UBS Group AG
Form 6-K
October 25, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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THE SECURITIES EXCHANGE ACT OF 1934

Date: October 25, 2018

UBS Group AG

Commission File Number: 1-36764

UBS AG

Commission File Number: 1-15060

(Registrants' Name)

Bahnhofstrasse 45, Zurich, Switzerland

Aeschenvorstadt 1, Basel, Switzerland

(Address of principal executive offices)

Indicate by check mark whether the registrants file or will file annual reports under cover of Form 20 F or Form 40-F.

Form 20-F x Form 40-F o

This Form 6-K consists of the Third Quarter 2018 Report of UBS Group AG, which appears immediately following this page.

Our financial results

Corporate calendar UBS Group AG

Publication of the fourth quarter 2018 report:	Monday, 21 January 2019
Publication of the Annual Report 2018:	Friday, 1 March 2019
Publication of the first quarter 2019 report:	Thursday, 25 April 2019
Annual General Meeting 2019:	Thursday, 2 May 2019

Corporate calendar UBS AG*

Publication of the third quarter 2018 report:	Wednesday, 31 October 2018

*Publication dates of further quarterly and annual reports and results will be made available as part of the corporate calendar of UBS AG at www.ubs.com/investors

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Third quarter 2018 report

Our key figures

	As of or for the quarter ended				As of or year-to-date	
CHF million, except where indicated	**30.9.18**	30.6.18	31.12.17	30.9.17	30.9.18	30.9.17
Group results						
Operating income	**7,279**	7,554	7,122	7,145	22,531	21,946
Operating expenses	**5,611**	5,875	6,266	5,924	17,212	17,534
Operating profit / (loss) before tax	**1,668**	1,679	855	1,221	5,320	4,412
Net profit / (loss) attributable to shareholders	**1,246**	1,284	(2,336)	946	4,044	3,389
Diluted earnings per share (CHF)[1]	**0.32**	0.33	(0.63)	0.25	1.05	0.88
Key performance indicators[2]						
Profitability and growth						
Return on tangible equity (%)	**11.3**	11.6	(20.2)	8.3	12.2	9.8
Adjusted return on tangible equity excluding deferred tax expense / benefit and deferred tax assets (%)	**15.7**	16.7	8.6	13.3	16.7	15.5
Cost / income ratio (%)	**77.0**	77.5	86.9	83.0	76.2	79.8
Adjusted cost / income ratio (%)[3]	**75.9**	75.8	83.4	79.0	75.7	76.5
Net profit growth (%)	**31.7**	9.3		14.4	19.3	32.0
Resources						
Common equity tier 1 capital ratio (%)[4]	**13.5**	13.4	13.8	13.7	13.5	13.7
Common equity tier 1 leverage ratio (%)[4]	**3.80**	3.75	3.69	3.69	3.80	3.69
Going concern leverage ratio (%)[4]	**5.0**	5.0	4.7	4.7	5.0	4.7
Additional information						
Profitability						
Return on equity (%)	**9.8**	10.1	(17.8)	7.2	10.6	8.5
Return on risk-weighted assets, gross (%)[5]	**11.6**	12.0	12.1	12.0	12.0	12.8
Return on leverage ratio denominator, gross (%)[5]	**3.2**	3.4	3.3	3.3	3.4	3.4
Resources						
Total assets	**932,471**	944,482	915,642	913,599	932,471	913,599

Equity attributable to shareholders	**51,122**	50,774	51,214	53,493	51,122	53,493
Common equity tier 1 capital[4]	**34,167**	33,817	32,671	32,621	34,167	32,621
Risk-weighted assets[4]	**252,247**	252,373	237,494	237,963	252,247	237,963
Going concern capital ratio (%)[4]	**17.9**	17.8	17.6	17.4	17.9	17.4
Total loss-absorbing capacity ratio (%)[4]	**31.8**	32.3	33.0	32.9	31.8	32.9
Leverage ratio denominator[4]	**898,000**	902,408	886,116	884,834	898,000	884,834
Total loss-absorbing capacity leverage ratio (%)[4]	**8.9**	9.0	8.8	8.9	8.9	8.9
Liquidity coverage ratio (%)[6]	**135**	144	143	142	135	142
Other						
Invested assets (CHF billion)[7]	**3,267**	3,242	3,179	3,054	3,267	3,054
Personnel (full-time equivalents)	**65,556**	63,684	61,253	60,796	65,556	60,796
Market capitalization[8]	**59,754**	59,072	69,125	63,757	59,754	63,757
Total book value per share (CHF)[8]	**13.72**	13.62	13.76	14.39	13.72	14.39
Tangible book value per share (CHF)[8]	**12.02**	11.90	12.04	12.67	12.02	12.67

1 Refer to “Note 8 Earnings per share (EPS) and shares outstanding” in the “Consolidated financial statements” section of this report for more information. 2 Refer to the “Measurement of performance” section of our Annual Report 2017 for the definitions of our key performance indicators. 3 Calculated as adjusted operating expenses / adjusted operating income before credit loss (expense) or recovery. 4 Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the “Capital management” section of this report for more information. 5 Calculated as operating income before credit loss (annualized as applicable) / average risk-weighted assets and average leverage ratio denominator, respectively. 6 Refer to the “Balance sheet, liquidity and funding management” section of this report for more information. 7 Includes invested assets for Personal & Corporate Banking. 8 Refer to “UBS shares” in the “Capital management” section of this report for more information.

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UBS Group

Management report

Terms used in this report, unless the context requires otherwise

"UBS," "UBS Group," "UBS Group AG consolidated," "Group," "the Group," "we," "us" and "our"	UBS Group AG and its consolidated subsidiaries
"UBS AG consolidated"	UBS AG and its consolidated subsidiaries
"UBS Group AG" and "UBS Group AG standalone"	UBS Group AG on a standalone basis
"UBS AG" and "UBS AG standalone"	UBS AG on a standalone basis
"UBS Switzerland AG" and "UBS Switzerland AG standalone"	UBS Switzerland AG on a standalone basis
"UBS Limited" and "UBS Limited standalone"	UBS Limited on a standalone basis
"UBS Americas Holding LLC" and "UBS Americas Holding LLC consolidated"	UBS Americas Holding LLC and its consolidated subsidiaries

Recent developments

Changes to our functional and presentation currencies

Effective 1 October 2018 and as required by IAS 21, *The Effects of Changes in Foreign Exchange Rates*, the functional currency of UBS Group AG and UBS AG's Head Office in Switzerland has changed from Swiss francs to US dollars and the functional currency of UBS AG's London Branch operations has changed from British pounds to US dollars. In line with these changes, the presentation currency of UBS Group AG's and UBS AG's consolidated financial statements will change from Swiss francs to US dollars. Prior periods will be restated for this presentation currency change, with assets, liabilities and total equity converted to US dollars at historic closing exchange rates prevailing on the respective balance sheet dates, and income and expenses translated at the respective average rates prevailing for the relevant periods. There will be no material changes to prior-period profit and loss or total equity attributable to UBS shareholders. The restated historical financial data time series is available under "Quarterly reporting – Time series & spreadsheets" at *www.ubs.com/investors.*

Beginning with our fourth quarter 2018 report, financial information will be presented in US dollars. In addition, we will continue to provide select financial and regulatory information in Swiss francs as part of our quarterly and annual reporting.

We expect that these functional and presentation currency changes, together with related changes to our risk management framework and certain hedging programs, should increase our reported Group net interest income by approximately USD 0.3 billion annually. Based on our US dollar balance sheet as of mid-October 2018, post implementation of the presentation and functional currency changes and related hedging activities, we estimate that a parallel +100 basis point shift in yield curves would result in a combined increase in annual net interest income of Global Wealth Management and Personal & Corporate Banking of approximately USD 0.6 billion, or USD 0.1 billion higher compared with the sensitivity as of 30 September 2018. The sensitivity of shareholders' equity to such a shift in yield curves continues to be estimated as a decrease of approximately USD 1.9 billion recognized in Other comprehensive income (OCI).

We estimate that, under a US dollar functional and presentation currency, a 10% depreciation of the US dollar against other currencies would reduce our common equity tier 1 (CET1) capital ratio by 7 basis points and our Swiss systemically relevant bank (SRB) going concern leverage ratio by 14 basis points. Conversely, we estimate that a 10% appreciation of the US dollar against other currencies would increase our CET1 capital ratio by 7 basis points and our Swiss SRB going concern leverage ratio by 15 basis points.

The aforementioned estimates are calculated based on our estimated US dollar balance sheet as of mid-October 2018 post implementation of the functional and presentation currency changes and related hedging activities.

Regulatory and legal developments

Adoption of Swiss corporate tax reform

In September 2018, the Swiss Parliament adopted corporate tax reform measures, previously known as Tax Proposal 17, that abolish preferential corporate tax treatment for holding companies and introduce a series of tax measures that are aligned to Organisation for Economic Co-operation and Development (OECD) standards, aiming to maintain Switzerland's competitiveness as a business location. The measures include an optional relief on capital tax that compensates for the proposed elimination of the current preferential holding company capital tax rate. In addition, the cantonal share of direct federal tax revenue will be increased, giving the cantons leeway to reduce their cantonal corporate income tax rate. If a referendum is not called, most measures will take effect in 2020, with some measures already taking effect in early 2019. The changes would increase our tax liability in Switzerland by a modest amount; the changes in cantonal tax rates, if enacted, would be expected to largely offset such increase.

UK withdrawal from the EU

We have planned our response to the UK withdrawal from the EU assuming that the UK will leave the EU in March 2019 and that any transition arrangements will only become legally binding close to the exit date. Given the continuing uncertainty on transition arrangements and the potential future restrictions on providing financial services into the EU from the UK, we are in the process of obtaining regulatory approvals for the merger of UBS Limited, our UK-headquartered subsidiary, into UBS Europe SE, our German-headquartered European subsidiary. Following completion of the merger, we expect that UBS Europe SE will become subject to direct supervision by the European Central Bank.

As reported in our Annual Report 2017, certain clients and other counterparties of UBS Limited would become clients or counterparties of UBS Europe SE through a business transfer proceeding and the merger of the two entities. We have now commenced the business transfer proceeding in the UK to facilitate the transfer of client business as well as the cross-border merger proceeding. We currently expect the business transfer and merger to become effective in the first quarter of 2019, prior to the UK leaving the EU at the end of March 2019.

We anticipate that clients and other counterparties of UBS Limited who can be serviced by UBS AG, London Branch generally will be migrated to UBS AG, London Branch in the fourth quarter of 2018 and prior to the merger of UBS Limited and UBS Europe SE. In connection with the merger, a small number of roles will be relocated from the UK to other European locations. We also expect to increase the loss-absorbing capacity of UBS Europe SE to reflect the additional activities it would acquire. The timing and extent of any actions we take may vary considerably from our current plan depending on regulatory requirements and the nature of any transition or successor agreements between the UK and the EU.

Developments related to the transition away from IBOR

Efforts to transition from the interbank offered rate (IBOR) benchmarks to alternative benchmark rates are continuing. The following key developments took place in the third quarter of 2018.

– The working group on euro risk-free rates recommended ESTER (euro short-term rate) as the replacement for EONIA (Euro OverNight Index Average), which will be prohibited by the EU Benchmark Regulation after 1 January 2020.

– Futures contracts referenced to the Secured Overnight Financing Rate (SOFR), the recommended successor to US dollar LIBOR (London Interbank Offered Rate), began trading on the Chicago Mercantile Exchange.

– The Bank of England consulted on the development of Term SONIA (Sterling Overnight Index Average) Reference Rates, which are expected to become available in the second half of 2019.

– The International Swaps and Derivatives Association, as part of a Financial Conduct Authority (FCA) mandate, consulted on preferred options for LIBOR transition fallbacks for derivatives.

The FCA and the Prudential Regulation Authority have written to the CEOs of banks and insurance companies in the UK, including UBS, seeking assurance that senior managers and boards understand the risks associated with the transition away from IBOR and are taking appropriate preparatory action to transition to alternative rates before the end of 2021.

We have a substantial number of contracts linked to IBOR and have established a cross-divisional, cross-regional governance structure and change program to address the scale and complexity of the transition from 2018 to 2021.

Other developments

Increase in stake in UBS Securities China

As disclosed in our second quarter 2018 report, we submitted a preliminary application in May 2018 to increase our shareholding in our China affiliate, UBS Securities Co. Limited (UBSS), from 24.99% to 51%. The transaction is subject to completion of a share purchase from existing shareholders and regulatory approval. If we acquire majority ownership, we expect to consolidate UBSS under International Financial Reporting Standards (IFRS) and remeasure our current 24.99% holding at fair value, resulting in an estimated loss of CHF 0.3 billion in Corporate Center – Services if the disclosed offer prices are accepted. The loss will be treated as an adjusting item. CET1 capital should not be materially affected as the loss is expected to be largely offset by the release of a capital deduction for goodwill included with the initial stake.

