Second quarter 2016 results

July 29, 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 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) 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, and the effect this 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 a limited reduction 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, implementing a service company model, completing 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) the uncertainty arising from the UK referendum vote to withdraw from the EU and the potential need to make changes in UBS's legal structure and operations as a result of a UK exit from the EU; (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 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 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, particularly in trading businesses; (xvi) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyber-attacks, and systems failures; (xvii) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA of its 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 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.

2Q16 results

Strong results, adjusted PBT CHF 1.7 billion up YoY despite less favorable environment

Group

Net profit attributable to UBS Group AG shareholders CHF 1,034 million, diluted EPS CHF 0.27

Reported profit before tax (PBT) CHF 1,489 million, adjusted PBT CHF 1,672 million

10.1% annualized adjusted return on tangible equity

Achieved CHF 1.4 billion net cost reductions[1]

Basel III fully applied CET1 capital ratio 14.2%, CET1 leverage ratio of 3.4%

Business divisions[2]

Wealth Management: PBT CHF 606 million
- Resilient client flows with NNM CHF 6.0 billion and CHF 6.9 billion net new mandates

Wealth Management Americas: PBT USD 281 million
- Record net interest income and invested assets

Personal & Corporate Banking: PBT CHF 463 million
- Exceptionally strong results, with highest PBT since 4Q08; record first half net new client acquisition

Asset Management: PBT CHF 148 million
- PBT up 10% YoY and 35% QoQ; continued progress in executing strategic initiatives

Investment Bank: PBT CHF 447 million
- Strong FRC performance, continued disciplined resource utilization across business lines

Corporate Center: Pre-tax loss of CHF 267 million
- CHF 8 billion QoQ reduction in Non-core and Legacy Portfolio LRD

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1 Based on June 2016 exit rate, refer to slides 19 and 26 for further details on cost reductions; 2 Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

UBS Group AG results (consolidated)

CHF million, except where indicated	2Q15	3Q15	4Q15	1Q16	**2Q16**
Total operating income	7,818	7,170	6,775	6,833	7,404
Total operating expenses	6,059	6,382	6,541	5,855	5,915
Profit before tax as reported	**1,759**	**788**	**234**	**978**	**1,489**
of which: net restructuring expenses	(191)	(298)	(441)	(265)	(377)
of which: net FX translation gains/(losses)[1]		(27)	115	(123)	(26)
of which: own credit on financial liabilities designated at fair value	259	32	35		
of which: net losses related to the buyback of debt			(257)		
of which: gains on sales of real estate					120
of which: gains/(losses) on sales of subsidiaries, businesses and investments[2]	67		28		100
of which: gain related to our investment in the SIX Group		81			
of which: gain related to a change to retiree benefit plans in the US		21			
of which: impairment of an intangible asset	(11)				
Adjusted profit before tax	**1,635**	**979**	**754**	**1,366**	**1,672**
of which: expenses for provisions for litigation, regulatory and similar matters	(71)	(592)	(365)	(39)	(72)
Tax (expense)/benefit	(443)	1,295	715	(270)	(376)
Net profit attributable to non-controlling interests	106	14	1	0	79
Net profit attributable to UBS Group AG shareholders	**1,209**	**2,068**	**949**	**707**	**1,034**
Diluted EPS (CHF)	0.32	0.54	0.25	0.18	0.27
Return on tangible equity, adjusted (%)	9.6	19.5	11.4	8.5	10.1
Total book value per share (CHF)	13.71	14.41	14.75	14.74	14.27
Tangible book value per share (CHF)	12.04	12.69	13.00	13.04	12.54

Refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Related to the disposal of foreign subsidiaries and branches; 2 2Q16 includes CHF 123 million gain on sale of investment in Visa Europe (CHF 21 million in Wealth Management and CHF 102 million in Personal & Corporate Banking) and CHF 23 million of losses on sales of subsidiaries and businesses (Wealth Management)

Wealth Management

Resilient performance in challenging market conditions

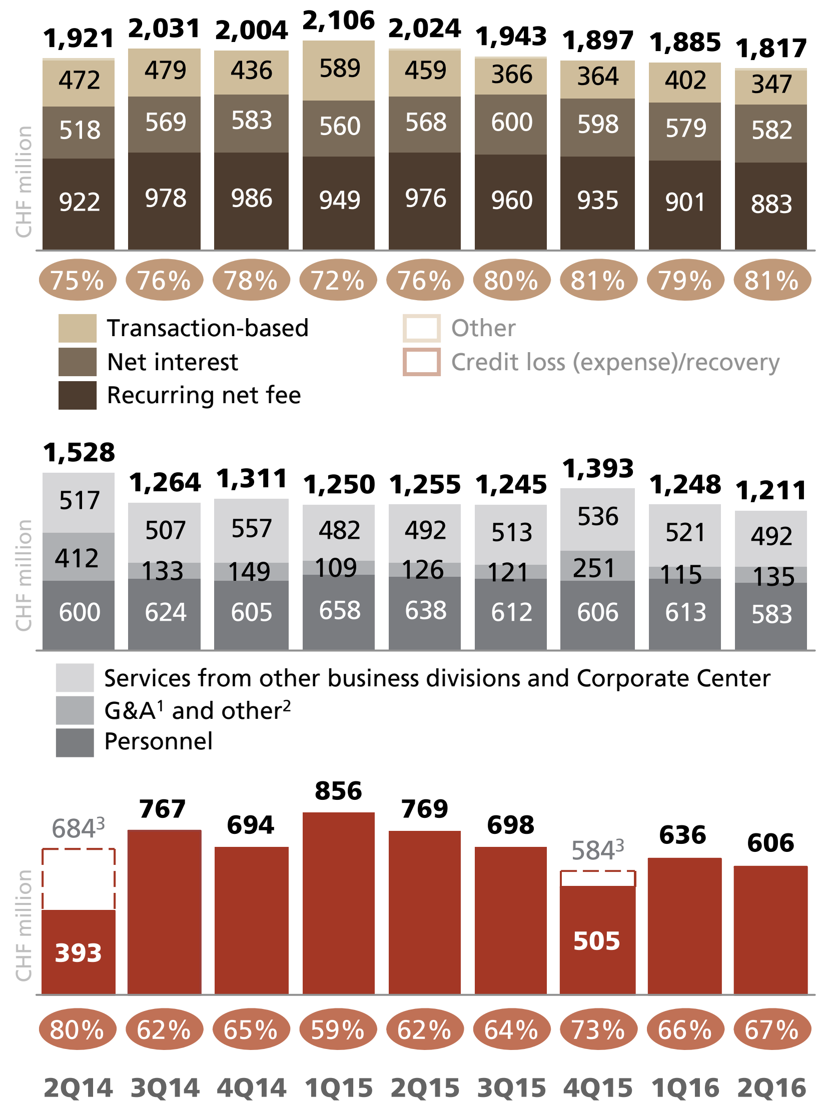
Operating income

Recurring income

Operating expenses

Profit before tax

C/I ratio



Operating income CHF 1,817 million

- **Transaction-based income** decreased YoY across all regions, most notably in Asia Pacific
- **Net interest income** increased YoY mainly due to higher deposit revenues, partly offset by lower allocations from Group ALM
- **Recurring net fee income** declined YoY due to a decrease in average invested assets; investment fund fees and custody revenues declined reflecting changes in clients' asset allocation, partly offset by the positive effects of higher discretionary and advisory mandate penetration

Operating expenses CHF 1,211 million

- **Personnel expenses** decreased YoY due to lower variable compensation expenses and a decrease in personnel levels
- **G&A expenses** increased YoY mainly due to higher professional fees related to building out our digital platform

PBT CHF 606 million

- PBT CHF 615 million excluding net expenses for provisions for litigation, regulatory and similar matters
- 67% cost/income ratio

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Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 General and administrative expenses; 2 Depreciation and impairment of property, equipment and software as well as amortization and impairment of intangible assets; 3 Profit before tax excluding net expenses for provisions for litigation, regulatory and similar matters of CHF 291 million in 2Q14 and CHF 79 million in 4Q15

Wealth Management

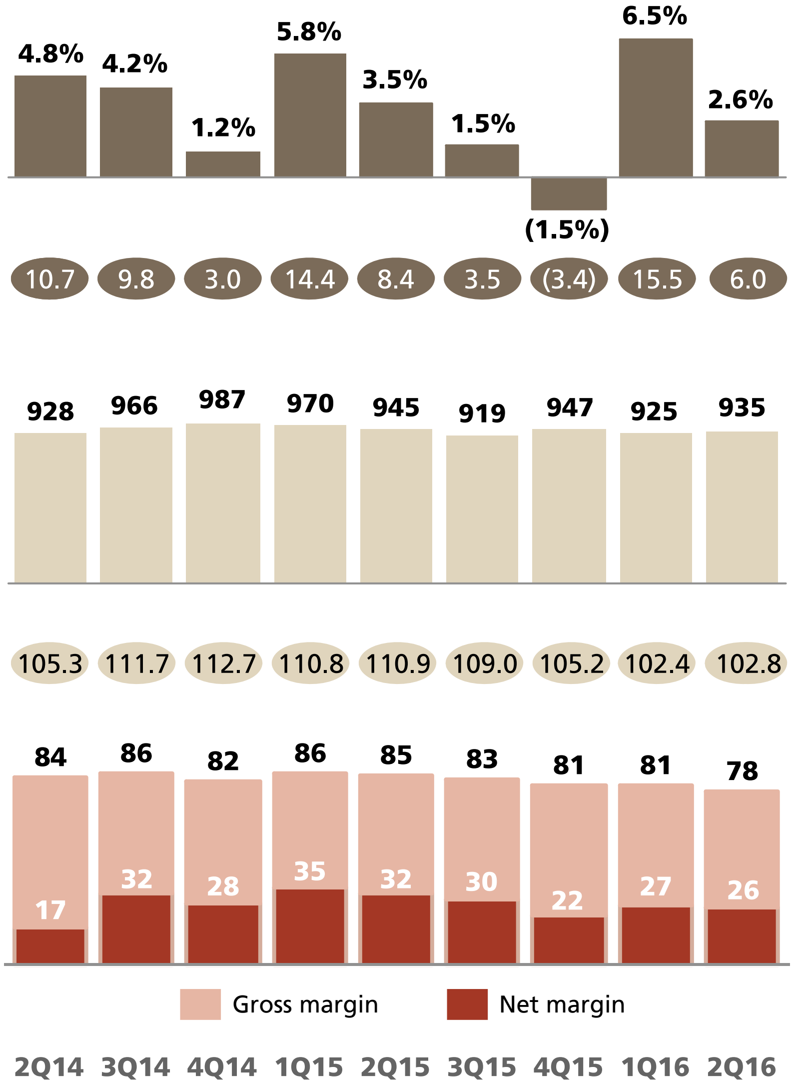
Net new money CHF 6.0 billion, net new mandates CHF 6.9 billion

