UBS

# Third quarter 2015 results

November 3, 2015

# Cautionary statement regarding forward-looking statements

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 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.

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# 3Q15 highlights – Group

## Net profit attributable to UBS Group AG shareholders of CHF 2.1 billion

### Group results

- Net profit attributable to shareholders CHF 2,068 million, diluted EPS CHF 0.54
- Reported profit before tax (PBT) CHF 788 million, adjusted PBT CHF 979 million
- Achieved CHF 1.0 billion (71%) of 2015 net cost reduction target of CHF 1.4 billion[1]

### Group equity and capital management

- Tangible book value per share up 5.4% QoQ to CHF 12.69
- Basel III fully applied CET1 ratio 14.3%
- Swiss SRB fully applied leverage ratio 5.0%, of which CET1 3.3%
- BIS Basel III fully applied leverage ratio 3.9%, of which CET1 3.3%

UBS is the best capitalized large global bank[2]



Refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Refer to page 11 of the 3Q15 financial report for details of our cost reduction targets; 2 Basel III CET1 capital ratio in our peer group of large global banks

# 3Q15 highlights – Business divisions

## Solid performance and good risk management in an extremely challenging environment

**Wealth Management:** PBT CHF 698 million and adjusted NNM CHF 3.5 billion[1]
– Continued recurring income growth; mandate penetration up 70 bps QoQ to 27.0%

**Wealth Management Americas:** PBT USD 287 million and NNM USD 0.5 billion
– Record recurring net fee income and record net interest income

**Retail & Corporate:** PBT CHF 428 million
– All KPIs within target range and best first nine month PBT since 2010

**Asset Management:** PBT CHF 137 million
– Strong net management fees, up 5% QoQ to CHF 479 million

**Investment Bank:** PBT CHF 614 million
– Strong performance in all areas and high risk-adjusted returns

**Corporate Center:** PBT negative CHF 1,174 million
– CHF 534 million provisions for litigation, regulatory and similar matters in Non-core and Legacy Portfolio
– Non-core and Legacy Portfolio LRD down CHF 12 billion QoQ

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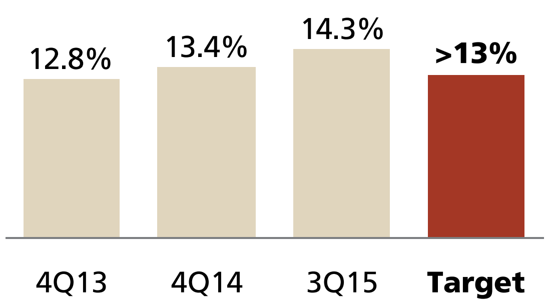
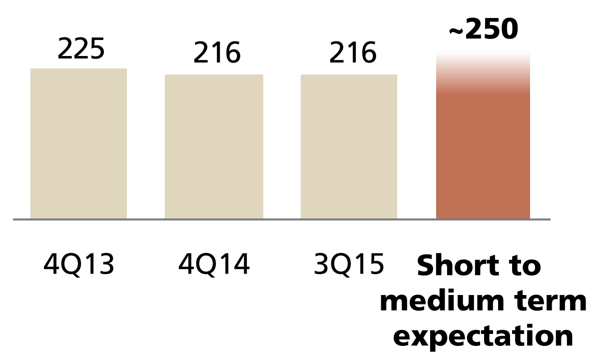
Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Adjusted for net outflows of CHF 3.3 billion related to the Wealth Management balance sheet and capital optimization program

# Updated capital and key performance metrics

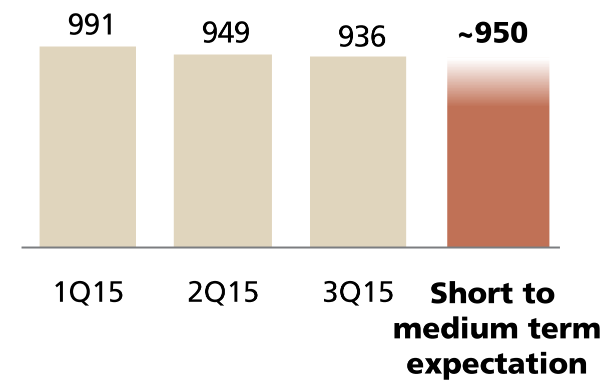
**Basel III CET1 ratio**
Fully applied, %



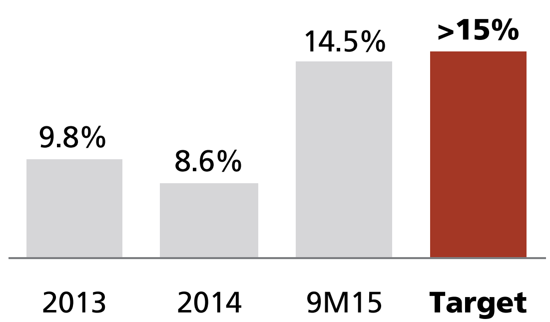

**RWA**
Fully applied, CHF billion



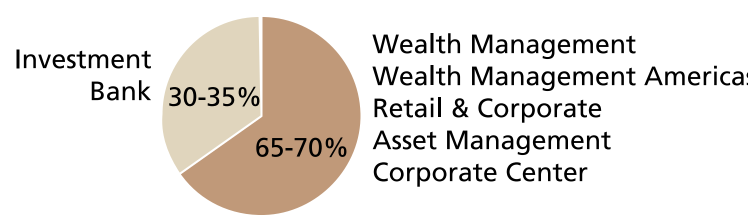

**BIS LRD**
Fully applied, CHF billion




**Group RoTE**
Adjusted, %




**Group resource utilization**
RWA and LRD as % of Group total




We remain committed to pay out at least 50% of net profits[1]

Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Refer to page 11 of the 3Q15 financial report for more information about our performance targets and expectations
1 Conditional on maintaining a fully applied Basel III CET1 capital ratio of at least 13% and at least 10% post-stress

# UBS Group AG results (consolidated)

| CHF million | 3Q14 | 4Q14 | 1Q15 | 2Q15 | **3Q15** |
|---|---|---|---|---|---|
| Total operating income | 6,876 | 6,746 | 8,841 | 7,818 | 7,170 |
| Total operating expenses | 7,430 | 6,342 | 6,134 | 6,059 | 6,382 |
| **Profit before tax as reported** | **(554)** | **404** | **2,708** | **1,759** | **788** |
| of which: own credit on financial liabilities designated at fair value | 61 | 70 | 226 | 259 | 32 |
| of which: gain related to our investment in the SIX Group | 0 | 0 | 0 | 0 | 81 |
| of which: FX translation losses from the disposal of a subsidiary | 0 | 0 | 0 | 0 | (27) |
| of which: gains on disposals | 0 | 0 | 141 | 67 | 0 |
| of which: gains on sales of real estate | 0 | 20 | 378 | 0 | 0 |
| of which: impairment of a financial investment available-for-sale | (48) | 0 | 0 | 0 | 0 |
| of which: net restructuring charges | (176) | (208) | (305) | (191) | (298) |
| of which: credit related to changes to retiree benefit plans in the US | 33 | 8 | 0 | 0 | 21 |
| of which: impairment of an intangible asset | 0 | 0 | 0 | (11) | 0 |
| **Adjusted profit before tax** | **(424)** | **514** | **2,268** | **1,635** | **979** |
| of which: provisions for litigation, regulatory and similar matters | (1,836) | (310) | (58) | (71) | (592) |
| Tax (expense)/benefit | 1,317 | 515 | (670) | (443) | 1,295 |
| Net profit attributable to preferred noteholders | 0 | 31 | | | |
| Net profit attributable non-controlling interests | 1 | 29 | 61 | 106 | 14 |
| **Net profit attributable to UBS Group AG shareholders** | **762** | **858** | **1,977** | **1,209** | **2,068** |
| Diluted EPS (CHF) | 0.20 | 0.23 | 0.53 | 0.32 | 0.54 |
| Return on tangible equity, adjusted (%) | 8.0 | 8.6 | 14.4 | 9.6 | 19.5 |
| Total book value per share (CHF)[1] | 13.54 | 13.94 | 14.33 | 13.71 | 14.41 |
| Tangible book value per share (CHF)[1] | 11.78 | 12.14 | 12.59 | 12.04 | 12.69 |

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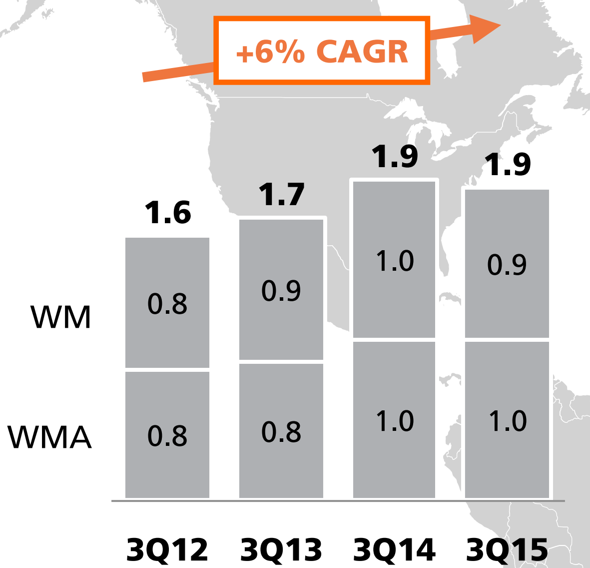
Refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Refer to slide 29 for details on the development of IFRS equity attributable to UBS Group AG shareholders

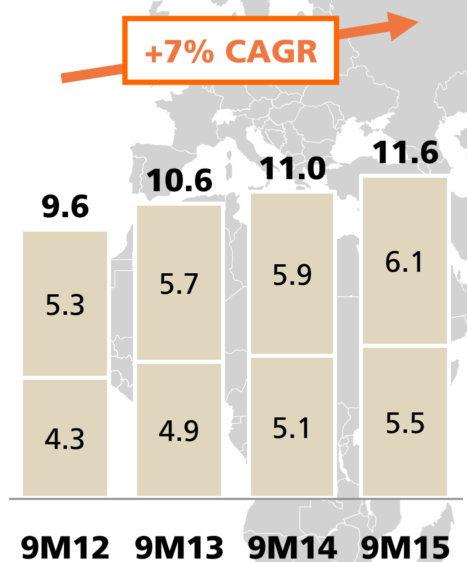
# The world's leading wealth management franchise

## UBS is the world's largest and fastest growing wealth manager[1]

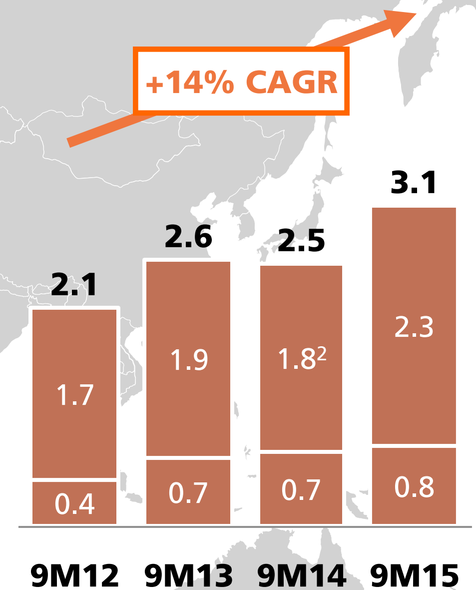
### Invested assets
CHF trillion




### Operating income
CHF billion




### Profit before tax
CHF billion




**Superior growth prospects and a unique global footprint**

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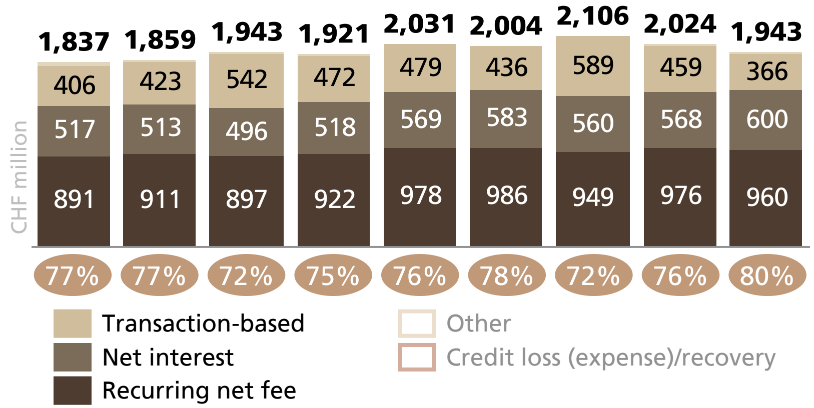
Adjusted numbers unless otherwise indicated, refer to slide 40 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Scorpio Partnership Global Private Banking Benchmark 2015, on reporting base currency basis for institutions with AuM >USD 500 billion;
2 Including CHF 0.4 billion in charges for provisions for litigation, regulatory and similar matters

# Wealth Management

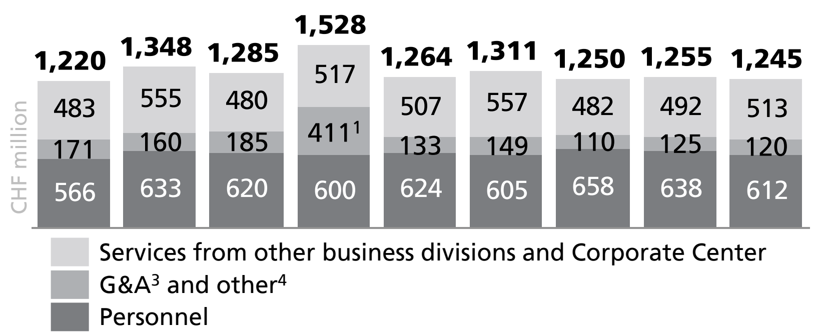
## PBT CHF 698 million, resilient performance against a backdrop of high market volatility

**Operating income**

Recurring income

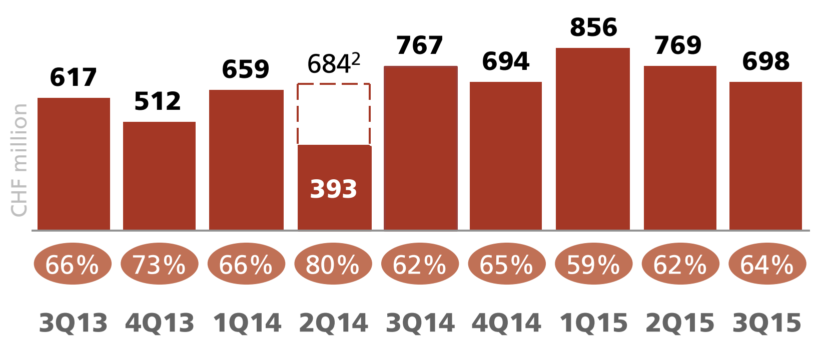



**Operating expenses**




**Profit before tax**

**C/I ratio**




### Operating income CHF 1,943 million

- Net interest income increased, mainly due to higher lending and deposit revenues
- Recurring net fee income declined slightly as increased mandate penetration and pricing measures were more than offset by the impact of lower invested assets
- Transaction-based income decreased, primarily in Asia Pacific and Europe on reduced client activity in response to market volatility
- Net credit loss expenses were negligible

### Operating expenses CHF 1,245 million

- Personnel expenses decreased, mainly due to a release of accruals for untaken vacation vs. an expense in the prior quarter, as well as the effect of personnel reductions
- Charges for services increased and included higher investments in technology

