



# UBS Group AG and significant regulated subsidiaries and sub-groups

**Third** quarter 2017 Pillar 3 report

# Table of contents

## UBS Group AG consolidated

- 2 Section 1 Introduction
- 3 Section 2 Risk-weighted assets
- 8 Section 3 Going and gone concern requirements and eligible capital
- 15 Section 4 Leverage ratio
- 18 Section 5 Liquidity coverage ratio

## Significant regulated subsidiaries and sub-groups

- 22 Section 1 Introduction
- 22 Section 2 UBS AG standalone
- 26 Section 3 UBS Switzerland AG standalone
- 31 Section 4 UBS Limited standalone
- 31 Section 5 UBS Americas Holding LLC consolidated

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UBS Group AG  
consolidated

## Section 1 Introduction

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### Regulatory framework and scope of Basel III Pillar 3 disclosures

The Basel III capital adequacy framework consists of three complementary pillars. Pillar 1 provides a framework for measuring minimum capital requirements for the credit, market, operational and non-counterparty-related risks faced by banks. Pillar 2 addresses the principles of the supervisory review process, emphasizing the need for a qualitative approach to supervising banks. Pillar 3 requires banks to publish a range of disclosures, mainly covering risk, capital, leverage, liquidity and remuneration.

This quarterly report provides Pillar 3 disclosures for UBS Group AG on a consolidated basis. As UBS is considered a systemically relevant bank (SRB) under Swiss banking law, UBS Group AG is required to comply with regulations based on the Basel III framework as applicable to Swiss SRBs on a consolidated basis. Capital information as of 30 September 2017 for UBS Group AG consolidated is provided in the "Capital management" section of our third quarter 2017 report under "Quarterly reporting" at [www.ubs.com/investors](http://www.ubs.com/investors).

Pillar 3 rules also require us to disclose certain regulatory information for the significant banking subsidiaries UBS AG, UBS Switzerland AG and UBS Limited, as well as the significant sub-groups under UBS AG and UBS Americas Holding LLC. This information is provided in the "Significant regulated subsidiaries and sub-groups" section of this report, except for UBS AG on a consolidated basis, for which capital and other regulatory information is provided in the UBS AG third quarter 2017 report, which will be available as of 1 November 2017 under "Quarterly reporting" at [www.ubs.com/investors](http://www.ubs.com/investors).

Except where indicated, UBS Pillar 3 disclosures are based on phase-in rules under the Basel III framework, as implemented by the Swiss Federal Council's Swiss Capital Adequacy Ordinance and as required by FINMA regulation.

### BCBS publishes enhanced Pillar 3 disclosure requirements

In March 2017, the Basel Committee on Banking Supervision (BCBS) issued a consolidated and enhanced framework for

Pillar 3 disclosure requirements. This draft includes the following enhancements: i) all existing BCBS disclosure requirements have been consolidated into the Pillar 3 framework, including the composition of capital, the leverage ratio, the liquidity ratios, the indicators for determining global systemically important banks (G-SIBs), the countercyclical buffer, interest rate risk in the banking book and remuneration; ii) a "dashboard" of banks' key prudential metrics has been introduced; iii) a new requirement has been included for banks to break down prudential valuation adjustments as well as the underlying calculation methodology; and iv) ongoing reforms have been incorporated into the regulatory framework, such as the total loss-absorbing capacity regime for G-SIBs and the revised market risk framework.

The implementation dates for these consolidated and enhanced BCBS requirements are staggered from year-end 2017 to 2019. The related FINMA regulation is expected to be completed during 2017, with implementation dates in 2018 and 2019.

### Format, frequency and comparability of Pillar 3 disclosures

Certain Pillar 3 disclosures follow a fixed format defined by FINMA, including column or row labeling, whereas other disclosures are flexible and may be modified to a certain degree to present the most relevant information. Pillar 3 requirements are presented under the relevant FINMA table / template reference (e.g., OV1, CR8). Naming conventions used in our Pillar 3 disclosures are based on the FINMA guidance and may not reflect UBS's own naming conventions. The reporting frequency for each disclosure follows the respective FINMA-specified interval, which is either quarterly, semiannual or annual. For more information on disclosure frequencies, refer to the Basel III Pillar 3 UBS Group AG 2016 report under "Pillar 3 disclosures" at [www.ubs.com/investors](http://www.ubs.com/investors). Comparative-period information and commentary on movements are provided in line with the FINMA-specified frequency.

## Section 2 Risk-weighted assets

### Our approach to measuring risk exposure and risk-weighted assets

Measures of risk exposure may differ, depending on whether the exposures are calculated for financial accounting purposes under International Financial Reporting Standards (IFRS), for deriving our regulatory capital requirement or for internal risk management and control purposes. Our Pillar 3 disclosures are generally based on measures of risk exposure used to derive the regulatory capital required to underpin those risks. The calculation of risk-weighted assets (RWA) follows the Bank for International Settlements (BIS) Basel III framework, as implemented by the Swiss Capital Adequacy Ordinance issued by the Swiss Federal Council on a phase-in basis.

→ Refer to the **Basel III Pillar 3 UBS Group AG 2016 report under "Pillar 3 disclosures"** at [www.ubs.com/investors](http://www.ubs.com/investors) for more information

### RWA development in the quarter

The table below provides an overview of RWA and the related minimum capital requirements by risk type. During the third quarter of 2017, phase-in RWA increased by CHF 1.4 billion to CHF 239.2 billion. The increase was mainly driven by a CHF 1.7 billion increase in credit risk and a CHF 0.4 billion increase in market risk, partly offset by a CHF 0.7 billion decrease in counterparty credit risk. The flow tables on the subsequent pages provide further detail on the movements in credit risk, counterparty credit risk and market risk RWA in the third quarter of 2017. More information on capital management and RWA, including detail on movements in RWA during the third quarter of 2017, is provided on pages 64–65 of our third quarter 2017 report under "Quarterly reporting" at [www.ubs.com/investors](http://www.ubs.com/investors).

### OV1: Overview of RWA

	a	b	c
	RWA <sup>1</sup>		Minimum capital requirements <sup>2</sup>
<i>CHF million</i>	<b>30.9.17</b>	30.6.17	30.9.17
<b>1 Credit risk (excluding counterparty credit risk)</b>	<b>96,349</b>	94,647	7,708
2 of which: standardized approach (SA) <sup>3</sup>	<b>22,727</b>	22,892	1,818
3 of which: internal ratings-based (IRB) approach	<b>73,621</b>	71,755	5,890
<b>4 Counterparty credit risk<sup>4</sup></b>	<b>33,362</b>	34,060	2,669
5 of which: SA for counterparty credit risk (SA-CCR) <sup>5</sup>	<b>10,668</b>	10,587	853
6 of which: internal model method (IMM) <sup>6</sup>	<b>22,694</b>	23,474	1,816
<b>7 Equity positions in banking book under market-based approach<sup>7</sup></b>	<b>2,585</b>	2,393	207
<b>8 Equity investments in funds – look-through approach<sup>8</sup></b>			
<b>9 Equity investments in funds – mandate-based approach<sup>8</sup></b>			
<b>10 Equity investments in funds – fall-back approach<sup>8</sup></b>			
<b>11 Settlement risk</b>	<b>256</b>	478	20
<b>12 Securitization exposure in banking book</b>	<b>1,566</b>	1,897	125
13 of which: IRB ratings-based approach (RBA)	<b>1,117</b>	1,373	89
14 of which: IRB supervisory formula approach (SFA)	<b>449</b>	523	36
15 of which: SA / simplified supervisory formula approach (SSFA)			
<b>16 Market Risk</b>	<b>14,086</b>	13,667	1,127
17 of which: standardized approach (SA)	<b>617</b>	378	49
18 of which: internal model approaches (IMM)	<b>13,469</b>	13,289	1,078
<b>19 Operational risk</b>	<b>79,422</b>	79,422	6,354
20 of which: basic indicator approach			
21 of which: standardized approach			
22 of which: advanced measurement approach	<b>79,422</b>	79,422	6,354
<b>23 Amounts below thresholds for deduction (250% risk weight)<sup>9</sup></b>	<b>11,564</b>	11,254	925
<b>24 Floor adjustment<sup>10</sup></b>	<b>0</b>	0	0
<b>25 Total</b>	<b>239,190</b>	<b>237,818</b>	<b>19,135</b>

<sup>1</sup> Based on phase-in rules. <sup>2</sup> Calculated based on 8% of RWA. <sup>3</sup> Includes non-counterparty-related risk not subject to the threshold deduction treatment (30 September 2017: RWA CHF 8,721 million; 30 June 2017: RWA CHF 8,493 million). Non-counterparty-related risk (30 September 2017: RWA CHF 9,703 million; 30 June 2017: RWA CHF 9,449 million), which is subject to the threshold treatment, is reported in line 23 "Amounts below thresholds for deduction (250% risk weight)." <sup>4</sup> Excludes settlement risk, which is separately reported in line 11 "Settlement risk." Includes credit valuation adjustments and RWA with central counterparties. <sup>5</sup> Calculated in accordance with the current exposure method (CEM), until SA-CCR is implemented by 1 January 2018. The split between lines 5 and 6 refers to the calculation of the exposure measure. <sup>6</sup> Includes advanced credit valuation adjustment (30 September 2017: RWA CHF 2,298 million; 30 June 2017: RWA CHF 2,707 million). <sup>7</sup> Includes investments in funds. Items subject to threshold deduction treatments that do not exceed their respective threshold are risk weighted at 250% (30 September 2017: RWA CHF 1,862 million; 30 June 2017: RWA CHF 1,804 million) and are separately included in line 23 "Amounts below thresholds for deduction (250% risk weight)." <sup>8</sup> New regulation for the calculation of RWA for investments in funds will be implemented by 1 January 2018. <sup>9</sup> Includes items subject to threshold deduction treatments that do not exceed their respective threshold and which are risk weighted at 250%. Items subject to threshold deduction treatments are significant investments in common shares of non-consolidated financial institutions (banks, insurance and other financial entities) and deferred tax assets arising from temporary differences, both of which are measured against their respective threshold. <sup>10</sup> No floor effect, as 80% of our Basel I RWA including the RWA equivalent of the Basel I capital deductions do not exceed our Basel III RWA including the RWA equivalent of the Basel III capital deductions. Refer to the "Recent developments" section of our first quarter 2017 report, under "Quarterly reporting" at [www.ubs.com/investors](http://www.ubs.com/investors) for the status of the finalization of the BCBS capital framework, where the proposed floor calculation would differ in significant aspects from the current approach.

## Definitions of credit risk and counterparty credit risk RWA movement table components for CR8 and CCR7

References from the below table link to the line numbers provided in the movement tables below and on the next page.

