Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act dated 18 November 2016 to the Registration Document of UBS AG dated 24 February 2016
Supplement No. 8 pursuant to § 16 (1) of the German Securities Prospectus Act dated 18 November 2016 to the already published Base Prospectus dated 11 May 2015 for the issue of Warrants
Supplement No. 8 pursuant to § 16 (1) of the German Securities Prospectus Act dated 18 November 2016 to the already published Base Prospectus dated 1 June 2015 for the issue of Securities
Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act dated 18 November 2016 to the already published Base Prospectus dated 15 December 2015 for the issue of UBS Performance Securities
Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act dated 18 November 2016 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 15 January 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of Strategy Certificates on China Consumer Basket (ISIN CH0301001746)
Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act Dated 18 November 2016 to the already published Base Prospectus dated 26 January 2016 for the issue of Warrants
Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act dated 18 November 2016 to the already published Base Prospectus dated 26 January 2016 for the issue of Securities
Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act dated 18 November 2016 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 2 February 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of UBS Broad Peak Developed Markets Basket Certificates (ISIN CH0298156362)
Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act Dated 18 November 2016 to the already published Base Prospectus dated 30 May 2016 for the issue of Securities
Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act Dated 18 November 2016 to the already published Base Prospectus dated 30 June 2016 for the Issuance of Fixed Income Securities (Cash)
Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act dated 18 November 2016 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 6 July 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of Gelfarth Select Strategy Certificates

(ISIN CH0326223960)
Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act Dated 18 November 2016 to the already published Base Prospectus dated 21 July 2016 for the issue of Warrants
Supplement No. 1 pursuant to § 16 (1) of the German Securities Prospectus Act dated 18 November 2016 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0)
Supplement No. 1 pursuant to § 16 (1) of the German Securities Prospectus Act dated 18 November 2016 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UW0KYB4)
Supplement No. 1 pursuant to § 16 (1) of the German Securities Prospectus Act dated 18 November 2016 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UW0TGC0)
Supplement No. 1 pursuant to § 16 (1) of the German Securities Prospectus Act Dated 18 November 2016 to the already published Base Prospectus dated 8 September 2016 for the issue of Securities

This supplement serves as update to the Registration Document, the Base Prospectuses and the Prospectuses mentioned above in connection to the following occurrence:

The publication of the third quarter report as per 30 September 2016 of UBS Group AG on 28 October 2016 and UBS AG on 2 November 2016.

UBS AG has also taken the occasion to update in this Supplement certain sections included in the Registration Document which have been updated after the date of the Registration Document, the Base Prospectuses and the Prospectuses, as mentioned above.

The following table shows the updated information that has become available after the date of the Registration Document, Base Prospectuses and Prospectuses, as mentioned above, and the revisions that have been made as a result thereof.

Updated information	Revisions
Certain information regarding UBS AG have been updated.	The information in the Elements B.2 (English version only), B.4b, B.5 and B.12 of the Summary as well as the relevant sections/paragraphs of the Registration Document have been updated pursuant to the third quarter 2016 reports.
Certain information regarding UBS AG in the Registration Document have been updated	The sections headed "Information about UBS AG", "Business Overview", "Administrative, Management and Supervisory Bodies of UBS AG", "Financial Information concering the Issuer's Assets and Libailities, Financial Position and Profits and Losses", "Litigation, Regulatory and Similar Matters", "Significant Changes in the Financial or Trading Position; Material Adverse Changes in Prospects" and "Documents on Display" have been updated pursuant to the third quarter report. Furthermore, the Registration Document dated 24 February 2016 has been updated regarding the above mentioned third quarter reports.

The attention of the investors is in particular drawn to the following: Investors who have already agreed to purchase or subscribe for the Notes, Certificates, Bonds or Securities, as the case may be, before this supplement is published have, pursuant to § 16 (3) of the German Securities Prospectus Act, the right, exercisable within a time limit of two working days after the publication of this supplement, to withdraw their acceptances, provided that the new circumstances or the incorrectness causing the supplement occurred before the closing of the public offering and before the delivery of the securities. A withdrawal, if any, of an order must be communicated in writing to the Issuer at its registered office specified in the address list hereof.

TABLE OF CONTENTS OF THIS SUPPLEMENT

1) In relation to the Registration Document as listed on introductory on page 1 the following adjustments have been made:

In the section headed "IV. Information about UBS AG" (page 24 of the Registration Document) the second and third subparagraphs have been completely replaced as follows:

"On 30 September 2016, UBS Group AG (consolidated) common equity tier 1 ("CET1") capital ratio[3] was 14.0% on a fully applied basis and 16.9% on a phase-in basis, invested assets stood at CHF 2,747 billion, equity attributable to UBS Group AG shareholders was CHF 53,300 million and market capitalization was CHF 50,941 million. On the same date, UBS employed 59,946 people[4].

On 30 September 2016, UBS AG (consolidated) CET1 capital ratio[3] was 14.8% on a fully applied basis and 17.7% on a phase-in basis, invested assets stood at CHF 2,747 billion and equity attributable to UBS AG shareholders was CHF 53,556 million. On the same date, UBS AG Group employed 57,012 people[4]."

Furthermore, in the section headed "IV. Information about UBS AG" (page 24 of the Registration Document) the footnotes have been completely replaced as follows:

[3] Based on the Basel III framework as applicable to Swiss systemically relevant banks. The common equity tier 1 capital ratio is the ratio of common equity tier 1 capital to risk-weighted assets. The Basel III framework includes prudential filters for the calculation of capital. As these filters are being phased in between 2014 and 2018, their effects are gradually factored into the calculations capital, RWA and capital ratios of UBS AG (consolidated) on a phase-in basis and are entirely reflected in the capital, RWA and capital ratios on a fully applied basis. For information as to how common equity tier 1 capital is calculated, refer to the table "Reconciliation IFRS equity to Swiss SRB common equity tier 1 capital" in the section "Capital management" of the UBS Group third quarter 2016 report and the UBS AG third quarter 2016 report, respectively.

[4] Full-time equivalents.

In the section headed "V. Business Overview" (starting on page 26 of the Registration Document) the subsection headed "Recent Developments" (page 28 et seq. of the Registration Document) is completely replaced by the following text:

"**Recent Developments**

1. *UBS AG (consolidated) key figures*

UBS AG took the selected consolidated financial information included in the table below for the years ended 31 December 2015, 2014 and 2013, except where indicated, from the Annual Report 2015, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2015 and comparative figures for the years ended 31 December 2014 and 2013. The selected consolidated financial information included in the table below for the nine months ended 30 September 2016 and 30 September 2015 was taken from the UBS AG third quarter 2016 report, which contains the unaudited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the nine months ended 30 September 2016 and comparative figures for the nine months ended 30 September 2015. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and are stated in Swiss francs ("**CHF**"). Information for the years ended 31 December 2015, 2014 and 2013 which is indicated as being unaudited in the table below was included in the Annual Report 2015 but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2015 and the third quarter 2016 report of UBS AG are incorporated by reference herein. Prospective investors should read the whole of this Prospectus and the documents incorporated by reference herein and should not rely solely on the summarized information set out below:

	As of or for the nine months ended		As of or for the year ended		
CHF million, except where indicated	30.9.16	30.9.15	31.12.15	31.12.14	31.12.13
	unaudited		*audited, except where indicated*		
Results					
Operating income	21,303	23,834	30,605	28,026	27,732
Operating expenses	17,979	18,655	25,198	25,557	24,461
Operating profit / (loss) before tax	3,324	5,179	5,407	2,469	3,272
Net profit / (loss) attributable to shareholders	2,568	5,285	6,235	3,502	3,172
Key performance indicators					
Profitability					
Return on tangible equity (%) [1]	7.3	15.4	13.5*	8.2*	8.0*
Return on assets, gross (%) [2]	2.9	3.2	3.1*	2.8*	2.5*
Cost / income ratio (%) [3]	84.3	78.1	82.0*	90.9*	88.0*
Growth					
Net profit growth (%) [4]	(51.4)	102.6	78.0*	10.4*	-
Net new money growth for combined wealth management businesses (%) [5]	3.2	2.0	2.2*	2.5*	3.4*
Resources					
Common equity tier 1 capital ratio (fully applied, %) [6, 7]	14.8	15.3	15.4*	14.2*	12.8*
Going concern leverage ratio (phase-in, %) [8, 9]	5.7				

Additional information					
Profitability					
Return on equity (RoE) (%)	6.3	13.3	11.7*	7.0*	6.7*
Return on risk-weighted assets, gross (%) [10]	13.3	14.8	14.3*	12.6*	11.6*
Resources					
Total assets	935,683	981,891	943,256	1,062,327	1,013,355
Equity attributable to shareholders	53,556	54,126	55,248	52,108	48,002
Common equity tier 1 capital (fully applied) [7]	32,110	33,183	32,042	30,805	28,908
Common equity tier 1 capital (phase-in) [7]	38,994	40,581	41,516	44,090	42,179
Risk-weighted assets (fully applied) [7]	217,297	217,472	208,186*	217,158*	225,153*
Common equity tier 1 capital ratio (phase-in, %) [6, 7]	17.7	18.3	19.5*	19.9*	18.5*
Going concern capital ratio (fully applied, %) [9]	16.5				
Going concern capital ratio (phase-in, %) [9]	23.0				
Common equity tier 1 leverage ratio (fully applied, %) [11]	3.7	3.5	3.6	3.1	2.8
Going concern leverage ratio (fully applied, %) [8, 9]	4.1				
Leverage ratio denominator (fully applied) [11]	877,926	949,548	898,251*	999,124*	1,015,306*

Other					
Invested assets (CHF billion) [12]	2,747	2,577	2,689	2,734	2,390
Personnel (full-time equivalents)	57,012	58,502	58,131*	60,155*	60,205*

* unaudited

[1] Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. [2] Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets. [3] Operating expenses / operating income before credit loss (expense) or recovery. [4] Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period. [5] Net new money growth for combined wealth management businesses is calculated as the aggregate of the net new money for the period (annualized as applicable) of the business divisions Wealth Management and Wealth Management Americas / aggregate invested assets at the beginning of the period of the business divisions Wealth Management and Wealth Management Americas. Net new money and invested assets are each derived from the "Wealth Management" and "Wealth Management Americas" sections of the management report contained in the UBS Group Third Quarter 2016 Report, under "UBS business divisions and Corporate Center", and in the Annual Report 2015, under "Financial and operating performance", respectively. Net new money growth for combined wealth management businesses is based on adjusted net new money, which excludes the negative effect on net new money (third quarter 2015: CHF 3.3 billion; second quarter of 2015: CHF 6.6 billion) in Wealth Management from UBS's balance sheet and capital optimization program. [6] Common equity tier 1 capital / risk-weighted assets. [7] Based on the Basel III framework as applicable to Swiss systemically relevant banks. [8] Going concern capital / leverage ratio denominator. [9] Based on the revised Swiss SRB framework that became applicable on 1 July 2016. Figures for prior periods are not available. [10] Based on fully-applied risk-weighted assets for all periods presented. This unaudited consolidated financial information was taken from the UBS AG Third Quarter 2016 Report and UBS AG Group's accounting records. Figures as of and for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 do not correspond to the figures contained in the Annual Report 2015 or the Annual Report 2014, which were based on phase-in risk-weighted assets. [11] Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. [12] Includes invested assets for Personal & Corporate Banking.

In the section headed "VII. Trend Information" (starting on page 32 of the Registration Document) is completely replaced by the following text :

"As indicated in the UBS Group AG third quarter 2016 report published on 28 October 2016 ("UBS Group Third Quarter 2016 Report"), underlying macroeconomic uncertainty and geopolitical tensions continued to contribute to client risk aversion and generally low transaction volumes. Lower than anticipated and negative interest rates still present considerable headwinds. These conditions are unlikely to change in the foreseeable future. Implementing Switzerland's new bank capital standards and the proposed further changes to the international regulatory framework for banks will result in increasing capital requirements and costs. UBS is well positioned to deal with these challenges and to benefit from even a moderate improvement in market conditions. UBS remains committed to executing its strategy with discipline."

In the section headed "VIII. Administrative, Management and Supervisory Bodies of UBS AG" (starting on page 33 of the Registration Document) the following paragraphs will be replaced in the section headed "Members of Board of Directors" (page 33 et seq. of the Registration Document):

Members of the Board of Directors

Member and business address	Title	Term of office	Current principal positions outside UBS AG
Michel Demaré Syngenta International AG,	Independent	2017	Independent Vice Chairman of the Board of Directors of UBS Group AG. Chairman of the Board of Syngenta; Board member of Louis-Dreyfus Commodities Holdings BV; Supervisory Board member of IMD, Lausanne;

Schwarzwaldallee 215, CH-4058 Basel	Vice Chairman		Chairman of the Syngenta Foundation for Sustainable Agriculture; member of the Advisory Board of the Department of Banking and Finance, University of Zurich: member of the Advisory Board of Zukunft Finanzplatz.
David Sidwell UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Senior Independent Director	2017	Senior Independent Director of the Board of Directors of UBS Group AG. Senior Advisor at Oliver Wyman, New York; Board member of Chubb Limited; Board member of GAVI Alliance; Chairman of the Board of Village Care, New York; Director of the National Council on Aging, Washington D.C.
Ann F. Godbehere UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2017	Member of the Board of Directors of UBS Group AG. Board member and Chairperson of the Audit Committee of Prudential plc, Rio Tinto plc and Rio Tinto Limited; member of the Board of British American Tobacco plc.
Robert W. Scully UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2017	Member of the Board of Directors of UBS Group AG. Member of the Board of Directors of Chubb Limited, Zoetis Inc. and KKR & Co LP; member of the Board of Dean's Advisors of Harvard Business School.
Beatrice Weder di Mauro Johannes Gutenberg-University Mainz, Jakob Welder-Weg 4, D-55099 Mainz	Member	2017	Member of the Board of Directors of UBS Group AG. Professor at the Johannes Gutenberg University, Mainz; member of the Supervisory Board of Robert Bosch GmbH, Stuttgart; board member of Bombardier Inc.; member of the ETH Zurich Foundation Board of Trustees; member of the Economic Advisory Board of Fraport AG; member of the Advisory Board of Deloitte Germany; Deputy Chairman of the University Council of the University of Mainz; member of the Senate of the Max Planck Society.
Dieter Wemmer Allianz SE, Königinstr. 28, 80802 Munich, Germany	Member	2017	Member of the Board of Directors of UBS Group AG. Chief Financial Officer at Allianz SE; Administrative Board member of Allianz Asset Management AG and Allianz Investment Management SE. Member of the CFO Forum; member of the Systemic Risk Working Group of the European Central Bank and the Bank for International Settlements; Chairman of the Economic & Finance Committee of Insurance Europe; member of the Berlin Center of Corporate Governance.
Joseph Yam UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2017	Member of the Board of Directors of UBS Group AG. Executive Vice President of the China Society for Finance and Banking; member of the Board of Johnson Electric Holdings Limited and of UnionPay International Co., Ltd.; International Advisory Council member of China Investment Corporation; Distinguished Research Fellow at the Institute of Global Economics and Finance at the Chinese University of Hong Kong.

In the section headed "X. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses" (starting on page 36 of the Registration Document) the section headed "Interim Financial Information" (page 37 of the Registration Document) is completely replaced by the following text:

"Interim Financial Information

Reference is also made to (i) the UBS Group first quarter 2016 report and the UBS AG first quarter 2016 report, which contain information on the financial condition and results of operations, including the consolidated financial statements, of UBS Group AG (consolidated) and UBS AG (consolidated), respectively, as of and for the period ended 31 March 2016; (ii) the UBS Group second quarter 2016 report and the UBS AG second quarter 2016 report, which contain information on the financial condition and results of operations, including the consolidated financial statements, of UBS Group AG (consolidated) and UBS AG (consolidated), respectively, as of and for the period ended 30 June 2016, and (iii) the UBS Group Third Quarter 2016 Report and the UBS AG third quarter 2016 report published on 2 November 2016 ("UBS AG Third Quarter 2016 Report"), which contain information on the financial condition and results of operations, including the consolidated financial statements, of UBS Group AG (consolidated) and UBS AG (consolidated), respectively, as of and for the period ended 30 September 2016. The interim consolidated financial statements are not audited."

The section headed "XI. Provisions and Litigation, Regulatory and Similar Matters" (starting on page 38 et seq., of the Registration Document) is completely replaced by the following:

XI. Litigation, Regulatory and Similar Matters

"The Group operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this section may refer to UBS AG and / or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to select matters could be significant.

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

In the case of certain matters below, UBS states that it has established a provision, and for the other matters it makes no such statement. When UBS makes this statement and UBS expects disclosure of the amount of a provision to prejudice seriously its position with other parties in the matter, because it would reveal what UBS believes to be the probable and reliably estimable outflow, UBS does not disclose that amount. In some cases UBS is subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which UBS does not state whether it has established a provision, either (a) it has not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) it has established a provision but expects disclosure of that fact to prejudice seriously its position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which UBS has established provisions, UBS is able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which it is able to estimate expected timing is immaterial relative to its current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in Note 14a of the unaudited interim consolidated financial statements of UBS AG, included in the UBS AG Third Quarter 2016 Report. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, which have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although it therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the Non-Prosecution Agreement ("**NPA**") described in paragraph 5 of this section, which UBS entered into with the US Department of Justice ("**DOJ**"), Criminal Division, Fraud Section in connection with its submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate ("**LIBOR**"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG has pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, and has agreed to pay a USD 203 million fine and accept a three-year term of probation. A guilty plea to, or conviction of, a crime (including as a result of termination of the NPA) could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining UBS's capital requirements. Information concerning its capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the UBS Group Third Quarter 2016 Report.

Provisions for litigation, regulatory and similar matters by business division and Corporate Center unit[1]

CHF million	Wealth Manage-ment	Wealth Manage-ment Americas	Personal & Corporate Banking	Asset Manage-ment	Invest-ment Bank	CC – Services	CC – Grou p ALM	CC – Non-core and Legacy Portfolio	**UBS**
Balance as of 31 December 2015	245	459	83	16	585	310	0	1,284	**2,983**
Balance as of 30 June 2016	242247	427416	8179	137	557589	307301	0	1, 042	**2,682**
Increase in provisions recognised in the income statement	102	2314	0	04	272	23	0	23412	**85437**
Release of provisions recognised in the income statement	(4)	(4)	0(3)	(1)	0	0(1)	0	0(4)	**(18)**
Provisions used in conformity with designated purpose	(12)	(36)	(4)	(1)0	(2)	(41)	0	(13)	**(109)**
Foreign currency translation / unwind of discount	(1	8(3)	0	0	6(4)	(1)	0	20(9)	**32(16)**
Balance as of 30 September 2016	247234	416386	7972	79	589584	301261	0	1,429	**2,976**

1 Provisions, if any, for the matters described in this section are recorded in Wealth Management (item 3), Wealth Management Americas (item 4), the Investment Bank (item 8), CC – Services (item 7) and CC – Non-core and Legacy Portfolio (item 2). Provisions, if any, for the matters described in this section in items 1 and 6 are allocated between Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this section in item 5 are allocated between the Investment Bank, CC – Services and CC – Non-core and Legacy Portfolio.

1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration ("**FTA**") to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests. In addition, the Swiss Federal Supreme Court ruled in September 2016 that the double taxation agreement between the Netherlands and Switzerland provides a sufficient legal basis for an administrative assistance group request without specifying the names of the targeted taxpayers, which makes it more likely that similar requests for administrative assistance will be granted by the FTA.

As a result of investigations in France, in 2013, UBS (France) S.A. and UBS AG were put under formal examination (“mise en examen”) for complicity in having illicitly solicited clients on French territory, and were declared witness with legal assistance (“témoin assisté”) regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons. In 2014, UBS AG was placed under formal examination with respect to the potential charges of laundering of proceeds of tax fraud, and the investigating judges ordered UBS AG to provide bail (“caution”) of EUR 1.1 billion. UBS AG appealed the determination of the bail amount, but both the appeal court (“Cour d’Appel”) and the French Supreme Court (“Cour de Cassation”) upheld the bail amount and rejected the appeal in full in late 2014. UBS AG has filed and has had formally registered an application to the European Court of Human Rights to challenge various aspects of the French court’s decision. In September 2015, the former CEO of UBS Wealth Management was placed under formal examination in connection with these proceedings. In addition, the investigating judges have sought to issue arrest warrants against three Swiss-based former employees of UBS AG who did not appear when summoned by the investigating judge.

In 2015, UBS (France) S.A. was placed under formal examination for complicity regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons for the years 2004 until 2008 and declared witness with legal assistance for the years 2009 to 2012. A bail of EUR 40 million was imposed, and was subsequently reduced by the Court of Appeals to EUR 10 million.

In February 2016, the investigating judge notified UBS AG and UBS (France) S.A. that he has closed his investigation. In July 2016, UBS AG and UBS (France) S.A. received the National Financial Prosecutor's recommendation ("réquisitoire"). As permitted, the parties have commented on the recommendation. The next procedural step will be for the judge to issue his final decree ("ordonnance de renvoi en correctionnelle") which would set out any charges for which UBS AG and UBS (France) S.A. will be tried, both legally and factually, and transfer the case to court.

UBS has been notified by the Belgian investigating judge that it is under formal investigation (“inculpé”) regarding the laundering of proceeds of tax fraud and of banking, financial solicitation by unauthorized persons and serious tax fraud.

In 2015, UBS received inquiries from the US Attorney’s Office for the Eastern District of New York and from the US Securities and Exchange Commission ("**SEC**"), which are investigating potential sales to US persons of bearer bonds and other unregistered securities in possible violation of the Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") and the registration requirements of the US securities laws. UBS is cooperating with the authorities in these investigations.

UBS has, and reportedly numerous other financial institutions have, received inquiries from authorities concerning accounts relating to the Fédération Internationale de Football Association ("**FIFA**") and other constituent soccer associations and related persons and entities. UBS is cooperating with authorities in these inquiries.

UBS's balance sheet at 30 September 2016 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

2. Claims related to sales of residential mortgage-backed securities and mortgages

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities ("**RMBS**") and was a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. ("**UBS RESI**"), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007, UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued.

UBS RESI also sold pools of loans acquired from originators to third-party purchasers. These whole loan sales during the period 2004 through 2007 totaled approximately USD 19 billion in original principal balance.

UBS was not a significant originator of US residential loans. A subsidiary of UBS originated approximately USD 1.5 billion in US residential mortgage loans during the period in which it was active from 2006 to 2008, and securitized less than half of these loans.

RMBS-related lawsuits concerning disclosures: UBS is named as a defendant relating to its role as underwriter and issuer of RMBS in lawsuits related to approximately USD 2.5 billion in original face amount of RMBS underwritten or issued by UBS. Of the USD 2.5 billion in original face amount of RMBS that remains at issue in these cases, approximately USD 1.2 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans ("**UBS-sponsored RMBS**"). The remaining USD 1.3 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter ("**third-party RMBS**").

In connection with certain of these lawsuits, UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS, but UBS cannot predict the extent to which it will succeed in enforcing those rights.

UBS is a defendant in a lawsuit brought by the National Credit Union Administration ("**NCUA**"), as conservator for certain failed credit unions, asserting misstatements and omissions in the offering documents for RMBS purchased by the credit unions. The lawsuit was filed in the US District Court for the District of Kansas. The original principal balance at issue in the case is approximately USD 1.15 billion. Motions for summary judgment are expected to be fully submitted in December 2016. In the second quarter of 2016, UBS resolved a similar case brought by the NCUA in the US District Court for the Southern District of New York ("**SDNY**") relating to RMBS with an original principal balance of approximately

USD 400 million, for a total of approximately USD 69.8 million, in addition to reasonable attorneys' fees incurred by NCUA.

Lawsuits related to contractual representations and warranties concerning mortgages and RMBS: When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses. UBS has received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitization trust aggregating approximately USD 4.1 billion in original principal balance. Of this amount, UBS considers claims relating to approximately USD 2 billion in original principal balance to be resolved, including claims barred by the statute of limitations. Substantially all of the remaining claims are in litigation, including the matters described in the next paragraph. UBS believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

In 2012, certain RMBS trusts filed an action ("**Trustee Suit**") in the SDNY seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations ("**Transactions**") with an original principal balance of approximately USD 2 billion, for which Assured Guaranty Municipal Corp. ("**Assured Guaranty**"), a financial guaranty insurance company, had previously demanded repurchase. A bench trial in the SDNY adjourned in May 2016. Approximately 9,000 loans were at issue in the trial. In September 2016, the Court issued an order ruling on numerous legal and factual issues and applying those rulings to 20 exemplar loans. The Court further ordered that a Lead Master be appointed to apply the Court's rulings to the loans that remain at issue following the trial. With respect to the loans subject to the Trustee Suit that were originated by institutions still in existence, UBS intends to enforce its indemnity rights against those institutions.

UBS also has tolling agreements with certain institutional purchasers of RMBS concerning their potential claims related to substantial purchases of UBS-sponsored or third-party RMBS.

Mortgage-related regulatory matters: In 2014, UBS received a subpoena from the US Attorney's Office for the Eastern District of New York issued pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("**FIRREA**"), which seeks documents and information related to UBS's RMBS business from 2005 through 2007. In 2015, the Eastern District of New York identified a number of transactions that are the focus of their inquiry, and has subsequently provided a revised list of transactions. UBS has provided and continue to provide information. UBS continues to respond to the FIRREA subpoena and to subpoenas from the New York State Attorney General and other state attorneys general relating to its RMBS business. In addition, UBS has also been responding to inquiries from both the Special Inspector General for the Troubled Asset Relief Program ("**SIGTARP**") (who is working in conjunction with the US Attorney's Office for Connecticut and the DOJ) and the SEC relating to trading practices in connection with purchases and sales of mortgage-backed securities in the secondary market from 2009 through the present. UBS is cooperating with the authorities in these matters.

Provision for claims related to sales of residential mortgage-backed securities and mortgages

USD million	**Total**
Balance as of 31 December 2015	**1,218**
Balance as of 30 June 2016	**988**
Increase in provisions recognised in the income statement	**421**
Release of provisions recognised in the income statement	**0**

Provisions used in conformity with designated purpose	**(4)**
Balance as of 30 September 2016	**1,405**

As reflected in the table "Provision for claims related to sales of residential mortgage-backed securities and mortgages," UBS's balance sheet at 30 September 2016 reflected a provision of USD 1,405 million with respect to matters described in this item 2. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC ("**BMIS**") investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier ("**CSSF**"). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by Luxembourg investigating authorities, without, however, being named as parties in those investigations. In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million, respectively. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the BMIS Trustee. These amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 million, respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals were filed by the claimants against the 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In 2014, the Luxembourg Court of Appeal dismissed one test case appeal in its entirety, which decision was appealed by the investor. In 2015, the Luxembourg Supreme Court found in favor of UBS and dismissed the investor's appeal. In June 2016, the Luxembourg Court of Appeal dismissed the remaining test cases in their entirety. In the US, the BMIS Trustee filed claims in 2010 against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. Following a motion by UBS, in 2011, the SDNY dismissed all of the BMIS Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the BMIS Trustee lacks standing to bring such claims. In 2013, the Second Circuit affirmed the District Court's decision and, in 2014, the US Supreme Court denied the BMIS Trustee's petition seeking review of the Second Circuit ruling. In 2014, several claims, including a purported class action, were filed in the US by BMIS customers against UBS entities, asserting claims similar to the ones made by the BMIS Trustee, seeking unspecified damages. One claim was voluntarily withdrawn by the plaintiff.

In 2015, following a motion by UBS, the SDNY dismissed the two remaining claims on the basis that the New York courts did not have jurisdiction to hear the claims against the UBS entities. The plaintiff in one of those claims has appealed the dismissal. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds. In 2015, a court of appeal ordered UBS to pay EUR 49 million, plus interest of approximately EUR 15.3 million.

4. Puerto Rico

Declines since August 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds ("**the funds**") that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico ("**UBS PR**") have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of approximately USD 1.9 billion, of which claims with aggregate claimed damages of approximately USD 740 million have been resolved through settlements, arbitration or withdrawal of the claim. The claims are filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and / or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans. A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied. Defendants' requests for permission to appeal that ruling were denied by the Puerto Rico Court of Appeals and the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management, and the co-manager of certain of the funds seeking damages for investor losses in the funds during the period from May 2008 through May 2014. Defendants have moved to dismiss that complaint. In 2015, a class action was filed in Puerto Rico state court against UBS PR seeking equitable relief in the form of a stay of any effort by UBS PR to collect on non-purpose loans it acquired from UBS Bank USA in December 2013 based on plaintiffs' allegation that the loans are not valid. The trial court denied defendants' motion to dismiss the action based on a forum selection clause in the loan agreements; the Puerto Rico Supreme Court has stayed the action pending its review of defendants' appeal from that ruling.

