

Fourth Quarter 2014

10 February 2015

Dear Shareholders,

For the fourth quarter of 2014, we reported a net profit attributable to shareholders of CHF 963 million and diluted earnings per share of CHF 0.26. The result included a net tax benefit of CHF 493 million. All of our business divisions were profitable, resulting in a Group adjusted¹ profit before tax of CHF 648 million. Our performance once again demonstrated the fundamental earnings power of our business and its ability to deliver in a challenging environment.

During the quarter, heightened geopolitical tensions in Eastern Europe and the Middle East continued to influence markets and the macroeconomic environment. Economic conditions in leading developed economies differed greatly. Monetary policy in the eurozone, Switzerland and Japan contrasted notably with the Federal Reserve's outlook. This created expectations of rising US interest rates and increased upward pressure on the US dollar. Volatility rose in all asset classes as commodity prices fell and concerns about global economic growth increased. These factors adversely influenced client confidence and activity levels, with client risk appetite remaining subdued. Uncertainty and heightened volatility continued into the new year, particularly following the Swiss National Bank's unexpected change in monetary policy. These factors underline why our focus remains firmly on our clients and on the advice we provide to help them navigate these challenging times. We also continue to focus on the prudent management of our risk profile, which helped all our businesses to perform well during another testing quarter.

In 2014, we continued to reduce risk-weighted assets, improve our leverage ratio and maintain the best fully applied Basel III CET1 ratio in our peer group. Further, our Group net profit for the year rose by 13% to CHF 3.6 billion. Our achievements in 2014 enabled us to deliver attractive returns to our shareholders. Consequently, we intend to propose an ordinary dividend of CHF 0.50 for 2014, an increase of 100% on the prior year and a payout ratio of 53% of the Group's reported net profit.

Reflecting progress in the establishment of our Group holding company, including the successful completion of our share-for-share exchange offer, we fully accrued a supplementary capital return of CHF 0.25 per share in the fourth quarter of 2014. Subject to shareholder approval, UBS Group AG intends to pay this one-time supplementary capital return upon successful completion of the squeeze-out procedure.

Looking at the fourth quarter in more detail, **Wealth Management** achieved an adjusted¹ profit before tax of CHF 694 million, the strongest fourth-quarter result since 2008. Increased net interest income and recurring fee income reflected our initiatives to grow lending and mortgage balances and to increase mandate penetration, and was also a result of higher invested

assets. This was offset by declines in transaction-based income, which fell after a very strong third quarter. Gross margin decreased to 82 basis points, outside of the target range. Net new money flows from clients in Asia Pacific, ultra high net worth clients globally and clients of the domestic business in Europe remained buoyant, but were partly offset by expected cross-border outflows in Europe. Overall, net new money was CHF 3.0 billion. While outside the target range for the quarter, the business's annualized net new money growth rate for the full year was within the target range. The adjusted¹ cost/income ratio remained within the target range during the quarter.

Wealth Management Americas delivered an adjusted¹ profit before tax of USD 233 million, reflecting a new quarterly record for operating income which was offset by higher operating expenses. Total operating income increased on higher transaction-based and net interest income, the latter demonstrating continued success in the business's banking and lending initiatives. Net new money increased to USD 5.5 billion, with higher inflows from net recruiting of financial advisors leading to an annualized net new money growth rate of 2.2%, within the target range. The gross margin on invested assets and the adjusted¹ cost/income ratio also both remained within the target ranges.

Retail & Corporate recorded an adjusted¹ profit before tax of CHF 356 million. Operating income declined after a very strong third-quarter performance. Higher credit loss expenses as well as lower recurring net fee income and net interest income were partly offset by higher transaction-based income. Annualized net new business volume growth for the retail business declined, and was therefore below the target range as net new client assets were positive while net new loans were slightly negative, in line with the business's strategy to grow selectively. The net interest margin and adjusted¹ cost/income ratio both remained within the target ranges.

