

# Third Quarter 2015

3 November 2015

## Dear Shareholders,

The macroeconomic backdrop for the quarter was very challenging as the S&P 500 and STOXX 600 had their worst quarterly performance since 2011 and market volatility rose to highs not seen since this period. Clients were very cautious and stayed on the sidelines of markets. This was particularly clear in Wealth Management with client transactional activity dropping to its lowest level in four years. In such periods of market uncertainty, our market insight and expert advice are highly appreciated by our clients. The performance of all asset classes reflected concerns about the economic outlook for China, with markets pricing in the potential for an economic hard landing. In July and August, a US rate hike was expected by markets and drove tensions in emerging markets, but in September expectations swung as the Fed refrained from raising rates. This exacerbated concerns about the slowdown in global growth and added to the seasonal impact we typically experience over the summer months.

Our third-quarter performance was solid, despite this extremely challenging environment. Once again, we demonstrated the benefits of our clear strategic direction, business mix, client-centric model and disciplined execution. We also stayed focused on risk control and effective resource allocation. The Group reported a net profit attributable to shareholders of CHF 2,068 million, with diluted earnings per share of CHF 0.54 and adjusted<sup>1</sup> profit before tax of CHF 979 million. The third quarter included a net tax benefit of CHF 1,295 million, mainly related to a net upward revaluation of our deferred tax assets, as well as CHF 592 million of net charges for provisions for litigation, regulatory and similar matters and CHF 298 million of net restructuring charges.

During the quarter, we completed the squeeze-out of minority shareholders of UBS AG and, in line with our commitment to return capital to shareholders, we distributed the previously announced supplementary dividend of CHF 0.25 per share to UBS Group AG shareholders.

UBS remains the best-capitalized large global bank, with a fully applied Swiss SRB Basel III CET1 capital ratio of 14.3% as of 30 September 2015, above our target of at least 13%. Our fully applied Swiss SRB leverage ratio increased to 5.0%. The bank issued CHF 1.5 billion of high-trigger additional tier 1 (AT1) perpetual capital notes in the third quarter. Also during the quarter, we completed our inaugural issuance of senior unsecured debt which will contribute to our total loss-absorbing capacity (TLAC), successfully placing CHF 4.2 billion of senior unsecured notes in anticipation of international regulatory developments, including revisions in the Swiss too big to fail framework.

On 21 October, the Swiss Federal Council proposed stricter capital rules for global systemically important banks, making the Swiss regime by far the most demanding in the world on a relative basis. The Swiss government's proposal sets out a targeted leverage ratio of 5% to qualify as well capitalized including at least 3.5% CET1 and up to 1.5% high-trigger AT1 capital. UBS intends to meet the newly proposed CET1 leverage ratio requirement of 3.5% by retaining sufficient earnings, while maintaining its commitment to a capital return payout ratio of at least 50% of net profit, subject to maintaining a fully applied Basel III CET1 ratio of at least 13% and 10% post-stress. Also, UBS plans to continue its issuance of AT1 instruments and TLAC-eligible senior debt to meet the new requirement without the need to increase the Group's overall funding level. We will become compliant with the newly proposed rules at inception and intend to use the four-year phase-in period to fully implement the new requirements. To mitigate the additional substantial costs associated with the requirements to hold higher levels of equity and TLAC-eligible debt, we will continue to seek opportunities to reduce costs, to optimize our balance sheet and to reflect the increased cost of capital in our pricing of products and services.

Continuously improving effectiveness and efficiency is a key priority for us. We remain fully committed to our cost reduction target of CHF 2.1 billion and we made good progress in the third quarter, while continuing to carry significant regulatory costs. Improved efficiency allows us to continue our investments in technology, compliance and risk control, while creating the right cost structure to support long-term growth, particularly in Asia and the Americas.