Net new money[1]
Annualized growth rate
CHF billion

Invested assets
CHF billion

Loans
CHF billion

Margins
bps

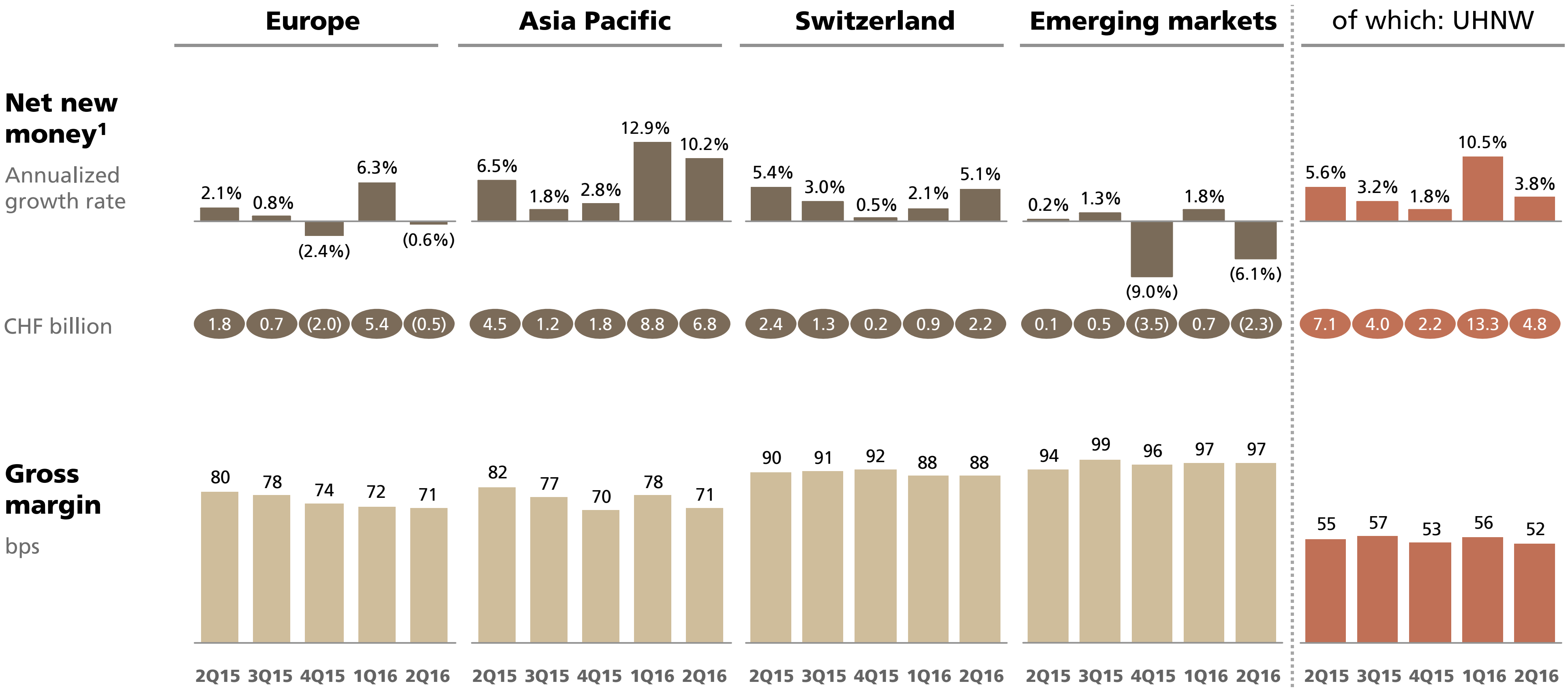


- **NNM CHF 6.0 billion**, driven by strong net inflows in Asia Pacific and Switzerland, partly offset by net outflows in emerging markets and Europe, which included cross-border outflows
- **Invested assets CHF 935 billion** increased QoQ due to positive market performance, NNM inflows and FX translation effects, partially offset by a CHF 7 billion net reduction related to the sale and acquisition of subsidiaries and businesses
- **Discretionary and advisory mandate penetration 27.1%** up 50 bps QoQ excluding the impact of business disposals[2], driven by CHF 6.9 billion net new mandates
- **Gross loans CHF 102.8 billion** up QoQ as continued net outflows from Lombard lending were more than offset by FX effects
- **Net margin 26 bps** down 1 bp QoQ as cost measures partly offset the impact of revenue decline

Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Adjusted for outflows of CHF 6.6 billion in 2Q15 and CHF 3.3 billion in 3Q15 related to the balance sheet and capital optimization program;
2 Mandate penetration up 10 basis points quarter-over-quarter on a reported basis, from 27.0% to 27.1%

Wealth Management

Strong net inflows in APAC and Switzerland



30.6.16	Europe	Asia Pacific	Switzerland	Emerging markets	of which: UHNW
Invested assets CHF billion	**338**	**271**	**174**	**150**	**506**
Client advisors FTE	**1,363**	**1,062[2]**	**769**	**674**	**727**

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Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Based on the WM business area structure, refer to page 19 of the second quarter 2016 report for more information; 1 Adjusted for outflows of CHF 6.6 billion in 2Q15 and CHF 3.3 billion in 3Q15 related to the balance sheet and capital optimization program; 2 Decreased quarter-over-quarter due to the exit from the Australian domestic business, which was completed in 2Q16. Excluding this, the number of client advisors was up slightly up in APAC

WM CIO: Providing innovative solutions

Launching new investment concepts that align with client needs

Traditional portfolio management	Offers investors the best risk/return trade-off consistent with a modern portfolio theory approach by investing in traditional, relatively liquid asset classes and making use of diversification to reduce risk	
Systematic allocation portfolio	A quantitative portfolio solution that begins with the strategic asset allocation, and based on our quantitative signal, makes large shifts in the equity allocation to enhance portfolios risk/return trade off and reduce portfolio draw-downs	**Launched 4Q15** life-to-date inflows[1]: **~CHF 1.5 billion**
Global credit opportunities	For those wanting an equity free portfolio, this fixed income portfolio is diversified across regions, central bank exposure, investment styles and duration	**Launched 1Q16** life-to-date inflows[1,2]: **~CHF 0.5 billion**
Endowment-style portfolio	For clients with long investment horizons, allocating to illiquid private markets and alternative investments can provide higher risk-adjusted returns than traditional public markets	**Launched 2Q16** life-to-date inflows[1,3]: **~CHF 0.3 billion**
Risk parity portfolio	Uses leverage to obtain a better volatility-adjusted return than the traditional portfolio management approach, by spreading risk more evenly across groups of assets	**Target launch 3Q16**

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1 As of 30.6.16; 2 Includes UBS Manage™ Premium (Ultra) contract; 3 Includes tailor-made endowment-style portfolios

Wealth Management

Building on our leading position by enhancing the efficiency of our platform for future growth

Leading position in a changing environment

- + Unique global footprint with #1 position in APAC[1]
- + Leading position across HNW and UHNW[2]
- + Superior global offering
- + Industry-leading profitability
- + Profitable in all regions

- - Persistently low interest rates
- - Volatility driven by macroeconomic and political uncertainty
- - Regulatory driven complexity and cost-to-serve

Taking continued action

Optimize our operating model

- One global booking platform
- Consolidating EU onshore entities
- Streamlining of non-client facing units
- WM/WMA collaboration

Enhance our coverage and offering

- Global distribution management
- Dedicated global UHNW organization
- Improved digital capabilities
- Enhanced Alternatives offering

Manage regulatory change

- Proactive management in the face of global regulatory change, including automatic exchange of information

Key objectives

➔ **Improved efficiency and reduced complexity**

➔ **Maximizing revenue potential** by deploying a globally consistent distribution model

➔ **Proactive management of regulatory change**

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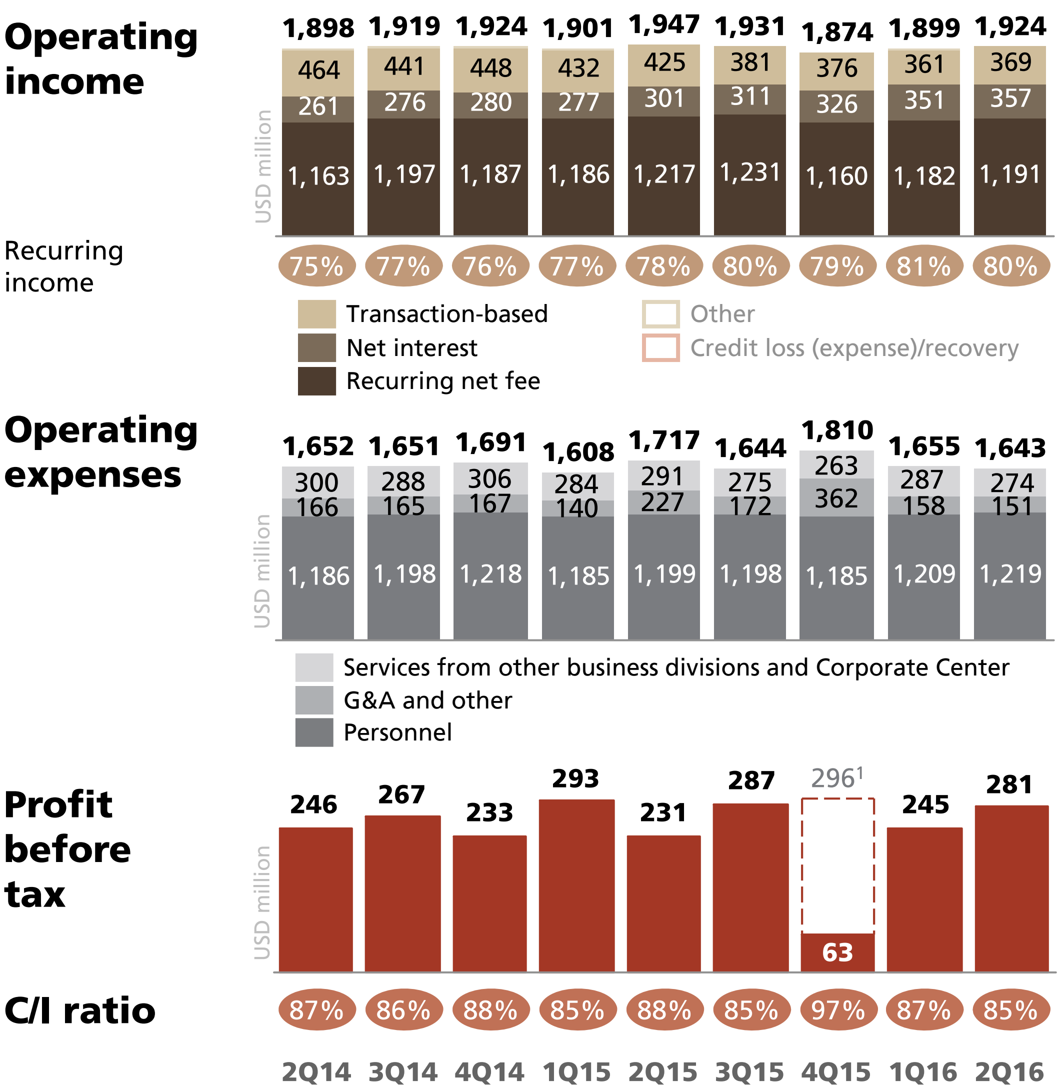
Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Asian Private Banker League Tables 2015; 2 Scorpio Partnership Global Private Banking Benchmark Report 2016

Wealth Management Americas

Strong quarter with PBT USD 281 million and record net interest income



Operating income USD 1,924 million

- **Transaction-based income** decreased YoY due to lower client activity
- **Net interest income** increased YoY mainly due to growth in loan and deposit balances as well as higher interest rates
- **Recurring net fee income** decreased YoY mainly due to lower mutual fund fees

Operating expenses USD 1,643 million

- **G&A expenses** decreased YoY mainly due to lower net expenses for provisions for litigation, regulatory and similar matters and other provisions
- **Charges for services** decreased YoY mainly due to lower expenses from Group Operations
- **Personnel expenses** increased YoY reflecting higher expenses for compensation commitments and salary costs related to the recruitment of FAs