Worldline to acquire SIX Payment Services

On 15 May 2018, SIX and Worldline signed a binding agreement to enter into a strategic partnership in the cards business. Under the agreement, SIX will transfer its existing cards business to Worldline and receive a 27% stake in Worldline. The transaction is currently expected to close in the fourth quarter of 2018. When the transaction closes, we expect to recognize in the income statement a share of the gain recognized by SIX proportional to our 17.31% equity ownership in SIX, estimated at CHF 0.4 billion subject to Worldline's share price upon closing. The gain, of which approximately 80% will be reflected in Personal & Corporate Banking and approximately 20% in Global Wealth Management, will be treated as an adjusting item. For CET1 capital, the gain may be offset by related capital deductions.

Key financial reporting and accounting changes in 2019

IFRS 16, *Leases*

We will adopt IFRS 16, *Leases* on 1 January 2019, fundamentally changing how we account for operating leases when acting as a lessee. We expect assets and liabilities to increase by approximately CHF 4 billion upon adoption with a corresponding increase in RWA and LRD, with associated modest effects on capital and leverage ratios.

→ **Refer to "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for further information**

Changes to performance targets, allocations and in segment reporting in 2019

Changes to our performance targets

In connection with our 2018 Investor Update we announced updates to our annual performance targets, ambitions and capital and resource guidelines effective in 2019. The table on the next page shows these for the Group and the business divisions. Our updated targets and ambitions take into account the effects of the changes in Corporate Center cost allocations, equity attribution and Corporate Center segment reporting. Performance targets and ambitions exclude, where applicable, items that management believes are not representative of the underlying performance of our businesses, such as restructuring-related charges and gains and losses on sales of businesses and real estate. The performance targets assume constant foreign currency translation rates unless indicated otherwise.

Changes in Corporate Center cost allocations and equity attribution to business divisions as of the first quarter of 2019

In order to align Group and divisional performance, we will adjust our methodology for the allocation of Corporate Center expenses, funding costs and balance sheet to the business divisions. In aggregate, this will result in an increase of approximately CHF 0.7 billion in Corporate Center retained profit, offset by higher allocations to the business divisions, and lead to approximately a 2 percentage point increase in business division adjusted cost / income ratios.

Following these changes, the retained loss in Corporate Center – Services will primarily reflect funding costs for deferred tax assets, costs relating to our legal entity transformation program and other costs not attributable to or representative of the performance of the business divisions.

Furthermore, Corporate Center will allocate approximately CHF 90 billion of additional leverage ratio denominator (LRD), and associated risk-weighted assets (RWA), from Corporate Center – Group Asset and Liability Management (Group ALM) to business divisions. This is incremental to the existing LRD and RWA allocations from Corporate Center – Group ALM to the business divisions.

With this methodology update and further changes to our equity attribution framework, we expect to allocate approximately CHF 7 billion of additional attributed equity to the business divisions, of which CHF 3 billion will be allocated to the Investment Bank. The remaining attributed equity retained in Corporate Center will primarily relate to deferred tax assets and dividend accruals.

All of these changes will be effective
1 January 2019 and we will provide restated prior-period information.

Changes in Corporate Center segment reporting

Effective 1 January 2019, we will no longer separately assess the performance of Corporate Center – Non-core and Legacy Portfolio as a result of its substantially reduced size and resource consumption. Following this change, and in line with IFRS 8, *Operating Segments*, we will include the results of Corporate Center – Non-core and Legacy Portfolio with Corporate Center – Services. Prior-period information will be restated.

Targets, ambitions and capital and resource guidelines

		Targets		Ambitions	Capital / resource guidelines
		FY19	**FY19–21**		**FY19–21**
Group	Reported return on CET1 capital[1]	~15%		~17%	
	Adjusted cost/income ratio[2]	~77%		~72%	
	CET1 capital ratio[3]				~13%
	CET1 leverage ratio[4]				~3.7%
Global Wealth Management	Adjusted pre-tax profit growth[5]		10–15%[6]		
	Adjusted cost/income ratio[7]	~75%		~70%	
	Net new money growth[8]		2–4%		
Personal & Corporate Banking	Adjusted pre-tax profit growth[5]		3–5%[6]		
	Adjusted cost/income ratio[7]	~59%		~56%	
	Net interest margin		145–155bps		
Asset Management	Adjusted pre-tax profit growth[5]		~10%[6]		
	Adjusted cost/income ratio[7]	~72%		~68%	
	Net new money growth (excl. money markets)[8]		3–5%		
Investment Bank	Adjusted return on attributed equity[9]		~15%[6,10]		
	Adjusted cost/income ratio[7]	~78%		~75%	
	RWA and LRD in relation to Group[11]				~1/3

1 Net profit attributable to shareholders divided by average common equity tier 1 (CET1) capital. 2 Adjusted operating expenses divided by adjusted operating income before credit loss expense or recovery. Refer to the "Group Performance" section of this report and the UBS Group Annual Report 2017 for information on adjusting items. 3 CET1 capital divided by risk-weighted assets (RWA) calculated in accordance with the Basel III framework as

applicable to Swiss systemically relevant banks (SRBs). **4** CET1 capital divided by leverage ratio denominator (LRD) calculated in accordance with Swiss SRB rules applicable as of 1 January 2020. **5** Business division adjusted profit before tax for the current period divided by business division adjusted profit before tax of comparison period, expressed as a percentage growth. For Asset Management, this metric excludes the impact of business exits. For Personal & Corporate Banking, it is measured in Swiss francs. **6** Over the cycle. **7** Business division adjusted operating expenses divided by business division adjusted operating income before credit loss expense or recovery expressed as a percentage. **8** Net new money for the current period (annualized as applicable), divided by invested assets at the beginning of the period, expressed as a percentage. For Asset Management, this metric excludes money markets from both numerator and denominator. **9** Business division adjusted operating profit before tax (annualized as applicable) divided by average attributed equity. Refer to "Equity attribution and return on attributed equity" in the "Capital management" section of this report for information on the attributed equity framework and to "Changes in Corporate Center cost allocations and equity attribution to business divisions as of the first quarter of 2019" in this section for changes to the framework effective 2019. **10** Repositioned from a minimum return to a performance target. **11** RWA or LRD attributed to the Investment Bank divided by total Group RWA or LRD, as applicable. Refer to the "Capital management" section of this report for information on RWA and LRD.

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Group performance

Income statement

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.18**	30.6.18	30.9.17	2Q18	3Q17	30.9.18	30.9.17
Net interest income	**1,670**	985	1,743	70	(4)	4,399	4,855
Other net income from fair value changes on financial instruments	**1,143**	2,187	1,089	(48)	5	4,797	3,985
Credit loss (expense) / recovery	**(9)**	(28)	7	(67)		(63)	(39)
Fee and commission income	**4,779**	4,793	4,686	0	2	14,454	14,219
Fee and commission expense	**(401)**	(417)	(442)	(4)	(9)	(1,227)	(1,327)
Net fee and commission income	**4,378**	4,377	4,244	0	3	13,228	12,892
Other income	**97**	34	62	189	56	171	252
Total operating income	**7,279**	7,554	7,145	(4)	2	22,531	21,946
of which: net interest income and other net income from fair value changes on financial instruments	***2,814***	*3,172*	*2,832*	*(11)*	*(1)*	*9,196*	*8,840*
Personnel expenses	**3,858**	4,059	3,893	(5)	(1)	11,931	11,967
General and administrative expenses	**1,433**	1,516	1,760	(5)	(19)	4,374	4,754
Depreciation and impairment of property, equipment and software	**304**	284	256	7	19	860	761
Amortization and impairment of intangible assets	**15**	16	16	(6)	(4)	47	53
Total operating expenses	**5,611**	5,875	5,924	(4)	(5)	17,212	17,534
Operating profit / (loss) before tax	**1,668**	1,679	1,221	(1)	37	5,320	4,412
Tax expense / (benefit)	**419**	394	272	6	54	1,270	974
Net profit / (loss)	**1,249**	1,285	948	(3)	32	4,050	3,438
Net profit / (loss) attributable to non-controlling interests	**3**	1	2	131	67	6	49
Net profit / (loss) attributable to shareholders	**1,246**	1,284	946	(3)	32	4,044	3,389
Comprehensive income							
Total comprehensive income	**276**	2,342	1,574	(88)	(82)	3,314	2,343
Total comprehensive income attributable to non-controlling interests	**3**	(1)	31		(90)	4	92
Total comprehensive income attributable to shareholders	**273**	2,343	1,543	(88)	(82)	3,311	2,251

Performance by business division and Corporate Center unit – reported and adjusted[1,2]

	For the quarter ended 30.9.18						
CHF million	**Global Wealth Management**	**Personal & Corporate Banking**	**Asset Manage-ment**	**Investment Bank**	**CC – Services[3]**	**CC – Group ALM**	**CC – Nor core and Legacy Portfolio**
Operating income as reported	4,043	967	449	1,927	(39)	(107)	40
of which: gains on sale of real estate					*30*		
of which: gains on sale of subsidiaries and businesses					*25*		
Operating income (adjusted)	4,043	967	449	1,927	(94)	(107)	40
Operating expenses as reported	3,111	554	329	1,455	78	20	64
of which: personnel-related restructuring expenses[4]	*11*	*1*	*2*	*1*	*43*	*0*	*0*
of which: non-personnel-related restructuring expenses[4]	*0*	*0*	*1*	*3*	*58*	*0*	*0*
of which: restructuring expenses allocated from CC − Services[4]	*60*	*8*	*6*	*31*	*(105)*	*1*	*(1)*
Operating expenses (adjusted)	3,040	545	321	1,420	82	19	65
of which: net expenses for litigation, regulatory and similar matters[5]	*28*	*0*	*0*	*(57)*	*30*	*0*	*3*
Operating profit / (loss) before tax as reported	932	413	120	472	(118)	(127)	(24)
Operating profit / (loss) before tax (adjusted)	1,003	422	129	507	(177)	(126)	(25)

	For the quarter ended 30.6.18						
CHF million	Global Wealth Management	Personal &	Asset	Investment Bank	CC –	CC –	CC – Nor

		Corporate Banking	Manage- ment		Services[3]	Group ALM	core and Legacy Portfolio
Operating income as reported	4,157	933	458	2,171	(78)	(185)	98
of which: net foreign currency translation losses[6]						*(15)*	
Operating income (adjusted)	4,157	933	458	2,171	(78)	(169)	98
Operating expenses as reported	3,120	566	357	1,602	94	21	116
of which: personnel-related restructuring expenses[4]	*3*	*1*	*15*	*2*	*43*	*0*	*0*
of which: non-personnel-related restructuring expenses[4]	*5*	*0*	*3*	*3*	*39*	*0*	*0*
of which: restructuring expenses allocated from CC − Services[4]	*39*	*9*	*8*	*32*	*(88)*	*0*	*1*
Operating expenses (adjusted)	3,073	556	331	1,566	100	20	115
of which: net expenses for litigation, regulatory and similar matters[5]	*52*	*0*	*0*	*2*	*0*	*0*	*76*
Operating profit / (loss) before tax as reported	**1,037**	**368**	**101**	**569**	**(172)**	**(206)**	**(18)**
Operating profit / (loss) before tax (adjusted)	**1,084**	**378**	**126**	**605**	**(178)**	**(190)**	**(17)**

Group performance

Performance by business division and Corporate Center unit – reported and adjusted (continued)[1,2]

	For the quarter ended 30.9.17							
CHF million	Global Wealth Management	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	CC – Services[3]	CC – Group ALM	CC – Non-core and Legacy Portfolio	UBS
Operating income as reported	3,967	971	494	1,800	(70)	(49)	32	7,145
Operating income (adjusted)	3,967	971	494	1,800	(70)	(49)	32	7,145
Operating expenses as reported	3,065	559	366	1,531	331	18	54	5,924
of which: personnel-related restructuring expenses[4]	*13*	*1*	*6*	*4*	*115*	*0*	*0*	*140*
of which: non-personnel-related restructuring expenses[4]	*22*	*0*	*5*	*6*	*111*	*0*	*0*	*145*
of which: restructuring expenses allocated from CC − Services[4]	*104*	*24*	*15*	*73*	*(218)*	*1*	*1*	*0*
Operating expenses (adjusted)	2,926	534	340	1,448	322	17	53	5,639
of which: net expenses for litigation, regulatory and similar matters[5]	*26*	*0*	*(5)*	*(46)*	*247*	*0*	*(25)*	*197*
Operating profit / (loss) before tax as reported	**902**	**411**	**127**	**269**	**(401)**	**(67)**	**(22)**	**1,221**
Operating profit / (loss) before tax (adjusted)	**1,041**	**436**	**153**	**352**	**(392)**	**(66)**	**(21)**	**1,506**

1 Adjusted results are non-GAAP financial measures as defined by SEC regulations.
2 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 3 Corporate Center − Services operating expenses presented in this table are after service allocations to business divisions and other Corporate Center units. 4

Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives in 2018 for Global Wealth Management and Asset Management.
5 Reflects the net increase / (release) in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to “Note 15 Provisions and contingent liabilities” in the “Consolidated financial statements” section of this report for more information. Also includes recoveries from third parties (third quarter of 2018: CHF 0 million; second quarter of 2018: CHF 10 million; third quarter of 2017: CHF 50 million). 6 Related to the disposal of foreign subsidiaries and branches.