Global Asset Management posted an adjusted¹ profit before tax of CHF 124 million. Higher operating income primarily reflected increased performance fees in traditional investments and global real estate. Operating expenses increased, mostly due to higher charges for litigation, regulatory and similar matters. Excluding money market flows, net new money outflows were CHF 5.8 billion, mostly from traditional investments. The gross margin and adjusted¹ cost/income ratio missed the target ranges. While negative in the quarter, the annualized net new money growth rate for the full year was within the target range.

The **Investment Bank** achieved an adjusted¹ profit before tax of CHF 426 million. On a reported basis, operating income was broadly unchanged from the prior quarter. In Corporate Client

Solutions, advisory revenues rose on increased participation in merger and acquisition transactions, and equity capital markets benefited from higher revenues from private transactions. This was offset by declines in debt capital markets due to lower activity and higher risk management charges. In Investor Client Services, the equities business delivered a strong performance on higher cash and derivatives results, reflecting increased client activity. Costs declined, reflecting a significant decrease in charges for provisions for litigation, regulatory and similar matters, partly offset by a charge for the annual UK bank levy. While the adjusted¹ annualized return on attributed equity was below the target for the year, for the quarter it was 22.7% and above the target range. The adjusted¹ cost/income ratio was within the target. The Investment Bank was recognized with a number of awards in recent months. These included UBS being named Equity Derivatives House of the Year by *International Financing Review* and Most Innovative Bank for M&A by *The Banker*.

Corporate Center – Core Functions reported a loss before tax of CHF 387 million. Operating income was negative, mainly as a result of higher retained central funding costs partly due to new debt issuances throughout the year, as well as higher retained costs. The loss before tax in **Corporate Center – Non-core and Legacy Portfolio** was CHF 725 million. Balance sheet exposures were taken down ahead of targets. Fully applied Basel III risk-weighted assets were reduced by CHF 6 billion to CHF 36 billion and balance sheet assets by CHF 5 billion. The fourth quarter included losses in the Non-core rates portfolio from unwind and novation activity, and a loss from the termination of certain credit default swap contracts in the Legacy Portfolio, as well as a charge for the annual UK bank levy.

During the quarter, we continued to manage legal and regulatory issues proactively. We reached resolutions with the Swiss Financial Market Supervisory Authority, the US Commodity Futures Trading Commission and the UK Financial Conduct Authority in connection with industry-wide investigations into foreign exchange markets. Charges related to these resolutions were fully provisioned in the third quarter of 2014 and did not affect our fourth-quarter results. While these resolutions were important, we remain focused on fully resolving this matter.

We were pleased to announce that the Board of Directors intends to nominate Jes Staley for election to the Board at this year's Annual General Meeting. We believe that his professional expertise, gained from three decades of working in several top leadership functions in global banking, would strengthen the UBS Board of Directors further.

UBS applies a sophisticated environmental and social risk framework to all of its transactions, products, services and activities in order to identify and assess environmental and social risks associated with client and supplier relationships. In the quarter, we published details of this framework in one comprehensive document. And recently we were rated best in class in both the FTSE4Good Index Series and the CDP Climate Performance Leadership Index, both of which acknowledge companies that demonstrate strong sustainability practices. Meanwhile, at the recent World Economic Forum (WEF) Annual Meeting in Davos, we launched *The Davos Challenge: Walk for Education*. UBS and the UBS Optimus Foundation – through World Bicycle Relief – pledged to give one bicycle to schoolchildren in rural South Africa for every 6 km walked by Davos participants during the meeting. Participants rose to the challenge, helping us reach our goal of donating 2,500 bikes. These bikes will cut children's travel times significantly, boosting attendance and educational achievement.

Outlook – At the start of the first quarter of 2015, many of the underlying challenges and geopolitical issues that we have previously highlighted remain. The mixed outlook for global growth, the absence of sustained and credible improvements to unresolved issues in Europe, continuing US fiscal and monetary policy issues, increasing geopolitical instability and greater uncertainty surrounding the potential effects of lower and potentially volatile energy and other commodity prices would make improvements in prevailing market conditions unlikely. In addition, recent moves by the Swiss National Bank to remove the EUR/CHF floor and by the European Central Bank to increase its balance sheet expansion via quantitative easing have added additional challenges to the financial markets and to Swiss-based financial services firms specifically. The increased value of the Swiss franc relative to other currencies, especially the US dollar and the euro, and negative interest rates in the eurozone and Switzerland will put pressure on our profitability and, if they persist, on some of our targeted performance levels. Despite ongoing and new 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 Refer to the "Group performance" section of the fourth quarter 2014 report for more information on adjusted results.