### PBT CHF 698 million

- 64% cost/income ratio

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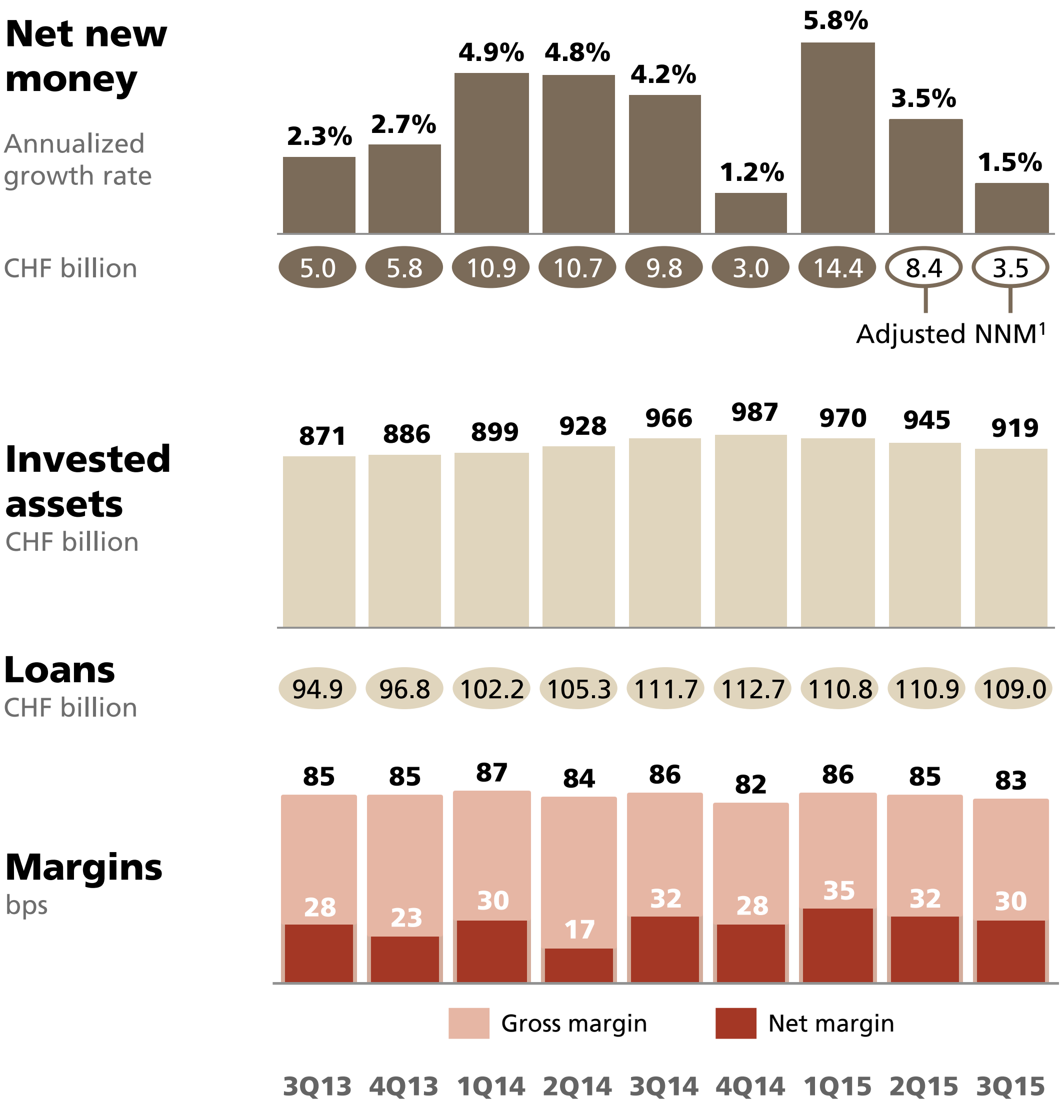
Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 CHF 121 million excluding CHF 291 million charges for provisions for litigation, regulatory and similar matters; 2 PBT excluding CHF 291 million charges for provisions for litigation, regulatory and similar matters; 3 General and administrative; 4 Depreciation and impairment of property, equipment and software as well as amortization and impairment of intangible assets

# Wealth Management

## Mandate penetration up 70 bps to 27.0%




- **Adjusted NNM[1] CHF 3.5 billion, 1.5% growth rate**, with inflows in all regions, despite deleveraging in Asia Pacific caused by high market volatility
- Reported NNM CHF 0.2 billion
- **Invested assets CHF 919 billion**, declined mainly due to CHF 50 billion negative market performance, partly offset by currency effects of CHF 26 billion
- **Mandate penetration 27.0%**, up from 26.3%, with net mandate sales of CHF 4.8 billion
- **Gross loans CHF 109 billion,** deleveraging partly offset by positive currency translation effects
- **Net margin 30 bps**

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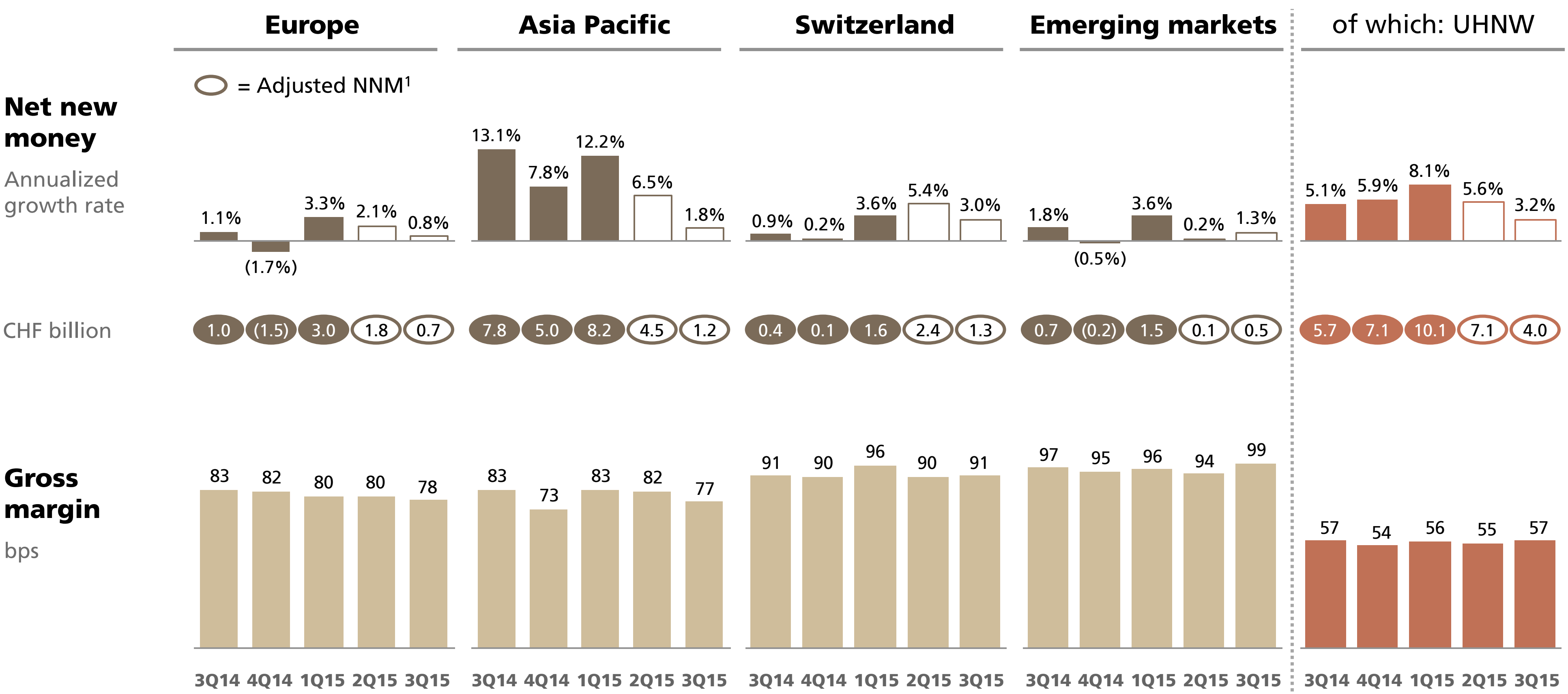
Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Adjusted for net outflows of CHF 3.3 billion in 3Q15 (CHF 6.6 billion in 2Q15) related to the Wealth Management balance sheet and capital optimization program

# Wealth Management

## Adjusted NNM[1] positive in all regions, high and improving quality of NNM




30.9.15

| | Europe | Asia Pacific | Switzerland | Emerging markets | of which: UHNW |
|---|---|---|---|---|---|
| **Invested assets** CHF billion | **336** | **257** | **169** | **155** | **481** |
| **Client advisors** FTE | **1,374** | **1,073** | **762** | **698** | **715** |

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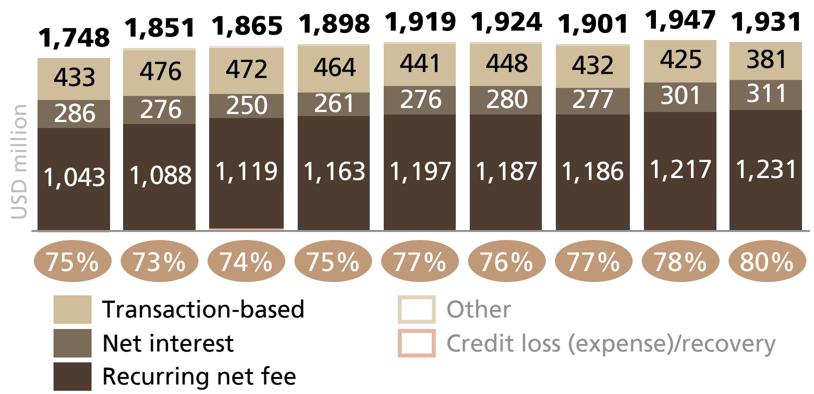
Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Based on the WM business area structure, refer to page 35 of the 3Q15 financial report for more information; 1 Adjusted for net outflows of CHF 3.3 billion in 3Q15 (CHF 6.6 billion in 2Q15) related to the Wealth Management balance sheet and capital optimization program: 3Q15 reported NNM for Europe CHF 0.3 billion, Asia Pacific CHF 0.3 billion, Switzerland CHF 1.0 billion, Emerging markets negative CHF 1.2 billion and UHNW CHF 1.4 billion

# Wealth Management Americas

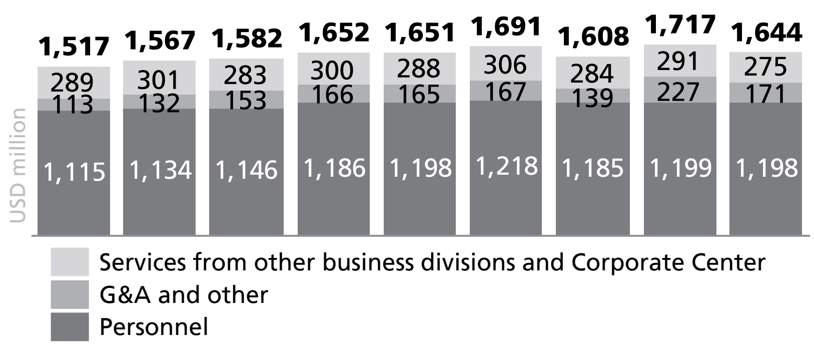
## PBT up 24% to USD 287 million on record recurring income

**Operating income**

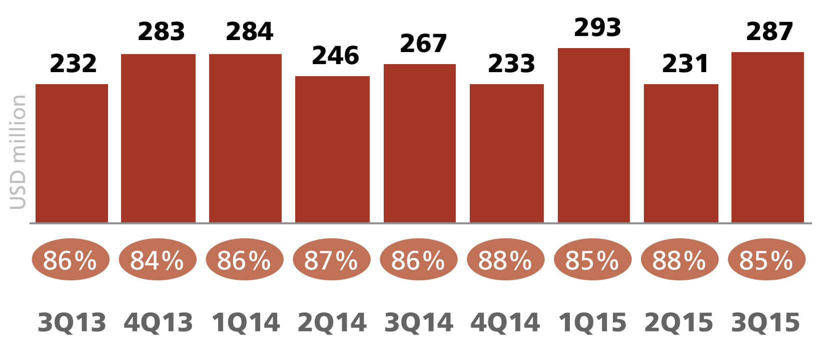



Recurring income

**Operating expenses**




**Profit before tax**




**C/I ratio**

### Operating income USD 1,931 million

- Transaction-based income decreased due to lower client activity
- Recurring net fee income increased, primarily due to higher managed account fees
- Net interest income increased, reflecting continued growth in loan and deposit balances

### Operating expenses USD 1,644 million

- G&A expenses decreased mainly due to lower net charges for provisions for litigation, regulatory and similar matters and other provisions, as well as reduced legal fees
- Personnel expenses decreased slightly as lower financial advisor compensation was mostly offset by higher variable compensation

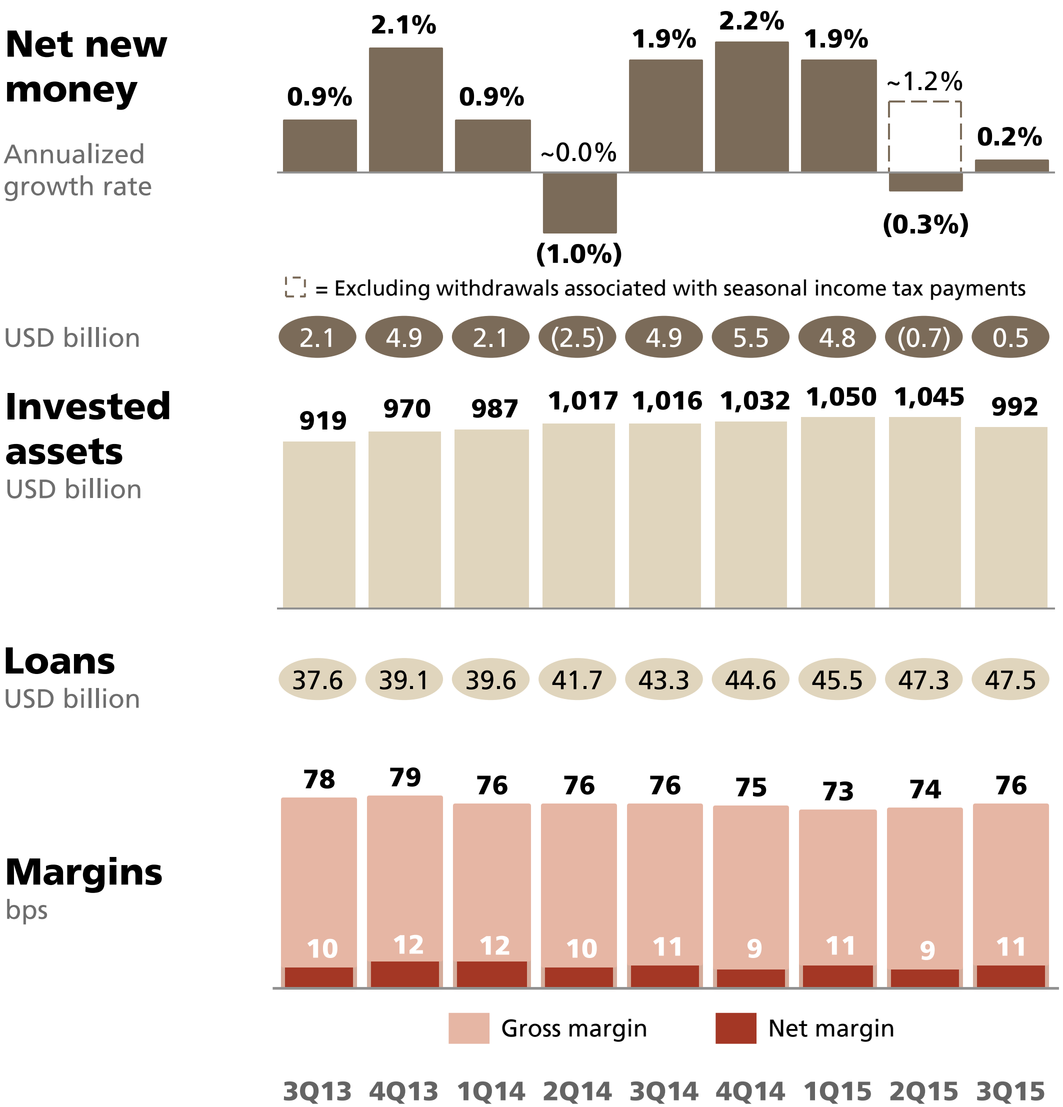
### PBT USD 287 million

- 85% cost/income ratio

UBS Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

# Wealth Management Americas

## Improved NNM and net margin




- **NNM USD 0.5 billion, 0.2% growth rate,** mainly reflecting net inflows from financial advisors employed for more than one year

- **Invested assets USD 992 billion** declined due to negative market performance
- Managed accounts penetration 34.4%