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Performance by business division and Corporate Center unit – reported and adjusted[1,2]

	Year-to-date 30.9.18						
CHF million	Global Wealth Management	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	CC – Services[3]	CC – Group ALM	CC – Nor core and Legacy Portfolio
Operating income as reported	12,395	2,847	1,348	6,405	(155)	(496)	187
of which: gains on sale of real estate					*30*		
of which: gains on sale of subsidiaries and businesses					*25*		
of which: net foreign currency translation losses[4]						*(15)*	
Operating income (adjusted)	12,395	2,847	1,348	6,405	(210)	(480)	187
Operating expenses as reported	9,298	1,647	1,021	4,775	170	59	241
of which: personnel-related restructuring expenses[5]	*17*	*3*	*18*	*14*	*133*	*0*	*0*
of which: non-personnel-related restructuring expenses[5]	*15*	*0*	*7*	*7*	*147*	*0*	*0*
of which: restructuring expenses allocated from CC − Services[5]	*145*	*25*	*20*	*94*	*(288)*	*2*	*1*
of which: gain related to changes to the Swiss pension plan[6]	*(61)*	*(35)*	*(10)*	*(5)*	*(114)*		
Operating expenses (adjusted)	9,183	1,654	985	4,664	292	57	240
of which: net expenses for litigation, regulatory and similar matters[7]	*110*	*(1)*	*0*	*(57)*	*6*	*0*	*64*
Operating profit / (loss) before tax as reported	3,097	1,200	327	1,630	(325)	(555)	(54)
	3,213	1,193	363	1,741	(502)	(537)	(53)

Operating profit / (loss) before tax (adjusted)

	Year-to-date 30.9.17						
CHF million	Global Wealth Management	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	CC – Services[3]	CC – Group ALM	CC – Nor core and Legacy Portfolic
Operating income as reported	11,905	2,864	1,422	5,924	(107)	(79)	16
of which: gains on sale of financial assets at fair value through OCI[8]				*107*			
of which: net foreign currency translation losses[4]						*(22)*	
Operating income (adjusted)	11,905	2,864	1,422	5,817	(107)	(57)	16
Operating expenses as reported	9,184	1,678	1,082	4,724	652	29	183
of which: personnel-related restructuring expenses[5]	*28*	*6*	*11*	*26*	*301*	*1*	*0*
of which: non-personnel-related restructuring expenses[5]	*49*	*0*	*16*	*12*	*337*	*0*	*0*
of which: restructuring expenses allocated from CC − Services[5]	*306*	*62*	*43*	*197*	*(615)*	*2*	*6*
Operating expenses (adjusted)	8,801	1,611	1,012	4,488	629	26	177
of which: net expenses for litigation, regulatory and similar matters[7]	*104*	*0*	*(4)*	*(45)*	*243*	*0*	*(58)*
Operating profit / (loss) before tax as reported	**2,721**	**1,185**	**340**	**1,200**	**(759)**	**(108)**	**(167)**
Operating profit / (loss) before tax (adjusted)	**3,104**	**1,252**	**410**	**1,329**	**(736)**	**(83)**	**(161)**

1 Adjusted results are non-GAAP financial measures as defined by SEC regulations.   2 Comparative f
this table may differ from those originally published in quarterly and annual reports due to adjustmen
following organizational changes, restatements due to the retrospective adoption of new accounting
standards or changes in accounting policies, and events after the reporting period.   3 Corporate Cer
Services operating expenses presented in this table are after service allocations to business divisions
other Corporate Center units.   4 Related to the disposal of foreign subsidiaries and branches.   5 Re
restructuring expenses related to legacy cost programs as well as expenses for new restructuring init
2018 for Global Wealth Management and Asset Management.   6 Refer to “Note 5 Personnel expense
“Consolidated financial statements” section of this report for more information.   7 Reflects the net ir
(release) in provisions for litigation, regulatory and similar matters recognized in the income stateme
to “Note 15 Provisions and contingent liabilities” in the “Consolidated financial statements” section of
for more information. Also includes recoveries from third parties of CHF 27 million and CHF 51 million
first nine months of 2018 and 2017, respectively.   8 Reflects a gain on sale of our remaining investm
IHS Markit in the Investment Bank. Figures presented for periods prior to 2018 relate to financial asse
available for sale. With the adoption of IFRS 9 on 1 January 2018, certain financial assets were reclass
from available for sale under IAS 39 to measured at fair value through OCI under IFRS 9. Refer to “No
of accounting” and “Note 19 Transition to IFRS 9 as of 1 January 2018” in the “Consolidated financial
section of this report for more information.

Results: 3Q18 vs 3Q17

Profit before tax increased by CHF 447 million or 37% to CHF 1,668 million, reflecting a decrease in operating expenses and higher operating income. Operating income increased by CHF 134 million or 2%, mainly reflecting CHF 134 million higher net fee and commission income. Operating expenses decreased by CHF 313 million or 5%, primarily due to CHF 327 million lower general and administrative expenses.

In addition to reporting our results in accordance with International Financial Reporting Standards (IFRS), we report adjusted results that exclude items that management believes are not representative of the underlying performance of our businesses. Such adjusted results are non-GAAP financial measures as defined by US Securities and Exchange Commission (SEC) regulations. Following the completion of our CHF 2.1 billion cost reduction program at the end of 2017, which we refer to as our “legacy cost programs” in this report, we expect residual restructuring expenses incurred in connection with legacy cost programs, as well as expenses relating to new restructuring initiatives, of approximately CHF 0.5 billion for the full year 2018 and approximately CHF 0.2 billion in 2019.

For the purpose of determining adjusted results for the third quarter of 2018, we excluded gains of CHF 30 million on sale of real estate and gains of CHF 25 million on sale of subsidiaries and businesses, as well as net restructuring expenses of CHF 120 million related to legacy cost programs and new restructuring initiatives. For the third quarter of 2017, we excluded net restructuring expenses of CHF 285 million.

On this adjusted basis, profit before tax for the third quarter of 2018 increased by CHF 227 million or 15% to CHF 1,733 million, driven by CHF 148 million or 3% lower operating expenses and a CHF 79 million or 1% increase in operating income. In US dollar terms, adjusted profit before tax increased 14%.

Operating income: 3Q18 vs 3Q17

Total operating income increased by CHF 134 million or 2% to CHF 7,279 million. On an adjusted basis, total operating income increased by CHF 79 million or 1% to CHF 7,224 million, mainly reflecting a CHF 134 million increase in net fee and commission income.

Net interest income and other net income from fair value changes on financial instruments

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.18**	30.6.18	30.9.17	2Q18	3Q17	30.9.18	30.9.17
Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income (AC / FVOCI)	**873**	910	1,214	(4)	(28)	2,723	3,675
Net interest income from financial instruments measured at fair value through profit or loss (FVTPL)	**798**	75	529	963	51	1,676	1,180
Other net income from fair value changes on financial instruments	**1,143**	2,187	1,089	(48)	5	4,797	3,985
Total	**2,814**	3,172	2,832	(11)	(1)	9,196	8,840
Global Wealth Management	**1,234**	1,315	1,259	(6)	(2)	3,844	3,766
of which: net interest income	***1,042***	*1,081*	*1,015*	*(4)*	*3*	*3,141*	*2,969*
of which: transaction-based income from foreign exchange and other intermediary activity[1]	***192***	*234*	*244*	*(18)*	*(21)*	*703*	*797*
Personal & Corporate Banking	**616**	606	617	2	0	1,832	1,831
of which: net interest income	***517***	*509*	*522*	*2*	*(1)*	*1,533*	*1,561*
of which: transaction-based income from foreign exchange and other intermediary activity[1]	***99***	*97*	*95*	*2*	*4*	*299*	*270*
Asset Management	**(7)**	(3)	(4)	97	88	(15)	(15)
Investment Bank[2]	**1,071**	1,363	1,018	(21)	5	3,885	3,302
Corporate Client Solutions	***203***	*254*	*295*	*(20)*	*(31)*	*852*	*804*
Investor Client Services	***868***	*1,109*	*723*	*(22)*	*20*	*3,033*	*2,498*
Corporate Center[2]	**(102)**	(109)	(59)	(6)	72	(350)	(44)
CC – Services	***(50)***	*(48)*	*(33)*	*3*	*53*	*(104)*	*(33)*
CC – Group ALM	***(93)***	*(159)*	*(15)*	*(42)*	*531*	*(434)*	*15*
CC – Non-core and Legacy Portfolio	***41***	*98*	*(12)*	*(58)*		*189*	*(27)*

1 Mainly includes spread-related income in connection with client-driven transactions, foreign currency translation effects and income and expenses from precious metals, which are included in the income statement line “Other net income from fair value changes on financial instruments.” The amounts reported on this line are one component of “Transaction-based income” in the management discussion and analysis of Global Wealth Management and Personal & Corporate Banking in the “UBS business divisions and Corporate Center” section of this report. 2 Investment Bank and Corporate Center information is provided at the business line level rather than by financial statement reporting line in order to reflect the underlying business activities, which is consistent with the structure of their management discussion and analysis in the “UBS business divisions and Corporate Center” section of this report.

Net interest income and other net income from fair value changes on financial instruments

Total combined net interest income and other net income from fair value changes on financial instruments decreased by CHF 18 million to CHF 2,814 million, mainly driven by decreases in Corporate Center and Global Wealth Management, partly offset by an increase in the Investment Bank.

Global Wealth Management

In Global Wealth Management, net interest income increased by CHF 27 million to CHF 1,042 million, primarily due to an increase in net interest margin on deposits as well as higher loan volumes. This was partly offset by lower allocated treasury-related income from Corporate Center – Group Asset and Liability Management (Group ALM).

Transaction-based income from foreign exchange and other intermediary activity decreased by CHF 52 million to CHF 192 million, mainly due to lower client activity in all regions.

Personal & Corporate Banking

In Personal & Corporate Banking, net interest income decreased by CHF 5 million to CHF 517 million, mainly due to lower allocated treasury-related income from Group ALM, partly offset by higher deposit revenues.

Transaction-based income from foreign exchange and other intermediary activity was broadly unchanged at CHF 99 million.

Investment Bank

In the Investment Bank, net interest income and other net income from fair value changes on financial instruments increased by CHF 53 million to CHF 1,071 million. This was driven by a CHF 145 million increase in Investor Client Services, primarily in Foreign Exchange, Rates and Credit, mainly due to higher client activity levels and improved trading performance. In addition, net interest income and other net income from fair value changes on financial instruments increased in Equities, reflecting higher revenues across all products and regions. These increases were partly offset by a CHF 92 million decrease in Corporate Client Solutions, mainly reflecting lower revenues in Equity Capital Markets.

Corporate Center

In Corporate Center, net interest income and other net income from fair value changes on financial instruments decreased by CHF 43 million, primarily reflecting a CHF 78 million decrease in Group ALM, mainly due to higher net interest expense in Group ALM's unsecured funding portfolio. In addition, there was a CHF 17 million decrease in Corporate Center – Services, primarily driven by higher funding costs relating to Corporate Center – Services' balance sheet assets and lower allocated treasury-related income from Group ALM. These decreases were partly offset by a CHF 53 million increase in Non-core and Legacy Portfolio, primarily as the third quarter of 2018 included valuation gains on auction rate securities that were measured at amortized cost and are now measured at fair value through profit or loss effective 1 January 2018 upon adoption of IFRS 9.

Net fee and commission income

Net fee and commission income was CHF 4,378 million compared with CHF 4,244 million.

Investment fund fees and fees for portfolio management and related services increased by CHF 166 million to CHF 3,108 million, mainly in Global Wealth Management, predominantly driven by higher average invested assets and an increase in mandate penetration.

M&A and corporate finance fees increased by CHF 82 million to CHF 256 million, primarily reflecting an increase in the Investment Bank due to higher revenues from merger and acquisition transactions against a global fee pool decline of 15%.

Other fee and commission expense increased by CHF 60 million to CHF 340 million, primarily in Asset Management, mainly due to the inclusion of fund administration expenses, which were reported as operating expenses prior to the sale of Asset Management's fund administration business in October 2017.

Underwriting fees decreased by CHF 30 million to CHF 206 million, reflecting lower equity underwriting fees in the Investment Bank.

→ **Refer to "Note 3 Net fee and commission income" in the "Consolidated financial statements" section of this report for more information**

Other income

Other income was CHF 97 million compared with CHF 62 million. The third quarter of 2018 included gains of CHF 30 million on sale of real estate and gains of CHF 25 million on sale of subsidiaries and businesses, both related to the sale of Widder Hotel. Excluding these items, adjusted other income decreased by CHF 20 million, mainly as the third quarter of 2017 included income of CHF 26 million related to a claim on a defaulted counterparty position.