In 2014, UBS reached a settlement with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico ("**OCFI**") in connection with OCFI's examination of UBS's operations from January 2006 through September 2013, pursuant to which UBS is paying up to an aggregate of USD 7.7 million in investor education contributions and restitution.

In 2015, the SEC and the Financial Industry Regulatory Authority ("**FINRA**") announced settlements with UBS PR of their separate investigations stemming from the 2013 market events. Without admitting or denying the findings in either matter, UBS PR agreed in the SEC settlement to pay USD 15 million and USD 18.5 million in the FINRA matter. UBS also understands that the DOJ is conducting a criminal inquiry into the impermissible reinvestment of non-purpose loan proceeds. UBS is cooperating with the authorities in this inquiry.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico ("**System**") against over 40 defendants,

including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of approximately USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. Defendants' motion to dismiss is pending. In September 2016, the System announced its intention to join the action as a plaintiff.
Also, in 2013, an SEC Administrative Law Judge dismissed a case brought by the SEC against two UBS executives, finding no violations. The charges had stemmed from the SEC's investigation of UBS's sale of closed-end funds in 2008 and 2009, which UBS settled in 2012. Beginning in 2012, two federal class action complaints, which were subsequently consolidated, were filed against various UBS entities, certain of the funds, and certain members of UBS PR senior management, seeking damages for investor losses in the funds during the period from January 2008 through May 2012 based on allegations similar to those in the SEC action. In September 2016, the court denied plaintiffs' motion for class certification.

In 2015, Puerto Rico's Governor stated that the Commonwealth was unable to meet its obligations. Certain agencies and public corporations of the Commonwealth have defaulted on certain interest payments beginning in August 2015 and continuing in 2016, culminating in the default on almost all principal and interest payments due on the Commonwealth's general obligation debt in July 2016. The Governor has passed a series of executive orders that divert funds from issuers of Commonwealth debt to pay for essential services, as opposed to making debt payments, and stay any action to enforce creditors' rights. As a result, additional payment defaults are expected to occur going forward. In June 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act ("**PROMESA**") created an Oversight Board with power to oversee Puerto Rico's finances and to restructure its debt. In September 2016, President Obama appointed the seven members of the Oversight Board and a stay was implemented with respect to any action aimed at enforcing creditors' rights on any Puerto Rico bonds. These events, further defaults, any further legislative action to create a legal means of restructuring Commonwealth obligations or to impose additional oversight on the Commonwealth's finances, or any restructuring of the Commonwealth's obligations, may increase the number of claims against UBS concerning Puerto Rico securities, as well as potential damages sought.

UBS's balance sheet at 30 September 2016 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

5. Foreign exchange, LIBOR, and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Following an initial media report in 2013 of widespread irregularities in the foreign exchange markets, UBS immediately commenced an internal review of its foreign exchange business, which includes its precious metals and related structured products businesses. Since then, various authorities have commenced investigations concerning possible manipulation of foreign exchange markets, including FINMA, the Swiss Competition Commission ("**WEKO**"), the DOJ, the SEC, the US Commodity Futures Trading Commission ("**CFTC**"), the Board of Governors of the Federal Reserve System ("**Federal Reserve Board**"), the California State Attorney General, the UK Financial Conduct Authority ("**FCA**") (to which certain responsibilities of the UK Financial

Services Authority ("**FSA**") have passed), the UK Serious Fraud Office ("**SFO**"), the Australian Securities and Investments Commission ("**ASIC**"), the Hong Kong Monetary Authority ("**HKMA**"), the Korea Fair Trade Commission ("**KFTC**") and the Brazil Competition Authority ("**CADE**"). In addition, WEKO is, and a number of other authorities reportedly are, investigating potential manipulation of precious metals prices. UBS has taken and will continue to take appropriate action with respect to certain personnel as a result of its ongoing review.

In 2014, UBS reached settlements with the FCA and the CFTC in connection with their foreign exchange investigations, and FINMA issued an order concluding its formal proceedings with respect to UBS relating to its foreign exchange and precious metals businesses. UBS has paid a total of approximately CHF 774 million to these authorities, including GBP 234 million in fines to the FCA, USD 290 million in fines to the CFTC, and CHF 134 million to FINMA representing confiscation of costs avoided and profits. In 2015, the Federal Reserve Board and the Connecticut Department of Banking issued an Order to Cease and Desist and Order of Assessment of a Civil Monetary Penalty Issued upon Consent ("**Federal Reserve Order**") to UBS AG. As part of the Federal Reserve Order, UBS AG paid a USD 342 million civil monetary penalty.

In 2015, the DOJ's Criminal Division ("**Criminal Division**") terminated the December 2012 NPA with UBS AG related to UBS's submissions of benchmark interest rates. As a result, UBS AG entered into a plea agreement with the Criminal Division pursuant to which UBS AG agreed to and did plead guilty to a one-count criminal information filed in the US District Court for the District of Connecticut charging UBS AG with one count of wire fraud in violation of 18 USC Sections 1343 and 2. Under the plea agreement, UBS AG agreed to a sentence that includes a USD 203 million fine and a three-year term of probation. The criminal information charges that, between approximately 2001 and 2010, UBS AG engaged in a scheme to defraud counterparties to interest rate derivatives transactions by manipulating benchmark interest rates, including Yen LIBOR. Sentencing is currently scheduled for 29 November 2016. The Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA, including fraudulent and deceptive currency trading and sales practices in conducting certain foreign exchange market transactions with clients and collusion with other participants in certain foreign exchange markets.

UBS has ongoing obligations to cooperate with these authorities and to undertake certain remediation, including actions to improve UBS's processes and controls.

UBS has been granted conditional immunity by the Antitrust Division of the DOJ ("**Antitrust Division**") from prosecution for EUR / USD collusion and entered into a non-prosecution agreement covering other currency pairs. As a result, UBS AG will not be subject to prosecutions, fines or other sanctions for antitrust law violations by the Antitrust Division, subject to UBS AG's continuing cooperation. However, the conditional immunity grant does not bar government agencies from asserting other claims and imposing sanctions against UBS AG, as evidenced by the settlements and ongoing investigations referred to above. UBS has also been granted conditional leniency by authorities in certain jurisdictions, including WEKO, in connection with potential competition law violations relating to precious metals, and as a result, will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in those jurisdictions, subject to UBS AG's continuing cooperation.

Investigations relating to foreign exchange and precious metals matters by numerous authorities, including the CFTC, remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since November 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. They allege collusion by the defendants and assert claims under the antitrust laws and for unjust enrichment. In 2015, additional putative class actions were filed in federal court in New York against UBS and other banks on behalf of a putative class of persons who entered into or held any foreign exchange futures contracts and options on foreign exchange futures contracts since 1 January 2003. The complaints assert claims under the Commodity Exchange Act ("**CEA**") and the US antitrust laws. In 2015, a consolidated complaint was filed on behalf of both putative classes of persons covered by the US federal court class actions described above. UBS has entered into a settlement agreement that would resolve all of these US federal court class actions. The agreement, which has been preliminarily approved by the court and is subject to final court approval, requires, among other things, that UBS pay an aggregate of USD 141 million and provide cooperation to the settlement classes.
A putative class action has been filed in federal court in New York against UBS and other banks on behalf of participants, beneficiaries, and named fiduciaries of plans qualified under the Employee Retirement Income Security Act of 1974 ("**ERISA**") for whom a defendant bank provided foreign currency exchange transactional services, exercised discretionary authority or discretionary control over management of such ERISA plan, or authorized or permitted the execution of any foreign currency exchange transactional services involving such plan's assets. The complaint asserts claims under ERISA. The parties filed a stipulation to dismiss the case with prejudice. The plaintiffs have appealed the dismissal.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of a putative class of persons and businesses in the US who directly purchased foreign currency from the defendants and their co-conspirators for their own end use. That action has been transferred to federal court in New York. Motions to dismiss are pending.

In 2015, UBS was added to putative class actions pending against other banks in federal court in New York and other jurisdictions on behalf of putative classes of persons who bought or sold physical precious metals and various precious metal products and derivatives. The complaints in these lawsuits assert claims under the antitrust laws and the CEA, and other claims. In October 2016, the court granted UBS's motions to dismiss the putative class actions relating to gold and silver. UBS's motion to dismiss the putative class action relating to platinum and palladium remains pending.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the SFO, the Monetary Authority of Singapore ("**MAS**"), the HKMA, FINMA, the various state attorneys general in the US, and competition authorities in various jurisdictions have conducted or are continuing to conduct investigations regarding submissions with respect to LIBOR and other benchmark rates. These investigations focus on whether there were improper attempts by UBS, among others, either acting on its own or together with others, to manipulate LIBOR and other benchmark rates at certain times.

In 2012, UBS reached settlements with the FSA, the CFTC and the Criminal Division of the DOJ in connection with their investigations of benchmark interest rates. At the same time, FINMA issued an order concluding its formal proceedings with respect to UBS relating to benchmark interest rates. UBS has paid a total of approximately CHF 1.4 billion in fines and disgorgement – including GBP 160 million in fines to the FSA, USD 700 million in fines to the CFTC, USD 500 million in fines to the DOJ, and CHF 59 million in disgorgement to FINMA. UBS Securities Japan Co. Ltd. ("**UBSSJ**") entered into a plea agreement with the DOJ under which it entered a plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR. UBS entered into an NPA with the DOJ, which (along with the plea agreement) covered conduct beyond the scope of the conditional leniency / immunity grants described below, required UBS to pay the USD 500 million fine to the DOJ after the sentencing of UBSSJ, and provided that any criminal penalties imposed on UBSSJ at sentencing be deducted from the USD 500 million fine. Under the NPA, UBS agreed, among other things, that for two years from 18 December 2012 UBS would not commit any US crime, and it would advise DOJ of any potentially criminal conduct by UBS or any of its employees relating to violations of US laws concerning fraud or securities and commodities markets. The term of the NPA was extended by one year to 18 December 2015. In 2015, the Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA. As a result, UBS entered into a plea agreement with the DOJ under which it entered a guilty plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR, and agreed to pay a fine of USD 203 million and accept a three-year term of probation. Sentencing is currently scheduled for 29 November 2016.

In 2014, UBS reached a settlement with the European Commission ("**EC**") regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives and paid a EUR 12.7 million fine, which was reduced to this level based in part on UBS's cooperation with the EC. The MAS, HKMA and the Japan Financial Services Agency have also resolved investigations of UBS (and in some cases, other banks). UBS has ongoing obligations to cooperate with the authorities with whom UBS has reached resolutions and to undertake certain remediation with respect to benchmark interest rate submissions.

Investigations by the CFTC, ASIC and other governmental authorities remain ongoing notwithstanding these resolutions.

UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ, WEKO and the EC, in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR. WEKO has also granted UBS conditional immunity in connection with potential competition law violations related to submissions for CHF LIBOR and certain transactions related to CHF LIBOR. As a result of these conditional grants, UBS will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in the jurisdictions where UBS has conditional immunity or leniency in connection with the matters covered by the conditional grants, subject to UBS's continuing cooperation. However, the conditional leniency and conditional immunity grants UBS has received do not bar government agencies from asserting other claims and imposing sanctions against it, as evidenced by the settlements and ongoing investigations referred to above. In addition, as a result of the conditional leniency agreement with the DOJ, UBS is eligible for a limit on liability to actual rather than treble damages were damages to be awarded in any civil antitrust action under US law based on conduct covered by the agreement and for relief from potential joint and several liability in connection with such civil antitrust action, subject to UBS satisfying the DOJ and the court presiding over the civil litigation of its cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against UBS.

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in, or expected to be transferred to, the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending are actions asserting losses related to various products whose interest rates were linked to USD LIBOR, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. All of the complaints allege manipulation, through various means, of various benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, USD ISDAFIX rates and other benchmark rates, and seek unspecified compensatory and other damages under varying legal theories. In 2013, the district court in the USD action dismissed the federal antitrust and racketeering claims of certain USD LIBOR plaintiffs and a portion of their claims brought under the CEA and state common law. Certain plaintiffs appealed the decision to the Second Circuit, which, in May 2016, vacated the district court's ruling finding no antitrust injury and remanded the case back to the district court for a further determination on whether plaintiffs have antitrust standing. A motion to dismiss plaintiffs' revived antitrust claims is pending. In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiff's claims, including federal antitrust claims. In 2015, the same court dismissed plaintiff's federal racketeering claims and affirmed its previous dismissal of plaintiff's antitrust claims. UBS and other defendants in other lawsuits including those related to EURIBOR, CHF LIBOR and GBP LIBOR have filed motions to dismiss. UBS has entered into an agreement with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement is subject to court approval.

Since September 2014, putative class actions have been filed in federal court in New York and New Jersey against UBS and other financial institutions, among others, on behalf of parties who entered into interest rate derivative transactions linked to ISDAFIX. The complaints, which have since been consolidated into an amended complaint, allege that the defendants conspired to manipulate ISDAFIX rates from 1 January 2006 through January 2014, in violation of US antitrust laws and certain state laws, and seek unspecified compensatory damages, including treble damages. In March 2016, the court in the ISDAFIX action denied in substantial part defendants' motion to dismiss, holding that plaintiffs have stated Sherman Act, breach-of-contract, and unjust-enrichment claims against defendants, including UBS AG.

Government bonds: Putative class actions have been filed in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. The complaints generally allege that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction. They assert claims under the antitrust laws and the CEA and for unjust enrichment. The cases have been consolidated in the SDNY. Following filing of these complaints, UBS and reportedly other banks are responding to investigations and requests for information from various authorities regarding US Treasury securities and other government bond trading practices. As a result of its review to date, UBS has taken appropriate action.

With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, UBS's balance sheet at 30 September 2016 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

6. Swiss retrocessions

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver.
FINMA has issued a supervisory note to all Swiss banks in response to the Supreme Court decision. The note sets forth the measures Swiss banks are to adopt, which include informing all affected clients about the Supreme Court decision and directing them to an internal bank contact for further details. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among others, the existence of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

UBS's balance sheet at 30 September 2016 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

7. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. ("**Pactual**") by UBS to BTG Investments, LP ("**BTG**"), BTG has submitted contractual indemnification claims that UBS estimates amount to approximately BRL 2.5 billion, including interest and penalties, which is net of liabilities retained by BTG. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being challenged in administrative and judicial proceedings. The majority of these assessments relate to the deductibility of goodwill amortization in connection with UBS's 2006 acquisition of Pactual and payments made to Pactual employees through various profit-sharing plans. In 2015, an intermediate administrative court issued a decision that was largely in favor of the tax authority with respect to the goodwill amortization assessment. In May 2016, the highest level of the administrative court agreed to review this decision on a number of the significant issues.

8. Investigation of UBS's role in initial public offerings in Hong Kong

The Hong Kong Securities and Futures Commission (SFC) has been conducting investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. In October 2016, the SFC informed UBS that it intends to commence action against UBS and certain UBS employees with respect to sponsorship work in those offerings. If such action is taken, there may be financial ramifications for UBS, including fines and restitution orders. Such action could also result in suspension of UBS’s ability to provide corporate finance advisory services in Hong Kong for a period of time.

The specific litigation, regulatory and other matters described above include all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects as described in Note 14b "Litigation, regulatory and similar matters" to the UBS AG unaudited consolidated financial statements included in the UBS AG Third Quarter 2016 Report. The proceedings indicated below are matters that have recently been considered material, but are not currently considered material, by UBS. Besides the proceedings described above and those described below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) which may have, or have had in the recent past, significant effects on UBS AG Group's and/or UBS AG's financial position or profitability and are or have been pending during the last twelve months until the date of this document.

Matters relating to the CDS market

In 2013, the EC issued a Statement of Objections against 13 credit default swap (CDS) dealers including UBS, as well as data service provider Markit and the International Swaps and Derivatives Association (ISDA). The Statement of Objections broadly alleges that the dealers infringed European Union antitrust rules by colluding to prevent exchanges from entering the credit derivatives market between 2006 and 2009. In 2015, the EC issued a statement that it had decided to close its investigation against all 13 dealers, including UBS. In July 2016, the EC issued a statement that it had resolved its investigation regarding Markit and ISDA. Starting in 2009, the Antitrust Division of the DOJ investigated whether multiple dealers, including UBS, conspired with each other and with Markit to restrain competition in the markets for CDS trading, clearing and other services. In September 2016, DOJ advised that it had closed its investigation. In 2014, putative class action plaintiffs filed consolidated amended complaints in the SDNY against 12 dealers, including UBS, as well as Markit and ISDA, alleging violations of the US Sherman Antitrust Act and common law. Plaintiffs allege that the defendants unlawfully conspired to restrain competition in and / or monopolize the market for CDS trading in the US in order to protect the dealers’ profits from trading CDS in the over-the-counter market. In 2015, UBS and the other defendants entered into settlement agreements to resolve the litigation, pursuant to which UBS has paid USD 75 million out of a total settlement amount paid by all defendants of approximately USD 1.865 billion. The agreements have received final court approval."

In the section headed "XII. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects" (page 51 of the Registration Document) the first paragraph is completely replaced as follows:

"There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 30 September 2016, which is the end of the last financial period for which interim financial information has been published."

In the section headed "XIV. Documents on Display" (starting on page 51 of the Registration Document) the third bullet point before the bullet point "the Articles of Association of UBS AG" (page 53 of the Registration Document) is replaced and a fourth bullet point has been added as follows:

"

- The UBS Group second quarter 2016 Report and the UBS AG second quarter 2016 Report;

- The UBS Group Third Quarter 2016 Report and the UBS AG Third Quarter 2016 Report; and"

The third Quarter Reports contained in Appendix I (third quarter 2016 report of UBS Group AG) and Appendix II (third quarter 2016 report of UBS AG) hereto are added as Appendix 12 and 13 to the Registration Document.

2) Summary English Language

(i) in relation to the Base Prospectus dated 11 May 2015 for the issue of Warrants
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(ii) in relation to the Base Prospectus dated 1 June 2015 for the issue of Securities
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(iii) in relation to the Base Prospectus dated 15 December 2015 for the issue of UBS Performance Securities
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(iv) in relation to the Prospectus dated 15 January 2016 for the issuance of UBS China Consumer Basket Certificates (ISIN CH0301001746)
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(v) in relation to the Base Prospectus dated 26 January 2016 for the issue of Warrants
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(vi) in relation to the Base Prospectus dated 26 January 2016 for the issue of Securities
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(vii) in relation to the Prospectus dated 2 February 2016 for the issuance of UBS Broad Peak Developed Markets Basket Certificates (ISIN CH0298156362)
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(viii) in relation to the Base Prospectus dated 30 May 2016 for the issue of Securities
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(ix) in relation to the Base Prospectus dated 30 June 2016 for the Issuance of Fixed Income Securities (Cash)
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(x) in relation to the Prospectus dated 6 July 2016 for the issuance of Gelfarth Select Strategy Certificates (ISIN CH0326223960)
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(xi) in relation to the Base Prospectus dated 21 July 2016 for the issue of Warrants
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(xii) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0)
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(xiii) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UW0KYB4)
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(xiv) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UW0TGC0)
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

(xv) in relation to the Base Prospectus dated 8 September 2016 for the issuance of Securities
in the section
"Summary of the Prospectus (in the English Language)" in the section headed
"Section B – Issuer"

the Elements B.2, B.4b, B.5 and B.12 are completely replaced as follows:

B.2	Domicile, legal form, legislation and country of incorporation of the issuer.	UBS AG in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CHE-101.329.561. UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations as an *Aktiengesellschaft*, a corporation limited by shares. The addresses and telephone numbers of UBS AG's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41 44 234 1111; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41 61 288 5050.

B.4b	A description of any known trends affecting the issuer or the industries in which it operates.	Trend Information As indicated in the UBS Group AG third quarter 2016 report published on 28 October 2016 ("UBS Group Third Quarter 2016 Report"), underlying macroeconomic uncertainty and geopolitical tensions continued to contribute to client risk aversion and generally low transaction volumes. Lower than anticipated and negative interest rates still present considerable headwinds. These conditions are unlikely to change in the foreseeable future. Implementing Switzerland's new bank capital standards and the proposed further changes to the international regulatory framework for banks will result in increasing capital requirements and costs. UBS is well positioned to deal with these challenges and to benefit from even a moderate improvement in market conditions. UBS remains committed to executing its strategy with discipline.
B.5	Description of the group and the issuer's position within the group	UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. UBS Group operates as a group with five business divisions (Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank) and a Corporate Center. Over the past two years, UBS has undertaken a series of measures to improve the resolvability of the Group in response to too big to fail ("**TBTF**") requirements in Switzerland and other countries in which the Group operates. In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG, becoming the holding company for the UBS Group. Subsequently, during 2015, UBS Group AG filed and completed a procedure under the Swiss Stock Exchange and Securities Trading Act to squeeze out minority shareholders of UBS AG, as a result of which UBS Group AG acquired all of the outstanding shares of UBS AG. In June 2015, UBS AG transferred its Retail & Corporate (now Personal & Corporate Banking) and Wealth Management business booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. In 2015, UBS also completed the implementation of a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK, under which UBS Limited bears and retains a larger proportion of the risk and reward in its business activities. In the third quarter of 2015, UBS established UBS Business Solutions AG as a direct subsidiary of UBS Group AG to act as the Group service company. UBS will transfer the ownership of the majority of its existing service subsidiaries to this entity. UBS expects that the transfer of shared service and support functions into the service company structure will be implemented in a staged approach through 2018. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur. In 2015, UBS also established a new subsidiary of UBS AG, UBS Asset Management AG, into which it expects to transfer

		the majority of the operating subsidiaries of Asset Management during 2016. UBS continues to consider further changes to the legal entities used by Asset Management, including the transfer of operations conducted by UBS AG in Switzerland into a subsidiary of UBS Asset Management AG. In the second quarter of 2016, UBS Americas Holding LLC, a subsidiary of UBS AG, has been designated as the intermediate holding company for UBS's US subsidiaries as required under the enhanced prudential standards regulations pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**"). UBS Americas Holding LLC holds all of UBS's US subsidiaries and is subject to US capital requirements, governance requirements and other prudential regulation. UBS continues to consider further changes to the Group's legal structure in response to capital and other regulatory requirements, and in order to obtain any rebate in total loss-absorbing capacity requirements for which the Group may be eligible. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, consolidation of operating subsidiaries in the European Union, and adjustments to the booking entity or location of products and services. These structural changes are being discussed on an ongoing basis with the Swiss Financial Market Supervisory Authority FINMA ("FINMA") and other regulatory authorities, and remain subject to a number of uncertainties that may affect their feasibility, scope or timing
B.12	Selected historical key financial information.	UBS AG took the selected consolidated financial information included in the table below for the years ended 31 December 2015, 2014 and 2013, except where indicated, from the Annual Report 2015, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2015 and comparative figures for the years ended 31 December 2014 and 2013. The selected consolidated financial information included in the table below for the nine months ended 30 September 2016 and 30 September 2015 was taken from UBS AG third quarter 2016 report, which contains the unaudited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the nine months ended 30 September 2016 and comparative figures for the nine months ended 30 September 2015. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and are stated in Swiss francs ("**CHF**"). Information for the years ended 31 December 2015, 2014 and 2013 which is indicated as being unaudited in the table below was included in the Annual Report 2015 but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements.

	As of or for the nine months ended		As of or for the year ended		
CHF million, except where indicated	30.9.16	30.9.15	31.12.15	31.12.14	31.12.13
	unaudited		*audited, except where indicated*		
Results					
Operating income	21,303	23,834	30,605	28,026	27,732

Operating expenses	17,979	18,655	25,198	25,557	24,461
Operating profit / (loss) before tax	3,324	5,179	5,407	2,469	3,272
Net profit / (loss) attributable to shareholders	2,568	5,285	6,235	3,502	3,172
Key performance indicators					
Profitability					
Return on tangible equity (%) [1]	7.3	15.4	13.5*	8.2*	8.0*
Return on assets, gross (%) [2]	2.9	3.2	3.1*	2.8*	2.5*
Cost / income ratio (%) [3]	84.3	78.1	82.0*	90.9*	88.0*
Growth					
Net profit growth (%) [4]	(51.4)	102.6	78.0*	10.4*	-
Net new money growth for combined wealth management businesses (%) [5]	3.2	2.0	2.2*	2.5*	3.4*
Resources					
Common equity tier 1 capital ratio (fully applied, %) [6, 7]	14.8	15.3	15.4*	14.2*	12.8*
Going concern leverage ratio (phase-in, %) [8, 9]	5.7				
Additional information					
Profitability					
Return on equity (RoE) (%)	6.3	13.3	11.7*	7.0*	6.7*
Return on risk-weighted assets, gross (%) [10]	13.3	14.8	14.3*	12.6*	11.6*
Resources					
Total assets	935,683	981,891	943,256	1,062,327	1,013,355
Equity attributable to shareholders	53,556	54,126	55,248	52,108	48,002
Common equity tier 1 capital (fully applied) [7]	32,110	33,183	32,042	30,805	28,908
Common equity tier 1 capital (phase-in) [7]	38,994	40,581	41,516	44,090	42,179
Risk-weighted assets (fully applied) [7]	217,297	217,472	208,186*	217,158*	225,153*
Common equity tier 1 capital ratio (phase-in, %) [6, 7]	17.7	18.3	19.5*	19.9*	18.5*
Going concern capital ratio (fully applied, %) [9]	16.5				
Going concern capital ratio (phase-in, %) [9]	23.0				
Common equity tier 1 leverage ratio (fully applied, %) [11]	3.7	3.5	3.6	3.1	2.8
Going concern leverage ratio (fully applied, %) [8, 9]	4.1				
Leverage ratio denominator (fully applied) [11]	877,926	949,548	898,251*	999,124*	1,015,306*
Other					
Invested assets (CHF billion) [12]	2,747	2,577	2,689	2,734	2,390
Personnel (full-time equivalents)	57,012	58,502	58,131*	60,155*	60,205*

* unaudited

1 Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. **2** Operating income before credit loss (expense) or recovery (annualized as applicable) / average total assets. **3** Operating expenses / operating income before credit loss (expense) or recovery. **4** Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period. **5** Net new money growth for combined wealth management businesses is calculated as the aggregate of the net new money for the period (annualized as applicable) of the business divisions Wealth Management and Wealth Management Americas / aggregate invested assets at the beginning of the period of the business divisions Wealth Management and Wealth Management Americas. Net new money and invested assets are each derived from the "Wealth Management" and "Wealth Management Americas" sections of the management report contained in the UBS Group Third Quarter 2016 Report, under "UBS business divisions and Corporate Center", and in the Annual Report 2015, under "Financial and operating performance", respectively. Net new money growth for combined wealth management businesses is based on adjusted net new money, which excludes the negative effect on net new money (third quarter 2015: CHF 3.3 billion; second quarter of 2015: CHF 6.6 billion) in Wealth Management from UBS's balance sheet and capital optimization program. [6] Common equity tier 1 capital / risk-weighted assets. [7] Based on the Basel III framework as applicable to Swiss systemically relevant banks. [8] Going concern capital / leverage ratio denominator. [9] Based on the revised Swiss SRB framework that became applicable on 1 July 2016. Figures for prior periods are not available. [10] Based on fully-applied risk-weighted assets for all periods presented. This unaudited consolidated financial information was taken from the UBS AG Third Quarter 2016 Report and UBS AG Group's accounting records. Figures as of and for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 do not correspond to the figures contained in the Annual Report 2015 or the Annual Report 2014, which were based on phase-in risk-weighted assets. [11] Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. [12] Includes invested assets for Personal & Corporate Banking.

	Material adverse change statement.	There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2015.
	Significant changes in the financial and trading position	Not applicable, there has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 30 September 2016, which is the end of the last financial period for which interim financial information has been published.

