Second Quarter 2015

28 July 2015

Dear Shareholders,

The second quarter was affected by continued market and macroeconomic uncertainty. Global financial markets were characterized by high levels of market volatility. Much of this was due to the lack of progress in negotiations between Greece and its creditors, uncertainty surrounding the timing of US interest rate rises, and concerns over the consequences of a slowdown of the Chinese economy. Despite these challenges, our businesses continued to deliver good underlying performance, demonstrating the fundamental earnings power of the Group and the strength of our business model.

The Group reported a solid net profit attributable to shareholders of CHF 1,209 million, with diluted earnings per share of CHF 0.32. Adjusted[1] profit before tax for the Group was CHF 1,635 million. We maintained the bank's capital strength, through further reductions in our balance sheet, risk-weighted assets (RWA) and leverage ratio denominator (LRD), as well as the accretion of earnings to the capital account. Our fully applied Basel III CET1 capital ratio rose to 14.4% and our fully applied Swiss SRB leverage ratio improved to 4.7%. Our dividend policy remains unchanged, despite higher expectations for future capital requirements and macroeconomic uncertainty. We intend to pay out at least 50% of net profit subject to UBS maintaining a fully applied Basel III CET1 capital ratio of at least 13% and at least 10% post-stress.

At UBS, we aim to create long-term value for our investors and clients, while making a positive contribution to the communities in which we operate. In June, for example, UBS launched a campaign to engage up to 50% of its Americas workforce in volunteering programs. To date, UBS Americas employees contributed around 20,000 hours of their time – approximately 70% of 2014's full-year total – volunteering across the Americas. Combined with the time volunteered by other UBS staff around the world, around 53,000 hours were logged in the first half of 2015 to support volunteering programs and give back to society.

To maintain a strong global talent pipeline, UBS offers training programs for more than 2,000 young people every year, including apprentices and university graduates. We are pleased that in the second quarter of 2015, research firm Trendence ranked UBS the most attractive employer for business students in its Graduate Barometer Switzerland. UBS also celebrated its first anniversary as a member of the Global Apprenticeship Network. The goal of this business-driven alliance is to promote apprenticeships and other forms of work-based learning programs to avoid skills mismatch and improve youth employment.

During the quarter, we reached resolutions with the US Department of Justice, the Board of Governors of the Federal Reserve System and the Connecticut Department of Banking in their industry-wide investigations of the global foreign exchange (FX) markets. The firm was fully provisioned for these resolutions, which had no financial impact on our second quarter 2015 results. Reflecting our progress in addressing litigation matters, incremental RWA resulting from the supplemental operational risk capital analysis, mutually agreed to by UBS and FINMA, were reduced by a further CHF 4 billion during the quarter.

The creation of UBS Group AG and UBS Switzerland AG were major milestones to improve the Group's resolvability, in response to the evolving regulatory environment. In June, some 2.7 million clients and approximately CHF 300 billion in assets, primarily from our Swiss Retail & Corporate and Wealth Management businesses, were transferred into UBS Switzerland AG. We are the first bank to complete this step in Switzerland. We have also implemented a more self-sufficient business and operating model for UBS Limited in the UK and submitted our plans for the establishment of an intermediate holding company in the US. In the third quarter, we will establish a Group service company as a subsidiary of UBS Group AG, into which shared services and support functions of the Group will be transferred over the next several years. This will help ensure we can maintain the operational continuity of these critical services in case of resolution. All these measures will allow us to qualify for a rebate on the progressive buffer capital requirement applicable to Swiss systemically relevant banks, which should result in lower overall regulatory capital requirements for the Group.

With assets under management exceeding USD 2 trillion and a global market share of around 10%, UBS was confirmed as the largest global wealth manager in the Scorpio Partnership Annual Private Banking Benchmark 2015[2]. Importantly, we are also the fastest growing[3] wealth manager on a local currency basis. While the absolute levels and growth of invested assets are important measures of progress, our ultimate goal is to generate attractive returns and profitability for you, our shareholders.

We were honored to receive the *Euromoney* Award for Excellence for Best Global Wealth Manager and, for the fourth year running, Best Bank in Switzerland. In addition, *Euromoney* named our Investment Bank the Best Flow House in North America and Best Equity House in Western Europe, underlining the success of our client-centric model. We were pleased that

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UBS Neo, the firm's cross-asset e-commerce platform, was named Best Platform at the annual Digital FX Awards hosted by *Profit & Loss* magazine.

Looking at the performance of our businesses in more detail, **Wealth Management** delivered its best second-quarter result since 2009 with an adjusted[1] profit before tax of CHF 769 million. The business continued to generate high-quality earnings, with an increase in recurring income reflecting continued success in our strategic initiatives to grow loans and increase mandate penetration, as well as further pricing measures. Adjusted net new money was robust at CHF 8.4 billion, driven by inflows from all regions and segments, most notably our market-leading Asia Pacific franchise, as well as from ultra high net worth clients. The balance sheet and capital optimization program we implemented in the first half of 2015 led to net new money outflows of CHF 6.6 billion during the quarter. On a reported basis, net new money was CHF 1.8 billion.

