

First Quarter 2015

5 May 2015

Dear Shareholders,

More happened to affect markets and the macroeconomic environment in the first quarter of 2015 than typically happens in a year. Geopolitical tensions persisted and, critically, central bank policies diverged in new and unprecedented ways. The Swiss National Bank removed its Swiss franc floor of CHF 1.20 against the euro and introduced negative interest rates for the first time since the 1970s, while the European Central Bank launched a large-scale quantitative easing program. At the same time, expectations of rising US interest rates continued, increasing upward pressure on the US dollar. Volatility was elevated in many asset classes and at times was extreme in foreign exchange, while equity markets kept their upward momentum.

All our businesses navigated these challenges well, and we continued to demonstrate our fundamental earnings power and ability to perform well for clients in a variety of market conditions. This was reflected in a Group adjusted¹ profit before tax of CHF 2,268 million, a very strong result, particularly considering the abovementioned volatility in foreign exchange rates, currency translation effects and the continued impact of low to negative interest rates on our businesses. We reported a net profit attributable to shareholders of CHF 1,977 million and diluted earnings per share of CHF 0.53. The quarter showed that clients value our advice and that we are succeeding in the areas in which we choose to compete.

Capital strength continues to be a key element of our success. We maintained our position as the best capitalized firm among large global banks, with a fully applied Basel III common equity tier 1 ratio of 13.7% at the end of March. During the quarter, UBS Group AG raised the equivalent of CHF 3.5 billion in its first capital markets transaction and inaugural issuance of additional tier 1 (AT1) capital. Mainly as a result of this and our retained earnings, our fully applied Swiss SRB leverage ratio increased to 4.6% at the end of the quarter. AT1 instruments will be an important part of our future capital structure, as they give us the capacity to adapt quickly to new and evolving regulatory requirements. Our clear strategy allows us to focus on growing our businesses and driving strong and sustainable returns. Efficiency is also essential to our success and we are executing our ambitious cost savings targets while facing continuously increasing regulatory requirements. In addition, we are promoting growth through significant investment in technology over the next few years. All of these plans are designed to ensure long-term value for our shareholders while continuously improving the quality of our services to clients.

Looking at the performance of our businesses in more detail, our wealth management businesses achieved their highest quarterly combined adjusted¹ profit before tax since 2008. **Wealth Management** delivered an adjusted¹ profit before tax

of CHF 856 million, its best quarterly result since 2008. This included an increase in operating income, largely as a result of higher transaction-based income. Operating expenses declined, supporting the business's strong revenue performance. Net new money was also strong at CHF 14.4 billion, with high-quality net inflows from all regions, particularly Asia Pacific and, notably, also in both domestic and international businesses in Europe.

Wealth Management Americas delivered another record quarterly performance, with an adjusted¹ profit before tax of USD 293 million that reflected lower operating expenses. Financial advisor productivity was industry-leading. Net new money was USD 4.8 billion, reflecting net inflows from financial advisors employed with UBS for more than one year. Invested assets reached a record in US dollar terms, reflecting positive market performance as well as net new money inflows. Lending balances continued to show sustainable growth, funded by increases in deposits.

Retail & Corporate posted an adjusted¹ profit before tax of CHF 443 million, the business's best first-quarter result in five years. Operating income was strong, reflecting lower credit loss expenses, as well as higher net interest and transaction-based income as pricing measures on loans and deposits helped to offset headwinds from the interest rate environment. Operating expenses decreased, mainly reflecting lower general and administrative expenses.

Global Asset Management recorded an adjusted¹ profit before tax of CHF 186 million, its best quarter since 2009. Operating income was higher, primarily due to solid performance fees in O'Connor and A&Q. Operating expenses decreased, mainly reflecting lower charges for provisions for litigation, regulatory and similar matters. Excluding money market flows, net new money was strong at CHF 7.5 billion and included CHF 5.1 billion of net inflows from clients of our wealth management businesses that were mainly into alternative investments, multi-asset funds and equities.

The **Investment Bank** achieved an adjusted¹ profit before tax of CHF 844 million, a very strong result demonstrating the strength and consistent performance of our diversified and client-focused model. Maintaining strict discipline in risk management, Investor Client Services delivered strong revenues of CHF 1,863 million without increasing our risk profile. The business benefited from higher market volatility and strong client activity, driving performances in foreign exchange, rates and credit, equity derivatives as well as global financing services. Corporate Client Solutions revenues rose to CHF 801 million amid increases in debt capital markets, equity capital markets and financing

solutions. The adjusted¹ annualized return on attributed equity was 46.2%. We are proud to report that the Investment Bank was named Equity Derivatives House of the Year 2014 by leading global capital markets publisher *International Financing Review*.