→ **Refer to "Note 4 Other income" in the "Consolidated financial statements" section of this report for more information**

Credit loss (expense) / recovery

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.18**	30.6.18	30.9.17	2Q18	3Q17	30.9.18	30.9.17
Global Wealth Management	**(6)**	(1)	(1)	654	947	(4)	(3)
Personal & Corporate Banking	**(3)**	(22)	(2)	(85)	80	(38)	(23)
Investment Bank	**1**	(6)	2		(44)	(20)	(10)
Corporate Center	**(1)**	0	7	407		(2)	(3)
Total	**(9)**	(28)	7	(67)		(63)	(39)

Credit loss expense / recovery

We adopted IFRS 9, *Financial Instruments* effective 1 January 2018. IFRS 9 introduces a forward-looking expected credit loss (ECL) approach, which is intended to result in an earlier recognition of credit losses based on an ECL impairment approach compared with the incurred-loss impairment approach for financial instruments under IAS 39, *Financial Instruments: Recognition and Measurement* and the loss-provisioning approach for financial guarantees and loan commitments under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Total net credit loss expenses were CHF 9 million in the third quarter of 2018, reflecting a CHF 20 million increase in losses from credit-impaired (stage 3) positions, mainly in Global Wealth Management and Personal & Corporate Banking. This was partly offset by an CHF 11 million decrease in expected credit losses from stage 1 and 2 positions, primarily in the Investment Bank and Personal & Corporate Banking.

→ **Refer to “Note 1 Basis of accounting” and “Note 19 Transition to IFRS 9 as of 1 January 2018” in the “Consolidated financial statements” section of this report for more information on the adoption of IFRS 9**

→ **Refer to “Note 9 Expected credit loss measurement” in the “Consolidated financial statements” section of this report for more information on credit loss expense / recovery**

Operating expenses

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.18**	30.6.18	30.9.17	2Q18	3Q17	30.9.18	30.9.17
Operating expenses as reported							
Personnel expenses	**3,858**	4,059	3,893	(5)	(1)	11,931	11,967
General and administrative expenses	**1,433**	1,516	1,760	(5)	(19)	4,374	4,754
Depreciation and impairment of property, equipment and software	**304**	284	256	7	19	860	761
Amortization and impairment of intangible assets	**15**	16	16	(6)	(4)	47	53
Total operating expenses as reported	**5,611**	5,875	5,924	(4)	(5)	17,212	17,534
Adjusting items							
Personnel expenses	**58**	63	140			(39)	373
of which: restructuring expenses[1]	***58***	*63*	*140*			*186*	*373*
of which: gain related to changes to the Swiss pension plan[2]						*(225)*	
General and administrative expenses[1]	**35**	49	143			147	407
Depreciation and impairment of property, equipment and software[1]	**27**	2	2			29	6
Amortization and impairment of intangible assets[1]	**0**	0	0			0	0
Total adjusting items	**120**	114	285			137	787
Operating expenses (adjusted)[3]							
Personnel expenses	**3,800**	3,996	3,753	(5)	1	11,971	11,594
of which: salaries and variable compensation	***2,207***	*2,376*	*2,170*	*(7)*	*2*	*7,116*	*6,828*
of which: financial advisor variable compensation[4]	***996***	*996*	*976*	*0*	*2*	*2,966*	*2,956*
of which: other personnel expenses[5]	***597***	*623*	*606*	*(4)*	*(1)*	*1,889*	*1,809*
General and administrative expenses	**1,399**	1,467	1,617	(5)	(13)	4,226	4,347
of which: net expenses for litigation, regulatory and	***3***	*131*	*197*	*(98)*	*(98)*	*123*	*239*

similar matters							
of which: other general and administrative expenses	***1,396***	*1,337*	*1,420*	*4*	*(2)*	*4,103*	*4,108*
Depreciation and impairment of property, equipment and software	**277**	282	254	(2)	9	831	755
Amortization and impairment of intangible assets	**15**	16	16	(6)	(4)	47	53
Total operating expenses (adjusted)	**5,491**	5,761	5,639	(5)	(3)	17,074	16,747

1 Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives in 2018 for Global Wealth Management and Asset Management.
2 Refer to “Note 5 Personnel expenses” in the “Consolidated financial statements” section of this report for more information. 3 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 4 Financial advisor variable compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. 5 Consists of expenses related to contractors, social security, pension and other post-employment benefit plans and other personnel expenses. Refer to “Note 5 Personnel expenses” in the “Consolidated financial statements” section of this report for more information.

Operating expenses: 3Q18 vs 3Q17

Total operating expenses decreased by CHF 313 million or 5% to CHF 5,611 million. Excluding net restructuring expenses of CHF 120 million (third quarter of 2017: CHF 285 million) related to legacy cost programs and new restructuring initiatives, adjusted total operating expenses decreased by CHF 148 million or 3% to CHF 5,491 million.

Personnel expenses

Personnel expenses decreased by CHF 35 million to CHF 3,858 million on a reported basis, primarily due to lower variable compensation and a decrease in net restructuring expenses, partly offset by higher salary expenses, mainly in Corporate Center – Services, primarily driven by continued insourcing of certain activities and staff from third-party vendors to our Business Solutions Centers. Salary expenses also increased in Global Wealth Management.

On an adjusted basis, personnel expenses increased by CHF 47 million to CHF 3,800 million, primarily due to the aforementioned increase in salary expenses, partly offset by lower expenses for variable compensation.

→ **Refer to "Note 5 Personnel expenses" in the "Consolidated financial statements" section of this report for more information**

General and administrative expenses

General and administrative expenses decreased by CHF 327 million to CHF 1,433 million. This was mainly due to CHF 194 million lower net expenses for litigation, regulatory and similar matters, primarily as the third quarter of 2017 included expenses related to the resolution of the majority of outstanding indemnification claims related to our sale of Banco UBS Pactual S.A. In addition, net restructuring expenses decreased by CHF 108 million.

On an adjusted basis, general and administrative expenses decreased by CHF 218 million to CHF 1,399 million, largely due to the aforementioned decrease in net expenses for litigation, regulatory and similar matters.

We believe that the industry continues to operate in an environment in which expenses associated with litigation, regulatory and similar matters will remain elevated for the foreseeable future and we continue to be exposed to a number of significant claims and regulatory matters. The outcome of many of these matters, the timing of a resolution, and the potential effects of resolutions on our future business, financial results or financial condition are extremely difficult to predict.

→ **Refer to "Note 6 General and administrative expenses" in the "Consolidated financial statements" section of this report for more information**

→ **Refer to "Note 15 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report and to "Material legal and regulatory risks arise in the conduct of our business" in the "Risk factors" section of our Annual Report 2017 for more information on litigation, regulatory and similar matters**

Depreciation, amortization and impairment

Depreciation, amortization and impairment of property, equipment, software and intangible assets was CHF 319 million compared with CHF 272 million, mainly resulting from higher expenses for internally generated capitalized software, driven by newly developed software that has been placed in service over the last 12 months and higher impairment costs.

On an adjusted basis, depreciation, amortization and impairment of property, equipment, software and intangible assets increased by CHF 23 million, primarily due to the aforementioned increase in expenses for internally generated capitalized software.

Tax: 3Q18 vs 3Q17

We recognized an income tax expense of CHF 419 million for the third quarter of 2018 compared with an income tax expense of CHF 272 million for the third quarter of 2017.

The net current tax expense was CHF 231 million compared with CHF 230 million and primarily related to taxable profits of UBS Switzerland AG and other legal entities in the UBS Group.

Deferred tax expenses were CHF 188 million compared with CHF 42 million and mainly related to the amortization of deferred tax assets (DTAs) previously recognized in relation to tax losses carried forward and deductible temporary differences to reflect their offset against profits for the quarter. Deferred tax expenses were lower in the third quarter of 2017, primarily as it included a net upward revaluation of DTAs in the US and Switzerland.

Following the reduction in the US federal corporate tax rate to 21% from 35%, which was included in the Tax Cuts and Jobs Act enacted in the fourth quarter of 2017, and the reduction in timeframe between the end of our seven-year profit forecast period and the expiry of our US tax losses carried forward, we are reviewing our approach to the remeasurement of our US DTAs and the timing for recognizing deferred taxes in our income statement. As a result of this review, which is ongoing and will depend in part on legal entity business plans that are expected to be finalized shortly, we expect to remeasure our US operations-related DTAs in Switzerland and in the US during the fourth quarter of 2018. These remeasurements are expected to include changes in recognized tax loss and temporary difference DTAs in respect of US profits, including the elimination of the seven-year profit forecast period limit for the tax loss DTAs related to UBS Americas Inc. However, these changes are anticipated to have a limited net effect on the tax expense and no effect on CET1 capital in the fourth quarter of 2018. As a result of the review, it is anticipated that US tax loss DTAs will begin to be amortized with effect from 1 January 2019.

We currently forecast a full-year tax rate for 2018 of approximately 24%, excluding the effect of any remeasurement of DTAs in the fourth quarter of 2018. Following the aforementioned review, the tax rate for 2019 is expected to be slightly higher at around 25%. This increase is due to the aforementioned amortization of US tax loss DTAs, which has no impact on CET1 capital.

→ **Refer to “Note 7 Income taxes” in the “Consolidated financial statements” section of this report for more information**

Total comprehensive income attributable to shareholders: 3Q18 vs 3Q17

Total comprehensive income attributable to shareholders was CHF 273 million compared with CHF 1,543 million. Net profit attributable to shareholders was CHF 1,246 million compared with CHF 946 million and other comprehensive income (OCI) attributable to shareholders, net of tax, was negative CHF 973 million compared with positive CHF 596 million.

In the third quarter of 2018, foreign currency translation OCI was negative CHF 390 million, primarily resulting from the weakening of the US dollar and British pound against the Swiss franc. OCI related to foreign currency translation in the same quarter last year was positive CHF 603 million.

OCI related to own credit on financial liabilities designated at fair value was negative CHF 283 million compared with negative CHF 36 million and mainly reflected a tightening of credit spreads in the third quarter of 2018.

OCI related to cash flow hedges was negative CHF 234 million in the third quarter of 2018, mainly reflecting an increase in unrealized losses on hedging derivatives resulting from increases in the relevant long-term interest rates. In the third quarter of 2017, OCI related to cash flow hedges was negative CHF 118 million.

Defined benefit plan OCI was negative CHF 50 million compared with positive CHF 123 million. We recorded net pre-tax OCI losses of CHF 31 million related to our Swiss pension plan. Net pre-tax OCI losses related to the non-Swiss pension plans amounted to CHF 23 million.

OCI associated with financial assets measured at fair value through OCI was negative CHF 16 million compared with positive CHF 24 million and mainly reflected net unrealized losses following increases in the relevant long-term interest rates.

→ **Refer to “Statement of comprehensive income” in the “Consolidated financial statements” section of this report for more information**

→ **Refer to “Note 26 Pension and other post-employment benefit plans” in the “Consolidated financial statements” section of our Annual Report 2017 for more information on other comprehensive income related to defined benefit plans**

Sensitivity to interest rate movements

As of 30 September 2018, we estimate that a parallel shift in yield curves by +100 basis points could lead to a combined increase in annual net interest income of approximately CHF 0.5 billion in Global Wealth Management and Personal & Corporate Banking. Of this increase, approximately CHF 0.2 billion and CHF 0.1 billion would result from changes in euro and US dollar interest rates, respectively.

The immediate effect on shareholders' equity of such a shift in yield curves would be a decrease of approximately CHF 1.9 billion recognized in OCI, of which approximately CHF 1.4 billion would result from changes in US dollar interest rates. Since the majority of this effect on shareholders' equity is related to cash flow hedge OCI, which is not recognized for the purposes of calculating regulatory capital, the immediate effect on regulatory capital would be a decrease of approximately CHF 0.2 billion, primarily related to the impact from debt instruments measured at fair value through OCI, partly offset by a positive effect from pension fund assets and liabilities.

The aforementioned estimates are based on an immediate increase in interest rates, equal across all currencies and relative to implied forward rates applied to our banking book and financial assets measured at fair value through OCI. These estimates further assume no change to balance sheet size and structure, constant foreign exchange rates and no specific management action.

→ **Refer to the "Recent developments" section of this report for information on the effects on our interest rate sensitivity of changing our presentation currency and certain functional currencies to US dollars in the fourth quarter of 2018**

Key figures and personnel

Return on tangible equity: 3Q18 vs 3Q17

The annualized return on tangible equity (RoTE) was 11.3% compared with 8.3%. The annualized adjusted RoTE excluding deferred tax expense / benefit and DTAs was 15.7% compared with 13.3%.

Cost / income ratio: 3Q18 vs 3Q17

The cost / income ratio was 77.0% compared with 83.0%. On an adjusted basis, the cost / income ratio was 75.9% compared with 79.0%.

Risk-weighted assets: 3Q18 vs 2Q18

Risk-weighted assets (RWA) were broadly unchanged at CHF 252.2 billion as of 30 September 2018, reflecting decreases due to asset size and other movements of CHF 5.8 billion and currency effects of CHF 1.5 billion, almost entirely offset by increases due to model updates of CHF 3.2 billion, methodology and policy changes of CHF 3.2 billion, and regulatory add-ons of CHF 0.8 billion.