Wealth Management Americas reported an adjusted[1] profit before tax of USD 231 million. Total operating income and recurring net fees increased to record levels, and financial advisor productivity remained industry-leading, while pre-tax profit was affected by higher charges for provisions for litigation, regulatory and similar matters and other provisions. Net new money was slightly negative at USD 0.7 billion, reflecting seasonal outflows of approximately USD 3.9 billion associated with income tax payments.

Retail & Corporate posted its best second-quarter result since 2010, with an adjusted[1] profit before tax of CHF 414 million. The net new business volume growth for retail clients was particularly strong for a second quarter. Credit loss expenses were lower, while general and administrative expenses increased mainly due to higher charges for provisions in the Corporate & Institutional client business.

Global Asset Management recorded strong net new money of CHF 8.3 billion excluding money market flows, with net inflows from third-party clients more than doubling compared to the prior quarter. Adjusted[1] profit before tax was CHF 134 million. The quarter saw an increase in net management fees mainly in traditional investments and global real estate, offset by a decline in performance fees in O'Connor and A&Q, in line with market developments in the alternative asset management sector.

The **Investment Bank** achieved a solid result with an adjusted[1] profit before tax of CHF 617 million, following very strong results in the first quarter. Investor Client Services benefited from the best second-quarter result in Equities since we accelerated our strategy in 2012, and a solid performance in FX, rates and credit, despite lower client activity and after exceptionally high FX revenues in the first quarter. Corporate Client Solutions improved on the back of higher revenues mainly in debt and equity capital markets and advisory. The business maintained its risk profile and allocated resource limits discipline, and its results once again demonstrated the strength of its business model and client-centric approach. Adjusted[1] return on attributed equity for the second quarter was 33.8%.

Corporate Center – Services recorded a loss before tax of CHF 253 million. **Corporate Center – Group Asset and Liability Management** reported a profit before tax of CHF 132 million. **Corporate Center – Non-core and Legacy Portfolio** recorded a loss before tax of CHF 145 million, achieving further progress in de-risking its balance sheet with RWA and the Swiss SRB leverage ratio denominator decreasing by CHF 4 billion and CHF 14 billion, respectively.

Outlook – As in previous years, seasonal impacts are likely to affect revenues and profits in the third quarter. In addition, 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. 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 second quarter 2015 report for more information on adjusted results. 2 Scorpio Partnership Global Private Banking Benchmark 2015.
3 Scorpio Partnership Global Private Banking Benchmark 2015, on reporting base currency basis for institutions with assets under management greater than USD 500 billion.

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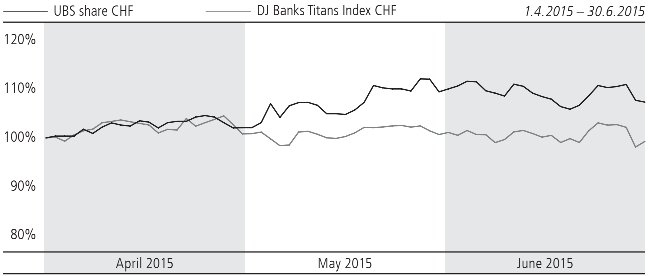
Our key figures for the second quarter of 2015

UBS share performance

Second quarter 2015



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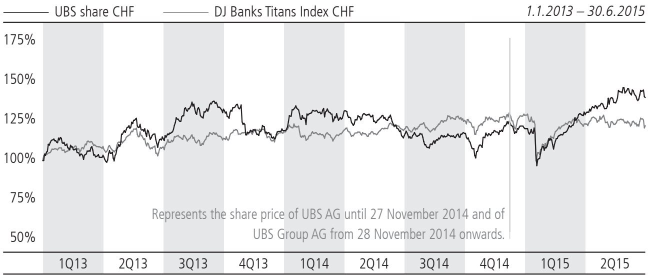

Group results

	As of or for the quarter ended				As of or year-to-date	
CHF million, except where indicated	**30.6.15**	31.3.15	31.12.14	30.6.14	30.6.15	30.6.14
Operating income	**7,818**	8,841	6,746	7,147	16,659	14,405
Operating expenses	**6,059**	6,134	6,342	5,929	12,193	11,794
Operating profit / (loss) before tax	**1,759**	2,708	404	1,218	4,467	2,611
Net profit / (loss) attributable to UBS Group AG shareholders	**1,209**	1,977	858	792	3,186	1,846
Diluted earnings per share (CHF)[1]	**0.32**	0.53	0.23	0.21	0.85	0.48

Key performance indicators[2]

