

28 October 2014

News Release

UBS third-quarter net profit attributable to shareholders CHF 762 million

Combined wealth management businesses' adjusted¹ profit before tax over CHF 1 billion

Wealth management businesses' net new money CHF 14.4 billion

Underlying¹ profit before tax CHF 1.7 billion

Net charges for provisions for litigation, regulatory and similar matters CHF 1.8 billion

Net tax benefit CHF 1.3 billion reflecting annual revaluation of deferred tax assets

Fully applied Basel III Swiss SRB CET1 ratio increased to 13.7%

Zurich/Basel, 28 October 2014 – UBS delivered a strong underlying¹ profit before tax of CHF 1.7 billion for the third quarter of 2014, demonstrating the fundamental earnings power of its franchise. On a reported basis, UBS recorded a net profit attributable to shareholders of CHF 762 million and a loss before tax of CHF 554 million. The result included a net tax benefit of CHF 1.3 billion reflecting annual revaluation of deferred tax assets and net charges of CHF 1.8 billion related to provisions for litigation, regulatory and similar matters. UBS has the highest CET1 capital ratio among its peers and is well ahead of current regulatory capital requirements.

All of UBS's business divisions and regions achieved strong underlying¹ results in what is seasonally a slower quarter. The firm's wealth management businesses recorded combined net new money amounting to CHF 14.4 billion and, excluding money market flows, net new money in Global Asset Management totaled CHF 3.8 billion. Together, UBS's wealth management businesses' adjusted¹ profit before tax exceeded CHF 1 billion. Wealth Management recorded its highest quarterly adjusted¹ profit before tax since the second quarter of 2009, Wealth Management Americas achieved record recurring income and Retail & Corporate reported its strongest quarterly adjusted¹ profit before tax in four years. Global Asset Management achieved its highest adjusted¹ profit before tax in six quarters. The Investment Bank delivered its best third-quarter adjusted¹ revenues since 2010, with Corporate Client Solutions and equities showing robust growth compared with the third quarter of 2013.

Group highlights

- Underlying¹ profit before tax CHF 1.7 billion
- Net profit attributable to UBS shareholders CHF 762 million; diluted earnings per share CHF 0.20
- Fully applied Swiss SRB Basel III CET1 ratio 13.7%
- Fully applied Swiss SRB Basel III leverage ratio 4.2%

Business division highlights

- **Wealth Management** adjusted¹ profit before tax increased to CHF 767 million, the highest quarterly adjusted¹ profit before tax since the second quarter of 2009; net new money remained strong at CHF 9.8 billion and positive in all regions; the gross margin on invested assets was up 2 basis points at 86 basis points; the adjusted¹ cost / income ratio improved significantly and was within the target range
- **Wealth Management Americas** adjusted¹ profit before tax increased to USD 267 million on record revenues and record financial advisor productivity; net new money improved significantly to USD 4.9 billion; the adjusted¹ cost / income ratio and gross margin on invested assets both remained within the target ranges
- **Retail & Corporate** adjusted¹ profit before tax increased to CHF 446 million, the strongest quarterly profit in four years; net interest margin, annualized net new business volume growth rate for our retail business and adjusted¹ cost / income ratio were all within the target ranges
- **Global Asset Management** adjusted¹ profit before tax increased to CHF 151 million, the highest in six quarters; net new money excluding money market flows was CHF 3.8 billion; the adjusted¹ cost / income ratio improved and remained within target range
- **Investment Bank** underlying¹ profit before tax was CHF 494 million; best third-quarter adjusted¹ revenues in equities since 2010; the business continued to operate within its funded assets and risk-weighted assets (RWA) limits; on an underlying¹ basis, overall efficiency improved with a cost / income ratio of 75.2% and an annualized return on attributed equity of 26.7%

Commenting on UBS's third-quarter results, **Group Chief Executive Officer Sergio P. Ermotti** said, "I am very pleased with our underlying performance for the quarter, which again demonstrates the strength of our franchise. At the same time, we are actively addressing litigation and regulatory matters. Three years since introducing our strategy, the business is far stronger, its earnings power is much greater and our absolute and relative capital position speaks for itself. That gives us every confidence in our ability to deliver on our capital returns policy."