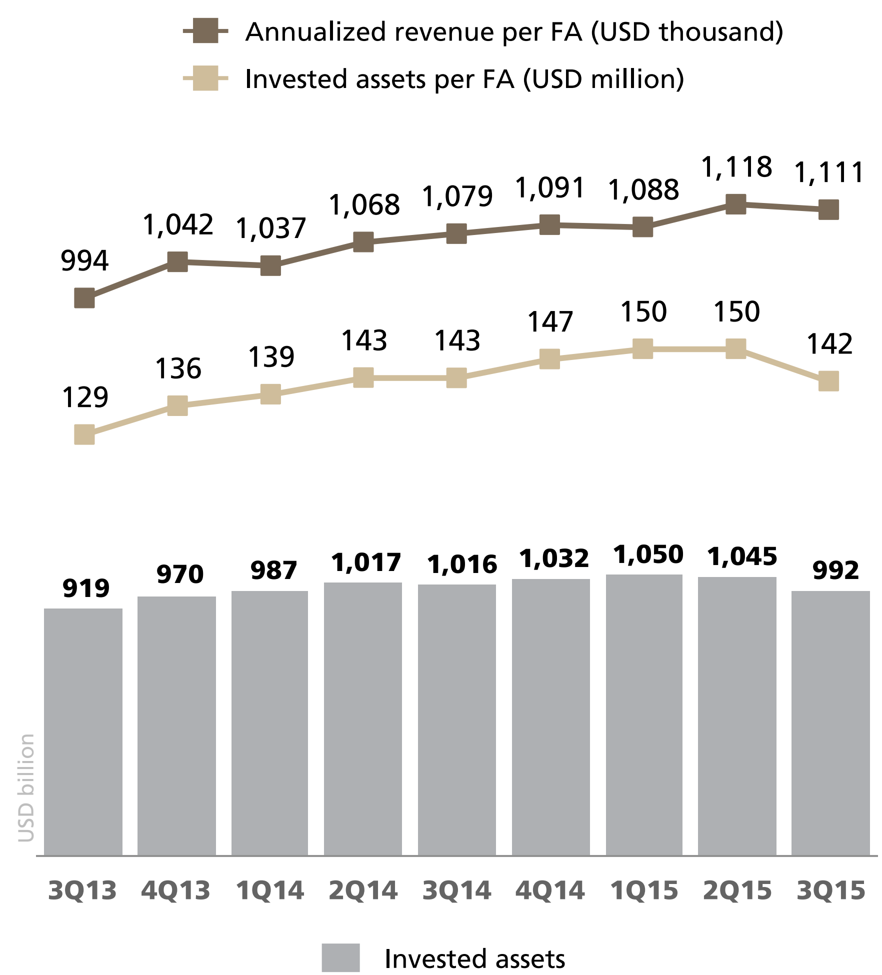
- **Gross loans USD 47.5 billion**

- **Net margin 11 bps**

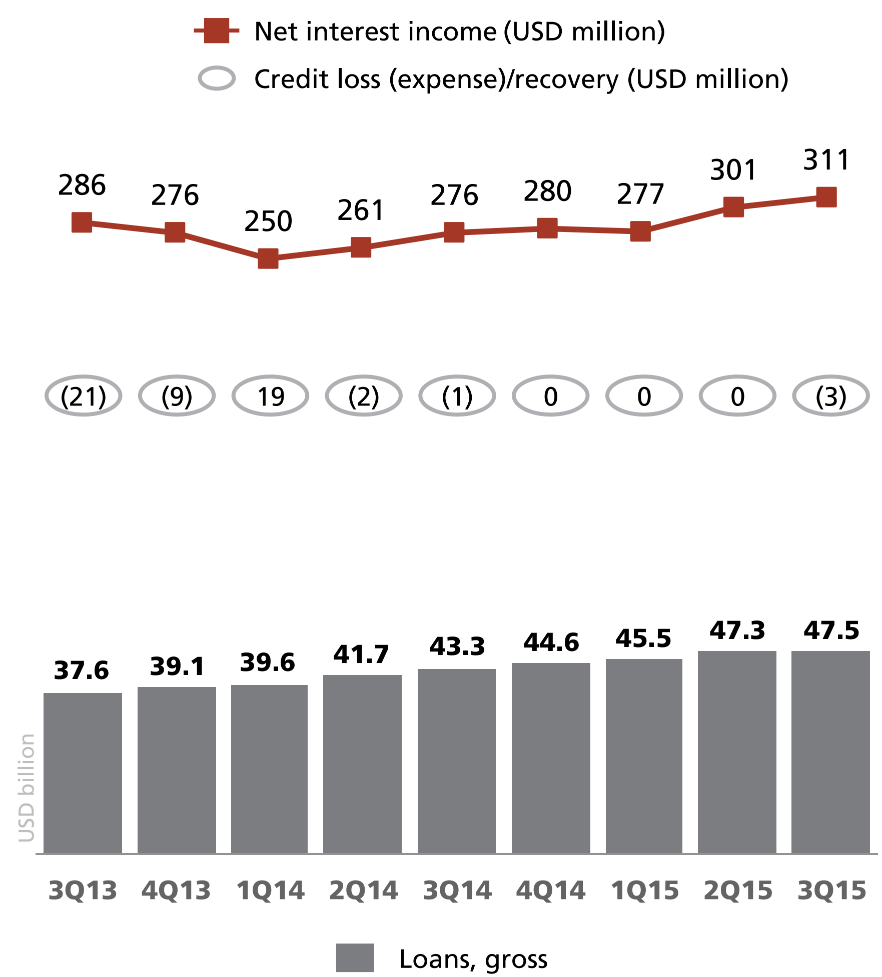
# Wealth Management Americas

## Industry-leading productivity per advisor for revenue and invested assets

### Invested assets and FA productivity




### Net interest income and lending

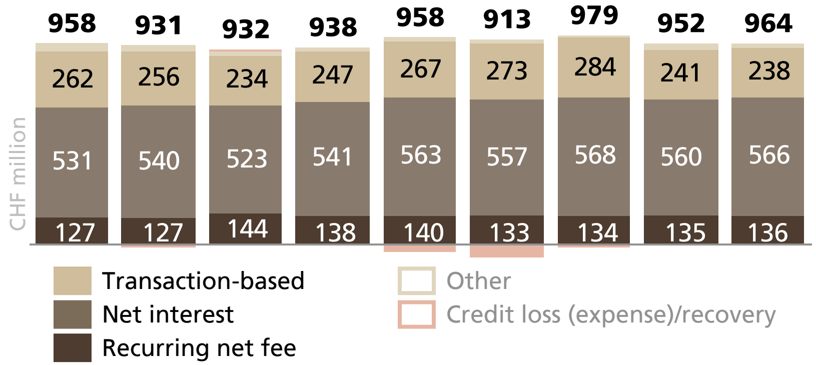



UBS Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

# Retail & Corporate

## PBT CHF 428 million, all KPIs within target range and best first nine month PBT since 2010

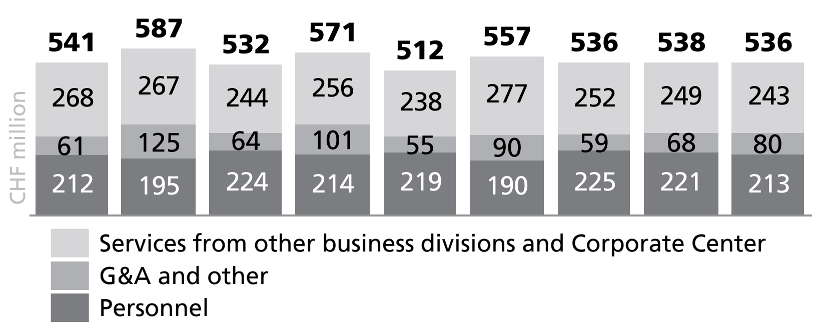
**Operating income**




### Operating income CHF 964 million

- Net interest income increased on improved revenues from both lending and deposits
- Net credit loss expenses were negligible

**Operating expenses**

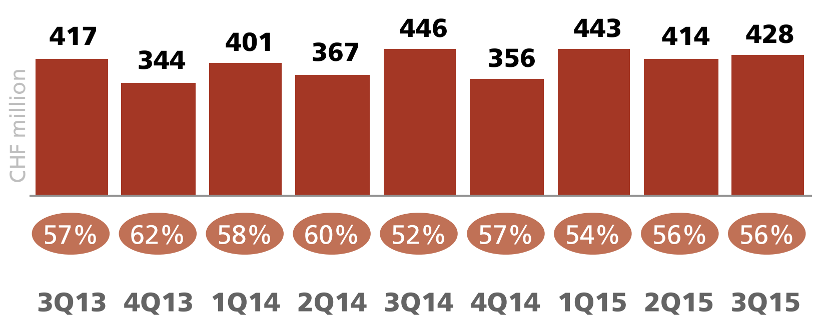



### Operating expenses CHF 536 million

- Personnel expenses decreased, mainly reflecting an increased release of accruals for untaken vacation
- G&A expenses increased, primarily due to charitable donations, partly offset by lower charges for provisions in the Corporate & Institutional clients business

**Profit before tax**

**C/I ratio**




### PBT CHF 428 million

- 56% cost/income ratio
- Net interest margin 167 bps vs. 164 bps in 2Q15
- Annualized net new business volume growth for retail business 2.5% vs. 3.1% in 2Q15

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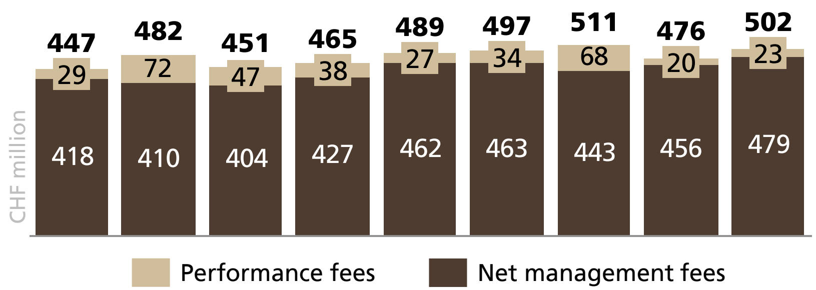
Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

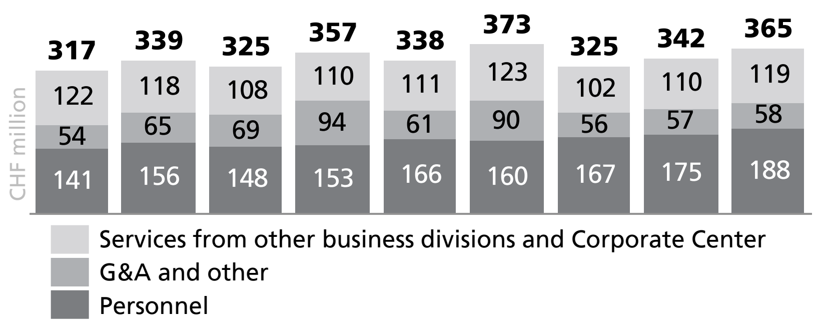
# Asset Management

## PBT CHF 137 million, strong net management fees

**Operating income**



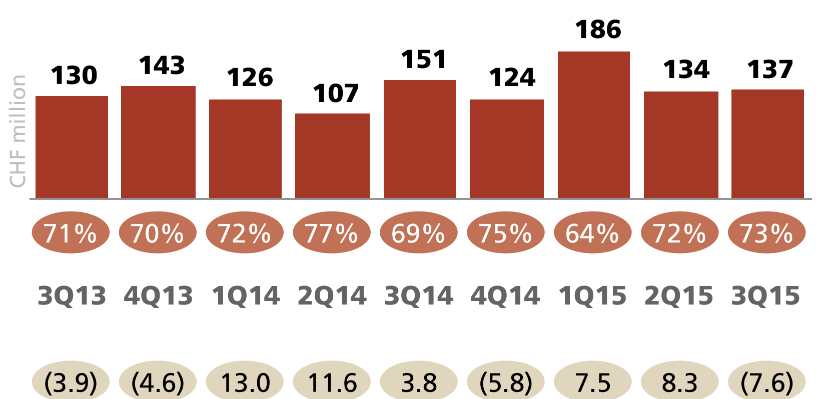

**Operating expenses**




**Profit before tax**

**C/I ratio**

Net new money ex. MM




### Operating income CHF 502 million

- Net management fees increased, mainly due to higher income from traditional investments and Global Real Estate, as well as positive currency effects

### Operating expenses CHF 365 million

- Personnel expenses increased due to an increase in variable compensation and personnel increases
- Charges for services from other business divisions and Corporate Center increased mainly due to higher charges from Group Technology

### PBT CHF 137 million

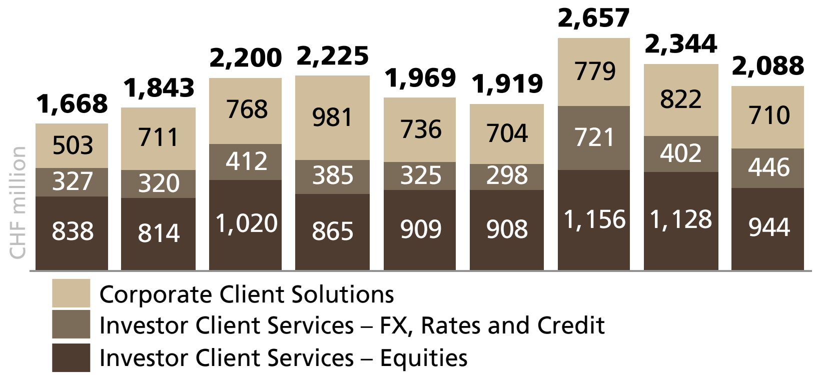
- Invested assets CHF 635 billion
- Net margin 9 bps vs. 8 bps in 2Q15
- Gross margin 31 bps vs. 29 bps in 2Q15
- NNM excluding money market flows of negative CHF 7.6 billion; third quarter included CHF 15 billion of NNM outflows largely from lower margin passive products, driven by client liquidity needs
- NNM excluding money market flows from our wealth management business of positive CHF 0.3 billion, the seventh consecutive quarter with positive inflows

UBS Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

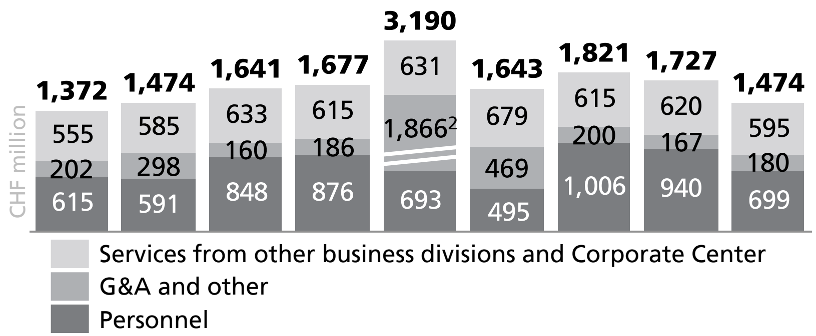
# Investment Bank

## PBT CHF 614 million, strong performance in all areas

**Operating income[1]**

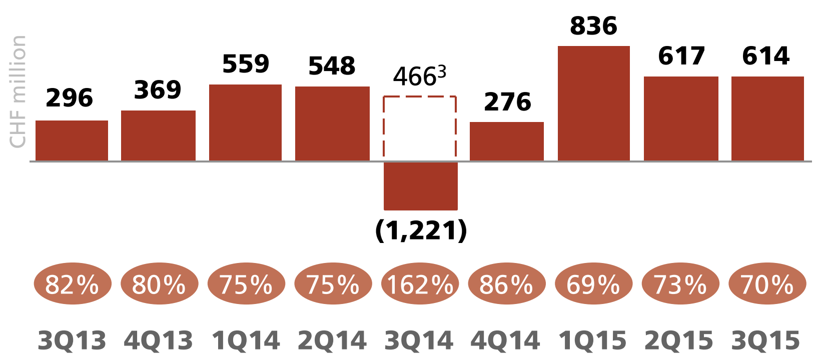



**Operating expenses**




**Profit before tax**

**C/I ratio**




### Operating income CHF 2,088 million

- ICS FRC revenues increased 37% YoY, driven by strong Macro performance, with disciplined credit inventory management, unchanged VaR and balance sheet consumption
- ICS Equities revenues increased 4% YoY, best third quarter since 2010, driven by strength in Cash and the Americas
- CCS revenues declined 4% YoY, with strong ECM and DCM outperforming a decline in the market fee pool

### Operating expenses CHF 1,474 million

- Operating expenses, excluding charges for provisions for litigation, regulatory and similar matters, down 2% YoY, reflecting positive operating leverage and continued improvements in efficiency allowing for key investments in personnel

### PBT CHF 614 million

- 70% cost/income ratio
- Annualized return on attributed equity 34%
- Return on RWA 13%
- Basel III RWA CHF 68 billion
- Funded assets CHF 173 billion