Reference	Description	Definition
2	<b>Asset size</b>	Movements arising in the ordinary course of business, such as new transactions, sales and write-offs.
3	<b>Asset quality / Credit quality of counterparties</b>	Movements resulting from changes in the underlying credit quality of counterparties. These are caused by changes to risk parameters, such as counterparty ratings, loss given default estimates or credit hedges.
4	<b>Model updates</b>	Movements arising from the implementation of new models and from parameter changes to existing models. The RWA effect of model updates is estimated based on the portfolio at the time of the change implementation.
5	<b>Methodology and policy</b>	Movements due to methodological changes in calculations driven by regulatory policy changes, including revisions to existing regulations, new regulations and add-ons mandated by the regulator. The effect of methodology and policy changes on RWA is estimated based on the portfolio at the time of the change implementation.
6	<b>Acquisitions and disposals</b>	Movements as a result of disposal or acquisition of business operations, quantified based on the credit risk exposures as of the end of the quarter preceding a disposal or following an acquisition. Purchases and sales of exposures in the ordinary course of business are reflected under asset size.
7	<b>Foreign exchange movements</b>	Movements as a result of exchange rate changes of the transaction currencies against the Swiss franc.
8	<b>Other</b>	Movements due to changes that cannot be attributed to any other category.

### Credit risk RWA development in the quarter

Credit risk RWA increased by CHF 1.9 billion to CHF 73.6 billion as of 30 September 2017.

The CHF 2.4 billion asset size increase resulted from an increase in trading portfolio assets and higher lending in our

Corporate Client Solutions business within the Investment Bank. The CHF 0.3 billion increase from methodology and policy updates was due to an increase in the internal ratings-based (IRB) multiplier on Investment Bank exposures to corporates.

### CR8: RWA flow statements of credit risk exposures under IRB

CHF million		a
		RWA
1	<b>RWA as of 30.6.17</b>	<b>71,755</b>
2	Asset size	2,440
3	Asset quality	(1,126)
4	Model updates	40
5	Methodology and policy	349
5a	<i>of which: regulatory add-ons</i>	<i>349</i>
6	Acquisitions and disposals	0
7	Foreign exchange movements	432
8	Other	(269)
9	<b>RWA as of 30.9.17</b>	<b>73,621</b>

### Counterparty credit risk RWA development in the quarter

Counterparty credit risk (CCR) RWA under internal model method (IMM) and value-at-risk (VaR) decreased by CHF 0.4 billion during the third quarter of 2017.

#### CCR7: RWA flow statements of CCR exposures under internal model method (IMM) and value-at-risk (VaR)<sup>1</sup>

	a1	a2	a
	Derivatives	SFTs	Total Amounts
<i>CHF million</i>	Subject to IMM	Subject to VaR	(sum of a1 and a2)
<b>1 RWA as of 30.6.17</b>	<b>16,648</b>	<b>4,118</b>	<b>20,766</b>
2 Asset size	(273)	63	(211)
3 Credit quality of counterparties	(396)	(227)	(623)
4 Model updates	0	0	0
5 Methodology and policy	278	71	349
<i>5a of which: regulatory add-ons</i>	<i>278</i>	<i>71</i>	<i>349</i>
6 Acquisitions and disposals	0	0	0
7 Foreign exchange movements	294	72	366
8 Other	(250)	0	(250)
<b>9 RWA as of 30.9.17</b>	<b>16,301</b>	<b>4,096</b>	<b>20,397</b>

<sup>1</sup> Excludes advanced credit valuation adjustment RWA of CHF 2,298 million as of 30 September 2017 (30 June 2017: CHF 2,707 million).

**Market risk RWA development in the quarter**

The four main components that contribute to market risk RWA are VaR, stressed value-at-risk (SVaR), incremental risk charge (IRC) and comprehensive risk measure (CRM). VaR and SVaR components include the RWA charge for risks-not-in-VaR. The “MR2: RWA flow statements of market risk exposures under an

internal models approach” table on the following page provides a breakdown of the market risk RWA movement in the third quarter of 2017 across these components, according to BCBS-defined movement categories. These categories are described below.

**Definitions of market risk RWA movement table components for MR2**

References from the below table link to the line numbers provided in the movement table on the next page.

<b>Reference</b>	<b>Description</b>	<b>Definition</b>
<b>1 / 8c</b>	<b>RWA as of previous and current reporting period end (end of period)</b>	Quarter-end RWA
<b>1a / 8b</b>	<b>Regulatory adjustment</b>	Indicates the difference between row lines 1 and 1b, and 8c and 8a, respectively.
<b>1b / 8a</b>	<b>RWA at previous and current quarter end (end of day)</b>	For a given component (e.g., VaR), this refers to the RWA computed whenever that component’s snapshot quarter-end figure is higher than the 60-day average for regulatory VaR, and the 12-week average for SVaR and IRC, thus determining the quarter-end RWA. The regulatory adjustment would be zero, if the quarter-end RWA were triggered by the snapshot quarter-end figure.
<b>Movement of end-of-day RWA</b>		
<b>2</b>	<b>Movement in risk levels</b>	Movements due to changes in positions and risk levels.
<b>3</b>	<b>Model updates / changes</b>	Movements due to routine updates to model parameters and model changes.
<b>4</b>	<b>Methodology and policy</b>	Movements due to methodological changes in calculations driven by regulatory policy changes, including revisions of existing regulations, new regulations and add-ons mandated by the regulator.
<b>5</b>	<b>Acquisitions and disposals</b>	Movements due to the disposal or acquisition of business operations, quantified based on the market risk exposures at the end of the quarter preceding a disposal or following an acquisition. Purchases and sales of exposures in the ordinary course of business are reflected in “Movements in risk levels.”
<b>6</b>	<b>Foreign exchange movements</b>	Movements due to changes in exchange rates. Note that the effect of movements in exchange rates is captured in “Movement in risk levels,” since exchange rate movements are part of the effects of market movements on risk levels.
<b>7</b>	<b>Other</b>	Movements due to changes that cannot be attributed to any other category.



## RWA flow

Market risk-based RWA increased by CHF 0.2 billion, mainly as higher average regulatory VaR levels during the third quarter of 2017 were largely offset by the effects of an enhancement to VaR model parameters. The VaR multiplier remained unchanged at 3.

### MR2: RWA flow statements of market risk exposures under an internal models approach<sup>1</sup>

		a	b	c	d	e	f
<i>CHF million</i>		VaR	Stressed VaR	IRC	CRM	Other	Total RWA
<b>1</b>	<b>RWA as of 30.6.17</b>	<b>2,458</b>	<b>7,350</b>	<b>3,383</b>	<b>97</b>		<b>13,289</b>
1a	<i>Regulatory adjustment</i>	<i>(1,531)</i>	<i>(6,460)</i>	<i>0</i>	<i>(41)</i>		<i>(8,032)</i>
1b	<i>RWA at previous quarter-end (end of day)</i>	<i>927</i>	<i>891</i>	<i>3,383</i>	<i>56</i>		<i>5,258</i>
2	Movement in risk levels	307	896	117	0		1,320
3	Model updates / changes	(487)	(183)	0	0		(670)
4	Methodology and policy						
5	Acquisitions and disposals						
6	Foreign exchange movements						
7	Other				11		11
8a	RWA at the end of the reporting period (end of day)	747	1,604	3,500	68		5,919
8b	<i>Regulatory adjustment</i>	<i>2,727</i>	<i>4,813</i>	<i>0</i>	<i>10</i>		<i>7,550</i>
<b>8c</b>	<b>RWA as of 30.9.17</b>	<b>3,474</b>	<b>6,417</b>	<b>3,500</b>	<b>78</b>		<b>13,469</b>

<sup>1</sup> Components that describe movements in RWA are presented in italic.

### Section 3 Going and gone concern requirements and eligible capital

The table below provides details on the Swiss SRB going and gone concern requirements as required by FINMA. More information on capital management is provided on pages 58–67 of our third quarter 2017 report, available under “Quarterly reporting” at [www.ubs.com/investors](http://www.ubs.com/investors).

#### Swiss SRB going and gone concern requirements and information<sup>1</sup>

As of 30.9.17 <i>CHF million, except where indicated</i>	Swiss SRB, including transitional arrangements (phase-in)				Swiss SRB as of 1.1.20 (fully applied)			
	RWA		LRD		RWA		LRD	
<b>Required loss-absorbing capacity</b>	in %		in %		in %		in %	
<b>Common equity tier 1 capital</b>	9.22	22,046	2.60	23,061	10.22	24,312	3.50	30,969
<i>of which: minimum capital</i>	5.80	13,873	2.10	18,626	4.50	10,708	1.50	13,273
<i>of which: buffer capital</i>	3.20	7,654	0.50	4,435	5.50	13,088	2.00	17,697
<i>of which: countercyclical buffer<sup>2</sup></i>	0.22	519			0.22	516		
<b>Maximum additional tier 1 capital</b>	3.00	7,176	0.90	7,983	4.30	10,232	1.50	13,273
<i>of which: high-trigger loss-absorbing additional tier 1 minimum capital</i>	2.20	5,262	0.90	7,983	3.50	8,329	1.50	13,273
<i>of which: high-trigger loss-absorbing additional tier 1 buffer capital</i>	0.80	1,914			0.80	1,904		
<b>Total going concern capital</b>	12.22	29,221	3.50	31,044	14.52 <sup>3</sup>	34,545	5.00 <sup>3</sup>	44,242
Base gone concern loss-absorbing capacity, including applicable add-ons	6.20 <sup>4</sup>	14,830	2.00 <sup>4</sup>	17,739	14.30 <sup>3</sup>	34,029	5.00 <sup>3</sup>	44,242
<b>Total gone concern loss-absorbing capacity</b>	6.20	14,830	2.00	17,739	14.30	34,029	5.00	44,242
<b>Total loss-absorbing capacity</b>	18.42	44,051	5.50	48,783	28.82	68,573	10.00	88,483

#### Eligible loss-absorbing capacity

<b>Common equity tier 1 capital</b>	15.07	36,045	4.06	36,045	13.71	32,621	3.69	32,621
<b>High-trigger loss-absorbing additional tier 1 capital<sup>5,6</sup></b>	6.80	16,273	1.83	16,273	3.73	8,872	1.00	8,872
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>	2.72	6,506	0.73	6,506	2.73	6,506	0.74	6,506
<i>of which: low-trigger loss-absorbing additional tier 1 capital</i>	0.45	1,078	0.12	1,078	0.99	2,366	0.27	2,366
<i>of which: high-trigger loss-absorbing tier 2 capital</i>	0.35	846	0.10	846				
<i>of which: low-trigger loss-absorbing tier 2 capital</i>	3.28	7,844	0.88	7,844				
<b>Total going concern capital</b>	21.87	52,318	5.90	52,318	17.44	41,493	4.69	41,493
<b>Gone concern loss-absorbing capacity</b>	12.05	28,830	3.25	28,830	15.50	36,895	4.17	36,895
<i>of which: TLAC-eligible senior unsecured debt</i>	11.32	27,081	3.05	27,081	11.38	27,081	3.06	27,081
<b>Total gone concern loss-absorbing capacity</b>	12.05	28,830	3.25	28,830	15.50	36,895	4.17	36,895
<b>Total loss-absorbing capacity</b>	33.93	81,148	9.15	81,148	32.94	78,388	8.86	78,388

