

UBS Switzerland AG (standalone) financial and regulatory information

Third quarter 2016

This document contains selected financial information as well as information related to capital adequacy, the leverage ratio and the liquidity coverage ratio, as required by the FINMA Circular 2008 / 22 "Disclosure – banks." It also contains the overview of UBS Switzerland AG's capital instrument key features as of 30 September 2016.

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Selected financial information

CHF million	For the quarter ended			Year-to-date		
	30.9.16	30.6.16	31.12.15	30.9.15	30.9.16	30.9.15 ¹
Income statement²						
Net interest income (including credit loss expense / recovery)	869	876	819	837	2,617	1,662
Net fee and commission income	954	951	968	1,004	2,861	2,033
Net trading income	231	175	264	224	561	471
Other income from ordinary activities	31	198	12	(5)	298	67
Total operating income	2,085	2,199	2,063	2,060	6,338	4,232
Personnel expenses	529	528	525	534	1,596	1,083
General and administrative expenses	883	845	925	874	2,589	1,658
Amortization and impairment of goodwill and other intangible assets	263	263	263	263	788	525
Other operating expenses	(1)	2	6	10	6	20
Total operating expenses	1,673	1,637	1,719	1,680	4,978	3,286
Operating profit	412	562	344	380	1,359	946
Tax expense / (benefit)	96	122	81	87	308	141
Net profit / (loss)	316	440	263	293	1,051	805

CHF million	As of		
	30.9.16	30.6.16	31.12.15
Balance sheet²			
Cash and balances with central banks	50,304	46,418	38,701
Due from banks	7,552	4,377	3,477
Receivables from securities financing transactions	28,498	31,251	23,672
Due from customers	37,918	37,931	38,373
Mortgage loans	147,055	147,252	148,492
Financial investments	22,294	22,707	22,878
Goodwill and other intangible assets	3,675	3,938	4,463
Other assets	5,628	6,238	5,122
Total assets	302,924	300,111	285,176
Due to banks	17,174	17,772	19,280
Payables from securities financing transactions	10,580	12,116	8,997
Due to customers	247,886	242,396	231,294
Bonds issued and loans from central mortgage institutions	8,177	8,144	8,274
Other liabilities	3,906	4,799	3,183
Total liabilities	287,724	285,227	271,027
Total equity	15,200	14,884	14,149

¹ Primarily represents income and expenses for the second and third quarter of 2015. During the first quarter of 2015, UBS Switzerland AG had no operations and therefore recorded virtually no profit or loss during that period. ² The UBS Switzerland AG standalone selected financial information is prepared in accordance with Swiss GAAP (FINMA Circular 2015 / 1 and the Banking Ordinance), but does not represent interim financial statements under Swiss GAAP. Refer to Note 2 to the UBS Switzerland AG standalone financial statements in the Annual Report 2015 for more information.

Joint and several liability

In June 2015, the Personal & Corporate Banking and Wealth Management businesses booked in Switzerland were transferred from UBS AG to UBS Switzerland AG through an asset transfer in accordance with the Swiss Merger Act. Under the Swiss Merger Act, UBS AG assumed joint liability for obligations existing on the asset transfer date, 14 June 2015, which were transferred to UBS Switzerland AG. Under the terms of the asset transfer agreement, UBS Switzerland AG assumed joint liability for approximately CHF 325 billion of contractual obligations of UBS AG existing on the asset transfer date, excluding the collateralized portion of secured contractual obligations and covered bonds. UBS Switzerland AG has no liability for new obligations incurred by UBS AG after the asset transfer date.

Under certain circumstances, the Swiss Banking Act and the bank insolvency ordinance of the Swiss Financial Market Supervisory Authority (FINMA) authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.

→ Refer to “Establishment of UBS Switzerland AG” in the “Legal entity financial and regulatory information” section of our Annual Report 2015 for more information

The joint liability amount declines as obligations mature, terminate or are novated following the asset transfer date. As of 30 September 2016, the joint liability of UBS Switzerland AG amounted to approximately CHF 95 billion.

Swiss SRB going and gone concern 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. In May 2016, the Swiss Federal Council adopted amendments to the too big to fail (TbTF) provisions, based on the cornerstones announced by the Swiss Federal Council in October 2015. The revised Capital Adequacy Ordinance forms the basis of a revised Swiss SRB framework, which became effective on 1 July 2016.

As of 30 September 2016, the going concern capital and leverage ratio requirements for UBS Switzerland AG (standalone) were 11.19% and 3.0%, respectively. The gone concern requirements on a phase-in basis were 3.5% for the RWA-based requirement and 1.0% for the LRD-based requirement.

→ Refer to the “Capital management” section of the UBS Group third quarter 2016 report for more information on the revised Swiss SRB framework.