Profitability						
Return on tangible equity (%)	**11.0**	17.8	8.0	7.5	14.4	8.8
Return on assets, gross (%)	**3.1**	3.4	2.6	2.9	3.2	2.9
Cost / income ratio (%)	**77.4**	69.2	93.2	82.8	73.1	82.0
Growth						
Net profit growth (%)	**(38.8)**	130.4	12.6	(24.9)	72.6	10.0
Net new money growth for combined wealth management businesses (%)[3]	**1.5**	3.8	1.7	1.9	2.6	2.4
Resources						
Common equity tier 1 capital ratio (fully applied, %)[4]	**14.4**	13.7	13.4	13.5	14.4	13.5
Leverage ratio (phase-in, %)[5]	**5.4**	5.6	5.4	5.3	5.4	5.3

Additional information

Profitability						
Return on equity (RoE) (%)	**9.4**	15.4	6.8	6.4	12.4	7.6
Return on risk-weighted assets, gross (%)[6]	**14.5**	16.1	12.3	12.5	15.3	12.5
Resources						
Total assets	**950,168**	1,048,850	1,062,478	982,605	950,168	982,605
Equity attributable to UBS Group AG shareholders	**50,211**	52,359	50,608	49,532	50,211	49,532
Common equity tier 1 capital (fully applied)[4]	**30,265**	29,566	28,941	30,590	30,265	30,590
Common equity tier 1 capital (phase-in)[4]	**38,706**	40,779	42,863	41,858	38,706	41,858
Risk-weighted assets (fully applied)[4]	**209,777**	216,385	216,462	226,736	209,777	226,736
Risk-weighted assets (phase-in)[4]	**212,088**	219,358	220,877	229,908	212,088	229,908
Common equity tier 1 capital ratio (phase-in, %)[4]	**18.2**	18.6	19.4	18.2	18.2	18.2
Total capital ratio (fully applied, %)[4]	**21.2**	20.6	18.9	18.1	21.2	18.1
Total capital ratio (phase-in, %)[4]	**25.0**	25.9	25.5	23.9	25.0	23.9
Leverage ratio (fully applied, %)[5]	**4.7**	4.6	4.1	4.2	4.7	4.2
Leverage ratio denominator (fully applied)[5]	**944,422**	976,934	997,822	980,552	944,422	980,552
Leverage ratio denominator (phase-in)[5]	**949,134**	982,249	1,004,869	986,577	949,134	986,577
Liquidity coverage ratio (%)[7]	**121**	122	123	117	121	117

1 Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of the second 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 adjusted net new money which excludes the negative impact on net new money of CHF 6.6 billion in Wealth Management from our balance sheet and capital optimization program in the second quarter of 2015. **4** Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRB). Refer to the "Capital management" section of the second quarter 2015 report for more information. **5** In accordance with Swiss SRB rules. Refer to the "Capital management" section of the second quarter 2015 report for more information. **6** Based on phase-in Basel III risk-weighted assets. **7** Refer to the "Liquidity and funding management" section of the second quarter 2015 report for more information. Data for periods prior to 31 March 2015 are on a pro-forma basis.

Additional information (continued)

	As of or for the quarter ended				As of or year-to-date	
CHF million, except where indicated	**30.6.15**	31.3.15	31.12.14	30.6.14	30.6.15	30.6.14
Other						
Invested assets (CHF billion)[1]	**2,628**	2,708	2,734	2,507	2,628	2,507
Personnel (full-time equivalents)	**59,648**	60,113	60,155	60,087	59,648	60,087
Market capitalization[2]	**74,547**	68,508	63,526	62,542	74,547	62,542
Total book value per share (CHF)[2]	**13.71**	14.33	13.94	13.20	13.71	13.20
Tangible book value per share (CHF)[2]	**12.04**	12.59	12.14	11.54	12.04	11.54

1 Includes invested assets for Retail & Corporate. **2** Refer to the "UBS shares" section of the second 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		
For the quarter ended	**30.6.15**	31.3.15	% change	**30.6.15**	31.3.15	% change	**30.6.15**	31.3.15	% change
Wealth Management	**2,080**	2,247	(7)	**1,324**	1,296	2	**756**	951	(21)
Wealth Management Americas	**1,823**	1,801	1	**1,631**	1,548	5	**191**	253	(25)
Retail & Corporate	**952**	979	(3)	**555**	552	1	**397**	427	(7)
Global Asset Management	**476**	511	(7)	**346**	343	1	**130**	168	(23)
Investment Bank	**2,355**	2,657	(11)	**1,804**	1,891	(5)	**551**	766	(28)
Corporate Center	**131**	646	(80)	**399**	504	(21)	**(267)**	142	
of which: Services	***(41)***	*374*		***212***	*337*	*(37)*	***(253)***	*37*	
of which: Group ALM	***138***	*313*	*(56)*	***7***	*(4)*		***132***	*317*	*(58)*
of which: Non-core and Legacy Portfolio	***35***	*(41)*		***180***	*171*	*5*	***(145)***	*(212)*	*(32)*
UBS	**7,818**	8,841	(12)	**6,059**	6,134	(1)	**1,759**	2,708	(35)

Rounding | Numbers presented throughout this release 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.