First Quarter 2014

6 May 2014

Dear Shareholders,

For the first quarter of 2014, we reported a net profit attributable to shareholders of CHF 1,054 million and diluted earnings per share of CHF 0.27. We recorded an adjusted[1] Group profit before tax of CHF 1,486 million, a solid performance achieved despite a volatile operating environment.

We are pleased to have surpassed our long-stated fully applied Basel III common equity tier 1 (CET1) ratio target of 13% already in the first quarter. Our premier CET1 ratio is the result of actively reducing risk-weighted assets (RWA) and building Basel III-compliant capital by growing our retained earnings. We continued to deleverage our balance sheet, reducing total assets by CHF 36 billion during the quarter. Our Basel III funding and liquidity ratios as well as our Swiss SRB leverage ratio remained comfortably above our regulatory requirements and we expect to meet the fully applied 2019 leverage ratio regulatory requirements ahead of schedule. Our fully applied leverage ratio improved meaningfully to 3.8% due to a combination of reducing the denominator to below CHF 1 trillion and increasing the numerator through higher CET1 capital and the issuance of EUR 2.0 billion of low-trigger, loss-absorbing, Basel III-compliant subordinated notes. This brings our total amount of low-trigger tier 2 capital to CHF 7.1 billion, against an expected progressive buffer requirement of around CHF 9 billion by 2019. Our fully applied total capital ratio already stands at 16.8%, versus our expected requirement of around 17.5% by 2019.

Wealth Management delivered an increase in adjusted[1] profit before tax to CHF 659 million due to higher operating income and lower operating expenses. Transaction-based income increased, largely due to higher client activity across all regions, most notably in Asia Pacific. The gross margin on invested assets increased 2 basis points to 87 basis points, as income growth outpaced an increase in average invested assets. Net new money was strong at CHF 10.9 billion, with Asia Pacific and emerging markets as the main contributors. We achieved a net new money growth rate that was comfortably within the upper end of our target range. The adjusted[1] cost/income ratio improved and was within our target range and we expect further reductions in future.

Wealth Management Americas made a strong start to the year with a record adjusted[1] profit before tax of USD 284 million. An increase in operating income, mainly due to higher managed account fees, was largely offset by higher adjusted[1] operating expenses. The business continued to attract client assets, with net new money amounting to USD 2.1 billion. While the net new money growth rate was 0.9%, improved performance from experienced financial advisors was offset by outflows from financial advisor attrition. The business maintained both its adjusted[1] cost/income ratio and its gross margin on invested assets within target ranges.

Our **Retail & Corporate** business recorded a higher adjusted[1] profit before tax of CHF 401 million, mainly due to lower operating expenses as a result of lower litigation expenses. Net new business volume growth for our retail business was 4.3%, ahead of target. The adjusted[1] cost/income ratio and net interest margin were both within our target range. Our new e-banking platform received the highest accolade possible in the cross-industry Best of Swiss Web 2014 awards and was cited as an outstanding project in terms of technology and expertise. As the leading universal bank in Switzerland and an important provider of pension advisory services, we are giving our private and wealth management client advisors additional training in this area and are launching a nationwide campaign to raise public awareness of the importance of retirement planning.

Global Asset Management recorded a lower adjusted[1] profit before tax of CHF 126 million. The business's adjusted[1] cost/income ratio remained outside its target range. Excluding money market flows, net new money was very strong at CHF 13.0 billion, the highest amount since the third quarter of 2005, and included significant net inflows from both third parties and UBS's wealth management clients. Including money market flows, total net new money reached CHF 9.6 billion, the highest amount since the third quarter of 2006. The net new money growth rate was ahead of target at 6.6%. The gross margin on invested assets was 31 basis points, slightly below target.

The **Investment Bank** increased adjusted[1] profit before tax to CHF 549 million. Operating income was positively affected by strong revenues, particularly in debt capital markets and equities. In cash equities we recorded our best first-quarter performance since 2011. As a result of improved performance, operating expenses increased on higher variable compensation expenses, partly offset by lower general and administrative expenses. At CHF 62 billion, fully applied RWA remained unchanged and were consistent with our target of less than CHF 70 billion. The adjusted[1] cost/income ratio improved and was well within the target range. The business achieved an improved adjusted[1] return on attributed equity of 28% compared with 20% in the prior quarter. Resources and risk were managed in line with client activity and our return on attributed equity result was comfortably ahead of our greater than 15% target.

