

# UBS Switzerland AG (standalone) regulatory information

Second quarter 2016

This document contains information related to capital adequacy, the leverage ratio and the liquidity coverage ratio, as required by the revised FINMA Circular 2008 / 22 "Disclosure – banks." It also contains the overview of UBS Switzerland AG's capital instrument key features as of 30 June 2016. Information in this document is supplementary to UBS Switzerland AG (standalone) information provided in the "Legal entity financial information" section of the UBS Group second quarter 2016 report.

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## Swiss SRB capital requirements and information

UBS Switzerland AG is considered a systemically relevant bank (SRB) under Swiss banking law and is subject to capital regulations on a standalone basis.

As of 30 June 2016, the total capital requirement for UBS Switzerland AG (standalone) according to the Swiss Capital Adequacy Ordinance was 14.6% of RWA and consisted of: (i)

base capital of 4.5%, (ii) buffer capital of 6.7%, of which 0.4% was attributable to the countercyclical buffer capital requirement and (iii) progressive buffer capital of 3.4%.

The tables in this section provide capital information under Swiss SRB regulations, in accordance with the abovementioned requirements.

## Swiss SRB capital ratio requirements and information (phase-in)

	Capital ratio (%)				Capital			
	Requirement <sup>1</sup>	Actual <sup>2</sup>			Requirement	Eligible <sup>2</sup>		
<i>CHF million, except where indicated</i>	30.6.16	30.6.16	31.3.16	31.12.15	30.6.16	30.6.16	31.3.16	31.12.15
Base capital (common equity tier 1 capital)	4.5	4.5	4.5	4.5	4,189	4,189	4,186	4,309
Buffer capital (common equity tier 1 capital and high-trigger loss-absorbing capital)	6.7 <sup>3</sup>	8.2	8.2	7.8	6,225	7,637	7,649	7,447
<i>of which: effect of countercyclical buffer</i>	0.4	0.4	0.4	0.4	406	406	415	351
Progressive buffer capital (high- and low-trigger loss-absorbing capital)	3.4	3.4	3.4	2.8	3,163	3,163 <sup>4</sup>	3,160 <sup>4</sup>	2,711 <sup>4</sup>
<b>Total capital</b>	<b>14.6</b>	<b>16.1</b>	<b>16.1</b>	<b>15.1</b>	<b>13,577</b>	<b>14,989</b>	<b>14,995</b>	<b>14,468</b>

<sup>1</sup> The total capital ratio requirement of 14.6% is the current phase-in requirement according to the Swiss Capital Adequacy Ordinance. In addition, FINMA defined a total capital ratio requirement which is the sum of 14.4% and the effect of the countercyclical buffer requirement of 0.4%, of which 10.0% plus the effect of the countercyclical buffer requirement must be satisfied with CET1 capital. The FINMA total capital requirement will be effective until it is exceeded by the Swiss SRB phase-in requirement. <sup>2</sup> Swiss SRB CET1 capital exceeding the base capital requirement is allocated to the buffer capital. <sup>3</sup> CET1 capital can be substituted by high-trigger LAC up to 2.6%. <sup>4</sup> The progressive buffer requirement is met with CHF 663 million of high-trigger loss-absorbing capital as of 30 June 2016 (31 March 2016: CHF 660 million; 31 December 2015: CHF 211 million) and CHF 2,500 million of tier 2 capital for all reporting periods.