Group overview

For the third quarter of 2014, we reported a net profit attributable to shareholders of CHF 762 million and diluted earnings per share of CHF 0.20. The result included net charges of CHF 1,836 million related to provisions for litigation, regulatory and similar matters and a net tax benefit of CHF 1,317 million. We recorded a strong underlying¹ profit before tax of CHF 1,653 million, demonstrating the fundamental earnings power of our franchise. In the third quarter, we maintained our industry-leading capital position. Our fully applied Basel III common equity tier 1 (CET1) ratio improved to 13.7% as we further reduced RWA, mainly within operational risk, and despite headwinds from foreign exchange, higher volatility and the effect of litigation provisions on our profitability. Our fully applied Swiss SRB leverage ratio was 4.2%, and we maintained robust liquidity and funding positions. As a consequence of our strong capital position and earnings power, we have every confidence in our ability to deliver on our capital return.

Wealth Management achieved an adjusted¹ profit before tax of CHF 767 million, up CHF 374 million from the prior quarter. The result reflected lower charges for provisions for litigation, regulatory and similar matters and increased operating income, largely as a result of both higher recurring net fee income and net interest income. The gross margin on invested assets increased 2 basis points to 86 basis points from the prior quarter. Net new money remained strong at CHF 9.8 billion compared with CHF 10.7 billion, with positive contributions from all regions and Asia Pacific in particular. The business's annualized net new money growth rate remained within the target range and its adjusted¹ cost / income ratio improved significantly, placing it within the current target range.

Wealth Management Americas delivered another strong performance with an adjusted¹ profit before tax of USD 267 million, an increase of USD 21 million on record revenues and record financial advisor productivity. Recurring net fee income and net interest income increased during the quarter. This more than outweighed the reduction in transaction-based income reflecting the typical seasonal decline in client activity levels. Net new money improved significantly to USD 4.9 billion from negative USD 2.5 billion in the prior quarter, reflecting net inflows from financial advisors employed with UBS for more than one year compared with net outflows in the prior quarter. The business's annualized net new money growth rate was slightly below the target range. The adjusted¹ cost / income ratio and the gross margin on invested assets both remained within their target ranges.

Retail & Corporate's adjusted¹ profit before tax increased by CHF 79 million to CHF 446 million, mainly reflecting lower charges for provisions for litigation, regulatory and similar matters coupled with higher net interest and transaction-based income. This was partly offset by higher credit loss expenses for the quarter. Net interest margin, annualized net new business volume growth rate for our retail business and adjusted¹ cost / income ratio were all within the target ranges.

Global Asset Management recorded an adjusted¹ profit before tax of CHF 151 million, CHF 44 million higher than in the prior quarter, which included charges for provisions for litigation, regulatory and similar matters. Net management fees increased, mainly in traditional investments and also in global real estate. Performance fees declined, primarily in the O'Connor and A&Q business line, partly offset by increases in traditional investments and global real estate. The business's adjusted¹ cost / income ratio improved and was within the target range. The gross margin on invested assets was in line with the prior quarter and slightly below the target range. Net new money excluding money market flows was CHF 3.8 billion compared with a very strong CHF 11.6 billion in the prior quarter. The annualized net new money growth rate was slightly below the target range.