Swiss SRB going and gone concern requirements and information¹

As of 30.9.16 <i>CHF million, except where indicated</i>	Swiss SRB including transitional arrangements (phase-in)							
	Risk-weighted assets				Leverage ratio denominator			
	Requirement (%) ²	Actual (%)	Requirement	Eligible	Requirement (%)	Actual (%)	Requirement	Eligible
Common equity tier 1 capital	8.57	11.27	7,962	10,476	2.30	3.33	7,246	10,476
Maximum high-trigger loss-absorbing additional tier 1 capital	2.63	1.34	2,439	1,247	0.70	0.40	2,205	1,247
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>		1.34		1,247		0.40		1,247
Total going concern	11.19³	12.62	10,401	11,724	3.00⁴	3.72	9,452	11,724
Base gone concern requirement	3.50	3.50	3,253	3,253	1.00	1.03	3,151	3,253
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>		0.81		753		0.24		753
<i>of which: low-trigger loss-absorbing tier 2 capital</i>		2.69		2,500		0.79		2,500
Total gone concern	3.50	3.50	3,253	3,253	1.00	1.03	3,151	3,253
Total loss-absorbing capacity	14.69	16.12	13,653	14,976	4.00	4.75	12,602	14,976

As of 30.9.16 <i>CHF million, except where indicated</i>	Swiss SRB as of 1.1.20 (fully applied)							
	Risk-weighted assets				Leverage ratio denominator			
	Requirement (%)	Actual (%)	Requirement	Eligible	Requirement (%)	Actual (%)	Requirement	Eligible
Common equity tier 1 capital	10.44	11.20	9,704	10,405	3.50	3.30	11,024	10,405
Maximum high-trigger loss-absorbing additional tier 1 capital	4.30	2.15	3,996	2,000	1.50	0.63	4,725	2,000
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>		2.15		2,000		0.63		2,000
Total going concern	14.74⁵	13.35	13,700	12,405	5.00⁶	3.94	15,749	12,405
Base gone concern requirement including applicable add-ons	14.30	2.69	13,289	2,500	5.00	0.79	15,749	2,500
<i>of which: low-trigger loss-absorbing tier 2 capital</i>		2.69		2,500		0.79		2,500
Total gone concern	14.30	2.69	13,289	2,500	5.00	0.79	15,749	2,500
Total loss-absorbing capacity	29.04	16.04	26,989	14,905	10.00	4.73	31,498	14,905

¹ This table does not include the effect of any potential rebate. ² The total capital ratio requirement of 14.69% is the current phase-in requirement according to the Swiss Capital Adequacy Ordinance. In addition, FINMA has defined a total capital ratio requirement, which is the sum of 14.4% and the effect of countercyclical buffer requirements of 0.44%, of which 10% plus the effect of countercyclical buffer requirements must be satisfied with common equity tier 1 capital. The FINMA total capital requirement will be effective until it is exceeded by the Swiss SRB phase-in requirement. ³ Consists of a minimum capital requirement of 8% and a buffer capital requirement of 3.19%, including the effect of countercyclical buffers of 0.44%. ⁴ Consists of a minimum leverage ratio requirement of 3%. ⁵ Consists of a minimum capital requirement of 8% and a buffer capital requirement of 6.74%, including the effect of countercyclical buffers of 0.44% and applicable add-ons of 1.44%. ⁶ Consists of a minimum leverage ratio requirement of 3% and a buffer leverage ratio requirement of 2%, including applicable add-ons of 0.5%.

Swiss SRB loss-absorbing capacity

As of 30 September 2016, our total loss-absorbing capacity ratio was 16.0% on a fully applied basis and 16.1% on a phase-in basis.

→ Refer to the document "UBS Switzerland AG (standalone) regulatory information – 30 June 2016" under "Disclosures for subsidiaries and branches" at www.ubs.com/investors for prior-period information.

Swiss SRB going and gone concern information

As of 30.9.16	Swiss SRB including transitional arrangements (phase-in)	Swiss SRB as of 1.1.20 (fully applied)
<i>CHF million, except where indicated</i>		
Going concern capital		
Common equity tier 1 capital	10,476	10,405
High-trigger loss-absorbing additional tier 1 capital	1,247 ¹	2,000
Total going concern capital	11,724	12,405
Gone concern loss-absorbing capacity		
High-trigger loss-absorbing additional tier 1 capital	753 ¹	
Low-trigger loss-absorbing tier 2 capital	2,500 ¹	2,500
Total gone concern loss-absorbing capacity	3,253	2,500
Total loss-absorbing capacity		
Total loss-absorbing capacity	14,976	14,905
Risk-weighted assets / leverage ratio denominator		
Risk-weighted assets	92,929	92,929
Leverage ratio denominator	315,057	314,985
Capital and loss-absorbing capacity ratios (%)		
Going concern capital ratio	12.6	13.3
<i>of which: common equity tier 1 capital ratio</i>	<i>11.3</i>	<i>11.2</i>
Gone concern loss-absorbing capacity ratio	3.5	2.7
Total loss-absorbing capacity ratio	16.1	16.0
Leverage ratios (%)		
Going concern leverage ratio	3.7	3.9
<i>of which: common equity tier 1 leverage ratio</i>	<i>3.3</i>	<i>3.3</i>
Gone concern leverage ratio	1.0	0.8
Total loss-absorbing capacity leverage ratio	4.8	4.7

¹ Under the Swiss SRB rules, going concern capital includes CET1 and high-trigger additional tier 1 capital. Outstanding low-trigger tier 2 capital instruments will also remain available to meet the going concern capital requirements until the earlier of their maturity or first call date or 31 December 2019. However, as of 30 September 2016, CHF 753 million of high-trigger loss-absorbing additional tier 1 capital as well as the total low-trigger loss-absorbing tier 2 capital of CHF 2,500 million were used to meet the gone concern requirement.

