30 September 2018 Pillar 3 report

UBS Group and significant regulated subsidiaries and sub-groups

Table of contents

Introduction and basis for preparation

UBS Group AG consolidated

Significant regulated subsidiaries and sub-groups

Contacts

Switchboards
For all general inquiries
www.ubs.com/contact

Zurich +41-44-234 1111
London +44-20-7568 0000
New York +1-212-821 3000
Hong Kong +852-2971 8888

Investor Relations
UBS's Investor Relations team supports institutional, professional and retail investors from our offices in Zurich, London, New York and Krakow.

UBS Group AG, Investor Relations
P.O. Box, CH-8098 Zurich, Switzerland

www.ubs.com/investors

Hotline Zurich +41-44-234 4100
Hotline New York +1-212-882 5734

Media Relations
UBS's Media Relations team supports global media and journalists from our offices in Zurich, London, New York and Hong Kong.

www.ubs.com/media

Zurich +41-44-234 8500
mediarelations@ubs.com

London +44-20-7567 4714
ubs-media-relations@ubs.com

New York +1-212-882 5857
mediarelations-ny@ubs.com

Hong Kong +852-2971 8200
sh-mediarelations-ap@ubs.com

Office of the Group Company Secretary
The Group Company Secretary receives inquiries on compensation and related issues addressed to members of the Board of Directors.

UBS Group AG, Office of the Group Company Secretary
P.O. Box, CH-8098 Zurich, Switzerland

sh-company-secretary@ubs.com

Hotline +41-44-235 6652
Fax +41-44-235 8220

Shareholder Services
UBS's Shareholder Services team, a unit of the Group Company Secretary Office, is responsible for the registration of UBS Group AG registered shares.

UBS Group AG, Shareholder Services
P.O. Box, CH-8098 Zurich, Switzerland

sh-shareholder-services@ubs.com

Hotline +41-44-235 6652
Fax +41-44-235 8220

US Transfer Agent
For global registered share-related inquiries in the US.

Computershare Trust Company NA
P.O. Box 30170
College Station
TX 77842-3170, USA

Shareholder online inquiries:
https://www-us.computershare.com/investor/Contact

Shareholder website:
www.computershare.com/investor

Calls from the US +1-866-305-9566
Calls from outside the US
+1-781-575-2623
TDD for hearing impaired
+1-800-231-5469
TDD for foreign shareholders
+1-201-680-6610

Imprint

Publisher: UBS Group AG, Zurich, Switzerland | www.ubs.com
Language: English

Introduction and basis for preparation

Introduction and basis for preparation

Scope and location 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 report provides Pillar 3 disclosures for UBS Group AG on a consolidated basis, as well as prudential key figures and regulatory information for our significant regulated subsidiaries and sub-groups. These Pillar 3 disclosures are supplemented by specific additional requirements of the Swiss Financial Market Supervisory Authority (FINMA) and voluntary disclosures on our part.

As UBS is considered a systemically relevant bank (SRB) under Swiss banking law, UBS Group AG and UBS AG are 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 2018 for UBS Group AG consolidated is provided in the "Capital management" section of our third quarter 2018 report under "Quarterly reporting" at *www.ubs.com/investors.* Capital and other regulatory information as of 30 September 2018 for UBS AG consolidated is provided in the UBS AG third quarter 2018 report, which will be available as of 31 October 2018 under "Quarterly reporting" at *www.ubs.com/investors.*

We are also required to disclose certain regulatory information for our significant regulated subsidiaries and sub-groups, including UBS AG, UBS Switzerland AG and UBS Limited, each on a standalone basis, as well as UBS Americas Holding LLC on a consolidated basis. This information is provided under "Significant regulated subsidiaries and sub-groups" in this report.

Local regulators may also require publication of Pillar 3 information at a subsidiary or sub-group level. Where applicable, these local disclosures are provided under "Holding company and significant regulated subsidiaries and sub-groups" at *www.ubs.com/investors*.

Significant BCBS and FINMA capital adequacy, liquidity and funding and related disclosure requirements

This report has been prepared in accordance with FINMA Pillar 3 disclosure requirements (FINMA Circular 2016 / 01 "Disclosure – banks," effective for disclosures before 31 December 2018), the underlying Basel Committee on Banking Supervision (BCBS) guidance ("Revised Pillar 3 disclosure requirements") issued in January 2015 and related "Frequently asked questions on the revised Pillar 3 disclosure requirements" issued in August 2016. The legal entities UBS AG and UBS Switzerland AG are subject to standalone capital adequacy, liquidity and funding and disclosure requirements defined by FINMA. This information is provided under "Significant regulated subsidiaries and sub-groups" in this report.

Changes to significant BCBS and FINMA capital adequacy, liquidity and funding and related disclosure requirements

Information on developments that have occurred in the first half of 2018 are provided on pages 2–3 of our 30 June 2018 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups under "Pillar 3 disclosures" at *www.ubs.com/investors.*

Changes to Pillar 1 requirements in the third quarter of 2018

As agreed with FINMA, we revised the methodology applied for structured margin lending transactions in this quarter, resulting in a methodology change of CHF 3.2 billion on other counterparty credit risk as of 30 September 2018. This change is reflected accordingly in "OV1: Overview of RWA" table.

→ **Refer to "Risk weighted assets" in the "Capital Management" section on page 62 of our third quarter 2018 report available under "Quarterly reporting" at *www.ubs.com/investors* for more information on the methodology and policy changes**

Changes to Pillar 3 disclosure requirements from the fourth quarter of 2018

In March 2017, the BCBS issued the "Pillar 3 disclosure requirements – consolidated and enhanced framework," which represents the second phase of the BCBS review of the Pillar 3 disclosure framework and builds on the revisions to the Pillar 3 disclosure requirements published in January 2015. On 16 July 2018, FINMA issued a revised Circular 2016 / 01 "Disclosure – banks" including the aforementioned second phase revisions, which requires banks to gradually implement the requirements from 31 December 2018 onwards.

We expect to disclose the following tables and / or narratives for the first time in our 31 December 2018 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups:

- KM1: Key metrics (at consolidated group level)
- PV1: Prudential valuation adjustments
- CC1: Composition of regulatory capital, replacing "Composition of capital" table
- CCyB1: Geographical distribution of credit exposures used in the countercyclical buffer
- LIQA: Liquidity risk management

In addition, further disclosure requirements will be adopted in first half of 2019, according to the applicable effective dates.

Format, frequency and comparability of Pillar 3 disclosures

FINMA has specified the reporting frequency for each disclosure. We generally provide quantitative comparative information for all disclosures as of 30 June 2018. For more information on disclosure frequency, refer to our 31 December 2017 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups under "Pillar 3 disclosures" at *www.ubs.com/investors.*

UBS Group AG consolidated

Our approach to measuring risk exposure and risk-weighted assets

Depending on the intended purpose, the measurement of risk exposure that we apply may differ. Exposures may be measured 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 under Pillar 1. Our risk-weighted assets (RWA) are calculated according to the Basel Committee on Banking Supervision (BCBS) Basel III framework, as implemented by the Swiss Capital Adequacy Ordinance issued by the Swiss Federal Council and by the associated circulars issued by the Swiss Financial Market Supervisory Authority (FINMA).

For information on the measurement of risk exposures and RWA, refer to pages 8–10 of the 31 December 2017 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups under "Pillar 3 disclosures" at *www.ubs.com/investors.*

RWA development in the third quarter 2018

The "OV1: Overview of RWA" table on the next page provides an overview of RWA and the related minimum capital requirements by risk type.

During the third quarter of 2018, RWA were broadly unchanged at CHF 252.2 billion as the decreases in market risk RWA and RWA from credit valuation adjustments of CHF 1 billion and CHF 0.7 billion, respectively, were more than offset by a net increase in counterparty credit risk RWA of CHF 1.9 billion. This increase in counterparty credit risk RWA included a CHF 3.2 billion revision of the methodology applied for structured margin lending transactions, which was partly offset by RWA decreases from derivatives and securities financing transactions.