As of 1 January 2015, Corporate Center – Core Functions was reorganized into two new units, Corporate Center – Services, and Corporate Center – Group Asset and Liability Management. For the first quarter, **Corporate Center – Services** profit before tax was CHF 263 million on a reported basis. Gains on sale of real estate and an own credit gain were partly offset by higher real estate restructuring charges. Profit before tax in **Corporate Center – Group Asset and Liability Management** was CHF 122 million, after revenue allocations of CHF 289 million to business divisions and other Corporate Center units. Retained income increased, mainly related to hedging activities. **Corporate Center – Non-core and Legacy Portfolio** recorded a loss before tax of CHF 251 million, with fully applied Basel III risk-weighted assets stable at CHF 36 billion while the Swiss SRB leverage denominator decreased to CHF 84 billion from CHF 93 billion.

On the corporate responsibility side, the UBS Optimus Foundation, which is dedicated to funding high-impact programs to improve child safety, health and education, recently joined forces with the UN and other leading philanthropy organizations to launch the Power of Nutrition. This groundbreaking fund will enable our clients to contribute to raising up to USD 1 billion to finance large-scale programs to tackle undernutrition and to improve the health and education of children in some of the world's poorest countries. In addition, we are matching donations up to a collective total of CHF 1 million to fund relief efforts following the earthquake in Nepal. The funds will be used specifically to support affected children and pregnant women and will be administered through the UBS Optimus Foundation. Donations can be made at www.ubs.com/optimus.

We were pleased to receive further external recognition of our efforts as a responsible corporate citizen. RobecoSAM awarded us its Silver Class sustainability distinction and placed us in the top three firms in our sector in its Corporate Sustainability Assessment. We continued our work in this area with the publication of a research paper, "Adding value(s) to investing," that helps investors navigate the developing field of sustainable investing. Such efforts not only recognize our clients' growing interest in sustainability, they also underline our commitment to

societal issues and help us attract young talent to the firm. UBS was named financial services employer of choice for the third year running and second overall by branding and research firm Universum in a survey of over 12,000 university students in Switzerland.

We look forward to welcoming you, our shareholders, to the first Annual General Meeting (AGM) of our group holding company, UBS Group AG, on 7 May 2015. Shareholders will vote on the proposal for a 100% increase in the ordinary dividend for 2014 to CHF 0.50 per share. In addition, you will decide on a one-time supplementary capital return of CHF 0.25 per share payable upon successful completion of the acquisition of all shares in UBS AG as part of the establishment of UBS Group AG. Following the implementation of a new ordinance affecting all listed companies in Switzerland, you will also have the opportunity to cast binding votes on the compensation of the Board of Directors and the Group Executive Board. Finally, we would like to thank Helmut Panke, who is leaving the Board at this year's AGM having served 11 years as a member, for his valuable contributions to the firm.

Outlook – At the start of the second quarter of 2015, many of the underlying macroeconomic challenges and geopolitical issues that we have previously highlighted remain and are unlikely to be resolved in the foreseeable future. We are implementing initiatives to improve the pricing of some Wealth Management accounts in light of the interest rate environment in Switzerland and parts of Europe. Excluding potential outflows associated with these initiatives, we expect our wealth management businesses will continue to deliver positive net new money in the second quarter. Thus, despite ongoing and new challenges, we continue to be committed to the disciplined execution of 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 first quarter 2015 report for more information on adjusted results.

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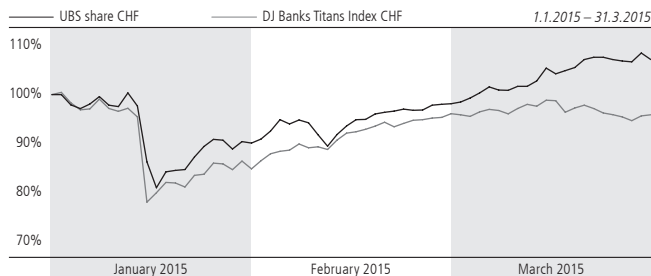
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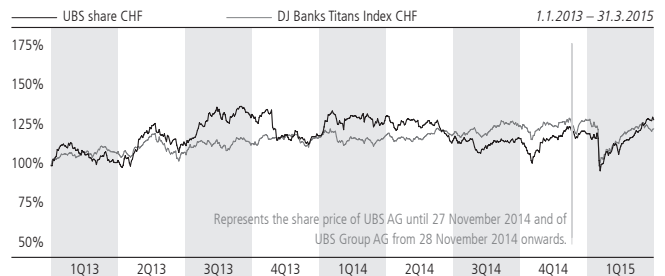
Our key figures for the first quarter of 2015

UBS share performance

First quarter 2015



Since 2013



Group results

	As of or for the quarter ended		
	31.3.15	31.12.14	31.3.14
<i>CHF million, except where indicated</i>			
Operating income	8,841	6,746	7,258
Operating expenses	6,134	6,342	5,865
Operating profit/(loss) before tax	2,708	404	1,393
Net profit/(loss) attributable to UBS Group AG shareholders	1,977	858	1,054
Diluted earnings per share (CHF) ¹	0.53	0.23	0.27