Leverage ratio information

Swiss SRB leverage ratio

As of 30 September 2016, our total loss-absorbing capacity leverage ratio was 4.7% on a fully applied basis and 4.8% on a phase-in basis.

→ Refer to the document "UBS Switzerland AG (standalone) regulatory information – 30 June 2016" under "Disclosures for subsidiaries and branches" at www.ubs.com/investors for prior-period information.

Swiss SRB leverage ratio

As of 30.9.16	Swiss SRB including transitional arrangements (phase-in)	Swiss SRB as of 1.1.20 (fully applied)
Leverage ratio denominator (CHF billion)		
Swiss GAAP total assets	302.9	302.9
Difference between Swiss GAAP and IFRS total assets	2.4	2.4
Less derivative exposures and SFTs ¹	(35.7)	(35.7)
On-balance sheet exposures (excluding derivative exposures and SFTs)	269.7	269.7
Derivative exposures	5.2	5.2
Securities financing transactions	29.2	29.2
Off-balance sheet items	11.3	11.3
Items deducted from Swiss SRB tier 1 capital	(0.4)	(0.4)
Total exposures (leverage ratio denominator)	315.1	315.0
Loss-absorbing capacity (CHF million)		
Going concern capital	11,724 ²	12,405
<i>of which: common equity tier 1 capital</i>	<i>10,476</i>	<i>10,405</i>
Gone concern loss-absorbing capacity	3,253 ²	2,500
Total loss-absorbing capacity	14,976	14,905
Leverage ratios (%)		
Going concern leverage ratio	3.7	3.9
<i>of which: common equity tier 1 leverage ratio</i>	<i>3.3</i>	<i>3.3</i>
Gone concern leverage ratio	1.0	0.8
Total loss-absorbing capacity leverage ratio	4.8	4.7

¹ 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. ² Under the Swiss SRB rules, going concern capital includes CET1 and high-trigger additional tier 1 capital. Outstanding low-trigger tier 2 capital instruments will also remain available to meet the going concern capital requirements until the earlier of their maturity or first call date or 31 December 2019. However, as of 30 September 2016, CHF 753 million of high-trigger loss-absorbing additional tier 1 capital as well as the total low-trigger loss-absorbing tier 2 capital of CHF 2,500 million were used to meet the gone concern requirement.

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 September 2016 according to the current disclosure requirements.

BIS Basel III leverage ratio (phase-in)

<i>CHF million, except where indicated</i>	30.9.16	30.6.16	31.3.16	31.12.15
Total tier 1 capital	12,476	12,489	12,495	11,968
Total exposures (leverage ratio denominator)	315,057	313,285	309,001	296,865
BIS Basel III leverage ratio (%)	4.0	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 ¹		
	Average 3Q16	Average 2Q16	Average 4Q15
High-quality liquid assets	82	81	75
Total net cash outflows	72	72	65
of which: cash outflows	106	105	106
of which: cash inflows	34	33	41
Liquidity coverage ratio (%)	114	113	115

¹ 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

	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
Regulatory treatment				
4 Transitional Basel III rules (1)	Common Equity Tier 1 – Going concern capital	Additional Tier 1 – Going concern capital	Tier 2 – Going concern capital (4)	Additional Tier 1 – Going concern capital
5 Post-transitional Basel III rules (2)	Common Equity Tier 1 – Going concern capital	Additional Tier 1 – Going concern capital	Tier 2 – Gone concern loss-absorbing capacity (4)	Additional Tier 1 – Going concern capital
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 (5)	Loan (5)	Loan (5)
8 Amount recognized in regulatory capital (Currency in million, as of most recent reporting date) (1)	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 (3)	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 at 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	–
Coupons / dividend				
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)

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) Based on Swiss SRB phase-in (including transitional arrangement) requirements. (2) Based on Swiss SRB requirements applicable as of 1.1.20. (3) As applied in UBS Switzerland AG's financial statements under Swiss GAAP. (4) Outstanding low-trigger loss-absorbing tier 2 capital qualifies as going concern capital until the earlier of maturity or first call date and 31 December 2019. Afterwards, it qualifies to meet gone concern requirements until one year before maturity, with a haircut of 50% applied in the last year of eligibility. (5) Loans granted by UBS AG, Switzerland.

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Rounding | Numbers presented throughout this document may not add up precisely to the totals provided in the tables and text. Percentages, percent changes and absolute variances are calculated on the basis of rounded figures displayed in the tables and text and may not precisely reflect the percentages, percent changes and absolute variances that would be derived based on figures that are not rounded.

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