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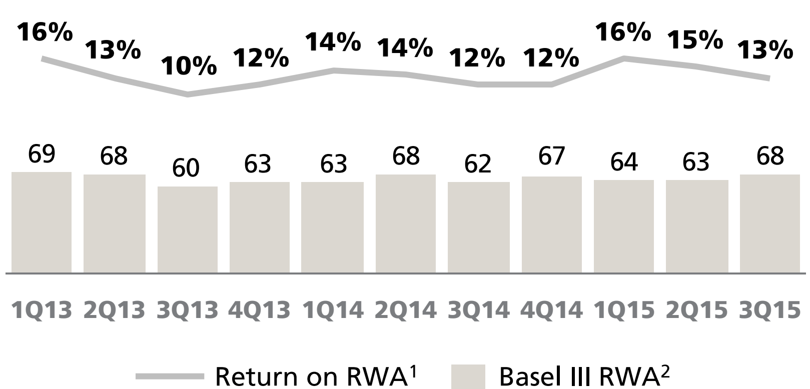
Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Operating income including credit loss (expense)/recovery; 2 CHF 179 million excluding CHF 1,687 million charges for provisions for litigation, regulatory and similar matters; 3 PBT excluding CHF 1,687 million charges for provisions for litigation, regulatory and similar matters

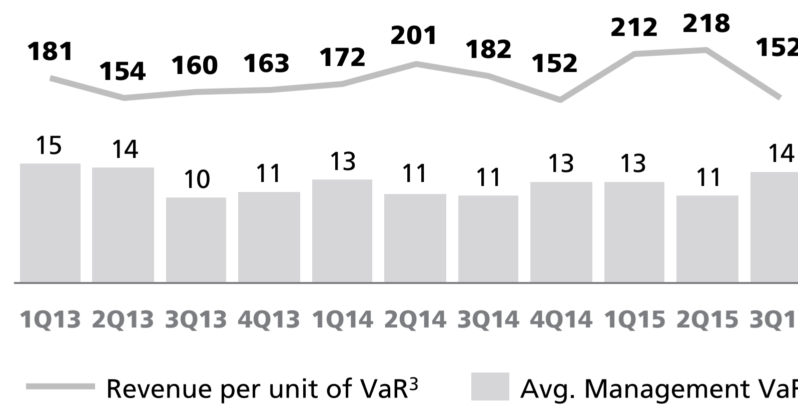
# Investment Bank

## Continued efficient and disciplined resource utilization driving strong returns

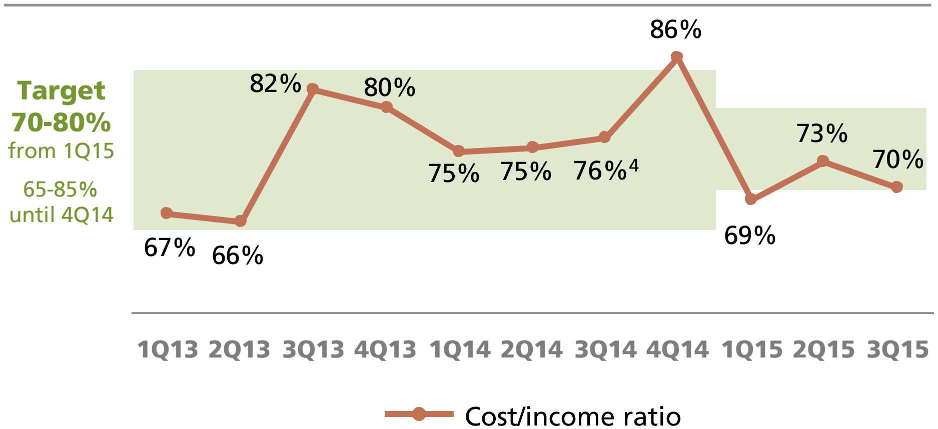
### Return on RWA
CHF billion, %



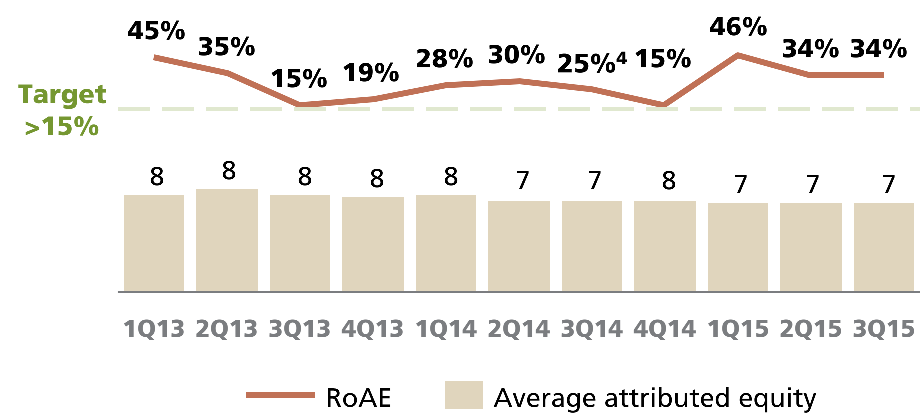

### Revenue per unit of VaR
CHF million




### Cost/income ratio
%




### Return on average attributed equity (RoAE)
%, CHF billion



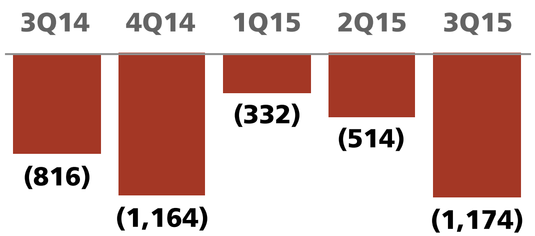

UBS

Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Annualized operating income excluding credit loss expense/recovery / quarter-end Basel III RWA, (phase-in); 2 On a phase-in basis; 3 Operating income excluding credit loss expense/recovery / average management VaR; 4 Excluding CHF 1,687 million charges for provisions for litigation, regulatory and similar matters

# Corporate Center

## Non-core and Legacy Portfolio LRD[1] now ~20% of 4Q12 balance

**Profit before tax**




Corporate Center total (CHF million)

Corporate Center results by unit (CHF million)

| | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 |
|---|---|---|---|---|---|
| **Services** | | | | | |
| Operating income | 9 | (6) | (4) | (41) | (38) |
| Operating expenses | 180 | 255 | 218 | 212 | 217 |
| *o/w before allocations* | *2,039* | *2,303* | *2,009* | *2,040* | *2,017* |
| *o/w net allocations* | *(1,859)* | *(2,048)* | *(1,791)* | *(1,827)* | *(1,800)* |
| **Profit before tax** | **(171)** | **(261)** | **(222)** | **(253)** | **(255)** |
| **Group Asset and Liability Management** | | | | | |
| Operating income | (42) | (170) | 87 | (121) | (121) |
| *o/w gross income* | *298* | *161* | *376* | *70* | *86* |
| *o/w net allocations* | *(341)* | *(330)* | *(289)* | *(191)* | *(207)* |
| Operating expenses | (1) | 6 | (4) | 7 | (5) |
| **Profit before tax** | **(41)** | **(176)** | **91** | **(127)** | **(116)** |
| **Non-core and Legacy Portfolio** | | | | | |
| Operating income | (330) | (376) | (41) | 35 | (126) |
| Operating expenses | 273 | 350 | 160 | 167 | 677 |
| **Profit before tax** | **(603)** | **(727)** | **(201)** | **(132)** | **(803)** |
| Personnel (FTEs) | 150 | 137 | 125 | 101 | 82 |
| Swiss SRB LRD (CHF billion) | 106 | 93 | 84 | 70 | 59 |

- **Operating expenses before allocations** decreased, mainly due to lower personnel expenses and occupancy costs, partly offset by costs related to our new brand campaign, our education initiative and increased depreciation of internally generated capitalized software
- **Gross income** increased marginally and included a mark-to-market loss of CHF 201 million related to interest rate derivatives used to hedge our high-quality liquid assets held as AFS[2] with unrealized fair value gains recorded directly in equity via OCI[3]
- **Operating expenses** increased, predominantly as net charges for provisions for litigation, regulatory and similar matters increased by CHF 511 million to CHF 534 million

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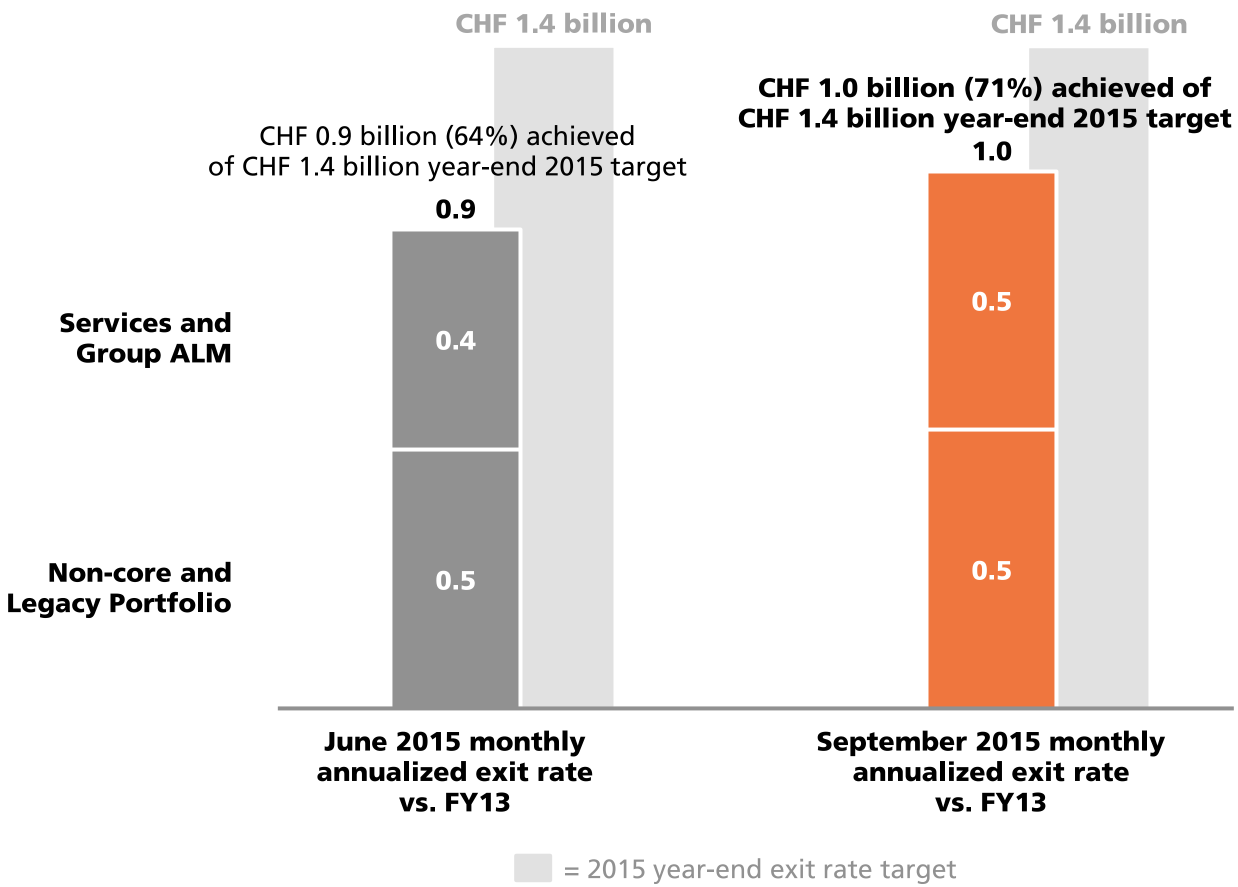
Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Swiss SRB; 2 Available-for-sale; 3 Other comprehensive income

# Corporate Center cost reductions

## ~CHF 1.0 billion net cost reductions based on September 2015 annualized exit rate

**Cumulative annualized net cost reduction[1,2]**
CHF billion




Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Refer to page 11 of the 3Q15 financial report for details of our cost reduction targets; 2 Refer to slide 37 for details on net cost reduction progress as of the end of September 2015

# Net tax benefit and deferred tax assets

## 3Q15 included net additional recognized deferred tax assets of CHF 1,513 million

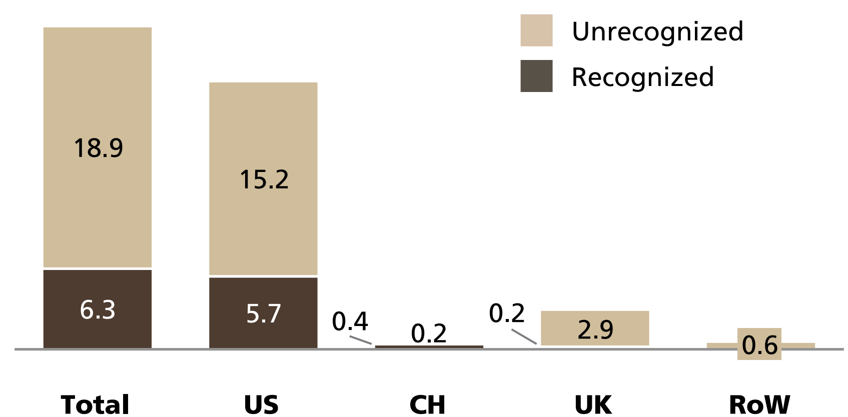
### 3Q15 net tax benefit of CHF 1,295 million

CHF million

| | |
|---|---|
| **Profit before tax (as reported)** | **788** |
| Net deferred tax **benefit** with respect to net additional DTAs | (1,513) |
| Other net tax **expense** in respect of 3Q15 taxable profits | 218 |
| **3Q15 net tax expense / (benefit)** | **(1,295)** |

### Tax loss DTAs[1,2,3,4]

CHF billion, 30.9.15



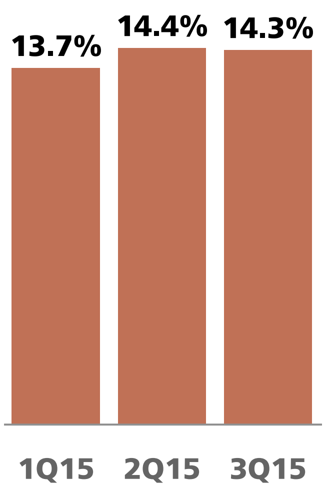

- **Net increase in recognized DTAs in 3Q15 of CHF 1.5 billion, driven by:**
  - ~CHF 1.3 billion net upward revaluation of US DTAs driven by an extension of the forecast period for US DTAs by one year to seven years (CHF 1.1 billion) and the roll-forward and updated business plan forecasts (CHF 0.2 billion)
  - ~CHF 0.2 billion of other movements in DTAs, including an increase in Swiss temporary difference DTAs related to the establishment of the US Intermediate Holding Company, partially offset by a reduction in Swiss tax loss DTAs
- **We currently expect to recognize additional net DTAs of approximately:**
  - **~CHF 0.5 billion in 4Q15**, i.e., residual 25% of full-year impact[5]
  - **~CHF 0.5 billion in 2016** based solely on the roll-forward of the current business plan forecasts[6], as in the future, additional increases in the profit recognition period for US DTAs are less likely

1 Refer to pages 75-76 of the 2014 annual report for more information; 2 In addition to net 3Q15 movements with respect to tax loss DTAs, we recognized additional temporary difference DTAs of ~CHF 1.3 billion and a positive FX movement of ~CHF 0.1 billion; 3 As of 30.9.15, net DTAs recognized on UBS's balance sheet were CHF 11.7 billion, which include tax loss DTAs of CHF 6.3 billion and DTAs for temporary differences of CHF 5.4 billion; 4 Average unrecognized tax loss DTAs have an approximate remaining life of ~14 years in the US, ~2 years in Switzerland and unrecognized tax losses have an indefinite life in the UK; 5 75% of estimated total FY15 impact recognized in 3Q15, and the remaining 25% expected to be recognized in 4Q15; 6 Assuming unchanged business plan forecasts

# Capital and leverage ratios

## Achieved 5.0% Swiss SRB leverage ratio

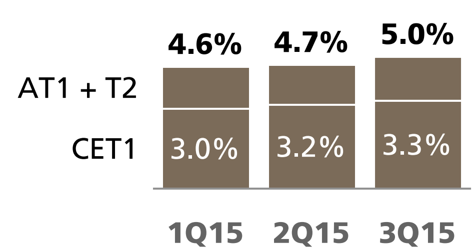
### Basel III CET1 capital ratio
Swiss SRB, fully applied, CHF billion




| | 1Q15 | 2Q15 | 3Q15 |
|---|---|---|---|
| **CET1 capital** | 29.6 | 30.3 | 30.9 |
| **RWA** | 216 | 210 | 216 |