Looking at the performance of our businesses in more detail, **Wealth Management** delivered a resilient adjusted<sup>1</sup> profit before tax of CHF 698 million against a backdrop of high market volatility, pronounced deleveraging in Asia and very low client activity levels. Net interest income rose on higher lending and deposit revenues. Despite lower average invested assets, recurring net fee income fell only slightly, as it was partly offset by increased mandate penetration, up 70 basis points to 27% of invested assets, and the continued effect of pricing initiatives. Transaction-based income declined primarily in Asia Pacific and Europe, mainly reflecting reduced client activity in response to market volatility. Net new money adjusted for the outflows from the balance sheet and capital optimization program was CHF 3.5 billion, driven by inflows from all regions.

<sup>1</sup> Refer to the "Group performance" section of the third quarter 2015 report for more information on adjusted results.

**Wealth Management Americas** delivered a solid adjusted<sup>1</sup> profit before tax of USD 287 million, up 24% on the previous quarter. Overall operating income was broadly unchanged and productivity per advisor for revenue and invested assets was industry-leading. Recurring income reached a new record as net fee income rose on higher managed account fees and net interest income increased mainly from loan and deposit growth. Operating expenses fell primarily on lower net charges for provisions for litigation, regulatory and similar matters and other provisions. Net new money was USD 0.5 billion.

**Retail & Corporate** had its best result for the first nine months of the year since 2010 with an adjusted<sup>1</sup> third-quarter profit before tax of CHF 428 million. Net interest income from lending and deposits increased slightly as did recurring net fee income, while credit loss expenses were negligible in the quarter. Annualized net new business volume growth for retail clients was good at 2.5%, mainly driven by net new client assets and, to a lesser extent, net new loans, in line with our strategy to grow our high-quality retail loan business moderately and selectively. Year-to-date net new client accounts for retail customers hit a new record level, up 35% year-on-year, solidifying our position as the leading bank in our home market.

**Asset Management** recorded an adjusted<sup>1</sup> profit before tax of CHF 137 million. Management fees increased, primarily in Traditional Investments and Global Real Estate. Performance fees also rose, predominantly in Global Real Estate. Excluding money market flows, net new money outflows were CHF 7.6 billion, largely from lower-margin passive products, driven by client liquidity needs.

The **Investment Bank** delivered a very strong performance with an adjusted<sup>1</sup> profit before tax of CHF 614 million. Despite challenging market conditions, revenues were up 6% year on year. Compared to the prior year, Investor Client Services performed well with increased revenues in both Equities and FX, Rates and Credit. Costs were well controlled, with expenses falling compared to both the prior quarter and the prior year. The adjusted<sup>1</sup> return on attributed equity for the third quarter was 33.6%.

**Corporate Center – Services** recorded a loss before tax of CHF 257 million. **Corporate Center – Group Asset and Liability Management** reported a loss before tax of CHF 111 million. **Corporate Center – Non-core and Legacy Portfolio** recorded a loss before tax of CHF 818 million, driven by addi-

tional net charges for provisions for litigation, regulatory and similar matters, while achieving further progress in reducing the Swiss SRB leverage ratio denominator by CHF 12 billion to CHF 59 billion.

We were honored to be named “Outstanding Global Private Bank – Overall” as well as “Outstanding Global Private Bank – Asia Pacific” by Private Banker International. Additionally, we were awarded Private Banker International’s Most Innovative Digital Offering award. We were also pleased that UBS was named “Most Innovative Investment Bank for Financial Institutions” by The Banker in the Investment Banking Awards 2015. Staying at the forefront of innovation and providing best-in-class digital solutions for our clients is a key priority for UBS. As part of this effort, we launched The UBS Future of Finance Challenge, a competition for entrepreneurs and technology startups seeking ideas and solutions that will support the transformation of our industry. We received over 600 entries from startups in over 50 countries. Regional finals are taking place in Singapore, London, New York and Zurich and three winners from each region will be invited to the Global Final in Zurich in December.