The **Investment Bank** achieved an underlying¹ profit before tax of CHF 494 million, a strong performance achieved during the traditionally slow summer period. The result reflected lower revenues in Corporate Client Solutions, mainly due to reduced capital markets activity levels, while Investor Client Services revenues were stable compared with the prior quarter. Underlying¹ operating expenses were lower than in the prior quarter. The Investment Bank achieved its strongest third-quarter adjusted¹ revenues in equities since 2010, largely as a result of higher revenues in derivatives and financing services. Increased foreign exchange volatility towards the end of the quarter benefited revenues. Corporate Client Solutions performed strongly year-on-year. On an underlying¹ basis, the Investment Bank improved efficiency overall with a cost / income ratio of 75.2% and an annualized return on attributed equity for the third quarter of 26.7%. Results on a reported basis were impacted by CHF 1,687 million in charges for provisions for litigation, regulatory and similar matters and fell below the target range for adjusted¹ annualized pre-tax return on attributed equity and rose above the target range for adjusted¹ cost / income ratio.

Corporate Center – Core Functions reported a loss before tax of CHF 190 million. The loss before tax in **Corporate Center – Non-core and Legacy Portfolio** was CHF 603 million. Operating income declined, reflecting a net loss of CHF 252 million related to the incorporation of funding valuation adjustments into the fair value measurement of uncollateralized and partially collateralized derivatives. We continued to reduce our exposures well ahead of plan, as fully applied RWA decreased by CHF 10 billion to CHF 42 billion and balance sheet assets were CHF 9 billion lower. We expect to make further progress in exiting the remaining Non-core and Legacy positions.

Results by business division and Corporate Center

<i>CHF million</i>	Total operating income			Total operating expenses			Operating profit / (loss) before tax		
For the quarter ended	30.9.14	30.6.14	% change	30.9.14	30.6.14	% change	30.9.14	30.6.14	% change
Wealth Management	2,031	1,921	6	1,324	1,566	(15)	707	355	99
Wealth Management Americas	1,779	1,684	6	1,543	1,473	5	236	211	12
Retail & Corporate	958	938	2	532	584	(9)	426	354	20
Global Asset Management	489	465	5	335	359	(7)	154	105	47
Investment Bank	1,937	2,284	(15)	3,221	1,704	89	(1,284)	579	
Corporate Center	(318)	(145)	119	475	242	96	(793)	(387)	105
<i>of which: Core Functions</i>	5	23	(78)	194	(2)		(190)	25	
<i>of which: Non-core and Legacy Portfolio</i>	(322)	(167)	93	280	245	14	(603)	(412)	46
UBS	6,876	7,147	(4)	7,430	5,929	25	(554)	1,218	

Outlook – At the start of the fourth quarter of 2014, many of the underlying challenges and geopolitical issues that we have previously highlighted remain and in some cases have intensified. A number of new concerns have arisen including fear of risks related to the Ebola virus. 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 and increasing geopolitical instability would make improvements in prevailing market conditions unlikely. Despite these ongoing 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.

Operating expense guidance

As a result of our clean slate budgeting and planning process and the more granular plans we have developed to achieve our CHF 2.1 billion net cost reduction target, we have updated our guidance on restructuring costs for 2014 and 2015, and extended the horizon for guidance to include 2016 and 2017. We now estimate restructuring costs of approximately CHF 700 million for 2014 and CHF 1.4 billion for 2015. For 2016, we estimate restructuring costs of CHF 900 million and CHF 400 million in 2017. Further, we estimate that we will incur approximately CHF 100 million additionally per year from 2015 to 2017 to achieve our planned cost reductions.

In view of the current regulatory and political climate affecting financial institutions, and because we continue to be exposed to a number of significant claims and regulatory matters, we expect charges associated with litigation, regulatory and similar matters to remain at elevated levels through 2014. At this point in time, we believe that the industry continues to operate in an environment where charges associated with litigation, regulatory and similar matters will remain elevated for the foreseeable future.

¹ Please refer to the "Adjusted and underlying results" section below for information on adjusted and underlying results.