→ **Refer to the "Capital management" section of this report for more information**

Common equity tier 1 capital ratio: 3Q18 vs 2Q18

Our common equity tier 1 (CET1) capital ratio increased 0.1 percentage points to 13.5%, reflecting a CHF 0.4 billion increase in CET1 capital and a CHF 0.1 billion decrease in RWA.

→ **Refer to the "Capital management" section of this report for more information**

Leverage ratio denominator: 3Q18 vs 2Q18

During the third quarter of 2018, the leverage ratio denominator (LRD) decreased by CHF 4 billion to CHF 898 billion. This decrease was driven by currency effects of CHF 9 billion, partly offset by asset size and other movements of CHF 5 billion.

→ **Refer to the "Capital management" section of this report for more information**

Common equity tier 1 leverage ratio: 3Q18 vs 2Q18

Our CET1 leverage ratio increased from 3.75% to 3.80% in the third quarter of 2018, reflecting a CHF 4 billion decrease in the LRD and the aforementioned increase in CET1 capital.

→ **Refer to the "Capital management" section of this report for more information**

Going concern leverage ratio: 3Q18 vs 2Q18

Our going concern leverage ratio remained stable at 5.0% as of 30 September 2018, reflecting an increase of CHF 0.2 billion in going concern capital and the aforementioned CHF 4 billion decrease in LRD.

→ **Refer to the "Capital management" section of this report for more information**

Net new money and invested assets

Management's discussion and analysis of net new money and invested assets is provided in the "UBS business divisions and Corporate Center" section of this report.

Personnel: 3Q18 vs 2Q18

We employed 65,556 personnel as of 30 September 2018, a net increase of 1,872 compared with 30 June 2018. Corporate Center – Services personnel increased by 1,536, primarily due to higher staffing levels related to continued insourcing of certain activities from third-party vendors to our Business Solutions Centers, mainly in Group Technology, as well as due to strategic and regulatory initiatives. We have seen a decrease in outsourced personnel as a result of our insourcing initiatives. Investment Bank and Global Wealth Management personnel increased by 179 and 95, respectively.

Return on equity

CHF million, except where indicated	As of or for the quarter ended			As of or year-to-date	
	30.9.18	30.6.18	30.9.17	30.9.18	30.9.17
Net profit					
Net profit / (loss) attributable to shareholders	**1,246**	1,284	946	4,044	3,389
Amortization and impairment of intangible assets	**15**	16	16	47	53
Pre-tax adjusting items[1,2]	**65**	129	285	98	702
Tax effect on adjusting items[3]	**(14)**	(28)	(63)	(21)	(154)
Adjusted net profit / (loss) attributable to shareholders	**1,312**	1,401	1,184	4,167	3,990
of which: deferred tax (expense) / benefit[4]	***(188)***	*(198)*	*(42)*	*(643)*	*(306)*
Adjusted net profit / (loss) attributable to shareholders excluding deferred tax expense / benefit	**1,500**	1,598	1,226	4,810	4,296
Equity					
Equity attributable to shareholders	**51,122**	50,774	53,493	51,122	53,493
Less: goodwill and intangible assets	**6,316**	6,391	6,388	6,316	6,388
Tangible equity attributable to shareholders	**44,806**	44,382	47,105	44,806	47,105
of which: DTAs not eligible as CET1 capital[5]	***6,121***	*6,402*	*9,502*	*6,121*	*9,502*
Tangible equity attributable to shareholders excluding DTAs	**38,685**	37,980	37,603	38,685	37,603
Return on equity					
Return on equity (%)	**9.8**	10.1	7.2	10.6	8.5
Return on tangible equity (%)	**11.3**	11.6	8.3	12.2	9.8
Adjusted return on tangible equity (%)[1]	**11.8**	12.5	10.2	12.4	11.4
Adjusted return on tangible equity excluding deferred tax expense / benefit and DTAs (%)[1,6]	**15.7**	16.7	13.3	16.7	15.5

1 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 2 Refer to the “Performance by business division and Corporate Center unit – reported and adjusted” table in this section for more information. 3 Generally reflects an indicative tax rate of 22% on pre-tax adjusting items. 4 Deferred tax expense / benefit in respect of taxable profits and any remeasurements of DTAs, such as the net write-down due to the Tax Cuts and Jobs Act enacted in the fourth quarter of 2017. 5 DTAs that do not qualify as CET1 capital, reflecting

DTAs recognized for tax loss carry-forwards of CHF 6,024 million as of 30 September 2018 (30 June 2018: CHF 6,113 million; 30 September 2017: CHF 8,221 million) as well as DTAs on temporary differences, excess over threshold of CHF 97 million as of 30 September 2018 (30 June 2018: CHF 289 million; 30 September 2017: CHF 1,281 million), in accordance with Swiss SRB rules. Refer to the “Capital management” section of this report for more information. 6 Calculated as adjusted net profit / loss attributable to shareholders excluding amortization and impairment of goodwill and intangible assets and deferred tax expense / benefit (annualized as applicable), divided by average tangible equity attributable to shareholders excluding any DTAs that do not qualify as CET1 capital.

Net new money[1]

	For the quarter ended			Year-to-date	
CHF billion	**30.9.18**	30.6.18	30.9.17	30.9.18	30.9.17
Global Wealth Management	**13.5**	(1.2)	2.4	31.2	30.5
Asset Management	**3.1**	(2.1)	15.3	32.4	48.9
of which: excluding money market flows	***0.4***	*0.9*	*8.5*	*28.0*	*38.3*
of which: money market flows	***2.7***	*(3.1)*	*6.8*	*4.4*	*10.5*

1 Net new money excludes interest and dividend income.

Invested assets

	As of			% change from	
CHF billion	**30.9.18**	30.6.18	30.9.17	30.6.18	30.9.17
Global Wealth Management	**2,392**	2,372	2,251	1	6
Asset Management	**815**	810	744	1	10
of which: excluding money market funds	***734***	*732*	*670*	*0*	*10*
of which: money market funds	***80***	*78*	*74*	*3*	*9*

Results: 9M18 vs 9M17

Profit before tax increased by CHF 908 million or 21% to CHF 5,320 million. Operating income increased by CHF 585 million or 3%, mainly reflecting CHF 356 million higher net interest income and other net income from fair value changes on financial instruments as well as a CHF 336 million increase in net fee and commission income, partly offset by CHF 81 million lower other income. Operating expenses decreased by CHF 322 million or 2%, largely due to CHF 380 million lower general and administrative expenses, mainly due to a CHF 260 million decrease in net restructuring expenses and CHF 116 million lower net expenses for litigation, regulatory and similar matters, primarily as the third quarter of 2017 included expenses related to the resolution of the majority of outstanding indemnification claims related to our sale of Banco UBS Pactual S.A. These decreases were partly offset by CHF 94 million higher depreciation and amortization expenses, mainly related to internally generated capitalized software. Personnel expenses were broadly unchanged at CHF 11,931 million as a gain of CHF 225 million related to changes to our Swiss pension plan and CHF 187 million lower net restructuring expenses were largely offset by higher expenses for salaries and contractors. Salary expenses increased, mainly in Corporate Center – Services and primarily driven by the aforementioned insourcing of certain activities and staff from third-party vendors to our Business Solutions Centers. Salary expenses also increased in Global Wealth Management.

On an adjusted basis, profit before tax increased by CHF 303 million or 6%, reflecting higher operating income, partly offset by an increase in operating expenses.

Adjusted operating income increased by CHF 631 million or 3%, mainly due to a CHF 356 million increase in net interest income and other net income from fair value changes on financial instruments, primarily reflecting increases in the Investment Bank and in Global Wealth Management, partly offset by a decrease in Corporate Center. In addition, net fee and commission increased by CHF 336 million, mainly due to a
CHF 572 million increase in investment fund fees and fees for portfolio management and

related services, primarily in Global Wealth Management, as well as CHF 106 million higher M&A and corporate finance fees. These increases were partly offset by CHF 175 million lower underwriting fees, primarily reflecting lower equity underwriting fees in the Investment Bank, and a CHF 184 million increase in other fee and commission expense, mainly in Asset Management and predominantly due to the inclusion of fund administration expenses, which were reported as operating expenses prior to the sale of Asset Management's fund administration business in October 2017.

Adjusted operating expenses increased by CHF 327 million or 2%, mainly due to a CHF 377 million increase in adjusted personnel expenses, primarily reflecting higher expenses for salaries and contractors, as well as a CHF 71 million increase in adjusted depreciation and amortization expenses. This was partly offset by CHF 121 million lower adjusted general and administrative expenses, almost entirely due to lower net expenses for litigation, regulatory and similar matters.

Outlook

Global economic growth prospects and monetary policy normalization continue to provide a supportive backdrop to our business, although ongoing geopolitical tensions, rising protectionism and trade disputes have further dampened investor sentiment and confidence. We expect these latter trends to continue to impact Global Wealth Management clients' transaction activity in the fourth quarter; however, moderately increased levels of volatility and volumes are generally positive for our institutional business in the Investment Bank.

Funding costs related to long-term debt and capital instruments issued to comply with regulatory funding and liquidity requirements will be higher than in the previous year, but should be broadly stable compared with the third quarter.

Our diversified business model helps us make continued progress towards achieving our strategic and financial targets.

UBS business
divisions
and Corporate
Center

Management report

Global Wealth Management

Global Wealth Management

Global Wealth Management[1]

CHF million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
	30.9.18	30.6.18	30.9.17	2Q18	3Q17	30.9.18	30.9.17
Results							
Net interest income	**1,042**	1,081	1,015	(4)	3	3,141	2,969
Recurring net fee income[2]	**2,365**	2,350	2,221	1	6	6,997	6,512
Transaction-based income[3]	**623**	718	709	(13)	(12)	2,222	2,379
Other income	**19**	9	23	105	(19)	38	47
Income	**4,049**	4,158	3,968	(3)	2	12,399	11,908
Credit loss (expense) / recovery[4]	**(6)**	(1)	(1)	654	947	(4)	(3)
Total operating income	**4,043**	4,157	3,967	(3)	2	12,395	11,905
Personnel expenses	**1,865**	1,904	1,870	(2)	0	5,631	5,628
Salaries and other personnel costs	**870**	908	894	(4)	(3)	2,665	2,673
Financial advisor variable compensation[5,6]	**857**	852	796	1	8	2,537	2,394
Compensation commitments with recruited financial advisors[5,7]	**139**	144	180	(4)	(23)	429	561
General and administrative expenses	**292**	302	299	(3)	(2)	882	878
Services (to) / from Corporate Center and other business divisions	**943**	900	884	5	7	2,748	2,641
of which: services from CC – Services	***916***	*877*	*864*	*4*	*6*	*2,671*	*2,567*
Depreciation and impairment of property, equipment and software	**1**	1	1	34	16	3	3
Amortization and impairment of intangible assets	**9**	13	12	(28)	(20)	35	34
Total operating expenses	**3,111**	3,120	3,065	0	2	9,298	9,184
Business division operating profit / (loss) before tax	**932**	1,037	902	(10)	3	3,097	2,721
Adjusted results[8]							
Total operating income as reported	**4,043**	4,157	3,967	(3)	2	12,395	11,905
Total operating income (adjusted)	**4,043**	4,157	3,967	(3)	2	12,395	11,905
Total operating expenses as reported	**3,111**	3,120	3,065	0	2	9,298	9,184

of which: personnel-related restructuring expenses[9]	***11***	*3*	*13*			*17*	*28*
of which: non-personnel-related restructuring expenses[9]	***0***	*5*	*22*			*15*	*49*
of which: restructuring expenses allocated from CC – Services[9]	***60***	*39*	*104*			*145*	*306*
of which: gain related to changes to the Swiss pension plan						*(61)*	
Total operating expenses (adjusted)	**3,040**	3,073	2,926	(1)	4	9,183	8,801
Business division operating profit / (loss) before tax as reported	**932**	1,037	902	(10)	3	3,097	2,721
Business division operating profit / (loss) before tax (adjusted)	**1,003**	1,084	1,041	(7)	(4)	3,213	3,104
Key performance indicators[10]							
Pre-tax profit growth (%)	**3.3**	17.9	9.5			13.8	15.9
Cost / income ratio (%)	**76.8**	75.0	77.2			75.0	77.1
Net new money growth (%)	**2.3**	(0.2)	0.4			1.8	1.9
Net margin on invested assets (bps)	**16**	18	16	(12)	(5)	18	17
Adjusted key performance indicators[8,10]							
Pre-tax profit growth (%)	**(3.7)**	7.0	4.0			3.5	12.4
Cost / income ratio (%)	**75.1**	73.9	73.7			74.1	73.9
Net new money growth (%)	**2.3**	(0.2)	0.4			1.8	1.9
Net margin on invested assets (bps)	**17**	19	19	(9)	(11)	18	19

Global Wealth Management (continued)[1]