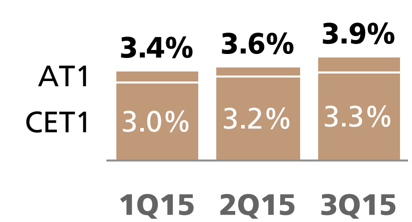
### Leverage ratio
Fully applied, CHF billion

#### Swiss SRB




| | 1Q15 | 2Q15 | 3Q15 |
|---|---|---|---|
| **Total capital** | 44.5 | 44.6 | 47.6 |
| **LRD (avg.)** | 977 | 944 | 946 |

#### BIS Basel III



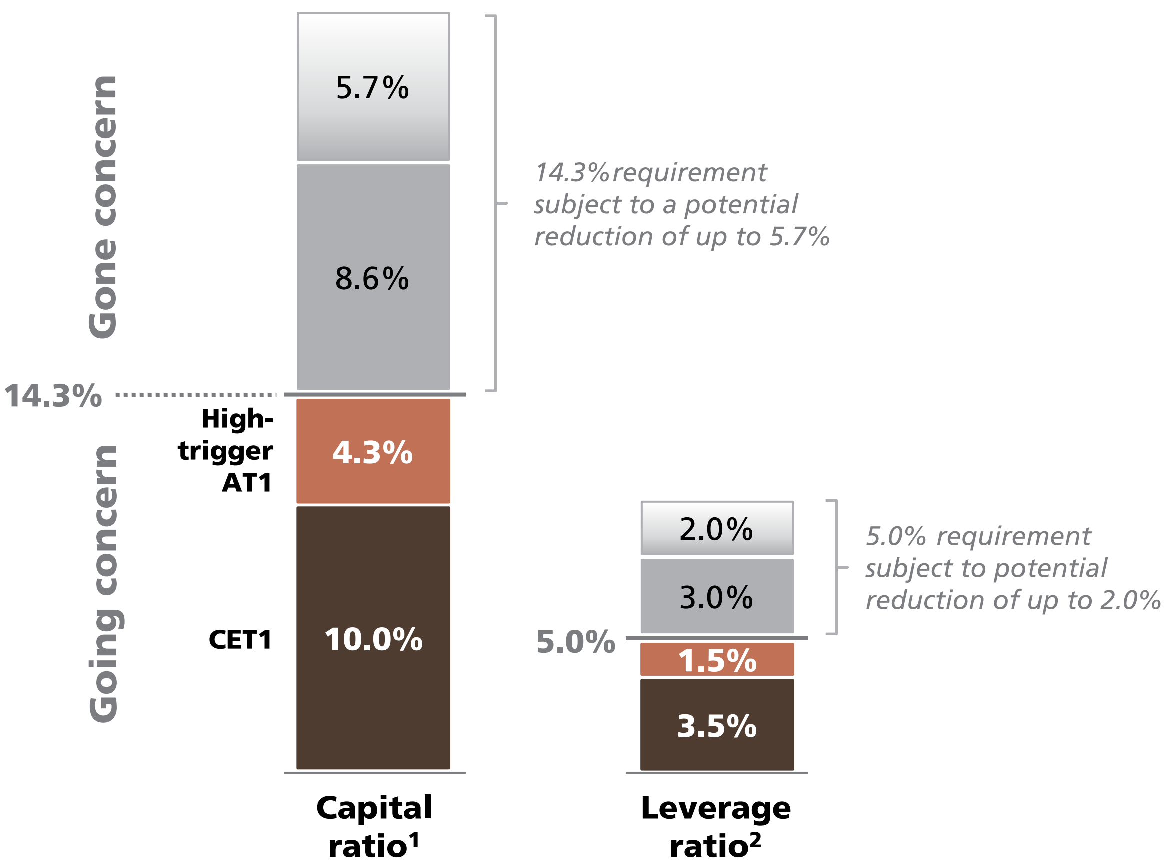

| | 1Q15 | 2Q15 | 3Q15 |
|---|---|---|---|
| **Tier 1 capital** | 33.5 | 34.0 | 36.5 |
| **LRD (spot)** | 991 | 949 | 936 |



Refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
As of 30.9.15, our post-stress fully applied Basel III CET1 capital ratio exceeded 10%

# Capital requirements under revised Swiss TBTF proposal

## Effective end-2019, with a four-year transitional period starting 1.1.16




### TLAC Gone concern capital (TLAC)

- Overall requirement mirrors the going concern requirement
- To be met with bail-in instruments (TLAC)
- Potential reduction of up to 2% leverage ratio (5.7% capital ratio) based on Group resilience and resolvability[3]

### HT AT1 CET1 Going concern capital

- Overall size depends on total LRD and Swiss market share
- Maximum of 1.5% can be met with high-trigger AT1 capital instruments
- Grandfathering: all existing AT1 and T2 instruments recognized towards high-trigger AT1 capital at least until 2019[4,5]

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Refer to slide 41 for details about Basel III numbers and FX rates in this presentation

1 In percent of RWA; 2 In percent of LRD; 3 The size of the rebate has not yet been determined; 4 Low-trigger AT1 instruments can be counted towards going concern capital up to the first call date; 5 T2 instruments can be counted towards going concern capital up to the earlier of the first call date or 31.12.19 (and after 31.12.19 towards gone concern capital up to the first call date)

# Capital requirements under revised Swiss TBTF proposal

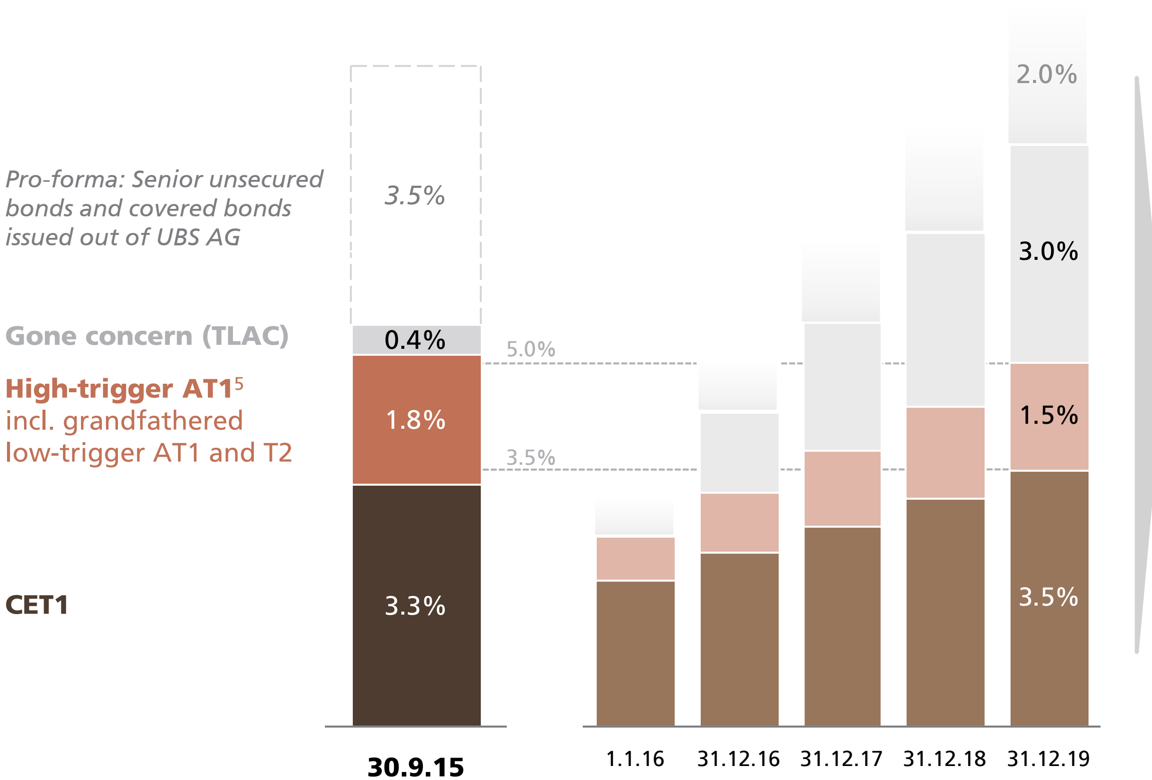
## We will be compliant from the inception of the new requirements

### UBS leverage capital ratio balances vs. revised TBTF proposal

UBS position as of 30.9.15[1]

Phase-in leverage ratio requirements[2]

*Gone concern capital requirement is subject to a potential reduction of up to 2.0%*




### Meeting the 2019 requirements

#### Gone concern (TLAC)

- 0.4% (CHF 4 billion) existing UBS Group AG TLAC bonds[3]
- 3.5% (CHF 33 billion) UBS AG senior unsecured and covered bonds which we expect to replace upon maturity with UBS Group AG issuance of TLAC bonds over the next four years
- CHF 6.5 billion low-trigger T2 grandfathered as high-trigger AT1 to end 2019 and as gone concern thereafter expected to be available to meet the requirement in January 2020[4]
- Requirement is subject to potential reduction of up to 2% based on improved resilience and resolvability

#### High-trigger AT1 capital[5]

- 1.8% (CHF 16.7 billion) of high-trigger AT1 capital and other grandfathered instruments as of 30.9.15, comprising CHF 3.3 billion existing high-trigger AT1 and CHF 13.4 billion low-trigger AT1 and low- and high-trigger T2 instruments subject to grandfathering rules
- We expect to build another CHF 2 billion in employee high-trigger AT1 DCCP capital over the next four years
- We expect to replace maturing grandfathered T2 with UBS Group AG high-trigger AT1 issuance

#### CET1 capital

- 3.3% (CHF 30.9 billion) CET1 as of 30.9.15
- Incremental ~20 bps of CET1 (~CHF 2 billion) via earnings accretion

Refer to slide 41 for details about Basel III numbers and FX rates in this presentation

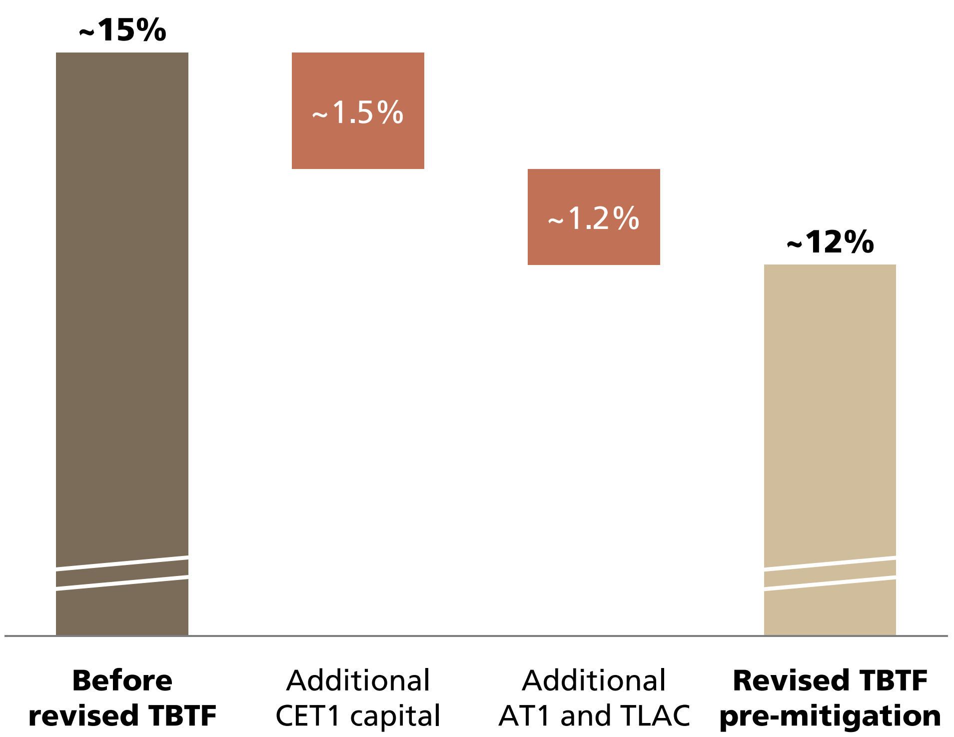
1 Based on 30.9.15 BIS fully applied LRD of CHF 936 billion and fully applied CET1 and AT1 capital including instruments subject to grandfathering rules; 2 Phase-in requirements in the chart are illustrative; 3 UBS Group AG senior unsecured debt expected to be TLAC-eligible; 4 T2 instruments can be counted towards going concern capital up to the earliest of the first call date or 31.12.19 (and after 31.12.19 towards gone concern capital up to the first call date); 5 Going concern requirement can be met with a maximum of 1.5% high-trigger AT1 capital and any going concern-eligible capital above this limit can be counted towards the gone concern requirement

# RoTE – implications of revised TBTF proposal

## RoTE impact of ~3% from carrying additional CET1 and loss-absorbing capital

### RoTE impact of revised TBTF (fully applied)

Adjusted RoTE, illustrative




### RoTE impact of new TBTF regulation

- **Denominator:** additional tangible equity as more CET1 is required to meet 3.5% CET1 leverage ratio requirement
- **Numerator:** higher costs from replacing outstanding high and low-trigger T2 with high-trigger AT1 instruments and existing funding at operating company level with TLAC-eligible senior unsecured debt at holding company level
- Impact will be phased-in over coming years as we manage our capital levels towards the new proposed requirements

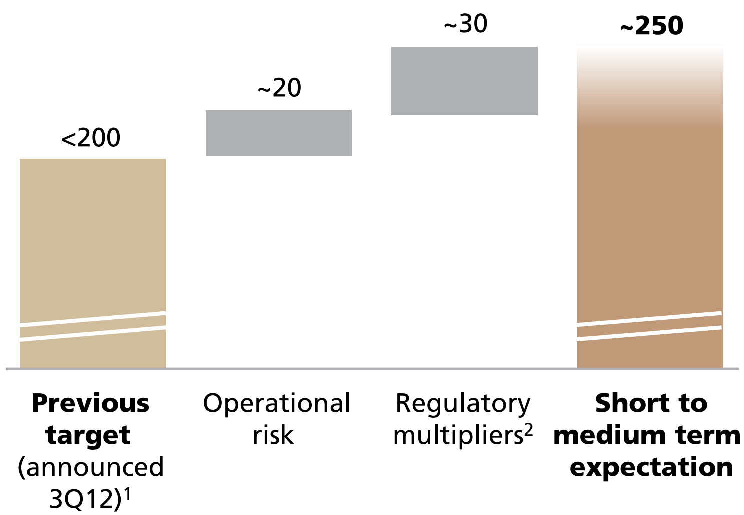
### Mitigating actions

- Re-pricing of products and services to reflect the incremental cost of carrying more CET1 capital, high-trigger AT1 instruments and TLAC bonds
- Balance sheet optimization and off-balance sheet alternatives
- Completion of existing cost reduction program and potential incremental efficiency measures
- RoTE accretive business growth

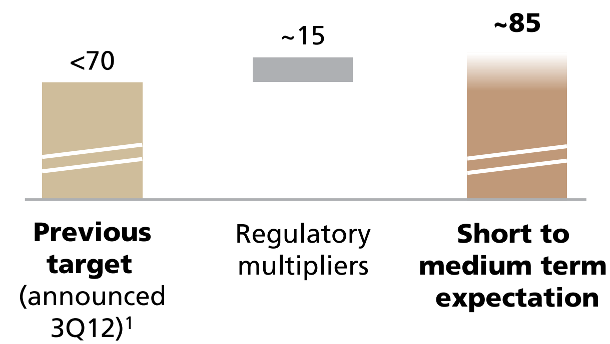
# Impact of regulation on RWA

## Our usable RWA are unchanged, but the calibration of regulatory metrics is moving

**Group RWA**
Basel III fully applied RWA, CHF billion




**of which: Investment Bank RWA**
Basel III fully applied RWA, CHF billion

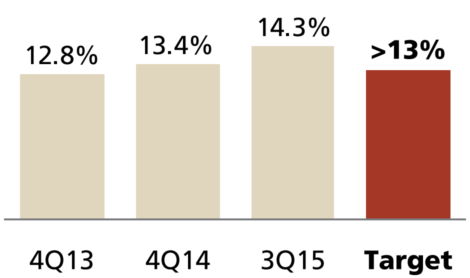



- **Revised RWA expectations reflect changes in regulation since targets were announced three years ago:**
  - ~CHF 20 billion increase in Group operational risk[3]
  - ~CHF 30 billion cumulative total impact from previously announced regulatory multipliers on RWA

