

Media release

UBS reports third quarter loss of CHF 726 million pre-tax, in line with announcement on 1 October 2007

- **Operating loss before tax and minority interests of CHF 726 million in third quarter, within the CHF 600-800 million range given on 1 October 2007 (after tax and minority interests, net loss attributable to shareholders was CHF 830 million)**
- **Performance in first nine months of 2007 was solid, with net profit attributable to shareholders from continuing operations of CHF 7,713 million.**
- **Markets remain uncertain, but based on current information, UBS should return to profitability at Group level in fourth quarter 2007.**
- **As announced on 1 October 2007, the third quarter result includes substantial losses and writedowns on trading positions in US subprime residential mortgage-backed securities, leading to revenues of negative CHF 4.2 billion in the fixed income, currencies and commodities business in the Investment Bank**
- **UBS's businesses outside the affected areas of the Investment Bank showed sustained strength. The equity underwriting and corporate advisory businesses performed extremely well. Inflows of net new money in the wealth management businesses totaled CHF 40.2 billion this quarter. Fees in wealth and asset management remained high, driven by the level of invested assets, which stood at CHF 3.1 trillion on 30 September 2007**

Zurich/Basel, 30 October 2007 – UBS reports an operating loss, before tax and minority interests, of CHF 726 million in third quarter 2007. This is within the range given in the announcement on 1 October 2007 forecasting a loss of CHF 600-800 million. After tax and minority interests, the net loss attributable to shareholders was CHF 830 million.

"Our third quarter result was unquestionably disappointing. However, we have introduced a number of measures to improve performance. With the new management team, we are implementing changes to address the weaknesses that led to the losses. These include the management, structure, and size of our balance sheet. We are also taking steps to strengthen our market risk management and control framework," said Marcel Rohner, UBS Chief Executive Officer.

The deterioration in UBS's performance in third quarter was mainly due to the substantial losses and writedowns in trading positions related to the US sub-prime residential mortgage-backed securities market, leading to revenues of negative CHF 4.2 billion in the Investment Bank's fixed income, currencies and commodities business.

When these positions, which are sizeable, were taken and of which UBS still holds a proportion, UBS offset them to some extent with hedges that were designed to mitigate risk in normal market conditions. However, the deterioration in the US sub-prime market, especially in August, was so severe and sudden that markets turned illiquid. There was a substantial deterioration in the value of these securities – including those with high credit ratings. Conditions in the US housing market continued to be weak in the quarter, and the end-September valuations UBS has put on its holdings of US mortgage-linked securities reflect this.

UBS's other businesses, however, showed sustained strength. The wealth management businesses had an excellent quarter, with record levels of profitability. Asset gathering performance remained strong, with inflows of net new money in the wealth management businesses totaling CHF 40.2 billion in the quarter. Fees in both wealth and asset management remained high, driven by the level of invested assets, which stood at CHF 3.1 trillion on 30 September 2007.

For the whole of UBS, net fee and commission income was significantly higher than the levels recorded in third quarter 2006 and only slightly below the all-time high set in second quarter 2007. On top of the strong performance in wealth and asset management, this also reflected year on year gains in the Investment Bank's equity underwriting and corporate advisory business, plus strong commissions in its equity cash business. Revenues also rose, year on year, in some of its trading businesses, in particular equity derivatives, prime brokerage, rates derivatives, and government bonds as well as the client-facing distribution area of the money market, currencies and commodities business.

Despite the disappointing third quarter result, UBS's performance in the first nine months of 2007 has been strong. Over this period, net profit attributable to shareholders from continuing operations was CHF 7,713 million. Excluding the gain from the sale of the Julius Baer stake and DRCM closure costs in second quarter, net attributable profit would have been CHF 6,016 million compared with CHF 8,349 million a year earlier.

Outlook

The fourth quarter has started with good results from all businesses, including the Investment Bank. However, the FICC business remains exposed to further deterioration in the US housing and mortgage markets as well as rating downgrades for mortgage-related securities, which could lead to further writedowns on the positions. As a result, UBS is not assuming that the quarter will continue as positively as it has begun, or that the current difficulties will be resolved in the short term. To be specific, we believe it is unlikely that the Investment Bank will contribute positively to UBS results for the last three months of the year. Markets remain uncertain, but based on current information, the Group should return to profitability in fourth quarter 2007.