At UBS, sustainable performance is one of our key Principles. During the quarter, we were named the industry group leader in the Dow Jones Sustainability Indices (DJSI), which acknowledged our support for clients and communities and our integration of societal and financial performance. UBS also joined the RE100 initiative, which urges the world’s most influential companies to use only renewable power. We have committed to source 100% of our electricity from renewable sources by 2020. This will reduce our greenhouse gas footprint in 2020 by 75% compared with 2004 levels. In Switzerland, Germany and the UK, 100% of the electricity we use is already from renewable sources. In our home market, we have increased energy efficiency by more than 30% since 2000.

During the third quarter, UBS launched its first global brand campaign in five years. The campaign illustrates how we work with clients to achieve their goals and ambitions. Its tagline, “For some of life’s questions you’re not alone. Together, we can find an answer,” reflects our promise to embrace client goals as our own and work together to help find the best answers. We will also support an international exhibition of portraits by Annie Leibovitz entitled “Women.” The tour will launch in London in January 2016 and travel to 10 global cities over 12 months. The photographs from the exhibition will form part of the UBS Art Collection.

<sup>1</sup> Refer to the “Group performance” section of the third quarter 2015 report for more information on adjusted results.

**Outlook** – Many of the underlying macroeconomic challenges and geopolitical issues that we have highlighted in previous quarters remain and are unlikely to be resolved in the foreseeable future. In addition, recently proposed changes to the too big to fail regulatory framework in Switzerland will cause substantial ongoing interest costs for the firm. We also continue to see headwinds from interest rates which have not increased in line with market expectations, negative market performance in certain asset classes and the weak performance of the euro versus the Swiss franc during the year. We are executing the measures already announced to mitigate these effects as we progress towards our targeted return on tangible equity in the short to medium term. Our strategy has proven successful in a variety of market conditions. We remain committed to our strategy and its disciplined execution in order to ensure the firm's long-term success and deliver sustainable returns for our shareholders.

Yours sincerely,



Axel A. Weber  
Chairman of the  
Board of Directors



Sergio P. Ermotti  
Group Chief Executive Officer

---

**Contacts**

---

**Switchboards**

Zurich +41-44-234 1111  
London +44-20-7568 0000  
New York +1-212-821 3000  
Hong Kong +852-2971 8888  
[www.ubs.com/contact](http://www.ubs.com/contact)

**Investor Relations**

UBS Group AG, Investor Relations  
P.O. Box, CH-8098 Zurich, Switzerland  
[www.ubs.com/investors](http://www.ubs.com/investors)

Hotline +41-44-234 4100  
New York +1-212-882 5734  
Fax (Zurich) +41-44-234 3415

**Media Relations**

[www.ubs.com/media](http://www.ubs.com/media)  
Zurich +41-44-234 8500  
[mediarelations@ubs.com](mailto:mediarelations@ubs.com)  
London +44-20-7567 4714  
[ubs-media-relations@ubs.com](mailto:ubs-media-relations@ubs.com)  
New York +1-212-882 5857  
[mediarelations-ny@ubs.com](mailto:mediarelations-ny@ubs.com)  
Hong Kong +852-2971 8200  
[sh-mediarelations-ap@ubs.com](mailto:sh-mediarelations-ap@ubs.com)

**Office of the Company Secretary**

UBS Group AG, Office of the Company Secretary  
P.O. Box, CH-8098 Zurich, Switzerland  
[sh-company-secretary@ubs.com](mailto:sh-company-secretary@ubs.com)  
Hotline +41-44-235 6652  
Fax +41-44-235 8220

**Shareholder Services**

For the registration of the global registered shares.

UBS Group AG, Shareholder Services  
P.O. Box, CH-8098 Zurich, Switzerland  
[sh-shareholder-services@ubs.com](mailto:sh-shareholder-services@ubs.com)

Hotline +41-44-235 6652  
Fax +41-44-235 8220

**US Transfer Agent**

For all global registered share-related enquiries in the US.