CHF million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
	30.9.18	30.6.18	30.9.17	2Q18	3Q17	30.9.18	30.9.17
Additional information							
Recurring income[11]	**3,407**	3,430	3,236	(1)	5	10,139	9,481
Recurring income as a percentage of income (%)	**84.1**	82.5	81.6			81.8	79.6
Average attributed equity (CHF billion)[12]	**13.1**	13.2	12.6	(1)	4	13.1	12.7
Return on attributed equity (%)[12]	**28.5**	31.5	28.6			31.7	28.6
Return on attributed tangible equity (%)[12]	**46.3**	50.9	47.1			51.3	47.4
Risk-weighted assets (CHF billion)[12]	**58.8**	60.0	55.3	(2)	6	58.8	55.3
of which: held by Global Wealth Management (CHF billion)	***56.6***	*57.9*	*53.1*	*(2)*	*7*	*56.6*	*53.1*
of which: held by CC – Group ALM on behalf of Global Wealth Management (CHF billion)[13]	***2.1***	*2.1*	*2.2*	*1*	*(3)*	*2.1*	*2.2*
Leverage ratio denominator (CHF billion)[12]	**261.6**	263.7	255.8	(1)	2	261.6	255.8
of which: held by Global Wealth Management (CHF billion)	***205.6***	*207.3*	*192.3*	*(1)*	*7*	*205.6*	*192.3*
of which: held by CC – Group ALM on behalf of Global Wealth Management (CHF billion)[13]	***56.0***	*56.4*	*63.5*	*(1)*	*(12)*	*56.0*	*63.5*
Goodwill and intangible assets (CHF billion)	**4.9**	5.0	4.9	(1)	0	4.9	4.9
Net new money (CHF billion)	**13.5**	(1.2)	2.4			31.2	30.5
Invested assets (CHF billion)	**2,392**	2,372	2,251	1	6	2,392	2,251
Gross margin on invested assets (bps)	**68**	71	72	(4)	(6)	70	73
Adjusted gross margin on invested assets	**68**	71	72	(4)	(6)	70	73

(bps)							
Client assets (CHF billion)	**2,637**	2,633	2,493	0	6	2,637	2,493
Loans, gross (CHF billion)[14]	**174.6**	175.6	162.0	(1)	8	174.6	162.0
Due to customers (CHF billion)[14]	**263.4**	268.4	263.5	(2)	0	263.4	263.5
Recruitment loans to financial advisors[5]	**2,306**	2,384	2,597	(3)	(11)	2,306	2,597
Other loans to financial advisors[5]	**988**	1,010	561	(2)	76	988	561
Personnel (full-time equivalents)	**23,553**	23,458	23,158	0	2	23,553	23,158
Advisors (full-time equivalents)	**10,677**	10,682	10,681	0	0	10,677	10,681

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Recurring net fee income consists of fees for services provided on an ongoing basis such as portfolio management fees, asset-based investment fund fees, custody fees and account-keeping fees, which are generated on client assets. 3 Transaction-based income consists of the non-recurring portion of net fee and commission income, mainly consisting of brokerage and transaction-based investment fund fees as well as credit card fees and fees for payment transactions, together with Other net income from fair value changes on financial instruments. 4 Upon adoption of IFRS 9 effective 1 January 2018, credit loss expenses include credit losses on recruitment loans to financial advisors previously recognized in personnel expenses. Prior periods were not restated. 5 Relates to licensed professionals with the ability to provide investment advice to clients in the Americas. 6 Financial advisor variable compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. 7 Compensation commitments with recruited financial advisors represent expenses related to compensation commitments granted to financial advisors at the time of recruitment that are subject to vesting requirements. 8 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 9 Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives in 2018. 10 Refer to the "Measurement of performance" section of our Annual Report 2017 for the definitions of our key performance indicators. 11 Recurring income consists of net interest income and recurring net fee income. 12 Refer to the "Capital management" section of this report for more information. 13 Represents risk-weighted assets and leverage ratio denominator held by Corporate Center − Group ALM that are directly associated with activity managed centrally on behalf of the business divisions and other Corporate Center units. Refer to "Equity attribution and return on attributed equity" in the "Capital management" section of this report for more information. 14 Loans and Due to customers in this table include customer brokerage receivables and payables, respectively, which with the adoption of IFRS 9 effective 1 January 2018 have been reclassified to a separate reporting line on the balance sheet.

Regional breakdown of key figures[1]	CHF Americas	*USD Americas*	CHF EMEA	CHF	CHF Switzerland	CHF	*CHF*

As of or for the quarter ended 30.9.18				Asia Pacific		Total of regions[2]	*of which: ultra high net worth (UHNW)*
CHF billion, except where indicated							
Net new money	**(0.9)**	*(0.9)*	**4.7**	**8.4**	**1.4**	**13.7**	*13.1*
Net new money growth (%)	**(0.3)**	*(0.3)*	**3.6**	**8.7**	**2.8**	**2.3**	*4.4*
Invested assets	**1,282**	*1,307*	**515**	**377**	**215**	**2,389**	*1,195*
Loans, gross	**57.8**[3]	*58.9*[3]	**37.5**	**44.3**	**34.5**	**174.0**	
Advisors (full-time equivalents)	**6,910**	*6,910*	**1,802**	**1,110**	**734**	**10,556**	*1,047*[4]

1 Refer to the "Measurement of performance" section of our Annual Report 2017 for the definitions of our key performance indicators. 2 Excluding minor functions with 121 advisors, CHF 3 billion of invested assets, CHF 0.5 billion of loans and CHF 0.2 billion of net new money outflows in the third quarter of 2018. 3 Loans include customer brokerage receivables, which with the adoption of IFRS 9 effective 1 January 2018 have been reclassified to a separate reporting line on the balance sheet. 4 Represents advisors who exclusively serve ultra high net worth clients in a globally managed unit.

Global Wealth Management

Results: 3Q18 vs 3Q17

Profit before tax increased by CHF 30 million or 3% to CHF 932 million, while adjusted profit before tax decreased by CHF 38 million or 4% to CHF 1,003 million, reflecting higher operating expenses, partly offset by higher operating income. In US dollar terms, adjusted profit before tax decreased 5%.

Operating income

Total operating income increased by CHF 76 million or 2% to CHF 4,043 million, mainly driven by higher recurring net fee income and net interest income, partly offset by lower transaction-based income.

Net interest income increased by CHF 27 million to CHF 1,042 million, primarily due to an increase in net interest margin on deposits as well as higher loan volumes. This was partly offset by lower allocated treasury-related income from Corporate Center – Group Asset and Liability Management (Group ALM).

→ **Refer to the "Corporate Center – Group Asset and Liability Management" section of this report for more information**

Recurring net fee income increased by CHF 144 million to CHF 2,365 million, predominantly driven by higher average invested assets and an increase in mandate penetration.

Transaction-based income decreased by CHF 86 million to CHF 623 million, mainly due to lower client activity in all regions, most notably in Asia Pacific and the Americas.

Other income decreased by CHF 4 million to CHF 19 million.

Operating expenses

Total operating expenses increased by CHF 46 million or 2% to CHF 3,111 million and adjusted operating expenses increased by CHF 114 million or 4% to CHF 3,040 million. Personnel expenses decreased by CHF 5 million to CHF 1,865 million and adjusted personnel expenses decreased by CHF 3 million to CHF 1,854 million. This decrease was mainly due to lower variable compensation not related to financial advisors, partly offset by increases in salaries and staffing levels. In addition, in the Americas, higher financial advisor variable compensation was partly offset by lower expenses for compensation commitments to recruited financial advisors. General and administrative expenses decreased by CHF 7 million to CHF 292 million, while adjusted general and administrative expenses increased by CHF 15 million to CHF 292 million, predominantly driven by higher regulatory-related expenses and higher expenses for travel and entertainment. Net expenses for services from Corporate Center and other business divisions increased by CHF 59 million to CHF 943 million and adjusted net expenses for services increased by CHF 104 million to CHF 884 million, mainly reflecting higher expenses from Group Technology and Group Risk Control.

Net new money: 3Q18 vs 3Q17

Net new money inflows were CHF 13.5 billion compared with inflows of CHF 2.4 billion, an annualized net new money growth rate of 2.3% compared with 0.4%. Net new money from ultra high net worth clients was CHF 13.1 billion compared with CHF 1.8 billion.

Invested assets: 3Q18 vs 2Q18

Invested assets increased by CHF 20 billion to CHF 2,392 billion, due to positive market performance of CHF 33 billion and net new money inflows of CHF 13 billion, partly offset by currency effects of CHF 25 billion. Mandate penetration increased to 33.9% from 33.3%.

Results: 9M18 vs 9M17

Profit before tax increased by CHF 376 million or 14% to CHF 3,097 million. Excluding a credit of CHF 61 million related to our Swiss pension plan, adjusted profit before tax increased by CHF 109 million or 3% to CHF 3,213 million, reflecting higher operating income, partly offset by higher operating expenses. In US dollar terms, adjusted profit before tax increased 5%.

Total operating income increased by CHF 490 million or 4% to CHF 12,395 million, mainly driven by higher recurring net fee income and net interest income, partly offset by lower transaction-based income. Net interest income increased by CHF 172 million to CHF 3,141 million, primarily due to an increase in net interest margin on deposits as well as higher loan volumes. This was partly offset by lower allocated treasury-related income from Corporate Center – Group ALM.

→ **Refer to the "Corporate Center – Group Asset and Liability Management" section of this report for more information**

Recurring net fee income increased by CHF 485 million to CHF 6,997 million, predominantly driven by higher average invested assets and an increase in mandate penetration. Transaction-based income decreased by CHF 157 million to CHF 2,222 million, mainly due to lower client activity and higher fees paid to Personal & Corporate Banking, reflecting increased volumes of referrals and net client shifts.

Total operating expenses increased by CHF 114 million or 1% to CHF 9,298 million and adjusted operating expenses increased by CHF 382 million or 4% to CHF 9,183 million. Personnel expenses increased by CHF 3 million to CHF 5,631 million and, excluding the aforementioned credit related to changes to our Swiss pension plan, increased by CHF 75 million to CHF 5,676 million on an adjusted basis, driven by increases in salaries and staffing levels, partly offset by lower variable compensation not related to financial advisors. In the Americas, the increase in financial advisor variable compensation was largely offset by lower expenses for compensation commitments to recruited financial advisors. General and administrative expenses increased by CHF 4 million to CHF 882 million and adjusted general and administrative expenses increased by CHF 38 million to CHF 867 million, mainly due to higher regulatory-related expenses and higher expenses for travel and entertainment. Net expenses for services from Corporate Center and other business divisions increased by CHF 107 million to CHF 2,748 million and adjusted net expenses for services increased by CHF 268 million to CHF 2,603 million. This increase was driven by higher net expenses from Group Technology, Group Risk Control and higher costs related to strategic and regulatory initiatives.

Personal & Corporate Banking

Personal & Corporate Banking

Personal & Corporate Banking[1]

CHF million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
	30.9.18	30.6.18	30.9.17	2Q18	3Q17	30.9.18	30.9.17
Results							
Net interest income	**517**	509	522	2	(1)	1,533	1,561
Recurring net fee income[2]	**157**	157	149	0	6	468	439
Transaction-based income[3]	**280**	275	285	2	(2)	838	819
Other income	**15**	14	16	5	(7)	46	68
Income	**970**	955	972	2	0	2,885	2,886
Credit loss (expense) / recovery	**(3)**	(22)	(2)	(85)	80	(38)	(23)
Total operating income	**967**	933	971	4	0	2,847	2,864
Personnel expenses	**203**	221	211	(8)	(4)	601	648
General and administrative expenses	**55**	56	68	(3)	(20)	170	203
Services (to) / from Corporate Center and other business divisions	**293**	285	277	3	6	867	819
of which: services from CC – Services	***307***	*304*	*300*	*1*	*2*	*922*	*887*
Depreciation and impairment of property, equipment and software	**3**	3	3	(2)	6	10	9
Amortization and impairment of intangible assets	**0**	0	0			0	0
Total operating expenses	**554**	566	559	(2)	(1)	1,647	1,678
Business division operating profit / (loss) before tax	**413**	368	411	12	0	1,200	1,185
Adjusted results[4]							
Total operating income as reported	**967**	933	971	4	0	2,847	2,864
Total operating income (adjusted)	**967**	933	971	4	0	2,847	2,864
Total operating expenses as reported	**554**	566	559	(2)	(1)	1,647	1,678
of which: personnel-related restructuring expenses[5]	***1***	*1*	*1*			*3*	*6*
of which: non-personnel-related restructuring expenses[5]	***0***	*0*	*0*			*0*	*0*
of which: restructuring expenses allocated from CC – Services[5]	***8***	*9*	*24*			*25*	*62*
of which: gain related to changes to the Swiss pension plan						*(35)*	
Total operating expenses (adjusted)	**545**	556	534	(2)	2	1,654	1,611
Business division operating profit / (loss) before tax as reported	**413**	368	411	12	0	1,200	1,185
Business division operating profit / (loss) before tax (adjusted)	**422**	378	436	12	(3)	1,193	1,252