Performance against targets

UBS focuses on four key performance indicators, designed to ensure the delivery of continuously improving returns to shareholders. All are calculated based on results from continuing operations. The first two of the four indicators, return on equity and diluted earnings per share, are calculated on a full UBS basis. The cost/income ratio and net new money indicators are limited to the financial businesses. On this basis, performance indicators in third quarter 2007 show:

- annualized return on equity for the first nine months of 2007 of 20.7%, down from 26.0% for the same period a year earlier. Substantial losses in the Investment Bank were only partially offset by post-tax gains of CHF 1,926 million from the sale of the stake in Julius Baer in second quarter 2007. Excluding this gain, and the costs related to the closure of DRCM (post-tax CHF 229 million) in second quarter 2007, annualized return on equity for the first nine months of 2007 would have been 17.2%.
- negative diluted earnings per share of CHF 0.49, compared with positive CHF 1.07 in third quarter 2006.
- a cost/income ratio in the financial businesses of 115.2%, significantly up from 73.8% in the same quarter last year.
- net new money of CHF 38.3 billion in third quarter 2007, down from CHF 41.9 billion in the same period a year earlier. The wealth management units recorded inflows of CHF 40.2 billion this quarter, up from CHF 26.8 billion in third quarter 2006. Inflows in the international and Swiss wealth management business rose by CHF 11.7 billion to CHF 35.1 billion, with strong contributions from all regions. Net new money in European wealth management was a record CHF 7.3 billion in third quarter 2007, up from CHF 2.7 billion in third quarter a year earlier, reflecting stronger contributions from all markets except Italy. Inflows into the domestic wealth management business in the US were CHF 5.1 billion in third quarter, up from CHF 3.4 billion a year earlier on inflows from new clients, driven by an increased number of financial advisors. The asset management business saw a CHF 2.8 billion net outflow in total for the institutional and the wholesale intermediary business, sharply down from the strong inflow of CHF 15.5 billion a year earlier. The institutional clients business suffered from outflows in certain underperforming equity mandates, which were partly offset by inflows into alternative and quantitative investments as well as multi-assets. In the wholesale intermediary business, outflows from fixed income funds were only partly offset by inflows into other asset classes. The Swiss retail banking business recorded net new money inflows of CHF 0.9 billion in third quarter compared with an outflow of CHF 0.4 billion in the same period a year earlier, mainly due to higher inflows from existing clients.

UBS Financial Highlights
UBS Group

	As of or for the quarter ended			% change from		Year to date	
	30.9.07	30.6.07	30.9.06	2Q07	3Q06	30.9.07	30.9.06
<i>CHF million, except where indicated</i>	30.9.07						
Operating profit before tax (from continuing and discontinued operations)	(726)	6,236	2,814			9,902	11,619
Net profit attributable to UBS shareholders	(830)	5,622	2,199			8,067	8,850
Net profit attributable to minority interests	117	149	105	(21)	11	428	397

Performance indicators from continuing operations

Diluted earnings per share (CHF) ¹	(0.49)	2.69	1.07			3.87	4.04
Return on equity attributable to UBS shareholders (%) ²						20.7	26.0

Financial Businesses ³

Operating income	6,169	15,651	10,462	(61)	(41)	35,167	34,899
Operating expenses	7,123	9,695	7,715	(27)	(8)	25,909	24,137
Net profit attributable to UBS shareholders from continuing operations	(1,086)	5,152	2,114			7,248	8,194
Cost / income ratio (%) ⁴	115.2	62.0	73.8			73.7	69.4
Net new money (CHF billion) ⁵	38.3	34.0	41.9			125.1	126.2
Personnel (full-time equivalents)	83,814	81,557	75,593	3	11		

UBS balance sheet & capital management
Balance sheet key figures

Total assets	2,484,235	2,539,741	2,261,009	(2)	10		
Equity attributable to UBS shareholders	48,229	51,259	48,094	(6)	0		
Market capitalization	127,525	151,203	156,615	(16)	(19)		

BIS capital ratios

Tier 1 (%) ⁶	10.6	12.3	12.2				
Total BIS (%)	13.6	15.5	15.1				
Risk-weighted assets	390,320	378,430	331,697	3	18		
Invested assets (CHF billion)	3,265	3,265	2,879	0	13		

Long-term ratings

Fitch, London	AA+	AA+	AA+				
Moody's, New York	Aaa	Aaa	Aa2				
Standard & Poor's, New York ⁷	AA+	AA+	AA+				

¹ For the EPS calculation, see note 8 to the financial statements in the third quarter 2007 report. ² Net profit attributable to UBS shareholders from continuing operations year to date (annualized as applicable) / average equity attributable to UBS shareholders less distributions (estimated as applicable). ³ Excludes results from industrial holdings. ⁴ Operating expenses / operating income less credit loss expense or recovery. ⁵ Excludes interest and dividend income. ⁶ Includes hybrid Tier 1 capital. Please refer to the BIS capital and ratios table in the capital management section of the third quarter 2007 report. ⁷ Standard & Poor's long-term rating was changed to AA on 1 October 2007.

