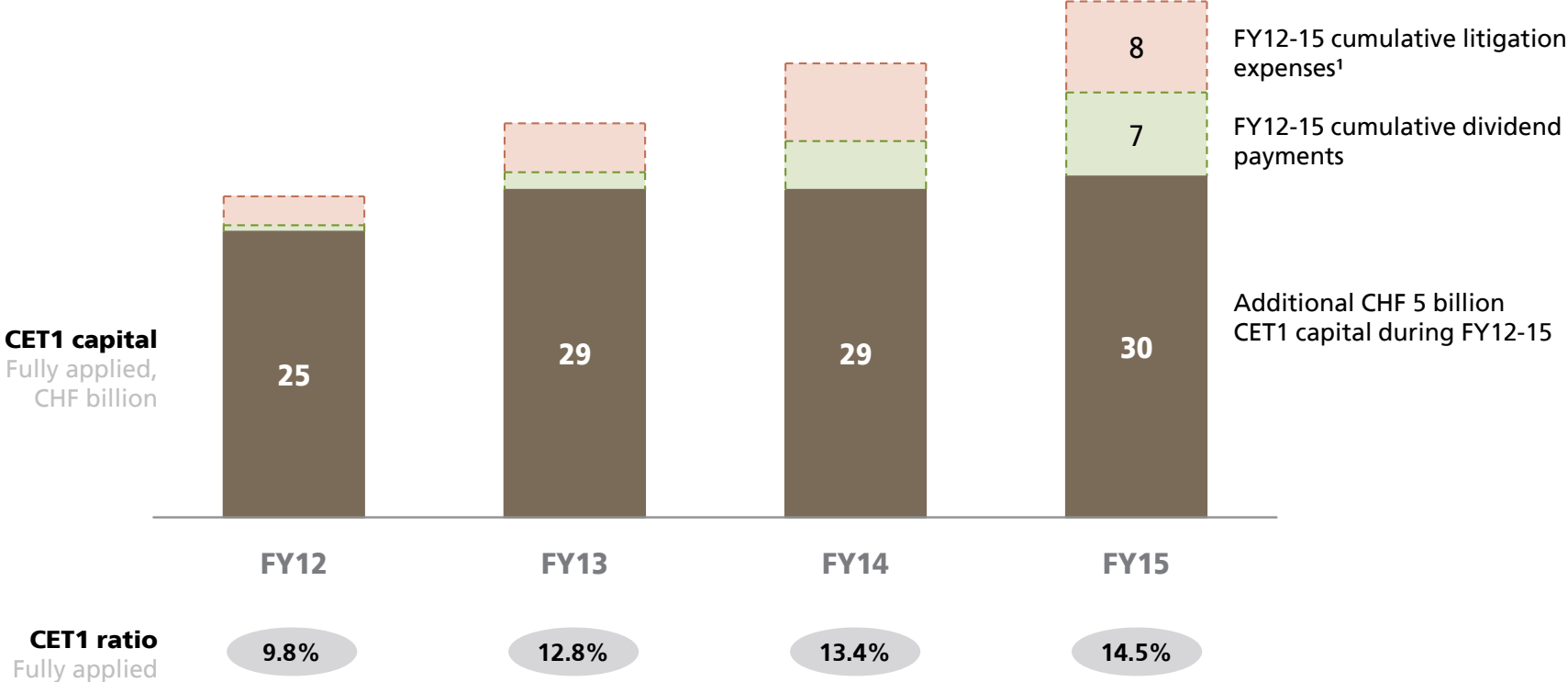


Appendix

Supporting materials

Strong capital generation throughout our transformation

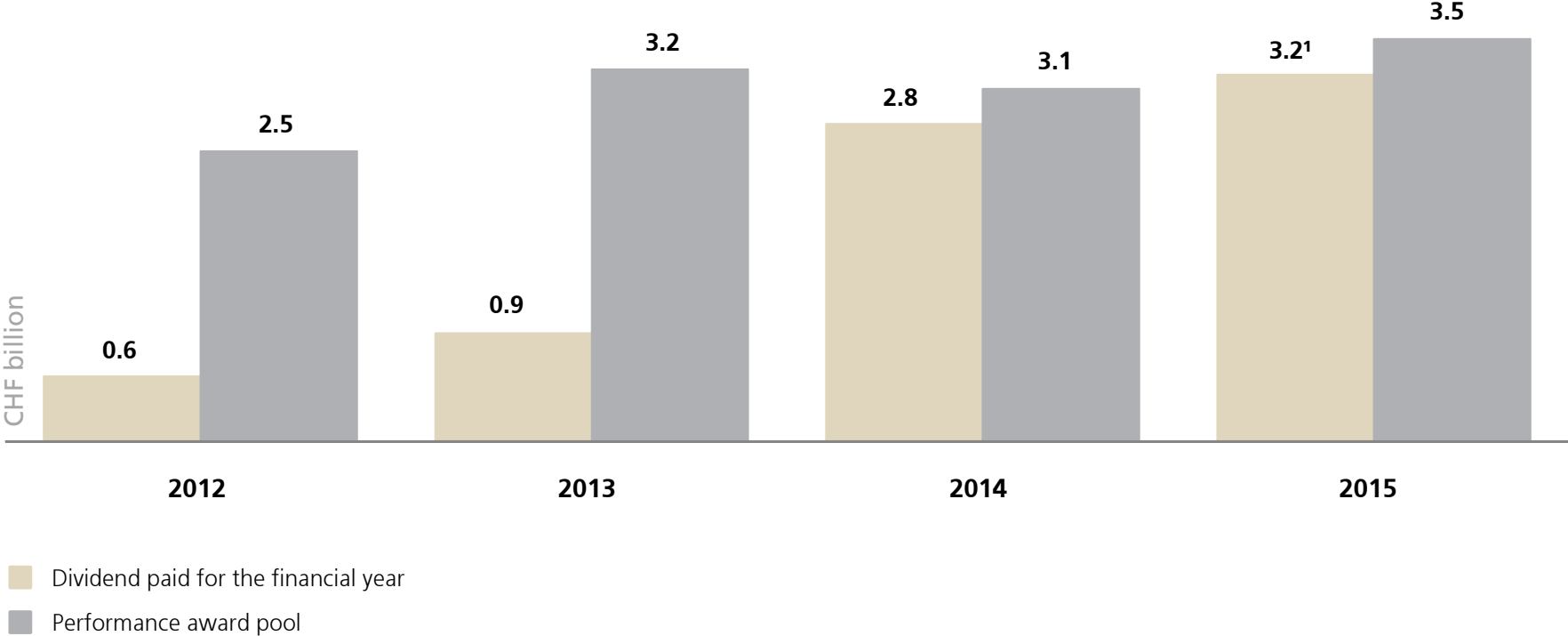
CHF 20 billion capital generation FY12-15 pre dividend payments and litigation expenses¹



Refer to slide 14 for details about adjusted numbers, capital management numbers and FX rates in this presentation
¹ Charges for provisions for litigation, regulatory and similar matters