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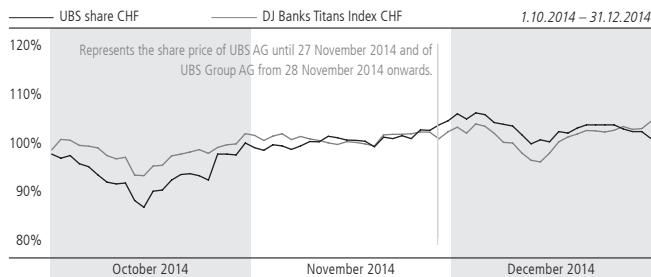
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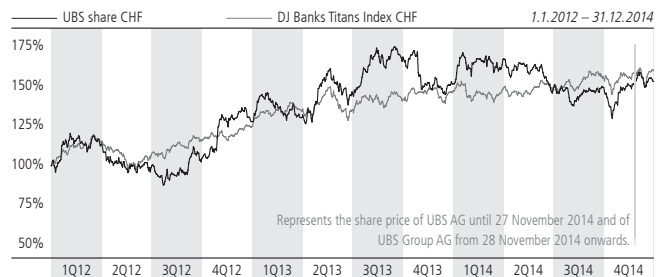
Our key figures¹ for the fourth quarter of 2014

UBS share performance

Fourth quarter 2014



Since 2012



Group results

CHF million, except where indicated	As of or for the quarter ended			As of or for the year ended	
	31.12.14	30.9.14	31.12.13	31.12.14	31.12.13
Operating income	6,746	6,876	6,307	28,027	27,732
Operating expenses	6,208	7,430	5,858	25,433	24,461
Operating profit/(loss) before tax	538	(554)	449	2,595	3,272
Net profit/(loss) attributable to UBS Group AG shareholders	963	762	917	3,571	3,172
Diluted earnings per share (CHF) ²	0.26	0.20	0.24	0.94	0.83

Key performance indicators³

CHF million, except where indicated	As of or for the quarter ended			As of or for the year ended	
	31.12.14	30.9.14	31.12.13	31.12.14	31.12.13
Profitability					
Return on equity (RoE) (%)	7.6	6.1	7.7	7.2	6.7
Return on assets, gross (%)	2.6	2.7	2.5	2.8	2.5
Cost/income ratio (%)	91.2	107.5	92.7	90.5	88.0
Growth					
Net profit growth (%)	26.4	(3.8)	58.9	12.6	
Net new money growth for combined wealth management businesses (%)	1.7	3.1	2.4	2.5	3.4
Resources					
Common equity tier 1 capital ratio (fully applied, %) ⁴	13.4	13.7	12.8	13.4	12.8
Swiss SRB leverage ratio (phase-in, %)	5.4	5.4	4.7	5.4	4.7

Additional information

CHF million, except where indicated	As of or for the quarter ended			As of or for the year ended	
	31.12.14	30.9.14	31.12.13	31.12.14	31.12.13
Profitability					
Return on tangible equity (%) ⁵	8.9	7.1	9.1	8.4	8.0
Return on risk-weighted assets, gross (%) ⁶	12.3	12.2	11.2	12.4	11.4
Resources					
Total assets	1,062,456	1,044,899	1,013,355	1,062,456	1,013,355
Equity attributable to UBS Group AG shareholders	50,716	50,824	48,002	50,716	48,002
Common equity tier 1 capital (fully applied) ⁴	29,089	30,047	28,908	29,089	28,908
Common equity tier 1 capital (phase-in) ⁴	42,975	42,464	42,179	42,975	42,179
Risk-weighted assets (fully applied) ⁴	216,462	219,296	225,153	216,462	225,153
Risk-weighted assets (phase-in) ⁴	220,877	222,648	228,557	220,877	228,557
Common equity tier 1 capital ratio (phase-in, %) ⁴	19.5	19.1	18.5	19.5	18.5
Total capital ratio (fully applied, %) ⁴	18.9	18.7	15.4	18.9	15.4
Total capital ratio (phase-in, %) ⁴	25.5	24.9	22.2	25.5	22.2
Swiss SRB leverage ratio (fully applied, %)	4.1	4.2	3.4	4.1	3.4
Swiss SRB leverage ratio denominator (fully applied) ⁷	997,850	980,669	1,015,306	997,850	1,015,306
Swiss SRB leverage ratio denominator (phase-in) ⁷	1,004,862	987,327	1,022,924	1,004,862	1,022,924