Key performance indicators[6]							
Pre-tax profit growth (%)	**0.4**	3.4	(9.3)			1.2	(14.5)
Cost / income ratio (%)	**57.1**	59.2	57.5			57.1	58.1
Net interest margin (bps)	**158**	156	157	1	1	156	156
Net new business volume growth for personal banking (%)	**4.5**	3.9	3.7			4.9	5.0
Adjusted key performance indicators[4,6]							
Pre-tax profit growth (%)	**(3.3)**	(0.2)	(7.8)			(4.7)	(7.8)
Cost / income ratio (%)	**56.2**	58.2	54.9			57.3	55.8
Net interest margin (bps)	**158**	156	157	1	1	156	156
Net new business volume growth for personal banking (%)	**4.5**	3.9	3.7			4.9	5.0

Personal & Corporate Banking (continued)[1]

CHF million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
	30.9.18	30.6.18	30.9.17	2Q18	3Q17	30.9.18	30.9.17
Additional information							
Average attributed equity (CHF billion)[7]	**6.5**	6.4	6.2	1	5	6.4	6.1
Return on attributed equity (%)[7]	**25.5**	23.0	26.7			25.2	25.9
Return on attributed tangible equity (%)[7]	**25.5**	23.0	26.7			25.2	25.9
Risk-weighted assets (CHF billion)[7]	**54.0**	53.2	48.3	2	12	54.0	48.3
of which: held by Personal & Corporate Banking (CHF billion)	***53.0***	*52.2*	*47.3*	*2*	*12*	*53.0*	*47.3*
of which: held by CC – Group ALM on behalf of Personal & Corporate Banking (CHF billion)[8]	***1.1***	*1.0*	*1.1*	*2*	*1*	*1.1*	*1.1*
Leverage ratio denominator (CHF billion)[7]	**188.0**	187.8	188.7	0	0	188.0	188.7
of which: held by Personal & Corporate Banking (CHF billion)	***148.4***	*148.8*	*149.8*	*0*	*(1)*	*148.4*	*149.8*
of which: held by CC – Group ALM on behalf of Personal & Corporate Banking (CHF billion)[8]	***39.6***	*39.0*	*38.9*	*1*	*2*	*39.6*	*38.9*
Business volume for personal banking (CHF billion)	**157**	156	154	0	2	157	154
Net new business volume for personal banking (CHF billion)	**1.7**	1.5	1.4			5.7	5.6
Client assets (CHF billion)[9]	**665**	658	663	1	0	665	663
Loans, gross (CHF billion)	**131.0**	130.6	133.1	0	(2)	131.0	133.1
Due to customers (CHF billion)	**139.7**	138.0	135.4	1	3	139.7	135.4
Secured loan portfolio as a percentage of total loan portfolio, gross (%)	**92.2**	92.1	92.3			92.2	92.3
Impaired loan portfolio as a percentage of total loan portfolio, gross (%)[10]	**1.2**	1.2	0.5			1.2	0.5
	5,200	5,141	5,117	1	2	5,200	5,117

Personnel (full-time equivalents)

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Recurring net fee income consists of fees for services provided on an ongoing basis such as portfolio management fees, asset-based investment fund fees, custody fees and account-keeping fees, which are generated on client assets. 3 Transaction-based income comprises the non-recurring portion of net fee and commission income, mainly consisting of brokerage and transaction-based investment fund fees as well as credit card fees and fees for payment transactions, together with net income from fair value changes on financial instruments. 4 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 5 Reflects restructuring expenses related to legacy cost programs. 6 Refer to the “Measurement of performance” section of our Annual Report 2017 for the definitions of our key performance indicators. 7 Refer to the “Capital management” section of this report for more information. 8 Represents risk-weighted assets and leverage ratio denominator held by Corporate Center – Group ALM that are directly associated with activity managed centrally on behalf of the business divisions and other Corporate Center units. Refer to “Equity attribution and return on attributed equity” in the “Capital management” section of this report for more information. 9 Client assets are comprised of invested assets and other assets held purely for transactional purposes or custody only. We do not measure net new money for Personal & Corporate Banking. 10 Refer to the “Risk management and control” section of this report for more information on (credit-)impaired exposures.

Results: 3Q18 vs 3Q17

Profit before tax increased by CHF 2 million to CHF 413 million. Adjusted profit before tax decreased by CHF 14 million or 3% to CHF 422 million.

Effective from 1 January 2018, we have reclassified certain expenses for clearing, credit card add-on services and the client loyalty program, which are incremental and incidental to revenues on a prospective basis, to better align these expenses with their associated revenues within operating income. This resulted in an CHF 18 million reduction in total operating income in the third quarter of 2018, of which CHF 16 million related to transaction-based income, and a broadly corresponding decrease in total operating expenses, including a CHF 17 million reduction in general and administrative expenses.

Operating income

Total operating income was broadly unchanged at CHF 967 million, including the aforementioned CHF 18 million effect from the reclassification of expenses to revenues and mainly reflecting lower net interest income and transaction-based income, mostly offset by higher recurring net fee income.

Net interest income decreased by CHF 5 million to CHF 517 million. Higher deposit revenues were more than offset by lower allocated treasury-related income from Corporate Center – Group Asset and Liability Management (Group ALM).

→ **Refer to the "Corporate Center – Group Asset and Liability Management" section of this report for more information**

Recurring net fee income increased by CHF 8 million to CHF 157 million, mainly reflecting higher fees from custody and mandate assets, as well as bundled products.

Transaction-based income decreased by CHF 5 million to CHF 280 million, mainly due to the aforementioned reclassification from expenses to revenues, partly offset by higher advisory fees from our corporate business as well as higher revenues from foreign exchange transactions.

Other income was broadly unchanged at CHF 15 million.

Net credit loss expenses were CHF 3 million compared with CHF 2 million in the prior-year quarter and included a release of CHF 4 million of stage 1 and 2 expected credit losses.

→ **Refer to "Note 1 Basis of accounting" and "Note 19 Transition to IFRS 9 as of 1 January 2018" in the "Consolidated financial statements" section of this report for more information on the adoption of IFRS 9**

Operating expenses

Total operating expenses decreased by CHF 5 million or 1% to CHF 554 million while adjusted operating expenses increased by CHF 11 million or 2% to CHF 545 million, including a CHF 17 million reduction in general and administrative expenses due to the aforementioned reclassification from expenses to revenues. Net expenses for services from Corporate Center and other business divisions increased by CHF 16 million to CHF 293 million, and by CHF 32 million to CHF 285 million on an adjusted basis, mainly reflecting higher expenses from Group Technology and Group Risk Control as well as for strategic and regulatory initiatives.

Net new business volume growth for personal banking: 3Q18 vs 3Q17

The annualized net new business volume growth rate for our personal banking business was 4.5% compared with 3.7%. Net new client assets and, to a lesser extent, net new loans were positive.

Results: 9M18 vs 9M17

Profit before tax increased by CHF 15 million or 1% to CHF 1,200 million while adjusted profit before tax decreased by CHF 59 million or 5% to CHF 1,193 million, mainly reflecting higher operating and credit loss expenses while income remained broadly unchanged.

Total operating income decreased by CHF 17 million to CHF 2,847 million, reflecting a negative effect of CHF 52 million due to the aforementioned reclassification of expenses to revenues, partly offset by higher recurring net fee and transaction-based income. Net interest income decreased by CHF 28 million to CHF 1,533 million, driven by lower allocated treasury-related income from Corporate Center – Group ALM, partly offset by higher deposit revenues.

→ **Refer to the “Corporate Center – Group Asset and Liability Management” section of this report for more information**

Recurring net fee income increased by CHF 29 million to CHF 468 million, mainly reflecting higher fees from custody and mandate assets as well as bundled products. Transaction-based income increased by CHF 19 million to CHF 838 million, mainly due to higher revenues from foreign exchange transactions and higher fees received from Global Wealth Management for increased referral volumes, partly offset by the aforementioned reclassification from expenses to revenues. Other income decreased by CHF 22 million to CHF 46 million, primarily as a result of a CHF 20 million gain in the prior-year period on the sale of an income-producing real estate loan portfolio to a non-consolidated investment foundation in connection with our mortgage financing platform, UBS Atrium.

Net credit loss expenses were CHF 38 million compared with CHF 23 million and included CHF 13 million of stage 1 and 2 expected credit losses.

Total operating expenses decreased by CHF 31 million or 2% to CHF 1,647 million while adjusted operating expenses increased by CHF 43 million or 3% to CHF 1,654 million. Personnel expenses decreased by CHF 47 million to CHF 601 million and decreased by CHF 9 million to CHF 633 million on an adjusted basis, mainly reflecting lower variable compensation accruals in line with lower profit before tax. General and administrative expenses decreased by CHF 33 million to CHF 170 million as the aforementioned reclassification of expenses to revenues reduced general and administrative expenses by CHF 49 million. Net expenses for services from Corporate Center and other business divisions increased by CHF 48 million to CHF 867 million, and by CHF 84 million to CHF 841 million on an adjusted basis, reflecting higher expenses from Group Technology and for strategic and regulatory initiatives.

Asset Management

Asset Management[1]

CHF million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.18**	30.6.18	30.9.17	2Q18	3Q17	30.9.18	30.9.17
Results							
Net management fees[2]	**432**	439	456	(1)	(5)	1,298	1,322
Performance fees	**17**	19	38	(11)	(55)	50	100
Total operating income	**449**	458	494	(2)	(9)	1,348	1,422
Personnel expenses	**166**	189	185	(12)	(11)	522	542
General and administrative expenses	**44**	48	52	(8)	(15)	141	161
Services (to) / from Corporate Center and other business divisions	**118**	119	128	0	(8)	356	375
of which: services from CC – Services	***129***	*129*	*137*	*0*	*(6)*	*386*	*403*
Depreciation and impairment of property, equipment and software	**0**	1	0			1	1
Amortization and impairment of intangible assets	**0**	0	1		(53)	1	3
Total operating expenses	**329**	357	366	(8)	(10)	1,021	1,082
Business division operating profit / (loss) before tax	**120**	101	127	19	(6)	327	340
Adjusted results[3]							
Total operating income as reported	**449**	458	494	(2)	(9)	1,348	1,422
Total operating income (adjusted)	**449**	458	494	(2)	(9)	1,348	1,422
Total operating expenses as reported	**329**	357	366	(8)	(10)	1,021	1,082
of which: personnel-related restructuring expenses[4]	***2***	*15*	*6*			*18*	*11*
of which: non-personnel-related restructuring expenses[4]	***1***	*3*	*5*			*7*	*16*
of which: restructuring expenses allocated from CC – Services[4]	***6***	*8*	*15*			*20*	*43*
of which: gain related to changes to the Swiss pension plan						*(10)*	
Total operating expenses (adjusted)	**321**	331	340	(3)	(6)	985	1,012
Business division operating profit / (loss) before tax as reported	**120**	101	127	19	(6)	327	340
Business division operating profit / (loss) before tax (adjusted)	**129**	126	153	2	(16)	363	410
Key performance indicators[5]							
Pre-tax profit growth (%)	**(5.6)**	(8.3)	22.1			(3.8)	10.4
Cost / income ratio (%)	**73.2**	78.0	74.1			75.7	76.1
	0.2	0.5	5.3			5.3	8.6

Net new money growth excluding money market flows (%)							
Net margin on invested assets (bps)	**6**	5	7	18	(16)	5	6
Adjusted key performance indicators[3,5]							
Pre-tax profit growth (%)[6]	**(10.5)**	0.8	10.9			(5.9)	4.3
Cost / income ratio (%)	**71.4**	72.4	68.8			73.1	71.2
Net new money growth excluding money market flows (%)	**0.2**	0.5	5.3			5.3	8.6
Net margin on invested assets (bps)	**6**	6	8	0	(25)	6	8
Information by business line / asset class							
Net new money (CHF billion)							
Equities	**(4.4)**	3.3	2.6			25.7	16.5
Fixed Income	**7.3**	(9.7)	12.0			1.2	24.3
of which: money market	***2.7***	*(3.1)*	*6.8*			*4.4*	*10.5*
Multi Assets & Solutions	**(0.4)**	1.9	(0.4)			2.9	3.7
Hedge Fund Businesses	**(0.4)**	1.9	0.8			0.8	2.3
Real Estate & Private Markets	**1.0**	0.5	0.2			1.8	2.0
Total net new money	**3.1**	(2.1)	15.3			32.3	48.9

Asset Management

Asset Management (continued)[1]

CHF million, except where indicated	As of or for the quarter ended			% change from		Year-to-date	
	30.9.18	30.6.18	30.9.17	2Q18	3Q17	30.9.18	30.9.17
Invested assets (CHF billion)							
Equities	**324**	325	272	0	19	324	272
Fixed Income	**241**	235	233	2	3	241	233
of which: money market	***80***	*78*	*74*	*3*	*9*	*80*	*74*
Multi Assets & Solutions	**128**	128	128	0	0	128	128
Hedge Fund Businesses	**43**	44	41	(2)	5	43	41
Real Estate & Private Markets	**80**	78	70	2	15	80	70
Total invested assets	**815**	810	744	1	10	815	744
of which: passive strategies	***312***	*315*	*266*	*(1)*	*17*	*312*	*266*
Information by region							
Invested assets (CHF billion)							
Americas	**194**	186	177	4	10	194	177
Asia Pacific	**150**	160	152	(6)	(1)	150	152
Europe, Middle East and Africa	**205**	200	167	2	23	205	167
Switzerland	**266**	265	248	1	7	266	248
Total invested assets	**815**	810	744	1	10	815	744
Information by channel							
Invested assets (CHF billion)							
Third-party institutional	**513**	510	461	1	11	513	461
Third-party wholesale	**83**	82	78	1	6	83	78
UBS's wealth management businesses	**219**	218	205	1	7	219	205
Total invested assets	**815**	810	744	1	10	815	744
Assets under administration[7]							
Assets under administration (CHF billion)[8]			527				527
Net new assets under administration (CHF billion)[9]			70.3				77.9
Gross margin on assets under administration (bps)			3				3