UBS Financial Highlights (USD)	
USD-convenience translation (spot rate of CHF/USD as of 30.9.07):	1.16
UBS income statement	
	As of or for the quarter ended
<i>USD million, except where indicated</i>	30.9.07
Operating profit before tax (from continuing and discontinued operations)	(626)
Net profit attributable to UBS shareholders	(716)
Net profit attributable to minority interests	101
Performance indicators from continuing operations	
Diluted earnings per share (USD) ¹	(0.42)
Return on equity attributable to UBS shareholders (%) ²	20.7
Financial Businesses ³	
Operating income	5,318
Operating expenses	6,141
Net profit attributable to UBS shareholders from continuing operations	(936)
Cost / income ratio (%) ⁴	115.2
Net new money (USD billion) ⁵	33.0
Personnel (full-time equivalents)	83,814
UBS balance sheet & capital management	
Balance sheet key figures	
Total assets	2,141,582
Equity attributable to UBS shareholders	41,577
Market capitalization	109,935
BIS capital ratios	
Tier 1 (%) ⁶	10.6
Total BIS (%)	13.6
Risk-weighted assets	336,483
Invested assets (USD billion)	2,815

¹ For the EPS calculation, see note 8 to the financial statements in the third quarter 2007 report. ² Net profit attributable to UBS shareholders year to date (annualized) / average equity attributable to UBS shareholders less distributions (estimated as applicable) ³ Excludes results from industrial holdings. ⁴ Operating expenses / operating income less credit loss expense or recovery. ⁵ Excludes interest and dividend income. ⁶ Includes hybrid Tier 1 capital, please refer to the BIS capital and ratios table in the capital management section of the third quarter 2007 report.

Results from the Financial Businesses

The attributable loss in UBS's core operational businesses (financial businesses' attributable loss from continuing operations) was CHF 1,086 million, down from a net profit of CHF 2,114 million a year earlier and a profit of CHF 3,455 million in second quarter (excluding the sale of the Julius Baer stake and DRCM closure costs). Including these two items, profit in second quarter 2007 was CHF 5,152 million.

Global Wealth Management & Business Banking

Global Wealth Management & Business Banking's pre-tax profit was a record CHF 2,388 million in third quarter 2007, an increase of CHF 47 million, or 2%, from second quarter 2007.

Pre-tax profit for *Wealth Management International & Switzerland* business, at an all-time high of CHF 1,616 million, was up 5% from second quarter. Total operating income increased 4% as recurring income rose due to the higher average asset base. Non-recurring income, however, fell slightly on lower levels of client activity in the quarter.

Operating expenses rose 3% from second quarter. Personnel expenses were up, mainly reflecting higher personnel levels and performance-related accruals. General and administrative expenses rose marginally.

In third quarter 2007, pre-tax profit in the *Wealth Management US* business was CHF 181 million, up 12% from CHF 161 million in second quarter 2007. In US dollar terms, pre-tax profit increased 14% to a record USD 151 million. The improvement was due to lower general and administrative expenses, reflecting a significant decline in legal and litigation expenses.

Total operating income fell 1% in Swiss francs, but was up 1% in US dollar terms.

Total operating expenses were down 2% and down 1% in US dollar terms, reflecting a decline in legal and litigation costs. Personnel expenses were up 1%, a result of increased financial advisor compensation related to higher compensable revenue, and a rise in salary costs.

Business Banking Switzerland reported a pre-tax profit of CHF 591 million, down from CHF 637 million in second quarter, when it recorded a number of revaluation gains from equity participations. Total operating income fell marginally from second quarter, despite a rise in interest income, and operating expenses were down slightly, reflecting lower performance-related accruals.

Global Asset Management

Pre-tax profit was CHF 369 million in third quarter 2007, up from CHF 66 million in second quarter 2007, which included DRCM closure costs of CHF 384 million. Excluding DRCM closure costs, pre-tax profit fell 18% from CHF 450 million in second quarter. This largely reflected a decline in performance fees.

Total operating income in third quarter 2007 was CHF 942 million, down 13% from the previous quarter. *Institutional* revenues were CHF 503 million in third quarter 2007, down from CHF 642 million in second quarter 2007, reflecting lower performance fees from alternative and quantitative investments and the Brazilian asset management business. *Wholesale Intermediary* revenues were CHF 439 million in third quarter 2007, up slightly from CHF 436 million a quarter earlier with the inclusion of UBS Hana Asset Management, partly offset by lower performance fees.