#### Risk-weighted assets / leverage ratio denominator

Risk-weighted assets	239,190	237,963
Leverage ratio denominator	886,969	884,834

<sup>1</sup> This table does not include the effect of any gone concern requirement rebate. <sup>2</sup> Going concern capital ratio requirements as of 30 September 2017 include countercyclical buffer requirements of 0.22% for the phase-in and fully applied requirement. <sup>3</sup> Includes applicable add-ons of 1.44% for RWA and 0.5% for leverage ratio denominator (LRD). <sup>4</sup> Includes applicable add-ons of 0.36% for RWA and 0.13% for LRD. <sup>5</sup> Includes outstanding low-trigger loss-absorbing additional tier 1 (AT1) capital instruments, which are available under the transitional rules of the Swiss SRB framework to meet the going concern requirements until their first call date, even if the first call date is after 31 December 2019. As of their first call date, these instruments are eligible to meet the gone concern requirements. Low-trigger loss-absorbing AT1 capital was partly offset by required deductions for goodwill on a phase-in basis. <sup>6</sup> Includes outstanding high- and low-trigger loss-absorbing tier 2 capital instruments, which are available under the transitional rules of the Swiss SRB framework to meet the going concern requirements until the earlier of (i) their maturity or first call date or (ii) 31 December 2019, and to meet gone concern requirements thereafter. Outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity, with the amortized portion qualifying as gone concern loss-absorbing capacity. Instruments available to meet gone concern requirements are eligible until one year before maturity, with a haircut of 50% applied in the last year of eligibility.

### Explanation of the difference between the IFRS and regulatory scope of consolidation

The scope of consolidation for the purpose of calculating Group regulatory capital is generally the same as the consolidation scope under International Financial Reporting Standards (IFRS) and includes subsidiaries that are directly or indirectly controlled by UBS Group AG and active in banking and finance. However, subsidiaries consolidated under IFRS whose business is outside the banking and finance sector are excluded from the regulatory scope of consolidation.

The key difference between the IFRS and regulatory capital scope of consolidation relates to the following entities as of 30 September 2017:

- investments in insurance, real estate and commercial companies as well as investment vehicles that are consolidated under IFRS, but not for regulatory capital purposes, where they are subject to risk-weighting
- joint ventures that are fully consolidated for regulatory capital purposes, but which are accounted for using the equity method under IFRS
- UBS Capital Securities (Jersey) Ltd., which has issued preferred securities and is consolidated for regulatory capital purposes but not for IFRS purposes. This entity holds notes issued by UBS AG, which are eliminated in the consolidated regulatory capital accounts. This entity does not have material third-party asset balances and its equity is attributable to non-controlling interests

The table below provides a list of the most significant entities that were included in the IFRS scope of consolidation, but not in the regulatory capital scope of consolidation. These entities account for most of the difference between the column “Balance sheet in accordance with IFRS scope of consolidation” and the “Balance sheet in accordance with regulatory scope of consolidation” column in the “Reconciliation of accounting balance sheet to balance sheet under the regulatory scope of consolidation” table. As of 30 September 2017, entities consolidated under either the IFRS or the regulatory scope of consolidation did not report any significant capital deficiencies.

In the banking book, certain equity investments are consolidated neither under IFRS nor under the regulatory scope. These investments mainly consisted of infrastructure holdings and joint operations (e.g., settlement and clearing institutions, stock and financial futures exchanges) and included our participation in the SIX Group. These investments were risk-weighted based on applicable threshold rules.

More information on the legal structure of the UBS Group and on the IFRS scope of consolidation is provided on pages 13–14 and 325–326, respectively, of our Annual Report 2016, available under “Annual reporting” at [www.ubs.com/investors](http://www.ubs.com/investors).

### Main legal entities consolidated under IFRS but not included in the regulatory scope of consolidation

CHF million	30.9.17		Purpose
	Total assets <sup>1</sup>	Total equity <sup>1</sup>	
UBS Asset Management Life Ltd	9,986	40	Life Insurance
A&Q Alternative Solution Limited	373	366 <sup>2</sup>	Investment vehicle for multiple investors
A&Q Alternative Solution Master Limited	372	370 <sup>2</sup>	Investment vehicle for multiple investors
A&Q Alpha Select Hedge Fund XL	170	85 <sup>2</sup>	Investment vehicle for multiple investors
UBS Life Insurance Company USA	164	41	Life Insurance
A&Q Alpha Select Hedge Fund Limited	123	122 <sup>2</sup>	Investment vehicle for multiple investors
A&Q Global Alpha Strategies XL Limited	108	54 <sup>2</sup>	Investment vehicle for multiple investors

<sup>1</sup> Total assets and total equity on a standalone basis. <sup>2</sup> Represents the net asset value of issued fund units. These fund units are subject to liability treatment in the consolidated financial statements in accordance with IFRS.

The table below and on the next page provides a reconciliation of the IFRS balance sheet to the balance sheet according to the regulatory scope of consolidation as defined by BIS and FINMA. Lines in the balance sheet under the regulatory scope of

consolidation are expanded and referenced where relevant to display all components that are used in the "Composition of capital" table.

### Reconciliation of accounting balance sheet to balance sheet under the regulatory scope of consolidation

<i>As of 30.9.17</i>	Balance sheet in accordance with IFRS scope of consolidation	Effect of deconsolidated entities for regulatory consolidation	Effect of additional consolidated entities for regulatory consolidation	Balance sheet in accordance with regulatory scope of consolidation	References <sup>1</sup>
<i>CHF million</i>					
<b>Assets</b>					
Cash and balances with central banks	94,563			94,563	
Due from banks	15,047	(176)		14,871	
Cash collateral on securities borrowed	16,614			16,614	
Reverse repurchase agreements	87,889			87,889	
Trading portfolio assets	114,297	(10,246)		104,052	
Positive replacement values	119,462	10		119,472	
Cash collateral receivables on derivative instruments	24,928			24,928	
Loans	314,536	85		314,621	
Financial assets designated at fair value	50,738			50,738	
Financial assets available for sale	13,043	(31)		13,012	
Financial assets held to maturity	9,005			9,005	
Consolidated participations	0	102		102	
Investments in associates	987			987	
<i>of which: goodwill</i>	340			340	4
Property, equipment and software	8,647	(58)		8,590	
Goodwill and intangible assets	6,388			6,388	
<i>of which: goodwill</i>	6,155			6,155	4
<i>of which: intangible assets</i>	233			233	5
Deferred tax assets	12,670	1		12,671	
<i>of which: deferred tax assets recognized for tax loss carry-forwards</i>	8,113	0		8,113	9
<i>of which: deferred tax assets on temporary differences</i>	4,557	1		4,558	12
Other assets	24,783	(192)		24,591	
<i>of which: net defined benefit pension and other post-employment assets</i>	0			0	10
<b>Total assets</b>	<b>913,599</b>	<b>(10,505)</b>	<b>0</b>	<b>903,094</b>	

## Reconciliation of accounting balance sheet to balance sheet under the regulatory scope of consolidation (continued)

<i>As of 30.9.17</i>	Balance sheet in accordance with IFRS scope of consolidation	Effect of deconsolidated entities for regulatory consolidation	Effect of additional consolidated entities for regulatory consolidation	Balance sheet in accordance with regulatory scope of consolidation	References <sup>1</sup>
<i>CHF million</i>					
<b>Liabilities</b>					
Due to banks	10,639	(34)		10,605	
Cash collateral on securities lent	2,435			2,435	
Repurchase agreements	17,535			17,535	
Trading portfolio liabilities	30,620			30,620	
Negative replacement values	115,457	8		115,465	
Cash collateral payables on derivative instruments	31,899			31,899	
Due to customers	401,711	(45)		401,665	
Financial liabilities designated at fair value	56,585			56,585	
Debt issued	133,497	(11)		133,486	
<i>of which: amount eligible for high-trigger loss-absorbing additional tier 1 capital<sup>2</sup></i>	5,189			5,189	13
<i>of which: amount eligible for low-trigger loss-absorbing additional tier 1 capital<sup>2</sup></i>	2,366			2,366	13
<i>of which: amount eligible for low-trigger loss-absorbing tier 2 capital<sup>3</sup></i>	7,844			7,844	7
<i>of which: amount eligible for capital instruments subject to phase-out from tier 2 capital<sup>4</sup></i>	683			683	8
Provisions	3,136			3,136	
Other liabilities	55,848	(10,368)		45,480	
<i>of which: amount eligible for high-trigger loss-absorbing capital (Deferred Contingent Capital Plan (DCCP))<sup>5</sup></i>	950			950	13
<i>of which: deferred tax liabilities related to goodwill</i>	53			53	4
<i>of which: deferred tax liabilities related to other intangible assets</i>	4			4	5
<b>Total liabilities</b>	<b>859,364</b>	<b>(10,451)</b>	<b>0</b>	<b>848,913</b>	
<b>Equity</b>					
Share capital	385			385	1
Share premium	25,782			25,782	1
Treasury shares	(2,155)			(2,155)	3
Retained earnings	35,107	(165)		34,942	2
Other comprehensive income recognized directly in equity, net of tax	(5,626)	111		(5,515)	3
<i>of which: unrealized gains / (losses) from cash flow hedges</i>	621			621	11
<b>Equity attributable to UBS Group AG shareholders</b>	<b>53,493</b>	<b>(55)</b>		<b>53,438</b>	
Equity attributable to non-controlling interests	743			743	6
<b>Total equity</b>	<b>54,236</b>	<b>(55)</b>		<b>54,181</b>	
<b>Total liabilities and equity</b>	<b>913,599</b>	<b>(10,505)</b>		<b>903,094</b>	

<sup>1</sup> References link the lines of this table to the respective reference numbers provided in the "References" column in the "Composition of capital" table. <sup>2</sup> Represents IFRS carrying value. <sup>3</sup> IFRS carrying value is CHF 8,256 million. <sup>4</sup> IFRS carrying value is CHF 886 million. <sup>5</sup> IFRS carrying value is CHF 1,869 million. Refer to the "Compensation" section of our Annual Report 2016 for more information on DCCP.