PBT USD 281 million

- PBT USD 298 million excluding net expenses for provisions for litigation, regulatory and similar matters
- 85% cost/income ratio

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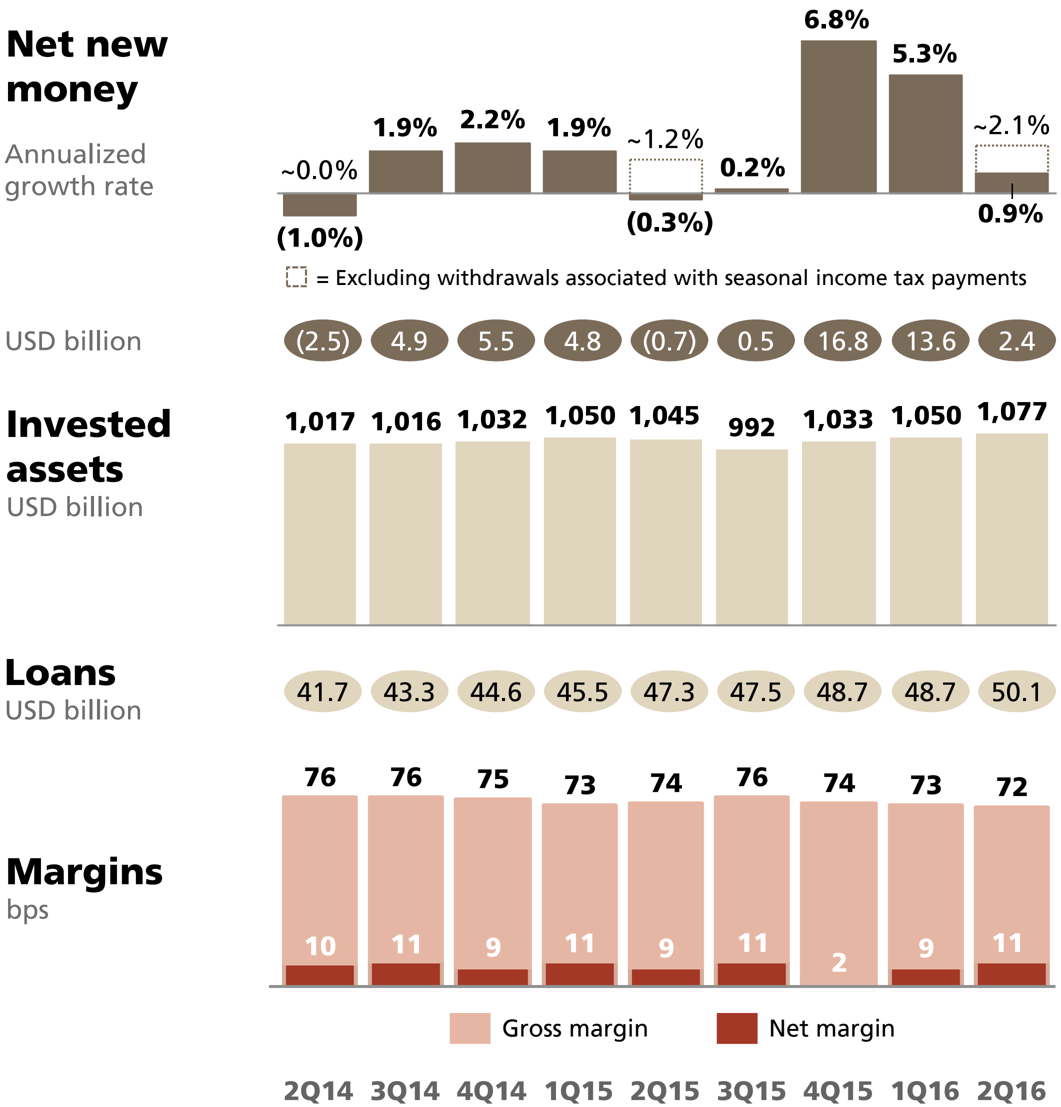
Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Profit before tax excluding USD 233 million net expenses for provisions for litigation, regulatory and similar matters

Wealth Management Americas

Record invested assets and managed account penetration



- **NNM USD 2.4 billion** despite ~USD 3.1 billion of client withdrawals associated with seasonal income tax payments

- **Invested assets USD 1,077 billion** increased YoY due to positive market performance and NNM inflows
- Managed accounts penetration 34.5%, up 10 bps QoQ

- **Gross loans USD 50.1 billion** increased with continued growth across all lending product lines

- **Net margin 11 bps,** up 2 bps despite lower gross margin

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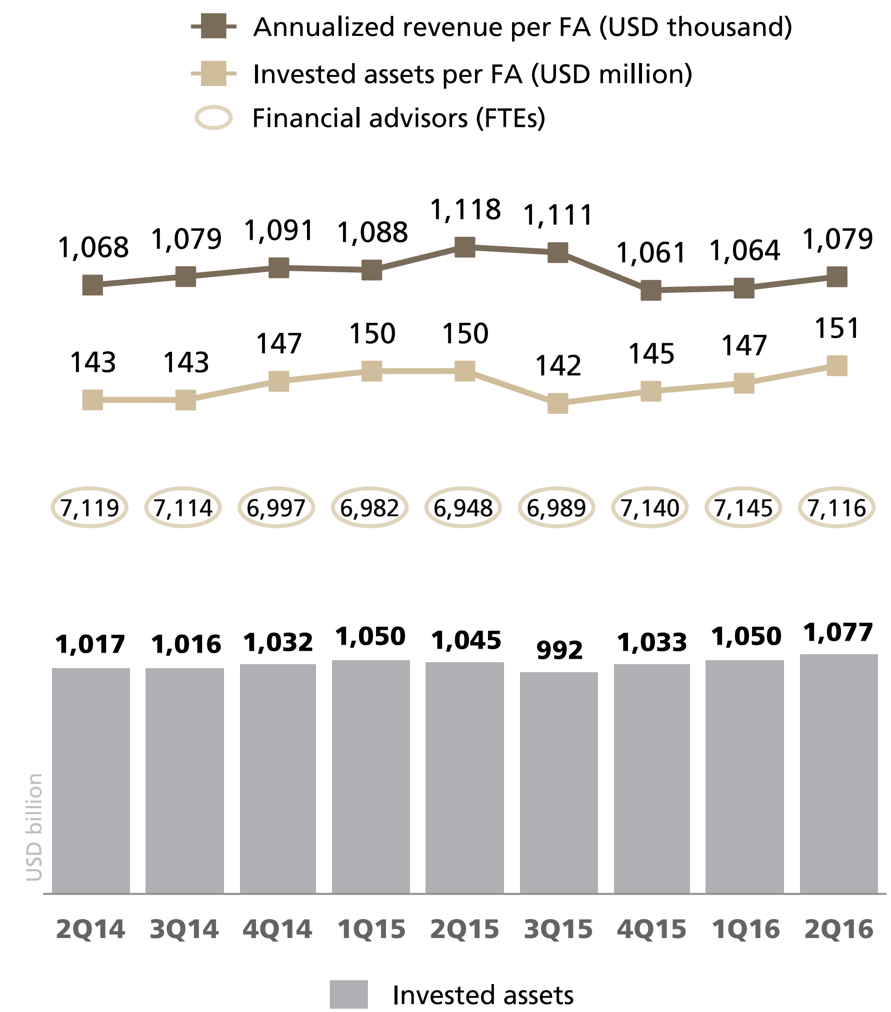
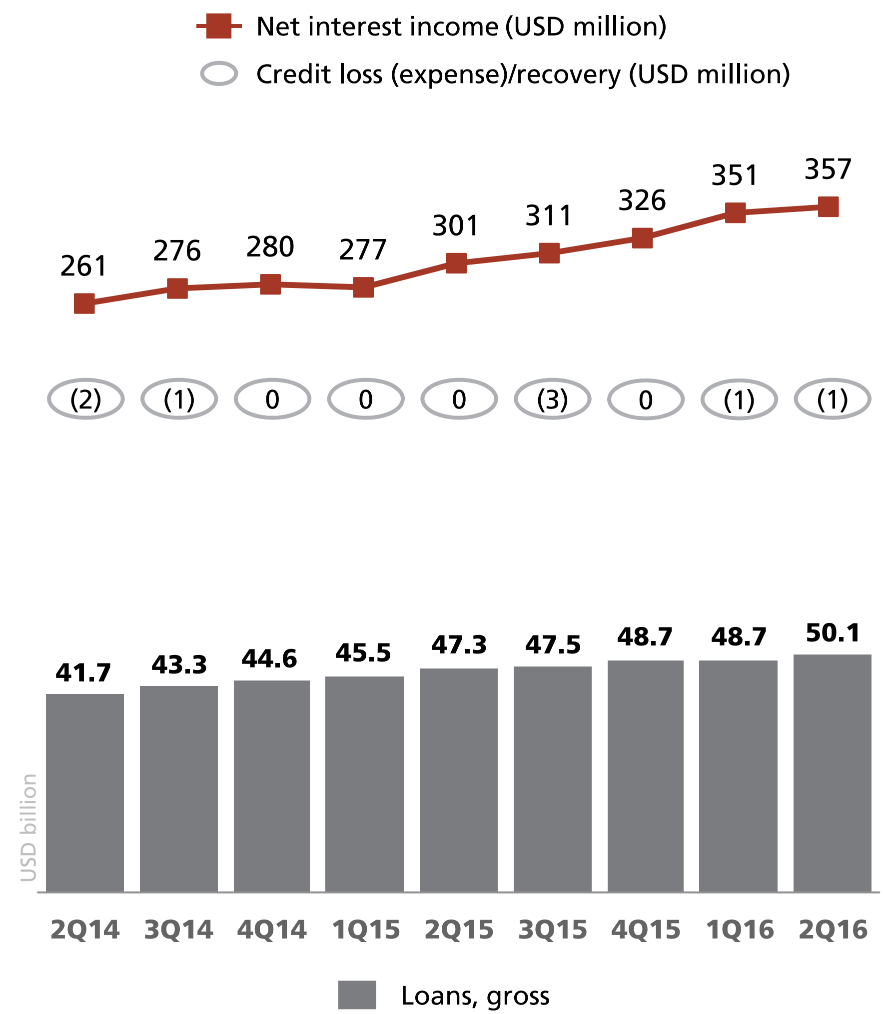
Wealth Management Americas

Industry leading revenue and invested assets per advisor

Invested assets and FA productivity



Net interest income and lending



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Wealth Management Americas

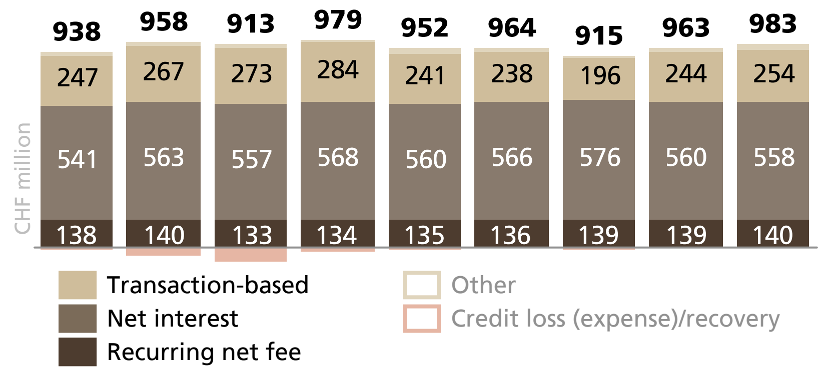
Building on our positive momentum and unique opportunity to "feel small, play big"