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 2018. More information on capital management and RWA, including detail on movements in RWA during the third quarter of 2018, is provided on pages 62–63 of our third quarter 2018 report under "Quarterly reporting" at *www.ubs.com/investors.*

OV1: Overview of RWA

CHF million		RWA		Minimum capital requirements[1]
		30.9.18	30.6.18	30.9.18
1	Credit risk (excluding counterparty credit risk)	108,212	108,308	8,657
2	*of which: standardized approach (SA)*[2]	*24,133*	*24,096*	*1,931*
3	*of which: foundation internal ratings-based (F-IRB) approach*			
4	*of which: supervisory slotting approach*			
5	*of which: advanced internal ratings-based (A-IRB) approach*	*84,079*	*84,212*	*6,726*
6	Counterparty credit risk[3]	34,734	32,824	2,779
7	*of which: SA for counterparty credit risk (SA-CCR)*[4]	*5,584*	*6,257*	*447*
8	*of which: internal model method (IMM)*	*18,024*	*18,386*	*1,442*
8a	*of which: value-at-risk (VaR)*	*4,772*	*4,419*	*382*
9	*of which: other CCR*	*6,354*	*3,763*	*508*
10	Credit valuation adjustment (CVA)	2,745	3,465	220
11	Equity positions under the simple risk weight approach[5]	3,533	3,644	283
12	Equity investments in funds – look-through approach[6]			
13	Equity investments in funds – mandate-based approach[6]			
14	Equity investments in funds – fall-back approach[6]			
15	Settlement risk	316	527	25
16	Securitization exposures in banking book	1,217	1,264	97
17	*of which securitization internal ratings-based approach (SEC-IRBA)*			
18	*of which securitization external ratings-based approach (SEC-ERBA) including internal assessment approach (IAA)*	*1,217*	*1,263*	*97*
19	*of which securitization standardized approach (SEC-SA)*	*0*	*1*	*0*
20	Market Risk	11,428	12,391	914
21	*of which: standardized approach (SA)*	*327*	*361*	*26*
22	*of which: internal model approaches (IMM)*	*11,102*	*12,030*	*888*
23	Capital charge for switch between trading book and banking book			
24	Operational risk	79,422	79,422	6,354
25	Amounts below thresholds for deduction (250% risk weight)[7]	10,639	10,528	851
26	Floor adjustment[8]	0	0	0
27	**Total**	**252,247**	**252,373**	**20,180**

1 Calculated based on 8% of RWA. 2 Includes non-counterparty-related risk not subject to the threshold deduction treatment (30 September 2018: RWA CHF 9,207 million; 30 June 2018: RWA CHF 9,264 million). Non-counterparty-related risk (30 September 2018: RWA CHF 8,636 million; 30 June 2018: RWA CHF 8,526 million), which is subject to the threshold treatment, is reported in line 25 "Amounts below thresholds for deduction (250% risk weight)." 3 Excludes settlement risk, which is separately reported in line 15 "Settlement risk." Includes RWA with central counterparties. New regulation for the calculation of RWA for exposure to central counterparties will be implemented by 1 January 2020. The split between the subcomponents of counterparty credit risk refers to the calculation of the exposure measure. 4 Calculated in accordance with the current exposure method (CEM), until SA-CCR is implemented by 1 January 2020. 5 Includes investments in funds. Items subject to threshold deduction treatments that do not exceed their respective threshold are risk weighted at 250% (30 September 2018: RWA CHF 2,003 million; 30 June 2018: RWA CHF 2,002 million) and are separately included in line 25 "Amounts below thresholds for deduction (250% risk weight)." 6 New regulation for the calculation of RWA for investments in funds will be implemented by 1 January 2020. 7 Includes items subject to threshold deduction treatments that do not exceed their respective threshold and 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. 8 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. For the status of the finalization of the Basel III capital framework, refer to the "Regulatory and legal developments" section of our Annual Report 2017, available under "Annual reporting" at www.ubs.com/investors, which outlines how the proposed floor calculation would differ in significant aspects from the current approach.

The "CR8: RWA flow statements of credit risk exposures under IRB" and "CCR7: RWA flow statements of CCR exposures under internal model method (IMM) and value-at-risk (VaR)" tables below provide a breakdown of the credit risk and counterparty credit risk (CCR) RWA movements in the third quarter of 2018 across BCBS-defined movement categories. These categories are described on page 42 of our 31 December 2017 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups, which is available under "Pillar 3 disclosures" at *www.ubs.com/investors*.

Credit risk RWA development in the third quarter 2018

Credit risk RWA under the advanced internal ratings-based (A-IRB) approach decreased by CHF 0.1 billion to CHF 84.1 billion as of 30 September 2018.

As presented in the "CR8: RWA flow statements of credit exposures under IRB" table below, RWA decreased by CHF 1.4 billion due to asset size, primarily reflecting exposure decreases in unutilized credit facilities in the Investment Bank's Corporate Client Solutions Business.

Model updates of CHF 3.0 billion, presented in the table below, were primarily driven by the continued phase-in of RWA increases related to probability of default (PD) and loss given default (LGD) changes from the implementation of revised models for Swiss residential mortgages and income-producing real estate, the new LGD model for unsecured financing and commercial self-used real estate and calibration of aircraft leasing PD and LGD parameters resulting in an increase of CHF 2.7 billion in Personal & Corporate Banking and CHF 0.3 billion in Global Wealth Management.

The increase from methodology and policy changes was driven by a higher internal ratings-based (IRB) multiplier on Investment Bank exposures to corporates of CHF 0.3 billion. This was offset by a decrease of CHF 0.5 billion, driven by foreign exchange movements.

CR8: RWA flow statements of credit risk exposures under IRB

	CHF million	RWA
1	RWA as of 30.6.18	84,212
2	Asset size	(1,445)
3	Asset quality	(937)
4	Model updates	3,010
5	Methodology and policy	326
5a	*of which: regulatory add-ons*	*326*
6	Acquisitions and disposals	0
7	Foreign exchange movements	(488)
8	Other	(600)
9	RWA as of 30.9.18	84,079

Counterparty credit risk RWA development in the third quarter 2018

CCR RWA under internal model method (IMM) and value-at-risk (VaR) remained stable at CHF 22.8 billion during the third quarter of 2018, as increases from model updates and methodology and policy changes were offset by asset size, credit quality of counterparties and foreign exchange movements.

CCR7: RWA flow statements of CCR exposures under internal model method (IMM) and value-at-risk (VaR)

		Derivatives	SFTs	Total
	CHF million	Subject to IMM	Subject to VaR	
1	RWA as of 30.6.18	18,386	4,419	22,805
2	Asset size	(609)	481	(128)
3	Credit quality of counterparties	(29)	(131)	(160)
4	Model updates	280	0	280
5	Methodology and policy	218	55	273
5a	*of which: regulatory add-ons*	*218*	*55*	*273*
6	Acquisitions and disposals	0	0	0
7	Foreign exchange movements	(221)	(52)	(273)
8	Other	0	0	0
9	RWA as of 30.9.18	18,024	4,772	22,796

Market risk RWA development in the third quarter 2018

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 below provides a breakdown of the market risk RWA movement in the third quarter of 2018 across these components, according to BCBS-defined movement categories. These categories are described on page 75 of our 31 December 2017 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups, which is available under "Pillar 3 disclosures" at *www.ubs.com/investors*.

Market risk RWA decreased by CHF 0.9 billion in the third quarter of 2018, primarily due to asset size and other movements resulting from lower average regulatory VaR and SVaR levels observed in the Investment Bank, mainly due to its credit trading business. The VaR multiplier remained unchanged at 3.0.

MR2: RWA flow statements of market risk exposures under an internal models approach[1]

	CHF million	VaR	Stressed VaR	IRC	CRM	Other	Total RWA
1	RWA as of 30.6.18	3,272	6,324	2,378	56		12,030
1a	*Regulatory adjustment*	*(1,300)*	*(2,908)*	*0*	*0*		*(4,208)*
1b	RWA at previous quarter-end (end of day)	1,972	3,416	2,378	56		7,822
2	*Movement in risk levels*	*(1,641)*	*(2,390)*	*292*			*(3,740)*
3	*Model updates / changes*	*(8)*	*(62)*	*(54)*			*(124)*
4	*Methodology and policy*						
5	*Acquisitions and disposals*						
6	*Foreign exchange movements*						
7	*Other*	*(1)*	*79*		*(56)*		*22*
8a	RWA at the end of the reporting period (end of day)	322	1,043	2,616	0		3,982
8b	*Regulatory adjustment*	*2,102*	*5,006*	*0*	*12*		*7,120*
8c	RWA as of 30.9.18	2,424	6,049	2,616	12		11,102

1 Components that describe movements in RWA are presented in italic.

Section 2 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 56–65 of our third quarter 2018 report, available under "Quarterly reporting" at *www.ubs.com/investors*.