3) Summary German Language

(i) in relation to the Base Prospectus dated 11 May 2015 for the issue of Warrants
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(ii) in relation to the Base Prospectus dated 1 June 2015 for the issue of Securities
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(iii) in relation to the Base Prospectus dated 15 December 2015 for the issue of UBS Performance Securities
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(iv) in relation to the Prospectus dated 15 January 2016 for the issuance of UBS China Consumer Basket Certificates (ISIN CH0301001746)
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(v) in relation to the Base Prospectus dated 26 January 2016 for the issue of Warrants
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(vi) in relation to the Base Prospectus dated 26 January 2016 for the issue of Securities
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(vii) in relation to the Prospectus dated 2 February 2016 for the issuance of UBS Broad Peak Developed Markets Basket Certificates (ISIN CH0298156362)
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(viii) in relation to the Base Prospectus dated 30 May 2016 for the issue of Securities
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(ix) in relation to the Base Prospectus dated 30 June 2016 for the Issuance of Fixed Income Securities (Cash)
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(x) in relation to the Prospectus dated 6 July 2016 for the issuance of Gelfarth Select Strategy Certificates (ISIN CH0326223960)
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(xi) in relation to the Base Prospectus dated 21 July 2016 for the issue of Warrants
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(xii) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0)
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(xiii) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UW0KYB4)
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(xiv) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UW0TGC0)
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

(xv) in relation to the Base Prospectus dated 8 September 2016 for the issuance of Securities
in the section
"Summary of the Prospectus (in the German Language)" in the section headed
"Abschnitt B – Emittentin"

the Elements B.4b, B.5 and B.12 are completely replaced as follows:

B.4b	Alle bereits bekannten Trends, die sich auf die Emittentin und die Branchen, in denen sie tätig ist, auswirken.	Trend Informationen Wie in dem Quartalsbericht der UBS Group AG für das dritte Quartal 2016, welcher am 28. Oktober 2016 veröffentlich wurde (der "Bericht zum dritten Quartal 2016"), angegeben, trug die zugrunde liegende makroökonomische und geopolitische Unsicherheit zu anhaltender Risikoaversion der Kunden sowie generell niedrigen Transaktionsvolumen bei. Die Zinsen, die tiefer als erwartet und im negativen Bereich liegen, stellen zudem nach wie vor eine bedeutende Belastung dar. Eine Aufhellung dieser Bedingungen in absehbarer Zukunft ist unwahrscheinlich. Die Umsetzung der neuen Bankkapitalstandards in der Schweiz sowie die angekündigten weiteren Anpassungen des internationalen regulatorischen Rahmens für Banken werden steigende Kapitalanforderungen und Kosten zur Folge haben. UBS ist gut aufgestellt, um diesen Herausforderungen zu begegnen und von einer auch nur moderaten Erholung des Marktumfelds zu profitieren. UBS wird

		ihre Strategie weiterhin diszipliniert umsetzen.
B.5	Beschreibung der Gruppe und der Stellung der Emittenten innerhalb dieser Gruppe	UBS AG ist eine Schweizer Bank und die Holding-Gesellschaft der UBS AG Gruppe. Die UBS Group AG ist die Holding-Gesellschaft der UBS Gruppe und zu 100 Prozent Eigentümerin der UBS AG. Die UBS Gruppe ist als Gruppe mit fünf Unternehmensbereichen (Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management und die Investment Bank) und einem Corporate Center tätig. Während der letzten zwei Jahren hat UBS eine Reihe von Maßnahmen ergriffen, um die Abwicklungsfähigkeit der Gruppe als Reaktion auf die sog. "Too Big To Fail" ("**TBTF**") Anforderungen in der Schweiz und anderen Ländern, in denen die Gruppe tätig ist, zu verbessern. Im Dezember 2014 schloss die UBS Group AG ein Umtauschangebot für die Aktien der UBS AG ab, und die UBS Group AG wurde Holdinggesellschaft der UBS Group. Anschliessend strengte die UBS Group AG im Jahr 2015 ein Verfahren gemäß des Bundesgesetzes über die Börsen und den Effektenhandel an, der zum "Squeeze out" von Minderheitsaktionären der UBS AG führte, mit dem Ergebnis, dass die UBS Group AG nun sämtliche der ausgegebenen Aktien der UBS AG erworben hat. Im Juni 2015 hat UBS AG ihr Retail & Corporate (nunmehr, Personal & Corporate Banking) and Wealth Management Geschäft in der Schweiz an die UBS Switzerland AG, eine Bankgeschäftstochter der UBS AG in der Schweiz, übertragen. Im Jahr 2015 hat UBS auch die Implementierung eines stärker selbstständigen Geschäfts- und Betriebsmodels für UBS Limited, der Investment Banking Tochtergesellschaft der UBS im Vereinigten Königreich, abgeschlossen, unter dem UBS Limited einen größeren Anteil des Risikos und der Prämie an ihren Geschäftsaktivitäten trägt und behält. Im dritten Quartal hat UBS die UBS Business Solutions AG als direkte Tochter der UBS Group AG gegründet, die als Dienstleistungsunternehmen innerhalb der Gruppe fungiert. UBS wird die Rechte an der Mehrheit der jeweils als Tochtergesellschaften bestehenden Dienstleistungs-unternehmen auf diese Gesellschaft übertragen. UBS erwartet, dass die Übertragung der gemeinsamen Service- und Unterstützungsfunktionen auf die Struktur des Dienstleistungsunternehmens in einem gestaffelten Prozess während des Jahres 2018 umgesetzt wird. Der Zweck dieser Struktur ist es, die Abwicklungsfähigkeit der Gruppe zu verbessern indem es UBS ermöglicht wird, die operative Kontinuität der notwendige Dienste aufrecht zu erhalten sollte ein Sanierungs- oder Abwicklungsfall eintreten. UBS AG hat zudem im Jahr 2015 eine neue Tochtergesellschaft, UBS Asset Management AG, gegründet, in die UBS beabsichtigt, die Mehrheit der operativen Tochtergesellschaften der Asset Management während des Jahres 2016 einzubringen. UBS erwägt weiterhin zusätzliche Änderungen an den rechtlichen Einheiten, die von der Asset Management verwendet werden, einschließlich der Übertragung der Aktivitäten, die von der UBS AG in der Schweiz durchgeführt werden, auf eine Tochtergesellschaft der

		UBS Asset Management AG. Im zweiten Quartal 2016 wurde die UBS Americas Holding LLC, eine Tochtergesellschaft der UBS AG, als die dazwischengeschaltete Holding-Gesellschaft für die U.S. Tochtergesellschaften der UBS eingesetzt, wie gemäß den erweiterten aufsichtsrechtlichen Vorschriften gemäß dem Dodd-Frank Act verlangt. Die UBS Americas Holding LLC hält sämtliche US Tochtergesellschaften der UBS und unterliegt den Kapitalanforderungen, Grundsätzen der Unternehmensführung und anderen aufsichtsrechtlichen Vorschriften der Vereinigten Staaten von Amerika. UBS wird auch weiterhin zusätzliche Änderungen an der rechtlichen Struktur der Gruppe erwägen, um so auf Kapital- oder aufsichtsrechtliche Anforderungen reagieren zu können und eine für die Gruppe mögliche Verringerung der Anforderungen in Bezug auf die Verlustabsorptionsfähigkeit zu erreichen. Solche Änderungen können die Übertragung der operativen Tochtergesellschaften der UBS AG zu direkten Tochtergesellschaften der UBS Group AG, die Konsolidierung der operativen Tochtergesellschaften in der Europäischen Union, und Anpassungen der bilanzierenden Einheiten oder der geographischen Ausrichtung von Produkten und Dienstleistungen beinhalten. Diese strukturellen Änderungen werden fortlaufend mit der Eidgenössischen Finanzmarktaufsicht ("**FINMA**") und anderen Aufsichtsbehörden diskutiert und bleiben Gegenstand von Unwägbarkeiten, die die Durchführbarkeit, den Umfang und den zeitlichen Rahmen beeinträchtigen können.
B.12	Ausgewählte wesentliche historische Finanz-informationen	Ausser wenn anders angegeben, stammen die unten aufgeführten ausgewählten konsolidierten Finanzinformationen für die zum 31. Dezember 2015, 2014 und 2013 (Ausnahmen sind angezeigt) endenden Geschäftsjahre aus dem Geschäftsbericht der UBS Group AG und UBS AG zum 31. Dezember 2015, welcher den geprüften konsolidierten Konzernabschluss der UBS AG sowie zusätzliche ungeprüfte konsolidierte Finanzinformationen für das Jahr mit Stand 31. Dezember 2015 und vergleichbare Zahlen für die Jahre mit Stand 31. Dezember 2014 und 2013 enthält. Die ausgewählten konsolidierten Finanzinformationen in der folgenden Tabelle für die neunmonatige Periode endend am 30. September 2016 und am 30. September 2015 stammen aus dem dritten Quartalsbericht 2016 der UBS AG, welcher die ungeprüfte konsolidierte Finanzinformation der UBS AG sowie zusätzlich ungeprüfte konsolidierte Finanzinformationen für die neunmonatige Periode endend am 30. September 2016 und Vergleichszahlen für die neunmonatige Periode endend am 30. September 2015 enthält. Die konsolidierten Abschlüsse wurden in Übereinstimmung mit den International Financial Reporting Standards ("**IFRS**") verfasst, welche von dem International Accounting Standards Board ("**IASB**") veröffentlicht wurden und sind in Schweizer Franken ("**CHF**") ausgewiesen. Die Informationen für die Geschäftsjahre endend am 31. Dezember 2015, 2014 und 2013, welche in der untenstehenden Tabelle mit „nicht geprüft“ gekennzeichnet sind, waren im Jahresabschluss 2015 enthalten, wurden aber nicht geprüft, da die entsprechenden Offenlegungen unter IFRS nicht erforderlich und deshalb nicht Bestandteil des geprüften Jahresabschlusses sind.

	Für die neun Monate endend am oder per		Für das Geschäftsjahr endend am oder per		
Mio. CHF (Ausnahmen sind angegeben)	30.9.16	30.9.15	31.12.15	31.12.14	31.12.13
	ungeprüft		geprüft (Ausnahmen sind angegeben)		
Ergebnisse					
Geschäftsertrag	21.303	23.834	30.605	28.026	27.732
Geschäftsaufwand	17.979	18.655	25.198	25.557	24.461
Ergebnis vor Steuern	3.324	5.179	5.407	2.469	3.272
Den Aktionären zurechenbares Ergebnis	2.568	5.285	6.235	3.502	3.172
Kennzahlen zur Leistungsmessung					
Profitabilität					
Rendite auf Eigenkaptial abzüglich Goodwill und anderer immaterieller Vermögenswerte (%) [1]	7,3	15,4	13,5*	8,2*	8,0*
Rendite auf Aktiven, brutto (%)[2]	2,9	3,2	3,1*	2,8*	2,5*
Verhältnis von Geschäftsaufwand / Geschäftsertrag (%) [3]	84,3	78,1	82,0*	90,9*	88,0*
Wachstum					
Wachstum des Ergebnisses (%) [4]	(51,4)	102,6	78,0*	10,4*	-
Wachstum der Nettoneugelder für die kombinierten Wealth-Management-Einheiten (%) [5]	3,2	2,0	2,2*	2,5*	3,4*
Resourcen					
Harte Kernkapitalquote (CET1) (vollständig umgesetzt, %) [6, 7]	14,8	15,3	15,4*	14,2*	12,8*
Going Concern Leverage Ratio (stufenweise umgesetzt, %) [8, 9]	5,7				
Zusätzliche Informationen					
Profitabilität					
Rendite auf Eigenkapital (RoE) (%)	6,3	13,3	11,7*	7,0*	6,7*
Rendite auf risikogewichteten Aktiven, brutto (%) [10]	13,3	14,8	14,3*	12,6*	11,6*
Ressourcen					
Total Aktiven	935.683	981.891	943.256	1.062.327	1.013.355
Den Aktionären zurechenbares Eigenkapital	53.556	54.126	55.248	52.108	48.002
Hartes Kernkapital (CET1) (vollständig umgesetzt) [7]	32.110	33.183	32.042	30.805	28.908
Hartes Kernkapital (CET1) (stufenweise umgesetzt) [7]	38.994	40.581	41.516	44.090	42.179
Risikogewichtige Aktiven (vollständig umgesetzt) [7]	217.297	217.472	208.186*	217.158*	225.153*
Harte Kernkapitalquote (CET1) (stufenweise umgesetzt; %) [6, 7]	17,7	18,3	19,5*	19,9*	18,5*
Going Concern Kapitalquote (vollständig umgesetzt, %) [9]	16,5				
Going Concern Kapitalquote (stufenweise umgesetzt, %) [9]	23,0				
Harte Kernkapital (CET1) Leverage Ratio (vollständig umgesetzt, %) [11]	3,7	3.5	3,6	3,1	2,8
Going Concern Leverage Ratio (vollständig umgesetzt, %) [8, 9]	4,1				
Leverage Ratio Denominator (vollständig umgesetzt) [11]	877.926	949.548	898.251*	999.124*	1.015.306*
Andere					
Verwaltete Vermögen (Mrd. CHF) [12]	2.747	2.577	2.689	2.734	2.390
Personal (auf Vollzeitbasis)	57.012	58.502	58.131*	60.155*	60.205*

	*ungeprüft. [1] Das den Aktionären zurechenbare Konzernergebnis vor Abschreibungen und Wertminderung auf Goodwill und immaterielle Vermögenswerte (gegebenenfalls annualisiert) / Das den Aktionären zurechenbare durchschnittliche Eigenkapital abzüglich durchschnittlichen Goodwillwerts und der immateriellen Vermögenswerte der UBS AG. [2] Geschäftsertrag vor Wertberichtigungen für Kreditrisiken (gegebenenfalls annualisiert) / Total durchschnittliche Aktiven. [3] Geschäftsaufwand / Geschäftsertrag vor Wertberichtigungen für Kreditrisiken. [4] Veränderung des aktuellen den Aktionären zurechenbaren Konzernergebnisses aus fortzuführenden Geschäftsbereichen in der laufenden Periode im Vergleich zur Referenzperiode / Das den Aktionären zurechenbare Konzernergebnis aus fortzuführenden Geschäftsbereichen in der Referenzperiode. Besitzt keine Aussagekraft und wird nicht ausgewiesen, falls für die laufende Periode oder die Referenzperiode ein Verlust verzeichnet wird. [5] Das Nettoneugeldwachstum für die kombinierten Wealth-Management-Einheiten berechnet sich als Total des Nettoneugelds der Unternehmensbereiche Wealth Management und Wealth Management Americas für die Periode (gegebenenfalls annualisiert) / Gesamte verwaltete Vermögen der Unternehmensbereiche Wealth Management und Wealth Management Americas zum Periodenbeginn. Die Angaben über das Nettoneugeld und die verwalteten Vermögen beruhen auf den Abschnitten "Wealth Management" und "Wealth Management Americas" des Management Reports im Bericht zum dritten Quartal 2016 der UBS Gruppe unter "UBS-Unternehmensbereiche und Corporate Center" bzw. aus dem Abschnitt "Financial and operting Performance" aus dem Geschäftsbericht 2015. Das Nettoneugeld für die kombinierten Wealth-Management-Einheiten basiert auf dem berichtigten Nettoneugeld, das die negative Auswirkung auf das Nettoneugeld (drittes Quartal 2015: CHF 3,3 Milliarden; zweites Quartal 2015: CHF 6,6 Milliarden) von Wealth Management aus dem Bilanz- und Kapitaloptimierungsprogramm nicht berücksichtigt.[6] Hartes Kernkapital (CET1) / Risikogewichtete Aktiven. [7] Basiert auf den Basel-III-Richtlinien, soweit auf schweizer systemrelevante Banken ("SRB") anwendbar.[8] Eigenmittel zur ordentlichen Weiterführung (Going Concern) / Leverage Ratio Denominator. [9] Basiert auf den revidierten Regeln für Schweizer systemrelevante Banken (SRB), die am 1. Juli 2016 in Kraft traten. Zahlen für frühere Perioden sind nicht verfügbar. [10] Basiert auf den vollständig umgesetzten risikogewichteten Aktiven für alle dargestellten Vergleichsperioden. Diese ungeprüften Finanzinformationen wurden dem Bericht zum dritten Quartal 2016 der UBS AG und den Buchführungsunterlagen der UBS AG Gruppe entnommen. Die ausgewiesenen Kennzahlen per 31. Dezember 2015, 31. Dezember 2014 und 31. Dezember 2013 entsprechen nicht den im Geschäftsbericht 2015, die auf den stufenweise umgesetzten risikogewichteten Aktiven beruhten.[11] Die Berechnung erfolgt nach den Regeln für Schweizer SRB. Ab 31. Dezember 2015 wurde die Berechnung des Leverage Ratio Denominators (LRD) an die Basel-III-Regeln angepasst. Die Zahlen für Vergleichsperioden vor dem 31. Dezember 2015 wurden gemäss den früheren Bestimmungen für Schweizer SRB berechnet und sind daher nicht vollständig vergleichbar.[12] Enthält Vermögen unter der Verwaltung von Personal & Corporate Banking.	
	Erklärung hinsichtlich wesentlicher Ver-schlechterung.	Seit dem 31. Dezember 2015 sind keine wesentlichen nachteiligen Veränderungen in den Aussichten der UBS AG oder der UBS AG Gruppe eingetreten.
	Wesentliche Veränderungen in der Finanz-lage oder der Handelsposition.	Entfällt; seit dem 30. September 2016, als Ende des letzten Finanzzeitraums zu dem Finanzinformationen veröffentlicht wurden, sind keine wesentlichen Veränderungen der Finanzlage oder der Handelsposition der UBS AG bzw. UBS AG Gruppe eingetreten.

4) Risk Factors

(i) in relation to the Base Prospectus dated 11 May 2015 for the issue of Warrants

(ii) in relation to the Base Prospectus dated 1 June 2015 for the issue of Securities

(iii) in relation to the Base Prospectus dated 15 December 2015 for the issue of UBS Performance Securities

(iv) in relation to the Base Prospectus dated 26 January 2016 for the issue of Warrants

(v) in relation to the Base Prospectus dated 26 January 2016 for the issue of Securities

(vi) in relation to the Base Prospectus dated 30 May 2016 for the issue of Securities

(vii) and in relation to the Prospectus dated 6 July 2016 for the issuance of Gelfarth Select strategy certificates (ISIN CH0326223960)

(viii) in relation to the Base Prospectus dated 21 July 2016 for the issue of Warrants in the section

(ix) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0)

(x) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UW0KYB4)

(xi) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UW0TGC0)

(xii) in relation to the Base Prospectus dated 8 September 2016 for the issuance of Securities

in the section headed "Risk Factors (in the english language)" in the section headed "Security specific Risks", the risk factor headed "UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Condtions of the Securities do not contain any restrictions on the Issuer's or UBS ability to restructure its business"

and

(xiii) in relation to the Prospectus dated 15 January 2016 for the issuance of Strategay Certificats on UBS China Consumer Basket (ISIN CH0301001746)**,** and

(xiv) in relation to the Prospectus dated 2 February 2016 for the issuance of UBS Broad Peak Developed Markets Basket Certificates (ISIN CH0298156362)

in the section headed "Risk Factors (in the english language)" in the section headed "Security specific Risks", the risk factor headed "The Condtions of the Securities do not contain any restrictions on the Issuer's or UBS ability to restructure its business"

is completely replaced as follows:

"**UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Conditions of the Securities do not contain any restrictions on the Issuer's or UBS's ability to restructure its business**

Over the past two years, UBS has undertaken a series of measures to improve the resolvability of the Group in response to too big to fail ("**TBTF**") requirements in Switzerland and other countries in which the Group operates.

In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG, becoming the holding company for the UBS Group. Subsequently, during 2015, UBS Group AG filed and completed a procedure under the Swiss Stock Exchange and Securities Trading Act to squeeze out minority shareholders of UBS AG, as a result of which UBS Group AG acquired all of the outstanding shares of UBS AG.

In June 2015, UBS AG transferred its Retail & Corporate (now Personal & Corporate Banking) and Wealth Management business booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland.

In 2015, UBS also completed the implementation of a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK, under which UBS Limited bears and retains a larger proportion of the risk and reward in its business activities.

In the third quarter of 2015, UBS established UBS Business Solutions AG as a direct subsidiary of UBS Group AG to act as the Group service company. UBS will transfer the ownership of the majority of its existing service subsidiaries to this entity. UBS expects that the transfer of shared service and support functions into the service company structure will be implemented in a staged approach through 2018. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.

In 2015, UBS has also established a new subsidiary of UBS AG, UBS Asset Management AG, into which UBS expects to transfer the majority of the operating subsidiaries of Asset Management during 2016. UBS continues to consider further changes to the legal entities used by Asset Management, including the transfer of operations conducted by UBS AG in Switzerland into a subsidiary of UBS Asset Management AG.

In the second quarter of 2016, UBS Americas Holding LLC, a subsidiary of UBS AG, has been designated as the intermediate holding company for UBS's US subsidiaries as required under the enhanced prudential standards regulations pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**"). UBS Americas Holding LLC holds all of UBS's US subsidiaries and is subject to US capital requirements, governance requirements and other prudential regulation.

UBS continues to consider further changes to the Group's legal structure in response to capital and other regulatory requirements, and in order to obtain any rebate in total loss-absorbing capacity requirements for which the Group may be eligible. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, consolidation of operating subsidiaries in the European Union, and adjustments to the booking entity or location of products and services. These structural changes are being discussed on an ongoing basis with FINMA and other regulatory authorities, and remain subject to a number of uncertainties that may affect their feasibility, scope or timing.

The Conditions of the Securities contain no restrictions on change of control events or structural changes, such as consolidations or mergers or demergers of the Issuer or the sale, assignment, spinoff, contribution, distribution, transfer or other disposal of all or any portion of the Issuer's or its subsidiaries' properties or assets in connection with the announced changes to its legal structure or otherwise and no event of default, requirement to repurchase the Securities or other event will be triggered under the Conditions of the Securities as a result of such changes. There can be no assurance that such changes, should they occur, would not adversely affect the credit rating of the Issuer and/or increase the likelihood of the occurrence of an event of default. Such changes, should they occur, may adversely affect the Issuer's ability to redeem or pay interest on the Securities and/or lead to circumstances in which the Issuer may elect to cancel such interest (if applicable)."

(i) in relation to the Base Prospectus dated 11 May 2015 for the issue of Warrants

(ii) in relation to the Base Prospectus dated 1 June 2015 for the issue of Securities

(iii) in relation to the Base Prospectus dated 15 December 2015 for the issue of UBS Performance Securities

(iv) in relation to the Base Prospectus dated 26 January 2016 for the issue of Warrants

(v) in relation to the Base Prospectus dated 26 January 2016 for the issue of Securities

(vi) in relation to the Base Prospectus dated 30 May 2016 for the issue of Securities

(vii) in relation to the Base Prospectus dated 21 July 2016 for the issue of Warrants in the section

(viii) in relation to the Base Prospectus dated 8 September 2016 for the issuance of Securities

in the section headed "Risk Factors (in the german language)" in the section headed "Security specific Risks", the risk factor headed "Angesichts regulatorischer Entwicklungen und Anforderungen hat die UBS ihre Absicht bestimmte strukturelle Änderungen vorzunehmen bekannt gemacht und die Bedingungen der Wertpapiere enthalten keine Beschränkungen der Fähigkeit der Emittentin oder von UBS, ihr Geschäft neu zu strukturieren" is completely replaces as follows:

"Angesichts regulatorischer Entwicklungen und Anforderungen hat die UBS ihre Absicht bestimmte strukturelle Änderungen vorzunehmen bekannt gemacht und die Bedingungen der Wertpapiere enthalten keine Beschränkungen der Fähigkeit der Emittentin oder von UBS, ihr Geschäft neu zu strukturieren

Während den letzten zwei Jahren hat UBS eine Reihe von Maßnahmen ergriffen, um die Abwicklungsfähigkeit der Gruppe als Reaktion auf die sog. "Too Big To Fail" ("**TBTF**") Anforderungen in der Schweiz und anderen Ländern, in denen die Gruppe tätig ist, zu verbessern.

Im Dezember 2014 schloss die UBS Group AG ein Umtauschangebot für die Aktien der UBS AG ab, und die UBS Group AG wurde Holdinggesellschaft der UBS Group. Anschliessend strengte die UBS Group AG im Jahr 2015 ein Verfahren gemäß des Bundesgesetzes über die Börsen und den Effektenhandel an, der zum "Squeeze out" von Minderheitsaktionären der UBS AG führte, mit dem Ergebnis, dass die UBS Group AG nun sämtliche der ausgegebenen Aktien der UBS AG erworben hat.

Im Juni 2015 hat UBS AG ihr Retail & Corporate (nunmehr, Personal & Corporate Banking) and Wealth Management Geschäft in der Schweiz an die UBS Switzerland AG, eine Bankgeschäftstochter der UBS AG in der Schweiz, übertragen.

Im Jahr 2015 hat UBS auch die Implementierung eines stärker selbstständigen Geschäfts- und Betriebsmodels für UBS Limited, der Investment Banking Tochtergesellschaft der UBS im Vereinigten Königreich, abgeschlossen, unter dem UBS Limited einen größeren Anteil des Risikos und der Prämie an ihren Geschäftsaktivitäten trägt und behält.

Im dritten Quartal hat UBS die UBS Business Solutions AG als direkte Tochter der UBS Group AG gegründet, die als Dienstleistungsunternehmen innerhalb der Gruppe fungiert. UBS wird die Rechte an der Mehrheit der jeweils als Tochtergesellschaften bestehenden Dienstleistungs-unternehmen auf diese Gesellschaft übertragen. UBS erwartet, dass die Übertragung der gemeinsamen Service- und Unterstützungsfunktionen auf die Struktur des Dienstleistungsunternehmens in einem gestaffelten Prozess während des Jahres 2018 umgesetzt wird. Der Zweck dieser Struktur ist es, die Abwicklungsfähigkeit der Gruppe zu verbessern indem es UBS ermöglicht wird, die operative Kontinuität der notwendige Dienste aufrecht zu erhalten sollte ein Sanierungs- oder Abwicklungsfall eintreten.

UBS AG hat zudem im Jahr 2015 eine neue Tochtergesellschaft, UBS Asset Management AG, gegründet, in die UBS beabsichtigt, die Mehrheit der operativen Tochtergesellschaften der Asset Management während des Jahres 2016 einzubringen. UBS erwägt weiterhin zusätzliche Änderungen an den rechtlichen Einheiten, die von der Asset Management verwendet werden, einschließlich der Übertragung der Aktivitäten, die von der UBS AG in der Schweiz durchgeführt werden, auf eine Tochtergesellschaft der UBS Asset Management AG.

Im zweiten Quartal 2016 wurde die UBS Americas Holding LLC, eine Tochtergesellschaft der UBS AG, als die dazwischengeschaltete Holding-Gesellschaft für die U.S. Tochtergesellschaften der UBS eingesetzt, wie gemäß den erweiterten aufsichtsrechtlichen Vorschriften gemäß dem Dodd-Frank Act verlangt. Die UBS Americas Holding LLC hält sämtliche US Tochtergesellschaften der UBS und unterliegt den Kapitalanforderungen, Grundsätzen der Unternehmensführung und anderen aufsichtsrechtlichen Vorschriften der Vereinigten Staaten von Amerika.

UBS wird auch weiterhin zusätzliche Änderungen an der rechtlichen Struktur der Gruppe erwägen, um so auf Kapital- oder aufsichtsrechtliche Anforderungen reagieren zu können und eine für die Gruppe mögliche Verringerung der Anforderungen in Bezug auf die Verlustabsorptionsfähigkeit zu erreichen. Solche Änderungen können die Übertragung der operativen Tochtergesellschaften der UBS AG zu direkten Tochtergesellschaften der UBS Group AG, die Konsolidierung der operativen Tochtergesellschaften in der Europäischen Union, und Anpassungen der bilanzierenden Einheiten oder der geographischen Ausrichtung von Produkte und Dienstleistungen beinhalten. Diese strukturellen Änderungen werden fortlaufend mit der Eidgenössischen Finanzmarktaufsicht ("**FINMA**") und anderen Aufsichtsbehörden diskutiert und bleiben Gegenstand von Unwägbarkeiten, die die Durchführbarkeit, den Umfang und den zeitlichen Rahmen beeinträchtigen können.

Die Bedingungen der Wertpapiere enthalten keine Beschränkungen zu Kontrollwechseln oder strukturellen Änderungen, wie gesellschaftsrechtliche Konsolidierung oder Verschmelzung oder Abspaltung der Emittentin oder Verkauf, Abtretung, Ausgliederung, Beteiligung, Ausschüttung, Übertragung oder Veräußerung von Teilen oder der Gesamtheit des Eigentums oder der Vermögenswerte der Emittentin oder eines mit ihr verbundenen Unternehmens im Zusammenhang mit angekündigten Änderungen ihrer rechtlichen Struktur oder Ähnlichem und aufgrund solcher Änderungen wird kein Kündigungsgrund, kein Erfordernis zum Rückkauf der Wertpapiere oder kein sonstiges Ereignis unter den Bedingungen der Wertpapiere ausgelöst. Es kann keine Gewähr dafür übernommen werden, dass solche Änderungen, sollten sie eintreten, das Rating der Emittentin nicht nachteilig beeinträchtigen und/oder die Wahrscheinlichkeit des Eintritts eine Nichterfüllung ihrer Verpflichtungen erhöhen. Es kann keine Gewähr dafür übernommen werden, dass solche Änderungen, sollten sie eintreten, das Rating der Emittentin nicht nachteilig beeinträchtigen und/oder ihre Fähigkeiten ihren Verpflichtungen unter den Wertpapieren nachzukommen, beeinflussen. Solche Änderungen, sollten sie eintreten, könnten die Fähigkeit der Emittentin zur Rückzahlung bzw. zur Zinszahlung auf die Wertpapiere negativ beeinflussen und/oder zu Umständen führen, in denen sich die Emittint entschliessen könnte Zinszahlung zu streichen (falls anwendbar)."