1 **Empowerment**	• **Streamlined organization** to improve efficiency and bring decisions closer to FAs and clients • **Modified branch manager compensation plans**, emphasizing economic profit growth
2 **Global leverage**	• **Improved collaboration** between WMA, the Investment Bank, and Asset Management, and sharing the best products and services between WMA and WM • **Leveraging our position as the world's largest and only truly global wealth manager** to achieve targeted economies of scale with the agility and nimble feel of a boutique
3 **Technology**	• **Driving adoption of the latest technology** to improve clients' digital experience and enhance FA productivity – Improved client interface based on the Investment Bank's award-winning Neo platform – Implemented My Total Picture which provides automated account aggregation for clients – Strategic alliance with SigFig to develop customized digital tools and services for FAs
4 **Organic growth**	• **Shifting investment from recruiting to retention of advisors** • **Reinvestment of resources closer to FAs and clients**

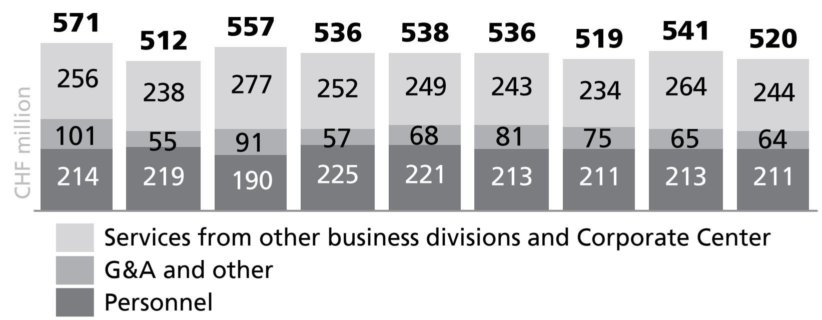
Personal & Corporate Banking

Exceptionally strong results, highest PBT since 4Q08

Operating income

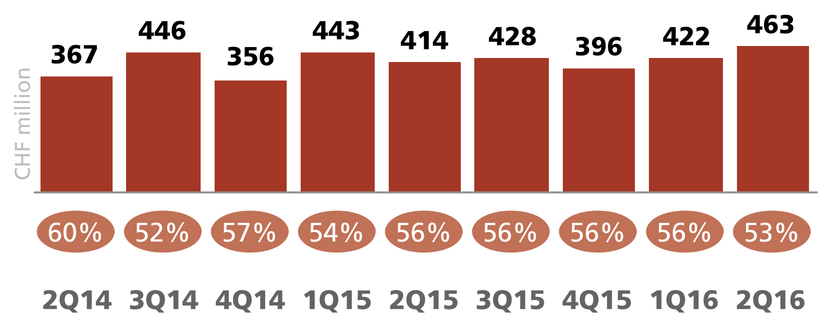


Operating expenses



Profit before tax

C/I ratio



Operating income CHF 983 million

- **Transaction-based income** increased YoY mainly due to higher Group ALM allocations and higher FX transaction revenues
- **Net interest income** down slightly YoY as higher income from loans was offset by lower allocated income from Group ALM and lower deposit revenue driven by the adverse effect of persistently low interest rates on our replication portfolio
- **Net credit loss recovery** of CHF 2 million

Operating expenses CHF 520 million

- **Charges for services** decreased YoY reflecting lower expenses from Group Technology
- **Personnel expenses** decreased YoY due to lower pension-related costs

PBT CHF 463 million

- 53% cost/income ratio
- Net interest margin 165 bps vs. 164 bps in 2Q15
- Annualized net new business volume growth for personal banking business 3.0% vs. 3.1% in 2Q15

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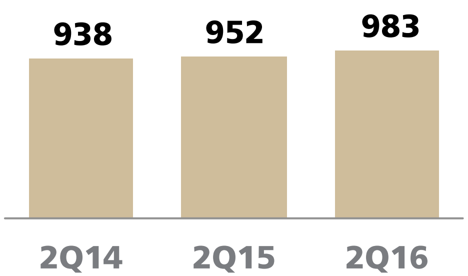
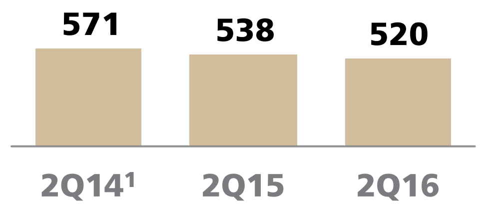
Personal & Corporate Banking

Continued success in our home market

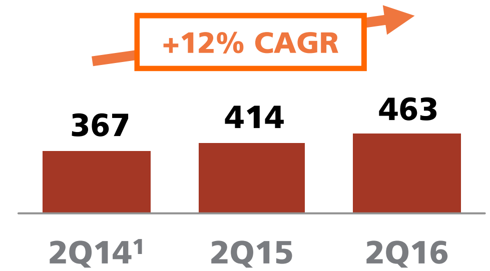
Operating income
CHF million



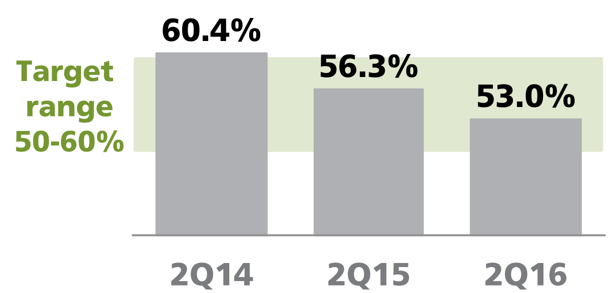
Operating expenses
CHF million



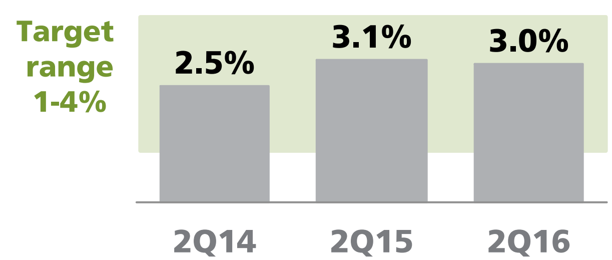
Profit before tax
CHF million



Cost/income ratio
%



Net new business volume growth
Personal banking, %



Best Bank in Switzerland[2] for the fifth consecutive year

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1 Including CHF 48 million net expenses for provisions for litigation, regulatory and similar matters, partly offset by a one-time reversal of an accrual;
2 Euromoney 2016

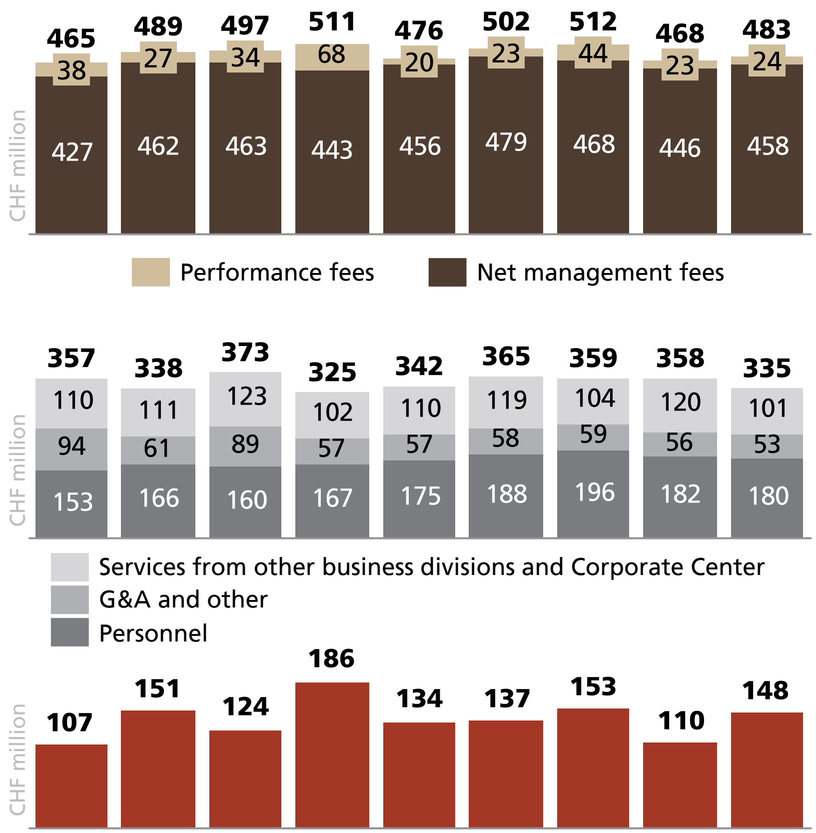
Asset Management

PBT CHF 148 million, up 10% YoY and up 35% QoQ

Operating income

Operating expenses

Profit before tax



	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
C/I ratio	77%	69%	75%	64%	72%	73%	70%	76%	69%
Net new money ex. MM	11.6	3.8	(5.8)	7.5	8.3	(7.6)	(8.9)	(5.9)	(8.8)

Operating income CHF 483 million

- **Performance fees** up YoY, mainly in Global Real Estate
- **Net management fees** were largely unchanged YoY as higher revenues in Global Real Estate were offset by lower Fund Services revenues following the sale of AFS in 4Q15

Operating expenses CHF 335 million

- **Charges for services** decreased YoY mainly due to lower net expenses from Group Technology
- **Personnel expenses** increased YoY mainly due to higher salary costs as a result of increased staffing levels in Traditional Investments and Global Real Estate, partly offset by a decrease due to the sale of AFS

PBT CHF 148 million

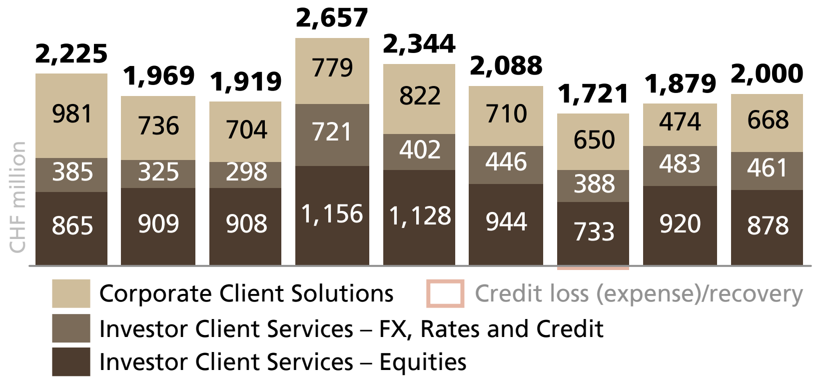
- 69% cost/income ratio
- Invested assets CHF 633 billion
- Net margin 9 bps vs. 8 bps in 2Q15
- Gross margin 31 bps vs. 29 bps in 2Q15

- **NNM outflows excluding money market CHF 8.8 billion** driven by asset allocation shifts, including from active to passive investments, and clients' liquidity needs