Computershare  
P.O. Box 30170, College Station  
TX 77842, USA

Shareholder online enquiries:  
<https://www-us.computershare.com/investor/Contact>

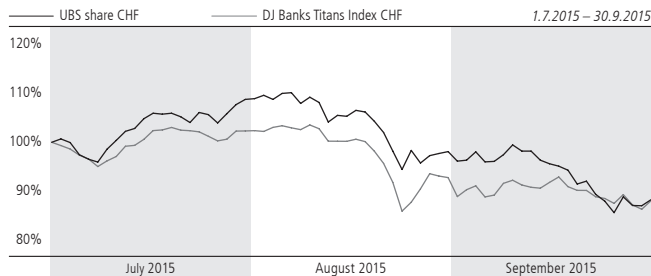
Calls from the US +1 866-541 9689  
Calls from outside the US +1-201-680 6578  
Fax +1-201-680 4675

---

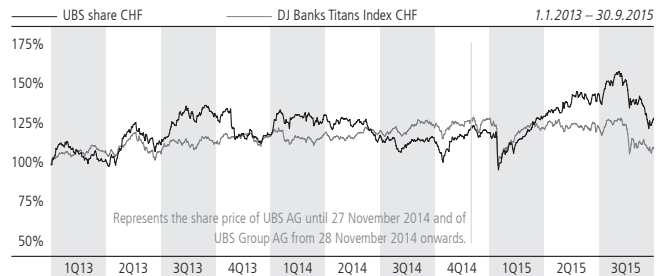
# Our key figures for the third quarter of 2015

## UBS share performance

### Third quarter 2015



### Since 2013



## Group results

CHF million, except where indicated	As of or for the quarter ended				As of or year-to-date	
	30.9.15	30.6.15	31.12.14	30.9.14	30.9.15	30.9.14
Operating income	7,170	7,818	6,746	6,876	23,829	21,281
Operating expenses	6,382	6,059	6,342	7,430	18,575	19,224
Operating profit/ (loss) before tax	788	1,759	404	(554)	5,254	2,057
Net profit/ (loss) attributable to UBS Group AG shareholders	2,068	1,209	858	762	5,255	2,609
Diluted earnings per share (CHF) <sup>1</sup>	0.54	0.32	0.23	0.20	1.40	0.68

## Key performance indicators<sup>2</sup>

Profitability						
Return on tangible equity (%)	18.3	11.0	8.0	7.1	15.7	8.3
Return on assets, gross (%)	3.0	3.1	2.6	2.7	3.2	2.8
Cost/income ratio (%)	88.7	77.4	93.2	107.5	77.8	90.3
Growth						
Net profit growth (%)	71.1	(38.8)	12.6	(3.8)	101.4	15.7
Net new money growth for combined wealth management businesses (%) <sup>3</sup>	0.8	1.5	1.7	3.1	2.0	2.7
Resources						
Common equity tier 1 capital ratio (fully applied, %) <sup>4</sup>	14.3	14.4	13.4	13.7	14.3	13.7
Leverage ratio (phase-in, %) <sup>5</sup>	5.8	5.4	5.4	5.4	5.8	5.4

## Additional information

Profitability						
Return on equity (RoE) (%)	15.9	9.4	6.8	6.1	13.6	7.1
Return on risk-weighted assets, gross (%) <sup>6</sup>	13.3	14.5	12.3	12.2	14.6	12.4
Resources						
Total assets	979,746	950,168	1,062,478	1,044,899	979,746	1,044,899
Equity attributable to UBS Group AG shareholders	54,077	50,211	50,608	50,824	54,077	50,824
Common equity tier 1 capital (fully applied) <sup>4</sup>	30,948	30,265	28,941	30,047	30,948	30,047
Common equity tier 1 capital (phase-in) <sup>4</sup>	40,488	38,706	42,863	42,464	40,488	42,464
Risk-weighted assets (fully applied) <sup>4</sup>	216,314	209,777	216,462	219,296	216,314	219,296
Risk-weighted assets (phase-in) <sup>4</sup>	220,755	212,088	220,877	222,648	220,755	222,648
Common equity tier 1 capital ratio (phase-in, %) <sup>4</sup>	18.3	18.2	19.4	19.1	18.3	19.1
Total capital ratio (fully applied, %) <sup>4</sup>	22.0	21.2	18.9	18.7	22.0	18.7
Total capital ratio (phase-in, %) <sup>4</sup>	25.8	25.0	25.5	24.9	25.8	24.9
Leverage ratio (fully applied, %) <sup>5</sup>	5.0	4.7	4.1	4.2	5.0	4.2
Leverage ratio denominator (fully applied) <sup>5</sup>	946,476	944,422	997,822	980,669	946,476	980,669
Leverage ratio denominator (phase-in) <sup>5</sup>	952,156	949,134	1,004,869	987,327	952,156	987,327
Liquidity coverage ratio (%) <sup>7</sup>	127	121	123	128	127	128