5) Miscellaneous

(i) in relation to the Base Prospectus dated 11 May 2015 for the issue of Warrants

(a) On page 84 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016, which is incorporated by reference into this Base Prospectus."

(b) On page 500 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016. The Registration Document is incorporated by reference into, and forms part of this Base Prospectus."

(c) On page 502 in the section headed "6. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016 Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016,."

(d) On page 502 in the section headed "7. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016, and Supplement No. 4 dated 18 November 2016,"

(ii) in relation to the Base Prospectus dated 1 June 2015 for the issue of Securities

(a) On page 222 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016 Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 which is incorporated by reference into this Base Prospectus."

(b) On page 893 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016. The Registration Document is incorporated by reference into, and forms part of this Base Prospectus."

(c) On page 895 in the section headed "6. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG 24 February 2016, as supplemented by as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(d) On page 896 in the section headed "7. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(iii) in relation to the Base Prospectus dated 15 December 2015 for the issue of UBS Performance Securities

(a) On page 61 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 which is incorporated by reference into this Base Prospectus."

(b) On page 461 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016. The Registration Document is incorporated by reference into, and forms part of this Base Prospectus."

(c) On page 464 in the section headed "6. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(d) On page 464 in the section headed "7. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(iv) in relation to the Prospectus comprising the Summary and Securities Note dated 15 January 2016 for the issuance of UBS China Consumer Basket Certificates (ISIN CH0301001746)

(a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(b) On page 106 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(c) On page 106 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(v) in relation to the Base Prospectus dated 26 January 2016 for the issuance of Securities

(a) On page 227 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016, which is incorporated by reference into this Base Prospectus."

(b) On page 905 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016, is incorporated by reference into, and forms part of this Base Prospectus."

(c) On page 908 in the section headed "6. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(d) On page 909 in the section headed "7. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(vi) in relation to the Base Prospectus dated 26 January 2016 for the issuance of Warrants

(a) On page 87 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016, which is incorporated by reference into this Base Prospectus."

(b) On page 509 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016, and is incorporated by reference into, and forms part of this Base Prospectus."

(c) On page 512 in the section headed "6. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(d) On page 512 in the section headed "7. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(vii) in relation to the Prospectus comprising the Summary and Securities Note dated 2 February 2016 for the issuance of UBS Broad Peak Developed Markets Basket Certificates (ISIN CH0298156362)

(a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated

2 May 2016, Supplement No. 2 dated 24 May2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(b) On page 105 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(c) On page 105 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(viii) in relation to the Prospectus comprising the Summary and Securities Note dated 6 Juli 2016 for the issuance of Gelfarth Select Strategy Certificates (ISIN CH0326223960)

(a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(b) On page 111 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(c) On page 111 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(ix) in relation to the Base Prospectus dated 30 May 2016 for the issuance of Securities

(a) On page 124 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016, which is incorporated by reference into this Base Prospectus."

(b) On page 586 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016, is incorporated by reference into, and forms part of this Base Prospectus."

(c) On page 589 in the section headed "6. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(d) On page 589 in the section headed "7. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(x) in relation to the Base Prospectus dated 30 June 2016 for the issue of Fixed Income Securities (Cash)

(a) On page 62 in the section headed "A. Risk Factors Relating to the Issuer" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "III. Risk Factors" in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (and as further supplemented from time to time), as incorporated by reference into this Base Prospectus."

(b) on page 225 in the section headed "Incorporation by Reference" the first row of the table shall be replaced by the following:

Document	Referred to in	Information	Place of Publication
Registration Document dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**")	- Risk Factors relating to the Issuer, page 62 - Description of UBS AG, page 224	- II. Statutory Auditors to Appendix 2 - Annual Report 2014 as at 31 December 2014 (pages 4 (including) to H-1 (excluding)	http://keyinvest-de.ubs.com/basisprospekte

(c) furthermore, on page 225 the following colume is added below the columne referring to Supplement No. 3 dated 25 August 2016: "Supplement No. 3 to the Registration Document dated 24 May 2016":

Supplement No. 4 dated 18 November 2016	- Risk Factors relating to the Issuer, page 62 - Description of UBS AG, page 224	- 1) Registration Document to Appendix II – Appendix 10 to the Registration Document: The second quarter Report of UBS AG	http://keyinvest-de.ubs.com/basisprospekte

(xi) in relation to the Base Prospectus dated 21 Juli 2016 for the issuance of Warrants

(a) On page 84 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016, which is incorporated by reference into this Base Prospectus."

(b) On page 509 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016,Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016, is incorporated by reference into, and forms part of this Base Prospectus."

(c) On page 512 in the section headed "6. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(d) On page 512 in the section headed "7. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(xii) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0)

(a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(b) On page 114 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(c) On page 114 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(xiii) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UW0KYB4)

(a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(b) On page 114 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(c) On page 114 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(xiv) in relation to the prospectus comprising the Summary and Securities Note dated 5 September 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UW0TGC0)

(a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(b) On page 114 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25

August 2016 and Supplement No. 4 dated 18 November 2016 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(c) On page 114 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(xv) in relation to the Base Prospectus dated 8 September 2016 for the issuance of Securities

(a) On page 193 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016, which is incorporated by reference into this Base Prospectus."

(b) On page 873 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016,Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016, is incorporated by reference into, and forms part of this Base Prospectus."

(c) On page 876 in the section headed "6. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

(d) On page 877 in the section headed "7. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 24 February 2016, as supplemented by Supplement No. 1 dated 2 May 2016, Supplement No. 2 dated 24 May 2016, Supplement No. 3 dated 25 August 2016 and Supplement No. 4 dated 18 November 2016;"

ADDRESS LIST

ISSUER

Registered head Office

UBS AG
Bahnhofstrasse 45
8001 Zurich
Switzerland

UBS AG
Aeschenvorstadt 1
4051 Basle
Switzerland

Executive Office of
UBS AG, Jersey Branch

UBS AG, Jersey Branch
24 Union Street
St. Helier JE2 3RF
Jersey
Channel Islands

Executive Office of
UBS AG, London Branch

UBS AG, London Branch
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

The Registration Document dated 24 February 2016,

the Base Prospectus dated 11 May 2015 for the issue of Warrants,

the Base Prospectus dated 1 June 2015 for the issue of Securities,

the Base Prospectus dated 15 December 2015 for the issue of UBS Performance Securities,

the tripartite Prospectus comprising the Summary and Securities Note dated 15 January 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of UBS China Consumer Basket Certificates (ISIN CH0301001746),

the Base Prospectus dated 26 January 2016 for the issue of Warrants,

the Base Prospectus dated 26 January 2016 for the issue of Securities,

the tripartite Prospectus comprising the Summary and Securities Note dated 2 February 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of UBS Broad Peak Developed Markets Basket Certificates (ISIN CH0298156362),

the Base Prospectus dated 30 May 2016 for the issue of Securities,

the Base Prospectus dated 30 June 2016 for the Issuance of Fixed Income Securities (Cash),

the tripartite Prospectus comprising the Summary and Securities Note dated 6 July 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of Gelfarth Select Strategy Certificates (ISIN CH0326223960),

the Base Prospectus dated 21 July 2016 for the issue of Warrants,

the tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of LGT Equity Top Picks Basket Certificates (EUR) (ISIN DE000UW1A1L0),

the tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of LGT Equity Top Picks Basket Certificates (CHF) (ISIN DE000UW0KYB4),

the tripartite Prospectus comprising the Summary and Securities Note dated 5 September 2016 and the Registration Document of UBS AG dated 24 February 2016 for the issuance of LGT Equity Top Picks Basket Certificates (USD) (ISIN DE000UW0TGC0), and

the Base Prospectus dated 8 September 2016 for the issue of Securities,

and all supplements thereto, shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document and are published on the website http://keyinvest-de.ubs.com/basisprospekte or any successor address notified by the Issuer to the Securityholders for this purpose by way of publication on www.ubs.com/keyinvest.

In addition, the annual and quarterly financial reports of UBS AG and UBS Group AG are published on UBS's website, at www.ubs.com/investors or any successor address notified by the Issuer to the Securityholders for this purpose by way of publication on www.ubs.com.

APPENDIX I

APPENDIX 12 to the Registration Document

Third quarter 2016 report of UBS Group AG as at 30 September 2016

Our financial results

Third quarter 2016 report

intentionally left blank

Corporate calendar UBS Group AG

Publication of the fourth quarter 2016 earnings release:	Friday, 27 January 2017
Publication of the Annual Report 2016:	Friday, 10 March 2017
Publication of the first quarter 2017 report:	Friday, 28 April 2017

Corporate calendar UBS AG*

Publication of the third quarter 2016 report:	Wednesday, 2 November 2016

* Publication dates of further quarterly and annual reports and results will be made available as part of the corporate calendar of UBS AG at www.ubs.com/investors

Contacts

Switchboards
For all general inquiries.
Zurich +41-44-234 1111
London +44-20-7567 8000
New York +1-212-821 3000
Hong Kong +852-2971 8888
www.ubs.com/contact

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

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
Fax (Zurich) +41-44-234 3415

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 the global 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 | SAP-No. 80834E-1603

Printed in Switzerland on chlorine-free paper with mineral oil-reduced inks. Paper production from socially responsible and ecologically sound forestry practices.

MIX Paper from responsible sources FSC® C022369 www.fsc.org

ClimatePartner climate neutral
Print | ID 11020-1610-1003

UBS Group key figures

CHF million, except where indicated	As of or for the quarter ended 30.9.16	30.6.16	31.12.15	30.9.15	As of or year-to-date 30.9.16	30.9.15
Group results						
Operating income	7,029	7,404	6,775	7,170	21,266	23,829
Operating expenses	6,152	5,915	6,541	6,382	17,922	18,575
Operating profit / (loss) before tax	877	1,489	234	788	3,344	5,254
Net profit / (loss) attributable to shareholders	827	1,034	949	2,068	2,568	5,255
Diluted earnings per share (CHF)[1]	0.22	0.27	0.25	0.54	0.67	1.40
Key performance indicators[2]						
Profitability						
Return on tangible equity (%)	7.3	8.9	8.1	18.3	7.4	15.7
Return on assets, gross (%)	2.9	3.0	2.8	3.0	2.9	3.2
Cost / income ratio (%)	87.5	79.8	95.7	88.7	84.2	77.8
Growth						
Net profit growth (%)	(60.0)	(14.5)	10.6	171.4	(51.1)	101.4
Net new money growth for combined wealth management businesses (%)[3]	2.1	1.7	2.9	0.8	3.2	2.0
Resources						
Common equity tier 1 capital ratio (fully applied, %)[4]	14.0	14.2	14.5	14.3	14.0	14.3
Going concern leverage ratio (phase-in, %)[5]	6.2				6.2	
Additional information						
Profitability						
Return on equity (RoE) (%)	6.2	7.7	6.9	15.9	6.3	13.6
Return on risk-weighted assets, gross (%)[6]	13.1	13.9	12.9	13.5	13.3	14.9
Resources						
Total assets	935,206	989,397	942,819	979,746	935,206	979,746
Equity attributable to shareholders	53,300	52,876	55,313	54,077	53,300	54,077
Common equity tier 1 capital (fully applied)[4]	30,254	30,264	30,044	30,948	30,254	30,948
Common equity tier 1 capital (phase-in)[4]	37,207	37,064	40,378	40,488	37,207	40,488
Risk-weighted assets (fully applied)[4]	216,830	213,840	207,530	216,314	216,830	216,314
Common equity tier 1 capital ratio (phase-in, %)[4]	16.9	17.1	19.0	18.3	16.9	18.3
Going concern capital ratio (fully applied, %)[5]	18.0				18.0	
Going concern capital ratio (phase-in, %)[5]	24.8				24.8	
Common equity tier 1 leverage ratio (fully applied, %)[7]	3.4	3.4	3.3	3.3	3.4	3.3
Going concern leverage ratio (fully applied, %)[5]	4.4				4.4	
Leverage ratio denominator (fully applied)[7]	877,313	898,195	897,607	946,476	877,313	946,476
Liquidity coverage ratio (%)[8]	124	133	124	121	124	121
Other						
Invested assets (CHF billion)[9]	2,747	2,677	2,689	2,577	2,747	2,577
Personnel (full-time equivalents)	59,946	60,093	60,099	60,088	59,946	60,088
Market capitalization[10]	50,941	48,398	75,147	69,324	50,941	69,324
Total book value per share (CHF)[10]	14.37	14.27	14.75	14.41	14.37	14.41
Tangible book value per share (CHF)[10]	12.66	12.54	13.00	12.69	12.66	12.69

1 Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Consolidated financial statements" section of this report for more information. 2 Refer to the "Measurement of performance" section of our Annual Report 2015. 3 Based on adjusted net new money, which excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion, second quarter of 2015: CHF 6.6 billion) in Wealth Management from our balance sheet and capital optimization program. 4 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 5 Based on the revised Swiss SRB framework that became effective on 1 July 2016. Refer to the "UBS Group key figures" table in our previous quarterly reports for more information on total capital ratios and leverage ratios under the former Swiss SRB framework. 6 Based on fully applied risk-weighted assets. 7 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. 8 Refer to the "Balance sheet, liquidity and funding management" section of this report for more information. Figures represent a 3-month average. 9 Includes invested assets for Personal & Corporate Banking. 10 Refer to the "UBS shares" section of this report for more information.

UBS Group

Management report

Terms used in this report, unless the context requires otherwise

"UBS," "UBS Group," "UBS Group AG (consolidated)," "Group," "the Group," "we," "us" and "our"	UBS Group AG and its consolidated subsidiaries
"UBS AG (consolidated)"	UBS AG and its consolidated subsidiaries
"UBS Group AG" and "UBS Group AG (standalone)"	UBS Group AG on a standalone basis
"UBS AG" and "UBS AG (standalone)"	UBS AG on a standalone basis
"UBS Switzerland AG"	UBS Switzerland AG on a standalone basis
"UBS Limited"	UBS Limited on a standalone basis

Recent developments

Key financial reporting changes

Legal entity financial and regulatory information

Starting with this report, we have made the following changes to our disclosures:

- Legal entity financial and regulatory information for UBS Group AG (standalone), UBS Switzerland AG (standalone) and UBS Limited (standalone) is no longer included in our quarterly reports, but will be available under "Disclosures for legal entities" at *www.ubs.com/investors*.
- Legal entity financial and regulatory information for UBS AG (standalone) will be provided in the UBS AG quarterly reports under "Quarterly reporting" at *www.ubs.com/investors*.
- We will provide selected financial and regulatory information on a consolidated basis for UBS Americas Holding LLC, our recently established intermediate holding company for our US subsidiaries, under "Disclosures for legal entities" at *www.ubs.com/investors*.

Revised capital and leverage ratio requirements for Swiss systemically relevant banks

On 1 July 2016, a revised regulatory framework, which reflects amendments to the Swiss too big to fail (TBTF) provisions and is applicable to Swiss systemically relevant banks (SRB), became effective. This framework will be transitioned in until 1 January 2020 and contains going concern and gone concern requirements, which together represent the total loss-absorbing capacity (TLAC) requirements. These requirements are applicable to UBS Group, UBS AG (consolidated) and UBS Switzerland AG (standalone). We have adapted our disclosures in the "Capital management" section of this report accordingly.

Other financial reporting changes

In the third quarter of 2016, we transferred the Risk Exposure Management function from Corporate Center – Non-core and Legacy Portfolio to Corporate Center – Group Asset and Liability Management.

➔ Refer to the "Corporate Center – Group Asset and Liability Management" section and to "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information

Regulatory and legal developments

Swiss Federal Council proposes tax law amendment related to treatment of interest payments for TLAC-eligible instruments

The Swiss Federal Council has initiated work on possible amendments to tax law intended to mitigate the adverse impact on bank holding companies from issuing contingent convertible bonds, write-off bonds and bail-in bonds eligible for meeting TLAC requirements. The proposed changes are intended to permit holding companies of systemically important banking groups, such as UBS Group, to issue debt instruments directly out of the holding company as required by the international capital framework and the Swiss Capital Adequacy Ordinance, without an adverse tax effect arising from a reduction of the participation relief under Swiss tax law.

FINMA launches consultations on revision of Swiss Banking Insolvency Ordinance

In September 2016, the Swiss Financial Market Supervisory Authority (FINMA) launched a consultation on revisions to the Banking Insolvency Ordinance, which governs restructuring proceedings and bankruptcy proceedings for Swiss banking institutions. The draft includes provisions on the requirement for banks to include in financial contracts that are subject to foreign laws or foreign places of jurisdiction, contractual acknowledgment of FINMA's ability to temporarily postpone exercise of remedies against banks. Such postponement is intended to ensure the continuation of key contractual relationships without interruption in crisis situations. Regulatory authorities in the UK, France, Germany, Japan, Switzerland and the US have adopted or proposed similar requirements to increase legal certainty in cross-border bank resolutions. Implementation of these requirements is likely to require us to amend the terms of a significant number of trading agreements.

UK referendum on EU membership

Following the outcome of the June 2016 referendum on the UK's membership in the EU, UK Prime Minister Theresa May confirmed on 2 October that the UK government will invoke Article 50 of the Lisbon Treaty by no later than the end of March 2017. This will trigger a two-year period during which the UK will negotiate its withdrawal agreement with the EU. Barring any changes to this time schedule, the UK is expected to leave the EU in early 2019. The nature of the UK's future relationship with the EU remains unclear.

Any future limitations on providing financial services into the EU from our UK operations could require us to make potentially significant changes to our operations in the UK and our legal structure. We are evaluating the potential effects of a UK exit from the EU and potential mitigating actions, although the effects and actions may vary considerably depending on the timing of withdrawal and the nature of any transition or successor arrangements.

Application of MiFID II/MiFIR delayed until January 2018

The EU Markets in Financial Instruments Directive II and Regulation package (MiFID II/MiFIR) came into force in July 2014. The bulk of the requirements were intended to become applicable on 3 January 2017, with transitional provisions in several areas. However, taking into account the significant technical implementation challenges faced by regulators and market participants, the application date has been postponed to 3 January 2018.

MiFID II/MiFIR will affect many areas of UBS's business in the Investment Bank, Wealth Management, Asset Management and Personal & Corporate Banking businesses. UBS has a Group-wide implementation program in place for MiFID II/MiFIR.

US Federal Reserve Board proposals to revise CCAR

Federal Reserve Governor Tarullo announced in a recent speech that the Federal Reserve Board may revise the Comprehensive Capital Analysis and Review (CCAR) process and make various changes to the modeling assumptions used in the CCAR scenarios. The revised CCAR process would, among other things, require a stress capital buffer determined every year for each firm by the maximum decline in capital under the severely adverse scenario in the stress test.

The Federal Reserve Board in parallel issued a notice of proposed rulemaking to modify its capital plan and stress testing rules forming part of its CCAR. The proposed rule would decrease the amount of capital any firm subject to the quantitative requirements of CCAR can distribute to shareholders outside of an approved capital plan without seeking prior approval from the Federal Reserve Board from 1% to 0.25%. The proposed rule would also eliminate the Federal Reserve Board's qualitative assessment for certain firms deemed non-complex.

UBS Americas Holding LLC will be subject to the US CCAR process as of 2017 and would be subject to the proposed reduced exemption threshold with regard to capital distributions, if adopted. We expect that a stress capital buffer would be applicable if the Federal Reserve Board so modifies its CCAR process.

US tax regulations on the treatment of intercompany debt

In October 2016, the Treasury Department and the Internal Revenue Service released final and temporary regulations that address whether certain instruments between related parties are treated as debt or equity for US tax purposes. The final regulations relax some of the rule changes contained in the proposed regulations that were issued earlier this year.

Effective for any debt issued on or after 1 January 2018, the final regulations provide for the automatic recharacterization as equity any debt instrument issued by a US corporation to a related non-US corporation if the debt instrument is not properly documented as such and supported by written documentation reflecting the basis for the lender's reasonable expectation that the borrower would make all interest and principal payments. The effect of recharacterization on such instruments is non-deductibility coupled with an additional US tax imposed at source with respect to payments on such instruments that are treated as dividends. While the impact of the regulations on UBS is currently subject to review, the initial assessment suggests that the final regulations are not expected to have a significant impact on our US operations.

Implementation of margin requirements for non-cleared OTC derivatives

The G20 commitments on derivatives require the implementation of mandatory initial and variation margin for OTC derivative transactions that are not cleared through a central counterparty.

Mandatory margin requirements were to be phased in from 1 September 2016, with counterparties transacting the largest volumes of OTC derivatives subject to the requirements first. The US and Japan have met the original global timetable, while the EU, Switzerland, Australia, Hong Kong and Singapore have delayed their implementation of the requirements, in part due to delays in the completion of relevant rulemaking.

Implementation of the mandatory margining for non-cleared OTC derivatives requires significant changes to collateral agreements with affected counterparties and our clients' operational processes. Delays in completion of rulemaking have affected and may continue to affect our ability to implement required documentation and operational processes with counterparties, which may limit our and other dealers' ability to transact with clients. Discrepancies in implementation dates in different jurisdictions may result in market dislocation and additional implementation challenges.

Basel Committee on Banking Supervision consultation on the Basel III regulatory capital treatment of accounting provisions

In October 2016, the Basel Committee on Banking Supervision (BCBS) issued a consultative document and a discussion paper on the Basel III regulatory capital treatment of accounting provisions. This follows the publication by the International Accounting Standards Board (IASB) of IFRS 9, Financial Instruments, which replaces the current incurred loss model with an expected credit loss model. UBS will adopt IFRS 9 for these aspects on its effective date 1 January 2018.

The BCBS proposes to retain for an interim period the current regulatory treatment of provisions, under which the impact on common equity tier 1 capital is limited to the extent IFRS 9 expected credit losses exceed the current regulatory expected loss, and is considering the adoption of transitional arrangements. The BCBS discussion paper sets out longer term options that include retaining the current regulatory approach and introducing an expected credit loss component to the standardized regulatory approach. The consultation period is open until January 2017.

Group performance

Income statement

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Net interest income	**1,775**	1,164	1,846	52	(4)	4,652	4,973
Credit loss (expense) / recovery	**(4)**	(7)	(28)	(43)	(86)	(13)	(58)
Net interest income after credit loss expense	**1,771**	1,158	1,817	53	(3)	4,638	4,915
Net fee and commission income	**4,056**	4,087	4,111	(1)	(1)	12,236	12,921
Net trading income	**1,098**	1,891	1,063	(42)	3	4,002	4,844
of which: net trading income excluding own credit	***1,098***	*1,891*	*1,031*	*(42)*	*6*	*4,002*	*4,327*
of which: own credit on financial liabilities designated at fair value			*32*				*518*
Other income	**104**	269	179	(61)	(42)	390	1,148
Total operating income	**7,029**	7,404	7,170	(5)	(2)	21,266	23,829
of which: net interest and trading income	***2,873***	*3,055*	*2,909*	*(6)*	*(1)*	*8,653*	*9,817*
Personnel expenses	**3,942**	3,985	3,841	(1)	3	11,852	12,138
General and administrative expenses	**1,939**	1,666	2,285	16	(15)	5,269	5,694
Depreciation and impairment of property, equipment and software	**248**	240	230	3	8	731	660
Amortization and impairment of intangible assets	**23**	24	25	(4)	(8)	70	84
Total operating expenses	**6,152**	5,915	6,382	4	(4)	17,922	18,575
Operating profit / (loss) before tax	**877**	1,489	788	(41)	11	3,344	5,254
Tax expense / (benefit)	**49**	376	(1,295)	(87)		695	(182)
Net profit / (loss)	**829**	1,113	2,083	(26)	(60)	2,649	5,437
Net profit / (loss) attributable to non-controlling interests	**1**	79	14	(99)	(93)	81	182
Net profit / (loss) attributable to shareholders	**827**	**1,034**	**2,068**	**(20)**	**(60)**	**2,568**	**5,255**

Comprehensive income

Total comprehensive income	**191**	1,558	3,475	(88)	(95)	2,099	4,617
Total comprehensive income attributable to non-controlling interests	**7**	407	116	(98)	(94)	364	45
Total comprehensive income attributable to shareholders	**184**	**1,151**	**3,360**	**(84)**	**(95)**	**1,734**	**4,572**

Performance by business division and Corporate Center unit – reported and adjusted[1,2]

	For the quarter ended 30.9.16								
CHF million	Wealth Manage-ment	Wealth Manage-ment Americas	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	CC – Services[3]	CC – Group ALM	CC – Non-core and Legacy Portfolio	UBS
Operating income as reported	1,809	1,938	995	481	1,796	(66)	30	46	7,029
of which: gains related to investments in associates			*21*						*21*
Operating income (adjusted)	1,809	1,938	974	481	1,796	(66)	30	46	7,008
Operating expenses as reported	1,305	1,618	542	377	1,635	152	0	523	6,152
of which: personnel-related restructuring expenses[5]	*28*	*1*	*0*	*9*	*60*	*159*	*0*	*0*	*257*
of which: non-personnel-related restructuring expenses[5]	*10*	*0*	*0*	*2*	*3*	*173*	*0*	*0*	*187*
of which: restructuring expenses allocated from CC – Services[5]	*101*	*37*	*40*	*24*	*118*	*(327)*	*0*	*7*	*0*
Operating expenses (adjusted)	1,166	1,580	501	343	1,454	148	0	516	5,708
of which: expenses for provisions for litigation, regulatory and similar matters	*(2)*	*9*	*(3)*	*2*	*2*	*2*	*0*	*408*	*419*
Operating profit / (loss) before tax as reported	**504**	**320**	**453**	**104**	**161**	**(218)**	**30**	**(477)**	**877**
Operating profit / (loss) before tax (adjusted)	**643**	**358**	**473**	**138**	**342**	**(214)**	**30**	**(470)**	**1,300**

	For the quarter ended 30.6.16								
CHF million	Wealth Manage-ment	Wealth Manage-ment Americas	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	CC – Services[3]	CC – Group ALM	CC – Non-core and Legacy Portfolio	UBS
Operating income as reported	1,815	1,879	1,085	483	2,000	78	45	19	7,404
of which: gain on sale of investment in Visa Europe	*21*		*102*						*123*
of which: gains on sales of real estate						*120*			*120*
of which: net foreign currency translation losses[4]							*(26)*		*(26)*
of which: losses on sales of subsidiaries and businesses	*(23)*								*(23)*
Operating income (adjusted)	1,817	1,879	983	483	2,000	(42)	71	19	7,210
Operating expenses as reported	1,297	1,643	551	369	1,716	190	2	148	5,915
of which: personnel-related restructuring expenses[5]	*7*	*5*	*1*	*4*	*37*	*139*	*0*	*0*	*192*
of which: non-personnel-related restructuring expenses[5]	*6*	*0*	*0*	*6*	*4*	*168*	*0*	*0*	*185*
of which: restructuring expenses allocated from CC – Services[5]	*73*	*33*	*30*	*24*	*122*	*(287)*	*0*	*5*	*0*
Operating expenses (adjusted)	1,211	1,605	520	335	1,553	170	2	143	5,538
of which: expenses for provisions for litigation, regulatory and similar matters	*9*	*16*	*0*	*(5)*	*26*	*2*	*0*	*23*	*72*
Operating profit / (loss) before tax as reported	**518**	**237**	**534**	**114**	**284**	**(113)**	**44**	**(129)**	**1,489**
Operating profit / (loss) before tax (adjusted)	**606**	**275**	**463**	**148**	**447**	**(213)**	**70**	**(124)**	**1,672**

Performance by business division and Corporate Center unit – reported and adjusted[1,2] (continued)

	For the quarter ended 30.9.15								
CHF million	Wealth Manage-ment	Wealth Manage-ment Americas	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	CC – Services[3]	CC – Group ALM	CC – Non-core and Legacy Portfolio	UBS
Operating income as reported	1,958	1,871	1,030	502	2,088	(38)	(116)	(126)	7,170
of which: gains related to investments in associates	*15*		*66*						*81*
of which: own credit on financial liabilities designated at fair value							*32*		*32*
of which: net foreign currency translation losses[4]							*(27)*		*(27)*
Operating income (adjusted)	1,943	1,871	964	502	2,088	(38)	(121)	(126)	7,084
Operating expenses as reported	1,319	1,612	564	388	1,592	219	(5)	692	6,382
of which: personnel-related restructuring expenses[5]	*(5)*	*0*	*1*	*1*	*0*	*116*	*0*	*4*	*118*
of which: non-personnel-related restructuring expenses[5]	*10*	*0*	*0*	*2*	*1*	*167*	*0*	*0*	*181*
of which: restructuring expenses allocated from CC – Services[5]	*69*	*39*	*26*	*20*	*116*	*(281)*	*0*	*11*	*0*
of which: credit related to a change to retiree benefit plans in the US		*(21)*							*(21)*
Operating expenses (adjusted)	1,245	1,594	536	365	1,474	217	(5)	677	6,105
of which: expenses for provisions for litigation, regulatory and similar matters	*1*	*51*	*0*	*0*	*0*	*6*	*0*	*534*	*592*
Operating profit / (loss) before tax as reported	**639**	**259**	**466**	**114**	**496**	**(257)**	**(111)**	**(818)**	**788**
Operating profit / (loss) before tax (adjusted)	**698**	**277**	**428**	**137**	**614**	**(255)**	**(116)**	**(803)**	**979**

1 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 2 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 3 CC – Services operating expenses presented in this table are after service allocations to business divisions and other Corporate Center units. 4 Related to the disposal of foreign subsidiaries and branches. 5 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for more information.