## Swiss SRB capital information (phase-in)

<i>CHF million, except where indicated</i>	30.6.16	31.3.16	31.12.15
<b>Common equity tier 1 capital</b>			
Total common equity tier 1 capital	10,489	10,495	10,468
<b>Additional tier 1 capital</b>			
High-trigger loss-absorbing capital	2,000	2,000	1,500
Total tier 1 capital <sup>1</sup>	12,489	12,495	11,968
<b>Tier 2 capital</b>			
Low-trigger loss-absorbing capital	2,500	2,500	2,500
Total tier 2 capital <sup>1</sup>	2,500	2,500	2,500
<b>Total capital</b>	<b>14,989</b>	<b>14,995</b>	<b>14,468</b>
<b>Risk-weighted assets</b>	<b>93,094</b>	<b>93,018</b>	<b>95,765</b>
Common equity tier 1 capital ratio (%)	11.3	11.3	10.9
Tier 1 capital ratio (%)	13.4	13.4	12.5
Total capital ratio (%)	16.1	16.1	15.1

<sup>1</sup> The progressive buffer requirement is met with CHF 663 million of high-trigger loss-absorbing capital as of 30 June 2016 (31 March 2016: CHF 660 million; 31 December 2015: CHF 211 million) and CHF 2,500 million of tier 2 capital for all reporting periods.

## Leverage ratio information

### Swiss SRB leverage ratio

The Swiss SRB leverage ratio requirement according to the Swiss Capital Adequacy Ordinance is equal to 24% of the capital ratio requirements (excluding the countercyclical buffer requirement).

As of 30 June 2016, the effective total leverage ratio requirement for UBS Switzerland AG (standalone) was 3.4%, resulting from multiplying the total capital ratio requirement (excluding the countercyclical buffer requirement) of 14.1% by 24%.

### Swiss SRB leverage ratio requirements and information (phase-in)

	Swiss SRB leverage ratio (%)				Swiss SRB leverage ratio capital			
	Requirement <sup>1</sup>	Actual <sup>2</sup>			Requirement	Eligible <sup>2</sup>		
<i>CHF million, except where indicated</i>	30.6.16	30.6.16	31.3.16	31.12.15	30.6.16	30.6.16	31.3.16	31.12.15
Base capital (common equity tier 1 capital)	1.1	1.1	1.1	1.1	3,383	3,383	3,337	3,206
Buffer capital (common equity tier 1 capital and high-trigger loss-absorbing capital)	1.5 <sup>3</sup>	2.9	3.0	3.0	4,699	9,051	9,118	8,762
Progressive buffer capital (high- and low-trigger loss-absorbing capital)	0.8	0.8	0.8	0.8	2,555	2,555 <sup>4</sup>	2,520 <sup>4</sup>	2,500
<b>Total</b>	<b>3.4</b>	<b>4.8</b>	<b>4.9</b>	<b>4.9</b>	<b>10,637</b>	<b>14,989</b>	<b>14,995</b>	<b>14,468</b>

<sup>1</sup> The total leverage ratio requirement of 3.4% is the current phase-in requirement according to the Swiss Capital Adequacy Ordinance. In addition, FINMA defined a total leverage ratio requirement of 3.5%, which will be effective until it is exceeded by the Swiss SRB phase-in requirement. <sup>2</sup> Swiss SRB CET1 capital exceeding the base capital requirement is allocated to the buffer capital. <sup>3</sup> CET1 capital can be substituted by high-trigger loss-absorbing capital up to 0.6%. <sup>4</sup> The progressive buffer requirement is met with CHF 55 million of high-trigger loss-absorbing capital as of 30 June 2016 (31 March 2016: 20 million) and CHF 2,500 million of tier 2 capital for all reporting periods.

### Swiss SRB leverage ratio (phase-in)

<i>CHF million, except where indicated</i>	30.6.16	31.3.16	31.12.15
Swiss GAAP total assets	300,111	296,764	285,176
Difference between Swiss GAAP and IFRS total assets	3,507	3,100	1,431
Less derivative exposures and securities financing transactions <sup>1</sup>	(40,551)	(33,818)	(30,761)
<b>On-balance sheet exposures (excluding derivative exposures and securities financing transactions)</b>	<b>263,066</b>	<b>266,045</b>	<b>255,846</b>
Derivative exposures	5,977	5,030	4,736
Securities financing transactions	32,198	26,561	24,705
Off-balance sheet items	12,304	11,671	11,871
Items deducted from Swiss SRB tier 1 capital	(261)	(306)	(292)
<b>Total exposures (leverage ratio denominator)</b>	<b>313,285</b>	<b>309,001</b>	<b>296,865</b>
Common equity tier 1 capital	10,489	10,495	10,468
Loss-absorbing capital	4,500	4,500	4,000
<b>Common equity tier 1 capital including loss-absorbing capital</b>	<b>14,989</b>	<b>14,995</b>	<b>14,468</b>
<b>Swiss SRB leverage ratio (%)</b>	<b>4.8</b>	<b>4.9</b>	<b>4.9</b>