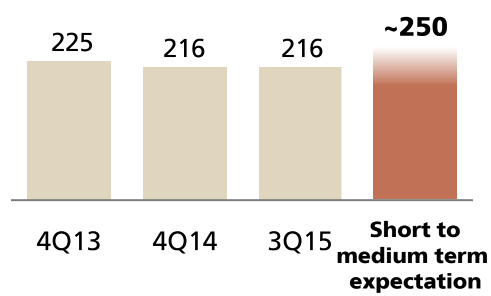

Refer to slide 41 for details about Basel III numbers and FX rates in this presentation
1 As first announced with 3Q12 results on 30.10.12; 2 Regulatory multipliers and methodology changes; 3 Since 31.12.12

# Updated capital and key performance metrics

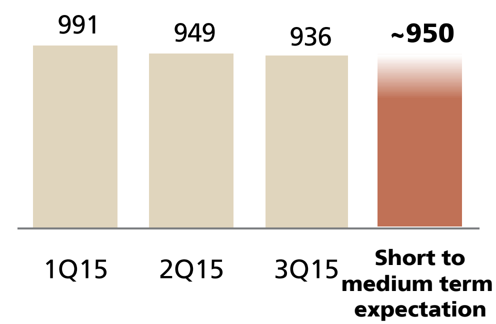
**Basel III CET1 ratio** (Fully applied, %)



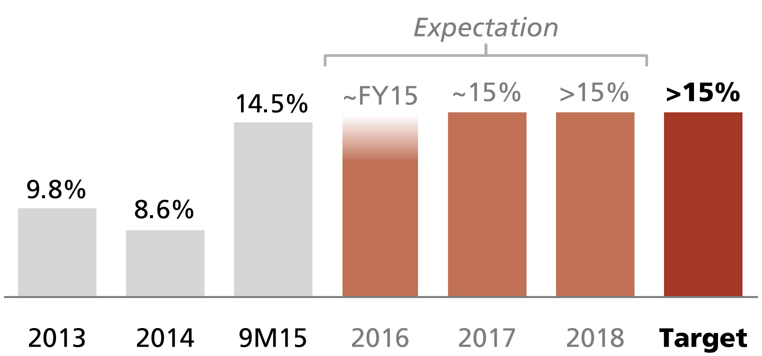

**RWA** (Fully applied, CHF billion)



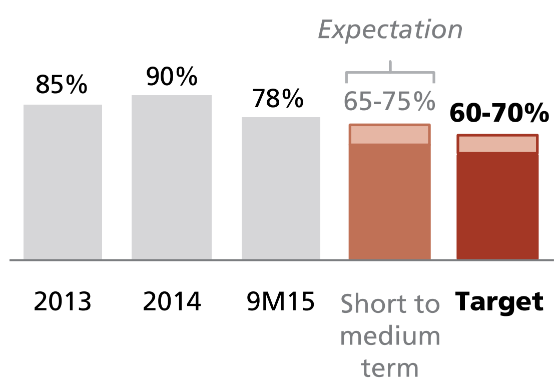

**BIS LRD** (Fully applied, CHF billion)



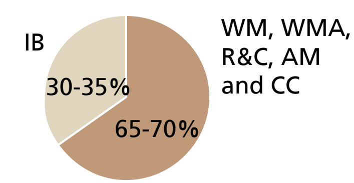

**Group RoTE** (Adjusted, %)




**Group cost/income ratio** (Adjusted, %)




**LRD and RWA** (% of Group total)




Investment Bank short to medium term expectations:

- RWA to trend around CHF 85 billion
- LRD to trend around CHF 325 billion

**We remain committed to pay out at least 50% of net profits[1]**

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Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Refer to page 11 of the 3Q15 financial report for more information about our performance targets and expectations
1 Conditional on maintaining a fully applied Basel III CET1 capital ratio of at least 13% and at least 10% post-stress

# Executing our strategy …

| What we have delivered | | Management priorities |
|---|---|---|
| ✓ | Execution of the transformation of UBS | Deliver our performance targets |
| ✓ | Made substantial progress in reducing costs and achieving operational efficiency | Improve effectiveness and efficiency |
| ✓ | Solidified position as the world's largest and fastest growing wealth manager[1] | Invest for growth |

**… to better serve our clients, to deliver shareholder value and to grow capital returns**

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1 Scorpio Partnership Global Private Banking Benchmark 2015, on reporting base currency basis for institutions with AuM >USD 500 billion

# Appendix

# Group and business division targets and expectations

## Ranges for sustainable performance over the cycle[1]

**Business divisions and Corporate Center**

| | | | |
|---|---|---|---|
| Wealth Management | Net new money growth rate | 3-5% | 10-15% annual adjusted pre-tax profit growth for combined businesses through the cycle |
| | Adjusted cost/income ratio | 55-65% | |
| Wealth Management Americas | Net new money growth rate | 2-4% | |
| | Adjusted cost/income ratio | 75-85% | |
| Retail & Corporate | Net new business volume growth rate | 1-4% (retail business) | |
| | Net interest margin | 140-180 bps | |
| | Adjusted cost/income ratio | 50-60% | |
| Asset Management | Net new money growth rate | 3-5% excluding money market flows | |
| | Adjusted cost/income ratio | 60-70% | |
| | Adjusted annual pre-tax profit | CHF 1 billion in the medium term | |
| Investment Bank | Adjusted annual pre-tax RoAE | >15% | |
| | Adjusted cost/income ratio | 70-80% | |
| | RWA (fully applied) | Expectation: around CHF 85 billion short/medium term | |
| | BIS Basel III LRD (fully applied) | Expectation: around CHF 325 billion short/medium term | |
| Corporate Center | Net cost reduction[2] | CHF 2.1 billion by 2017, of which CHF 1.4 billion by 2015 | |

| | | |
|---|---|---|
| **Group** | Adjusted cost/income ratio | 60-70%, expectation: 65-75% short/medium term |
| | Adjusted return on tangible equity | >15%, expectation: approximately at 2015 level in 2016, approximately 15% in 2017 and >15% in 2018 |
| | Basel III CET1 ratio (fully applied) | at least 13%[3] |
| | RWA (fully applied) | Expectation: around CHF 250 billion short/medium term |
| | BIS Basel III LRD (fully applied) | Expectation: around CHF 950 billion short/medium term |

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Refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation

1 Refer to page 11 of the 3Q15 financial report for details; 2 Measured by year-end exit rate versus FY13 adjusted operating expenses, net of changes in charges for provisions for litigation, regulatory and similar matters, FX movements and changes in regulatory demand of temporary nature; 3 Our capital returns policy is also subject to our maintaining a post-stress fully applied CET1 capital ratio of at least 10%

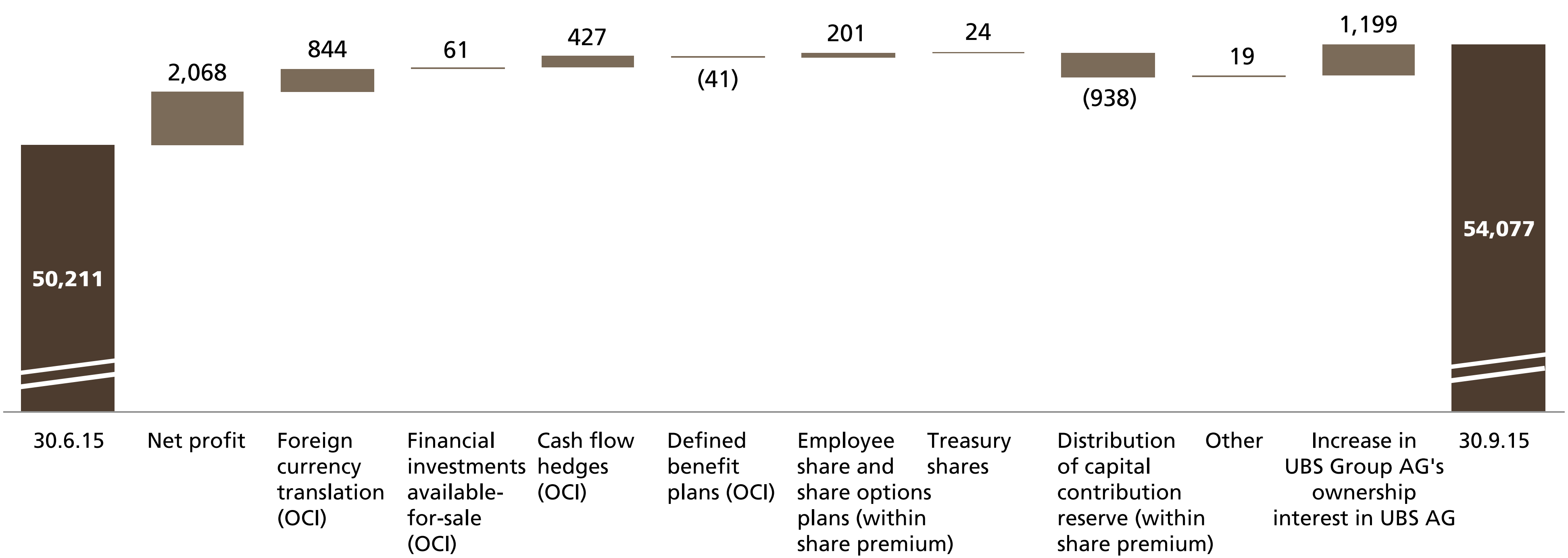
# IFRS equity attributable to UBS Group AG shareholders

## Equity attributable to UBS Group AG shareholders CHF 54.1 billion

### QoQ movement

CHF million, except per share figures in CHF

| | 30.6.15 | | 30.9.15 |
|---|---|---|---|
| **Total book value per share:** | 13.71 | +5.1% | 14.41 |
| **Tangible book value per share:** | 12.04 | +5.4% | 12.69 |



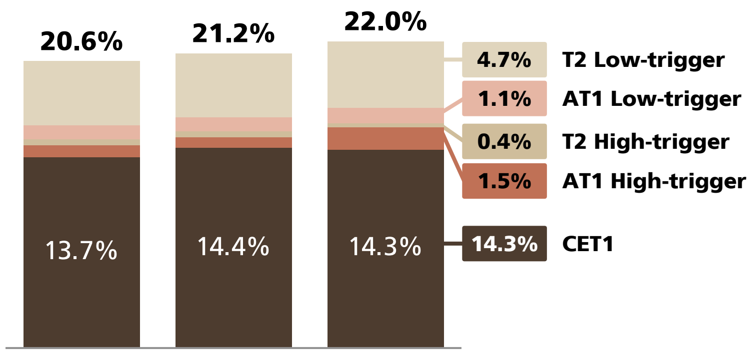

Refer to slide 41 for details about FX rates in this presentation

# Swiss SRB Basel III capital and ratios

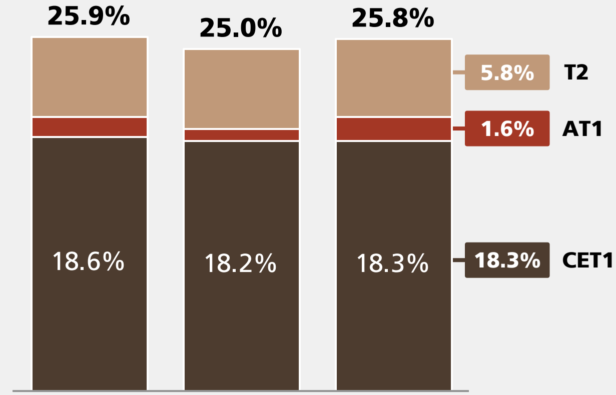
## 3Q15 fully applied Basel III CET1 capital ratio 14.3%

**Ratio**

### Fully applied




### Phase-in




CHF billion

| | | Fully applied 1Q15 | Fully applied 2Q15 | Fully applied 3Q15 | Phase-in 1Q15 | Phase-in 2Q15 | Phase-in 3Q15 |
|---|---|---|---|---|---|---|---|
| T2 | Other[1] | | | | 2.0 | 1.8 | 1.7 |
| T2 | Low-trigger | 10.0 | 9.6 | 10.2 | 10.0 | 9.6 | 10.2 |
| T2 | High-trigger | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| T2 | **Total T2** | **11.0** | **10.5** | **11.1** | **13.0** | **12.3** | **12.8** |
| AT1 | Other[2] | | | | 2.9 | 1.8 | 1.9 |
| AT1 | Low-trigger | 2.3 | 2.1 | 2.3 | 2.3 | 2.1 | 2.3 |
| AT1 | High-trigger | 1.7 | 1.6 | 3.3 | 1.7 | 1.6 | 3.3 |
| AT1 | Deductions[3] | | | | (3.9) | (3.7) | (3.9) |
| AT1 | **Total AT1** | **3.9** | **3.8** | **5.6** | **3.0** | **1.9** | **3.6** |
| **CET1** | | **29.6** | **30.3** | **30.9** | **40.8** | **38.7** | **40.5** |
| **Total capital** | | **44.5** | **44.6** | **47.6** | **56.8** | **52.9** | **56.9** |
| **RWA** | | **216** | **210** | **216** | **219** | **212** | **221** |

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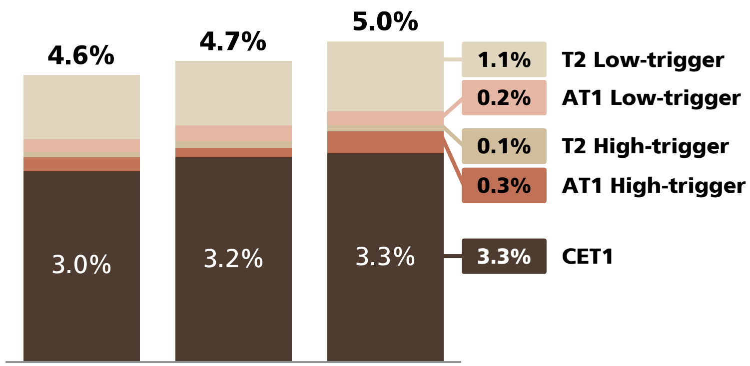
Refer to slide 41 for details about Basel III numbers and FX rates in this presentation
1 Phase-out capital; 2 Hybrid capital subject to phase-out; 3 Goodwill, net of tax, offset against hybrid capital and loss-absorbing capital

# Swiss SRB leverage ratio

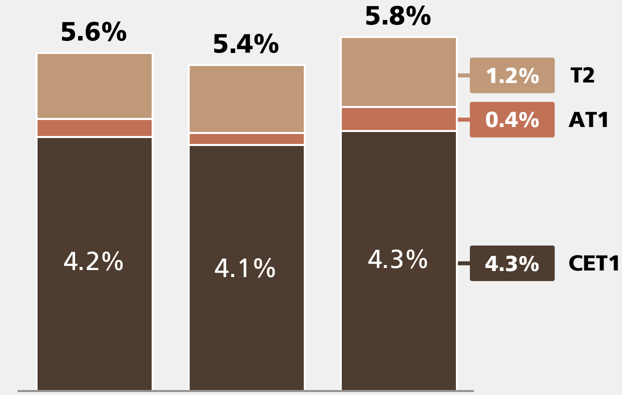
## 3Q15 fully applied Swiss SRB leverage ratio 5.0%

**Ratio**

### Fully applied




### Phase-in




CHF billion

| | | Fully applied 1Q15 | Fully applied 2Q15 | Fully applied 3Q15 | Phase-in 1Q15 | Phase-in 2Q15 | Phase-in 3Q15 |
|---|---|---|---|---|---|---|---|
| T2 | Low-trigger | 10.0 | 9.6 | 10.2 | 10.0 | 9.6 | 10.2 |
| T2 | High-trigger | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| | **Total T2** | **11.0** | **10.5** | **11.1** | **11.0** | **10.5** | **11.1** |
| AT1 | Other[1] | | | | 2.9 | 1.8 | 1.9 |
| AT1 | Low-trigger | 2.3 | 2.1 | 2.3 | 2.3 | 2.1 | 2.3 |
| AT1 | High-trigger | 1.7 | 1.6 | 3.3 | 1.7 | 1.6 | 3.3 |
| AT1 | Deductions[2] | | | | (3.9) | (3.7) | (3.9) |
| | **Total AT1** | **3.9** | **3.8** | **5.6** | **3.0** | **1.9** | **3.6** |
| **CET1** | | **29.6** | **30.3** | **30.9** | **40.8** | **38.7** | **40.5** |
| **Total capital** | | **44.5** | **44.6** | **47.6** | **54.8** | **51.1** | **55.2** |
| **Swiss SRB LRD** | | **977** | **944** | **946** | **982** | **949** | **952** |