Performance by business division and Corporate Center unit – reported and adjusted[1,2]

	Year-to-date 30.9.16								
CHF million	**Wealth Manage-ment**	**Wealth Manage-ment Americas**	**Personal & Corporate Banking**	**Asset Manage-ment**	**Investment Bank**	**CC – Services[3]**	**CC – Group ALM**	**CC – Non-core and Legacy Portfolio**	**UBS**
Operating income as reported	**5,510**	**5,706**	**3,043**	**1,432**	**5,674**	**(43)**	**(75)**	**17**	**21,266**
of which: gain on sale of investment in Visa Europe	***21***		***102***						***123***
of which: gains on sales of real estate						***120***			***120***
of which: gains related to investments in associates			***21***						***21***
of which: net foreign currency translation losses[4]							***(149)***		***(149)***
of which: losses on sales of subsidiaries and businesses	***(23)***								***(23)***
Operating income (adjusted)	**5,512**	**5,706**	**2,920**	**1,432**	**5,674**	**(163)**	**74**	**17**	**21,174**
Operating expenses as reported	**3,930**	**4,938**	**1,657**	**1,124**	**4,977**	**491**	**(1)**	**806**	**17,922**
of which: personnel-related restructuring expenses[5]	***38***	***6***	***1***	***14***	***114***	***404***	***0***	***1***	***577***
of which: non-personnel-related restructuring expenses[5]	***30***	***0***	***0***	***9***	***9***	***460***	***0***	***0***	***509***
of which: restructuring expenses allocated from CC – Services[5]	***236***	***103***	***94***	***65***	***338***	***(847)***	***0***	***13***	***0***
Operating expenses (adjusted)	**3,626**	**4,829**	**1,562**	**1,036**	**4,516**	**474**	**(1)**	**793**	**16,836**
of which: expenses for provisions for litigation, regulatory and similar matters	***7***	***43***	***(4)***	***(3)***	***27***	***4***	***0***	***455***	***530***
Operating profit / (loss) before tax as reported	**1,580**	**768**	**1,386**	**308**	**698**	**(534)**	**(74)**	**(789)**	**3,344**
Operating profit / (loss) before tax (adjusted)	**1,886**	**877**	**1,358**	**396**	**1,159**	**(637)**	**75**	**(776)**	**4,338**

	Year-to-date 30.9.15								
CHF million	Wealth Manage-ment	Wealth Manage-ment Americas	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	CC – Services[3]	CC – Group ALM	CC – Non-core and Legacy Portfolio	UBS
Operating income as reported	6,285	5,496	2,961	1,489	7,100	295	335	(132)	23,829
of which: own credit on financial liabilities designated at fair value							*518*		*518*
of which: gains on sales of real estate						*378*			*378*
of which: gains on sales of subsidiaries and businesses	*197*								*197*
of which: gains related to investments in associates	*15*		*66*						*81*
of which: gain on a further partial sale of investment in Markit					*11*				*11*
of which: net foreign currency translation losses[4]							*(27)*		*(27)*
Operating income (adjusted)	6,073	5,496	2,895	1,489	7,089	(83)	(156)	(132)	22,671
Operating expenses as reported	3,940	4,792	1,671	1,077	5,288	768	(2)	1,042	18,575
of which: personnel-related restructuring expenses[5]	*16*	*0*	*2*	*1*	*2*	*262*	*0*	*12*	*295*
of which: non-personnel-related restructuring expenses[5]	*24*	*0*	*0*	*3*	*5*	*467*	*0*	*0*	*499*
of which: restructuring expenses allocated from CC – Services[5]	*149*	*87*	*58*	*41*	*246*	*(608)*	*0*	*27*	*0*
of which: credit related to a change to retiree benefit plans in the US		*(21)*							*(21)*
of which: impairment of an intangible asset					*11*				*11*
Operating expenses (adjusted)	3,750	4,726	1,611	1,033	5,024	648	(2)	1,002	17,791
of which: expenses for provisions for litigation, regulatory and similar matters	*26*	*117*	*(2)*	*0*	*(2)*	*14*	*0*	*569*	*722*
Operating profit / (loss) before tax as reported	**2,346**	**704**	**1,290**	**413**	**1,813**	**(474)**	**338**	**(1,175)**	**5,254**
Operating profit / (loss) before tax (adjusted)	**2,324**	**770**	**1,284**	**457**	**2,066**	**(732)**	**(153)**	**(1,135)**	**4,880**

1 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 2 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 3 CC – Services operating expenses presented in this table are after service allocations to business divisions and other Corporate Center units. 4 Related to the disposal of foreign subsidiaries and branches. 5 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for more information.

Results: 3Q16 vs 3Q15

We recorded a profit before tax of CHF 877 million compared with CHF 788 million. Operating income decreased by CHF 141 million or 2%, mainly reflecting a CHF 75 million decrease in other income and CHF 55 million lower net fee and commission income. Operating expenses decreased by CHF 230 million or 4%, due to CHF 346 million lower general and administrative expenses. This was partly offset by CHF 101 million higher personnel expenses, mainly due to increased restructuring expenses, partly offset by lower salary expenses.

In addition to reporting our results in accordance with International Financial Reporting Standards (IFRS), we report adjusted results that exclude items that management believes are not representative of the underlying performance of our businesses. Such adjusted results are non-GAAP financial measures as defined by SEC regulations. For the third quarter of 2016, we excluded gains of CHF 21 million related to investments in associates and net restructuring expenses of CHF 444 million. For the third quarter of 2015, we excluded gains of CHF 81 million related to investments in associates, an own credit gain of CHF 32 million, net foreign currency translation losses of CHF 27 million, as well as net restructuring expenses of CHF 298 million and a credit related to a change to retiree benefit plans in the US of CHF 21 million.

On this adjusted basis, profit before tax was CHF 1,300 million compared with CHF 979 million in the same quarter a year earlier, mainly due to a CHF 355 million decrease in general and administrative expenses and CHF 59 million lower personnel expenses, partly offset by a decline of CHF 55 million in net fee and commission income.

We currently expect that any net foreign currency translation gains or losses related to the disposal of foreign branches and subsidiaries we record in the fourth quarter of 2016 will not be material.

Operating income: 3Q16 vs 3Q15

Total operating income was CHF 7,029 million compared with CHF 7,170 million. On an adjusted basis, total operating income decreased by CHF 76 million or 1% to CHF 7,008 million, mainly reflecting a decrease of CHF 55 million in net fee and commission income.

Net interest and trading income

CHF million	For the quarter ended			% change from		Year-to-date	
	30.9.16	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Net interest and trading income							
Net interest income	**1,775**	1,164	1,846	52	(4)	4,652	4,973
Net trading income	**1,098**	1,891	1,063	(42)	3	4,002	4,844
Total net interest and trading income	**2,873**	3,055	2,909	(6)	(1)	8,653	9,817
Wealth Management	**722**	736	743	(2)	(3)	2,207	2,261
Wealth Management Americas	**454**	446	386	2	18	1,339	1,118
Personal & Corporate Banking	**620**	643	632	(4)	(2)	1,907	1,947
Asset Management	**(14)**	(1)	4			(24)	(3)
Investment Bank	**1,061**	1,171	1,325	(9)	(20)	3,253	4,384
of which: Corporate Client Solutions	***190***	*251*	*361*	*(24)*	*(47)*	*562*	*847*
of which: Investor Client Services	***871***	*920*	*965*	*(5)*	*(10)*	*2,691*	*3,537*
Corporate Center	**30**	61	(183)	(51)		(29)	111
of which: Services	***(29)***	*(13)*	*6*	*123*		*(52)*	*21*
of which: Group ALM	***49***	*58*	*(77)*	*(16)*		*40*	*321*
of which: own credit on financial liabilities designated at fair value			*32*				*518*
of which: Non-core and Legacy Portfolio	***10***	*16*	*(112)*	*(38)*		*(17)*	*(230)*
Total net interest and trading income	**2,873**	3,055	2,909	(6)	(1)	8,653	9,817

Net interest and trading income

Total combined net interest and trading income decreased by CHF 36 million to CHF 2,873 million. Excluding the own credit gain of CHF 32 million in the third quarter of 2015, net interest and trading income decreased by CHF 4 million, primarily due to declines in the Investment Bank following reduced client activity and lower levels of market volatility, offset by higher revenues related to accounting asymmetries in Corporate Center – Group ALM and an improvement in Corporate Center – Non-core and Legacy Portfolio.

In Wealth Management, net interest and trading income decreased by CHF 21 million to CHF 722 million, mainly due to lower allocations from Group ALM.

Wealth Management Americas net interest and trading income increased by CHF 68 million to CHF 454 million, primarily due to an increase in net interest income, reflecting higher short-term interest rates as well as growth in loan and deposit balances.

In the Investment Bank, net interest and trading income decreased by CHF 264 million to CHF 1,061 million, primarily due to a CHF 171 million decline in Corporate Client Solutions, mainly reflecting lower revenues in Equity Capital Markets, Risk Management and Debt Capital Markets. In addition, net interest and trading income in Equities decreased by CHF 103 million, with lower revenues in Derivatives and Cash across all regions, partly offset by higher Financing Services revenues.

Group ALM net interest and trading income, excluding the effect of own credit, increased by CHF 158 million, largely due to revenues from accounting asymmetries related to economic hedges, which improved by CHF 161 million.

In Corporate Center – Non-core and Legacy Portfolio, net interest and trading income increased to CHF 10 million from negative CHF 112 million, mainly as the third quarter of 2016 included valuation gains on financial assets designated at fair value and other fair value gains due to market movements. The prior-year quarter included higher losses related to unwind and novation activities.

➔ Refer to "Note 3 Net interest and trading income" in the "Consolidated financial statements" section of this report for more information

Net fee and commission income

Net fee and commission income was CHF 4,056 million compared with CHF 4,111 million.

Investment fund fees decreased by CHF 105 million to CHF 774 million, mainly in Wealth Management and primarily reflecting changes in clients' asset allocation.

Net brokerage fees decreased by CHF 54 million to CHF 671 million, primarily in the Investment Bank, driven by reduced client trading activity.

Portfolio management and advisory fees increased by CHF 43 million to CHF 2,031 million, mainly in Wealth Management Americas, reflecting higher managed account fees as well as higher advisory fees.

Merger and acquisition and corporate finance fees increased by CHF 27 million, reflecting higher revenues from private transactions.

➔ Refer to "Note 4 Net fee and commission income" in the "Consolidated financial statements" section of this report for more information

Credit loss (expense) / recovery

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Wealth Management	**(3)**	(1)	0	200		(4)	(1)
Wealth Management Americas	**0**	(1)	(3)	(100)	(100)	(2)	(3)
Personal & Corporate Banking	**0**	2	0	(100)		2	(26)
Investment Bank	**(1)**	(6)	(12)	(83)	(92)	(6)	(18)
Corporate Center	**1**	0	(12)			(3)	(10)
of which: Non-core and Legacy Portfolio	***1***	*0*	*(12)*			*(3)*	*(10)*
Total	**(4)**	(7)	(28)	(43)	(86)	(13)	(58)

Credit loss expense / recovery

Total net credit loss expenses were CHF 4 million compared with CHF 28 million, mainly as the third quarter of 2015 included higher credit loss expenses in the Investment Bank and in Corporate Center – Non-core and Legacy Portfolio.

➔ **Refer to the "Investment Bank" and "Risk management and control" sections of this report for more information**

Other income

Other income was CHF 104 million compared with CHF 179 million. Excluding gains related to investments in associates of CHF 21 million in the third quarter of 2016 and CHF 81 million in the third quarter of 2015, as well as net foreign currency translation losses of CHF 27 million in the third quarter of 2015, adjusted other income decreased by CHF 42 million to CHF 83 million. This decline was mainly due to lower gains on sale of financial assets available for sale as well as various other smaller decreases, partly offset by a gain in the third quarter of 2016 related to the settlement of a litigation claim in Corporate Center – Non-core and Legacy Portfolio.

➔ **Refer to "Note 5 Other income" in the "Consolidated financial statements" section of this report for more information**

Operating expenses

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Operating expenses as reported							
Personnel expenses	**3,942**	3,985	3,841	(1)	3	11,852	12,138
General and administrative expenses	**1,939**	1,666	2,285	16	(15)	5,269	5,694
Depreciation and impairment of property, equipment and software	**248**	240	230	3	8	731	660
Amortization and impairment of intangible assets	**23**	24	25	(4)	(8)	70	84
Total operating expenses as reported	**6,152**	5,915	6,382	4	(4)	17,922	18,575
Adjusting items							
Personnel expenses	**257**	192	97			577	274
of which: restructuring expenses[1]	***257***	*192*	*118*			*577*	*295*
of which: credit related to a change to retiree benefit plans in the US			*(21)*				*(21)*
General and administrative expenses[2]	**187**	185	178			508	485
Depreciation and impairment of property, equipment and software[2]	**1**	0	0			1	12
Amortization and impairment of intangible assets	**0**	0	2			0	13
of which: restructuring expenses[1]	***0***	*0*	*2*			*0*	*2*
of which: impairment of an intangible asset							*11*
Total adjusting items	**444**	377	277			1,086	784
Operating expenses (adjusted)[3]							
Personnel expenses	**3,685**	3,793	3,744	(3)	(2)	11,275	11,864
of which: salaries and variable compensation	***2,167***	*2,330*	*2,243*	*(7)*	*(3)*	*6,742*	*7,287*
of which: Wealth Management Americas – Financial advisor compensation[4]	***913***	*911*	*886*	*0*	*3*	*2,733*	*2,635*
of which: other personnel expenses[5]	***606***	*552*	*617*	*10*	*(2)*	*1,799*	*1,942*
General and administrative expenses	**1,752**	1,481	2,107	18	(17)	4,761	5,209
of which: expenses for provisions for litigation, regulatory and similar matters	***419***	*72*	*592*	*482*	*(29)*	*530*	*722*
of which: other general and administrative expenses	***1,333***	*1,409*	*1,515*	*(5)*	*(12)*	*4,231*	*4,487*
Depreciation and impairment of property, equipment and software	**247**	240	230	3	7	730	648
Amortization and impairment of intangible assets	**23**	24	23	(4)	0	70	71
Total operating expenses (adjusted)	**5,708**	5,538	6,105	3	(7)	16,836	17,791

1 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for more information. 2 Consists of restructuring expenses. 3 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 4 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment which are subject to vesting requirements. 5 Consists of expenses related to contractors, social security, pension and other post-employment benefit plans and other personnel expenses. Refer to "Note 6 Personnel expenses" in the "Consolidated financial statements" section of this report for more information.

Operating expenses: 3Q16 vs 3Q15

Total operating expenses decreased by CHF 230 million or 4% to CHF 6,152 million. Net restructuring expenses increased to CHF 444 million from CHF 298 million, mainly related to our ongoing cost reduction programs.

Excluding net restructuring expenses and a credit related to a change to retiree benefit plans in the US of CHF 21 million in the third quarter of 2015, adjusted total operating expenses decreased by CHF 397 million or 7% to CHF 5,708 million.

➔ Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for more information on restructuring expenses

Personnel expenses

Personnel expenses increased by CHF 101 million to CHF 3,942 million. On an adjusted basis, personnel expenses declined by CHF 59 million to CHF 3,685 million.

Adjusted expenses for salaries and variable compensation, excluding the effect of restructuring, decreased by CHF 76 million to CHF 2,167 million, mainly reflecting lower salary expenses as a result of our cost reduction programs.

This was partly offset by a CHF 27 million increase in expenses for financial advisor compensation in Wealth Management Americas, mainly due to higher expenses for compensation commitments, reflecting the recruitment of financial advisors.

Other personnel expenses decreased by CHF 11 million to CHF 606 million on an adjusted basis, largely due to a decline in expenses for pension and other post-employment benefit plans, primarily related to lower pension costs for our Swiss pension plan, reflecting the effect of changes to demographic and financial assumptions. This was partly offset by higher social security expenses.

➔ Refer to "Note 6 Personnel expenses" in the "Consolidated financial statements" section of this report for more information

General and administrative expenses

General and administrative expenses decreased by CHF 346 million to CHF 1,939 million on a reported basis and by CHF 355 million to CHF 1,752 million on an adjusted basis, mainly reflecting CHF 173 million lower net expenses for provisions for litigation, regulatory and similar matters, as well as a decrease in professional fees and marketing and public relations expenses.

At this point in time, we believe that the industry continues to operate in an environment in which expenses associated with litigation, regulatory and similar matters will remain elevated for the foreseeable future and we continue to be exposed to a number of significant claims and regulatory matters. The outcome of many of these matters, the timing of a resolution, and the potential effects of resolutions on our future business, financial results or financial condition, are extremely difficult to predict.

➔ Refer to "Note 7 General and administrative expenses" in the "Consolidated financial statements" section of this report for more information

➔ Refer to "Note 15 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report and to "Material legal and regulatory risks arise in the conduct of our business" in the "Risk factors" section of our Annual Report 2015 for more information on litigation, regulatory and similar matters

Depreciation, impairment and amortization

Depreciation and impairment of property, equipment and software was CHF 248 million compared with CHF 230 million, mainly reflecting higher depreciation expenses related to internally generated capitalized software.

Tax: 3Q16 vs 3Q15

We recognized a net income tax expense of CHF 49 million for the third quarter of 2016, compared with a net income tax benefit of CHF 1,295 million for the third quarter of 2015.

The third quarter 2016 net income tax expense included a net upward revaluation of deferred tax assets of CHF 424 million. This net benefit reflected an increase in US deferred tax assets of CHF 681 million, partly offset by net write-downs of Swiss and UK deferred tax assets of CHF 170 million and CHF 87 million, respectively. The increase in US deferred tax assets of CHF 681 million was driven by an increase in the profit forecast for Wealth Management Americas. The CHF 170 million write-down of Swiss deferred tax assets mainly reflected a reduction in the effective tax rate applicable to forecast Swiss taxable profits generated in the loss set-off period. The CHF 87 million decrease in UK deferred tax assets mainly reflected the impact of changes in UK law enacted in the quarter, which reduced the proportion of banks' annual taxable profits that can be offset by tax losses carried forward from 50% to 25% with effect from 1 April 2016 and reduced the UK corporate income tax rate from 18% to 17% with effect from 1 April 2020.

The net income tax expense in the quarter also included tax expenses of CHF 473 million in respect of taxable profits arising in 2016. This included current tax expenses of CHF 204 million and deferred tax expenses of CHF 269 million, the latter mainly representing amortization of prior-year Swiss tax loss and temporary difference deferred tax assets.

The deferred tax benefit recognized in the third quarter of 2015 was higher than that recognized in the third quarter of 2016, primarily because the prior year reflected an upward revaluation of US deferred tax assets in relation to the extension of the forecast period for US taxable profits to seven years from six.

In the fourth quarter of 2016, we expect to recognize a further net upward revaluation of deferred tax assets, representing approximately 25% of the full-year revaluation based on profit forecasts beyond 2016.

For 2017, we currently forecast a full-year tax rate of approximately 25%, excluding any effect on the tax rate from the reassessment of deferred tax assets. Furthermore, we expect to continue to amortize Swiss temporary difference deferred tax assets in respect of taxable profits arising in 2017 over the course of next year.

➔ **Refer to "Note 8 Income taxes" in the "Consolidated financial statements" section of this report for more information**

Total comprehensive income attributable to shareholders: 3Q16 vs 3Q15

Total comprehensive income attributable to shareholders was CHF 184 million compared with CHF 3,360 million. Net profit attributable to shareholders was CHF 827 million compared with CHF 2,068 million and other comprehensive income (OCI) attributable to shareholders was negative CHF 643 million compared with positive CHF 1,291 million.

In the third quarter of 2016, OCI related to cash flow hedges was negative CHF 326 million, mainly reflecting a decrease in unrealized gains on hedging derivatives resulting from increases in long-term interest rates. In the third quarter of 2015, OCI related to cash flow hedges was positive CHF 427 million.

Defined benefit plan OCI was negative CHF 209 million compared with negative CHF 41 million. We recorded net pre-tax OCI losses of CHF 421 million related to our non-Swiss pension plans, primarily in the UK, mainly due to net increases in defined benefit obligations resulting from declines in applicable discount rates, partly offset by gains resulting from increases in the fair value of underlying plan assets. Net pre-tax OCI related to the Swiss pension plan was positive CHF 235 million, reflecting an OCI gain of CHF 414 million due to an increase in the fair value of the underlying plan assets, partly offset by an OCI loss of CHF 182 million related to an increase in the defined benefit obligation, primarily due to a decline in the applicable discount rate.

Foreign currency translation OCI was negative CHF 61 million, primarily resulting from the weakening of the US dollar against the Swiss franc. OCI related to foreign currency translation in the same quarter last year was positive CHF 844 million.

OCI related to own credit on financial liabilities designated at fair value was negative CHF 25 million in the third quarter of 2016, mainly reflecting a tightening of credit spreads.

OCI associated with financial assets classified as available for sale was negative CHF 21 million compared with positive CHF 61 million and mainly reflected net gains that were reclassified from OCI to the income statement upon sale of investments.

➔ **Refer to the "Statement of comprehensive income" in the "Consolidated financial statements" section of this report for more information**

➔ **Refer to "Note 28 Pension and other post-employment benefit plans" in the "Consolidated financial statements" section of our Annual Report 2015 for more information on other comprehensive income related to defined benefit plans**

Sensitivity to interest rate movements

As of 30 September 2016, we estimate that a parallel shift in yield curves by +100 basis points could lead to a combined increase in annual net interest income of approximately CHF 0.6 billion in Wealth Management, Wealth Management Americas and Personal & Corporate Banking. Of this increase, approximately CHF 0.4 billion would result from changes in US dollar interest rates. Including the estimated impact related to pension fund assets and liabilities, the immediate effect of such a shift on shareholders' equity would be a decrease of approximately CHF 2.1 billion recognized in OCI, of which approximately CHF 1.3 billion would result from changes in US dollar interest rates. Since the majority of this negative OCI impact on shareholders' equity is related to cash flow hedges, which is not recognized for the purposes of calculating regulatory capital, the immediate impact on regulatory capital would be an increase of approximately CHF 0.3 billion. The aforementioned estimates are based on an immediate increase in interest rates, equal across all currencies and relative to implied forward rates applied to our banking book and available-for-sale portfolios.

We estimate that if the continued negative interest rates implied by current forward rates were to materialize over the next three years, our net interest income from banking book activities denominated in Swiss francs and euros and from invested equity would decrease slightly from current levels, primarily in Personal & Corporate Banking. This decrease would be partly offset by an increase in net interest income from an implied small increase in US dollar interest rates, primarily in Wealth Management Americas.

The above estimates further assume a static balance sheet and constant foreign exchange rates.

Net profit attributable to non-controlling interests: 3Q16 vs 3Q15

Net profit attributable to non-controlling interests was CHF 1 million compared with CHF 14 million, mainly as the third quarter of 2015 included CHF 12 million of net profit attributable to non-controlling interests in UBS AG.

For the remainder of 2016, we currently do not expect to attribute further net profit to non-controlling interests. For 2017, we currently expect to attribute approximately CHF 70 million, all in the second quarter, and from 2018, we expect to attribute less than CHF 10 million per year.

Key figures and personnel

Cost/income ratio: 3Q16 vs 3Q15

The cost/income ratio was 87.5% compared with 88.7%. On an adjusted basis, the cost/income ratio was 81.4% compared with 85.8%.

Return on tangible equity: 3Q16 vs 3Q15

The annualized return on tangible equity (RoTE) was 7.3% compared with 18.3%. On an adjusted basis, the annualized RoTE was 10.1% compared with 19.5%.

Common equity tier 1 capital ratio: 3Q16 vs 2Q16

Our fully applied CET1 capital ratio decreased 0.2 percentage points to 14.0%, resulting from a CHF 3 billion increase in risk-weighted assets (RWA).

➔ **Refer to the "Capital management" section of this report for more information**

Risk-weighted assets: 3Q16 vs 2Q16

RWA increased by CHF 3 billion to CHF 217 billion on a fully applied basis and remained below our short- to medium-term expectation of around CHF 250 billion. Credit risk RWA increased by CHF 3 billion, mainly driven by methodology changes and model updates. Operational risk RWA increased by CHF 1 billion as a result of the semi-annual review and update of inputs to our advanced measurement approach model agreed with FINMA. Market risk RWA decreased by CHF 2 billion, primarily due to a change in the risk profile within our Equities business in the Investment Bank.

➔ **Refer to the "Capital management" section of this report for more information**

Leverage ratio denominator: 3Q16 vs 2Q16

The Swiss SRB leverage ratio denominator (LRD) decreased by CHF 21 billion to CHF 877 billion on a fully applied basis and was below our short- to medium-term expectation of around CHF 950 billion. The decline in the LRD resulted from asset size and other reductions of CHF 16 billion, mainly in derivative exposures and securities financing transactions, currency effects of CHF 3 billion and incremental netting and collateral mitigation effects of CHF 2 billion.

➔ **Refer to the "Capital management" section of this report for more information**

Net new money and invested assets

Management's discussion and analysis on net new money and invested assets is provided in the "UBS business divisions and Corporate Center" section of this report.

Return on equity

	As of or for the quarter ended			As of or year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Net profit					
Net profit attributable to shareholders	**827**	1,034	2,068	2,568	5,255
Amortization and impairment of intangible assets	**23**	24	25	70	84
Pre-tax adjusting items[1,2]	**423**	183	191	994	(385)
Tax effect on adjusting items[3]	**(93)**	(40)	(48)	(219)	(19)
Adjusted net profit attributable to shareholders	**1,180**	1,201	2,236	3,413	4,935
Equity					
Equity attributable to shareholders	**53,300**	52,876	54,077	53,300	54,077
Less: goodwill and intangible assets	**6,345**	6,402	6,441	6,345	6,441
Tangible equity attributable to shareholders	**46,955**	46,474	47,636	46,955	47,636
Return on equity					
Return on equity (%)	**6.2**	7.7	15.9	6.3	13.6
Return on tangible equity (%)	**7.3**	8.9	18.3	7.4	15.7
Adjusted return on tangible equity (%)[1]	**10.1**	10.1	19.5	9.6	14.5

1 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 2 Refer to the "Performance by business division and Corporate Center unit – reported and adjusted" table in this section for more information. 3 Generally reflects an indicative tax rate of 22% on pre-tax adjusting items.

Net new money[1]

	For the quarter ended			Year-to-date	
CHF billion	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Wealth Management	**9.4**	6.0	0.2	30.9	16.3
Wealth Management (adjusted)[2]	**9.4**	6.0	3.5	30.9	26.2
Wealth Management Americas	**0.8**	2.3	0.5	16.7	4.4
Asset Management	**2.5**	(7.7)	(8.5)	(8.1)	5.6
of which: excluding money market flows	***2.0***	*(8.8)*	*(7.6)*	*(12.7)*	*8.2*
of which: money market flows	***0.4***	*1.1*	*(0.9)*	*4.5*	*(2.6)*

1 Net new money excludes interest and dividend income. 2 Adjusted net new money excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion, second quarter of 2015: CHF 6.6 billion) from our balance sheet and capital optimization program.

Invested assets

	As of			% change from	
CHF billion	**30.9.16**	30.6.16	30.9.15	30.6.16	30.9.15
Wealth Management	**967**	935	919	3	5
Wealth Management Americas	**1,074**	1,053	967	2	11
Asset Management	**650**	633	635	3	2
of which: excluding money market funds	***588***	*572*	*576*	*3*	*2*
of which: money market funds	***62***	*61*	*59*	*2*	*5*

Personnel: 3Q16 vs 2Q16

We employed 59,946 personnel as of 30 September 2016, a net decrease of 147 compared with 30 June 2016. Wealth Management personnel decreased by 217, mainly as the number of non-client-facing personnel decreased by 192, primarily as a result of cost reduction programs. Investment Bank personnel decreased by 97, mainly driven by ongoing cost reduction programs, partly offset by the annual intake of graduates. These decreases were partly offset by an increase of 136 in Corporate Center – Services personnel, primarily reflecting increases in our near- and offshore locations, partly offset by a reduction in personnel in key financial centers. Furthermore, Personal & Corporate Banking personnel increased by 117, mainly reflecting the seasonal intake of apprentices and graduates.