Key performance indicators²

Profitability			
Return on tangible equity (%)	17.8	8.0	10.2
Return on assets, gross (%)	3.4	2.6	2.9
Cost/income ratio (%)	69.2	93.2	81.1
Growth			
Net profit growth (%)	130.4	12.6	14.9
Net new money growth for combined wealth management businesses (%)	3.8	1.7	2.9
Resources			
Common equity tier 1 capital ratio (fully applied, %) ³	13.7	13.4	13.2
Leverage ratio (phase-in, %) ⁴	5.6	5.4	5.0

Additional information

Profitability			
Return on equity (RoE) (%)	15.4	6.8	8.7
Return on risk-weighted assets, gross (%) ⁵	16.1	12.3	12.6
Resources			
Total assets	1,048,850	1,062,478	982,530
Equity attributable to UBS Group AG shareholders	52,359	50,608	49,023
Common equity tier 1 capital (fully applied) ³	29,566	28,941	29,937
Common equity tier 1 capital (phase-in) ³	40,779	42,863	41,187
Risk-weighted assets (fully applied) ³	216,385	216,462	226,805
Risk-weighted assets (phase-in) ³	219,358	220,877	229,879
Common equity tier 1 capital ratio (phase-in, %) ³	18.6	19.4	17.9
Total capital ratio (fully applied, %) ³	20.6	18.9	16.8
Total capital ratio (phase-in, %) ³	25.9	25.5	22.7
Leverage ratio (fully applied, %) ⁴	4.6	4.1	3.8
Leverage ratio denominator (fully applied) ⁴	976,934	997,822	987,899
Leverage ratio denominator (phase-in) ⁴	982,249	1,004,869	993,970
Liquidity coverage ratio (%) ⁶	122	123	110

¹ Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of the first quarter 2015 report for more information. ² Refer to the "Measurement of performance" section of our Annual Report 2014 for the definitions of our key performance indicators. 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 2015 report for more information. ⁴ In accordance with Swiss SRB rules. Refer to the "Capital management" section of the first quarter 2015 report for more information. ⁵ Based on phase-in Basel III risk-weighted assets. ⁶ Refer to the "Liquidity and funding management" section of the first quarter 2015 report for more information. Data for periods prior to 31 March 2015 are on a pro-forma basis.

Additional information (continued)

CHF million, except where indicated	As of or for the quarter ended		
	31.3.15	31.12.14	31.3.14
Other			
Invested assets (CHF billion) ¹	2,708	2,734	2,424
Personnel (full-time equivalents)	60,113	60,155	60,326
Market capitalization ²	68,508	63,526	70,180
Total book value per share (CHF) ²	14.33	13.94	13.07
Tangible book value per share (CHF) ²	12.59	12.14	11.41

¹ Group invested assets includes invested assets for Retail & Corporate. ² Refer to the "UBS shares" section of the first quarter 2015 report for more information.

Results by business division and Corporate Center

CHF million	Total operating income			Total operating expenses			Operating profit/(loss) before tax		
	31.3.15	31.12.14	% change	31.3.15	31.12.14	% change	31.3.15	31.12.14	% change
For the quarter ended									
Wealth Management	2,247	2,004	12	1,296	1,359	(5)	951	646	47
Wealth Management Americas	1,801	1,874	(4)	1,548	1,663	(7)	253	211	20
Retail & Corporate	979	913	7	552	573	(4)	427	340	26
Global Asset Management	511	497	3	343	412	(17)	168	85	98
Investment Bank	2,666	1,935	38	1,891	1,702	11	774	233	232
Corporate Center	638	(478)		504	634	(21)	134	(1,112)	
of which: Services	600	84	614	337	263	28	263	(179)	
of which: Group ALM	118	(201)		(4)	6		122	(208)	
of which: Non-core and Legacy Portfolio	(80)	(361)	(78)	171	364	(53)	(251)	(725)	(65)
UBS	8,841	6,746	31	6,134	6,342	(3)	2,708	404	570

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 cost reduction and efficiency initiatives and its planned further reduction in its Basel III risk-weighted assets (RWA) and leverage ratio denominator (LRD), and to maintain its stated capital return objective; (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, and the degree to which UBS is successful in implementing changes to its business to meet changing market, regulatory and other conditions; (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 transfer of business to UBS Switzerland AG, establishing a US intermediate holding company and implementing the US enhanced prudential standards, completing the squeeze-out of minority shareholders of UBS AG, changing 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) changes in the standards of conduct applicable to our businesses that may result from new regulation or new enforcement of existing standards, including measures to impose new or enhanced duties when interacting with customers or in the execution and handling of customer transactions; (ix) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations; (x) the effects on UBS's cross-border banking business of tax or regulatory developments and of possible changes in UBS's policies and practices relating to this business; (xi) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors including differences in compensation practices; (xii) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xiii) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xiv) whether UBS will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; (xv) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading and systems failures; (xvi) restrictions to the ability of subsidiaries of the Group to make loans or distributions of any kind, directly or indirectly, to UBS Group AG; and (xvii) 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 2014. 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.