¹ Represents information for UBS Group AG (consolidated). Comparative information is the same as previously reported for UBS AG (consolidated) as UBS Group AG (consolidated) is considered to be the continuation of UBS AG (consolidated). Refer to the "The new legal structure of UBS Group" section and to "Note 1 Basis of accounting" in the "Financial information" section of the fourth quarter 2014 report for more information. ² Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of the fourth quarter 2014 report for more information. ³ 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 Group key performance indicators were amended. Refer to the "Regulatory and legal developments and financial reporting changes" section of our first quarter 2014 report for more information. ⁴ Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRB). Refer to the "Capital management" section of the fourth quarter 2014 report for more information. ⁵ Net profit/(loss) attributable to UBS Group AG shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable)/average equity attributable to UBS Group AG shareholders less average goodwill and intangible assets. Goodwill and intangible assets used in the calculation of tangible equity attributable to UBS Group AG shareholders as of 31 December 2014 have been adjusted to reflect the non-controlling interests in UBS AG as of that date. ⁶ Based on phase-in Basel III risk-weighted assets. ⁷ The leverage ratio denominator is also referred to as "total adjusted exposure" and is calculated in accordance with Swiss SRB leverage ratio requirements. Data represent the average of the total adjusted exposure at the end of the three months preceding the end of the reporting period. Refer to the "Capital management" section of the fourth quarter 2014 report for more information.

Additional information (continued)

CHF million, except where indicated	As of or for the quarter ended			As of or for the year ended	
	31.12.14	30.9.14	31.12.13	31.12.14	31.12.13
Other					
Invested assets (CHF billion) ¹	2,734	2,640	2,390	2,734	2,390
Personnel (full-time equivalents)	60,155	60,292	60,205	60,155	60,205
Market capitalization ²	63,526	64,047	65,007	63,526	65,007
Total book value per share (CHF) ²	13.97	13.54	12.74	13.97	12.74
Tangible book value per share (CHF) ²	12.17	11.78	11.07	12.17	11.07

¹ Group invested assets includes invested assets for Retail & Corporate. ² Refer to the "UBS shares" section of the fourth 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		
	31.12.14	30.9.14	% change	31.12.14	30.9.14	% change	31.12.14	30.9.14	% change
For the quarter ended									
Wealth Management	2,004	2,031	(1)	1,359	1,324	3	646	707	(9)
Wealth Management Americas	1,874	1,779	5	1,663	1,543	8	211	236	(11)
Retail & Corporate	913	958	(5)	573	532	8	340	426	(20)
Global Asset Management	497	489	2	412	335	23	85	154	(45)
Investment Bank	1,935	1,937	0	1,568	3,221	(51)	367	(1,284)	
Corporate Center	(478)	(318)	50	634	475	33	(1,112)	(793)	40
of which: Core Functions	(117)	5		269	194	39	(387)	(190)	104
of which: Non-core and Legacy Portfolio	(361)	(322)	12	364	280	30	(725)	(603)	20
UBS	6,746	6,876	(2)	6,208	7,430	(16)	538	(554)	

Cautionary Statement Regarding Forward-Looking Statements | This document 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 (LRD); (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, 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 and a US intermediate holding company, the squeeze-out to complete the establishment of a holding company for the UBS Group, 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 proposals in Switzerland and 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 document 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.