### Composition of capital

The table below and on the following pages provides the "Composition of capital" as defined by BIS and FINMA. Reference is made to items reconciling to the balance sheet under the regulatory scope of consolidation as disclosed in the "Reconciliation of accounting balance sheet to balance sheet under the regulatory scope of consolidation" table. Where relevant, the effect of phase-in arrangements is disclosed as well.

Refer to "Capital instruments of UBS Group AG consolidated and UBS AG consolidated and standalone" and "UBS Group AG consolidated capital instruments and TLAC-eligible senior unsecured debt" under "Bondholder information" at [www.ubs.com/investors](http://www.ubs.com/investors) for an overview of the key features of our regulatory capital instruments, as well as the full terms and conditions.

### Composition of capital

As of 30.9.17		Numbers phase-in	Effect of the transition phase	References <sup>1</sup>
<i>CHF million, except where indicated</i>				
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	26,167		1
2	Retained earnings	34,942		2
3	Accumulated other comprehensive income (and other reserves)	(7,670)		3
4	Directly issued capital subject to phase-out from common equity tier 1 (CET1) capital (only applicable to non-joint stock companies)			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in Group CET1 capital)			
6	<b>Common equity tier 1 capital before regulatory adjustments</b>	<b>53,438</b>		
7	Prudential valuation adjustments	(55)		
8	Goodwill, net of tax, less additional tier 1 (AT1) capital	(5,154)	(1,288)	4
9	Intangible assets, net of tax	(229)		5
10	Deferred tax assets recognized for tax loss carry-forwards <sup>2</sup>	(6,577)	(1,644)	9
11	Unrealized (gains) / losses from cash flow hedges, net of tax	(621)		11
12	Expected losses on advanced internal ratings-based portfolio less general provisions	(515)		
13	Securitization gain on sale			
14	Own credit related to financial liabilities designated at fair value, net of tax, and replacement values	105		
15	Defined benefit plans	0		10
16	Compensation and own shares-related capital components (not recognized in net profit) <sup>3</sup>	(1,505)		13
17	Reciprocal crossholdings in common equity			
17a	Qualifying interest where a controlling influence is exercised together with other owners (CET1 instruments)			
17b	Consolidated investments (CET1 instruments)			
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)			
20	Mortgage servicing rights (amount above 10% threshold)			
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(790)	(491)	12
22	Amount exceeding the 15% threshold	0	0	
23	<i>of which: significant investments in the common stock of financials</i>			
24	<i>of which: mortgage servicing rights</i>			
25	<i>of which: deferred tax assets arising from temporary differences</i>			
26	Expected losses on equity investments treated according to the PD/LGD approach			
26a	Other adjustments relating to the application of an internationally accepted accounting standard	(190)		
26b	Other deductions	(1,861)		
27	Regulatory adjustments applied to common equity tier 1 due to insufficient additional tier 1 and tier 2 to cover deductions	0		
28	<b>Total regulatory adjustments to common equity tier 1</b>	<b>(17,393)</b>	<b>(3,424)</b>	

## Composition of capital (continued)

As of 30.9.17		Numbers phase-in	Effect of the transition phase	References <sup>1</sup>
<i>CHF million, except where indicated</i>				
29	<b>Common equity tier 1 capital (CET1)</b>	<b>36,045</b>	<b>(3,424)</b>	
30	Directly issued qualifying additional tier 1 instruments plus related stock surplus	8,872	0	
31	<i>of which: classified as equity under applicable accounting standards</i>			
32	<i>of which: classified as liabilities under applicable accounting standards</i>	8,872		13
33	Directly issued capital instruments subject to phase-out from additional tier 1			
34	Additional tier 1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in Group AT1)	687	(687)	6
35	<i>of which: instruments issued by subsidiaries subject to phase-out</i>	687	(687)	
36	<b>Additional tier 1 capital before regulatory adjustments</b>	<b>9,559</b>	<b>(687)</b>	
37	Investments in own additional tier 1 instruments			
38	Reciprocal crossholdings in additional tier 1 instruments			
38a	Qualifying interest where a controlling influence is exercised together with other owner (AT1 instruments)			
38b	Holdings in companies which are to be consolidated (AT1 instruments)			
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
41	National specific regulatory adjustments	(1,288)	1,288	
42	Regulatory adjustments applied to additional tier 1 due to insufficient tier 2 to cover deductions			
	<b>Tier 1 adjustments on impact of transitional arrangements</b>	<b>(1,288)</b>	<b>1,288</b>	
	<i>of which: goodwill net of tax, offset against additional loss-absorbing tier 1 capital</i>	<i>(1,288)</i>	<i>1,288</i>	
42a	Excess of the adjustments which are allocated to the common equity tier 1 capital			
43	<b>Total regulatory adjustments to additional tier 1 capital</b>	<b>(1,288)</b>	<b>1,288</b>	
44	<b>Additional tier 1 capital (AT1)</b>	<b>8,270</b>	<b>602</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>44,315</b>	<b>(2,822)</b>	
46	Directly issued qualifying tier 2 instruments plus related stock surplus <sup>4</sup>	8,037	0	7, 13
47	Directly issued capital instruments subject to phase-out from tier 2	699	(699)	8
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in Group tier 2)			
49	<i>of which: instruments issued by subsidiaries subject to phase-out</i>			
50	Provisions			
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>8,736</b>	<b>(699)</b>	
52	Investments in own tier 2 instruments <sup>5</sup>	(17)	16	7, 8
53	Reciprocal crossholdings in tier 2 instruments			
53a	Qualifying interest where a controlling influence is exercised together with other owner (tier 2 instruments)			
53b	Investments to be consolidated (tier 2 instruments)			
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)			
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	National specific regulatory adjustments			
56a	<b>Excess of the adjustments which are allocated to the AT1 capital</b>			
57	<b>Total regulatory adjustments to tier 2 capital</b>	<b>(17)</b>	<b>16</b>	

**Composition of capital (continued)**

	Numbers phase-in	Effect of the transition phase	References <sup>1</sup>
As of 30.9.17			
<i>CHF million, except where indicated</i>			
58	<b>8,718</b>	<b>(683)</b>	
	<i>88</i>		<i>13</i>
	<i>7,844</i>		<i>7</i>
59	<b>53,033</b>	<b>(3,505)</b>	
		<i>(1,227)</i>	
		<i>1,227</i>	
60	<b>239,190</b>	<b>(1,227)</b>	
61	15.1		
62	18.5		
63	22.2		
64	6.5		
65	<i>1.3</i>		
66	<i>0.2</i>		
67	<i>0.5</i>		
68	15.1		
68a–f			
72	1,255		
73	707		
74	0		
75	4,672		
<b>Applicable caps on the inclusion of provisions in tier 2</b>			
76			
77			
78			
79			

<sup>1</sup> References link the lines of this table to the respective reference numbers provided in the "References" column in the "Reconciliation of accounting balance sheet to balance sheet under the regulatory scope of consolidation" table. <sup>2</sup> IFRS netting for deferred tax assets and liabilities is reversed for items deducted from CET1 capital. <sup>3</sup> Includes CHF 455 million in DCCP-related charge for regulatory capital purposes. <sup>4</sup> Consists of loss-absorbing tier 2 capital of CHF 7,845 million, 45% of the gross unrealized gains on available for sale equity and debt instruments of CHF 103 million in line with BIS rules and deferred contingent capital plan instruments of CHF 88 million. <sup>5</sup> Consists of own instruments for loss-absorbing tier 2 capital of CHF 1 million and for phase-out tier 2 capital instruments of CHF 16 million. <sup>6</sup> BCBS requirements are exceeded by our Swiss SRB requirements. Refer to the "Capital Management" section of our Annual Report 2016 for more information on the Swiss SRB requirements.



## Section 4 Leverage ratio

### BIS Basel III leverage ratio

The BIS leverage ratio is calculated by dividing the period-end tier 1 capital by the period-end leverage ratio denominator (LRD). The LRD consists of IFRS on-balance sheet assets and off-balance sheet items. Derivative exposures are adjusted for a number of items, including replacement value and eligible cash variation margin netting, the current exposure method add-on and net notional amounts for written credit derivatives. The LRD also includes an additional charge for counterparty credit risk related to securities financing transactions. In addition, balance sheet assets deducted from our tier 1 capital are excluded from LRD, which leads to a difference between phase-in and fully applied LRD for deferred tax assets and net defined benefit pension plan assets.

The "Reconciliation of IFRS total assets to BIS Basel III total on-balance sheet exposures excluding derivatives and securities financing transactions" table below shows the difference between total IFRS assets per IFRS consolidation scope and the BIS total on-balance sheet exposures, which are the starting point for calculating the BIS LRD as shown in the "BIS Basel III leverage ratio common disclosure" table on the next page. The difference is due to the application of the regulatory scope of consolidation for the purpose of the BIS calculation. In addition, carrying values for derivative financial instruments and securities financing transactions

are deducted from IFRS total assets. They are measured differently under BIS leverage ratio rules and are therefore added back in separate exposure line items in the "BIS Basel III leverage ratio common disclosure" table on the next page.

As of 30 September 2017, our BIS Basel III leverage ratio was 4.7% on a fully applied basis and 5.0% on a phase-in basis. The BIS Basel III LRD was CHF 884.8 billion on a fully applied basis and CHF 887.0 billion on a phase-in basis. Information on our Swiss SRB leverage ratio and the movement in our LRD on a fully applied basis compared with the prior quarter is provided on pages 66–67 of our third quarter 2017 report, available under "Quarterly reporting" at [www.ubs.com/investors](http://www.ubs.com/investors).

### Difference between the Swiss SRB and BIS leverage ratio

The LRD is the same under Swiss SRB and BIS rules. However, there is a difference in the capital numerator between the two frameworks. Under BIS rules, only common equity tier 1 and additional tier 1 capital are included in the numerator. Under Swiss SRB we are required to meet going as well as gone concern leverage ratio requirements. Therefore, depending on the requirement, the numerator includes tier 1 capital instruments, tier 2 capital instruments and / or TLAC-eligible senior unsecured debt.

### Reconciliation of IFRS total assets to BIS Basel III total on-balance sheet exposures excluding derivatives and securities financing transactions

CHF million	30.9.17	30.6.17
<b>On-balance sheet exposures</b>		
IFRS total assets	913,599	890,831
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(10,505)	(10,696)
Adjustment for investments in banking, financial, insurance or commercial entities that are outside the scope of consolidation for accounting purposes but consolidated for regulatory purposes	0	0
Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0	0
Less carrying value of derivative financial instruments in IFRS total assets <sup>1</sup>	(144,400)	(144,599)
Less carrying value of securities financing transactions in IFRS total assets <sup>2</sup>	(123,932)	(107,061)
Adjustments to accounting values	0	0
<b>On-balance sheet items excluding derivatives and securities financing transactions, but including collateral</b>	<b>634,762</b>	<b>628,475</b>
Asset amounts deducted in determining BIS Basel III tier 1 capital	(14,744)	(14,408)
<b>Total on-balance sheet exposures (excluding derivatives and securities financing transactions)</b>	<b>620,018</b>	<b>614,067</b>

<sup>1</sup> Consists of positive replacement values and cash collateral receivables on derivative instruments in accordance with the regulatory scope of consolidation. <sup>2</sup> Consists of cash collateral on securities borrowed, reverse repurchase agreements, margin loans and prime brokerage receivables related to securities financing transactions in accordance with the regulatory scope of consolidation.