<sup>1</sup> Consists of positive replacement values, cash collateral receivables on derivative instruments, cash collateral on securities borrowed, reverse repurchase agreements, margin loans and prime brokerage receivables related to securities financing transactions, which are presented separately under derivative exposures and securities financing transactions in this table.

### BIS Basel III leverage ratio

On 1 January 2015, disclosure requirements for the leverage ratio in accordance with BIS Basel III regulations came into effect in Switzerland, and UBS Switzerland AG is required to disclose BIS Basel III leverage ratio information on a quarterly basis.

The table below provides BIS Basel III leverage ratio information for UBS Switzerland AG as of 30 June 2016 according to the current disclosure requirements.

#### BIS Basel III leverage ratio (phase-in)

<i>CHF million, except where indicated</i>	30.6.16	31.3.16	31.12.15
Total tier 1 capital	12,489	12,495	11,968
Total exposures (leverage ratio denominator)	313,285	309,001	296,865
BIS Basel III leverage ratio (%)	4.0	4.0	4.0

### Liquidity coverage ratio

BIS Basel III rules require disclosure of the liquidity coverage ratio (LCR). As a Swiss SRB, UBS Switzerland AG must maintain an LCR of at least 100% and disclose LCR information on a quarterly basis.

#### Liquidity coverage ratio

<i>CHF billion, except where indicated</i>	Weighted value <sup>1</sup>		
	Average 2Q16	Average 1Q16	Average 4Q15
High-quality liquid assets	81	77	75
Total net cash outflows	72	69	65
of which: cash outflows	105	104	106
of which: cash inflows	33	35	41
Liquidity coverage ratio (%)	113	113	115

<sup>1</sup> Calculated after the application of haircuts and inflow and outflow rates.