Swiss SRB going and gone concern requirements and information[1]

As of 30.9.18	Swiss SRB, including transitional arrangements				Swiss SRB as of 1.1.20			
CHF million, except where indicated	RWA		LRD		RWA		LRD	
Required loss-absorbing capacity	in %		in %		in %		in %	
Common equity tier 1 capital	9.73	24,531	2.90	26,042	10.27	25,893	3.50	31,430
of which: minimum capital	*5.40*	*13,621*	*1.90*	*17,062*	*4.50*	*11,351*	*1.50*	*13,470*
of which: buffer capital	*4.06*	*10,241*	*1.00*	*8,980*	*5.50*	*13,874*	*2.00*	*17,960*
of which: countercyclical buffer[2]	*0.27*	*669*			*0.27*	*669*		
Maximum additional tier 1 capital	3.40	8,576	1.10	9,878	4.30	10,847	1.50	13,470
of which: high-trigger loss-absorbing additional tier 1 minimum capital	*2.60*	*6,558*	*1.10*	*9,878*	*3.50*	*8,829*	*1.50*	*13,470*
of which: high-trigger loss-absorbing additional tier 1 buffer capital	*0.80*	*2,018*			*0.80*	*2,018*		
Total going concern capital	13.13	33,108	4.00	35,920	14.57[3]	36,740	5.00[3]	44,900
Base gone concern loss-absorbing capacity, including applicable add-ons and rebate	7.65[4]	19,307	2.58[4]	23,168	12.30[5]	31,021	4.30[5]	38,614
Total gone concern loss-absorbing capacity	7.65	19,307	2.58	23,168	12.30	31,021	4.30	38,614
Total loss-absorbing capacity	20.78	52,415	6.58	59,088	26.86	67,761	9.30	83,514
Eligible loss-absorbing capacity								
Common equity tier 1 capital	13.55	34,167	3.80	34,167	13.55	34,167	3.80	34,167
High-trigger loss-absorbing additional tier 1 capital[6,7]	6.83	17,229	1.92	17,229	4.34	10,948	1.22	10,948
of which: high-trigger loss-absorbing additional tier 1 capital	*3.42*	*8,633*	*0.96*	*8,633*	*3.42*	*8,633*	*0.96*	*8,633*
of which: low-trigger loss-absorbing additional tier 1 capital	*0.92*	*2,314*	*0.26*	*2,314*	*0.92*	*2,314*	*0.26*	*2,314*
of which: high-trigger loss-absorbing tier 2 capital	*0.17*	*427*	*0.05*	*427*				
of which: low-trigger loss-absorbing tier 2 capital	*2.32*	*5,853*	*0.65*	*5,853*				
Total going concern capital	20.38	51,395	5.72	51,395	17.89	45,115	5.02	45,115
Gone concern loss-absorbing capacity	11.58	29,218	3.25	29,218	13.90	35,071	3.91	35,071
of which: TLAC-eligible senior unsecured debt	*11.02*	*27,789*	*3.09*	*27,789*	*11.02*	*27,789*	*3.09*	*27,789*
Total gone concern loss-absorbing capacity	11.58	29,218	3.25	29,218	13.90	35,071	3.91	35,071
Total loss-absorbing capacity	31.96	80,614	8.98	80,614	31.79	80,186	8.93	80,186
Risk-weighted assets / leverage ratio denominator								
Risk-weighted assets		252,247				252,247		
Leverage ratio denominator				898,000				898,000

1 This table includes a rebate equal to 35% of the maximum rebate on the gone concern requirements, which was granted by FINMA and will be phased in until 1 January 2020. This table does not include a rebate for the usage of low-trigger loss-absorbing additional tier 1 or tier 2 capital instruments to meet the gone concern requirements. 2 Going concern capital ratio requirements include countercyclical buffer requirements of 0.27%. 3 Includes applicable add-ons of 1.44% for RWA and 0.5% for leverage ratio denominator (LRD). 4 Includes applicable add-ons of 0.72% for RWA and 0.25% for LRD and a rebate of 1.25% for RWA and 0.42% for LRD. 5 Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD and a rebate of 2% for RWA and 0.7% for LRD. 6 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. 7 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 as of 30 September 2018 relates to 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.

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 "Balance sheet in accordance with IFRS scope of consolidation" and the "Balance sheet in accordance with regulatory scope of consolidation" columns in the "Reconciliation of accounting balance sheet to balance sheet under the regulatory scope of consolidation" table and such difference is mainly related to financial assets at fair value not held for trading and other financial liabilities designated at fair value. As of 30 September 2018, 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. As of 30 September 2018, 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 12–13 and 325–326, respectively, of our Annual Report 2017, available under "Annual reporting" at *www.ubs.com/investors*.

→ **Refer to "Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups" on page 142 of our third quarter 2018 report under "Quarterly reporting" at *www.ubs.com/investors* for more information on transfer of funds or capital within the Group**

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

	30.9.18		
CHF million	Total assets[1]	Total equity[1]	Purpose
UBS Asset Management Life Limited	23,545	40	Life Insurance
A&Q Alpha Select Hedge Fund Limited	313	311[2]	Investment vehicle for multiple investors
A&Q Alternative Solution Limited	289	283[2]	Investment vehicle for multiple investors
A&Q Alternative Solution Master Limited	285	285[2]	Investment vehicle for multiple investors
UBS Life Insurance Company USA	149	42	Life Insurance
A&Q Global Alpha Strategies XL Limited	111	54[2]	Investment vehicle for multiple investors
A&Q Alpha Select Hedge Fund XL	104	52[2]	Investment vehicle for multiple investors

1 Total assets and total equity on a standalone basis. 2 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 the Basel Committee on Banking Supervision (BCBS) 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

As of 30.9.18	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[1]
CHF million					
Assets					
Cash and balances at central banks	92,632			92,632	
Loans and advances to banks	15,339	(207)		15,132	
Receivables from securities financing transactions	81,951			81,951	
Cash collateral receivables on derivative instruments	21,414			21,414	
Loans and advances to customers	318,127	20		318,147	
Other financial assets measured at amortized cost	20,623	(130)		20,493	
Total financial assets measured at amortized cost	550,086	**(317)**		549,769	
Financial assets at fair value held for trading	120,843	(512)		120,332	
of which: assets pledged as collateral that may be sold or repledged by counterparties	*37,019*			*37,019*	
Derivative financial instruments	114,246	9		114,255	
Brokerage receivables	20,235			20,235	
Financial assets at fair value not held for trading	87,196	(23,298)		63,897	
Total financial assets measured at fair value through profit or loss	342,520	**(23,800)**		318,720	
Financial assets measured at fair value through other comprehensive income	6,618			6,618	
Consolidated participations	0	100		100	
Investments in associates	982			982	
of which: goodwill	*333*			*333*	*4*
Property, equipment and software	9,042	(50)		8,992	
Goodwill and intangible assets	6,316			6,316	
of which: goodwill	*6,134*			*6,134*	*4*
of which: intangible assets	*183*			*183*	*5*
Deferred tax assets	9,635			9,635	
of which: deferred tax assets recognized for tax loss carry-forwards	*6,003*			*6,003*	*6*
of which: deferred tax assets on temporary differences	*3,633*			*3,633*	*10*
Other non-financial assets	7,272	(7)		7,265	
of which: net defined benefit pension and other post-employment assets	*32*			*32*	*8*
Total assets	932,471	**(24,074)**		908,397	

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

As of 30.9.18	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[1]
CHF million					
Liabilities					
Amounts due to banks	10,109			10,109	
Payables from securities financing transactions	10,816			10,816	
Cash collateral payables on derivative instruments	27,635			27,635	
Customer deposits	401,298	(79)		401,219	
Debt issued measured at amortized cost	133,990	(7)		133,983	
of which: amount eligible for high-trigger loss-absorbing additional tier 1 capital[2]	*7,015*			*7,015*	*9*
of which: amount eligible for low-trigger loss-absorbing additional tier 1 capital[2]	*2,314*			*2,314*	*9*
of which: amount eligible for low-trigger loss-absorbing tier 2 capital[3]	*5,853*			*5,853*	*11*
of which: amount eligible for capital instruments subject to phase-out from tier 2 capital[4]	*686*			*686*	*12*
Other financial liabilities measured at amortized cost	6,330	(488)		5,843	
Total financial liabilities measured at amortized cost	590,179	(574)		589,605	
Financial liabilities at fair value held for trading	32,030			32,030	
Derivative financial instruments	113,553	5		113,558	
Brokerage payables designated at fair value	38,268			38,268	
Debt issued designated at fair value	61,631	4		61,635	
Other financial liabilities designated at fair value	34,605	(23,499)		11,105	
Total financial liabilities measured at fair value through profit or loss	280,087	(23,490)		256,597	
Provisions	2,963			2,963	
Other non-financial liabilities	8,083	(16)		8,066	
of which: amount eligible for high-trigger loss-absorbing capital (Deferred Contingent Capital Plan (DCCP))[5]	*1,190*			*1,190*	*9*
of which: deferred tax liabilities related to goodwill	*53*			*53*	*4*
of which: deferred tax liabilities related to other intangible assets	*3*			*3*	*5*
Total liabilities	881,311	(24,081)		857,231	
Equity					
Share capital	385			385	1
Share premium	23,087			23,087	1
Treasury shares	(2,082)			(2,082)	3
Retained earnings	36,497	(15)		36,482	2
Other comprehensive income recognized directly in equity, net of tax	(6,765)	21		(6,744)	3
of which: unrealized gains / (losses) from cash flow hedges	*(498)*			*(498)*	*7*
Equity attributable to shareholders	51,122	5		51,128	
Equity attributable to non-controlling interests	38			38	
Total equity	51,160	5		51,166	
Total liabilities and equity	932,471	(24,074)		908,397	

1 References link the lines of this table to the respective reference numbers provided in the "References" column in the "Composition of capital" table. 2 Represents IFRS carrying value. 3 IFRS carrying value is CHF 6,627 million. 4 IFRS carrying value is CHF 695 million. 5 IFRS carrying value is CHF 1,855 million. Refer to the "Compensation" section of our Annual Report 2017 for more information on the DCCP.