**BIS Basel III leverage ratio common disclosure**

<i>CHF million, except where indicated</i>		<b>30.9.17</b>	30.6.17
<b>On-balance sheet exposures</b>			
1	On-balance sheet items excluding derivatives and SFTs, but including collateral	634,762	628,475
2	(Asset amounts deducted in determining Basel III tier 1 capital)	(14,744)	(14,408)
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>620,018</b>	<b>614,067</b>
<b>Derivative exposures</b>			
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	44,622	42,545
5	Add-on amounts for PFE associated with all derivatives transactions	87,122	83,041
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(13,090)	(11,303)
8	(Exempted CCP leg of client-cleared trade exposures)	(19,091)	(17,020)
9	Adjusted effective notional amount of all written credit derivatives <sup>1</sup>	108,523	108,420
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives) <sup>2</sup>	(106,178)	(106,029)
<b>11</b>	<b>Total derivative exposures</b>	<b>101,908</b>	<b>99,653</b>
<b>Securities financing transaction exposures</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	194,383	174,874
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(70,451)	(67,813)
14	CCR exposure for SFT assets	8,716	8,751
15	Agent transaction exposures	0	0
<b>16</b>	<b>Total securities financing transaction exposures</b>	<b>132,648</b>	<b>115,811</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	94,760	96,671
18	(Adjustments for conversion to credit equivalent amounts)	(62,365)	(63,228)
<b>19</b>	<b>Total off-balance sheet items</b>	<b>32,395</b>	<b>33,443</b>
	<b>Total exposures (leverage ratio denominator), phase-in</b>	<b>886,969</b>	<b>862,975</b>
	(Additional asset amounts deducted in determining Basel III tier 1 capital fully applied)	(2,135)	(2,096)
	<b>Total exposures (leverage ratio denominator), fully applied</b>	<b>884,834</b>	<b>860,879</b>
<b>Capital and total exposures (leverage ratio denominator), phase-in</b>			
20	Tier 1 capital	44,315	43,421
21	Total exposures (leverage ratio denominator)	886,969	862,975
<b>Leverage ratio</b>			
<b>22</b>	<b>Basel III leverage ratio phase-in (%)</b>	<b>5.0</b>	<b>5.0</b>
<b>Capital and total exposures (leverage ratio denominator), fully applied</b>			
20	Tier 1 capital	41,493	40,668
21	Total exposures (leverage ratio denominator)	884,834	860,879
<b>Leverage ratio</b>			
<b>22</b>	<b>Basel III leverage ratio fully applied (%)</b>	<b>4.7</b>	<b>4.7</b>

<sup>1</sup> Includes protection sold, including agency transactions. <sup>2</sup> Protection sold can be offset with protection bought on the same underlying reference entity, provided that the conditions according to the Basel III leverage ratio framework and disclosure requirements are met.

## BIS Basel III leverage ratio summary comparison

<i>CHF million</i>		<b>30.9.17</b>	30.6.17
1	Total consolidated assets as per published financial statements	913,599	890,831
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation <sup>1</sup>	(25,249)	(25,104)
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0	0
4	Adjustments for derivative financial instruments	(42,492)	(44,946)
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	8,716	8,751
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	32,395	33,443
7	Other adjustments	0	0
<b>8</b>	<b>Leverage ratio exposure (leverage ratio denominator), phase-in</b>	<b>886,969</b>	862,975

<sup>1</sup> This item includes assets that are deducted from tier 1 capital.

## BIS Basel III leverage ratio

*CHF million, except where indicated*

<b>Phase-in</b>				
Total tier 1 capital	<b>44,315</b>	30,617	31,317	31,121.6
BIS total exposures (leverage ratio denominator)	<b>886,969</b>	862,975	883,408	874,925
BIS Basel III leverage ratio (%)	<b>5.0</b>	5.0	4.9	5.1
<b>Fully applied</b>				
Total tier 1 capital	<b>41,493</b>	30,617	31,317	31,121.6
BIS total exposures (leverage ratio denominator)	<b>884,834</b>	860,879	881,183	870,470
BIS Basel III leverage ratio (%)	<b>4.7</b>	4.7	4.6	4.6

## Section 5 Liquidity coverage ratio

### High-quality liquid assets

High-quality liquid assets (HQLA) must be easily and immediately convertible into cash at little or no loss of value, especially during a period of stress. HQLA are assets that are of low risk and are unencumbered. Other characteristics of HQLA are ease and certainty of valuation, low correlation with risky assets, listing on a developed and recognized exchange, an active and sizeable

market and low volatility. Based on these characteristics, HQLA are categorized as Level 1 (primarily central bank reserves and government bonds) or Level 2 (primarily US and European agency bonds as well as non-financial corporate covered bonds). Level 2 assets are subject to regulatory haircuts and caps.

### High-quality liquid assets

	Average 3Q17 <sup>1</sup>			Average 2Q17 <sup>1</sup>		
	Level 1 weighted liquidity value <sup>2</sup>	Level 2 weighted liquidity value <sup>2</sup>	Total weighted liquidity value <sup>2</sup>	Level 1 weighted liquidity value <sup>2</sup>	Level 2 weighted liquidity value <sup>2</sup>	Total weighted liquidity value <sup>2</sup>
<i>CHF billion</i>						
Cash balances <sup>3</sup>	110	0	110	114	0	114
Securities	60	16	76	66	15	80
<b>Total high-quality liquid assets<sup>4</sup></b>	<b>170</b>	<b>16</b>	<b>186</b>	<b>179</b>	<b>15</b>	<b>194</b>

<sup>1</sup> Calculated based on an average of 64 data points in the third quarter of 2017 and 60 data points in the second quarter of 2017. <sup>2</sup> Calculated after the application of haircuts. <sup>3</sup> Includes cash and balances with central banks and other eligible balances as prescribed by FINMA. <sup>4</sup> Calculated in accordance with FINMA requirements.

### Liquidity coverage ratio

In the third quarter of 2017, our liquidity coverage ratio (LCR) increased 11 percentage points to 142%, remaining above the 110% Group LCR minimum communicated by FINMA. The increase in LCR was mainly driven by lower average net cash outflows from financial liabilities at fair value and other

unsecured wholesale funding, as well as additional debt issuances. These effects more than offset the negative impact from a reduction in overall HQLA due to lower deposit volumes and higher funding in our US operations to meet our liquidity requirements.

### Liquidity coverage ratio

CHF billion, except where indicated		Average 3Q17 <sup>1</sup>		Average 2Q17	
		Unweighted value	Weighted value <sup>2</sup>	Unweighted value	Weighted value <sup>2</sup>
<b>High-quality liquid assets</b>					
1	High-quality liquid assets	188	186	196	194
<b>Cash outflows</b>					
2	Retail deposits and deposits from small business customers	231	25	232	25
3	of which: stable deposits	36	1	39	1
4	of which: less stable deposits	195	24	193	24
5	Unsecured wholesale funding	180	102	196	113
6	of which: operational deposits (all counterparties)	35	9	35	9
7	of which: non-operational deposits (all counterparties)	133	82	146	90
8	of which: unsecured debt	11	11	15	15
9	Secured wholesale funding		75		77
10	Additional requirements:	83	25	88	29
11	of which: outflows related to derivatives and other transactions	42	17	45	19
12	of which: outflows related to loss of funding on debt products <sup>3</sup>	0	0	0	0
13	of which: committed credit and liquidity facilities	41	8	44	10
14	Other contractual funding obligations	15	14	18	15
15	Other contingent funding obligations	222	5	206	6
16	<b>Total cash outflows</b>		<b>247</b>		<b>266</b>
<b>Cash inflows</b>					
17	Secured lending	271	76	292	77
18	Inflows from fully performing exposures	59	31	59	31
19	Other cash inflows	10	10	10	10
20	<b>Total cash inflows</b>	<b>340</b>	<b>117</b>	<b>361</b>	<b>118</b>

CHF billion, except where indicated		Average 3Q17 <sup>1</sup>		Average 2Q17	
		Total adjusted value <sup>4</sup>		Total adjusted value <sup>4</sup>	
<b>Liquidity coverage ratio</b>					
21	High-quality liquid assets	186		194	
22	Net cash outflows	131		148	
23	<b>Liquidity coverage ratio (%)</b>	<b>142</b>		<b>131</b>	

<sup>1</sup> Calculated based on an average of 64 data points in the third quarter of 2017 and 60 data points in the second quarter of 2017. <sup>2</sup> Calculated after the application of inflow and outflow rates. <sup>3</sup> Includes outflows related to loss of funding on asset-backed securities, covered bonds, other structured financing instruments, asset-backed commercial papers, structured entities (conduits), securities investment vehicles and other such financing facilities. <sup>4</sup> Calculated after the application of haircuts and inflow and outflow rates as well as, where applicable, caps on Level 2 assets and cash inflows.



Significant  
regulated  
subsidiaries and  
sub-groups

## Section 1 Introduction

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The sections below include required information on the regulatory capital components and capital ratios, as well as leverage and liquidity coverage ratios where required, of UBS AG standalone, UBS Switzerland AG standalone, UBS Limited standalone and UBS Americas Holding LLC consolidated. UBS AG consolidated capital and leverage ratio information is provided in the UBS AG third quarter 2017 report, which will be available as of 1 November 2017 under "Quarterly reporting" at [www.ubs.com/investors](http://www.ubs.com/investors).

Local regulators may also require publication of Pillar 3 information at a subsidiary or sub-group level. Where applicable,

## Section 2 UBS AG standalone

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### Swiss SRB going concern requirements and information

Under Swiss SRB regulations, article 125 "Reliefs for financial groups and individual institutions" of the Capital Adequacy Ordinance stipulates that the Swiss Financial Market Supervisory Authority (FINMA) may grant, under certain conditions, capital relief to individual institutions to ensure that an individual institution's compliance with the capital requirements does not lead to a de facto overcapitalization of the group of which it is a part.

FINMA granted relief concerning the regulatory capital requirements of UBS AG on a standalone basis by means of decrees issued on 20 December 2013 and 20 October 2017, the latter effective as of 1 July 2017 and partly replacing the former.