## Capital instruments

### Capital instruments of UBS Switzerland AG - Key features

Presented according to issuance date  
Based on Swiss SRB phase-in requirements

	Share capital	Additional Tier 1 capital	Tier 2 capital	Additional Tier 1 capital
1 Issuer (country of incorporation; if applicable, branch)	UBS Switzerland AG, Switzerland	UBS Switzerland AG, Switzerland	UBS Switzerland AG, Switzerland	UBS Switzerland AG, Switzerland
1a Instrument number	1	2	3	4
2 Unique identifier (e.g., ISIN)	N/A	N/A	N/A	N/A
3 Governing law(s) of the instrument	Swiss	Swiss	Swiss	Swiss
<b>Regulatory treatment</b>				
4 Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Additional Tier 1
5 Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Additional Tier 1
6 Eligible at solo/group/group&solo	UBS Switzerland AG standalone	UBS Switzerland AG standalone	UBS Switzerland AG standalone	UBS Switzerland AG standalone
7 Instrument type	Ordinary shares	Loan (2)	Loan (2)	Loan (2)
8 Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	CHF 10.0	CHF 1,500	CHF 2,500	CHF 500
9 Outstanding amount (par value, million)	CHF 10.0	CHF 1,500	CHF 2,500	CHF 500
10 Accounting classification (1)	Equity attributable to UBS Switzerland AG shareholders	Due to banks held at amortized cost	Due to banks held at amortized cost	Due to banks held at amortized cost
11 Original date of issuance	–	1 April 2015	1 April 2015	11 March 2016
12 Perpetual or dated	–	Perpetual	Dated	Perpetual
13 Original maturity date	–	–	1 April 2025	–
14 Issuer call subject to prior supervisory approval	–	Yes	Yes	Yes
15 Optional call date, subsequent call dates, if applicable, and redemption amount	–	First optional repayment date: 1 April 2020	First optional repayment date: 1 April 2020	First optional repayment date: 11 March 2021
		Repayable any time after the first optional repayment date Repayment subject to FINMA's approval. Optional repayment amount: principal amount, together with any accrued and unpaid interest thereon		
16 Contingent call dates and redemption amount	–	Early repayment possible due to a tax or regulatory event. Repayment due to tax event subject to FINMA approval. Repayment amount: principal amount, together with accrued and unpaid interest	–	–
			Early repayment possible upon a change in progressive capital component requirement, subject to FINMA's approval. Repayment amount: 101% of principal amount, together with accrued and unpaid interest	–
<b>Coupons / dividend</b>				
17 Fixed or floating dividend / coupon	–	Floating	Floating	Floating
18 Coupon rate and any related index; frequency of payment	–	6-month CHF Libor + 370 bp per annum semi-annually	6-month CHF Libor + 200 bp per annum semi-annually	3-month CHF Libor + 459 bp per annum quarterly
19 Existence of a dividend stopper	–	No	No	No
20 Fully discretionary, partially discretionary, or mandatory	Fully discretionary	Fully discretionary	Mandatory	Fully discretionary
21 Existence of step-up or other incentive to redeem	–	No	No	No

### Capital instruments of UBS Switzerland AG - Key features (continued)

		Non-cumulative	Non-cumulative	Cumulative	Non-cumulative
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Cumulative	Non-cumulative
23	Convertible or non-convertible	–	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	–	–	–	–
25	If convertible, fully or partially	–	–	–	–
26	If convertible, conversion rate	–	–	–	–
27	If convertible, mandatory or optional conversion	–	–	–	–
28	If convertible, specify instrument type convertible into	–	–	–	–
29	If convertible, specify issuer of instrument it converts into	–	–	–	–
30	Write-down feature	–	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	–	- Trigger CET1 Ratio is less than 7%	- Trigger CET1 Ratio is less than 5%	- Trigger CET1 Ratio is less than 7%
			- FINMA determines a write-down necessary to ensure UBS Switzerland AG's viability; or UBS Switzerland AG receives a commitment of governmental support that FINMA determines necessary to ensure UBS Switzerland AG's viability Subject to applicable conditions.		
32	If write-down, full or partial	–	Full	Full	Full
33	If write-down, permanent or temporary	–	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	–	–	–	–
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Unless otherwise stated in the articles of association, once debts are paid back, the assets of the liquidated company are divided between the shareholders pro rata based on their contributions and considering the preferences attached to certain categories of shares (section 745, Swiss Civil Code of Obligations)	Subject to any obligations that are mandatorily preferred by law, all obligations of UBS Switzerland AG that are unsubordinated, or that are subordinated and do not rank junior, such as all classes of share capital, or at par, such as tier 1 instruments	Subject to any obligations that are mandatorily preferred by law, all obligations of UBS Switzerland AG that are unsubordinated, or that are subordinated and do not rank junior, such as all classes of share capital, or at par, such as unsecured, subordinated and dated obligations	Subject to any obligations that are mandatorily preferred by law, all obligations of UBS Switzerland AG that are unsubordinated, or that are subordinated and do not rank junior, such as all classes of share capital, or at par, such as tier 1 instruments
36	Existence of features, which prevent full recognition under Basel III	–	–	–	–
37	If yes, specify non-compliant features	–	–	–	–

(1) As applied in UBS Switzerland AG's financial statements under Swiss GAAP. (2) Loans granted by UBS AG, Switzerland.

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**Tables** | Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Percentage changes are presented as a mathematical calculation of the change between periods.