Composition of capital

The table below and on the following pages provides the "Composition of capital" as defined by the BCBS 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.

Refer to "Capital instruments of UBS Group AG consolidated and UBS AG consolidated and standalone – key features" and "UBS Group AG consolidated capital instruments and TLAC-eligible senior unsecured debt" under "Bondholder information" at *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 30.9.18		Numbers phase-in	Effect of the transition phase	References[1]
CHF million, except where indicated				
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	23,472		1
2	Retained earnings	36,482		2
3	Accumulated other comprehensive income (and other reserves)	(8,826)		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	**Common equity tier 1 capital before regulatory adjustments**	**51,128**		
7	Prudential valuation adjustments	(122)		
8	Goodwill, net of tax	(6,414)		4
9	Intangible assets, net of tax	(180)		5
10	Deferred tax assets recognized for tax loss carry-forwards[2]	(6,024)		6
11	Unrealized (gains) / losses from cash flow hedges, net of tax	498		7
12	Expected losses on advanced internal ratings-based portfolio less provisions	(383)		
13	Securitization gain on sale			
14	Own credit related to financial liabilities designated at fair value, net of tax, and replacement values	19		
15	Defined benefit plans, net of tax	(31)		8
16	Compensation and own shares-related capital components (not recognized in net profit)[3]	(2,154)		9
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)	(97)		10
22	Amount exceeding the 15% threshold			
23	*of which: significant investments in the common stock of financials*			
24	*of which: mortgage servicing rights*			
25	*of which: deferred tax assets arising from temporary differences*			
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	(2)		
26b	Other deductions	(2,071)		
27	Regulatory adjustments applied to common equity tier 1 due to insufficient additional tier 1 and tier 2 to cover deductions			
28	**Total regulatory adjustments to common equity tier 1**	**(16,961)**		

Composition of capital (continued)

As of 30.9.18		Numbers phase-in	Effect of the transition phase	References [1]
CHF million, except where indicated				
29	**Common equity tier 1 capital (CET1)**	**34,167**		
30	Directly issued qualifying additional tier 1 instruments plus related stock surplus	10,948		
31	*of which: classified as equity under applicable accounting standards*			
32	*of which: classified as liabilities under applicable accounting standards*	*10,948*		*9*
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)			
35	*of which: instruments issued by subsidiaries subject to phase-out*			
36	**Additional tier 1 capital before regulatory adjustments**	**10,948**		
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			
42	Regulatory adjustments applied to additional tier 1 due to insufficient tier 2 to cover deductions			
	Tier 1 adjustments on impact of transitional arrangements			
42a	Excess of the adjustments, which are allocated to the common equity tier 1 capital			
43	**Total regulatory adjustments to additional tier 1 capital**			
44	**Additional tier 1 capital (AT1)**	**10,948**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**45,115**		
46	Directly issued qualifying tier 2 instruments plus related stock surplus	5,855		11
47	Directly issued capital instruments subject to phase-out from tier 2	702	(702)	12
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	*of which: instruments issued by subsidiaries subject to phase-out*			
50	Provisions			
51	**Tier 2 capital before regulatory adjustments**	**6,557**	**(702)**	
52	Investments in own tier 2 instruments[4]	(17)	15	11, 12
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 of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	National specific regulatory adjustments			
56a	Excess of the adjustments, which are allocated to the AT1 capital			
57	**Total regulatory adjustments to tier 2 capital**	**(17)**	**15**	
58	**Tier 2 capital (T2)**	**6,540**	**(686)**	
	of which: low-trigger loss-absorbing capital	*5,853*		*11*

Composition of capital (continued)

As of 30.9.18		Numbers phase-in	Effect of the transition phase	References[1]
CHF million, except where indicated				
59	**Total capital (TC = T1 + T2)**	**51,655**	**(686)**	
60	**Total risk-weighted assets**	**252,247**		
	Capital ratios and buffers			
61	Common equity tier 1 (as a percentage of risk-weighted assets)	13.5		
62	Tier 1 (pos 45 as a percentage of risk-weighted assets)	17.9		
63	Total capital (pos 59 as a percentage of risk-weighted assets)	20.5		
64	CET1 requirement (base capital, buffer capital and countercyclical buffer requirements) plus G-SIB buffer requirement, expressed as a percentage of risk-weighted assets[5]	7.4		
65	*of which: capital buffer requirement*	*1.9*		
66	*of which: bank-specific countercyclical buffer requirement*	*0.3*		
67	*of which: G-SIB buffer requirement*	*0.8*		
68	Common equity tier 1 available to meet buffers (as a percentage of risk-weighted assets)	13.5		
68a–f	Not applicable for systemically relevant banks according to FINMA Circular 11/2			
72	Non-significant investments in the capital of other financials	1,626		
73	Significant investments in the common stock of financials	690		
74	Mortgage servicing rights, net of tax			
75	Deferred tax assets arising from temporary differences, net of tax	3,524		
	Applicable caps on the inclusion of provisions in tier 2			
76	Provisions eligible for inclusion in tier 2 in respect of exposures subject to standardized approach (prior to application of cap)			
77	Cap on inclusion of provisions in tier 2 under standardized approach			
78	Provisions eligible for inclusion in tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
79	Cap for inclusion of provisions in tier 2 under internal ratings-based approach			

1 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. 2 IFRS netting for deferred tax assets and liabilities is reversed for items deducted from CET1 capital. 3 Includes CHF 429 million in DCCP-related charge for regulatory capital purposes. 4 Consists of own instruments for loss-absorbing tier 2 capital of CHF 0.1 million and for phase-out tier 2 capital of CHF 15.4 million. 5 BCBS requirements are exceeded by our Swiss SRB requirements. Refer to the "Capital management" section of our Annual Report 2017 for more information on the Swiss SRB requirements.

BCBS Basel III leverage ratio

The Basel Committee on Banking Supervision (BCBS) 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 led to a difference between phase-in and fully applied LRD for deferred tax assets and net defined benefit pension plan assets until 31 December 2017.

The "Reconciliation of IFRS total assets to BCBS 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 BCBS total on-balance sheet exposures, which are the starting point for calculating the BCBS LRD as shown in the "BCBS 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 BCBS calculation. In addition, carrying values for derivative financial instruments and securities financing transactions are deducted from IFRS total assets. They are measured differently under BCBS leverage ratio rules and are therefore added back in separate exposure line items in the "BCBS Basel III leverage ratio common disclosure" table on the next page.

As of 30 September 2018, our BCBS Basel III leverage ratio was 5.0% and the BCBS Basel III LRD was CHF 898 billion. Information on our Swiss SRB leverage ratio and the movement in our LRD compared with the prior quarter is provided on pages 64–65 of our third quarter 2018 report, available under "Quarterly reporting" at *www.ubs.com/investors*.

Difference between the Swiss SRB and BCBS leverage ratio

The LRD is the same under Swiss SRB and BCBS rules. However, there is a difference in the capital numerator between the two frameworks. Under BCBS 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 total loss-absorbing capacity (TLAC)-eligible senior unsecured debt.

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

CHF million	30.9.18	30.6.18
On-balance sheet exposures		
IFRS total assets	932,471	944,482
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(24,074)	(25,433)
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[1]	(135,669)	(146,553)
Less carrying value of securities financing transactions in IFRS total assets[2]	(112,937)	(103,361)
Adjustments to accounting values	0	0
On-balance sheet items excluding derivatives and securities financing transactions, but including collateral	659,791	669,135
Asset amounts deducted in determining BCBS Basel III tier 1 capital	(13,131)	(13,545)
Total on-balance sheet exposures (excluding derivatives and securities financing transactions)	646,660	655,591

1 Consists of derivative financial instruments and cash collateral receivables on derivative instruments in accordance with the regulatory scope of consolidation. 2 Consists of receivables from securities financing transactions, and margin loans as well as prime brokerage receivables and financial assets at fair value not held for trading, both related to securities financing transactions in accordance with the regulatory scope of consolidation.