UBS key figures

CHF million, except where indicated	As of or for the quarter ended			As of or year-to-date		
	30.9.14	30.6.14	31.12.13	30.9.13	30.9.14	30.9.13
Group results						
Operating income	6,876	7,147	6,307	6,261	21,281	21,425
Operating expenses	7,430	5,929	5,858	5,906	19,224	18,602
Operating profit / (loss) before tax	(554)	1,218	449	356	2,057	2,823
Net profit / (loss) attributable to UBS shareholders	762	792	917	577	2,609	2,255
Diluted earnings per share (CHF) ¹	0.20	0.21	0.24	0.15	0.68	0.59
Key performance indicators ²						
Profitability						
Return on equity (RoE) (%)	6.1	6.4	7.7	4.9	7.1	6.4
Return on assets, gross (%)	2.7	2.9	2.4	2.3	2.8	2.5
Cost / income ratio (%)	107.5	82.8	92.7	94.1	90.3	86.7
Growth						
Net profit growth (%)	(3.8)	(24.9)	58.9	(16.4)	15.7	
Net new money growth for combined wealth management businesses (%)	3.1	1.9	2.4	1.6	2.7	3.6
Resources						
Common equity tier 1 capital ratio (fully applied, %) ³	13.7	13.5	12.8	11.9	13.7	11.9
Swiss SRB leverage ratio (phase-in, %)	5.4	5.3	4.7	4.2	5.4	4.2
Additional information						
Profitability						
Return on tangible equity (%) ⁴	7.1	7.5	9.1	5.9	8.3	7.6
Return on risk-weighted assets, gross (%) ⁵	12.2	12.5	11.2	10.8	12.4	11.5
Resources						
Total assets	1,049,258	982,605	1,018,374	1,049,101	1,049,258	1,049,101
Equity attributable to UBS shareholders	50,824	49,532	48,002	47,403	50,824	47,403
Common equity tier 1 capital (fully applied) ³	30,047	30,590	28,908	26,019	30,047	26,019
Common equity tier 1 capital (phase-in) ³	42,464	41,858	42,179	38,963	42,464	38,963
Risk-weighted assets (fully applied) ³	219,296	226,736	225,153	218,926	219,296	218,926
Risk-weighted assets (phase-in) ³	222,648	229,908	228,557	222,306	222,648	222,306
Common equity tier 1 capital ratio (phase-in, %) ³	19.1	18.2	18.5	17.5	19.1	17.5
Total capital ratio (fully applied, %) ³	18.7	18.1	15.4	14.3	18.7	14.3
Total capital ratio (phase-in, %) ³	24.9	23.9	22.2	21.8	24.9	21.8
Swiss SRB leverage ratio (fully applied, %)	4.2	4.2	3.4	3.0	4.2	3.0
Swiss SRB leverage ratio denominator (fully applied) ⁶	985,071	980,552	1,020,247	1,055,956	985,071	1,055,956
Swiss SRB leverage ratio denominator (phase-in) ⁶	991,730	986,577	1,027,864	1,063,294	991,730	1,063,294
Other						
Invested assets (CHF billion) ⁷	2,640	2,507	2,390	2,339	2,640	2,339
Personnel (full-time equivalents)	60,292	60,087	60,205	60,635	60,292	60,635
Market capitalization ⁸	64,047	62,542	65,007	71,066	64,047	71,066
Total book value per share (CHF) ⁸	13.54	13.20	12.74	12.58	13.54	12.58
Tangible book value per share (CHF) ⁸	11.78	11.54	11.07	10.89	11.78	10.89

1 Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Financial information" section of the third 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 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. **3** Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRB). Refer to the "Capital management" section of the third 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. **6** 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 third quarter 2014 report for more information. **7** Group invested assets includes invested assets for Retail & Corporate. **8** Refer to the "UBS shares" section of the third quarter 2014 report for more information.