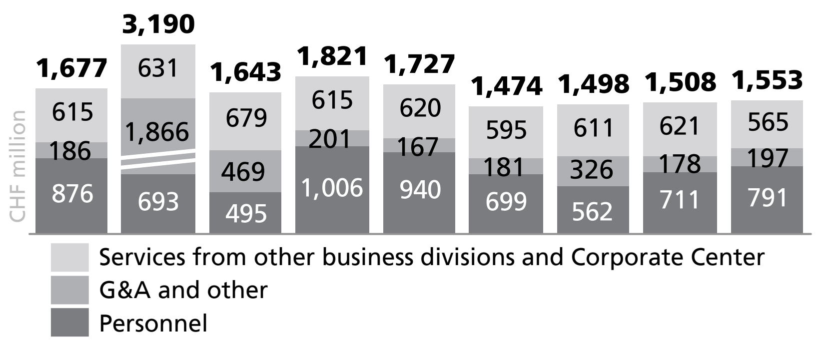
Investment Bank

PBT CHF 447 million with strong performance in FRC and disciplined resource utilization

Operating income

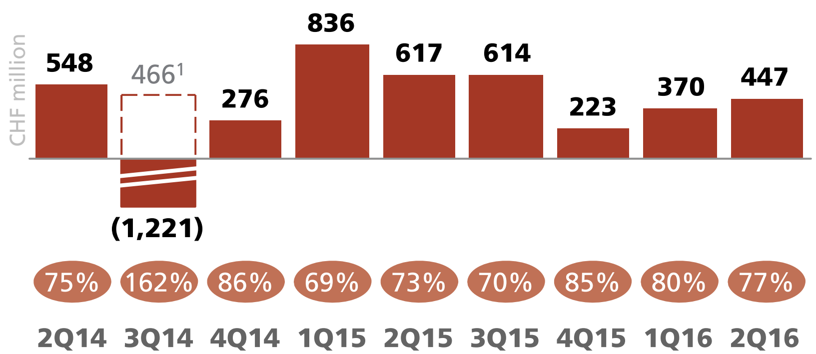


Operating expenses



Profit before tax

C/I ratio



Operating income CHF 2,000 million

- **CCS revenues** down 19% YoY mainly as higher revenues in DCM were offset by lower revenues in ECM and Risk Management
- **ICS – FRC revenues** up 15% YoY with an increase across most products, reflecting higher client activity and market volatility levels, partly driven by the outcome of the UK referendum
- **ICS – Equities revenues** down 22% with lower revenues in all products, particularly in APAC and reflecting our Global Derivatives product mix, partly offset by higher Cash and Financing Services revenues in the Americas

Operating expenses CHF 1,553 million

- **Charges for services** down 9% YoY mainly due to lower net expenses from Group Technology
- **G&A expenses** up 18% YoY due to higher net expenses for provisions for litigation, regulatory and similar matters
- **Personnel expenses** down 16% YoY in line with revenues, mainly due to lower performance-related variable compensation expenses and a decrease in headcount

PBT CHF 447 million

- PBT CHF 473 million excluding net expenses for provisions for litigation, regulatory and similar matters
- 77% cost/income ratio
- Annualized return on attributed equity 23.2%
- RWA stable QoQ at CHF 64 billion
- LRD up CHF 5 billion QoQ to CHF 267 billion

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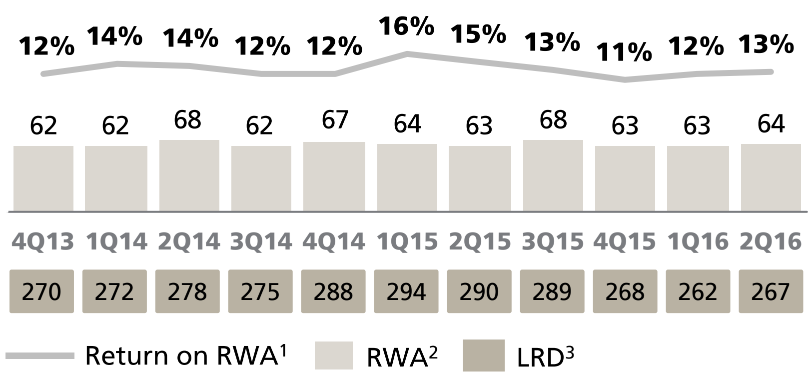
Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Profit before tax excluding CHF 1,687 million net expenses for provisions for litigation, regulatory and similar matters

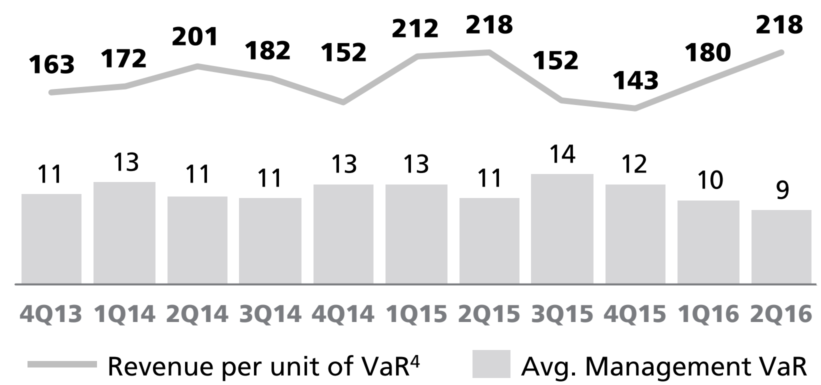
Investment Bank

Continued efficient and disciplined resource utilization driving strong returns

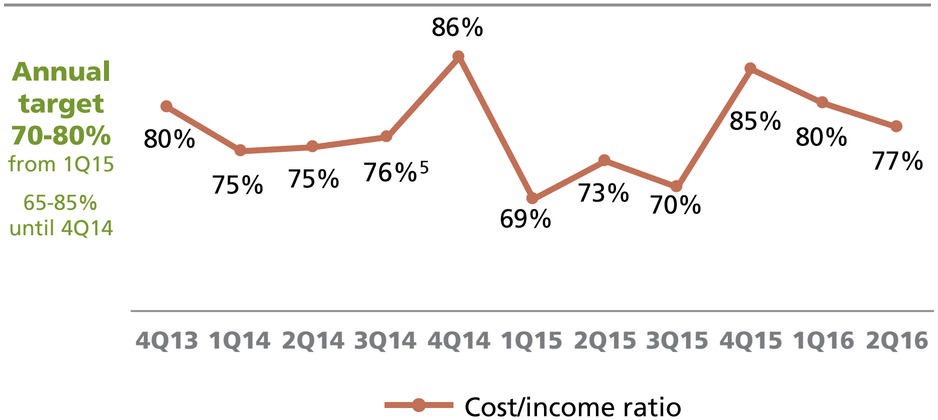
Return on RWA
CHF billion, %



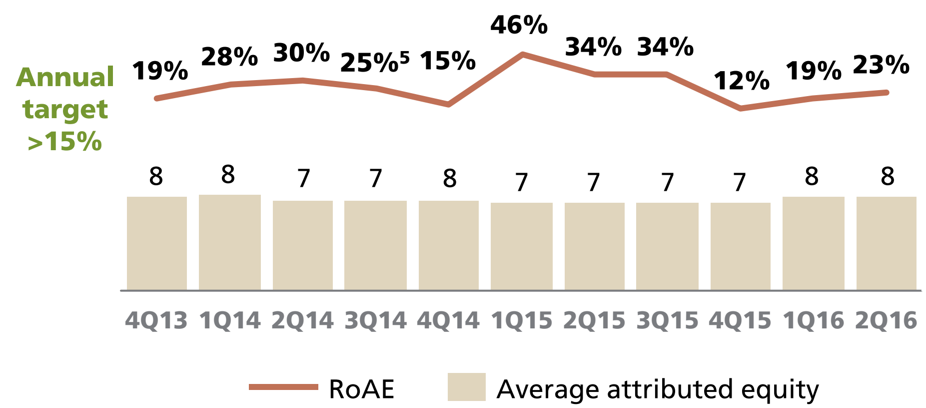
Revenue per unit of VaR
CHF million



Cost/income ratio
%



Return on average attributed equity (RoAE)
%, CHF billion



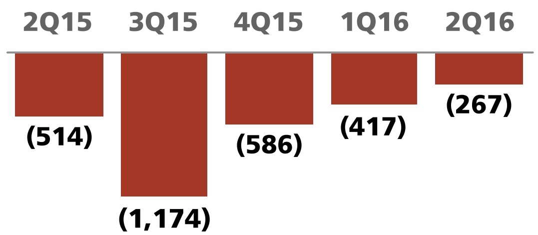
UBS

Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Annualized operating income excluding credit loss (expense)/recovery, divided by quarter-end Basel III RWA, (fully applied); 2 On a fully-applied basis; 3 Calculated in accordance with Swiss SRB rules (fully-applied). From 31.12.15 onward, these are aligned with BIS Basel III rules and are therefore not fully comparable; 4 Operating income excluding credit loss (expense)/recovery, divided by average management VaR; 5 Excluding CHF 1,687 million net expenses for provisions for litigation, regulatory and similar matters

Corporate Center

Non-core and Legacy Portfolio LRD down CHF 8 billion QoQ

Profit before tax



Corporate Center total (CHF million)

Corporate Center results by unit (CHF million)

Services

	2Q15	3Q15	4Q15	1Q16	2Q16
Operating income	(41)	(38)	(54)	(55)	(42)
Operating expenses	212	217	272	156	170
o/w before allocations	2,040	2,017	2,085	2,022	1,890
o/w net allocations	(1,827)	(1,800)	(1,814)	(1,866)	(1,720)
Profit before tax	**(253)**	**(255)**	**(326)**	**(211)**	**(213)**

- **Services operating expenses before allocations** decreased YoY, mainly due to our cost reduction programs

Group Asset and Liability Management

	2Q15	3Q15	4Q15	1Q16	2Q16
Operating income	(121)	(121)	48	(27)	71
Operating expenses	7	(5)	(3)	(2)	2
Profit before tax	**(127)**	**(116)**	**51**	**(25)**	**70**

- **Group ALM operating income** increased YoY largely due to accounting asymmetries related to economic hedges

Non-core and Legacy Portfolio

	2Q15	3Q15	4Q15	1Q16	2Q16
Operating income	35	(126)	(71)	(47)	19
Operating expenses	167	677	241	133	143
Profit before tax	**(132)**	**(803)**	**(312)**	**(181)**	**(124)**
LRD (CHF billion)[1]	70	59	46	41	33

- **Non-core and Legacy Portfolio operating income** increased YoY mainly due to valuation gains on financial assets designated at fair value and other fair value gains due to market movements
- **Non-core and Legacy Portfolio LRD** down CHF 8 billion QoQ mainly due to incremental netting and collateral mitigation benefits