BCBS Basel III leverage ratio common disclosure

	CHF million, except where indicated	30.9.18	30.6.18
	On-balance sheet exposures		
1	On-balance sheet items excluding derivatives and SFTs, but including collateral	659,791	669,135
2	(Asset amounts deducted in determining Basel III tier 1 capital)	(13,131)	(13,545)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	646,660	655,591
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	38,792	43,788
5	Add-on amounts for PFE associated with all derivatives transactions	89,641	92,317
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)	(11,649)	(13,662)
8	(Exempted CCP leg of client-cleared trade exposures)	(21,301)	(22,182)
9	Adjusted effective notional amount of all written credit derivatives[1]	77,414	79,933
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)[2]	(75,227)	(78,132)
11	Total derivative exposures	97,669	102,062
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	191,304	176,637
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(78,367)	(73,276)
14	CCR exposure for SFT assets	10,195	9,787
15	Agent transaction exposures	0	0
16	Total securities financing transaction exposures	123,132	113,148
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	89,496	93,440
18	(Adjustments for conversion to credit equivalent amounts)	(58,958)	(61,833)
19	Total off-balance sheet items	30,538	31,607
	Total exposures (leverage ratio denominator), phase-in		
	(Additional asset amounts deducted in determining Basel III tier 1 capital fully applied)		
	Total exposures (leverage ratio denominator), fully applied	898,000	902,408
	Capital and total exposures (leverage ratio denominator), phase-in		
20	Tier 1 capital		
21	Total exposures (leverage ratio denominator)		
	Leverage ratio		
22	Basel III leverage ratio phase-in (%)		
	Capital and total exposures (leverage ratio denominator), fully applied		
20	Tier 1 capital	45,115	44,956
21	Total exposures (leverage ratio denominator)	898,000	902,408
	Leverage ratio		
22	Basel III leverage ratio fully applied (%)	5.0	5.0

1 Includes protection sold, including agency transactions. 2 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.

BCBS Basel III leverage ratio summary comparison

	CHF million	30.9.18	30.6.18
1	Total consolidated assets as per published financial statements	932,471	944,482
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation[1]	(37,205)	(38,978)
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	(38,000)	(44,491)
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	10,195	9,787
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	30,538	31,607
7	Other adjustments	0	0
8	Leverage ratio exposure (leverage ratio denominator)	898,000	902,408

1 This item includes assets that are deducted from CET1 capital.

BCBS Basel III leverage ratio

CHF million, except where indicated				
Phase-in	30.9.18	30.6.18	31.3.18	31.12.17
Total tier 1 capital				43,438
BCBS total exposures (leverage ratio denominator)				887,635
BCBS Basel III leverage ratio (%)				4.9
Fully applied	30.9.18	30.6.18	31.3.18	31.12.17
Total tier 1 capital	45,115	44,956	44,026	41,911
BCBS total exposures (leverage ratio denominator)	898,000	902,408	882,469	886,116
BCBS Basel III leverage ratio (%)	5.0	5.0	5.0	4.7

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 3Q18[1]			Average 2Q18[1]		
CHF billion	Level 1 weighted liquidity value[2]	Level 2 weighted liquidity value[2]	Total weighted liquidity value[2]	Level 1 weighted liquidity value[2]	Level 2 weighted liquidity value[2]	Total weighted liquidity value[2]
Cash balances[3]	101	0	101	102	0	102
Securities (on- and off-balance sheet)	63	10	73	70	9	79
Total high-quality liquid assets[4]	164	10	174	172	9	181

1 Calculated based on an average of 63 data points in the third quarter of 2018 and 65 data points in the second quarter of 2018. 2 Calculated after the application of haircuts. 3 Includes cash and balances with central banks and other eligible balances as prescribed by FINMA. 4 Calculated in accordance with FINMA requirements.

Liquidity coverage ratio

In the third quarter of 2018, the UBS Group liquidity coverage ratio (LCR) decreased by 9 percentage points to 135%, remaining above the 110% Group LCR minimum communicated by FINMA. The LCR decreased due to reduced HQLA, primarily driven by an increase in assets subject to transfer restrictions in the US branches of UBS AG. In addition, net cash outflows increased, mainly driven by higher outflows related to secured financing transactions.

Liquidity coverage ratio

		Average 3Q18[1]		Average 2Q18[1]	
	CHF billion, except where indicated	Unweighted value	Weighted value[2]	Unweighted value	Weighted value[2]
	High-quality liquid assets				
1	High-quality liquid assets	176	174	182	181
	Cash outflows				
2	Retail deposits and deposits from small business customers	233	26	234	26
3	*of which: stable deposits*	*35*	*1*	*35*	*1*
4	*of which: less stable deposits*	*198*	*25*	*199*	*25*
5	Unsecured wholesale funding	179	100	183	104
6	*of which: operational deposits (all counterparties)*	*41*	*10*	*40*	*10*
7	*of which: non-operational deposits (all counterparties)*	*127*	*78*	*130*	*81*
8	*of which: unsecured debt*	*11*	*11*	*13*	*13*
9	Secured wholesale funding		80		80
10	Additional requirements:	79	24	85	28
11	*of which: outflows related to derivatives and other transactions*	*39*	*15*	*45*	*19*
12	*of which: outflows related to loss of funding on debt products*[3]	*1*	*1*	*1*	*1*
13	*of which: committed credit and liquidity facilities*	*39*	*8*	*40*	*9*
14	Other contractual funding obligations	22	21	13	11
15	Other contingent funding obligations	252	5	252	5
16	**Total cash outflows**		**256**		**255**
	Cash inflows				
17	Secured lending	293	82	311	86
18	Inflows from fully performing exposures	66	30	70	32
19	Other cash inflows	16	16	11	11
20	**Total cash inflows**	**375**	**128**	**393**	**129**

		Average 3Q18[1]	Average 2Q18[1]
	CHF billion, except where indicated	Total adjusted value[4]	Total adjusted value[4]
	Liquidity coverage ratio		
21	High-quality liquid assets	174	181
22	Net cash outflows	129	126
23	**Liquidity coverage ratio (%)**	**135**	**144**

1 Calculated based on an average of 63 data points in the third quarter of 2018 and 65 data points in the second quarter of 2018. 2 Calculated after the application of inflow and outflow rates. 3 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. 4 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

The sections below include capital and other regulatory information for UBS AG standalone, UBS Switzerland AG standalone, UBS Limited standalone and UBS Americas Holding LLC consolidated. UBS AG consolidated capital and other regulatory information is provided in the UBS AG third quarter 2018 report, which will be available as of 31 October 2018 under "Quarterly reporting" at *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.

Section 2 UBS AG standalone

Swiss SRB going concern requirements and information

Under Swiss systemically relevant bank (SRB) regulations, article 125 "Reliefs for financial groups and individual institutions" of the Capital Adequacy Ordinance stipulates that 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.

More information is provided in "Section 2 UBS AG standalone" of the 31 December 2017 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups under "Pillar 3 disclosures" at *www.ubs.com/investors*.

Swiss SRB going concern requirements and information

As of 30.9.18	Swiss SRB, including transitional arrangements				Swiss SRB after transition			
CHF million, except where indicated	RWA		LRD		RWA		LRD	
Required going concern capital	in %[1]		in %[1]		in %		in %	
Common equity tier 1 capital	10.05	28,406	3.50	21,286	10.05	37,128	3.50	21,286
of which: minimum capital	*4.50*	*12,720*	*1.50*	*9,123*	*4.50*	*16,626*	*1.50*	*9,123*
of which: buffer capital	*5.50*	*15,547*	*2.00*	*12,164*	*5.50*	*20,321*	*2.00*	*12,164*
of which: countercyclical buffer[2]	*0.05*	*138*			*0.05*	*181*		
Maximum additional tier 1 capital	4.30	12,155	1.50	9,123	4.30	15,887	1.50	9,123
of which: high-trigger loss-absorbing additional tier 1 minimum capital	*3.50*	*9,894*	*1.50*	*9,123*	*3.50*	*12,931*	*1.50*	*9,123*
of which: high-trigger loss-absorbing additional tier 1 buffer capital	*0.80*	*2,261*			*0.80*	*2,956*		
Total going concern capital	14.35[3]	40,561	5.00[3]	30,409	14.35[3]	53,015	5.00[3]	30,409
Eligible going concern capital								
Common equity tier 1 capital	17.29	48,882	8.04	48,882	13.23	48,882	8.04	48,882
High-trigger loss-absorbing additional tier 1 capital[4]	4.56	12,893	2.12	12,893	1.91	7,040	1.16	7,040
of which: high-trigger loss-absorbing additional tier 1 capital	*2.49*	*7,040*	*1.16*	*7,040*	*1.91*	*7,040*	*1.16*	*7,040*
of which: low-trigger loss-absorbing tier 2 capital	*2.07*	*5,853*	*0.96*	*5,853*				
Total going concern capital	21.85	61,775	10.16	61,775	15.14	55,921	9.19	55,921
Risk-weighted assets / leverage ratio denominator								
Risk-weighted assets		282,673				369,471		
Leverage ratio denominator				608,182				608,182

1 By FINMA decree, requirements exceed those based on the transitional arrangements of the Swiss Capital Adequacy Ordinance, i.e., a total going concern capital ratio requirement of 12.86% plus the effect of countercyclical buffer (CCB) requirements of 0.05%, of which 9.46% plus the effect of CCB requirements of 0.05% must be satisfied with CET1 capital, and a total going concern leverage ratio requirement of 4%, of which 2.9% must be satisfied with CET1 capital. 2 Going concern capital ratio requirements as of 30 September 2018 include CCB requirements of 0.05%. 3 Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD. 4 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.