Fully applied: **Loss-absorbing capital CHF 16.7 billion** (30.9.15)

Phase-in: **CHF 14.8 billion** (30.9.15)

- BIS Basel III leverage ratio **3.9%** on a fully applied basis (of which CET1 3.3%)[3]
- BIS Basel III LRD CHF **936** billion on a fully applied basis[3]

UBS

Refer to slide 41 for details about Basel III numbers and FX rates in this presentation

1 Hybrid capital subject to phase-out; 2 Goodwill, net of tax, offset against hybrid capital and loss-absorbing capital; 3 Refer to the "BIS Basel III leverage ratio" section of the 3Q15 financial report for further detail

# Breakdown of changes in RWA

## By type
CHF billion

**210** — **30.6.15**

**4** — **Regulatory add-ons, methodology/model-driven changes**
- CHF 1.1 billion increase in credit risk RWA due to the higher internal ratings-based multiplier on Investment Bank exposures to corporates and income producing real estate
- CHF 1.6 billion increase in market risk RWA due to an increase in the VaR multiplier used to convert regulatory VaR and stressed VaR to a capital charge
- CHF 1.1 billion increase in market risk RWA resulted from routine updates of the historical data set used to calculate VaR and stressed VaR reflecting the inclusion of the period of recent market volatility

**3** — **Currency effects**

**(1)** — **Book size and other**
- CHF 2.3 billion decrease in credit risk RWA primarily due to lower derivatives exposure
- CHF 1.6 billion increase in market risk RWA primarily due to higher stressed VaR during the third quarter

**216** — **30.9.15**

## By business division
CHF billion

**210** — **30.6.15**

**5** — **Investment Bank**
- CHF 3.8 billion increase in market risk RWA due to an increase in the VaR multiplier used to convert regulatory VaR and stressed VaR to a capital charge and higher stressed VaR during the third quarter
- CHF 1.2 billion increase in credit risk RWA mainly due to increased loan commitments and an increase in the internal ratings-based multiplier on exposure to corporates. In addition, in the third quarter of 2015, we revised the methodology to allocate to the reporting segments RWA related to default fund contributions to central counterparties

**1** — **All other businesses and Corporate Center**
- CHF 0.8 billion increase in market risk RWA due to an increase in the VaR multiplier used to convert regulatory VaR and stressed VaR to a capital charge and increase resulting from routine updates of the historical data set used to calculate VaR and stressed VaR reflecting the inclusion of the period of recent market volatility
- CHF 0.9 billion increase in non-counterparty-related risk RWA mainly related to an increase in DTAs on temporary differences
- CHF 0.4 billion decrease in credit risk RWA mainly due to the aforementioned change in allocation methodology on default fund contributions

**216** — **30.9.15**

# Breakdown of changes in Swiss SRB LRD

## By type

CHF billion, fully applied, three month average

**944** **30.6.15**

**22**

**Currency effects**[1]

- CHF 23 billion increase in total on-balance sheet assets
- CHF 4 billion decrease in LRD netting of derivative exposures
- CHF 2 billion increase in off-balance sheet items
- CHF 1 billion increase in Current exposure method (CEM) add-on for derivative exposures

**(20)**

**Book size and other**

- CHF 30 billion decrease primarily in derivative replacement values, trading portfolio and other on-balance sheet assets, partly offset by an increase in cash and balances with central banks
- CHF 11 billion increase due to lower LRD derivative netting, in line with on-balance sheet development of derivatives
- CHF 5 billion increase in average off-balance sheet items due to higher loan commitments
- CHF 3 billion decrease in CEM add-on, due to ongoing trade novations
- CHF 2 billion decrease in deduction items

**946** **30.9.15**

## By business division

CHF billion, fully applied, three month average

**944** **30.6.15**

**(12)**

**CC – Non-core and Legacy Portfolio**

- CHF 2 billion increase due to currency effects

Non-FX related:

- CHF 12 billion decrease primarily in derivative exposures including current exposure method (CEM) add-on due to trade novations and decrease in other on-balance sheet assets

**10**

**CC – Group ALM and CC – Services**

- CHF 7 billion increase due to currency effects

Non-FX related:

- CHF 3 billion increase primarily driven by higher cash and balances with central banks in Corporate Center – Group ALM, partly offset by a decrease in trading portfolio assets

**4**

**Business divisions**

- CHF 13 billion increase due to currency effects

Non-FX related:

- CHF 15 billion decreases primarily in trading portfolio and other on balance sheet assets
- CHF 5 billion increase in average off-balance sheet items due to higher loan commitments in the Investment Bank

**946** **30.9.15**

UBS

1 Estimated currency effects

# Breakdown of changes in BIS LRD

## By type
CHF billion, fully applied, spot

**949** — **30.6.15**

**26** — **Currency effects**[1]
- CHF 14 billion increase in on-balance sheet assets excluding derivatives and securities financing
- CHF 6 billion increase in derivative exposures
- CHF 5 billion increase in securities financing transactions
- CHF 1 billion increase in off-balance sheet items

**(23)** — **Optimization through netting and other risk mitigation**
- CHF 16 billion decrease mainly due to additional netting for written credit derivatives and current exposure method (CEM) add-on
- CHF 7 billion decrease in securities financing transactions due to the consideration of incremental collateral benefits

**(16)** — **Book size and other**
- CHF 10 billion decrease in derivative exposure mainly related to lower current exposure method (CEM) add-on related to trade novations and decrease in notionals for written credit derivatives
- CHF 7 billion decrease in on-balance sheet assets excluding derivatives and securities financing, primarily driven by reductions in financial investments available-for-sale and lending assets, partly offset by increases in cash balances with central banks
- CHF 1 billion increase in off-balance sheet items, primarily driven by an increase in loan commitments, partly offset by the effects of lower credit conversion factors due to data improvements
- CHF 1 billion increase in securities financing transactions

**936** — **30.9.15**

## By business division
CHF billion, fully applied, spot

**949** — **30.6.15**

**(29)** — **Investment Bank**
- CHF 10 billion increase due to currency effects

Non-FX related:
- CHF 16 billion decrease mainly related to the application of additional netting for written credit derivatives and current exposure method (CEM) add-on
- CHF 7 billion decrease in securities financing transactions due to the consideration of incremental collateral benefits
- CHF 7 billion decrease primarily driven by reductions in trading portfolio assets
- CHF 7 billion decrease on derivative exposures mainly related to lower notional amounts for written credit derivatives and current exposure method (CEM) add-on

**18** — **CC – Group ALM**
- CHF 7 billion increase due to currency effects

Non-FX related:
- CHF 6 billion increase due to securities financing transactions
- CHF 5 billion increase in on-balance sheet assets excluding derivatives and securities financing transactions, primarily cash and balances with central banks and trading portfolio assets, partly offset by decreases in financial investments available-for-sale

**(2)** — **All other businesses and Corporate Center units**
- CHF 9 billion increase due to currency effects

Non-FX related:
- CHF 11 billion decrease primarily driven by reductions in securities financing and lending assets as well as derivative exposures across business divisions

**936** — **30.9.15**

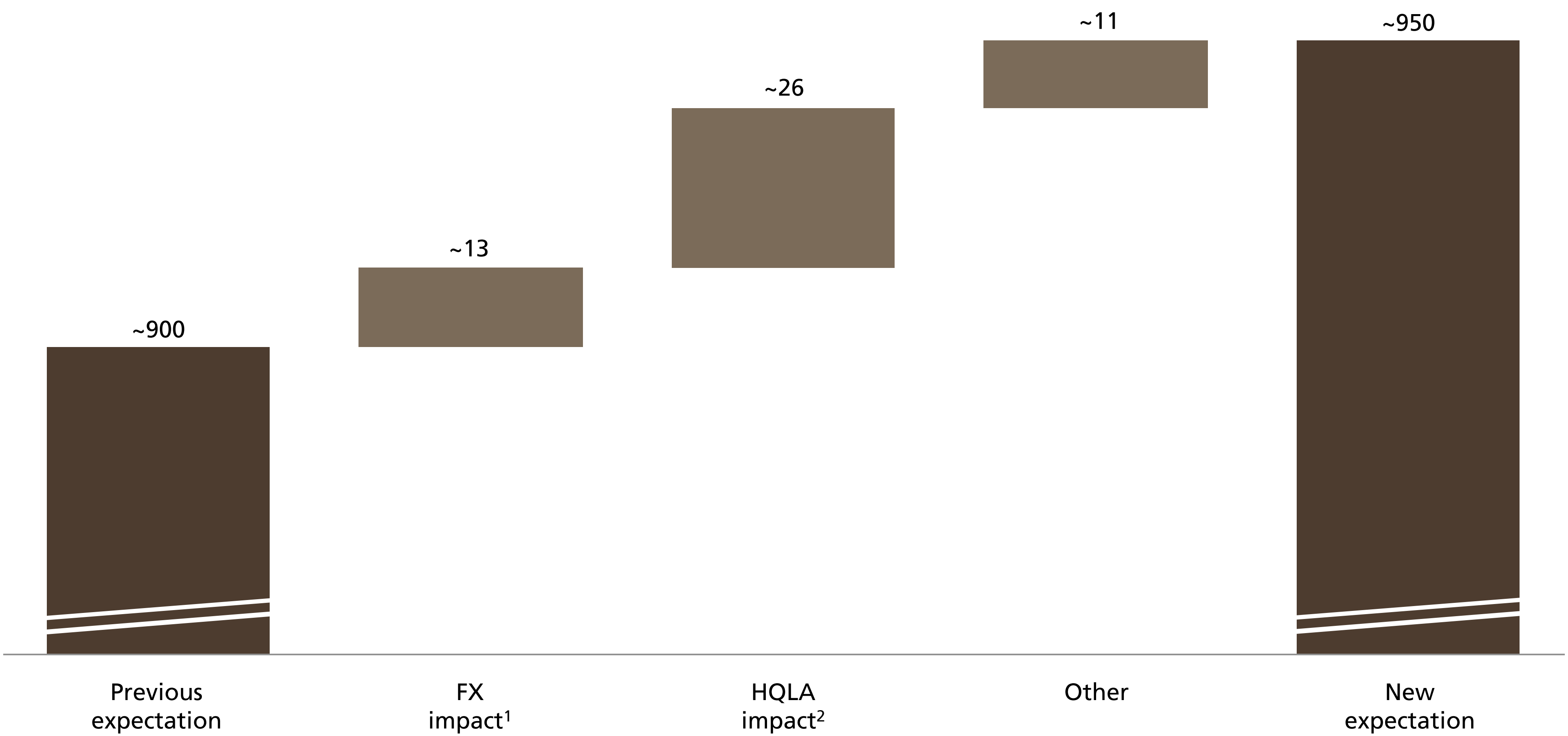
UBS

1 Estimated currency effects

# Breakdown of changes in BIS LRD expectation

**Leverage ratio denominator walk forward from previous expectation to new expectation**

CHF billion, fully applied



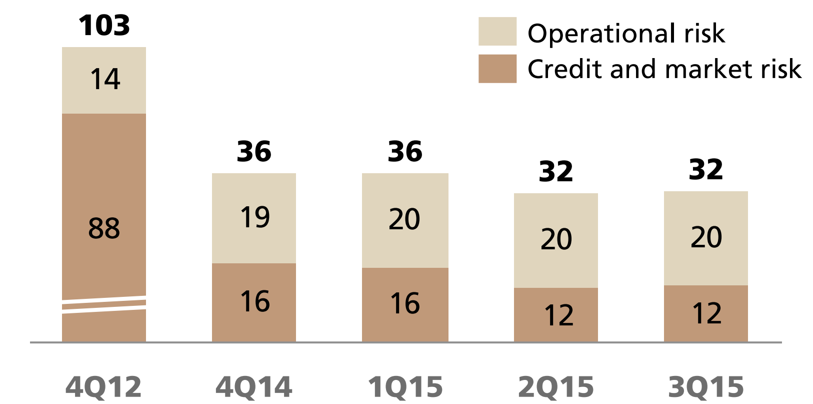

1 Increase due to exchange rate movement since the previous target was announced in May 2014; 2 Illustrative impact of operating at the current LCR of 127% versus the assumed level when the previous target was announced in May 2014

# Corporate Center – Non-core and Legacy Portfolio

## Non-core and Legacy Portfolio Swiss SRB LRD down CHF 12 billion in the quarter

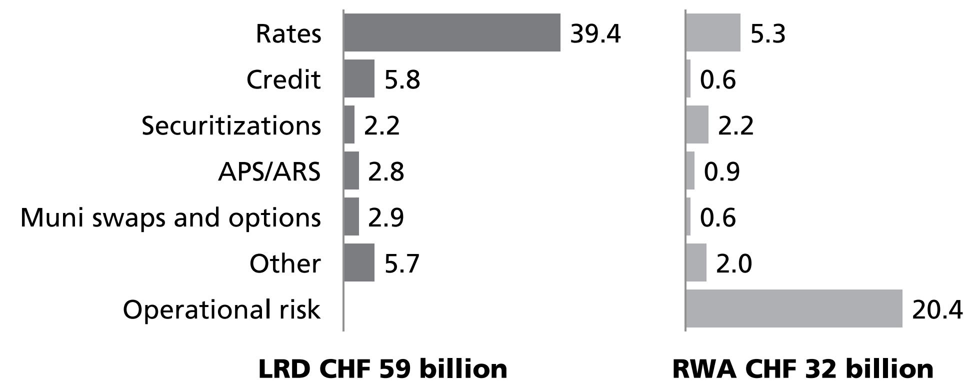
### RWA reduced by ~70% since 4Q12

CHF billion



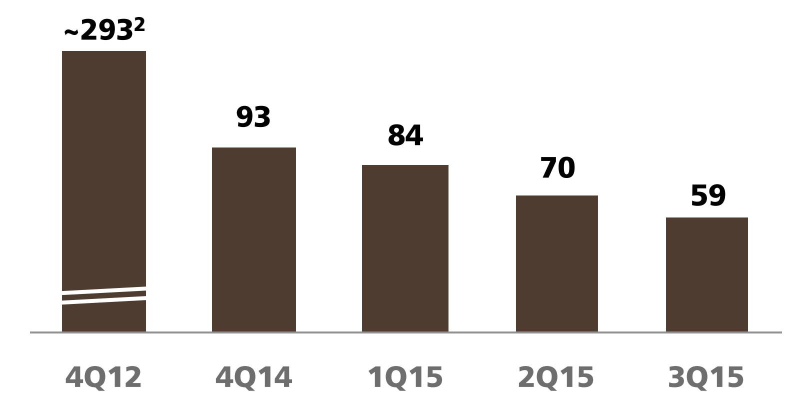

### ~65% of residual LRD in Rates products[1]

CHF billion, Swiss SRB LRD (average, fully applied), 30.9.15



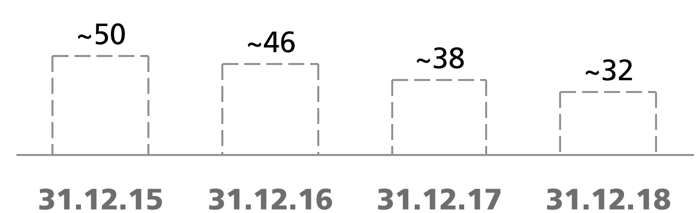

### LRD reduced by ~80% since 4Q12

CHF billion, Swiss SRB LRD (average, fully applied)




### LRD: natural decay[3,4,5]

CHF billion, BIS (fully applied), period-end spot balances

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Refer to slide 41 for details about Basel III numbers and FX rates in this presentation

1 Refer to page 62 of the 3Q15 financial report for further detail; 2 Pro-forma estimate based on period-end balance; 3 Estimates based on 30.9.15 data, assuming positions are held to maturity; 4 Pro-forma estimate excluding any further unwind activity; 5 LRD balances can vary materially due to market movements, changes in regulation, changes in margin requirements and other factors