UBS

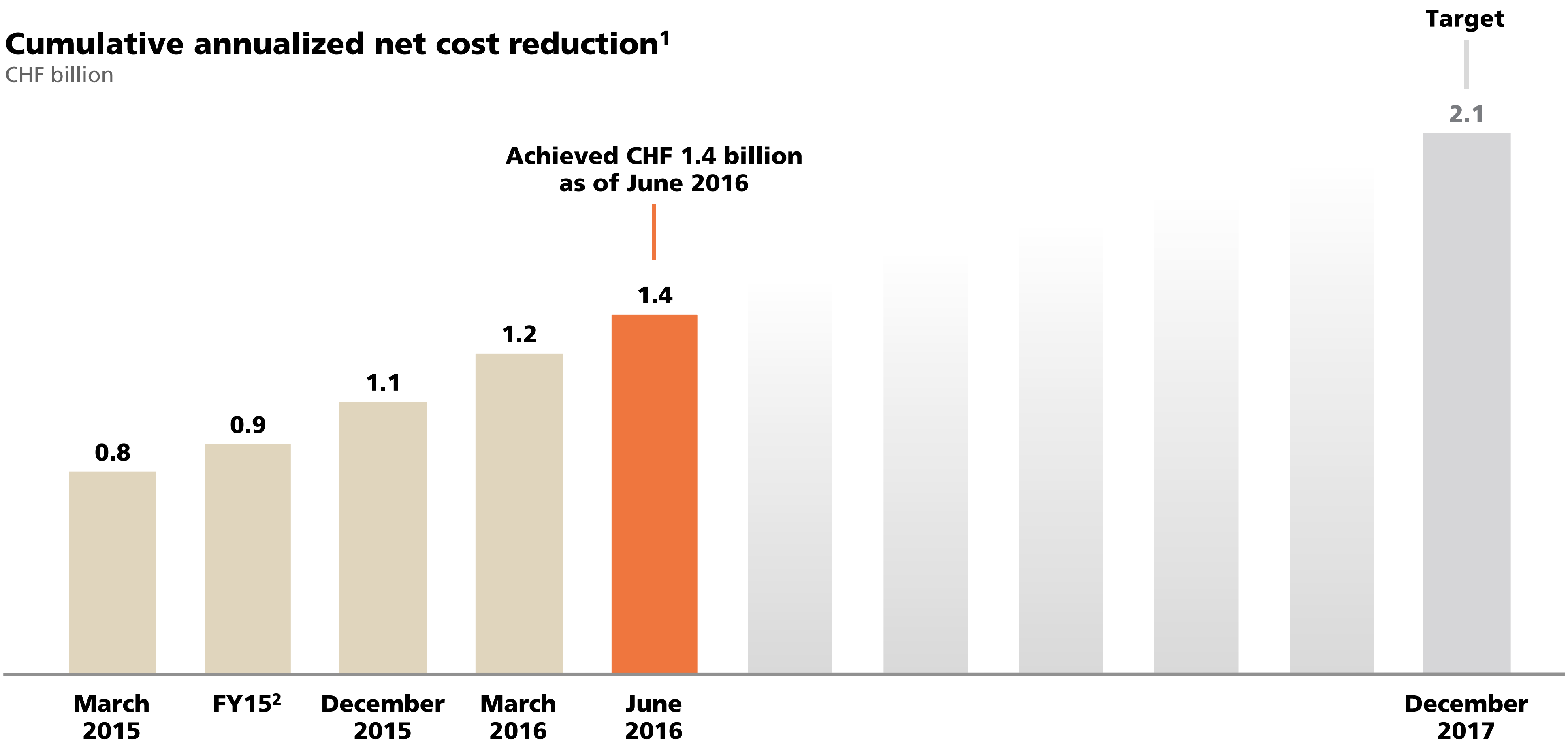
Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Calculated in accordance with Swiss SRB rules. From 31.12.15 onward, these are aligned with BIS Basel III rules and are therefore not fully comparable

Cost reduction

Achieved CHF 1.4 billion net cost reductions based on June 2016 annualized exit rate

Cumulative annualized net cost reduction[1]
CHF billion



Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Monthly annualized exit rate vs. FY13 for Corporate Center and vs. FY15 for business divisions. Refer to slide 26 for further details on cost reductions;
2 FY15 vs. FY13

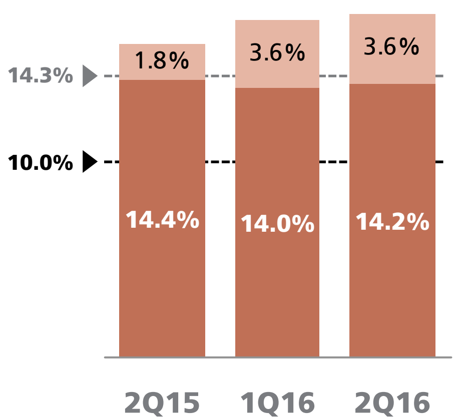
Going concern capital and leverage ratios

14.2% fully applied Basel III CET1 ratio and 3.4% fully applied CET1 leverage ratio

Revised Swiss SRB Basel III capital ratio[1]

Pro forma, fully applied, rules as of 1.1.20, CHF billion

- AT1[2]
- CET1
- 1.1.20 Going concern requirement (CET1 + AT1)
- 1.1.20 CET1 requirement



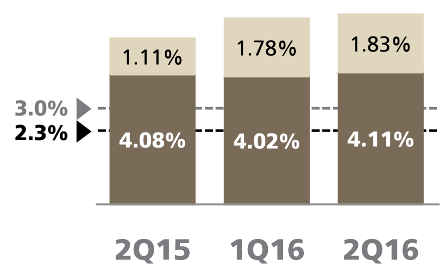
	2Q15	1Q16	2Q16
CET1	30.3	29.9	30.3
RWA	210	214	214

Revised Swiss SRB Basel III leverage ratio

Pro forma, CHF billion

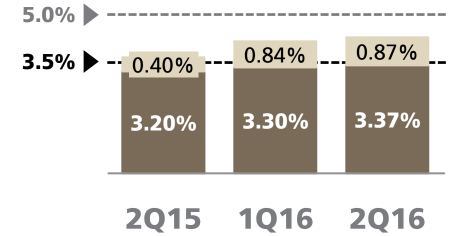
Phase-in

- (AT1 + T2)[2]
- CET1
- 1.7.16 Going concern requirement (CET1 + AT1 + T2)
- 1.7.16 CET1 requirement



Fully applied, rules as of 1.1.20

- AT1[2]
- CET1
- 1.1.20 Going concern requirement (CET1 + AT1)
- 1.1.20 CET1 requirement



	Phase-in 2Q15	Phase-in 1Q16	Phase-in 2Q16	Fully applied 2Q15	Fully applied 1Q16	Fully applied 2Q16
CET1	38.7	36.6	37.1	30.3	29.9	30.3
LRD[3]	949	910	902	944	906	898

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Refer to the "Capital Management" section of the second quarter 2016 report for more information

1 As of 30.6.16, our post-stress fully applied Basel III CET1 capital ratio exceeded 10%; 2 Can be counted towards going concern requirements up to 4.3% of the fully applied capital ratio, 1.5% of the fully applied leverage ratio and 0.7% of the phase-in leverage ratio (phase-in as of 1.7.16); 3 Calculated in accordance with Swiss SRB rules. From 31.12.15 onward, these are aligned with BIS Basel III rules and are therefore not fully comparable

Appendix

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Group and business division targets and expectations

Ranges for sustainable performance over the cycle

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[1]	
	LRD (fully applied)	Expectation: around CHF 325 billion short/medium term[1]	
Group	Net cost reduction	CHF 2.1 billion by end 2017	
	Adjusted cost/income ratio	60-70%	
	Adjusted return on tangible equity	>15%	
	Basel III CET1 ratio (fully applied)	at least 13%	
	RWA (fully applied)	Expectation: around CHF 250 billion short/medium term[1]	
	LRD (fully applied)	Expectation: around CHF 950 billion short/medium term[1]	

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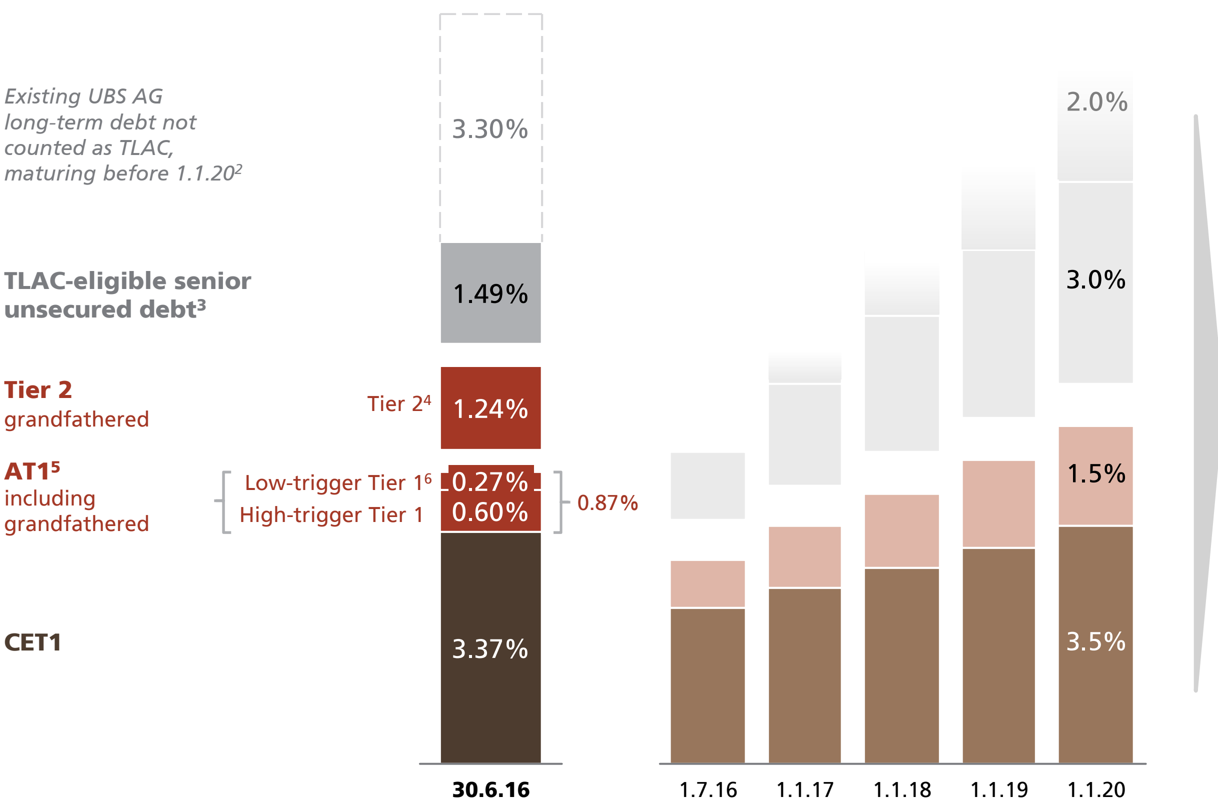
Refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Refer to pages 36-37 of the Annual Report 2015 for detail; 1 Reflects known FINMA multipliers and methodology changes for RWA, and assumes normalized market conditions for both RWA and LRD

Capital requirements under revised Swiss SRB

UBS leverage capital ratio balances vs. revised Swiss SRB

UBS position as of 30.6.16[1]

Phase-in leverage ratio requirements



Meeting 1.1.20 requirements

TLAC-eligible debt

- 1.49% (CHF 13.4 billion) existing UBS Group AG TLAC bonds[3]
- 3.30% (CHF 29.7 billion) long-term debt not counted in total loss absorbing capacity[2] which we expect to replace upon maturity with UBS Group AG issuance of TLAC-eligible bonds by 1.1.20
- 5% gone-concern requirements subject to potential reduction of up to 2% based on improved resilience and resolvability
- We aim to operate with a gone concern ratio below 4% of LRD at 1.1.20

High-trigger AT1 capital[5]

- 0.87% (CHF 7.8 billion) comprising CHF 5.4 billion existing high-trigger AT1 and CHF 2.4 billion grandfathered low-trigger AT1[6]
- 2.10% (CHF 18.9 billion) when including grandfathered T2[4]
- We expect to build an additional ~CHF 1.5 billion in employee DCCP that qualifies as high-trigger AT1 by 31.12.19
- We expect to replace maturing grandfathered T2 with UBS Group AG issuance of high-trigger AT1