Swiss SRB going concern information

	Swiss SRB, including transitional arrangements		Swiss SRB after transition	
CHF million, except where indicated	30.9.18	30.6.18	30.9.18	30.6.18
Going concern capital				
Common equity tier 1 capital	48,882	**49,148**	48,882	**49,148**
High-trigger loss-absorbing additional tier 1 capital	7,040	7,138	7,040	7,138
Total loss-absorbing additional tier 1 capital	7,040	**7,138**	7,040	**7,138**
Total tier 1 capital	55,921	**56,286**	55,921	**56,286**
Low-trigger loss-absorbing tier 2 capital[1]	5,853	6,339		
Total tier 2 capital	5,853	**6,339**		
Total going concern capital	61,775	**62,625**	55,921	**56,286**
Risk-weighted assets / leverage ratio denominator				
Risk-weighted assets	282,673	283,948	369,471	373,186
of which: direct and indirect investments in Swiss-domiciled subsidiaries[2]	*28,759*	*28,646*	*35,948*	*35,808*
of which: direct and indirect investments in foreign-domiciled subsidiaries[2]	*79,608*	*82,076*	*159,216*	*164,153*
Leverage ratio denominator	608,182	614,642	608,182	614,642
Capital ratios (%)				
Total going concern capital ratio	21.9	22.1	15.1	15.1
of which: CET1 capital ratio	*17.3*	*17.3*	*13.2*	*13.2*
Leverage ratios (%)				
Total going concern leverage ratio	10.2	10.2	9.2	9.2
of which: CET1 leverage ratio	*8.0*	*8.0*	*8.0*	*8.0*

1 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. 2 Carrying value for direct and indirect investments including holding of regulatory capital instruments in Swiss-domiciled subsidiaries (30 September 2018: CHF 14,379 million; 30 June 2018: CHF 14,323 million), and for direct and indirect investments including holding of regulatory capital instruments in foreign-domiciled subsidiaries (30 September 2018: CHF 39,804 million; 30 June 2018: CHF 41,038 million), is 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

	LRD (fully applied)	
CHF billion	30.9.18	30.6.18
Leverage ratio denominator		
Swiss GAAP total assets	485.8	488.5
Difference between Swiss GAAP and IFRS total assets	106.8	115.0
Less: derivative exposures and SFTs[1]	(212.3)	(215.7)
On-balance sheet exposures (excluding derivative exposures and SFTs)	**380.4**	**387.9**
Derivative exposures	93.2	97.2
Securities financing transactions	105.2	99.0
Off-balance sheet items	31.1	32.3
Items deducted from Swiss SRB tier 1 capital	(1.6)	(1.7)
Total exposures (leverage ratio denominator)	**608.2**	**614.6**

1 Consists of derivative financial instruments, cash collateral receivables on derivative instruments, receivables from securities financing transactions, and margin loans as well as prime brokerage receivables and financial assets at fair value not held for trading, both related to securities financing transactions, in accordance with the regulatory scope of consolidation, which are presented separately under Derivative exposures and Securities financing transactions in this table.

BCBS Basel III leverage ratio[1]

CHF million, except where indicated	30.9.18	30.6.18	31.3.18	31.12.17
Total tier 1 capital	58,234	58,643	56,759	53,223
Total exposures (leverage ratio denominator)	608,182	614,642	591,413	599,727
BCBS Basel III leverage ratio (%)	9.6	9.5	9.6	8.9

1 Until 31 December 2017, the phase-in deduction applied for the purpose of the CET1 capital calculation was 80%. These effects are fully phased in from 1 January 2018. Associated prudential filters applied to LRD are also fully phased in from 1 January 2018.

Liquidity coverage ratio

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

Liquidity coverage ratio

	Weighted value[1]	
CHF billion, except where indicated	Average 3Q18[2]	Average 2Q18[2]
High-quality liquid assets	80	82
Total net cash outflows	59	60
of which: cash outflows	*177*	*183*
of which: cash inflows	*119*	*123*
Liquidity coverage ratio (%)	**137**	**137**

1 Calculated after the application of haircuts and inflow and outflow rates. 2 Calculated based on an average of 63 data points in the third quarter of 2018 and 65 data points in the second quarter of 2018.

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 2018, the transitional going concern capital and leverage ratio requirements for UBS Switzerland AG standalone were 13.42% and 4.0%, respectively. The gone concern requirements under transitional arrangements were 7.65% for the RWA-based requirement and 2.58% for the LRD-based requirement.

Swiss SRB going and gone concern requirements and information[1]

As of 30.9.18	Swiss SRB, including transitional arrangements				Swiss SRB as of 1.1.20			
CHF million, except where indicated	RWA		LRD		RWA		LRD	
Required loss-absorbing capacity	in %[2]		in %		in %		in %	
Common equity tier 1 capital	10.02	9,573	2.90	8,794	10.56	10,089	3.50	10,614
of which: minimum capital	*5.40*	*5,159*	*1.90*	*5,762*	*4.50*	*4,299*	*1.50*	*4,549*
of which: buffer capital	*4.06*	*3,879*	*1.00*	*3,033*	*5.50*	*5,255*	*2.00*	*6,065*
of which: countercyclical buffer[3]	*0.56*	*535*			*0.56*	*535*		
Maximum additional tier 1 capital	3.40	3,248	1.10	3,336	4.30	4,108	1.50	4,549
of which: high-trigger loss-absorbing additional tier 1 minimum capital	*2.60*	*2,484*	*1.10*	*3,336*	*3.50*	*3,344*	*1.50*	*4,549*
of which: high-trigger loss-absorbing additional tier 1 buffer capital	*0.80*	*764*			*0.80*	*764*		
Total going concern capital	13.42	12,821	4.00	12,130	14.86[4]	14,197	5.00[4]	15,163
Base gone concern loss-absorbing capacity, including applicable add-ons and rebate	7.65[5]	7,313	2.58[5]	7,824	12.30[6]	11,750	4.30[6]	13,040
Total gone concern loss-absorbing capacity	7.65	7,313	2.58	7,824	12.30	11,750	4.30	13,040
Total loss-absorbing capacity	21.07	20,134	6.58	19,954	27.16	25,946	9.30	28,203
Eligible loss-absorbing capacity								
Common equity tier 1 capital	10.64	10,165	3.35	10,165	10.64	10,165	3.35	10,165
High-trigger loss-absorbing additional tier 1 capital	3.14	3,000	0.99	3,000	3.14	3,000	0.99	3,000
of which: high-trigger loss-absorbing additional tier 1 capital	*3.14*	*3,000*	*0.99*	*3,000*	*3.14*	*3,000*	*0.99*	*3,000*
Total going concern capital	13.78	13,165	4.34	13,165	13.78	13,165	4.34	13,165
Gone concern loss-absorbing capacity	8.79	8,400	2.77	8,400	8.79	8,400	2.77	8,400
of which: TLAC-eligible debt	*8.79*	*8,400*	*2.77*	*8,400*	*8.79*	*8,400*	*2.77*	*8,400*
Total gone concern loss-absorbing capacity	8.79	8,400	2.77	8,400	8.79	8,400	2.77	8,400
Total loss-absorbing capacity	22.57	21,565	7.11	21,565	22.57	21,565	7.11	21,565
Risk-weighted assets / leverage ratio denominator								
Risk-weighted assets		95,541				95,541		
Leverage ratio denominator				303,257				303,257

1 This table includes a rebate equal to 35% of the maximum rebate on the gone concern requirements, which was granted by FINMA and will be phased in until 1 January 2020. Refer to the "Capital management" section of our Annual Report 2017 for more information. 2 The total loss-absorbing capacity ratio requirement of 21.07% is the current requirement based on the transitional rules of the Swiss Capital Adequacy Ordinance including the aforementioned rebate on the gone concern requirements. In addition, FINMA has defined a total capital ratio requirement, which is the sum of 14.4% and the effect of countercyclical buffer (CCB) requirements of 0.56%, 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 requirements based on the transitional rules. 3 Going concern capital ratio requirements include CCB requirements of 0.56%. 4 Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD. 5 Includes applicable add-ons of 0.72% for RWA and 0.25% for LRD and a rebate of 1.25% for RWA and 0.42% for LRD. 6 Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD and a rebate of 2% for RWA and 0.7% for LRD.