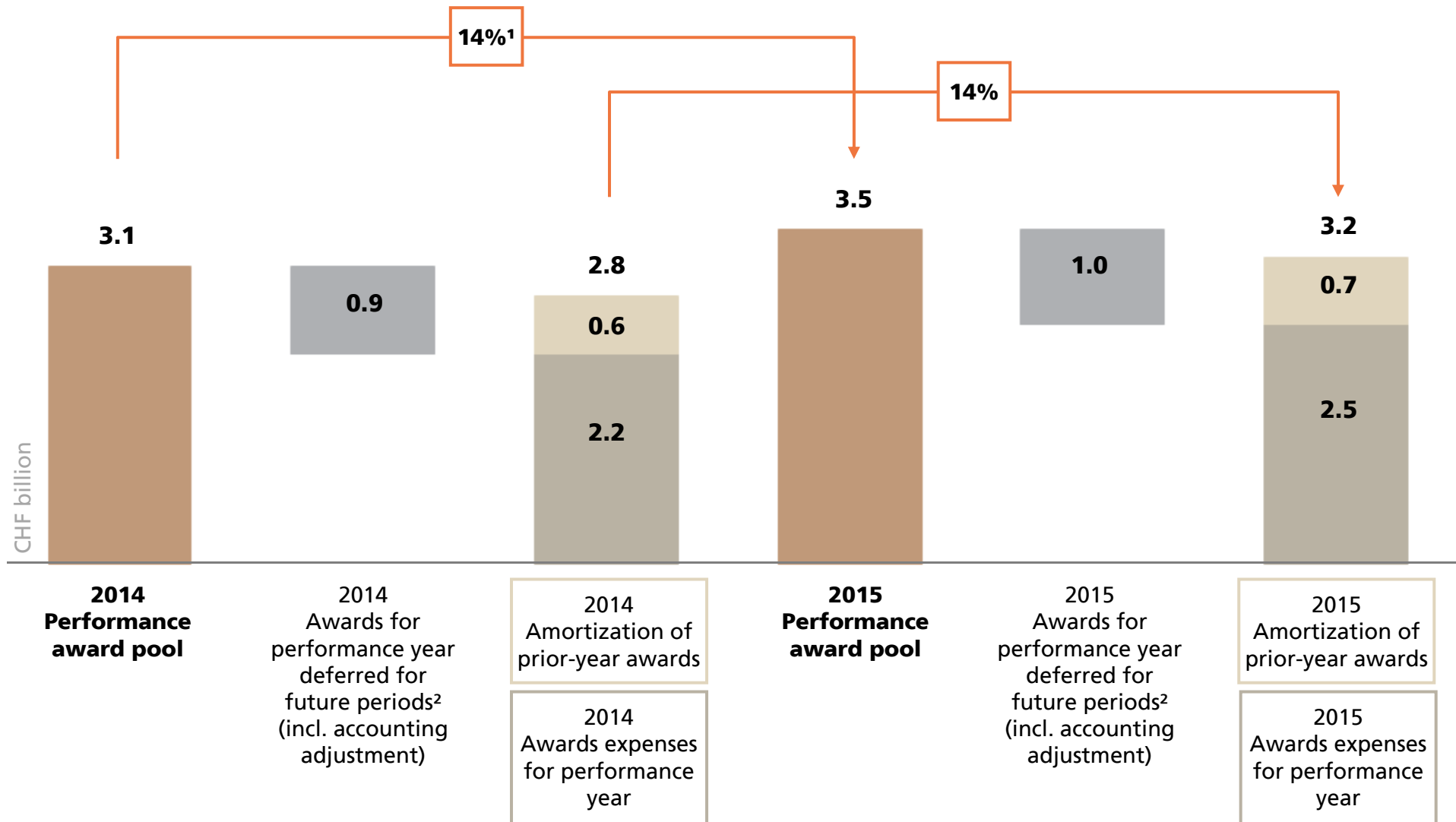
Bonus pool vs dividend payout

Total dividends of CHF 7.5 billion paid since the acceleration of our strategy¹






¹ Including the estimated dividend payout for the financial year 2015 proposed for shareholder approval at the 2016 AGM

Performance award expenses






Scorecard for Group CEO

Quantitative measures ¹ (65%)	2015 results	Weighting	2015 Assessment	
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Adjusted Group RoTE	13.7%	25%	vs. Plan vs. 2014	
Adjusted Group profit before tax ²	CHF 6.5 billion	25%	vs. Plan vs. 2014	
CET1 capital ratio (fully applied)	14.5%	15%	vs. Plan vs. 2014	
Post stress CET1 capital ratio (fully applied)	>10%			
Swiss SRB leverage ratio, fully applied ³	4.9%			

Qualitative measures ⁴ (35%)	Weighting	Assessment	
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Pillars Capital management, efficiency and effectiveness, and risk management	35%	vs. Goals	
Principles Client focus, sustainable performance and excellence		vs. Goals	
Behaviors Integrity, collaboration and challenge		vs. Goals	

Refer to slide 14 for details about adjusted numbers, capital management numbers and FX rates in this presentation

1 Quantitative measures and target levels were based on internal performance objectives in our 2015 Operating Plan; 2 Adjusted Group profit before tax excluding certain charges for provisions for litigation, regulatory and similar matters; 3 Swiss SRB leverage ratio, fully applied, as of 31 December 2015, based on the former Swiss SRB rules, which were applicable at time of 2015 planning. On the basis of the new Swiss SRB rules the leverage ratio as of 31 December 2015 is 5.3%;. Refer to the "Capital management" section of the Annual Report 2015 for more information; 4 The qualitative measures used to assess the effectiveness of the Group CEO are outlined in detail in the table "Overview of the quantitative and qualitative measures" in the Annual Report 2015