CET1 capital

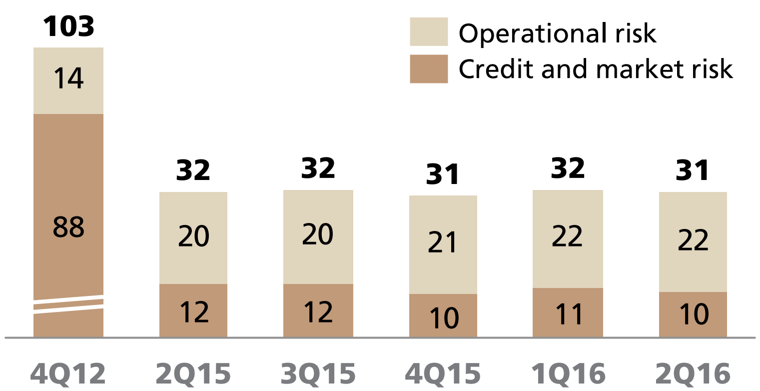
- 3.37% (CHF 30.3 billion) CET1
- Incremental ~15 bps of CET1 leverage ratio via earnings accretion (~CHF 3 billion assuming CHF 950 billion LRD[7])

Refer to slide 30 for details about Basel III numbers and FX rates in this presentation

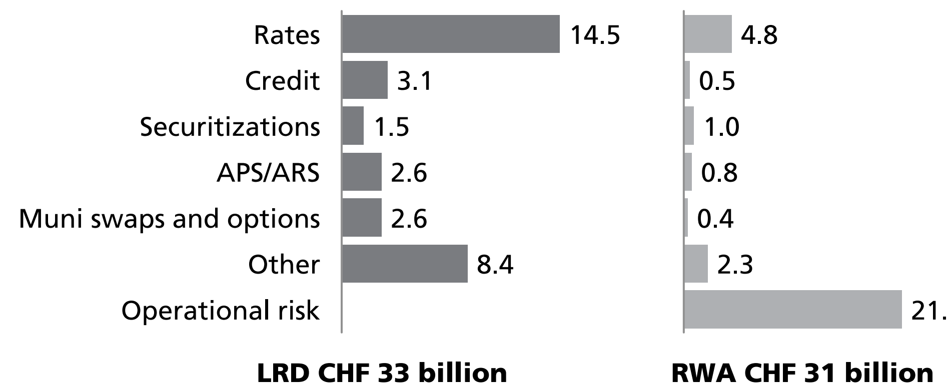
1 Based on 30.6.16 fully applied Swiss SRB LRD of CHF 898 billion and fully applied CET1, AT1 and T2 capital; 2 Excluding structured notes; 3 Also includes phase-out hybrid tier 1 capital and phase-out tier 2 capital which qualify as gone concern instruments until one year prior to maturity, subject to final confirmation by FINMA; 4 Tier 2 instruments can be counted towards going concern capital up to the earliest of the first call date or 31.12.19. From 1.1.20, these instruments may be used to meet the gone concern requirements until one year before maturity, with a haircut of 50% applied to the last year of eligibility. CHF 7.0 billion of low-trigger T2 has a first call and maturity date after 31.12.19; 5 Going concern requirement can be met with a maximum of 1.5% high-trigger AT1 capital and any going concern-eligible capital above this limit can be counted towards the gone concern requirement. Where low-trigger AT1 or T2 instruments are used to meet the gone concern requirements, such requirement may be reduced by up to 1% for the LRD-based requirement; 6 Low-trigger AT1 instruments can be counted towards going concern capital up to the first call date; 7 Per our short/medium term expectation

Corporate Center – Non-core and Legacy Portfolio

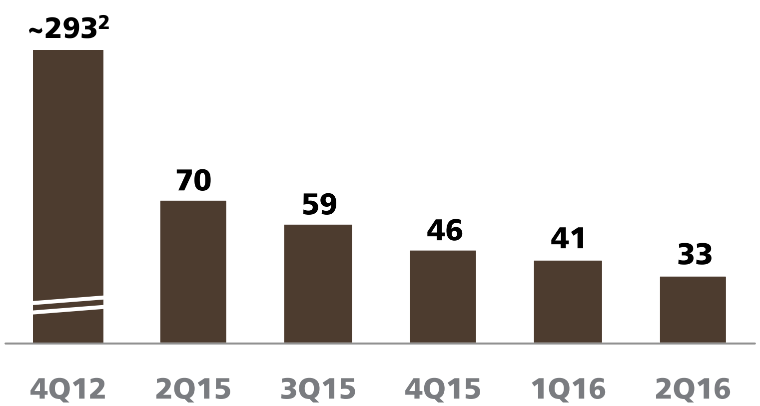
RWA
CHF billion



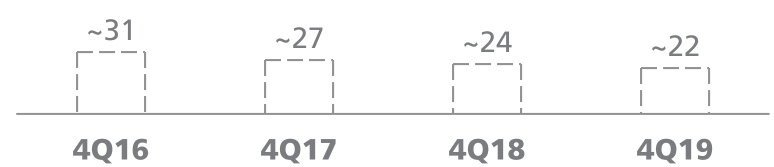
LRD[1] and RWA by category
CHF billion, 30.6.16



LRD[1]
CHF billion



LRD: natural decay[1,3]
CHF billion



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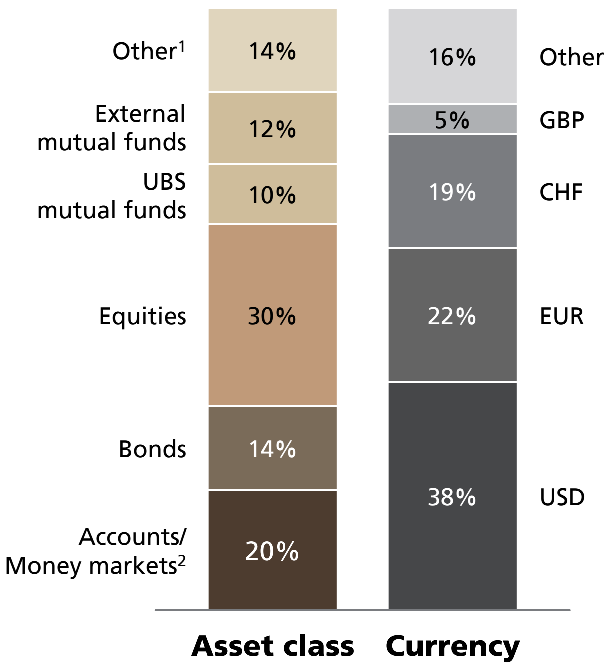
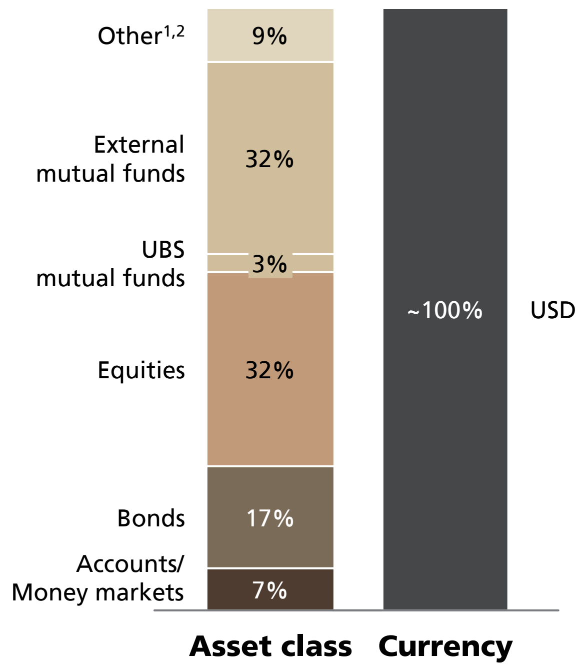
Refer to slide 30 for details about Basel III numbers and FX rates in this presentation
1 Calculated in accordance with Swiss SRB rules. From 31.12.15 onward, these are aligned with BIS Basel III rules and are therefore not fully comparable;
2 Pro forma estimate based on period-end balance; 3 Pro forma estimate excluding any further unwind activity based on 30.6.16 data, assuming positions are held to maturity. LRD balances can vary materially due to market movements, changes in regulation, changes in margin requirements and other factors

Invested assets composition

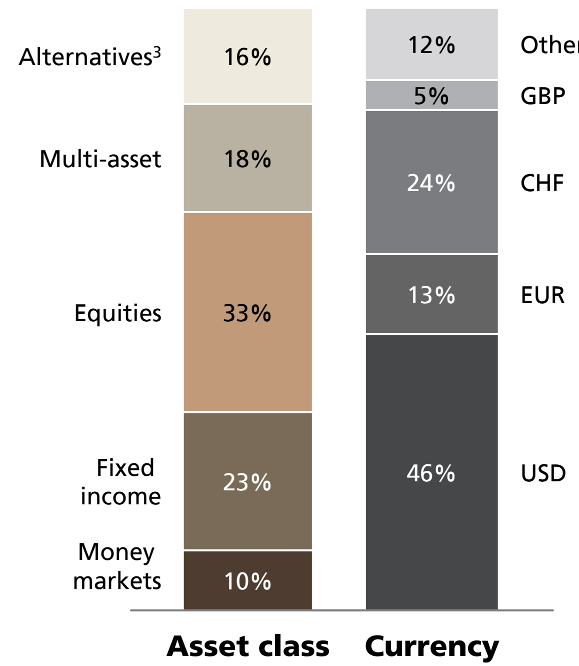
Wealth Management
% of total CHF 935 billion, 30.6.16



Wealth Management Americas
% of total USD 1,077 billion, 30.6.16



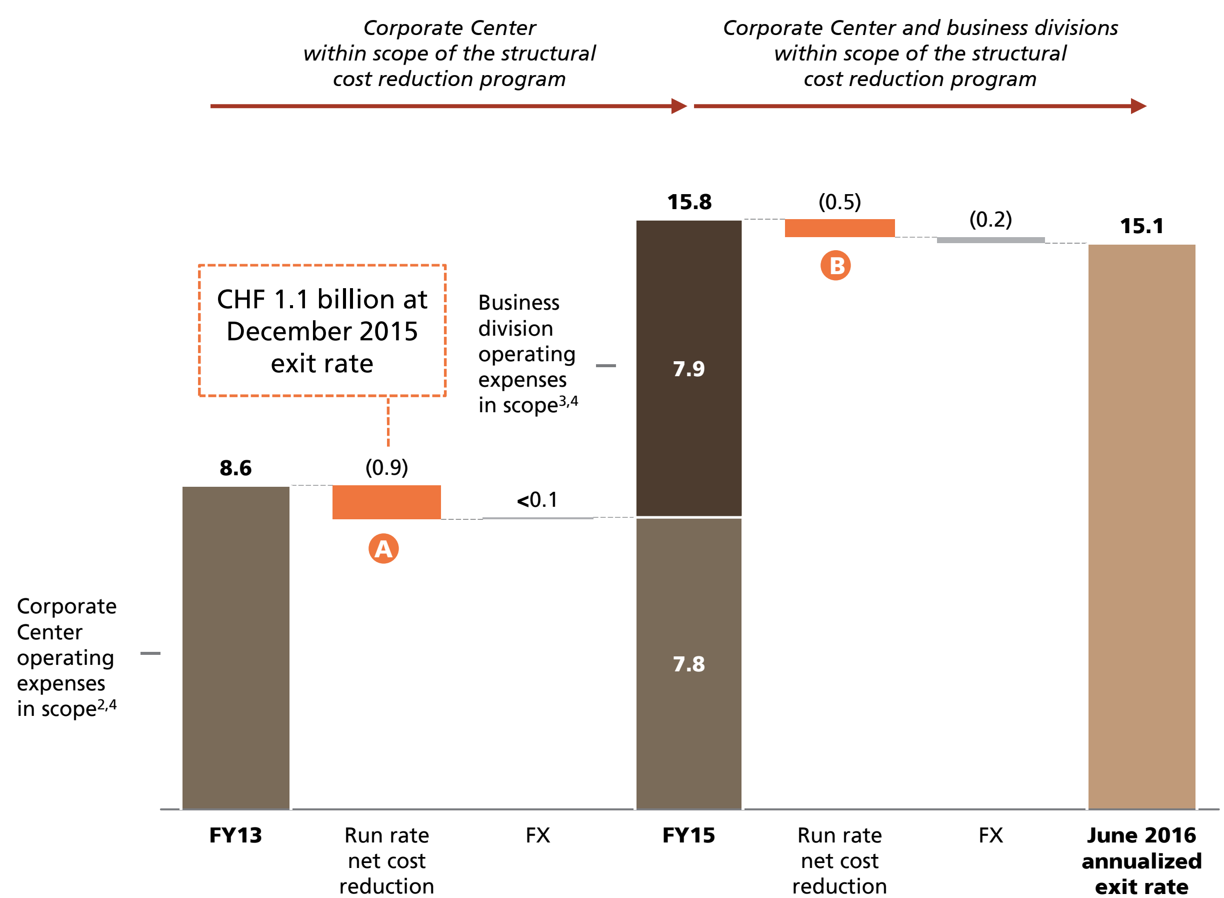
Asset Management
% of total CHF 633 billion, 30.6.16