Swiss SRB loss-absorbing capacity

Swiss SRB going and gone concern information

	Swiss SRB, including transitional arrangements		Swiss SRB as of 1.1.20	
CHF million, except where indicated	30.9.18	30.6.18	30.9.18	30.6.18
Going concern capital				
Common equity tier 1 capital	10,165	10,072	10,165	10,072
High-trigger loss-absorbing additional tier 1 capital	3,000	3,000	3,000	3,000
Total tier 1 capital	13,165	13,072	13,165	13,072
Total going concern capital	13,165	13,072	13,165	13,072
Gone concern loss-absorbing capacity				
TLAC-eligible debt	8,400	8,400	8,400	8,400
Total gone concern loss-absorbing capacity	8,400	8,400	8,400	8,400
Total loss-absorbing capacity				
Total loss-absorbing capacity	21,565	21,472	21,565	21,472
Risk-weighted assets / leverage ratio denominator				
Risk-weighted assets	95,541	94,887	95,541	94,887
Leverage ratio denominator	303,257	304,046	303,257	304,046
Capital and loss-absorbing capacity ratios (%)				
Going concern capital ratio	13.8	13.8	13.8	13.8
of which: common equity tier 1 capital ratio	*10.6*	*10.6*	*10.6*	*10.6*
Gone concern loss-absorbing capacity ratio	8.8	8.9	8.8	8.9
Total loss-absorbing capacity ratio	22.6	22.6	22.6	22.6
Leverage ratios (%)				
Going concern leverage ratio	4.3	4.3	4.3	4.3
of which: common equity tier 1 leverage ratio	*3.4*	*3.3*	*3.4*	*3.3*
Gone concern leverage ratio	2.8	2.8	2.8	2.8
Total loss-absorbing capacity leverage ratio	7.1	7.1	7.1	7.1

Leverage ratio information

Swiss SRB leverage ratio denominator

	LRD (fully applied)	
CHF billion	30.9.18	30.6.18
Leverage ratio denominator		
Swiss GAAP total assets	290.2	290.3
Difference between Swiss GAAP and IFRS total assets	1.7	1.7
Less: derivative exposures and SFTs[1]	(36.5)	(35.2)
On-balance sheet exposures (excluding derivative exposures and SFTs)	255.3	256.9
Derivative exposures	4.3	4.6
Securities financing transactions	32.2	30.4
Off-balance sheet items	11.9	12.7
Items deducted from Swiss SRB tier 1 capital	(0.5)	(0.5)
Total exposures (leverage ratio denominator)	303.3	304.0

1 Consists of derivative financial instruments, cash collateral receivables on derivative instruments, receivables from securities financing transactions, and margin loans as well as prime brokerage receivables and financial assets at fair value not held for trading, both related to securities financing transactions, in accordance with the regulatory scope of consolidation, which are presented separately under Derivative exposures and Securities financing transactions in this table.

BCBS Basel III leverage ratio[1]

CHF million, except where indicated	30.9.18	30.6.18	31.3.18	31.12.17
Total tier 1 capital	13,165	13,072	13,118	13,160
Total exposures (leverage ratio denominator)	303,257	304,046	301,968	302,987
BCBS Basel III leverage ratio (%)	4.3	4.3	4.3	4.3

1 Until 31 December 2017, the phase-in deduction applied for the purpose of the CET1 capital calculation was 80%. These effects are fully phased in from 1 January 2018. Associated prudential filters applied to LRD are also fully phased in from 1 January 2018.

Liquidity coverage ratio

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

Liquidity coverage ratio

	Weighted value[1]	
CHF billion, except where indicated	Average 3Q18[2]	Average 2Q18[2]
High-quality liquid assets	66	69
Total net cash outflows	53	54
of which: cash outflows	*87*	*88*
of which: cash inflows	*34*	*34*
Liquidity coverage ratio (%)	125	128

1 Calculated after the application of haircuts and inflow and outflow rates. 2 Calculated based on an average of 63 data points in the third quarter of 2018 and 65 data points in the second quarter of 2018.

Capital instruments

Capital instruments of UBS Switzerland AG – key features

Presented according to issuance date.

		Share capital	Additional tier 1 capital		
1	Issuer (country of incorporation; if applicable, branch)	UBS Switzerland AG, Switzerland	UBS Switzerland AG, Switzerland	UBS Switzerland AG, Switzerland	UBS Switzerland AG, Switzerland
1a	Instrument number	1	2	3	4
2	Unique identifier (e.g., ISIN)	N/A	N/A	N/A	N/A
3	Governing law(s) of the instrument	Swiss	Swiss	Swiss	Swiss
	Regulatory treatment				
4	Transitional Basel III rules[1]	CET1 – Going concern capital	Additional tier 1 – Going concern capital		
5	Post-transitional Basel III rules[2]	CET1 – Going concern capital	Additional tier 1 – Going concern capital		
6	Eligible at solo / group / group and solo	UBS Switzerland AG standalone	UBS Switzerland AG standalone		
7	Instrument type	Ordinary shares	Loan[4]		
8	Amount recognized in regulatory capital (currency in million, as of most recent reporting date)[1]	CHF 10.0	CHF 1,500	CHF 500	CHF 1,000
9	Outstanding amount (par value, million)	CHF 10.0	CHF 1,500	CHF 500	CHF 1,000
10	Accounting classification[3]	Equity attributable to UBS Switzerland AG shareholders	Due to banks held at amortized cost		
11	Original date of issuance	–	1 April 2015	11 March 2016	18 December 2017
12	Perpetual or dated	–	Perpetual		
13	Original maturity date	–	–		
14	Issuer call subject to prior supervisory approval	–	Yes		
15	Optional call date, subsequent call dates, if applicable, and redemption amount	–	First optional repayment date: 1 April 2020	First optional repayment date: 11 March 2021	First optional repayment date: 18 December 2022
			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		
16	Contingent call dates and redemption amount	–	Early repayment possible due to a tax or regulatory event. Repayment due to tax event subject to FINMA approval. Repayment amount: principal amount, together with accrued and unpaid interest		

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

	Coupons / dividend				
17	Fixed or floating dividend / coupon	–	Floating		
18	Coupon rate and any related index; frequency of payment	–	6-month CHF Libor + 370 bps per annum semiannually	3-month CHF Libor + 459 bps per annum quarterly	3-month CHF Libor + 250 bps per annum quarterly
19	Existence of a dividend stopper	–	No		
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary		
21	Existence of step-up or other incentive to redeem	–	No		
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative		
23	Convertible or 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		
31	If write-down, write-down trigger(s)	–	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		
33	If write-down, permanent or temporary	–	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 (article 745, Swiss 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		
36	Existence of features that prevent full recognition under Basel III	–	–		
37	If yes, specify non-compliant features	–	–		

1 Based on Swiss SRB (including transitional arrangement) requirements. 2 Based on Swiss SRB requirements applicable as of 1 January 2020. 3 As applied in UBS Switzerland AG's financial statements under Swiss GAAP. 4 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[1]

	GBP million, except where indicated	30.9.18	30.6.18
1	Minimum capital requirement (8% of RWA)	969	927
2	Eligible capital	3,009	3,447
3	*of which: common equity tier 1 (CET1) capital*	*2,521*	*2,524*
4	*of which: tier 1 capital*	*2,756*	*2,759*
5	Risk-weighted assets	12,119	11,593
6	CET1 capital ratio in % of RWA	20.8	21.8
7	Tier 1 capital ratio in % of RWA	22.7	23.8
8	Total capital ratio in % of RWA	24.8	29.7
9	Countercyclical buffer (CCB) in % of RWA	0.2	0.2
10	CET1 capital requirement (including CCB) (%)	6.5	6.5
11	Tier 1 capital requirement (including CCB) (%)	8.0	8.0
12	Total capital requirement (including CCB) (%)	10.0	10.0
13	Basel III leverage ratio (%)[2]	7.3	7.6
14	Leverage ratio denominator	37,915	36,217
15	Liquidity coverage ratio (%)[3]	441	473
16	Numerator: High-quality liquid assets	5,489	5,712
17	Denominator: Net cash outflows	1,277	1,237

1 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. 2 On the basis of tier 1 capital. 3 The values represent an average of the month-end balances for the twelve months ending 30 September 2018 and 30 June 2018 in line with the European Banking Authority guidelines on the liquidity coverage ratio disclosure (EBA/GL/2017/01). Including PRA Pillar 2 requirements, the equivalent average ratios were 182% and 192% for 30 September 2018 and 30 June 2018, respectively.