Group Executive Board compensation framework

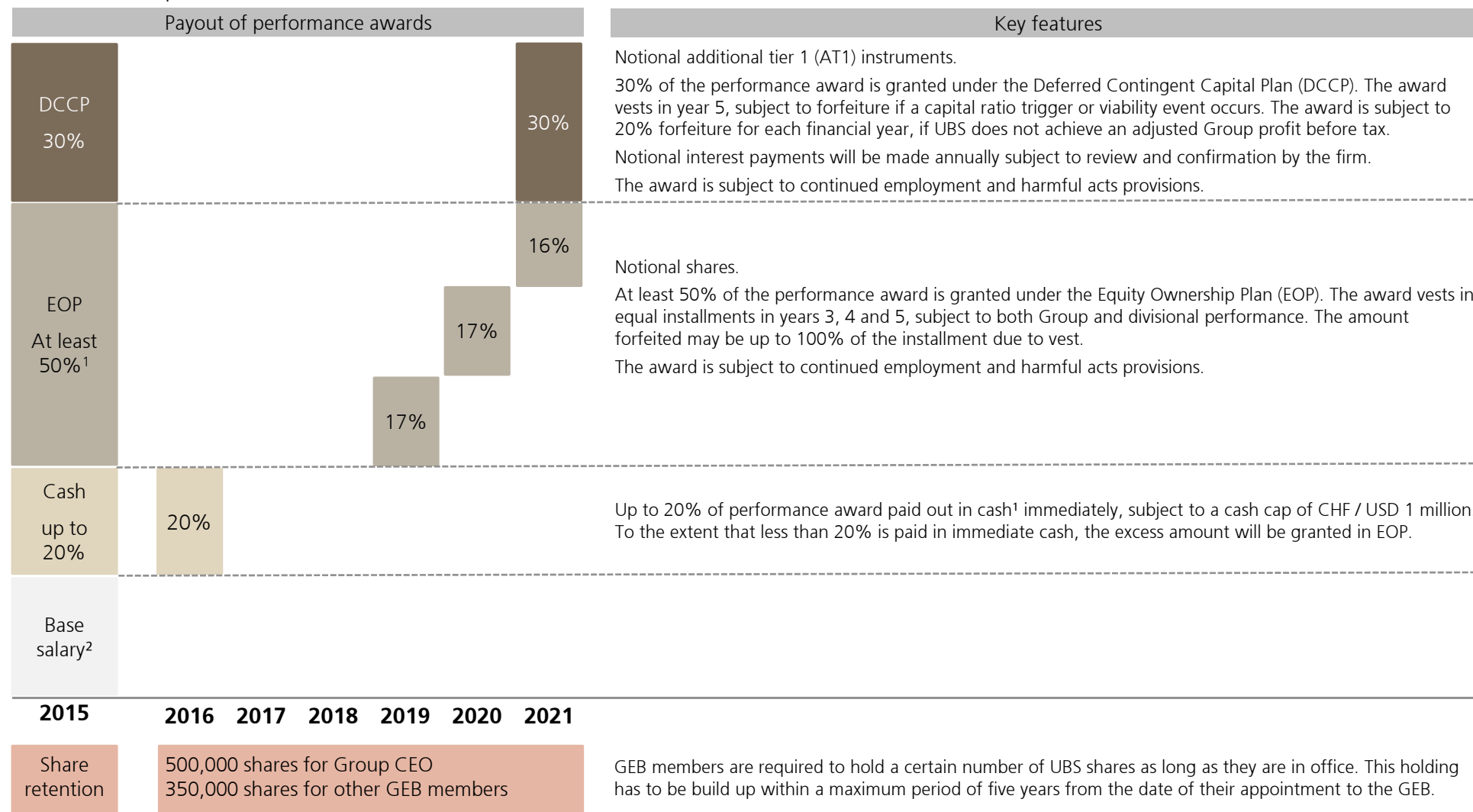
Total GEB performance award pool 1.3% of adjusted Group PBT, well below cap

	Framework
Performance award cap - CEO	5x base salary
Performance award cap – other GEB	7x base salary
Performance award cap – full GEB	2.5% of the Group's adjusted PBT
Determination of individual performance awards	KPI scorecard
Equity portion of deferred compensation	At least 50%
DCCP portion of deferred compensation	30%
Immediate cash component	Up to 20%, capped at CHF / USD 1 million
DCCP's phase-in CET1 capital ratio trigger	10%

2015 Compensation framework for GEB members

Of the annual performance award, up to 20% is paid in the form of immediate cash and 80% is paid as a longer-term performance award, with 50% paid in deferred equity and the remaining 30% in deferred notional additional tier 1 compliant instruments.

Illustrative example:



¹ UK Material Risk Takers (MRTs) receive 50% in the form of blocked shares; ² May include role-based allowances

Important information related to this presentation

Use of adjusted numbers

Adjusted results are a non-GAAP financial measure as defined by SEC regulations. Refer to page 86 of the Annual Report 2015 which is available in the section "Annual reporting" at www.ubs.com/investors for an overview of adjusted numbers.

If applicable for a given adjusted KPI (e.g., adjusted return on tangible equity), adjustment items are calculated on an after-tax basis by applying indicative tax rates. Refer to page 94 of the Annual Report 2015 for more information.

Capital management information

Capital management numbers in this presentation 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, calculated on a fully applied basis, 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.

Refer to the "Capital Management" section in the Annual Report 2015 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 report 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.