Results: 9M16 vs 9M15

Net profit attributable to shareholders was CHF 2,568 million in the first nine months of 2016 compared with CHF 5,255 million in the same period a year earlier. Profit before tax was CHF 3,344 million compared with CHF 5,254 million, largely reflecting a decrease of CHF 2,563 million in operating income, driven by CHF 1,164 million lower combined net interest and trading income, a decline of CHF 758 million in other income and CHF 685 million lower net fee and commission income. Operating expenses decreased by CHF 653 million, driven by a decrease of CHF 425 million in general and administrative expenses and CHF 286 million lower personnel expenses.

On an adjusted basis, operating profit before tax declined to CHF 4,338 million from CHF 4,880 million, reflecting a decrease in operating income, partly offset by lower operating expenses.

Adjusted operating income decreased by CHF 1,497 million to CHF 21,174 million, mainly reflecting a decrease of CHF 685 million in net fee and commission income, primarily due to lower recurring net fee income and brokerage fees in Wealth Management and lower underwriting fees in the Investment Bank. Furthermore, combined net interest and trading income decreased by CHF 646 million, primarily in the Investment Bank, partly offset by increases in Corporate Center – Group ALM, Wealth Management Americas and Corporate Center – Non-core and Legacy Portfolio. Adjusted other income declined by CHF 210 million, primarily due to lower gains on sale of financial assets available for sale.

Adjusted operating expenses decreased by CHF 955 million to CHF 16,836 million, mainly due to CHF 545 million lower expenses for salaries and variable compensation, a decline of CHF 143 million in other personnel expenses, mainly related to pension and other post-employment benefit plans, as well as CHF 192 million lower net expenses for provisions for litigation, regulatory and similar matters and a decrease in outsourcing costs and professional fees.

➔ **Refer to the table "Performance by business division and Corporate Center unit – reported and adjusted" for more information**

Outlook

Underlying macroeconomic uncertainty and geopolitical tensions continued to contribute to client risk aversion and generally low transaction volumes. Lower than anticipated and negative interest rates still present considerable headwinds. These conditions are unlikely to change in the foreseeable future. Implementing Switzerland's new bank capital standards and the proposed further changes to the international regulatory framework for banks will result in increasing capital requirements and costs. UBS is well positioned to deal with these challenges and to benefit from even a moderate improvement in market conditions. We remain committed to executing our strategy with discipline.

UBS business divisions and Corporate Center

Management report

Wealth Management

Wealth Management[1]

	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Results							
Net interest income	**582**	582	600	0	(3)	1,744	1,728
Recurring net fee income[2]	**891**	883	960	1	(7)	2,675	2,885
Transaction-based income[2]	**334**	347	366	(4)	(9)	1,083	1,414
Other income	**6**	4	32	50	(81)	13	258
Income	**1,812**	1,817	1,959	0	(8)	5,514	6,286
Credit loss (expense) / recovery	**(3)**	(1)	0	200		(4)	(1)
Total operating income	**1,809**	1,815	1,958	0	(8)	5,510	6,285
Personnel expenses	**600**	590	607	2	(1)	1,806	1,923
General and administrative expenses	**124**	140	129	(11)	(4)	392	374
Services (to) / from Corporate Center and other business divisions	**579**	565	582	2	(1)	1,727	1,636
of which: services from CC – Services	***557***	*545*	*555*	*2*	*0*	*1,664*	*1,582*
Depreciation and impairment of property, equipment and software	**0**	0	1		(100)	2	4
Amortization and impairment of intangible assets	**1**	1	1	0	0	3	3
Total operating expenses[3]	**1,305**	1,297	1,319	1	(1)	3,930	3,940
Business division operating profit / (loss) before tax	**504**	518	639	(3)	(21)	1,580	2,346
Adjusted results[4]							
Total operating income as reported	**1,809**	1,815	1,958	0	(8)	5,510	6,285
of which: gains / (losses) on sales of subsidiaries and businesses		*(23)*				*(23)*	*197*
of which: gains related to investments in associates			*15*				*15*
of which: gain on sale of investment in Visa Europe		*21*				*21*	
Total operating income (adjusted)	**1,809**	1,817	1,943	0	(7)	5,512	6,073
Total operating expenses as reported	**1,305**	1,297	1,319	1	(1)	3,930	3,940
of which: personnel-related restructuring expenses	***28***	*7*	*(5)*			*38*	*16*
of which: non-personnel-related restructuring expenses	***10***	*6*	*10*			*30*	*24*
of which: restructuring expenses allocated from CC – Services	***101***	*73*	*69*			*236*	*149*
Total operating expenses (adjusted)	**1,166**	1,211	1,245	(4)	(6)	3,626	3,750
Business division operating profit / (loss) before tax as reported	**504**	518	639	(3)	(21)	1,580	2,346
Business division operating profit / (loss) before tax (adjusted)	**643**	606	698	6	(8)	1,886	2,324
Key performance indicators[5]							
Pre-tax profit growth (%)	**(21.1)**	(31.5)	(9.6)			(32.7)	39.6
Cost / income ratio (%)	**72.0**	71.4	67.3			71.3	62.7
Net new money growth (%)	**4.0**	2.6	0.1			4.4	2.2
Gross margin on invested assets (bps)	**76**	78	84	(3)	(10)	78	88
Net margin on invested assets (bps)	**21**	22	27	(5)	(22)	22	33
Adjusted key performance indicators[5]							
Pre-tax profit growth (%)	**(7.9)**	(21.2)	(9.0)			(18.8)	27.8
Cost / income ratio (%)	**64.3**	66.6	64.0			65.7	61.7
Net new money growth (%)	**4.0**	2.6	1.5			4.4	3.5
Gross margin on invested assets (bps)	**76**	78	83	(3)	(8)	78	85
Net margin on invested assets (bps)	**27**	26	30	4	(10)	27	32

Wealth Management[1] (continued)

CHF million, except where indicated	As of or for the quarter ended 30.9.16	30.6.16	30.9.15	% change from 2Q16	3Q15	Year-to-date 30.9.16	30.9.15
Additional information							
Recurring income[6]	**1,473**	1,465	1,560	1	(6)	4,418	4,614
Recurring income as a percentage of income (%)	**81.3**	80.6	79.6			80.1	73.4
Average attributed equity (CHF billion)[7]	**3.5**	3.5	3.5	0	0	3.5	3.5
Return on attributed equity (%)	**57.6**	59.2	73.0			60.2	89.4
Risk-weighted assets (fully applied, CHF billion)[8]	**26.1**	26.0	26.1	0	0	26.1	26.1
Return on risk-weighted assets, gross (%)[9]	**27.8**	27.9	30.2			28.3	32.5
Leverage ratio denominator (fully applied, CHF billion)[10]	**117.9**	119.4	130.5	(1)	(10)	117.9	130.5
Goodwill and intangible assets (CHF billion)	**1.3**	1.3	1.3	0	0	1.3	1.3
Net new money (CHF billion)	**9.4**	6.0	0.2			30.9	16.3
Net new money adjusted (CHF billion)[11]	**9.4**	6.0	3.5			30.9	26.2
Invested assets (CHF billion)	**967**	935	919	3	5	967	919
Client assets (CHF billion)	**1,144**	1,105	1,084	4	6	1,144	1,084
Loans, gross (CHF billion)	**102.6**	102.8	109.0	0	(6)	102.6	109.0
Due to customers (CHF billion)	**190.7**	187.0	176.8	2	8	190.7	176.8
Personnel (full-time equivalents)	**9,918**	10,135	10,185	(2)	(3)	9,918	10,185
Client advisors (full-time equivalents)	**3,924**	3,949	3,995	(1)	(2)	3,924	3,995

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Operating income" in the "Group performance" section of our Annual Report 2015 for the definitions of recurring net fee income and transaction-based income. 3 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for information on restructuring expenses. 4 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 5 Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. 6 Recurring income consists of net interest income and recurring net fee income. 7 Refer to the "Capital management" section of this report for more information. 8 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 9 Based on fully applied RWA. 10 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. 11 Adjusted net new money excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion, second quarter of 2015: CHF 6.6 billion) from our balance sheet and capital optimization program.

Regional breakdown of key figures[1,2]

As of or for the quarter ended 30.9.16	Europe	Asia Pacific	Switzerland	Emerging markets	*of which: ultra high net worth*	*of which: Global Family Office*[3]
Net new money (CHF billion)	**3.9**	**5.1**	**1.1**	**(0.1)**	*6.6*	*2.6*
Net new money growth (%)	**4.6**	**7.5**	**2.5**	**(0.3)**	*5.2*	*11.4*
Invested assets (CHF billion)	**352**	**286**	**179**	**148**	*539*	*84*
Gross margin on invested assets (bps)	**68**	**73**	**86**	**93**	*52*	*46*[4]
Client advisors (full-time equivalents)	**1,344**	**1,043**	**753**	**689**	*821*[5]	

1 Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. 2 Based on the Wealth Management business area structure, and excluding minor functions with 95 client advisors, CHF 2 billion of invested assets, and CHF 0.6 billion of net new money outflows in the third quarter of 2016. 3 Joint venture between Wealth Management and the Investment Bank. Global Family Office is reported as a sub-segment of ultra high net worth and is included in the ultra high net worth figures. 4 Gross margin includes income booked in the Investment Bank. Gross margin only based on income booked in Wealth Management is 28 basis points. 5 Represents client advisors who exclusively serve ultra high net worth clients. In addition to these, other client advisors may also serve certain ultra high net worth clients, but not exclusively.

Results: 3Q16 vs 3Q15

Profit before tax decreased by CHF 135 million or 21% to CHF 504 million and adjusted profit before tax decreased by CHF 55 million or 8% to CHF 643 million, reflecting lower operating income, partly offset by decreased operating expenses.

Operating income

Total operating income decreased by CHF 149 million or 8% to CHF 1,809 million. Excluding a gain of CHF 15 million related to investments in associates in the third quarter of 2015, adjusted operating income decreased by CHF 134 million or 7%, mainly due to lower recurring net fee income and transaction-based income.

Net interest income decreased by CHF 18 million to CHF 582 million, mainly due to lower allocations from Corporate Center – Group Asset and Liability Management (Group ALM).

➔ **Refer to "Corporate Center – Group Asset and Liability Management" within this section for more information on income allocations from Group ALM to business divisions and other Corporate Center units**

Recurring net fee income decreased by CHF 69 million to CHF 891 million due to a decrease in investment fund fees and custody revenues, reflecting changes in clients' asset allocation, as well as the effects of cross-border outflows. This was partly offset by an increase in average invested assets, pricing measures and an increase in discretionary and advisory mandate penetration. Compared with the prior quarter, recurring net fee income increased by CHF 8 million, largely due to an increase in average invested assets.

Transaction-based income decreased by CHF 32 million to CHF 334 million, with declines in all regions, except Asia Pacific. The overall decrease was mainly related to reduced client activity across most products and to increased fees paid to Personal & Corporate Banking for client referrals and shifts.

Other income decreased by CHF 26 million to CHF 6 million, mainly due to the aforementioned gain related to investments in associates in the third quarter of 2015.

Operating expenses

Total operating expenses decreased by CHF 14 million or 1% to CHF 1,305 million and adjusted operating expenses decreased by CHF 79 million or 6% to CHF 1,166 million. Personnel expenses decreased by CHF 7 million to CHF 600 million and adjusted personnel expenses decreased by CHF 40 million to CHF 572 million, driven by a decrease in staff levels and lower pension costs for our Swiss pension plan reflecting the effect of changes to demographic and financial assumptions, as well as lower variable compensation expenses. General and administrative expenses decreased by CHF 5 million on both a reported and adjusted basis to CHF 124 million and CHF 114 million, respectively. This was mainly driven by a CHF 3 million decrease in net expenses for provisions for litigation, regulatory and similar matters. Net expenses for services from Corporate Center and other business divisions decreased by CHF 3 million to CHF 579 million and adjusted net expenses for services decreased by CHF 35 million to CHF 478 million, reflecting lower net expenses from Group Operations and reduced costs related to communications and branding.

Net new money

Net new money was CHF 9.4 billion compared with adjusted net new money of CHF 3.5 billion in the same quarter of the prior year, which excluded the negative effect of CHF 3.3 billion from our balance sheet and capital optimization program. The annualized net new money growth rate was 4.0% compared with an adjusted growth rate of 1.5%. Net new money in the third quarter of 2016 was positive in all regions excluding emerging markets, where cross-border outflows outweighed inflows. Net new money from ultra high net worth clients was CHF 6.6 billion compared with adjusted net new money of CHF 4.0 billion in the same quarter of the prior year.

In the second quarter of 2016, net new money was CHF 6.0 billion, driven by strong net inflows in Asia Pacific and Switzerland, partly offset by net outflows from emerging markets and Europe.

Invested assets: 3Q16 vs 2Q16

Invested assets increased by CHF 32 billion to CHF 967 billion due to positive market performance of CHF 28 billion and net new money of CHF 9 billion, partly offset by a net reduction of CHF 3 billion related to the sale and acquisition of subsidiaries and businesses that did not affect net new money, and negative foreign currency translation effects of CHF 3 billion. Discretionary and advisory mandate penetration was unchanged at 27.1%.

Personnel: 3Q16 vs 2Q16

Wealth Management employed 9,918 personnel compared with 10,135. The number of non-client-facing staff decreased by 192, primarily as a result of cost reduction programs and the transfer of certain staff from Wealth Management to Personal & Corporate Banking. The number of client advisors decreased by 25.

Results: 9M16 vs 9M15

Profit before tax decreased by CHF 766 million or 33% to CHF 1,580 million. Adjusted profit before tax decreased by CHF 438 million or 19% to CHF 1,886 million, reflecting lower operating income, partly offset by lower operating expenses.

Total operating income decreased by CHF 775 million or 12% to CHF 5,510 million and adjusted operating income decreased by CHF 561 million or 9%, mainly due to lower transaction-based income and recurring net fee income.

Net interest income increased by CHF 16 million to CHF 1,744 million, reflecting higher deposit revenues, partly offset by lower allocations from Group ALM.

Recurring net fee income decreased by CHF 210 million to CHF 2,675 million, reflecting the effects of cross-border outflows, negative market performance and our exit from the Australian and Belgian domestic businesses. In addition, investment fund fees and custody revenues declined, reflecting changes in clients' asset allocation. This was partly offset by the positive effects of an increase in discretionary and advisory mandate penetration and pricing measures.

Transaction-based income decreased by CHF 331 million to CHF 1,083 million, with declines across all regions, most notably in Asia Pacific and Europe. The overall decrease was mainly related to reduced client activity across most products.

Total operating expenses decreased by CHF 10 million to CHF 3,930 million and adjusted operating expenses decreased by CHF 124 million or 3% to CHF 3,626 million. Personnel expenses decreased by CHF 117 million to CHF 1,806 million and adjusted personnel expenses decreased by CHF 139 million to CHF 1,768 million, driven by lower expenses for variable compensation and decreased pension costs for our Swiss pension plan, reflecting the effect of changes to demographic and financial assumptions. Adjusted general and administrative expenses increased by CHF 12 million, mainly due to higher charitable contributions and higher expenses related to the EU's Single Resolution Fund. Adjusted net expenses for services from Corporate Center and other business divisions were broadly unchanged.

Wealth Management Americas

Wealth Management Americas – in US dollars[1]

	As of or for the quarter ended			% change from		Year-to-date	
USD million, except where indicated	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Results							
Net interest income	**370**	357	311	4	19	1,078	890
Recurring net fee income[2]	**1,241**	1,191	1,231	4	1	3,613	3,635
Transaction-based income[2]	**372**	369	381	1	(2)	1,102	1,238
Other income	**5**	8	11	(38)	(55)	20	20
Income	**1,989**	1,924	1,935	3	3	5,814	5,783
Credit loss (expense) / recovery	**0**	(1)	(3)	(100)	(100)	(2)	(3)
Total operating income	**1,988**	1,924	1,931	3	3	5,811	5,779
Personnel expenses	**1,205**	1,224	1,178	(2)	2	3,638	3,561
Financial advisor compensation[3]	**736**	724	726	2	1	2,174	2,208
Compensation commitments with recruited financial advisors[4]	**201**	209	189	(4)	6	609	563
Salaries and other personnel costs	**268**	291	263	(8)	2	854	791
General and administrative expenses	**128**	137	158	(7)	(19)	410	497
Services (to) / from Corporate Center and other business divisions	**313**	307	313	2	0	941	939
of which: services from CC – Services	***310***	*304*	*308*	*2*	*1*	*930*	*927*
Depreciation and impairment of property, equipment and software	**0**	0	1		(100)	1	2
Amortization and impairment of intangible assets	**13**	14	13	(7)	0	40	39
Total operating expenses[5]	**1,660**	1,682	1,663	(1)	0	5,029	5,039
Business division operating profit / (loss) before tax	**328**	242	268	36	22	782	741
Adjusted results[6]							
Total operating income as reported	**1,988**	1,924	1,931	3	3	5,811	5,779
Total operating income (adjusted)	**1,988**	1,924	1,931	3	3	5,811	5,779
Total operating expenses as reported	**1,660**	1,682	1,663	(1)	0	5,029	5,039
of which: personnel-related restructuring expenses	***1***	*5*	*0*			*6*	*0*
of which: non-personnel-related restructuring expenses	***0***	*0*	*0*			*0*	*0*
of which: restructuring expenses allocated from CC – Services	***38***	*33*	*40*			*105*	*91*
of which: gain related to a change to retiree benefit plans in the US			*(21)*				*(21)*
Total operating expenses (adjusted)	**1,621**	1,643	1,644	(1)	(1)	4,918	4,969
Business division operating profit / (loss) before tax as reported	**328**	242	268	36	22	782	741
Business division operating profit / (loss) before tax (adjusted)	**367**	281	287	31	28	893	811
Key performance indicators[7]							
Pre-tax profit growth (%)	**22.4**	18.0	5.5			5.5	(3.0)
Cost / income ratio (%)	**83.5**	87.4	85.9			86.5	87.1
Net new money growth (%)	**0.3**	0.9	0.2			2.2	0.6
Gross margin on invested assets (bps)	**73**	72	76	1	(4)	73	74
Net margin on invested assets (bps)	**12**	9	11	33	9	10	10
Adjusted key performance indicators[7]							
Pre-tax profit growth (%)	**27.9**	21.6	7.5			10.1	1.8
Cost / income ratio (%)	**81.5**	85.4	85.0			84.6	85.9
Net new money growth (%)	**0.3**	0.9	0.2			2.2	0.6
Gross margin on invested assets (bps)	**73**	72	76	1	(4)	73	74
Net margin on invested assets (bps)	**13**	11	11	18	18	11	10

Wealth Management Americas – in US dollars[1] (continued)

	As of or for the quarter ended			% change from		Year-to-date	
USD million, except where indicated	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Additional information							
Recurring income[8]	**1,611**	1,547	1,542	4	4	4,692	4,524
Recurring income as a percentage of income (%)	**81.0**	80.4	79.7			80.7	78.2
Average attributed equity (USD billion)[9]	**2.7**	2.6	2.7	4	0	2.6	2.6
Return on attributed equity (%)	**48.6**	37.2	39.7			40.1	38.0
Risk-weighted assets (fully applied, USD billion)[10]	**24.0**	23.2	22.9	3	5	24.0	22.9
Return on risk-weighted assets, gross (%)[11]	**33.7**	33.3	33.7			33.6	34.1
Leverage ratio denominator (fully applied, USD billion)[12]	**66.4**	65.2	61.1	2	9	66.4	61.1
Goodwill and intangible assets (USD billion)	**3.7**	3.7	3.7	0	0	3.7	3.7
Net new money (USD billion)	**0.8**	2.4	0.5			16.7	4.6
Net new money including interest and dividend income (USD billion)[13]	**6.7**	8.4	6.2			34.2	21.6
Invested assets (USD billion)	**1,106**	1,077	992	3	11	1,106	992
Client assets (USD billion)	**1,155**	1,127	1,042	2	11	1,155	1,042
Loans, gross (USD billion)	**50.9**	50.1	47.5	2	7	50.9	47.5
Due to customers (USD billion)	**86.7**	84.9	75.7	2	15	86.7	75.7
Recruitment loans to financial advisors	**3,184**	3,234	2,890	(2)	10	3,184	2,890
Other loans to financial advisors	**483**	501	439	(4)	10	483	439
Personnel (full-time equivalents)	**13,574**	13,643	13,329	(1)	2	13,574	13,329
Financial advisors (full-time equivalents)	**7,087**	7,116	6,989	0	1	7,087	6,989

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Operating income" in the "Group performance" section of our Annual Report 2015 for the definitions of recurring net fee income and transaction-based income. 3 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. 4 Compensation commitments with recruited financial advisors represents expenses related to compensation commitments granted to financial advisors at the time of recruitment which are subject to vesting requirements. 5 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for information on restructuring expenses. 6 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 7 Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. 8 Recurring income consists of net interest income and recurring net fee income. 9 Refer to the "Capital management" section of this report for more information. 10 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 11 Based on fully applied RWA. 12 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. 13 Presented in line with historical reporting practice in the US market.

Results: 3Q16 vs 3Q15

Profit before tax increased by USD 60 million or 22% to USD 328 million and adjusted profit before tax increased by USD 80 million or 28% to USD 367 million due to higher operating income and lower operating expenses.

Operating income

Total operating income increased by USD 57 million or 3% to USD 1,988 million, mainly due to higher net interest income.

Net interest income increased by USD 59 million to USD 370 million, mainly due to higher short-term interest rates as well as growth in loan and deposit balances. The average mortgage portfolio balance increased 9% and the average securities-backed lending portfolio balance increased 6%.

Recurring net fee income increased by USD 10 million to USD 1,241 million, mainly due to higher managed account fees following an increase in invested assets, as well as higher advisory fees. This was partly offset by lower mutual fund fees.

Transaction-based income decreased by USD 9 million to USD 372 million due to lower client activity.

Operating expenses

Total operating expenses were largely unchanged at USD 1,660 million and adjusted operating expenses decreased by USD 23 million or 1% to USD 1,621 million. This was mainly due to USD 43 million lower net expenses for provisions for litigation, regulatory and similar matters, partly offset by higher legal fees and increased adjusted personnel expenses. Adjusted personnel expenses increased by USD 6 million, mainly due to USD 12 million higher expenses for compensation commitments, reflecting the recruitment of financial advisors, as well as USD 10 million higher financial advisor compensation due to increased performance-based compensation. This was partly offset by USD 16 million lower salaries and other personnel costs, primarily reflecting decreased expenses for variable compensation, partly offset by increases due to the aforementioned recruitment of financial advisors.

Net new money

Net new money was USD 0.8 billion compared with USD 0.5 billion in the same quarter of the prior year, primarily due to higher inflows from financial advisors employed with UBS for more than one year. The annualized net new money growth rate was 0.3% compared with 0.2%.

In the second quarter of 2016, net new money was USD 2.4 billion, predominantly related to inflows from net recruiting, and included outflows associated with seasonal income tax payments of approximately USD 3.1 billion.

Invested assets: 3Q16 vs 2Q16

Invested assets increased by USD 29 billion to USD 1,106 billion, reflecting positive market performance of USD 28 billion and net new money of USD 1 billion. Managed account assets increased by USD 13 billion to USD 385 billion and comprised 34.8% of total invested assets compared with 34.5%.

Personnel: 3Q16 vs 2Q16

As of 30 September 2016, Wealth Management Americas employed 13,574 personnel, a decrease of 69 compared with 30 June 2016, mainly due to decreases in support staff. Financial advisor headcount decreased by 29.

Results: 9M16 vs 9M15

Profit before tax increased by USD 41 million or 6% to USD 782 million and adjusted profit before tax increased by USD 82 million or 10% to USD 893 million.

Total operating income increased by USD 32 million or 1% to USD 5,811 million. Net interest income increased by USD 188 million to USD 1,078 million, reflecting higher short-term interest rates as well as growth in loan and deposit balances. Recurring net fee income decreased by USD 22 million to USD 3,613 million due to lower mutual fund fees. Transaction-based income decreased by USD 136 million to USD 1,102 million, reflecting lower client activity.

Total operating expenses decreased by USD 10 million to USD 5,029 million. Adjusted personnel expenses increased by USD 51 million, mainly due to USD 46 million higher expenses for compensation commitments reflecting the recruitment of financial advisors. Salaries and other personnel costs increased by USD 37 million, reflecting initial expenses associated with the transition to a new health care benefit plan and the recruitment of financial advisors, partly offset by lower expenses for variable compensation. Financial advisor compensation decreased by USD 34 million due to lower compensable revenues.

Wealth Management Americas – in Swiss francs[1]

	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Results							
Net interest income	**361**	348	301	4	20	1,059	847
Recurring net fee income[2]	**1,209**	1,163	1,193	4	1	3,548	3,457
Transaction-based income[2]	**363**	360	369	1	(2)	1,083	1,177
Other income	**5**	8	11	(38)	(55)	19	19
Income	**1,938**	1,880	1,875	3	3	5,709	5,499
Credit loss (expense) / recovery	**0**	(1)	(3)	(100)	(100)	(2)	(3)
Total operating income	**1,938**	1,879	1,871	3	4	5,706	5,496
Personnel expenses	**1,174**	1,195	1,142	(2)	3	3,572	3,387
Financial advisor compensation[3]	**717**	707	703	1	2	2,135	2,099
Compensation commitments with recruited financial advisors[4]	**196**	204	183	(4)	7	598	536
Salaries and other personnel costs	**262**	284	255	(8)	3	839	752
General and administrative expenses	**125**	134	153	(7)	(18)	402	473
Services (to) / from Corporate Center and other business divisions	**305**	300	304	2	0	923	893
of which: services from CC – Services	***302***	*297*	*299*	*2*	*1*	*913*	*882*
Depreciation and impairment of property, equipment and software	**0**	0	1		(100)	1	2
Amortization and impairment of intangible assets	**13**	13	13	0	0	39	37
Total operating expenses[5]	**1,618**	1,643	1,612	(2)	0	4,938	4,792
Business division operating profit / (loss) before tax	**320**	237	259	35	24	768	704
Adjusted results[6]							
Total operating income as reported	**1,938**	1,879	1,871	3	4	5,706	5,496
Total operating income (adjusted)	**1,938**	1,879	1,871	3	4	5,706	5,496
Total operating expenses as reported	**1,618**	1,643	1,612	(2)	0	4,938	4,792
of which: personnel-related restructuring expenses	***1***	*5*	*0*			*6*	*0*
of which: non-personnel-related restructuring expenses	***0***	*0*	*0*			*0*	*0*
of which: restructuring expenses allocated from CC – Services	***37***	*33*	*39*			*103*	*87*
of which: gain related to a change to retiree benefit plans in the US			*(21)*				*(21)*
Total operating expenses (adjusted)	**1,580**	1,605	1,594	(2)	(1)	4,829	4,726
Business division operating profit / (loss) before tax as reported	**320**	237	259	35	24	768	704
Business division operating profit / (loss) before tax (adjusted)	**358**	275	277	30	29	877	770
Key performance indicators[7]							
Pre-tax profit growth (%)	**23.6**	24.1	9.7			9.1	2.2
Cost / income ratio (%)	**83.5**	87.4	86.0			86.5	87.1
Net new money growth (%)	**0.3**	0.9	0.2			2.2	0.6
Gross margin on invested assets (bps)	**73**	73	77	0	(5)	73	73
Net margin on invested assets (bps)	**12**	9	11	33	9	10	9
Adjusted key performance indicators[7]							
Pre-tax profit growth (%)	**29.2**	27.9	11.7			13.9	7.1
Cost / income ratio (%)	**81.5**	85.4	85.0			84.6	85.9
Net new money growth (%)	**0.3**	0.9	0.2			2.2	0.6
Gross margin on invested assets (bps)	**73**	73	77	0	(5)	73	73
Net margin on invested assets (bps)	**13**	11	11	18	18	11	10

Wealth Management Americas – in Swiss francs[1] (continued)

	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Additional information							
Recurring income[8]	**1,570**	1,512	1,495	4	5	4,607	4,303
Recurring income as a percentage of income (%)	**81.0**	80.4	79.7			80.7	78.3
Average attributed equity (CHF billion)[9]	**2.6**	2.5	2.6	4	0	2.5	2.5
Return on attributed equity (%)	**49.2**	37.9	39.8			40.4	38.1
Risk-weighted assets (fully applied, CHF billion)[10]	**23.3**	22.6	22.3	3	4	23.3	22.3
Return on risk-weighted assets, gross (%)[11]	**33.8**	33.6	34.2			33.9	33.7
Leverage ratio denominator (fully applied, CHF billion)[12]	**64.4**	63.7	59.5	1	8	64.4	59.5
Goodwill and intangible assets (CHF billion)	**3.6**	3.6	3.6	0	0	3.6	3.6
Net new money (CHF billion)	**0.8**	2.3	0.5			16.7	4.4
Net new money including interest and dividend income (CHF billion)[13]	**6.5**	8.2	6.0			33.9	20.6
Invested assets (CHF billion)	**1,074**	1,053	967	2	11	1,074	967
Client assets (CHF billion)	**1,121**	1,101	1,016	2	10	1,121	1,016
Loans, gross (CHF billion)	**49.5**	48.9	46.3	1	7	49.5	46.3
Due to customers (CHF billion)	**84.1**	83.0	73.8	1	14	84.1	73.8
Recruitment loans to financial advisors	**3,092**	3,161	2,817	(2)	10	3,092	2,817
Other loans to financial advisors	**469**	490	428	(4)	10	469	428
Personnel (full-time equivalents)	**13,574**	13,643	13,329	(1)	2	13,574	13,329
Financial advisors (full-time equivalents)	**7,087**	7,116	6,989	0	1	7,087	6,989

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Operating income" in the "Group performance" section of our Annual Report 2015 for the definitions of recurring net fee income and transaction-based income. 3 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. 4 Compensation commitments with recruited financial advisors represents expenses related to compensation commitments granted to financial advisors at the time of recruitment which are subject to vesting requirements. 5 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for information on restructuring expenses. 6 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 7 Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. 8 Recurring income consists of net interest income and recurring net fee income. 9 Refer to the "Capital management" section of this report for more information. 10 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 11 Based on fully applied RWA. 12 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. 13 Presented in line with historical reporting practice in the US market.