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[1,2]

	USD million, except where indicated	30.9.18	30.6.18
1	Minimum capital requirement (8% of RWA)	4,257	4,091
2	Eligible capital	13,925	13,555
3	*of which: common equity tier 1 (CET1) capital*	*11,068*	*10,693*
4	*of which: tier 1 capital*	*13,209*	*12,834*
5	Risk-weighted assets	53,211	51,136
6	CET1 capital ratio in % of RWA	20.8	20.9
7	Tier 1 capital ratio in % of RWA	24.8	25.1
8	Total capital ratio in % of RWA	26.2	26.5
9	Countercyclical buffer (CCB) in % of RWA[3]		
10	CET1 capital requirement (including CCB) (%)	6.4	6.4
11	Tier 1 capital requirement (including CCB) (%)	7.9	7.9
12	Total capital requirement (including CCB) (%)	9.9	9.9
13	Basel III leverage ratio (%)[4]	10.6	9.9
14	Leverage ratio denominator	124,982	129,375

1 For UBS Americas Holding LLC based on applicable US Basel III rules. 2 There is no local disclosure requirement for liquidity coverage ratio for UBS Americas Holding LLC as of 30 September 2018. 3 Countercyclical buffer requirement applies only to banking organizations subject to the advanced approaches capital rules. 4 Basel III ratios are on the basis of tier 1 capital.

Abbreviations frequently used in our financial reports

A

ABS	asset-backed security
AEI	automatic exchange of information
AGM	annual general meeting of shareholders
A-IRB	advanced internal ratings-based
AIV	alternative investment vehicle
ALCO	Asset and Liability Management Committee
AMA	advanced measurement approach
AoA	Articles of Association of UBS Group AG
ASFA	advanced supervisory formula approach
AT1	additional tier 1

B

BCBS	Basel Committee on Banking Supervision
BD	business division
BEAT	base erosion and anti-abuse tax
BIS	Bank for International Settlements
BoD	Board of Directors
BVG	Swiss occupational pension plan

C

CC	Corporate Center
CCAR	Comprehensive Capital Analysis and Review
CCB	countercyclical buffer
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CCRC	Corporate Culture and Responsibility Committee
CDO	collateralized debt obligation
CDR	constant default rate
CDS	credit default swap
CEA	Commodity Exchange Act
CECL	current expected credit loss
CEM	current exposure method
CEO	Chief Executive Officer
CET1	common equity tier 1
CFO	Chief Financial Officer
CFTC	US Commodity Futures Trading Commission
CHF	Swiss franc
CLN	credit-linked note
CLO	collateralized loan obligation
CMBS	commercial mortgage-backed security
COP	close-out period
CRD IV	EU Capital Requirements Directive of 2013
CRM	credit risk mitigation (credit risk) or comprehensive risk measure (market risk)
CST	combined stress test
CVA	credit valuation adjustment

D

DBO	defined benefit obligation
DCCP	Deferred Contingent Capital Plan
DOJ	US Department of Justice
DOL	US Department of Labor
D-SIB	domestic systemically important bank
DTA	deferred tax asset
DVA	debit valuation adjustment

E

EAD	exposure at default
EBA	European Banking Authority
EC	European Commission
ECAI	external credit assessment institution
ECB	European Central Bank
ECL	expected credit losses
EEPE	effective expected positive exposure
EIR	effective interest rate
EL	expected loss
EMEA	Europe, Middle East and Africa
EOP	Equity Ownership Plan
EPE	expected positive exposure
EPS	earnings per share
ERISA	Employee Retirement Income Security Act of 1974
ETD	exchange-traded derivative
ETF	exchange-traded fund
EU	European Union
EUR	euro
EURIBOR	Euro Interbank Offered Rate

F

FCA	UK Financial Conduct Authority
FCT	foreign currency translation
FDIC	US Federal Deposit Insurance Corporation
FINMA	Swiss Financial Market Supervisory Authority
FINRA	US Financial Industry Regulatory Authority
FMIA	Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading
FMIO	FINMA Ordinance on Financial Market Infrastructure
FRA	forward rate agreement
FSA	UK Financial Services Authority
FSB	Financial Stability Board
FTA	Swiss Federal Tax Administration
FTD	first to default
FTP	funds transfer price
FVA	funding valuation adjustment
FVOCI	fair value through other comprehensive income
FVTPL	fair value through profit or loss
FX	foreign exchange

G

GAAP	generally accepted accounting principles
GBP	British pound
GEB	Group Executive Board
GHG	greenhouse gas
GIA	Group Internal Audit
GIIPS	Greece, Italy, Ireland, Portugal and Spain
GMD	Group Managing Director
GRI	Global Reporting Initiative
Group ALM	Group Asset and Liability Management
G-SIB	global systemically important bank

Abbreviations frequently used in our financial reports (continued)

H

HQLA high-quality liquid assets

I

IAA internal assessment approach
IAS International Accounting Standards
IASB International Accounting Standards Board
IFRIC International Financial Reporting Interpretations Committee
IFRS International Financial Reporting Standards
IMA internal models approach
IMM internal model method
IRB internal ratings-based
IRC incremental risk charge
ISDA International Swaps and Derivatives Association

K

KPI key performance indicator
KRT Key Risk Taker

L

LAC loss-absorbing capacity
LAS liquidity-adjusted stress
LCR liquidity coverage ratio
LGD loss given default
LIBOR London Interbank Offered Rate
LLC Limited liability company
LRD leverage ratio denominator
LTV loan-to-value

M

MiFID II Markets in Financial Instruments Directive II
MiFIR Markets in Financial Instruments associated Regulation
MRT Material Risk Taker
MTN medium-term note

N

NAV net asset value
NII net interest income
NPA non-prosecution agreement
NRV negative replacement value
NSFR net stable funding ratio

O

OCA own credit adjustment
OCI other comprehensive income
OIS overnight index swap
OTC over-the-counter

P

PD probability of default
PFE potential future exposure
PIT point in time
P&L profit or loss
PRA UK Prudential Regulation Authority
PRV positive replacement value

Q

QRRE qualifying revolving retail exposures

R

RBA ratings-based approach
RBC risk-based capital
RLN reference-linked note
RMBS residential mortgage-backed security
RniV risks-not-in-VaR
RoAE return on attributed equity
RoE return on equity
RoTE return on tangible equity
RV replacement value
RW risk weight
RWA risk-weighted assets

S

SA standardized approach
SA-CCR standardized approach for counterparty credit risk
SAR stock appreciation right
SE structured entity
SEC US Securities and Exchange Commission
SEEOP Senior Executive Equity Ownership Plan
SESTA Swiss Federal Act on Stock Exchanges and Securities Trading
SESTO FINMA Ordinance on Stock Exchanges and Securities Trading
SFA supervisory formula approach
SFT securities financing transaction
SI sustainable investing
SICR significant increase in credit risk
SME small and medium-sized enterprises
SMF Senior Management Function
SNB Swiss National Bank
SPPI solely payments of principal and interest
SRB systemically relevant bank
SRM specific risk measure
SSFA simplified supervisory formula approach
SVaR stressed value-at-risk

T

TBTF too big to fail
TCJA US Tax Cuts and Jobs Act
TLAC total loss-absorbing capacity
TRS total return swap
TTC through the cycle

U

USD US dollar

V

VaR value-at-risk

This is a general list of the abbreviations frequently used in our financial reporting. Not all of the listed abbreviations may appear in this particular report.

Cautionary Statement | This report and the information contained herein are provided solely for information purposes, and are not to be construed as solicitation of an offer to buy or sell any securities or other financial instruments in Switzerland, the United States or any other jurisdiction. No investment decision relating to securities of or relating to UBS Group AG, UBS AG or their affiliates should be made on the basis of this report. Refer to UBS's third quarter 2018 report and its Annual Report 2017, available at *www.ubs.com/investors*, for additional information.

Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Starting in 2018, percentages, absolute and percent changes, and adjusted results are calculated on the basis of unrounded figures, with the exception of movement information provided in text that can be derived from figures displayed in the tables, which is calculated on a rounded basis. For prior periods, these values are calculated on the basis of rounded figures displayed in the tables and text.

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.

UBS Group AG
P.O. Box
CH-8098 Zurich

ubs.com

UBS