Total operating expenses were CHF 573 million in third quarter 2007, down from CHF 1,012 million in second quarter. Expenses declined 9% from the second quarter level, excluding DRCM costs. This mainly reflected lower incentive-based compensation. Personnel expenses were CHF 413 million in third quarter 2007. Adjusted for DRCM closure costs, they were down 10% from second quarter 2007, as incentive-based compensation declined in line with performance fees. General and administrative expenses were CHF 107 million in third quarter 2007, down from CHF 124 million a

quarter earlier (excluding DRCM closure costs), mostly due to lower legal, IT and travel and entertainment costs.

Investment Bank

In third quarter 2007, the Investment Bank recorded a loss of CHF 3,680 million compared with a pre-tax profit of CHF 1,083 million in the same period a year earlier.

Total operating income in third quarter 2007 was negative CHF 1,419 million. In the same period a year earlier, total operating income was positive CHF 4,500 million.

The *equities* business posted revenues of CHF 1,709 million this quarter, essentially flat compared with the same period in 2006. A poor performance in statistical arbitrage and other proprietary trading led to losses, which were almost fully offset by stronger revenues in most other equities businesses. Cash equities rose on strong global volumes in the quarter, as record levels of transactions were processed. This led to an all-time high in commissions. Derivatives remained very strong, posting higher revenues in all regions on rising structured products revenues. Prime brokerage revenues grew significantly, driven by the increased client base and higher average client balances, although this was partially offset by lower client spreads. Exchange-traded derivatives experienced another record quarter driven by greater volatility and higher volumes, the latter helped by the acquisition of ABN AMRO's futures and options business in 2006.

Fixed income, currencies and commodities (FICC) revenues were negative CHF 4,226 million in third quarter 2007, down from positive CHF 1,964 million in the same quarter a year ago. The rates business recorded significant losses in mortgage-backed and asset-backed securities, driven by markdowns in the collateralized debt obligation (CDO) portfolio and the residential mortgage-related trading business. Additionally, the deteriorating market for US residential mortgage-backed securities in August led to further markdowns of structured notes. Credit fixed income recorded losses in proprietary US credit trading. Markdowns of leveraged finance positions were limited to CHF 480 million, gross of fees, and affected FICC as well as the investment banking business. Despite these large losses, certain areas of FICC posted positive results. In the rates business, both the flow derivatives and government bonds businesses recorded strong client revenues. The emerging markets business saw a very strong improvement in performance, particularly in Latin America, driven by the acquisition of Banco Pactual in 2006, and increases in the Asia Pacific region. In the money markets, currencies and commodities business, UBS saw strong revenues in derivatives and emerging markets, as well as record results in the FX spot business. Commodities revenues declined due to a reduction in own trading positions, as well as low market volatility during the summer months, which led to a decrease in client flow in the power and gas markets, partly offset by strong revenue growth in precious metals, crude oil and structured products.

Investment banking revenues, at CHF 1,103 million, rose to the second highest level ever, and were up 38% from third quarter 2006. Europe, the Middle East and Africa and the Americas recorded double-digit revenue growth, while revenues in Asia Pacific were down from an outstanding quarter a year ago. Revenues from the advisory business increased significantly, as did results in equity capital markets, which more than offset a decrease in debt capital markets revenues, reflecting poor credit market conditions. Compared with the record set in second quarter 2007, investment banking revenues fell 16%, with decreases seen in all products except advisory, which recorded an improvement.

Total operating expenses in third quarter 2007 were down 34% from the same period last year.

Personnel expenses were down 49%, reflecting lower accruals of performance-related compensation and a change in the composition of bonus between cash and shares. This was slightly offset by a rise in salaries, which reflected higher numbers of personnel. Expenses for share-based compensation were up 3%, mainly reflecting accelerated amortization of deferred compensation for good leavers.

General and administrative expenses grew by 7% to CHF 801 million from third quarter 2006 due to higher occupancy costs, which were driven by additional space requirements and higher rents. Increases in professional fees and consultancy costs also pushed general and administrative expenses up.

Media release available at www.ubs.com/media

Further information on UBS's quarterly results is available at www.ubs.com/investors

- 3Q2007 Report (pdf and interactive version)
- 3Q2007 Results slide presentation
- Letter to shareholders (English, German, French and Italian)

Webcast: The results presentation, with Marcel Rohner, Chief Executive Officer, Marco Suter, Chief Financial Officer, and Tom Hill, Chief Communications Officer, will be webcast live on www.ubs.com at the following time on 30 October 2007:

- 0900 CET
- 0800 GMT
- 0300 US EST

Webcast playback will be available from 1400 CET on 30 October 2007.