Additional information							
Average attributed equity (CHF billion)[10]	**1.7**	1.7	1.7	0	(1)	1.7	1.7
Return on attributed equity (%)[10]	**28.9**	24.3	30.3			26.3	26.7
Return on attributed tangible equity (%)[10]	**152.9**	125.7	166.0			138.5	145.7
Risk-weighted assets (CHF billion)[10]	**4.0**	4.2	4.1	(4)	(1)	4.0	4.1
of which: held by Asset Management (CHF billion)	***4.0***	*4.1*	*4.0*	*(4)*	*(1)*	*4.0*	*4.0*
of which: held by CC – Group ALM on behalf of Asset Management (CHF billion)[11]	***0.1***	*0.1*	*0.1*	*(2)*	*5*	*0.1*	*0.1*
Leverage ratio denominator (CHF billion)[10]	**4.8**	4.9	4.7	(2)	2	4.8	4.7
of which: held by Asset Management (CHF billion)	***2.6***	*2.6*	*2.6*	*(2)*	*(1)*	*2.6*	*2.6*
of which: held by CC – Group ALM on behalf of Asset Management (CHF billion)[11]	***2.2***	*2.3*	*2.1*	*(2)*	*5*	*2.2*	*2.1*
Goodwill and intangible assets (CHF billion)	**1.3**	1.4	1.4	(1)	(3)	1.3	1.4
Gross margin on invested assets (bps)	**22**	23	27	(3)	(19)	22	27
Adjusted gross margin on invested assets (bps)	**22**	23	27	(3)	(19)	22	27
Personnel (full-time equivalents)	**2,321**	2,329	2,354	0	(1)	2,321	2,354

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Net management fees include transaction fees, fund administration revenues (including net interest and trading income from lending activities and foreign exchange hedging as part of the fund services offering), gains or losses from seed money and co-investments, funding costs, and other items that are not performance fees. Beginning 1 January 2018, net management fees additionally include fund and custody expenses recognized as contra revenues and previously included in operating expenses. Prior periods were not restated. 3 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 4 Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives in 2018. 5 Refer to the “Measurement of performance” section of our Annual Report 2017 for the definitions of our key performance indicators. 6 Excluding the impact of business exits. Prior-period information for the periods ending before 1 January 2018 has been restated. 7 Following the sale of our fund administration business in Luxembourg and Switzerland to Northern Trust on 1 October 2017, we no longer report assets under administration. 8 Includes UBS and third-party fund assets for which the fund services unit provided professional services, including fund setup, accounting and reporting for traditional investment funds and alternative funds. 9 Inflows of

assets under administration from new and existing funds less outflows from existing funds or fund exits. 10 Refer to the “Capital management” section of this report for more information. 11 Represents risk-weighted assets and leverage ratio denominator held by Corporate Center – Group ALM that are directly associated with activity managed centrally on behalf of the business divisions and other Corporate Center units. Refer to “Equity attribution and return on attributed equity” in the “Capital management” section of this report for more information.

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Results: 3Q18 vs 3Q17

Profit before tax decreased by CHF 7 million or 6% to CHF 120 million. Adjusted profit before tax decreased by CHF 24 million or 16% to CHF 129 million, reflecting lower operating income, partly offset by reduced operating expenses.

Operating income

Total operating income decreased by CHF 45 million or 9% to CHF 449 million. Net management fees decreased by CHF 24 million to CHF 432 million driven by the effects of the sale of our fund administration business in October 2017. In addition, higher income, driven by higher average invested assets, was offset by continued pressure on margins and the reclassification of fund and custody expenses from operating expenses to operating income to better align these costs with their associated revenues within operating income.

Performance fees decreased by CHF 21 million to CHF 17 million, mainly driven by Hedge Fund Businesses and Equities.

As of 30 September 2018, 81% of performance fee-eligible assets within our hedge fund businesses exceeded high-water marks, which is broadly unchanged from the prior-year quarter.

Operating expenses

Total operating expenses decreased by CHF 37 million or 10% to CHF 329 million and adjusted operating expenses decreased by CHF 19 million or 6% to CHF 321 million.

Personnel expenses decreased by CHF 19 million to CHF 166 million. On an adjusted basis, personnel expenses decreased by CHF 15 million to CHF 164 million, primarily due to reduced expenses for variable compensation.

General and administrative expenses decreased by CHF 8 million to CHF 44 million and on an adjusted basis decreased by CHF 4 million to CHF 43 million, primarily due to the aforementioned reclassification of fund and custody expenses to operating income, partly offset by higher research expenses. Net expenses for services from Corporate Center and other business divisions decreased by CHF 10 million to CHF 118 million and on an adjusted basis net expenses decreased by CHF 1 million to CHF 113 million, reflecting reduced expenses from Group Operations following the sale of our fund administration business as well as the aforementioned reclassification of custody expenses to operating income, partly offset by higher expenses from Group Technology.

Net new money: 3Q18 vs 3Q17

Excluding money market flows, net new money was CHF 0.4 billion compared with CHF 8.5 billion, an annualized net new money growth rate of 0.2% compared with 5.3%. We expect to see a continuation of the trend for clients to move invested assets into lower-margin passive products, which is expected to have a dampening effect on margins in future periods.

Invested assets: 3Q18 vs 2Q18

Invested assets increased by CHF 5 billion to CHF 815 billion, reflecting positive market performance of CHF 10 billion and net new money inflows (including money market flows) of CHF 3 billion, partly offset by currency effects of CHF 9 billion, resulting primarily from the strengthening of the Swiss franc against the US dollar.

Results: 9M18 vs 9M17

Profit before tax decreased by CHF 13 million or 4% to CHF 327 million. Adjusted profit before tax decreased by CHF 47 million or 11% to CHF 363 million, reflecting lower operating income, partly offset by reduced operating expenses.

Total operating income decreased by CHF 74 million or 5% to CHF 1,348 million, mainly due to CHF 50 million lower performance fees, reflecting a declining contribution from Hedge Fund Businesses, Equities and Real Estate. Net management fees decreased by CHF 24 million as the effect from higher average invested assets was more than offset by the absence of administration fees following the sale of our fund administration business, the reclassification of fund and custody expenses from operating expenses to operating income and continued pressure on margins. In addition, the first nine months of 2017 included an impairment loss of CHF 11 million on a co-investment in an infrastructure fund.

Total operating expenses decreased by CHF 61 million or 6% to CHF 1,021 million and adjusted operating expenses decreased by CHF 27 million or 3% to CHF 985 million. Personnel expenses decreased by CHF 20 million to CHF 522 million. Excluding a credit of CHF 10 million related to our Swiss pension plan recognized in the first quarter of 2018, adjusted personnel expenses decreased by CHF 18 million to CHF 514 million, driven by reduced expenses for variable compensation. General and administrative expenses decreased by CHF 20 million to CHF 141 million and adjusted general and administrative expenses decreased by CHF 11 million to CHF 134 million, primarily due to the aforementioned reclassification of fund and custody expenses to revenues and the exclusion of expenses associated with our fund administration business that we disposed of in October 2017, partly offset by higher research expenses. Net expenses for services from Corporate Center and other business divisions decreased by CHF 19 million to CHF 356 million, while adjusted net expenses for services increased by CHF 3 million to CHF 335 million, primarily reflecting higher expenses from Group Technology and Group Internal Audit, partly offset by reduced expenses from Group Operations following the sale of our fund administration business as well as the aforementioned reclassification of custody expenses to operating income.

Investment Bank

Investment Bank[1]

CHF million, except where indicated	As of or for the quarter ended 30.9.18	30.6.18	30.9.17	% change from 2Q18	3Q17	Year-to-date 30.9.18	30.9.17
Results							
Corporate Client Solutions	**644**	624	720	3	(11)	2,094	2,170
Advisory	**231**	167	163	39	42	584	493
Equity Capital Markets	**158**	189	283	(16)	(44)	640	824
Debt Capital Markets	**180**	162	205	11	(12)	589	594
Financing Solutions	**73**	78	56	(7)	30	220	238
Risk Management	**3**	28	13	(90)	(78)	61	20
Investor Client Services	**1,281**	1,552	1,078	(17)	19	4,331	3,765
Equities	**900**	1,050	784	(14)	15	3,047	2,646
Foreign Exchange, Rates and Credit	**381**	502	294	(24)	29	1,283	1,119
Income	**1,926**	2,176	1,798	(12)	7	6,425	5,935
Credit loss (expense) / recovery	**1**	(6)	2		(44)	(20)	(10)
Total operating income	**1,927**	2,171	1,800	(11)	7	6,405	5,924
Personnel expenses	**660**	771	709	(14)	(7)	2,327	2,300
General and administrative expenses	**100**	144	142	(31)	(30)	387	398
Services (to) / from Corporate Center and other business divisions	**688**	683	674	1	2	2,045	2,009
of which: services from CC – Services	***674***	*662*	*655*	*2*	*3*	*1,988*	*1,942*
Depreciation and impairment of property, equipment and software	**2**	2	3	2	(18)	6	7
Amortization and impairment of intangible assets	**5**	2	3	112	71	10	9
Total operating expenses	**1,455**	1,602	1,531	(9)	(5)	4,775	4,724
Business division operating profit / (loss) before tax	**472**	569	269	(17)	75	1,630	1,200
Adjusted results[2]							
Total operating income as reported	**1,927**	2,171	1,800	(11)	7	6,405	5,924
of which: gains on sale of financial assets at fair value through OCI[3]							*107*
Total operating income (adjusted)	**1,927**	2,171	1,800	(11)	7	6,405	5,817
Total operating expenses as reported	**1,455**	1,602	1,531	(9)	(5)	4,775	4,724
of which: personnel-related restructuring expenses[4]	***1***	*2*	*4*			*14*	*26*
of which: non-personnel-related restructuring expenses[4]	***3***	*3*	*6*			*7*	*12*
of which: restructuring expenses allocated from CC – Services[4]	***31***	*32*	*73*			*94*	*197*
of which: gain related to changes to the Swiss pension plan						*(5)*	

Total operating expenses (adjusted)	**1,420**	1,566	1,448	(9)	(2)	4,664	4,488
Business division operating profit / (loss) before tax as reported	**472**	569	269	(17)	75	1,630	1,200
Business division operating profit / (loss) before tax (adjusted)	**507**	605	352	(16)	44	1,741	1,329
Key performance indicators[5]							
Pre-tax profit growth (%)	**75.2**	26.2	67.1			35.8	71.9
Cost / income ratio (%)	**75.5**	73.6	85.2			74.3	79.6
Return on attributed equity (%)[6]	**19.4**	21.8	11.6			21.7	17.4
Adjusted key performance indicators[2,5]							
Pre-tax profit growth (%)	**43.9**	44.4	2.9			31.0	14.7
Cost / income ratio (%)	**73.7**	71.9	80.5			72.6	77.0
Return on attributed equity (%)[6]	**20.8**	23.2	15.2			23.1	19.3

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Investment Bank (continued)[1]

	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.18**	30.6.18	30.9.17	2Q18	3Q17	30.9.18	30.9.17
Additional information							
Average attributed equity (CHF billion)[6]	**9.8**	10.4	9.3	(7)	5	10.0	9.2
Return on attributed tangible equity (%)[6]	**19.7**	22.0	11.9			21.9	17.7
Risk-weighted assets (CHF billion)[6]	**80.8**	81.8	76.3	(1)	6	80.8	76.3
of which: held by the Investment Bank (CHF billion)	***80.4***	*81.2*	*75.7*	*(1)*	*6*	*80.4*	*75.7*
of which: held by CC – Group ALM on behalf of the Investment Bank (CHF billion)[7]	***0.4***	*0.6*	*0.6*	*(32)*	*(27)*	*0.4*	*0.6*
Return on risk-weighted assets, gross (%)[8]	**9.5**	10.3	9.5			10.4	11.0
Leverage ratio denominator (CHF billion)[6]	**282.8**	283.7	277.0	0	2	282.8	277.0
of which: held by the Investment Bank (CHF billion)	***267.2***	*260.2*	*254.3*	*3*	*5*	*267.2*	*254.3*
of which: held by CC – Group ALM on behalf of the Investment Bank (CHF billion)[7]	***15.7***	*23.5*	*22.8*	*(33)*	*(31)*	*15.7*	*22.8*
Return on leverage ratio denominator, gross (%)[8]	**2.7**	3.1	2.6			3.0	2.9
Goodwill and intangible assets (CHF billion)	**0.0**	0.1	0.1	(14)			