Corporate Center – Core Functions recorded a loss before tax of CHF 176 million. After allocations to the business divi-

UBS

sions and Non-core and Legacy Portfolio, total operating expenses increased to CHF 227 million. A gain on own credit was partly offset by negative treasury income remaining after allocations. The loss before tax in **Corporate Center – Non-core and Legacy Portfolio** reduced to CHF 225 million, mainly due to an improvement in debit valuation adjustments, revaluation gains in our credit business and lower losses from unwind and novation activities. We continued to make progress in reducing balance sheet assets, which declined by CHF 25 billion. Fully applied RWA decreased by CHF 3 billion to CHF 60 billion at the end of the quarter. We expect to make further progress in exiting the remaining Non-core and Legacy positions during 2014.

Underlining our commitment to vocational training and our apprenticeship and graduate training programs, we joined the Global Apprenticeships Network. Every year, UBS offers training programs to more than 2,000 young people. As a member of this network, we will benefit from sharing best practices in the design and implementation of apprenticeships and on-the-job training programs. This constitutes a strong talent pipeline and contributes to UBS's competitiveness and success and underlines our desire to contribute to the communities in which we operate.

As we continue to build on our enviable franchise in Asia Pacific, events such as our UBS Greater China Conference underline our commitment to the region. Held in Shanghai for the fourteenth consecutive year, the event attracted over 1,700 delegates, including close to 1,000 domestic and international investors. Participants listened to numerous panel discussions and keynote addresses from experts in the fields of politics, business and economics over five days. These focused on the theme "New reforms, new era, new opportunities" and covered global as well as Chinese issues.

We were honored by the external recognition received in relation to our efforts to be a responsible corporate citizen. In RobecoSAM's Corporate Sustainability Assessment, we were named as one of the top three leaders in our sector for 2014. Together with S&P Dow Jones Indices, RobecoSAM publishes the globally recognized Dow Jones Sustainability Indices, which track leading sustainability-driven companies worldwide. It defines leading companies as those that integrate environmental and social factors into their long-term strategies and performance reviews.

Together with the presentation of our financial results for the first quarter, we are providing an update to investors on our strategic progress and the compelling prospects for our future. We continue to execute our strategy as we move to the next phase of delivering attractive and sustainable returns to shareholders.

To provide even greater transparency with regards to our financial performance, we are now disclosing our quarterly results by region as well as by business division. The fact that every one of our business divisions and regions is profitable reflects our successful strategy and the strong positions we have created both in the areas in which we choose to do business and on a geographical basis.

On the day we are issuing this report, we are also providing to our investors an update on our strategy and performance objectives. Our strategy remains unchanged. Our performance has proven that the model works and is right for UBS. We continue to target a 15% return on equity and remain committed to a capital return payout ratio of at least 50% of net profit. We have retained most of our Group and business division targets. Based in part on the progress we have made since our Investor Day in 2012, we are also announcing a number of new or revised objectives. For example, we are supplementing our Group RWA reduction goals with a new target Group leverage ratio denominator of CHF 900 billion to be achieved by 2016. New business division objectives include the aspiration of our wealth management businesses to deliver annual growth in adjusted annual profit before tax of 10–15% over the cycle, and a new Global Asset Management target of CHF 1 billion in adjusted annual pre-tax profit. Three of our business divisions have also reduced or narrowed their cost/income ratio targets, supported by our commitment to deliver CHF 2.1 billion of net cost reductions in the Corporate Center. More information about the investor update, including a complete list of our external performance targets, can be found at *www.ubs.com/investors.*

We also announced today that we intend to establish a group holding company through a share for share exchange offer, which will commence later this year, subject to regulatory approvals. The establishment of a group holding company is intended, along with other measures we have already announced, to substantially improve the resolvability of UBS. We anticipate that these measures will allow UBS to qualify for a capital rebate under the Swiss "too-big-to-fail" requirements. This rebate would result in lower overall capital requirements for UBS. Following completion of the transaction, we expect to propose a supplementary capital return of at least CHF 0.25 per share to shareholders of the new group holding company.