# Retained funding cost

## We continue to expect retained funding costs to decline in the mid term

### Treasury income retained in Corporate Center – Group ALM

CHF million

| | 2Q15 | 3Q15 |
|---|---|---|
| Gross results (excluding accounting asymmetry and other adjustments) | 161 | 150 |
| Allocations to business divisions | (191) | (207) |
| **Net revenues** (excluding accounting asymmetry and other adjustments) | **(30)** | **(57)** |
| of which: retained funding costs | (180) | (193) |
| of which: other items retained in Group ALM | 151 | 136 |
| **Accounting asymmetry and other adjustments**<br>*Mark-to-market losses from cross currency swaps, macro cash flow hedge ineffectiveness, Group Treasury FX, debt buyback and other* | **(92)** | **(64)** |
| **Net treasury income retained in Corporate Center – Group ALM** | **(121)** | **(121)** |

*We will continue to plan in order to maintain a diversified funding profile and comfortable LCR and NSFR ratios*

- Central funding costs retained in Group Treasury increased QoQ as a result of new debt issuance
- Retained funding costs expected to significantly decrease by end-2016
- 3Q15 Basel III LCR 127% and Basel III NSFR[1] 107%

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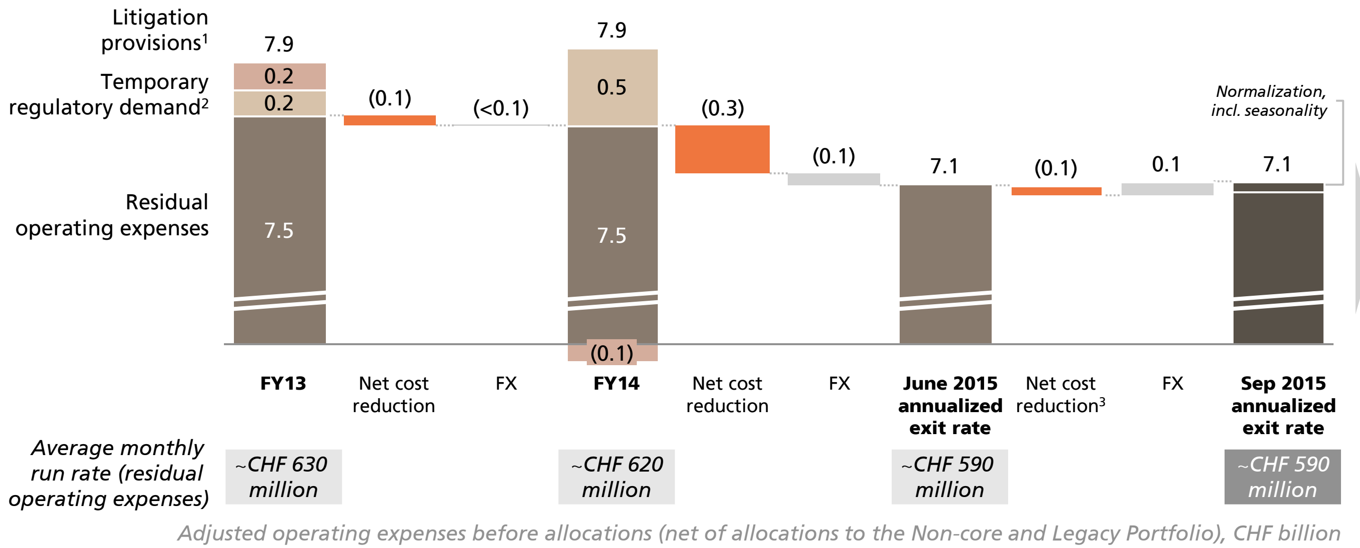
Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Estimated pro-forma ratio

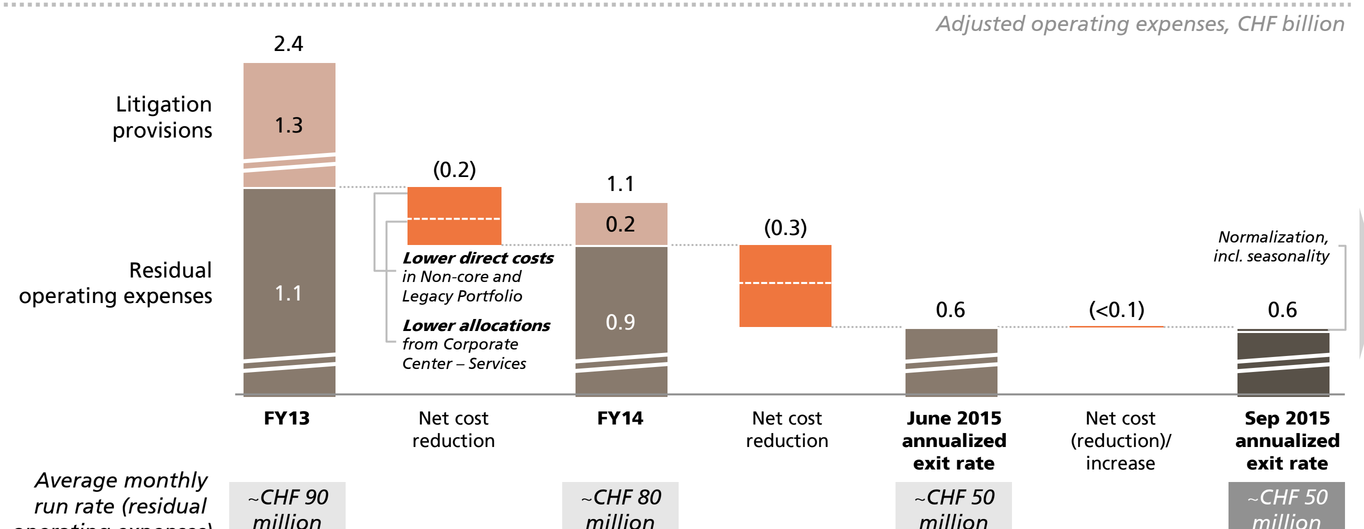
# Corporate Center cost reductions

## ~CHF 1.0 billion net cost reduction as per September 2015 exit rate

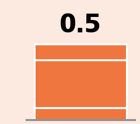
### Services & Group ALM




### Non-core and Legacy Portfolio




**~CHF 1.0 billion annualized net cost reduction**




**Services and Group ALM**

September 2015 exit rate net cost reduction

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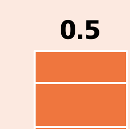


**Non-core and Legacy Portfolio**

September 2015 exit rate net cost reduction

UBS

Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Charts illustrative only and bars not to scale; refer to page 11 of the 3Q15 quarterly report for details on our cost reduction targets; 1 Provisions for litigation, regulatory and similar matters; 2 Regulatory demand of temporary nature; 3 Incremental Group Technology investment of ~CHF 0.1 billion which has been self-funded by business divisions via direct cost savings and excluded from Corporate Center – Services

# Regional performance – 3Q15[1]

CHF billion

| | | Americas | | Asia Pacific | | EMEA[2] | | Switzerland | | Global[3] | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2Q15 | 3Q15 | 2Q15 | 3Q15 | 2Q15 | 3Q15 | 2Q15 | 3Q15 | 2Q15 | 3Q15 | 2Q15 | 3Q15 |
| **Operating income** | WM | 0.1 | 0.1 | 0.6 | 0.5 | 0.9 | 0.9 | 0.4 | 0.4 | 0.0 | 0.0 | 2.0 | 1.9 |
| | WMA | 1.8 | 1.9 | - | - | - | - | - | - | - | - | 1.8 | 1.9 |
| | R&C | - | - | - | - | - | - | 1.0 | 1.0 | - | - | 1.0 | 1.0 |
| | AM | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | - | - | 0.5 | 0.5 |
| | Investment Bank | 0.7 | 0.7 | 0.8 | 0.6 | 0.7 | 0.6 | 0.2 | 0.2 | (0.0) | (0.0) | 2.3 | 2.1 |
| | Corporate Center | - | - | - | - | - | - | - | - | (0.1) | (0.3) | (0.1) | (0.3) |
| | **Group** | **2.8** | **2.9** | **1.5** | **1.2** | **1.7** | **1.6** | **1.7** | **1.7** | **(0.2)** | **(0.3)** | **7.5** | **7.1** |
| **Operating expenses** | WM | 0.1 | 0.1 | 0.3 | 0.3 | 0.6 | 0.6 | 0.2 | 0.2 | 0.0 | 0.0 | 1.3 | 1.2 |
| | WMA | 1.6 | 1.6 | - | - | - | - | - | - | - | - | 1.6 | 1.6 |
| | R&C | - | - | - | - | - | - | 0.5 | 0.5 | - | - | 0.5 | 0.5 |
| | AM | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | (0.0) | 0.0 | 0.3 | 0.4 |
| | Investment Bank | 0.5 | 0.5 | 0.5 | 0.4 | 0.5 | 0.5 | 0.2 | 0.1 | 0.1 | (0.0) | 1.7 | 1.5 |
| | Corporate Center | - | - | - | - | - | - | - | - | 0.4 | 0.9 | 0.4 | 0.9 |
| | **Group** | **2.4** | **2.3** | **0.8** | **0.8** | **1.2** | **1.2** | **1.0** | **1.0** | **0.5** | **0.9** | **5.9** | **6.1** |
| **Profit before tax** | WM | 0.0 | 0.0 | 0.2 | 0.2 | 0.3 | 0.3 | 0.2 | 0.2 | (0.0) | (0.0) | 0.8 | 0.7 |
| | WMA | 0.2 | 0.3 | - | - | - | - | - | - | - | - | 0.2 | 0.3 |
| | R&C | - | - | - | - | - | - | 0.4 | 0.4 | - | - | 0.4 | 0.4 |
| | AM | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | (0.0) | 0.1 | 0.1 |
| | Investment Bank | 0.1 | 0.2 | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | (0.1) | 0.0 | 0.6 | 0.6 |
| | Corporate Center | - | - | - | - | - | - | - | - | (0.5) | (1.2) | (0.5) | (1.2) |
| | **Group** | **0.4** | **0.6** | **0.6** | **0.4** | **0.5** | **0.4** | **0.7** | **0.7** | **(0.6)** | **(1.2)** | **1.6** | **1.0** |



Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
1 Refer to the "Regional performance" section of the 3Q15 financial report for further detail; 2 Europe, Middle East and Africa excluding Switzerland; 3 Refers to items managed globally

# Adjusted results

| Adjusting items | | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CHF million | | | | | | | | | | | | |
| **Operating income as reported (Group)** | | **7,775** | **7,389** | **6,261** | **6,307** | **7,258** | **7,147** | **6,876** | **6,746** | **8,841** | **7,818** | **7,170** |
| *Of which:* | | | | | | | | | | | | |
| Gain on sale of a subsidiary | Wealth Management | | | | | | | | | 141 | | |
| Gain on sale of the Belgian domestic WM business | Wealth Management | | | | | | | | | | 56 | |
| Share of net profit of SIX Group related to a gain on sale | Wealth Management | | | | | | | | | | | 15 |
| | Retail & Corporate | | | | | | | | | | | 66 |
| Gain on sale of AM's Canadian domestic business | Asset Management | 34 | | | | | | | | | | |
| Gain from the partial sales of our investment in Markit | Investment Bank | | | | | | 43 | | | | 11 | |
| Impairment of a financial investments available-for-sale | Investment Bank | | | | | | | (48) | | | | |
| Net gain on sale of remaining proprietary trading business | Investment Bank | 55 | | | | | | | | | | |
| | Corporate Center - Group ALM | (24) | | | | | | | | | | |
| Own credit on financial liabilities designated at FV | Corporate Center - Group ALM | (181) | 138 | (147) | (94) | 88 | 72 | 61 | 70 | 226 | 259 | 32 |
| FX translation losses from the disposal of a subsidiary | Corporate Center - Group ALM | | | | | | | | | | | (27) |
| Gains on sales of real estate | Corporate Center - Services | | 19 | 207 | 61 | 23 | 1 | | 20 | 378 | | |
| Net losses related to the buyback of debt in public tender offer | Corporate Center - Group ALM | (119) | | | (75) | | | | | | | |
| | Corporate Center - NCL[1] | 27 | | | | | | | | | | |
| **Operating income adjusted (Group)** | | **7,983** | **7,232** | **6,201** | **6,415** | **7,147** | **7,031** | **6,863** | **6,656** | **8,096** | **7,492** | **7,084** |
| **Operating expenses as reported (Group)** | | **6,327** | **6,369** | **5,906** | **5,858** | **5,865** | **5,929** | **7,430** | **6,342** | **6,134** | **6,059** | **6,382** |
| *Of which:* | | | | | | | | | | | | |
| Net restructuring charges | Wealth Management | 26 | 50 | 62 | 41 | 40 | 38 | 60 | 48 | 46 | 69 | 74 |
| | Wealth Management Americas | 10 | 10 | 13 | 26 | 10 | 7 | 15 | 23 | 24 | 24 | 39 |
| | Retail & Corporate | 15 | 13 | 15 | 12 | 15 | 13 | 20 | 16 | 16 | 17 | 28 |
| | Asset Management | 4 | 14 | 12 | 13 | 4 | 2 | 5 | 39 | 18 | 4 | 23 |
| | Investment Bank | 6 | 31 | 84 | 89 | 124 | 27 | 50 | 60 | 70 | 66 | 118 |
| | Corporate Center - Services | (3) | 5 | (1) | (7) | 2 | 4 | 16 | 8 | 119 | 0 | 2 |
| | Corporate Center - NCL[1] | 188 | 18 | 5 | 24 | 9 | (2) | 10 | 14 | 11 | 13 | 15 |
| Credit related to changes to retiree benefit plans in the US | Wealth Management Americas | | | | | | | (3) | (7) | | | (21) |
| | Asset Management | | | | | | | (8) | | | | |
| | Investment Bank | | | | | | | (19) | (1) | | | |
| | Corporate Center - NCL[1] | | | | | | | (3) | | | | |
| Impairment of an intangible asset | Investment Bank | | | | | | | | | | 11 | |
| **Operating expenses adjusted (Group)** | | **6,081** | **6,229** | **5,718** | **5,660** | **5,661** | **5,840** | **7,287** | **6,142** | **5,829** | **5,857** | **6,105** |
| **Operating profit/(loss) before tax as reported** | | **1,447** | **1,020** | **356** | **449** | **1,393** | **1,218** | **(554)** | **404** | **2,708** | **1,759** | **788** |
| **Operating profit/(loss) before tax adjusted** | | **1,901** | **1,003** | **484** | **755** | **1,486** | **1,191** | **(424)** | **514** | **2,268** | **1,635** | **979** |

UBS

Adjusted numbers unless otherwise indicated, refer to slide 41 for details about adjusted numbers, Basel III numbers and FX rates in this presentation
Refer to page 17 of the 3Q15 financial report for an overview of adjusted numbers; 1 Non-core and Legacy Portfolio

# Important information related to this presentation

**Use of adjusted numbers**
Unless otherwise indicated, "adjusted" figures exclude the adjustment items listed on the previous slide, to the extent applicable, on a Group and business division level. Adjusted results are a non-GAAP financial measure as defined by SEC regulations. Refer to page 17 of the 3Q15 financial report for an overview of adjusted numbers.

If applicable for a given adjusted KPI (i.e., adjusted return on tangible equity), adjustment items are calculated on an after-tax basis by applying indicative tax rates (i.e., 2% for own credit, 22% for other items, and with certain large items assessed on a case-by-case basis). Refer to page 27 of the 3Q15 financial report for more information.

**Basel III RWA, Basel III capital and Basel III liquidity ratios**
Basel III numbers are based on the BIS Basel III framework, as applicable for Swiss Systemically relevant banks (SRB). Numbers in the presentation are Swiss SRB Basel III numbers unless otherwise stated. Our fully applied and phase-in Swiss SRB Basel III and BIS Basel III capital components have the same basis of calculation, except for differences disclosed on page 98 of the 3Q15 financial report.

Basel III risk-weighted assets in this presentation are calculated on the basis of Basel III fully applied unless otherwise stated. Our RWA under BIS Basel III are the same as under Swiss SRB Basel III.

Leverage ratio and leverage ratio denominator in this presentation are calculated on the basis of fully applied Swiss SRB, unless otherwise stated.

Refer to the "Capital Management" section in the 3Q15 financial report for more information.

**Currency translation**
Monthly income statement items of foreign operations with a functional currency other than Swiss francs are translated with month-end rates into Swiss francs. Refer to "Note 19 Currency translation rates" in the 3Q15 financial report for more information.

**Rounding**
Numbers presented throughout this presentation 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.