The FINMA decree issued in 2017 newly establishes the measure of total going concern capital for UBS AG. Common equity tier 1 (CET1) and high-trigger additional tier 1 capital instruments are eligible as going concern capital, and low-trigger tier 2 capital instruments remain eligible until the earlier of (i) their maturity or the first call date or (ii) 31 December 2019. Capital requirements based on risk-weighted assets (RWA) and leverage ratio denominator (LRD) are the same under phase-in and fully applied rules. The capital requirements based on RWA include a minimum CET1 capital requirement of 10% plus the effects from countercyclical buffers (CCBs), and a total going concern capital requirement of 14.3% plus the effects from CCBs. The capital requirements based on LRD include a minimum CET1 capital requirement of 3.5% and a total going concern leverage ratio requirement of 5.0%. Compared with the

these local disclosures are provided under "Holding company and significant regulated subsidiaries and sub-groups" at [www.ubs.com/investors](http://www.ubs.com/investors).

Capital information in this section is based on Pillar 1 capital requirements. Entities may be subject to significant additional Pillar 2 requirements, which represent additional amounts of capital considered necessary and agreed with regulators based on the risk profile of the entities.

requirements set by the December 2013 FINMA decree, the total capital requirement increased 0.3 percentage points and the total leverage ratio requirement increased 1.6 percentage points. Additionally, for direct and indirect investments, including holding of regulatory capital instruments of UBS AG in subsidiaries that are active in banking and finance, the new FINMA decree abolishes the threshold deduction approach by introducing a risk-weighting approach, with a phase-in period until 1 January 2028. Starting 1 July 2017, these investments have been risk-weighted at 200%. As of 1 January 2019, the risk weights will gradually be raised by 5 percentage points per year for Swiss-domiciled investments and by 20 percentage points per year for foreign-domiciled investments until the fully applied risk weights are 250% and 400%, respectively.

### Going concern capital, leverage ratio denominator and risk-weighted assets

Our phase-in going concern capital increased by CHF 26.2 billion and our phase-in risk-weighted assets increased by CHF 49 billion, primarily resulting from the aforementioned application of the new FINMA decree, which changed the treatment for investments in subsidiaries that are active in banking and finance.

Our LRD increased by CHF 31 billion, driven by the aforementioned change related to the treatment for investments, as well as currency- and asset size-related movements.



## Swiss SRB going concern requirements and information

### Swiss SRB going concern requirements and information

As of 30.9.17 <i>CHF million, except where indicated</i>	Swiss SRB, including transitional arrangements (phase-in)				Swiss SRB after transition (fully applied)			
	RWA		LRD		RWA		LRD	
<b>Required loss-absorbing capacity</b>	in % <sup>1</sup>		in % <sup>1</sup>		in %		in %	
<b>Common equity tier 1 capital</b>	10.02	28,333	3.50	20,895	10.02	37,244	3.50	20,885
<i>of which: minimum capital</i>	4.50	12,727	1.50	8,955	4.50	16,729	1.50	8,951
<i>of which: buffer capital</i>	5.50	15,555	2.00	11,940	5.50	20,447	2.00	11,934
<i>of which: countercyclical buffer<sup>2</sup></i>	0.02	52			0.02	68		
<b>Maximum additional tier 1 capital</b>	4.30	12,161	1.50	8,955	4.30	15,986	1.50	8,951
<i>of which: high-trigger loss-absorbing additional tier 1 minimum capital</i>	3.50	9,898	1.50	8,955	3.50	13,012	1.50	8,951
<i>of which: high-trigger loss-absorbing additional tier 1 buffer capital</i>	0.80	2,263			0.80	2,974		
<b>Total going concern capital</b>	14.32 <sup>3</sup>	40,494	5.00 <sup>3</sup>	29,850	14.32 <sup>3</sup>	53,230	5.00 <sup>3</sup>	29,836
<b>Eligible loss-absorbing capacity</b>								
<b>Common equity tier 1 capital</b>	17.51	49,532	8.30	49,532	13.25	49,247	8.25	49,247
<b>High-trigger loss-absorbing additional tier 1 capital<sup>4</sup></b>	4.07	11,514	1.93	11,514	0.99	3,670	0.62	3,670
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>	1.30	3,670	0.61	3,670	0.99	3,670	0.62	3,670
<i>of which: low-trigger loss-absorbing tier 2 capital</i>	2.77	7,844	1.31	7,844				
<b>Total going concern capital</b>	21.59	61,046	10.23	61,046	14.23	52,917	8.87	52,917

### Risk-weighted assets / leverage ratio denominator

Risk-weighted assets	282,813	371,760
Leverage ratio denominator	597,002	596,716

<sup>1</sup> By FINMA decree, requirements on a phase-in basis exceed those based on the transitional arrangements of the Swiss Capital Adequacy Ordinance, i.e., a total going concern capital ratio requirement of 12% plus the effect of countercyclical buffer (CCB) requirements of 0.02%, of which 9% plus the effect of CCB requirements of 0.02% must be satisfied with CET1 capital, and a total going concern leverage ratio requirement of 3.5%, of which 2.6% must be satisfied with CET1 capital. <sup>2</sup> Going concern capital ratio requirements as of 30 September 2017 include CCB requirements of 0.02% for the phase-in and fully applied requirement. <sup>3</sup> Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD. <sup>4</sup> Includes outstanding low-trigger loss-absorbing tier 2 capital instruments, which are available under the transitional rules of the Swiss SRB framework to meet the going concern requirements until the earlier of (i) their maturity or first call date or (ii) 31 December 2019. Outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity.

**Current and former Swiss SRB going concern information<sup>1</sup>**

	Swiss SRB, including transitional arrangements (phase-in)	Swiss SRB after transition (fully applied)	Former Swiss SRB (phase-in)	Former Swiss SRB (phase-in)
<i>CHF million, except where indicated</i>	30.9.17	30.9.17	30.6.17	31.12.16
<b>Going concern capital</b>				
Common equity tier 1 capital	49,532	49,247	50,006	51,331
Deductions from common equity tier 1 capital			(15,115)	(17,348)
<b>Total common equity tier 1 capital</b>	<b>49,532</b>	<b>49,247</b>	<b>34,891</b>	<b>33,983</b>
High-trigger loss-absorbing additional tier 1 capital	3,670	3,670	3,642	3,919
Low-trigger loss-absorbing additional tier 1 capital <sup>2</sup>			1,095	1,071
Deductions from high- and low-trigger loss-absorbing additional tier 1 capital			(4,738)	(4,990)
<b>Total loss-absorbing additional tier 1 capital</b>	<b>3,670</b>	<b>3,670</b>	<b>0</b>	<b>0</b>
<b>Total tier 1 capital</b>	<b>53,203</b>	<b>52,917</b>	<b>34,891</b>	<b>33,983</b>
Low-trigger loss-absorbing tier 2 capital <sup>3</sup>	7,844		8,080	10,402
Non-Basel III-compliant tier 2 capital <sup>4</sup>			1,326	1,340
Deductions from tier 2 capital			(9,406)	(11,742)
<b>Total tier 2 capital</b>	<b>7,844</b>		<b>0</b>	<b>0</b>
<b>Total going concern capital</b>	<b>61,046</b>	<b>52,917</b>		
<b>Total capital</b>			34,891	33,983
<b>Risk-weighted assets / leverage ratio denominator</b>				
Risk-weighted assets	282,813	371,760	233,737	232,422
<i>of which: Direct and indirect investments in Swiss-domiciled subsidiaries<sup>5</sup></i>	<i>31,650</i>	<i>39,562</i>		
<i>of which: Direct and indirect investments in foreign-domiciled subsidiaries<sup>5</sup></i>	<i>81,034</i>	<i>162,069</i>		
Leverage ratio denominator	597,002	596,716	566,091	561,979
<b>Capital ratios (%)</b>				
Tier 1 capital ratio			14.9	14.6
Total capital ratio			14.9	14.6
Total going concern capital ratio	21.6	14.2		
<i>of which: CET1 capital ratio</i>	<i>17.5</i>	<i>13.2</i>	<i>14.9</i>	<i>14.6</i>
<b>Leverage ratios (%)</b>				
Tier 1 leverage ratio			6.2	6.0
Total leverage ratio			6.2	6.0
Total going concern leverage ratio	10.2	8.9		
<i>of which: CET1 leverage ratio</i>	<i>8.3</i>	<i>8.3</i>	<i>6.2</i>	<i>6.0</i>

<sup>1</sup> The term "Going concern capital" is used in this table in reference to the information presented under the current Swiss SRB framework only and does not apply to the information presented under the former Swiss SRB framework. <sup>2</sup> The relevant capital instrument was issued after the new Swiss SRB framework had been implemented and therefore does not qualify as going concern capital. <sup>3</sup> Outstanding low-trigger loss-absorbing tier 2 capital instruments qualify as going concern capital until the earlier of (i) their maturity or first call date or (ii) 31 December 2019, and are subject to amortization starting five years prior to their maturity. <sup>4</sup> Non-Basel III compliant tier 2 capital instruments do not qualify as going concern capital. <sup>5</sup> Carrying value for direct and indirect investments, including holding of regulatory capital instruments in Swiss-domiciled subsidiaries, is CHF 15,825 million and for direct and indirect investments, including holding of regulatory capital instruments in foreign-domiciled subsidiaries, is CHF 40,517 million, currently risk weighted at 200%. Risk weights are gradually increased by 5% per year for Swiss-domiciled investments and 20% per year for foreign-domiciled investments starting 1 January 2019 until the fully applied risk weights of 250% and 400%, respectively, are applied.

## Leverage ratio information

### Swiss SRB leverage ratio denominator

	Swiss SRB, incl. transitional arrangements (phase-in)	Swiss SRB after transition (fully applied)	Former Swiss SRB (phase-in)	Former Swiss SRB (phase-in)
	30.9.17	30.9.17	30.6.17	31.12.16
<b>Leverage ratio denominator (CHF billion)</b>				
Swiss GAAP total assets	468.1	468.1	453.6	439.5
Difference between Swiss GAAP and IFRS total assets	114.7	114.7	116.8	151.3
Less: derivative exposures and SFTs <sup>1</sup>	(221.1)	(221.1)	(213.3)	(248.3)
<b>On-balance sheet exposures (excluding derivative exposures and SFTs)</b>	<b>361.6</b>	<b>361.6</b>	<b>357.1</b>	<b>342.5</b>
Derivative exposures	97.7	97.7	96.0	98.5
Securities financing transactions	104.2	104.2	93.3	93.5
Off-balance sheet items	35.7	35.7	34.3	40.7
Items deducted from Swiss SRB tier 1 capital	(2.1)	(2.4)	(14.7)	(13.2)
<b>Total exposures (leverage ratio denominator)</b>	<b>597.0</b>	<b>596.7</b>	<b>566.1</b>	<b>562.0</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 (phase-in)

<i>CHF million, except where indicated</i>	30.9.17	30.6.17	31.3.17	31.12.16
Total tier 1 capital	54,363	34,891	33,632	33,983
Total exposures (leverage ratio denominator)	597,002	566,091	577,990	561,979
BIS Basel III leverage ratio (%)	9.1	6.2	5.8	6.0

## Liquidity coverage ratio

UBS AG is required to maintain a minimum liquidity coverage ratio of 105% as communicated by FINMA.