We look forward to welcoming our shareholders to the Annual General Meeting (AGM) to be held in Basel on 7 May 2014. As part of the AGM, shareholders will be able to vote on the proposal of the Board of Directors for a 67% increase in dividend to CHF 0.25 per share for 2013 from CHF 0.15 a year earlier. This is a reflection of our success in delivering on our stated objective of progressive capital returns. The Board will also propose the approval of various amendments to the Articles of Association made in order to implement the new Ordinance Against Excessive Compensation in Listed Stock Corporations. The Ordinance, enacted by the Swiss Federal Council to implement the Minder initiative, entered into force on 1 January 2014. The first binding vote on the Board of Directors' and Group Executive Board's compensation will be held at the 2015 AGM.

Rainer-Marc Frey has decided not to seek re-election to the Board of Directors of UBS at this year's AGM due to other professional commitments. Since his election to the Board in October 2008, he has served on the Risk, the Audit and the Human Resources and Compensation Committees. We thank him for his valuable contribution to our success over the past six years.

Outlook – At the start of the second quarter of 2014, many of the underlying challenges and geopolitical issues that we have previously highlighted remain. The continued absence of sustained and credible improvements to unresolved issues in Europe, continuing US fiscal and monetary policy issues, geopolitical instability and the mixed outlook for global growth would make improvements in prevailing market conditions unlikely. Despite these challenges, we will continue to execute on our strategy in order to ensure the firm's long-term success and to deliver sustainable returns for our shareholders.

Yours sincerely,

Axel A. Weber
Chairman of the
Board of Directors

Sergio P. Ermotti
Group Chief Executive Officer

1 Please refer to the "Group performance" section of our First Quarter 2014 Report for more information on adjusted results.

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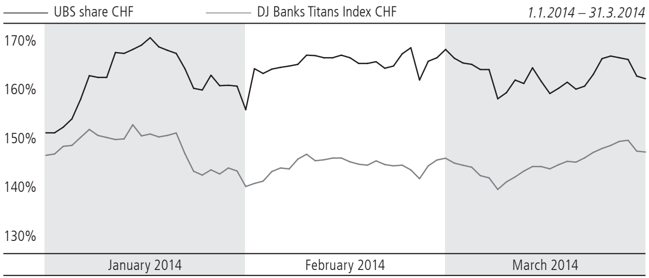
Our key figures for the first quarter of 2014

UBS share performance

First quarter 2014



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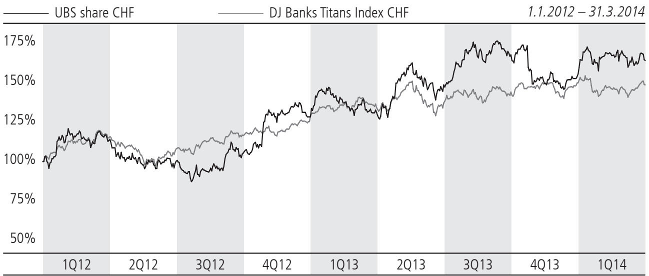

Group results

	As of or for the quarter ended		
CHF million, except where indicated	**31.3.14**	31.12.13	31.3.13
Operating income	**7,258**	6,307	7,775
Operating expenses	**5,865**	5,858	6,327
Operating profit / (loss) before tax	**1,393**	449	1,447
Net profit / (loss) attributable to UBS shareholders	**1,054**	917	988
Diluted earnings per share (CHF)[1]	**0.27**	0.24	0.26

Key performance indicators[2]

	As of or for the quarter ended		
	31.3.14	31.12.13	31.3.13
Profitability			
Return on equity (RoE) (%)	**8.7**	7.7	8.5
Return on assets, gross (%)	**2.9**	2.4	2.5
Cost / income ratio (%)	**81.1**	92.7	81.2
Growth			
Net profit growth (%)	**14.9**	58.9	
Net new money growth for combined wealth management businesses (%)	**2.9**	2.4	5.9
Resources			
Common equity tier 1 capital ratio (fully applied, %)[3]	**13.2**	12.8	10.1
Swiss SRB leverage ratio (phase-in, %)	**5.0**	4.7	3.8

Additional information

	As of or for the quarter ended		
	31.3.14	31.12.13	31.3.13
Profitability			
Return on tangible equity (%)[4]	**10.2**	9.1	10.1
Return on risk-weighted assets, gross (%)[5]	**12.6**	11.2	11.9
Resources			
Total assets	**982,530**	1,018,374	1,213,844
Equity attributable to UBS shareholders	**49,023**	48,002	47,239
Common equity tier 1 capital (fully applied)[3]	**29,937**	28,908	26,176
Common equity tier 1 capital (phase-in)[3]	**41,187**	42,179	40,235
Risk-weighted assets (fully applied)[3]	**226,805**	225,153	258,701
Risk-weighted assets (phase-in)[3]	**229,879**	228,557	262,454
Common equity tier 1 capital ratio (phase-in, %)[3]	**17.9**	18.5	15.3
Total capital ratio (fully applied, %)[3]	**16.8**	15.4	11.8
Total capital ratio (phase-in, %)[3]	**22.7**	22.2	18.9