Personal & Corporate Banking

Personal & Corporate Banking[1]

	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Results							
Net interest income	**541**	558	566	(3)	(4)	1,658	1,694
Recurring net fee income[2]	**144**	140	136	3	6	423	405
Transaction-based income[2]	**274**	254	238	8	15	772	763
Other income	**38**	131	90	(71)	(58)	188	125
Income	**996**	1,083	1,031	(8)	(3)	3,042	2,987
Credit loss (expense) / recovery	**0**	2	0	(100)		2	(26)
Total operating income	**995**	1,085	1,030	(8)	(3)	3,043	2,961
Personnel expenses	**211**	212	214	0	(1)	636	662
General and administrative expenses	**63**	60	76	5	(17)	185	193
Services (to) / from Corporate Center and other business divisions	**264**	274	269	(4)	(2)	825	803
of which: services from CC – Services	***294***	*298*	*298*	*(1)*	*(1)*	*902*	*882*
Depreciation and impairment of property, equipment and software	**3**	4	5	(25)	(40)	11	13
Amortization and impairment of intangible assets	**0**	0	0			0	0
Total operating expenses[3]	**542**	551	564	(2)	(4)	1,657	1,671
Business division operating profit / (loss) before tax	**453**	534	466	(15)	(3)	1,386	1,290
Adjusted results[4]							
Total operating income as reported	**995**	1,085	1,030	(8)	(3)	3,043	2,961
of which: gains related to investments in associates	***21***		*66*			*21*	*66*
of which: gain on sale of investment in Visa Europe		*102*				*102*	
Total operating income (adjusted)	**974**	983	964	(1)	1	2,920	2,895
Total operating expenses as reported	**542**	551	564	(2)	(4)	1,657	1,671
of which: personnel-related restructuring expenses	***0***	*1*	*1*			*1*	*2*
of which: non-personnel-related restructuring expenses	***0***	*0*	*0*			*0*	*0*
of which: restructuring expenses allocated from CC – Services	***40***	*30*	*26*			*94*	*58*
Total operating expenses (adjusted)	**501**	520	536	(4)	(7)	1,562	1,611
Business division operating profit / (loss) before tax as reported	**453**	534	466	(15)	(3)	1,386	1,290
Business division operating profit / (loss) before tax (adjusted)	**473**	463	428	2	11	1,358	1,284
Key performance indicators[5]							
Pre-tax profit growth (%)	**(2.8)**	34.5	9.4			7.4	10.6
Cost / income ratio (%)	**54.4**	50.9	54.7			54.5	55.9
Net interest margin (bps)	**161**	165	167	(2)	(4)	164	166
Net new business volume growth for personal banking (%)	**3.5**	3.0	2.5			3.8	3.0
Adjusted key performance indicators[5]							
Pre-tax profit growth (%)	**10.5**	11.8	(4.0)			5.8	5.8
Cost / income ratio (%)	**51.4**	53.0	55.5			53.5	55.2
Net interest margin (bps)	**161**	165	167	(2)	(4)	164	166
Net new business volume growth for personal banking (%)	**3.5**	3.0	2.5			3.8	3.0

Personal & Corporate Banking[1] (continued)

	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Additional information							
Average attributed equity (CHF billion)[6]	**4.1**	4.0	3.9	2	5	4.1	3.9
Return on attributed equity (%)	**44.2**	53.4	47.8			45.4	43.7
Risk-weighted assets (fully applied, CHF billion)[7]	**41.3**	36.9	34.9	12	18	41.3	34.9
Return on risk-weighted assets, gross (%)[8]	**10.2**	11.7	11.9			10.9	11.6
Leverage ratio denominator (fully applied, CHF billion)[9]	**151.0**	152.8	162.5	(1)	(7)	151.0	162.5
Goodwill and intangible assets (CHF billion)	**0.0**	0.0	0.0			0.0	0.0
Business volume for personal banking (CHF billion)	**149**	148	144	1	3	149	144
Net new business volume for personal banking (CHF billion)	**1.3**	1.1	0.9			4.2	3.2
Client assets (CHF billion)	**449**	442	437	2	3	449	437
Due to customers (CHF billion)	**133.2**	132.7	131.9	0	1	133.2	131.9
Loans, gross (CHF billion)	**134.4**	134.8	135.1	0	(1)	134.4	135.1
Secured loan portfolio as a percentage of total loan portfolio, gross (%)	**92.6**	93.1	93.6			92.6	93.6
Impaired loan portfolio as a percentage of total loan portfolio, gross (%)[10]	**0.6**	0.6	0.7			0.6	0.7
Personnel (full-time equivalents)	**5,152**	5,035	5,123	2	1	5,152	5,123

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Operating income" in the "Group performance" section of our Annual Report 2015 for the definitions of recurring net fee income and transaction-based income. 3 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for information on restructuring expenses. 4 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 5 Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. 6 Refer to the "Capital management" section of this report for more information. 7 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 8 Based on fully applied RWA. 9 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. 10 Refer to the "Risk management and control" section of this report for more information on impaired loan exposures.

Results: 3Q16 vs 3Q15

Profit before tax decreased by CHF 13 million or 3% to CHF 453 million and adjusted profit before tax increased by CHF 45 million or 11% to CHF 473 million, primarily reflecting lower operating expenses.

Operating income

Total operating income decreased by CHF 35 million or 3% to CHF 995 million and included gains related to investments in associates of CHF 21 million compared with CHF 66 million. Excluding these gains, adjusted operating income increased by CHF 10 million or 1% to CHF 974 million, mainly due to higher transaction-based income, partly offset by lower net interest income.

Net interest income decreased by CHF 25 million to CHF 541 million, due to lower allocations from Corporate Center – Group Asset and Liability Management (Group ALM) and lower deposit-related income driven by the adverse effect of persistently low interest rates on our replication portfolios.

➔ Refer to "Corporate Center – Group Asset and Liability Management" within this section for more information on income allocations from Group ALM to business divisions and other Corporate Center units

Recurring net fee income increased by CHF 8 million to CHF 144 million, mainly due to higher account-keeping fees.

Transaction-based income increased by CHF 36 million to CHF 274 million, mainly as the third quarter of 2015 included hedge ineffectiveness losses. Furthermore, fees received from Wealth Management for net client shifts and referrals were higher in the third quarter of 2016, reflecting increased volumes.

Other income decreased by CHF 52 million to CHF 38 million, predominantly due to the aforementioned CHF 45 million lower gains related to investments in associates.

Operating expenses

Total operating expenses decreased by CHF 22 million or 4% to CHF 542 million and adjusted operating expenses decreased by CHF 35 million or 7% to CHF 501 million. The decrease in adjusted operating expenses was mainly due to CHF 19 million lower adjusted net expenses for services from Corporate Center and other business divisions, reflecting lower allocations from Group Operations and Group Technology. Furthermore, general and administrative expenses decreased by CHF 13 million, mostly reflecting certain charitable donations we made in the third quarter of 2015.

Net new business volume growth for personal banking: 3Q16 vs 3Q15

The annualized net new business volume growth rate for our personal banking business was 3.5% compared with 2.5%. Net new client assets and, to a lesser extent net new loans, were positive. Loan growth was in line with our strategy to expand our high-quality loans business moderately and selectively.

Personnel: 3Q16 vs 2Q16

Personal & Corporate Banking employed 5,152 personnel as of 30 September 2016, an increase of 117 compared with 5,035 as of 30 June 2016. This mainly reflects the seasonal intake of around 190 apprentices and graduates and the transfer of certain staff from Wealth Management to Personal & Corporate Banking. This was partly offset by staff reductions, including those related to our ongoing cost reduction programs.

Results: 9M16 vs 9M15

Profit before tax increased by CHF 96 million or 7% to CHF 1,386 million and adjusted profit before tax increased by CHF 74 million or 6% to CHF 1,358 million reflecting lower operating expenses and higher operating income.

Total operating income increased by CHF 82 million or 3% to CHF 3,043 million and adjusted operating income increased by CHF 25 million or 1% to CHF 2,920 million. Net interest income decreased by CHF 36 million to CHF 1,658 million, mainly due to lower allocations from Group ALM and lower deposit-related income driven by the adverse effect of persistently low interest rates on our replication portfolios. This was partly offset by higher loan-related income. Recurring net fee income increased by CHF 18 million to CHF 423 million, mainly reflecting higher account-keeping fees. Transaction-based income increased by CHF 9 million to CHF 772 million, mainly due to higher fees received from Wealth Management reflecting a higher volume of net client shifts and referrals. Net credit loss was a net recovery of CHF 2 million compared with a net expense of CHF 26 million. In the first nine months of 2016, net recoveries related to previously impaired positions were largely offset by expenses for allowances for newly impaired positions. In the prior year, credit loss expenses were mainly related to allowances for newly impaired positions.

Total operating expenses decreased by CHF 14 million or 1% to CHF 1,657 million and adjusted operating expenses decreased by CHF 49 million or 3% to CHF 1,562 million. Adjusted personnel expenses were CHF 25 million lower, mainly due to lower pension costs for our Swiss pension plan, reflecting the effect of changes to demographic and financial assumptions, and lower expenses for variable compensation. Moreover, adjusted net expenses for services from Corporate Center and other business divisions decreased by CHF 14 million, mainly related to lower allocations from Group Operations.

Asset Management

Asset Management[1]

CHF million, except where indicated	As of or for the quarter ended 30.9.16	30.6.16	30.9.15	% change from 2Q16	3Q15	Year-to-date 30.9.16	30.9.15
Results							
Net management fees[2]	437	458	479	(5)	(9)	1,341	1,379
Performance fees	44	24	23	83	91	91	110
Total operating income	481	483	502	0	(4)	1,432	1,489
Personnel expenses	196	184	189	7	4	563	531
General and administrative expenses	56	58	56	(3)	0	170	166
Services (to)/from Corporate Center and other business divisions	124	125	139	(1)	(11)	386	371
of which: services from CC – Services	*130*	*132*	*143*	*(2)*	*(9)*	*404*	*384*
Depreciation and impairment of property, equipment and software	0	0	1		(100)	1	2
Amortization and impairment of intangible assets	1	1	4	0	(75)	3	7
Total operating expenses[3]	377	369	388	2	(3)	1,124	1,077
Business division operating profit/(loss) before tax	104	114	114	(9)	(9)	308	413
Adjusted results[4]							
Total operating income as reported	481	483	502	0	(4)	1,432	1,489
Total operating income (adjusted)	481	483	502	0	(4)	1,432	1,489
Total operating expenses as reported	377	369	388	2	(3)	1,124	1,077
of which: personnel-related restructuring expenses	*9*	*4*	*1*			*14*	*1*
of which: non-personnel-related restructuring expenses	*2*	*6*	*2*			*9*	*3*
of which: restructuring expenses allocated from CC – Services	*24*	*24*	*20*			*65*	*41*
Total operating expenses (adjusted)	343	335	365	2	(6)	1,036	1,033
Business division operating profit/(loss) before tax as reported	104	114	114	(9)	(9)	308	413
Business division operating profit/(loss) before tax (adjusted)	138	148	137	(7)	1	396	457
Key performance indicators[5]							
Pre-tax profit growth (%)	(8.8)	(12.3)	(26.0)			(25.4)	8.4
Cost/income ratio (%)	78.4	76.4	77.3			78.5	72.3
Net new money growth excluding money market flows (%)	1.4	(6.2)	(5.1)			(2.9)	1.8
Gross margin on invested assets (bps)	30	31	31	(3)	(3)	30	30
Net margin on invested assets (bps)	6	7	7	(14)	(14)	6	8
Adjusted key performance indicators[5]							
Pre-tax profit growth (%)	0.7	10.4	(9.3)			(13.3)	18.7
Cost/income ratio (%)	71.3	69.4	72.7			72.3	69.4
Net new money growth excluding money market flows (%)	1.4	(6.2)	(5.1)			(2.9)	1.8
Gross margin on invested assets (bps)	30	31	31	(3)	(3)	30	30
Net margin on invested assets (bps)	9	9	9	0	0	8	9
Information by business line							
Operating income							
Equities, Multi Asset & O'Connor	225	220	236	2	(5)	666	690
Fixed Income	76	75	74	1	3	223	219
Global Real Estate	106	114	102	(7)	4	328	287
Infrastructure and Private Equity	16	16	14	0	14	46	43
Solutions	27	26	23	4	17	76	97
Fund Services	32	31	53	3	(40)	93	152
Total operating income	481	483	502	0	(4)	1,432	1,489

Asset Management[1] (continued)

CHF million, except where indicated	As of or for the quarter ended 30.9.16	30.6.16	30.9.15	% change from 2Q16	3Q15	Year-to-date 30.9.16	30.9.15
Gross margin on invested assets (bps)							
Equities, Multi Asset & O'Connor	28	28	29	0	(3)	28	27
Fixed Income	15	15	14	0	7	14	14
Global Real Estate	78	85	84	(8)	(7)	82	81
Infrastructure and Private Equity	71	71	62	0	15	67	64
Solutions	21	20	18	5	17	19	27
Total gross margin	30	31	31	(3)	(3)	30	30
Net new money (CHF billion)							
Equities, Multi Asset & O'Connor	(3.5)	(2.9)	(9.8)			(7.0)	(2.8)
Fixed Income	5.6	(4.4)	(2.2)			(2.6)	(0.9)
Global Real Estate	0.6	0.7	0.6			1.9	2.4
Infrastructure and Private Equity	0.0	(0.3)	(0.3)			(0.5)	(0.2)
Solutions	(0.2)	(0.8)	3.1			0.1	7.0
Total net new money	2.5	(7.7)	(8.5)			(8.1)	5.6
Net new money excluding money market flows	2.0	(8.8)	(7.6)			(12.7)	8.2
of which: from third parties	*1.9*	*(5.9)*	*(7.9)*			*(8.5)*	*(0.2)*
of which: from UBS's wealth management businesses	*0.2*	*(2.9)*	*0.3*			*(4.1)*	*8.3*
Money market flows	0.4	1.1	(0.9)			4.5	(2.6)
of which: from third parties	*(1.5)*	*1.8*	*(2.1)*			*2.5*	*(1.6)*
of which: from UBS's wealth management businesses	*2.0*	*(0.7)*	*1.2*			*2.0*	*(1.0)*
Invested assets (CHF billion)							
Equities, Multi Asset & O'Connor	323	313	318	3	2	323	318
Fixed Income	211	204	206	3	2	211	206
Global Real Estate	55	54	50	2	10	55	50
Infrastructure and Private Equity	9	9	9	0	0	9	9
Solutions	53	52	52	2	2	53	52
Total invested assets	650	633	635	3	2	650	635
of which: excluding money market funds	*588*	*572*	*576*	*3*	*2*	*588*	*576*
of which: money market funds	*62*	*61*	*59*	*2*	*5*	*62*	*59*
Assets under administration by Fund Services							
Assets under administration (CHF billion)[6]	424	417	524	2	(19)	424	524
Net new assets under administration (CHF billion)[7]	(2.4)	2.5	6.8			7.9	24.2
Gross margin on assets under administration (bps)	3	3	4	0	(25)	3	4
Additional information							
Average attributed equity (CHF billion)[8]	1.4	1.4	1.6	0	(13)	1.4	1.6
Return on attributed equity (%)	29.7	32.6	28.5			29.3	33.7
Risk-weighted assets (fully applied, CHF billion)[9]	3.7	2.4	3.1	54	19	3.7	3.1
Return on risk-weighted assets, gross (%)[10]	63.1	80.5	61.8			72.1	57.5
Leverage ratio denominator (fully applied, CHF billion)[11]	2.5	2.6	15.4	(4)	(84)	2.5	15.4
Goodwill and intangible assets (CHF billion)	1.4	1.4	1.4	0	0	1.4	1.4
Personnel (full-time equivalents)	2,326	2,340	2,532	(1)	(8)	2,326	2,532

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Net management fees include transaction fees, fund administration revenues (including net interest and trading income from lending activities and foreign exchange hedging as part of the fund services offering), gains or losses from seed money and co-investments, funding costs, gains and losses on the sale of subsidiaries and businesses and other items that are not performance fees. 3 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for information on restructuring expenses. 4 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 5 Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. 6 Includes UBS and third-party fund assets, for which the fund services unit provides professional services, including fund setup, accounting and reporting for traditional investment funds and alternative funds. 7 Inflows of assets under administration from new and existing funds less outflows from existing funds or fund exits. 8 Refer to the "Capital management" section of this report for more information. 9 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 10 Based on fully applied RWA. 11 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable.

Results: 3Q16 vs 3Q15

Profit before tax decreased by CHF 10 million or 9% to CHF 104 million and adjusted profit before tax increased by CHF 1 million or 1% to CHF 138 million, reflecting lower operating expenses, largely offset by lower operating income.

Operating income

Total operating income decreased by CHF 21 million or 4% to CHF 481 million. Net management fees were CHF 42 million lower due to the sale of our Alternative Fund Services (AFS) business in the fourth quarter of 2015 and lower average invested asset levels, particularly in Equities, Multi Asset & O'Connor. Performance fees increased by CHF 21 million to CHF 44 million, mainly driven by O'Connor.

As of 30 September 2016, approximately 38% of performance fee-eligible assets within our hedge fund businesses, which are reported within Equities, Multi Asset & O'Connor and Solutions, exceeded high-water marks.

Operating expenses

Total operating expenses decreased by CHF 11 million or 3% to CHF 377 million. Adjusted operating expenses decreased by CHF 22 million or 6% to CHF 343 million, mainly as adjusted net expenses for services from Corporate Center and other business divisions decreased by CHF 19 million, mainly driven by lower expenses from Group Technology.

Net new money

Excluding money market flows, net new money was CHF 2.0 billion compared with net outflows of CHF 7.6 billion in the same quarter of the prior year, which resulted in an annualized net new money growth rate of positive 1.4% compared with negative 5.1%. By client segment, net inflows from third parties were CHF 1.9 billion compared with net outflows of CHF 7.9 billion and included a single inflow of CHF 3.9 billion into a fixed income short duration segregated mandate. Net inflows from clients of UBS's wealth management businesses were CHF 0.2 billion compared with CHF 0.3 billion.

Money market net inflows were CHF 0.4 billion compared with net outflows of CHF 0.9 billion in the same quarter of the prior year. By client segment, net outflows from third parties were CHF 1.5 billion compared with CHF 2.1 billion, mainly from clients serviced from the Americas and, to a lesser extent, Europe. Net inflows from clients of UBS's wealth management businesses were CHF 2.0 billion compared with CHF 1.2 billion, mainly from clients serviced from the Americas and, to a lesser extent, Switzerland.

In the second quarter of 2016, net new money outflows were CHF 8.8 billion excluding money market flows, mainly driven by asset allocation shifts from active to passive investments and clients' liquidity needs.

Invested assets: 3Q16 vs 2Q16

Invested assets increased to CHF 650 billion from CHF 633 billion due to positive market performance of CHF 16 billion and net new money inflows of CHF 2 billion, partly offset by negative foreign currency translation effects of CHF 1 billion.

As of 30 September 2016, CHF 391 billion, or 60%, of invested assets were managed in active, non-money market strategies. CHF 197 billion, or 30%, of invested assets were managed in indexed strategies and CHF 62 billion, or 10%, were in money market assets. On a regional basis, 35% of invested assets related to clients serviced from Switzerland, 23% from the Americas, 22% from Europe, Middle East and Africa, and 20% from Asia Pacific.

Assets under administration: 3Q16 vs 2Q16

Total assets under administration increased to CHF 424 billion from CHF 417 billion, reflecting positive market performance of CHF 9 billion, partly offset by net new assets under administration outflows of CHF 2 billion.

Personnel: 3Q16 vs 2Q16

Asset Management employed 2,326 personnel as of 30 September 2016, a slight decrease of 14 compared with 30 June 2016.

Results: 9M16 vs 9M15

Profit before tax decreased by CHF 105 million or 25% to CHF 308 million and adjusted profit before tax decreased by CHF 61 million or 13% to CHF 396 million.

Total operating income decreased by CHF 57 million or 4% to CHF 1,432 million, mainly due to CHF 38 million lower net management fees, primarily reflecting decreases in Fund Services following the sale of our AFS business, and lower revenues in Equities, Multi Asset & O'Connor and Solutions, partly offset by increases in Global Real Estate. Performance fees decreased by CHF 19 million, mainly in our hedge fund businesses.

Total operating expenses increased by CHF 47 million or 4% to CHF 1,124 million and adjusted operating expenses increased by CHF 3 million to CHF 1,036 million. Adjusted personnel expenses increased by CHF 19 million, driven by higher salary costs as a result of increased staffing levels, excluding the effect of the aforementioned sale of AFS. This was partly offset by CHF 9 million lower adjusted net expenses for services from Corporate Center and other business divisions, reflecting lower expenses from Group Technology.

Investment performance as of 30 September 2016

		Annualized	
	1 year	3 years	5 years
Active funds versus benchmark			
Percentage of fund assets equaling or exceeding benchmark			
Equities[1]	39	65	77
Fixed income[1]	79	78	77
Multi-asset[1]	26	55	87
Total traditional investments	**49**	**66**	**80**
Real estate[2]	77	60	63
Active funds versus peers			
Percentage of fund assets ranking in first or second quartile / equaling or exceeding peer index			
Equities[1]	36	82	84
Fixed income[1]	62	61	74
Multi-asset[1]	64	67	88
Total traditional investments	**55**	**69**	**81**
Real estate[2]	41	71	25
Hedge funds[3]	34	72	70
Passive funds tracking accuracy			
Percentage of passive fund assets within applicable tracking tolerance			
All asset classes[4]	83	91	91

1 Percentage of active fund assets above benchmark (gross of fees) / peer median. Based on the universe of European-domiciled active wholesale funds available to UBS's wealth management businesses and other wholesale intermediaries as of 30 September 2016. Source of comparison versus peers: ThomsonReuters LIM (Lipper Investment Management). Source of comparison versus benchmark: UBS. Universe represents approximately 69% of all active fund assets and 17% of all actively managed assets (including segregated accounts) in these asset classes globally as of 30 September 2016. 2 Percentage of real estate fund assets above benchmark (gross of fees) / peer median. Universe (versus benchmark) includes all fully discretionary real estate funds with a benchmark representing approximately 71% of real estate gross invested assets as at 30 June 2016. Source: IPD, NFI-ODCE, SXI Real Estate Funds TR. Universe (versus peers) includes all real estate funds with externally verifiable peer groups representing approximately 24% of real estate gross invested assets as of 30 June 2016. Source: ThomsonReuters LIM (Lipper Investment Management). 3 Percentage of fund assets above appropriate HFRI peer indices. Universe of key hedge funds and fund-of-fund products managed on a fully discretionary basis representing approximately 33% of total O'Connor and Hedge Fund Solutions invested assets. 4 Percentage of passive fund assets within applicable tracking tolerance on a gross of fees basis. Performance information represents a universe of European-domiciled institutional and wholesale funds representing approximately 50% of total passive invested assets as of 30 September 2016. Source: UBS.

Investment Bank

Investment Bank[1]

	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Results							
Corporate Client Solutions	**532**	668	710	(20)	(25)	1,674	2,311
Advisory	**149**	166	126	(10)	18	447	482
Equity Capital Markets	**122**	195	206	(37)	(41)	470	850
Debt Capital Markets	**188**	237	254	(21)	(26)	570	577
Financing Solutions	**98**	98	106	0	(8)	257	331
Risk Management	**(25)**	(27)	17	(7)		(70)	71
Investor Client Services	**1,265**	1,339	1,391	(6)	(9)	4,007	4,808
Equities	**797**	878	944	(9)	(16)	2,595	3,228
Foreign Exchange, Rates and Credit	**469**	461	446	2	5	1,412	1,580
Income	**1,797**	2,006	2,100	(10)	(14)	5,681	7,118
Credit loss (expense) / recovery	**(1)**	(6)	(12)	(83)	(92)	(6)	(18)
Total operating income	**1,796**	2,000	2,088	(10)	(14)	5,674	7,100
Personnel expenses	**784**	828	699	(5)	12	2,339	2,647
General and administrative expenses	**170**	192	172	(11)	(1)	533	523
Services (to) / from Corporate Center and other business divisions	**672**	687	711	(2)	(5)	2,077	2,077
of which: services from CC – Services	***662***	*661*	*680*	*0*	*(3)*	*2,014*	*2,016*
Depreciation and impairment of property, equipment and software	**6**	6	7	0	(14)	18	19
Amortization and impairment of intangible assets	**3**	3	3	0	0	9	21
Total operating expenses[2]	**1,635**	1,716	1,592	(5)	3	4,977	5,288
Business division operating profit / (loss) before tax	**161**	284	496	(43)	(68)	698	1,813
Adjusted results[3]							
Total operating income as reported	**1,796**	2,000	2,088	(10)	(14)	5,674	7,100
of which: gain on a further partial sale of investment in Markit							*11*
Total operating income (adjusted)	**1,796**	2,000	2,088	(10)	(14)	5,674	7,089
Total operating expenses as reported	**1,635**	1,716	1,592	(5)	3	4,977	5,288
of which: personnel-related restructuring expenses	***60***	*37*	*0*			*114*	*2*
of which: non-personnel-related restructuring expenses	***3***	*4*	*1*			*9*	*5*
of which: restructuring expenses allocated from CC – Services	***118***	*122*	*116*			*338*	*246*
of which: impairment of an intangible asset							*11*
Total operating expenses (adjusted)	**1,454**	1,553	1,474	(6)	(1)	4,516	5,024
Business division operating profit / (loss) before tax as reported	**161**	284	496	(43)	(68)	698	1,813
Business division operating profit / (loss) before tax (adjusted)	**342**	447	614	(23)	(44)	1,159	2,066
Key performance indicators[4]							
Pre-tax profit growth (%)	**(67.5)**	(48.5)	(138.2)			(61.5)	
Cost / income ratio (%)	**91.0**	85.5	75.8			87.6	74.3
Return on attributed equity (%)[5]	**8.5**	14.8	27.2			12.1	33.1
Return on assets, gross (%)	**2.8**	3.0	3.1			2.9	3.3
Average VaR (1-day, 95% confidence, 5 years of historical data)	**8**	9	14	(11)	(43)	9	12
Adjusted key performance indicators[4]							
Pre-tax profit growth (%)	**(44.3)**	(27.6)	(150.3)			(43.9)	
Cost / income ratio (%)	**80.9**	77.4	70.2			79.5	70.7
Return on attributed equity (%)[5]	**18.0**	23.2	33.6			20.2	37.7
Return on assets, gross (%)	**2.8**	3.0	3.1			2.9	3.3
Average VaR (1-day, 95% confidence, 5 years of historical data)	**8**	9	14	(11)	(43)	9	12

Investment Bank[1] (continued)

	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Additional information							
Total assets (CHF billion)[6]	**237.8**	282.2	276.1	(16)	(14)	237.8	276.1
Average attributed equity (CHF billion)[5]	**7.6**	7.7	7.3	(1)	4	7.7	7.3
Risk-weighted assets (fully applied, CHF billion)[7]	**64.9**	63.8	68.2	2	(5)	64.9	68.2
Return on risk-weighted assets, gross (%)[8]	**11.2**	12.6	12.8			11.9	14.6
Leverage ratio denominator (fully applied, CHF billion)[9]	**246.4**	267.2	289.1	(8)	(15)	246.4	289.1
Goodwill and intangible assets (CHF billion)	**0.1**	0.1	0.1	0	0	0.1	0.1
Compensation ratio (%)	**43.6**	41.3	33.3			41.2	37.2
Impaired loan portfolio as a percentage of total loan portfolio, gross (%)[10]	**0.8**	1.4	0.4			0.8	0.4
Personnel (full-time equivalents)	**4,917**	5,014	5,301	(2)	(7)	4,917	5,301

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for information on restructuring expenses. 3 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 4 Refer to the "Measurement of performance" section of our Annual Report 2015 for the definitions of our key performance indicators. 5 Refer to the "Capital management" section of this report for more information. 6 Based on third-party view, i.e., without intercompany balances. 7 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 8 Based on fully applied RWA. 9 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. 10 Refer to the "Risk management and control" section of this report for more information on impaired loan exposures.