<sup>1</sup> Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "UBS Group financial statements" section of the third quarter 2015 report for more information. <sup>2</sup> Refer to the "Measurement of performance" section of our Annual Report 2014 for the definitions of our key performance indicators. <sup>3</sup> Based on adjusted net new money which excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion, second quarter of 2015: CHF 6.6 billion) in Wealth Management from our balance sheet and capital optimization program. <sup>4</sup> Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRB). Refer to the "Capital management" section of the third quarter 2015 report for more information. <sup>5</sup> In accordance with Swiss SRB rules. Refer to the "Capital management" section of the third quarter 2015 report for more information. <sup>6</sup> Based on phase-in Basel III risk-weighted assets. <sup>7</sup> Refer to the "Liquidity and funding management" section of the third 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				As of or year-to-date	
	30.9.15	30.6.15	31.12.14	30.9.14	30.9.15	30.9.14
<b>Other</b>						
Invested assets (CHF billion) <sup>1</sup>	2,577	2,628	2,734	2,640	2,577	2,640
Personnel (full-time equivalents)	60,088	59,648	60,155	60,292	60,088	60,292
Market capitalization <sup>2</sup>	69,324	74,547	63,526	64,047	69,324	64,047
Total book value per share (CHF) <sup>2</sup>	14.41	13.71	13.94	13.54	14.41	13.54
Tangible book value per share (CHF) <sup>2</sup>	12.69	12.04	12.14	11.78	12.69	11.78

<sup>1</sup> Includes invested assets for Retail & Corporate. <sup>2</sup> Refer to the "UBS shares" section of the third 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		
	30.9.15	30.6.15	% change	30.9.15	30.6.15	% change	30.9.15	30.6.15	% change
For the quarter ended									
<b>Wealth Management</b>	1,958	2,080	(6)	1,319	1,324	0	639	756	(15)
<b>Wealth Management Americas</b>	1,871	1,823	3	1,612	1,631	(1)	259	191	36
<b>Retail &amp; Corporate</b>	1,030	952	8	564	555	2	466	397	17
<b>Asset Management</b>	502	476	5	388	346	12	114	130	(12)
<b>Investment Bank</b>	2,088	2,355	(11)	1,592	1,804	(12)	496	551	(10)
<b>Corporate Center</b>	(280)	131		906	399	127	(1,186)	(267)	344
of which: Services	(38)	(41)	(7)	219	212	3	(257)	(253)	2
of which: Group ALM	(116)	138		(5)	7		(111)	132	
of which: Non-core and Legacy Portfolio	(126)	35		692	180	284	(818)	(145)	464
<b>UBS</b>	<b>7,170</b>	<b>7,818</b>	<b>(8)</b>	<b>6,382</b>	<b>6,059</b>	<b>5</b>	<b>788</b>	<b>1,759</b>	<b>(55)</b>

**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 the degree to which UBS is successful in implementing changes to its business to meet changing market, regulatory and other conditions; (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, as well as availability and cost of funding to meet 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, or result in, 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 implementing changes to its legal structure to improve its resolvability and meet related regulatory requirements, including changes in legal structure and reporting required to implement US enhanced prudential standards, implementing a service company model, the transfer of the Asset Management business to a holding company, and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements relating to 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, including the potential for disqualification from certain businesses or loss of licenses or privileges as a result of regulatory or other governmental sanctions; (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; (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; and (xviii) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS's ability to maintain its stated capital return objective. 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.