1 Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of the First Quarter 2014 Report for more information. **2** Refer to the "Measurement of performance" section of our Annual Report 2013 for the definitions of our key performance indicators. In the first quarter of 2014, the definitions of certain key performance indicators were amended. Refer to the "Regulatory and legal developments and financial reporting changes" section of the First Quarter 2014 Report for more information. **3** Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRB). Refer to the "Capital management" section of the First Quarter 2014 Report for more information. **4** Net profit / loss attributable to UBS shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to UBS shareholders less average goodwill and intangible assets. **5** Based on phase-in Basel III risk-weighted assets.

Additional information (continued)

	As of or for the quarter ended		
CHF million, except where indicated	**31.3.14**	31.12.13	31.3.13
Other			
Invested assets (CHF billion)[1]	**2,424**	2,390	2,373
Personnel (full-time equivalents)	**60,326**	60,205	61,782
Market capitalization[2]	**70,180**	65,007	55,827
Total book value per share (CHF)[2]	**13.07**	12.74	12.57
Tangible book value per share (CHF)[2]	**11.41**	11.07	10.79

1 Group invested assets includes invested assets for Retail & Corporate. **2** Refer to the "UBS shares" section of the First Quarter 2014 Report for more information.

Results by business division and Corporate Center

CHF million	Total operating income			Total operating expenses			Operating profit / (loss) before tax		
For the quarter ended	**31.3.14**	31.12.13	% change	**31.3.14**	31.12.13	% change	**31.3.14**	31.12.13	% change
Wealth Management	**1,943**	1,859	5	**1,325**	1,389	(5)	**619**	471	31
Wealth Management Americas	**1,661**	1,669	0	**1,419**	1,439	(1)	**242**	230	5
Retail & Corporate	**932**	931	0	**547**	599	(9)	**386**	332	16
Global Asset Management	**451**	482	(6)	**329**	352	(7)	**122**	130	(6)
Investment Bank	**2,190**	1,861	18	**1,765**	1,563	13	**425**	297	43
Corporate Center	**80**	(495)		**481**	516	(7)	**(401)**	(1,011)	(60)
of which: Core Functions	***51***	*(365)*		***227***	*200*	*14*	***(176)***	*(565)*	*(69)*
of which: Non-core and Legacy Portfolio	***29***	*(130)*		***254***	*317*	*(20)*	***(225)***	*(446)*	*(50)*
UBS	**7,258**	6,307	15	**5,865**	5,858	0	**1,393**	449	210

Cautionary Statement Regarding Forward-Looking Statements | This report 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 efficiency initiatives and its planned further reduction in its Basel III risk-weighted assets (RWA) and leverage ratio denominator; (ii) developments in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, currency exchange rates and interest rates and the effect of economic conditions and market developments on the financial position or creditworthiness of UBS's clients and counterparties; (iii) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings, or arising from requirements for bail-in debt or loss-absorbing capital; (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK and other financial centers that may impose more stringent capital (including leverage ratio), liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration or other measures; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve reductions to the incremental RWA resulting from the supplemental operational risk capital analysis mutually agreed to by UBS and FINMA effective 31 December 2013, or will approve a limited reduction of capital requirements due to measures to reduce resolvability risk; (vi) the degree to which UBS is successful in executing the announced creation of a new Swiss banking subsidiary, a holding company for the UBS Group, a US intermediate holding company, changes in the operating model of UBS Limited and other changes which UBS may make in its legal entity structure and operating model, including the possible consequences of such changes, and the potential need to make other changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, including capital requirements, resolvability requirements and the pending Swiss parliamentary proposals and proposals in other countries for mandatory structural reform of banks; (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) 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; (ix) 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; (x) 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; (xi) 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; (xii) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xiii) whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; (xiv) the occurrence of operational failures, such as fraud, unauthorized trading and systems failures; and (xv) 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 2013. 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.

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.

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.