### Liquidity coverage ratio

<i>CHF billion, except where indicated</i>	Weighted value <sup>1</sup>	
	Average 3Q17 <sup>2</sup>	Average 2Q17
High-quality liquid assets	87	87
Total net cash outflows	65	68
<i>of which: cash outflows</i>	179	188
<i>of which: cash inflows</i>	114	120
<b>Liquidity coverage ratio (%)</b>	<b>134</b>	<b>128</b>

<sup>1</sup> Calculated after the application of haircuts and inflow and outflow rates. <sup>2</sup> Calculated based on an average of 64 data points in the third quarter of 2017 and 60 data points in the second quarter of 2017.

## Section 3 UBS Switzerland AG standalone

## 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. As of 30 September 2017, the

phase-in going concern capital and leverage ratio requirements for UBS Switzerland AG standalone were 12.50% and 3.5%, respectively. The gone concern requirements on a phase-in basis were 6.2% for the RWA-based requirement and 2.0% for the LRD-based requirement.

Swiss SRB going and gone concern requirements and information<sup>1</sup>

As of 30.9.17	Swiss SRB, including transitional arrangements (phase-in)				Swiss SRB as of 1.1.20 (fully applied)			
CHF million, except where indicated	RWA		LRD		RWA		LRD	
	in % <sup>2</sup>		in %		in %		in %	
<b>Required loss-absorbing capacity</b>								
<b>Common equity tier 1 capital</b>	9.50	9,191	2.60	7,936	10.50	10,158	3.50	10,683
of which: minimum capital	5.80	5,612	2.10	6,410	4.50	4,354	1.50	4,578
of which: buffer capital	3.20	3,096	0.50	1,526	5.50	5,322	2.00	6,105
of which: countercyclical buffer <sup>3</sup>	0.50	482			0.50	482		
<b>Maximum additional tier 1 capital</b>	3.00	2,903	0.90	2,747	4.30	4,161	1.50	4,578
of which: high-trigger loss-absorbing additional tier 1 minimum capital	2.20	2,129	0.90	2,747	3.50	3,387	1.50	4,578
of which: high-trigger loss-absorbing additional tier 1 buffer capital	0.80	774			0.80	774		
<b>Total going concern capital</b>	12.50	12,093	3.50	10,683	14.80 <sup>4</sup>	14,319	5.00 <sup>4</sup>	15,261
Base gone concern loss-absorbing capacity, including applicable add-ons	6.20 <sup>5</sup>	5,999	2.00 <sup>5</sup>	6,105	14.30 <sup>4</sup>	13,837	5.00 <sup>4</sup>	15,261
<b>Total gone concern loss-absorbing capacity</b>	6.20	5,999	2.00	6,105	14.30	13,837	5.00	15,261
<b>Total loss-absorbing capacity</b>	18.70	18,093	5.50	16,788	29.10	28,156	10.00	30,523
<b>Eligible loss-absorbing capacity</b>								
<b>Common equity tier 1 capital</b>	10.62	10,272	3.37	10,272	10.62	10,272	3.37	10,272
<b>High-trigger loss-absorbing additional tier 1 capital</b>	2.07	2,000	0.66	2,000	2.07	2,000	0.66	2,000
of which: high-trigger loss-absorbing additional tier 1 capital	2.07	2,000	0.66	2,000	2.07	2,000	0.66	2,000
<b>Total going concern capital</b>	12.68	12,272	4.02	12,272	12.68	12,272	4.02	12,272
<b>Gone concern loss-absorbing capacity</b>	6.10	5,900	1.93	5,900	6.10	5,900	1.93	5,900
of which: TLAC-eligible senior unsecured debt	3.51	3,400	1.11	3,400	3.51	3,400	1.11	3,400
<b>Total gone concern loss-absorbing capacity</b>	6.10	5,900	1.93	5,900	6.10	5,900	1.93	5,900
<b>Total loss-absorbing capacity</b>	18.78	18,172	5.95	18,172	18.78	18,172	5.95	18,172
<b>Risk-weighted assets / leverage ratio denominator</b>								
Risk-weighted assets		96,763				96,763		
Leverage ratio denominator				305,229				305,229

## Risk-weighted assets / leverage ratio denominator

Risk-weighted assets	96,763	96,763
Leverage ratio denominator	305,229	305,229

<sup>1</sup> This table does not include the effect of any gone concern requirement rebate. Refer to the "Capital management" section of the UBS Group third quarter 2017 report. UBS Switzerland AG is compliant with all regulatory requirements. <sup>2</sup> The total loss-absorbing capacity ratio requirement of 18.70% 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 CCB requirements of 0.50%, of which 10% plus the effect of CCB requirements must be satisfied with CET1 capital. These FINMA requirements will be effective until they are exceeded by the Swiss SRB phase-in requirements. <sup>3</sup> Going concern capital ratio requirements as of 30 September 2017 include CCB requirements of 0.50% for the phase-in and fully applied requirement. <sup>4</sup> Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD. <sup>5</sup> Includes applicable add-ons of 0.36% for RWA and 0.13% for LRD.

## Swiss SRB loss-absorbing capacity

### Swiss SRB going and gone concern information

	Swiss SRB, including transitional arrangements (phase-in)			Swiss SRB as of 1.1.20 (fully applied)		
<i>CHF million, except where indicated</i>	30.9.17	30.6.17	31.12.16	30.9.17	30.6.17	31.12.16
<b>Going concern capital</b>						
<b>Common equity tier 1 capital</b>	<b>10,272</b>	10,276	10,416	<b>10,272</b>	10,276	10,416
High-trigger loss-absorbing additional tier 1 capital	<b>2,000</b>	2,000	1,235 <sup>1</sup>	<b>2,000</b>	2,000	2,000
<b>Total tier 1 capital</b>	<b>12,272</b>	12,276	11,651	<b>12,272</b>	12,276	12,416
<b>Total going concern capital</b>	<b>12,272</b>	12,276	11,651	<b>12,272</b>	12,276	12,416
<b>Gone concern loss-absorbing capacity</b>						
High-trigger loss-absorbing additional tier 1 capital			765 <sup>1</sup>			
Low-trigger loss-absorbing tier 2 capital	<b>2,500<sup>1</sup></b>	2,500 <sup>1</sup>	2,500 <sup>1</sup>	<b>2,500</b>	2,500	2,500
TLAC-eligible senior unsecured debt	<b>3,400</b>	3,400		<b>3,400</b>	3,400	
<b>Total gone concern loss-absorbing capacity</b>	<b>5,900</b>	5,900	3,265	<b>5,900</b>	5,900	2,500
<b>Total loss-absorbing capacity</b>						
<b>Total loss-absorbing capacity</b>	<b>18,172</b>	18,176	14,916	<b>18,172</b>	18,176	14,916
<b>Risk-weighted assets / leverage ratio denominator</b>						
Risk-weighted assets	<b>96,763</b>	94,525	93,281	<b>96,763</b>	94,525	93,281
Leverage ratio denominator	<b>305,229</b>	308,917	306,586	<b>305,229</b>	308,917	306,586
<b>Capital and loss-absorbing capacity ratios (%)</b>						
Going concern capital ratio	<b>12.7</b>	13.0	12.5	<b>12.7</b>	13.0	13.3
<i>of which: common equity tier 1 capital ratio</i>	<b>10.6</b>	<i>10.9</i>	<i>11.2</i>	<b>10.6</b>	<i>10.9</i>	<i>11.2</i>
Gone concern loss-absorbing capacity ratio	<b>6.1</b>	6.2	3.5	<b>6.1</b>	6.2	2.7
<b>Total loss-absorbing capacity ratio</b>	<b>18.8</b>	19.2	16.0	<b>18.8</b>	19.2	16.0
<b>Leverage ratios (%)</b>						
Going concern leverage ratio	<b>4.0</b>	4.0	3.8	<b>4.0</b>	4.0	4.0
<i>of which: common equity tier 1 leverage ratio</i>	<b>3.4</b>	<i>3.3</i>	<i>3.4</i>	<b>3.4</b>	<i>3.3</i>	<i>3.4</i>
Gone concern leverage ratio	<b>1.9</b>	1.9	1.1	<b>1.9</b>	1.9	0.8
<b>Total loss-absorbing capacity leverage ratio</b>	<b>6.0</b>	5.9	4.9	<b>6.0</b>	5.9	4.9

<sup>1</sup> Under the Swiss SRB rules, going concern capital includes CET1 and high-trigger loss-absorbing additional tier 1 capital. Outstanding low-trigger loss-absorbing tier 2 capital instruments would qualify as going concern capital until the earlier of (i) their maturity or first call date or (ii) 31 December 2019. However, as of 30 September 2017, 30 June 2017 and 31 December 2016, the total low-trigger loss-absorbing tier 2 capital of CHF 2,500 million was used to meet the gone concern requirements. Additionally, as of 31 December 2016, CHF 765 million of high-trigger loss-absorbing additional tier 1 capital was used to meet the gone concern requirements.

## Leverage ratio information

## Swiss SRB leverage ratio denominator

	Swiss SRB, including transitional arrangements (phase-in)			Swiss SRB as of 1.1.20 (fully applied)		
	30.9.17	30.6.17	31.12.16	30.9.17	30.6.17	31.12.16
<b>Leverage ratio denominator (CHF billion)</b>						
Swiss GAAP total assets	292.8	296.6	294.5	292.8	296.6	294.5
Difference between Swiss GAAP and IFRS total assets	1.7	1.6	1.5	1.7	1.6	1.5
Less: derivative exposures and SFTs <sup>1</sup>	(35.1)	(40.3)	(32.3)	(35.1)	(40.3)	(32.3)
<b>On-balance sheet exposures (excluding derivative exposures and SFTs)</b>	<b>259.3</b>	<b>257.9</b>	<b>263.7</b>	<b>259.3</b>	<b>257.9</b>	<b>263.7</b>
Derivative exposures	4.9	4.7	4.7	4.9	4.7	4.7
Securities financing transactions	29.8	34.9	26.4	29.8	34.9	26.4
Off-balance sheet items	11.5	11.8	12.0	11.5	11.8	12.0
Items deducted from Swiss SRB tier 1 capital	(0.4)	(0.4)	(0.3)	(0.4)	(0.4)	(0.3)
<b>Total exposures (leverage ratio denominator)</b>	<b>305.2</b>	<b>308.9</b>	<b>306.6</b>	<b>305.2</b>	<b>308.9</b>	<b>306.6</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 (phase-in)

<i>CHF million, except where indicated</i>	30.9.17	30.6.17	31.3.17	31.12.16
Total tier 1 capital	12,272	12,276	12,373	12,416
Total exposures (leverage ratio denominator)	305,229	308,917	312,371	306,586
BIS Basel III leverage ratio (%)	4.0	4.0	4.0	4.0

## Liquidity coverage ratio

UBS Switzerland AG, as a Swiss SRB, is required to maintain a minimum liquidity coverage ratio of 100%.