Income statement

CHF million, except per share data	For the quarter ended			% change from		Year-to-date	
	30.9.14	30.6.14	30.9.13	2Q14	3Q13	30.9.14	30.9.13
Interest income	3,352	3,337	3,147	0	7	9,880	10,172
Interest expense	(1,478)	(2,095)	(1,596)	(29)	(7)	(5,192)	(5,932)
Net interest income	1,874	1,242	1,551	51	21	4,688	4,240
Credit loss (expense) / recovery	(32)	(14)	(17)	129	88	(18)	(35)
Net interest income after credit loss expense	1,842	1,229	1,534	50	20	4,670	4,204
Net fee and commission income	4,273	4,296	3,831	(1)	12	12,680	12,190
Net trading income	700	1,347	543	(48)	29	3,404	4,526
Other income	61	276	353	(78)	(83)	526	505
Total operating income	6,876	7,147	6,261	(4)	10	21,281	21,425
Personnel expenses	3,739	3,842	3,567	(3)	5	11,548	11,522
General and administrative expenses	3,468	1,871	2,126	85	63	7,018	6,424
Depreciation and impairment of property and equipment	203	197	191	3	6	598	595
Amortization and impairment of intangible assets	20	19	21	5	(5)	60	61
Total operating expenses	7,430	5,929	5,906	25	26	19,224	18,602
Operating profit / (loss) before tax	(554)	1,218	356			2,057	2,823
Tax expense / (benefit)	(1,317)	314	(222)		493	(665)	361
Net profit / (loss)	763	904	578	(16)	32	2,722	2,462
Net profit / (loss) attributable to preferred noteholders	0	111	0	(100)		111	204
Net profit / (loss) attributable to non-controlling interests	1	1	1	0	0	2	3
Net profit / (loss) attributable to UBS shareholders	762	792	577	(4)	32	2,609	2,255
Earnings per share (CHF)							
Basic	0.20	0.21	0.15	(5)	33	0.69	0.60
Diluted	0.20	0.21	0.15	(5)	33	0.68	0.59

UBS's Third Quarter 2014 Report, letter to shareholders and slide presentation will be available from 06:45 CET on Tuesday 28 October 2014 at www.ubs.com/investors.

UBS will hold a presentation of its third quarter 2014 results on Tuesday 28 October 2014. The results will be presented by Sergio P. Ermotti, Group Chief Executive Officer, Tom Naratil, Group Chief Financial Officer and Group Chief Operating Officer, Caroline Stewart, Global Head of Investor Relations, and Hubertus Kuelps, Group Head of Communications & Branding.

Time

09:00 (CET)

08:00 (GMT)

04:00 (US EDT)

Audio webcast

The presentation can be followed live on www.ubs.com/quarterlyreporting with a simultaneous slide show.

An audio playback of the results presentation will be made available at www.ubs.com/investors under "[Investor Relations](#)."

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Cautionary Statement Regarding Forward-Looking Statements – 3Q14

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 (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, a holding company for the UBS Group (including the pending offer to exchange shares of UBS AG for shares of such holding company), 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 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.

Adjusted and Underlying Results

Unless otherwise indicated, third-quarter 2014 “adjusted” figures exclude each of the following items, to the extent applicable, on a Group and business division level: own credit gain of CHF 61 million, a loss of CHF 48 million related to the impairment of a financial investment available-for-sale, net restructuring charges of CHF 176 million and a credit of CHF 33 million related to changes to a retiree benefit plan in the US. For the second quarter of 2014, the items we excluded were an own credit gain of CHF 72 million, gains of CHF 1 million on sales of real estate, a gain of CHF 43 million from the partial sale of our investment in Markit and net restructuring charges of CHF 89 million. Unless otherwise indicated, “underlying” figures further exclude each of the following items, to the extent applicable, on a Group and business division level: net charges for provisions for litigation, regulatory and similar matters of CHF 1,836 million in the third quarter and CHF 254 million in the second quarter recorded within operating expenses, as well as credits of CHF 26 million in the third quarter and CHF 25 million in the second quarter related to the release of a provision for litigation, regulatory and similar matters which were recorded as other income, the net loss of CHF 267 million upon implementation of funding valuation adjustments in the third quarter and an impairment charge of CHF 78 million related to certain disputed receivables in the second quarter. Adjusted and underlying results are non-GAAP financial measures as defined by SEC regulations. Refer to the “Group Performance” and “Investment Bank” sections of the Third Quarter 2014 Report for more information on adjusted and underlying results.

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.