Cautionary statement regarding forward-looking statements

This communication contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to the implementation of strategic initiatives and other statements relating to our future business development and economic performance. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, (1) general market and macro-economic trends, (2) legislative developments, governmental and regulatory trends, (3) movements in local and international securities markets, currency exchange rates and interest rates, (4) competitive pressures, (5) technological developments, (6) changes in the financial position or creditworthiness of our customers, obligors and counterparties and developments in the markets in which they operate, (7) management changes and changes to our Business Group structure and (8) other key factors that we have indicated could adversely affect our business and financial performance which are contained in other parts of this document and in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth elsewhere in this document and 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 2006 and other reports on Form 6-K filed after the Form 20-F. UBS is not under any obligation to (and expressly disclaims any such obligations to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

Reporting by Business Group and Unit

<i>CHF million</i>	Total operating income			Total operating expenses			Performance before tax from continuing operations		
	30.9.07	30.9.06	% change	30.9.07	30.9.06	% change	30.9.07	30.9.06	% change
For the quarter ended	30,907			30,907			30,907		
Global Wealth Management & Business Banking									
Wealth Management International & Switzerland	3,315	2,611	27	1,699	1,385	23	1,616	1,226	32
Wealth Management US	1,678	1,423	18	1,497	1,380	8	181	43	321
Business Banking Switzerland	1,349	1,297	4	758	729	4	591	568	4
Global Asset Management	942	728	29	573	444	29	369	284	30
Investment Bank	(1,419)	4,500		2,261	3,417	(34)	(3,680)	1,083	
Corporate Center	304	(97)		335	360	(7)	(31)	(457)	93
Financial Businesses	6,169	10,462	(41)	7,123	7,715	(8)	(954)	2,747	

Income statement (unaudited)							
	Quarter ended			% change from		Year to date	
<i>CHF million, except per share data</i>	30.9.07	30.6.07	30.9.06	2Q07	3Q06	30.9.07	30.9.06
Continuing operations							
Interest income	28,339	29,011	22,611	(2)	25	83,292	62,996
Interest expense	(26,676)	(28,182)	(20,773)	(5)	28	(79,492)	(58,000)
Net interest income	1,663	829	1,838	101	(10)	3,800	4,996
Credit loss (expense) / recovery	(15)	14	14			0	135
Net interest income after credit loss expense	1,648	843	1,852	95	(11)	3,800	5,131
Net fee and commission income	7,864	8,099	6,095	(3)	29	23,359	18,746
Net trading income	(3,546)	4,121	2,423			5,110	9,917
Other income	386	2,948	147	(87)	163	3,578	1,287
Revenues from industrial holdings	114	109	141	5	(19)	335	403
Total operating income	6,466	16,120	10,658	(60)	(39)	36,182	35,484
Personnel expenses	4,828	7,153	5,368	(33)	(10)	18,822	17,586
General and administrative expenses	2,015	2,282	2,058	(12)	(2)	6,220	5,768
Depreciation of property and equipment	314	325	319	(3)	(2)	942	892
Amortization of intangible assets	63	66	31	(5)	103	214	100
Goods and materials purchased	61	58	75	5	(19)	178	207
Total operating expenses	7,281	9,884	7,851	(26)	(7)	26,376	24,553
Operating profit from continuing operations before tax	(815)	6,236	2,807			9,806	10,931
Tax expense	(13)	725	510			1,665	2,288
Net profit from continuing operations	(802)	5,511	2,297			8,141	8,643
Discontinued operations							
Profit from discontinued operations before tax	89	0	7			96	688
Tax expense	0	(260)	0	100		(258)	84
Net profit from discontinued operations	89	260	7	(66)		354	604
Net profit	(713)	5,771	2,304			8,495	9,247
Net profit attributable to minority interests	117	149	105	(21)	11	428	397
from continuing operations	117	149	105	(21)	11	428	294
from discontinued operations	0	0	0			0	103
Net profit attributable to UBS shareholders	(830)	5,622	2,199			8,067	8,850
from continuing operations	(919)	5,362	2,192			7,713	8,349
from discontinued operations	89	260	7	(66)		354	501
Earnings per share							
Basic earnings per share (CHF)	(0.43)	2.90	1.11			4.18	4.47
from continuing operations	(0.48)	2.77	1.11			4.00	4.22
from discontinued operations	0.05	0.13	0.00	(62)		0.18	0.25
Diluted earnings per share (CHF)	(0.44)	2.82	1.07			4.05	4.28
from continuing operations	(0.49)	2.69	1.07			3.87	4.04
from discontinued operations	0.05	0.13	0.00	(62)		0.18	0.24