UBS AG (UBSN), Switzerland’s biggest bank, posted a fourth-quarter loss after booking a fine for trying to rig global interest rates and costs tied to job cuts.

The net loss amounted to 1.89 billion Swiss francs ($2.08 billion), compared with a profit of 323 million francs a year earlier, the Zurich-based bank said in a statement today. That compares with the 2.16 billion-franc mean loss estimate of 12 analysts surveyed by Bloomberg.

Chief Executive Officer Sergio Ermotti is cutting 10,000 jobs over three years and exiting most debt-trading businesses to focus the bank on money management and boost return on equity, a measure of profitability, to at least 15 percent in 2015. Chairman Axel Weber said in an interview last month that while market trends have improved, he expects a “bumpy” recovery this year.

“Patience is required for UBS to deliver,” Morgan Stanley analysts Huw van Steenis and Hubert Lam said in a note to investors before today’s release, adding that stronger markets would help speed up deleveraging at UBS. Successfully exiting fixed income should “reveal higher returns in the core business,” while execution risks “will be critical,” they said.

UBS has risen 48 percent to 15.62 francs in Swiss trading over the past six months, compared with a 27 percent gain in the Bloomberg Europe Banks and Financial Services Index, which tracks 40 companies.

UBS said it plans a dividend of 15 centimes a share, up from 10 centimes in the previous year.

### Asset Reductions

Pretax profit in wealth management fell 13 percent to 398 million francs in the fourth quarter on higher costs, while wealth management Americas saw earnings rise 38 percent to 201 million francs. The units added 10.5 billion francs in net new money in the quarter, compared with 12.3 billion francs in the previous three months. Earnings in asset management rose 24 percent to 149 million francs and fell 10 percent in the retail and corporate division, while the investment bank posted a pretax loss of 557 million francs.

“While progress was made on many issues during 2012, many of the underlying challenges remain at the start of the new year,” Ermotti and Weber said in a letter to shareholders. “Failure to achieve further sustained and credible improvements to the euro-zone sovereign-debt situation, European banking system issues, unresolved U.S. fiscal issues, ongoing geopolitical risks and the outlook for
growth in the global economy would continue to exert a strong influence on client confidence and, thus, activity levels in the first quarter of 2013.”

**Capital Buildup**

Progress on building up capital is allowing the bank to start a 5 billion-franc debt repurchase offer to help lower future funding costs, the bank said. UBS reported a common equity ratio under fully-applied Basel III rules of 9.8 percent for the end of the year, up from 9.3 percent three months earlier.

UBS is cutting group risk-weighted assets by about 100 billion francs by the end of 2017 as it shrinks the fixed-income business at the investment bank. The unit will need three to five years to fully transform itself, Andrea Orcel, CEO of the investment bank, told staff at town-hall meetings in November, according to two people who heard him speak.

**Bonus Cuts**

More than half of the announced job cuts will be at the investment bank. The reorganization at UBS will result in charges of 3.3 billion francs over the next three years, including about 500 million francs in the fourth quarter, the bank said in October.

UBS’s bonus pool, including pay that is being deferred into future years, was cut 7 percent to 2.5 billion francs in 2012, the bank said. Part of the bonuses will be paid in contingent capital bonds, which will be written off if UBS’s common equity ratio falls below 7 percent or the bank faces a bailout.

UBS was fined about 1.4 billion francs in December by regulators in the U.S., U.K. and Switzerland for altering its submissions used to set benchmarks such as the London interbank offered rate. The fine was triple the penalties levied against Barclays Plc, which had to pay 290 million pounds ($457 million) in June.

**Trading Loss**

Libor, a benchmark for more than $300 trillion of financial products worldwide, is derived from a survey of banks conducted each day on behalf of the British Bankers’ Association in London. Lenders are asked how much it would cost them to borrow from one another for 15 different periods, from overnight to one year, in currencies including dollars, euros, yen and francs.

The bank was also fined 29.7 million pounds in November by the U.K.’s Financial Services Authority and told by the Swiss regulator it may have to increase capital levels for operational risks after a $2.3 billion loss from unauthorized trading by Kweku Adoboli. The former trader in UBS’s London office was sentenced to seven years in jail on Nov. 20 for fraud in relation to the loss, the largest from unauthorized trading in British history.

Deutsche Bank AG, Germany’s biggest bank, last week reported a 2.17 billion-euro ($2.94 billion) loss for the fourth quarter on costs related to deleveraging, cutting jobs and setting aside 1 billion
euros for legal expenses.

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