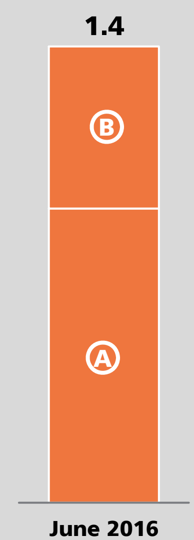
1 Including structured products and alternative investments; 2 Including fiduciary investments; 3 Includes O'Connor and Hedge Fund Solutions, Global Real Estate and Infrastructure and Private Equity

Cost reduction

Net cost reduction overview[1]
CHF billion



Achieved CHF 1.4 billion net cost reductions based on June 2016 annualized exit rate (A + B)



Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Monthly annualized exit rate vs. FY13 for Corporate Center and vs. FY15 for business divisions; 2 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;
3 Sum of business division operating expenses before allocations, excluding items not representative of underlying net cost reduction performance, mainly related to variable compensation expenses (structural changes to our variable compensation frameworks are recognized as net cost reductions) and WMA FA compensation;
4 Excluding expenses for provisions for litigation, regulatory and similar matters as well as temporary regulatory program costs

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Group ALM operating income

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

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

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

Results	As of or for the quarter ended		
CHF million, except where indicated	30.6.16	31.3.16	30.6.15
1 Business division-aligned risk management net income	209	218	208
2 Capital investment and issuance net income	24	33	55
3 Group structural risk management net income	(143)	(101)	(146)
Total risk management net income before allocations	90	151	117
Allocations to business divisions and other CC units	(143)	(168)	(191)
of which: Wealth Management	*(101)*	*(106)*	*(105)*
of which: Wealth Management Americas	*(23)*	*(21)*	*(29)*
of which: Personal & Corporate Banking	*(85)*	*(94)*	*(88)*
of which: Asset Management	*(2)*	*(3)*	*(4)*
of which: Investment Bank	*57*	*59*	*52*
of which: CC – Services	*(16)*	*(21)*	*(31)*
of which: CC – Non-core and Legacy Portfolio	*28*	*18*	*15*
Total risk management net income after allocations	(53)	(17)	(74)
Accounting asymmetries related to economic hedges	61	(89)	(58)
Hedge accounting ineffectiveness	11	39	(32)
Other	52	40	42
Total operating income (adjusted)	71	(27)	(121)
Net foreign currency translation gains / (losses)	(26)	(123)	
Own credit			259
Total operating income as reported	45	(150)	138

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Refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Refer to the "Corporate Center – Group Asset and Liability Management" section of the second quarter 2016 report for details

Regional performance

CHF billion		Americas 2Q15	Americas 2Q16	Asia Pacific 2Q15	Asia Pacific 2Q16	EMEA 2Q15	EMEA 2Q16	Switzerland 2Q15	Switzerland 2Q16	Global 2Q15	Global 2Q16	Total 2Q15	Total 2Q16
Operating income	WM	0.1	0.1	0.6	0.5	1.0	0.9	0.4	0.4	0.0	0.0	2.0	1.8
	WMA	1.8	1.9	-	-	-	-	-	-	-	-	1.8	1.9
	P&C	-	-	-	-	-	-	1.0	1.0	-	-	1.0	1.0
	AM	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.2	-	-	0.5	0.5
	IB	0.7	0.7	0.8	0.4	0.7	0.6	0.2	0.2	(0.0)	(0.0)	2.3	2.0
	CC	-	-	-	-	-	-	-	-	(0.1)	0.0	(0.1)	0.0
	Group	**2.8**	**2.9**	**1.5**	**1.0**	**1.7**	**1.6**	**1.7**	**1.7**	**(0.2)**	**0.0**	**7.5**	**7.2**
Operating expenses	WM	0.1	0.1	0.3	0.3	0.6	0.6	0.2	0.2	0.0	0.0	1.3	1.2
	WMA	1.6	1.6	-	-	-	-	-	-	-	-	1.6	1.6
	P&C	-	-	-	-	-	-	0.5	0.5	-	-	0.5	0.5
	AM	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	(0.0)	(0.0)	0.3	0.3
	IB	0.5	0.5	0.5	0.4	0.5	0.5	0.2	0.1	0.1	0.1	1.7	1.6
	CC	-	-	-	-	-	-	-	-	0.4	0.3	0.4	0.3
	Group	**2.4**	**2.3**	**0.8**	**0.8**	**1.2**	**1.2**	**1.0**	**0.9**	**0.5**	**0.4**	**5.9**	**5.5**
Profit before tax	WM	0.0	0.0	0.2	0.1	0.3	0.3	0.2	0.2	(0.0)	(0.0)	0.8	0.6
	WMA	0.2	0.3	-	-	-	-	-	-	-	-	0.2	0.3
	P&C	-	-	-	-	-	-	0.4	0.5	-	-	0.4	0.5
	AM	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.1
	IB	0.1	0.3	0.4	0.0	0.1	0.1	0.1	0.1	(0.1)	(0.1)	0.6	0.4
	CC	-	-	-	-	-	-	-	-	(0.5)	(0.3)	(0.5)	(0.3)
	Group	**0.4**	**0.6**	**0.6**	**0.2**	**0.5**	**0.4**	**0.7**	**0.8**	**(0.6)**	**(0.3)**	**1.6**	**1.7**

Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
The allocation of P&L to these regions reflects, and is consistent with, the basis on which the business is managed and its performance evaluated. These allocations involve assumptions and judgments that management considers reasonable, and may be refined to reflect changes in estimates or management structure. The main principles of the allocation methodology are that client revenues are attributed to the domicile of the client, and trading and portfolio management revenues are attributed to the country where the risk is managed. Expenses are allocated in line with revenues. Certain revenues and expenses, such as those related to NCL, certain litigation expenses and other items, are managed at the Group level, and are included in the Global column.

Adjusted results

Adjusting items		FY14	FY15	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
CHF million												
Operating income as reported (Group)		**28,027**	**30,605**	**7,147**	**6,876**	**6,746**	**8,841**	**7,818**	**7,170**	**6,775**	**6,833**	**7,404**
of which:												
Gains/(losses) on sales of subsidiaries and businesses	WM		169				141	56		(28)		(23)
	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 investment in Markit	IB	43	11	43				11				
Impairment of a financial asset available for sale	IB	(48)			(48)							
Gain on sale of investment in Visa Europe	P&C											102
	WM											21
Own credit on financial liabilities designated at FV	CC - Group ALM	292	553	72	61	70	226	259	32	35		
Net FX translation gains/(losses)[1]	CC - Group ALM		88						(27)	115	(123)	(26)
Gains on sales of real estate	CC - Services	44	378	1		20	378					120
Net losses related to the buyback of debt	CC - Group ALM		(257)							(257)		
Operating income adjusted (Group)		**27,696**	**29,526**	**7,031**	**6,863**	**6,656**	**8,096**	**7,492**	**7,084**	**6,854**	**6,956**	**7,210**
Operating expenses as reported (Group)		**25,567**	**25,116**	**5,929**	**7,430**	**6,342**	**6,134**	**6,059**	**6,382**	**6,541**	**5,855**	**5,915**
of which:												
Net restructuring expenses	WM	185	323	38	60	48	46	69	74	133	79	86
	WMA	55	137	7	15	23	24	24	39	50	33	38
	P&C	64	101	13	20	16	16	17	28	41	23	31
	AM	50	82	2	5	39	18	4	23	38	20	34
	IB	261	396	27	50	60	70	66	118	143	117	163
	CC - Services	30	140	4	16	8	119	0	2	19	(8)	20
	CC - NCL[2]	31	56	(2)	10	14	11	13	15	17	2	5
	Group	677	1,235	89	176	208	305	191	298	441	265	377
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[2]	(3)			(3)							
Impairment of an intangible asset	IB		11					11				
Operating expenses adjusted (Group)		**24,931**	**23,891**	**5,840**	**7,287**	**6,142**	**5,829**	**5,857**	**6,105**	**6,100**	**5,590**	**5,538**
Operating profit/(loss) before tax as reported		**2,461**	**5,489**	**1,218**	**(554)**	**404**	**2,708**	**1,759**	**788**	**234**	**978**	**1,489**
Operating profit/(loss) before tax adjusted		**2,766**	**5,635**	**1,191**	**(424)**	**514**	**2,268**	**1,635**	**979**	**754**	**1,366**	**1,672**

Adjusted numbers unless otherwise indicated, refer to slide 30 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Refer to pages 7-10 of the second quarter 2016 report for an overview of adjusted numbers; 1 Related to the disposal of foreign subsidiaries and branches; 2 Non-core and Legacy Portfolio

Important information related to this presentation

Use of adjusted numbers

Unless otherwise indicated, “adjusted” figures exclude the adjustment items listed on the previous slide, to the extent applicable, on a Group and business division level. Adjusted results are a non-GAAP financial measure as defined by SEC regulations. Refer to pages 7-10 of the second quarter 2016 report which is available in the section "Quarterly reporting" at www.ubs.com/investors for an overview of adjusted numbers.

If applicable for a given adjusted KPI (i.e., adjusted return on tangible equity), adjustment items are calculated on an after-tax basis by applying an indicative tax rate. Refer to page 15 of the second quarter 2016 report for more information.

Basel III RWA, Basel III capital and Basel III liquidity ratios

Basel III numbers are based on the BIS Basel III framework, as applicable for Swiss Systemically relevant banks (SRB). Numbers in the presentation are 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 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 second quarter 2016 report for more information.

Currency translation

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

Rounding

Numbers presented throughout this presentation may not add up precisely to the totals provided in the tables and text. Percentages, percent changes and absolute variances are calculated based on rounded figures displayed in the tables and text and may not precisely reflect the percentages, percent changes and absolute variances that would be derived based on figures that are not rounded.

Tables

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