## Liquidity coverage ratio

<i>CHF billion, except where indicated</i>	Weighted value <sup>1</sup>	
	Average 3Q17 <sup>2</sup>	Average 2Q17
High-quality liquid assets	72	76
Total net cash outflows	51	61
<i>of which: cash outflows</i>	92	97
<i>of which: cash inflows</i>	41	36
<b>Liquidity coverage ratio (%)</b>	<b>140</b>	<b>125</b>

<sup>1</sup> Calculated after the application of haircuts and inflow and outflow rates. <sup>2</sup> Calculated based on an average of 64 data points in the third quarter of 2017 and 60 data points in the second quarter of 2017.

## 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
<b>Regulatory treatment</b>				
4 Transitional Basel III rules <sup>1</sup>	CET1 – Going concern capital	Additional tier 1 – Going concern capital	Tier 2 – Gone concern loss-absorbing capacity <sup>4</sup>	Additional tier 1 – Going concern capital
5 Post-transitional Basel III rules <sup>2</sup>	CET1 – Going concern capital	Additional tier 1 – Going concern capital	Gone concern loss-absorbing capacity <sup>4</sup>	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 <sup>5</sup>	Loan <sup>5</sup>	Loan <sup>5</sup>
8 Amount recognized in regulatory capital (currency in million, as of most recent reporting date) <sup>1</sup>	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 <sup>3</sup>	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
16 Contingent call dates and redemption amount	–	Repayable at any time after the first optional repayment date. Repayment subject to FINMA approval. Optional repayment amount: principal amount, together with any accrued and unpaid interest thereon	–	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 approval. Repayment amount: 101% of principal amount, together with accrued and unpaid interest	–

**Capital instruments of UBS Switzerland AG – key features (continued)**

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 bps per annum semiannually	6-month CHF Libor + 200 bps per annum semiannually	3-month CHF Libor + 459 bps 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
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	–	–	–	–

<sup>1</sup> Based on Swiss SRB phase-in (including transitional arrangement) requirements. <sup>2</sup> Based on Swiss SRB requirements applicable as of 1 January 2020. <sup>3</sup> As applied in UBS Switzerland AG's financial statements under Swiss GAAP. <sup>4</sup> Outstanding low-trigger loss-absorbing tier 2 capital instruments would qualify as going concern capital until the earlier of (i) their maturity or first call date or (ii) 31 December 2019. As of 1 January 2020, these instruments may be used to meet the gone concern requirements until one year before maturity, with a haircut of 50% applied in the last year of eligibility. However, as of 30 September 2017, the total low-trigger loss-absorbing tier 2 capital of CHF 2,500 million was used to meet the gone concern requirements. <sup>5</sup> Loans granted by UBS AG, Switzerland.



## Section 4 UBS Limited standalone

The table below includes required information on the regulatory capital components and capital ratios, as well as leverage ratio, of UBS Limited standalone based on the Pillar 1 capital requirements. Entities may also be subject to significant Pillar 2

requirements, which represent additional amounts of capital considered necessary and agreed with regulators based on the risk profile of the entities.

### Prudential key figures<sup>1,2</sup>

<i>GBP million, except where indicated</i>		30.9.17	30.6.17
1	Minimum capital requirement (8% of RWA)	982	976
2	Eligible capital	3,240	3,427
3	<i>of which: common equity tier 1 (CET1) capital</i>	2,332	2,505
4	<i>of which: tier 1 capital</i>	2,561	2,740
5	Risk-weighted assets	12,274	12,195
6	CET1 capital ratio in % of RWA	19.0	20.5
7	Tier 1 capital ratio in % of RWA	20.9	22.5
8	Total capital ratio in % of RWA	26.4	28.1
9	Countercyclical buffer (CCB) in % of RWA	0.1	0.0
10	CET1 capital requirement (including CCB) (%)	5.8	5.8
11	Tier 1 capital requirement (including CCB) (%)	7.3	7.3
12	Total capital requirement (including CCB) (%)	9.3	9.3
13	Basel III leverage ratio (%) <sup>3</sup>	6.2	7.2
14	Leverage ratio denominator	41,419	37,880

<sup>1</sup> Based on Directive 2013/36/EU and Regulation 575/2013 (together known as "CRD IV") and their related technical standards, as implemented in the UK by the Prudential Regulation Authority. <sup>2</sup> There is no local disclosure requirement for liquidity coverage ratio for UBS Limited as of 30 September 2017. <sup>3</sup> On the basis of tier 1 capital.

## Section 5 UBS Americas Holding LLC consolidated

The table below includes required information on the regulatory capital components and capital ratios, as well as leverage ratio, of UBS Americas Holding LLC consolidated based on Pillar 1 capital requirements. Entities may also be subject to significant

Pillar 2 requirements, which represent additional amounts of capital considered necessary and agreed with regulators based on the risk profile of the entities.

### Prudential key figures<sup>1,2</sup>

<i>USD million, except where indicated</i>		30.9.17	30.6.17
1	Minimum capital requirement (8% of RWA)	3,897	4,223
2	Eligible capital	12,882	12,543
3	<i>of which: common equity tier 1 (CET1) capital</i>	11,390	11,048
4	<i>of which: tier 1 capital</i>	12,166	11,830
5	Risk-weighted assets	48,717	52,792
6	CET1 capital ratio in % of RWA	23.4	20.9
7	Tier 1 capital ratio in % of RWA	25.0	22.4
8	Total capital ratio in % of RWA	26.4	23.8
9	Countercyclical buffer (CCB) in % of RWA		
10	CET1 capital requirement (including CCB) (%)	5.8	5.8
11	Tier 1 capital requirement (including CCB) (%)	7.3	7.3
12	Total capital requirement (including CCB) (%)	9.3	9.3
13	Basel III leverage ratio (%) <sup>3</sup>	9.3	9.3
14	Leverage ratio denominator	130,135	127,648

<sup>1</sup> For UBS Americas Holding LLC based on applicable US Basel III rules. <sup>2</sup> There is no local disclosure requirement for liquidity coverage ratio for UBS Americas Holding LLC as of 30 September 2017. <sup>3</sup> On the basis of tier 1 capital.

## Abbreviations frequently used in our financial reports

<b>A</b>		<b>D</b>		<b>G</b>	
ABS	asset-backed security	DBO	defined benefit obligation	GAAP	generally accepted accounting principles
AEI	automatic exchange of information	DCCP	Deferred Contingent Capital Plan	GBP	British pound
AGM	annual general meeting of shareholders	DOJ	Department of Justice	GEB	Group Executive Board
A-IRB	advanced internal ratings-based	DOL	Department of Labor	GIIPS	Greece, Italy, Ireland, Portugal and Spain
AIV	alternative investment vehicle	DTA	deferred tax asset	Group ALM	Group Asset and Liability Management
AMA	advanced measurement approach	DVA	debit valuation adjustment	G-SIB	global systemically important bank
AT1	additional tier 1	<b>E</b>		<b>H</b>	
<b>B</b>		EAD	exposure at default	HQLA	high-quality liquid assets
BCBS	Basel Committee on Banking Supervision	EC	European Commission	<b>I</b>	
BD	business division	ECB	European Central Bank	IAS	International Accounting Standards
BIS	Bank for International Settlements	EIR	effective interest rate	IASB	International Accounting Standards Board
BoD	Board of Directors	EMEA	Europe, Middle East and Africa	IFRS	International Financial Reporting Standards
<b>C</b>		EOP	Equity Ownership Plan	IRB	internal ratings-based
CC	Corporate Center	EPS	earnings per share	IRC	incremental risk charge
CCAR	Comprehensive Capital Analysis and Review	ETD	exchange-traded derivatives	ISDA	International Swaps and Derivatives Association
CCF	credit conversion factor	ETF	exchange-traded fund	<b>K</b>	
CCP	central counterparty	EU	European Union	KPI	key performance indicator
CCR	counterparty credit risk	EUR	euro	<b>L</b>	
CDO	collateralized debt obligation	EURIBOR	Euro Interbank Offered Rate	LCR	liquidity coverage ratio
CDR	constant default rate	<b>F</b>		LGD	loss given default
CDS	credit default swap	FCA	UK Financial Conduct Authority	LIBOR	London Interbank Offered Rate
CEA	Commodity Exchange Act	FCT	foreign currency translation	LLC	limited liability company
CEO	Chief Executive Officer	FDIC	Federal Deposit Insurance Corporation	LRD	leverage ratio denominator
CET1	common equity tier 1	FINMA	Swiss Financial Market Supervisory Authority	LTV	loan-to-value
CFO	Chief Financial Officer	FRA	forward rate agreement		
CHF	Swiss franc	FSA	UK Financial Services Authority		
CLN	credit-linked note	FSB	Financial Stability Board		
CLO	collateralized loan obligation	FTA	Swiss Federal Tax Administration		
CMBS	commercial mortgage-backed security	FTP	funds transfer price		
CVA	credit valuation adjustment	FVA	funding valuation adjustment		
		FX	foreign exchange		

## Abbreviations frequently used in our financial reports (continued)

<b>N</b>		<b>R</b>		<b>T</b>	
NAV	net asset value	RBC	risk-based capital	TBTF	too big to fail
NPA	non-prosecution agreement	RMBS	residential mortgage-backed security	TLAC	total loss-absorbing capacity
NRV	negative replacement value	RoAE	return on attributed equity	<b>U</b>	
NSFR	net stable funding ratio	RoE	return on equity	USD	US dollar
<b>O</b>		RoTE	return on tangible equity	<b>V</b>	
OCI	other comprehensive income	RWA	risk-weighted assets	VaR	value-at-risk
OTC	over-the-counter	<b>S</b>			
<b>P</b>		SE	structured entity		
PD	probability of default	SEC	US Securities and Exchange Commission		
PFE	potential future exposure	SEEOP	Senior Executive Equity Ownership Plan		
PRA	UK Prudential Regulation Authority	SFT	securities financing transaction		
PRV	positive replacement value	SNB	Swiss National Bank		
		SRB	systemically relevant bank		
		SRM	Single Resolution Mechanism		
		SVaR	stressed value-at-risk		

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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.

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