Results: 3Q16 vs 3Q15

Profit before tax decreased by CHF 335 million or 68% to CHF 161 million and adjusted profit before tax decreased by CHF 272 million or 44% to CHF 342 million, mainly as a result of lower revenues in Corporate Client Solutions and our Equities business within Investor Client Services.

Operating income

Total operating income decreased by CHF 292 million or 14% to CHF 1,796 million, as Corporate Client Solutions revenues were CHF 178 million lower and Investor Client Services revenues decreased by CHF 126 million. Net credit loss was an expense of CHF 1 million in the third quarter of 2016, which included a CHF 9 million recovery and a CHF 7 million expense, both related to the energy sector. Net credit loss in the third quarter of 2015 was an expense of CHF 12 million. In US dollar terms, operating income decreased 15%.

Operating income by business unit:

Corporate Client Solutions

Corporate Client Solutions revenues decreased by CHF 178 million or 25% to CHF 532 million, reflecting lower revenues in Equity Capital Markets, Debt Capital Markets and Risk Management, slightly offset by higher Advisory revenues. In US dollar terms, revenues decreased 25%.

Advisory revenues increased to CHF 149 million from CHF 126 million, reflecting higher revenues from private transactions, partly offset by decreased revenues from merger and acquisition transactions as the global fee pool decreased 13%.

Equity Capital Markets revenues decreased to CHF 122 million from CHF 206 million, mainly due to lower revenues from private transactions, partly offset by higher revenues from public offerings, as the global fee pool increased 17%.

Debt Capital Markets revenues decreased to CHF 188 million from CHF 254 million, mainly due to lower leveraged finance revenues compared with a strong prior-year quarter.

Financing Solutions revenues decreased to CHF 98 million from CHF 106 million, reflecting a decline in structured finance revenues, partly offset by an increase in revenues in real estate finance.

Risk Management revenues were negative CHF 25 million compared with positive CHF 17 million, reflecting tightening credit spreads on portfolio hedges.

Investor Client Services

Investor Client Services revenues decreased by CHF 126 million or 9% to CHF 1,265 million due to lower Equities revenues, partly offset by an increase in Foreign Exchange, Rates and Credit revenues. In US dollar terms, revenues decreased 10%.

Equities

Equities revenues decreased to CHF 797 million from CHF 944 million with lower revenues in Derivatives and Cash across all regions. This decrease was partly offset by higher Financing Services revenues.

Cash revenues decreased to CHF 298 million from CHF 362 million, mainly due to lower client activity and weaker trading revenues.

Derivatives revenues decreased to CHF 143 million from CHF 247 million, reflecting lower client activity and a decline in volatility levels.

Financing Services revenues increased to CHF 360 million from CHF 351 million, driven by higher prime brokerage revenues, as a result of improved client activity.

Foreign Exchange, Rates and Credit

Foreign Exchange, Rates and Credit revenues increased to CHF 469 million from CHF 446 million.

Revenues in Rates and Credit increased, reflecting higher client activity, largely due to continued tightening of credit spreads and ongoing central bank actions, positively impacting interest rate flows.

Foreign Exchange revenues decreased on lower client activity levels.

Operating expenses

Total operating expenses increased by CHF 43 million or 3% to CHF 1,635 million, while adjusted operating expenses decreased by CHF 20 million or 1% to CHF 1,454 million.

Personnel expenses increased to CHF 784 million from CHF 699 million and adjusted personnel expenses increased to CHF 724 million from CHF 699 million, mainly as the third quarter of 2015 included a year-to-date downward adjustment to variable compensation expenses. This was partly offset by lower salary expenses compared with the prior-year quarter, primarily as a result of our cost reduction programs and currency effects.

General and administrative expenses were broadly unchanged at CHF 170 million and on an adjusted basis decreased by CHF 4 million to CHF 167 million.

Net expenses for services from Corporate Center and other business divisions decreased to CHF 672 million from CHF 711 million and adjusted net expenses decreased to CHF 554 million from CHF 595 million, mainly due to lower net expenses from Group Technology and Group Operations, partly offset by higher occupancy costs.

Risk-weighted assets and leverage ratio denominator: 3Q16 vs 2Q16

Risk-weighted assets

Fully applied risk-weighted assets were broadly unchanged at CHF 65 billion as of 30 September 2016 and remained below our short- to medium-term expectation of around CHF 85 billion.

➔ Refer to the "Capital management" section of this report for more information

Leverage ratio denominator

The fully applied leverage ratio denominator decreased by CHF 21 billion to CHF 246 billion as of 30 September 2016 and remained below our short- to medium-term expectation of around CHF 325 billion.

➔ Refer to the "Capital management" and "Balance sheet, liquidity and funding management" sections of this report for more information

Personnel: 3Q16 vs 2Q16

The Investment Bank employed 4,917 personnel as of 30 September 2016, compared with 5,014 as of 30 June 2016, mainly driven by ongoing cost reduction programs, partly offset by the annual intake of graduates.

Results: 9M16 vs 9M15

Profit before tax decreased by CHF 1,115 million or 62% to CHF 698 million and adjusted profit before tax decreased by CHF 907 million or 44% to CHF 1,159 million, mainly as a result of lower revenues in both Investor Client Services and Corporate Client Solutions, partly offset by lower operating expenses.

Revenues in Corporate Client Solutions decreased to CHF 1,674 million from CHF 2,311 million. Advisory revenues decreased by CHF 35 million to CHF 447 million, reflecting lower revenues from private transactions. Equity Capital Markets revenues decreased to CHF 470 million from CHF 850 million, due to decreases in revenues from public offerings, as the fee pool declined 31%, as well as lower revenues from private transactions. Debt Capital Markets revenues decreased slightly to CHF 570 million from CHF 577 million. Financing Solutions revenues decreased to CHF 257 million from CHF 331 million, primarily reflecting lower revenues in Structured Finance. Risk Management revenues were negative CHF 70 million compared with positive CHF 71 million, mainly driven by portfolio hedges which were adversely impacted by tightening credit spreads in the first nine months of 2016, while they resulted in a gain in the same period of the prior year. In US dollar terms, Corporate Client Solutions revenues decreased 31%.

Investor Client Services revenues decreased to CHF 4,007 million from CHF 4,808 million, as revenues in both Equities and in Foreign Exchange, Rates and Credit declined. Equities revenues decreased by CHF 633 million to CHF 2,595 million, particularly driven by Asia Pacific, partly offset by higher revenues in the Americas. Cash revenues decreased to CHF 931 million from CHF 1,090 million, mainly due to lower commission income and weaker trading revenues. Derivatives revenues decreased to CHF 526 million from CHF 951 million, mainly as a result of lower client activity and weaker trading revenues. Financing Services revenues decreased to CHF 1,131 million from CHF 1,222 million, due to lower Equity Finance revenues. Foreign Exchange, Rates and Credit revenues decreased to CHF 1,412 million from CHF 1,580 million, mainly as the first quarter of 2015 benefited from higher volatility and client activity levels following the Swiss National Bank's actions in January 2015. In US dollar terms, Investor Client Services revenues decreased 20%.

Total operating expenses decreased by CHF 311 million or 6% to CHF 4,977 million and adjusted operating expenses decreased by CHF 508 million or 10% to CHF 4,516 million, mainly due to lower variable compensation expenses and the effect of ongoing cost reduction programs.

Corporate Center

Corporate Center[1]

CHF million, except where indicated	As of or for the quarter ended 30.9.16	30.6.16	30.9.15	% change from 2Q16	3Q15	Year-to-date 30.9.16	30.9.15
Results							
Total operating income	**10**	142	(280)	(93)		(100)	498
Personnel expenses	**976**	975	991	0	(2)	2,935	2,989
General and administrative expenses	**1,400**	1,083	1,699	29	(18)	3,587	3,965
Services (to)/from business divisions	**(1,943)**	(1,952)	(2,004)	0	(3)	(5,939)	(5,781)
Depreciation and impairment of property, equipment and software	**237**	228	216	4	10	698	619
Amortization and impairment of intangible assets	**5**	5	5	0	0	16	16
Total operating expenses[2]	**675**	340	906	99	(25)	1,296	1,809
Operating profit/(loss) before tax	**(665)**	(198)	(1,186)	236	(44)	(1,397)	(1,311)
Adjusted results[3]							
Total operating income as reported	**10**	142	(280)	(93)		(100)	498
of which: own credit on financial liabilities designated at fair value			*32*				*518*
of which: gains on sales of real estate		*120*				*120*	*378*
of which: net foreign currency translation gains/(losses)[4]		*(26)*	*(27)*			*(149)*	*(27)*
Total operating income (adjusted)	**10**	48	(285)	(79)		(71)	(371)
Total operating expenses as reported	**675**	340	906	99	(25)	1,296	1,809
of which: personnel-related restructuring expenses	***159***	*139*	*120*			*405*	*274*
of which: non-personnel-related restructuring expenses	***173***	*168*	*167*			*460*	*467*
of which: restructuring expenses allocated from CC – Services	***(320)***	*(282)*	*(270)*			*(834)*	*(581)*
Total operating expenses (adjusted)	**664**	315	889	111	(25)	1,266	1,649
Operating profit/(loss) before tax as reported	**(665)**	(198)	(1,186)	236	(44)	(1,397)	(1,311)
Operating profit/(loss) before tax (adjusted)	**(654)**	(267)	(1,174)	145	(44)	(1,338)	(2,020)
Additional information							
Average attributed equity (CHF billion)[5]	**28.9**	29.6	26.4	(2)	9	29.1	26.1
Total assets (CHF billion)[6]	**365.8**	374.4	366.0	(2)	0	365.8	366.0
Risk-weighted assets (fully applied, CHF billion)[7]	**57.5**	62.1	61.7	(7)	(7)	57.5	61.7
Leverage ratio denominator (fully applied, CHF billion)[8]	**295.2**	292.6	289.4	1	2	295.2	289.4
Personnel (full-time equivalents)	**24,059**	23,925	23,618	1	2	24,059	23,618

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for information on restructuring expenses. 3 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 4 Related to the disposal of foreign subsidiaries and branches. 5 Refer to the "Capital management" section of this report for more information. 6 Based on third-party view, i.e., without intercompany balances. 7 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 8 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable.

Corporate Center – Services

Corporate Center – Services[1]

CHF million, except where indicated	As of or for the quarter ended 30.9.16	30.6.16	30.9.15	% change from 2Q16	3Q15	Year-to-date 30.9.16	30.9.15
Results							
Total operating income	(66)	78	(38)		74	(43)	295
Personnel expenses	946	947	955	0	(1)	2,862	2,870
General and administrative expenses	974	1,016	1,122	(4)	(13)	3,031	3,288
Depreciation and impairment of property, equipment and software	237	228	216	4	10	698	619
Amortization and impairment of intangible assets	5	5	5	0	0	16	16
Total operating expenses before allocations to BDs and other CC units	2,162	2,197	2,298	(2)	(6)	6,606	6,793
Services (to) / from business divisions and other CC units	(2,010)	(2,007)	(2,079)	0	(3)	(6,115)	(6,025)
of which: services to Wealth Management	*(557)*	*(545)*	*(555)*	*2*	*0*	*(1,664)*	*(1,582)*
of which: services to Wealth Management Americas	*(302)*	*(297)*	*(299)*	*2*	*1*	*(913)*	*(882)*
of which: services to Personal & Corporate Banking	*(294)*	*(298)*	*(298)*	*(1)*	*(1)*	*(902)*	*(882)*
of which: services to Asset Management	*(130)*	*(132)*	*(143)*	*(2)*	*(9)*	*(404)*	*(384)*
of which: services to Investment Bank	*(662)*	*(661)*	*(680)*	*0*	*(3)*	*(2,014)*	*(2,016)*
of which: services to CC – Group ALM	*(25)*	*(26)*	*(38)*	*(4)*	*(34)*	*(80)*	*(72)*
of which: services to CC – Non-core and Legacy Portfolio	*(57)*	*(55)*	*(74)*	*4*	*(23)*	*(167)*	*(232)*
Total operating expenses[2]	152	190	219	(20)	(31)	491	768
Operating profit / (loss) before tax	(218)	(113)	(257)	93	(15)	(534)	(474)
Adjusted results[3]							
Total operating income as reported	(66)	78	(38)		74	(43)	295
of which: gains on sales of real estate		*120*				*120*	*378*
Total operating income (adjusted)	(66)	(42)	(38)	57	74	(163)	(83)
Total operating expenses as reported before allocations	2,162	2,197	2,298	(2)	(6)	6,606	6,793
of which: personnel-related restructuring expenses	*159*	*139*	*116*			*404*	*262*
of which: non-personnel-related restructuring expenses	*173*	*168*	*167*			*460*	*467*
Total operating expenses (adjusted) before allocations	1,830	1,890	2,017	(3)	(9)	5,742	6,066
Services (to) / from BDs and other CC units	(2,010)	(2,007)	(2,079)	0	(3)	(6,115)	(6,025)
of which: restructuring expenses allocated to BDs and other CC units	*(327)*	*(287)*	*(281)*			*(847)*	*(608)*
Total operating expenses as reported after allocations	152	190	219	(20)	(31)	491	768
Total operating expenses (adjusted) after allocations	148	170	217	(13)	(32)	474	648
Operating profit / (loss) before tax as reported	(218)	(113)	(257)	93	(15)	(534)	(474)
Operating profit / (loss) before tax (adjusted)	(214)	(213)	(255)	0	(16)	(637)	(732)
Additional information							
Average attributed equity (CHF billion)[4]	22.8	23.2	20.4	(2)	12	22.7	19.8
Total assets (CHF billion)[5]	24.0	22.3	21.1	8	14	24.0	21.1
Risk-weighted assets (fully applied, CHF billion)[6]	27.6	23.9	22.3	15	24	27.6	22.3
Leverage ratio denominator (fully applied, CHF billion)[7]	6.5	5.1	3.7	27	76	6.5	3.7
Personnel (full-time equivalents)	23,857	23,721	23,412	1	2	23,857	23,412

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for information on restructuring expenses. 3 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 4 Refer to the "Capital management" section of this report for more information. 5 Based on third-party view, i.e., without intercompany balances. 6 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 7 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable.

Results: 3Q16 vs 3Q15

Corporate Center – Services recorded a loss before tax of CHF 218 million compared with CHF 257 million, and CHF 214 million on an adjusted basis compared with CHF 255 million.

Operating income

Operating income was negative CHF 66 million compared with negative CHF 38 million, mainly due to lower income from the investment of the Group's equity allocated from Corporate Center – Group Asset and Liability Management.

Operating expenses

Operating expenses before service allocations to business divisions and other Corporate Center units

Before allocations to business divisions and other Corporate Center units, total operating expenses decreased by CHF 136 million or 6% to CHF 2,162 million and adjusted operating expenses before allocations decreased by CHF 187 million or 9% to CHF 1,830 million.

Personnel expenses decreased by CHF 9 million to CHF 946 million. On an adjusted basis, personnel expenses decreased by CHF 54 million, mainly as a result of near- and offshoring initiatives and lower expenses for variable compensation. General and administrative expenses decreased by CHF 148 million to CHF 974 million and adjusted general and administrative expenses decreased by CHF 153 million, reflecting lower professional fees, outsourcing costs and marketing costs, partly offset by higher occupancy costs. Depreciation expenses increased to CHF 237 million from CHF 216 million, primarily related to internally generated capitalized software.

Services to / from business divisions and other Corporate Center units

Corporate Center – Services allocated expenses of CHF 2,010 million to the business divisions and other Corporate Center units compared with CHF 2,079 million. Adjusted net allocated expenses for services to business divisions and other Corporate Center units were CHF 1,683 million compared with CHF 1,800 million, mainly reflecting the aforementioned cost reductions.

Operating expenses after service allocations to / from business divisions and other Corporate Center units

Corporate Center – Services retains costs related to Group governance functions and other corporate activities, certain strategic and regulatory projects and certain restructuring expenses. Total operating expenses remaining in Corporate Center – Services after allocations decreased to CHF 152 million from CHF 219 million and to CHF 148 million from CHF 217 million on an adjusted basis, mainly due to lower retained costs related to strategic and regulatory projects.

Personnel: 3Q16 vs 2Q16

As of 30 September 2016, Corporate Center – Services employed 23,857 personnel compared with 23,721 as of 30 June 2016, reflecting increases in our near- and offshore locations, partly offset by a reduction in personnel in key financial centers. The annual intake of apprentices and graduates also contributed to the increase.

Results: 9M16 vs 9M15

Corporate Center – Services recorded a loss before tax of CHF 534 million compared with CHF 474 million and on an adjusted basis recorded a loss before tax of CHF 637 million compared with CHF 732 million.

Total operating income was a loss of CHF 43 million compared with a gain of CHF 295 million. Excluding gains on sales of real estate of CHF 120 million compared with CHF 378 million, adjusted income was negative CHF 163 million compared with negative CHF 83 million, mainly due to lower income from the investment of the Group's equity allocated from Corporate Center – Group Asset and Liability Management.

Before allocations, total operating expenses decreased by CHF 187 million or 3% to CHF 6,606 million. Adjusted operating expenses before allocations decreased by CHF 324 million or 5% to CHF 5,742 million, mainly reflecting a CHF 152 million reduction in personnel expenses, primarily as a result of near- and offshoring initiatives, and a CHF 261 million decrease in general and administrative expenses, driven by lower outsourcing costs and professional fees. These reductions were partly offset by CHF 90 million higher depreciation expenses, primarily related to internally generated capitalized software.

Corporate Center – Services allocated expenses of CHF 6,115 million to the business divisions and other Corporate Center units compared with CHF 6,025 million. Adjusted net allocated expenses were CHF 5,268 million compared with CHF 5,419 million, mainly reflecting the aforementioned cost reductions. Total operating expenses remaining in Corporate Center – Services after allocations decreased to CHF 491 million from CHF 768 million, partly as the first nine months of 2015 included retained real estate restructuring expenses of CHF 112 million. On an adjusted basis, retained expenses decreased to CHF 474 million from CHF 648 million due to lower retained costs for strategic and regulatory projects.

Corporate Center – Group Asset and Liability Management

Corporate Center – Group ALM[1]

	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Results							
Business division-aligned risk management net income	**202**	222	194	(9)	4	637	640
Capital investment and issuance net income	**(5)**	24	69			52	233
Group structural risk management net income	**(141)**	(143)	(216)	(1)	(35)	(384)	(472)
Total risk management net income before allocations	**56**	102	46	(45)	22	304	400
Allocations to business divisions and other CC units	**(95)**	(155)	(177)	(39)	(46)	(414)	(653)
of which: Wealth Management	***(95)***	*(101)*	*(117)*	*(6)*	*(19)*	*(302)*	*(353)*
of which: Wealth Management Americas	***(26)***	*(23)*	*(25)*	*13*	*4*	*(70)*	*(77)*
of which: Personal & Corporate Banking	***(81)***	*(85)*	*(100)*	*(5)*	*(19)*	*(261)*	*(310)*
of which: Asset Management	***(1)***	*(2)*	*(4)*	*(50)*	*(75)*	*(6)*	*(13)*
of which: Investment Bank	***66***	*57*	*55*	*16*	*20*	*182*	*141*
of which: CC – Services	***0***	*(16)*	*(37)*	*(100)*	*(100)*	*(37)*	*(123)*
of which: CC – Non-core and Legacy Portfolio	***42***	*15*	*51*	*180*	*(18)*	*80*	*81*
Total risk management net income after allocations	**(39)**	(53)	(130)	(26)	(70)	(109)	(254)
Accounting asymmetries related to economic hedges	**95**	61	(66)	56		67	(167)
Hedge accounting ineffectiveness[2]	**(23)**	11	43			27	177
Other	**(3)**	52	32			90	88
Total operating income (adjusted)[3]	**30**	71	(121)	(58)		74	(156)
Net foreign currency translation gains / (losses)[4]		(26)	(27)			(149)	(27)
Own credit on financial liabilities designated at fair value			32				518
Total operating income as reported	**30**	45	(116)	(33)		(75)	335
Personnel expenses	**8**	8	8	0	0	23	23
General and administrative expenses	**2**	5	4	(60)	(50)	10	13
Depreciation and impairment of property, equipment and software	**0**	0	0			0	0
Amortization and impairment of intangible assets	**0**	0	0			0	0
Services (to) / from business divisions and other CC units	**(9)**	(11)	(17)	(18)	(47)	(33)	(38)
Total operating expenses[5]	**0**	2	(5)	(100)	(100)	(1)	(2)
Operating profit / (loss) before tax as reported	**30**	44	(111)	(32)		(74)	338
Operating profit / (loss) before tax (adjusted)[3]	**30**	70	(116)	(57)		75	(153)
Additional information							
Average attributed equity (CHF billion)[6]	**4.3**	4.1	3.2	5	34	4.2	3.3
Total assets (CHF billion)[7]	**258.3**	251.5	236.9	3	9	258.3	236.9
Risk-weighted assets (fully applied, CHF billion)[8]	**11.1**	6.9	7.3	61	52	11.1	7.3
Leverage ratio denominator (fully applied, CHF billion)[9]	**263.4**	259.4	227.0	2	16	263.4	227.0
Personnel (full-time equivalents)	**137**	134	125	2	10	137	125

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Does not include ineffectiveness of hedges of net investments in foreign operations. 3 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 4 Related to the disposal of foreign subsidiaries and branches. 5 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for information on restructuring expenses. 6 Refer to the "Capital management" section of this report for more information. 7 Based on third-party view, i.e., without intercompany balances. 8 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 9 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable.

Results: 3Q16 vs 3Q15

Corporate Center – Group Asset and Liability Management (Group ALM) recorded a profit before tax of CHF 30 million compared with a loss of CHF 111 million, mainly as a result of accounting asymmetries related to economic hedges.

Transfer of Risk Exposure Management function

Consistent with changes in the manner in which operating segment performance is assessed, beginning in the third quarter of 2016, we transferred the Risk Exposure Management (REM) function from Corporate Center – Non-core and Legacy Portfolio to Corporate Center – Group ALM to further harmonize REM risk management responsibility with the reporting structure and align it more closely with other activities performed by Group ALM. REM primarily performs risk management over credit, debit and funding valuation adjustments for our over-the-counter derivatives portfolio.

Prior-period profit and loss information has been restated to reflect this transfer. Net income from REM before allocations is now presented within the line "Business division-aligned risk management net income" and is fully allocated to the business divisions and other Corporate Center units. There was no effect on operating profit before tax for any segment for any period from this restatement.

Prior-period information for balance sheet assets and risk-weighted assets has not been restated as the effect would not have been material.

The leverage ratio denominator (LRD) of Group ALM has been restated for 30 June 2016, 31 March 2016 and 31 December 2015 and as a result increased by CHF 4.6 billion, CHF 6.4 billion and CHF 7.7 billion, respectively, with an equal and opposite decrease in Corporate Center – Non-core and Legacy Portfolio. Of the CHF 4.6 billion REM LRD as of 30 June 2016, approximately CHF 2 billion related to activities in the Investment Bank and the rest mainly related to Non-core and Legacy Portfolio. LRD figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss systemically relevant bank (SRB) rules and are therefore not fully comparable.

Operating income

Total operating income was CHF 30 million compared with a loss of CHF 116 million. This improvement was primarily due to accounting asymmetries related to economic hedges.

➔ **Refer to the "Corporate Center – Group Asset and Liability Management" section of our first quarter 2016 report for more information on the business activities of Group ALM**

Business division-aligned risk management net income

Net income from business division-aligned risk management activities, which mostly relates to interest rate risk management revenues in the Wealth Management and Personal & Corporate banking book, was CHF 202 million compared with CHF 194 million.

Capital investment and issuance net income

Net income from capital investment and issuance activities was negative CHF 5 million compared with positive CHF 69 million. This was mainly due to an increase in net interest expense as a result of an increase in total outstanding long-term debt that is eligible for total loss-absorbing capital (TLAC), as well as fees paid related to the issuance of new additional tier 1 (AT1) capital and senior unsecured debt in the third quarter of 2016. Interest income from the investment of the Group's equity also decreased compared with the third quarter of 2015 due to lower interest rates.

Group structural risk management net income

Net income from Group structural risk management activities was negative CHF 141 million compared with negative CHF 216 million. An increase in income of CHF 185 million from the management of the Group's high-quality liquid assets (HQLA), mainly due to wider spreads between certain HQLA and internal funding liabilities, was largely offset by an increase in net interest expense of CHF 110 million due to issuances of long-term debt over the first nine months of 2016.

Allocations to business divisions and other Corporate Center units

Combined net income allocations from risk management activities to business divisions and other Corporate Center units were CHF 95 million compared with CHF 177 million. This decrease primarily reflects the aforementioned lower net income from capital investment and issuance activities, which is fully allocated to the business divisions and other Corporate Center units in proportion to their attributed equity. In addition, expenses for Group structural risk management activities allocated to the business divisions and other Corporate Center units increased from CHF 83 million to CHF 100 million. This allocation is based on consumption of funding and liquidity risk by the business divisions and other Corporate Center units.

Total risk management net income after allocations

Group ALM retained negative CHF 39 million from its risk management activities after allocations compared with negative CHF 130 million, reflecting an improvement in net income from Group structural risk management activities after allocations.

Retained income from risk management activities is entirely related to Group structural risk management and is mainly the net result of costs from buffers that are maintained by Group ALM at levels above the total consumption of the business divisions and the revenues generated by Group ALM from the management of the Group's HQLA portfolio relative to the benchmark rates used to allocate the costs. Retained income from risk management activities can vary significantly quarter on quarter. However, under current market conditions, we expect it to average around negative CHF 50 million per quarter in the short term.

Accounting asymmetries related to economic hedges

Net income retained by Group ALM due to accounting asymmetries related to economic hedges increased by CHF 161 million to CHF 95 million, primarily due to a gain related to HQLA classified as available for sale of CHF 29 million compared with a loss of CHF 76 million. The lower magnitude of this asymmetrical result reflects the change applied since the first quarter of 2016 to classify the majority of newly purchased HQLA debt securities as financial assets designated at fair value through profit or loss, instead of classifying them as financial assets available for sale. In addition, Group ALM retained a gain of CHF 38 million compared to a loss of CHF 7 million on derivatives that economically hedge the currency and interest rate risk in its long-term debt portfolio.

➔ Refer to the "Corporate Center – Group Asset and Liability Management" section of our first quarter 2016 report for more information on the accounting asymmetry related to financial assets available for sale

Hedge accounting ineffectiveness

Net income related to hedge accounting ineffectiveness was negative CHF 23 million compared with positive CHF 43 million. This ineffectiveness primarily arises from changes in the spread between LIBOR and the overnight index swap rate due to differences in the way these impact the valuation of the hedged items and hedging instruments through either the benchmark rate determining cash flows or the discount rate.

Other

Other net income was negative CHF 3 million compared with positive CHF 32 million, partly related to lower income from the Group ALM-managed monthly conversion of non-Swiss franc profits.

Balance sheet, risk-weighted assets, leverage ratio denominator: 3Q16 vs 2Q16

Balance sheet assets

Balance sheet assets increased by CHF 7 billion to CHF 258 billion, mainly reflecting an increase in the net funds transferred to Group ALM by the business divisions and the proceeds of new debt issuances during the quarter that led to additional cash investments on Group ALM's balance sheet.

➔ Refer to the "Balance sheet, liquidity and funding management" section of this report for more information

Risk-weighted assets

Fully applied risk-weighted assets increased by 4 billion to CHF 11 billion as of 30 September 2016.

➔ Refer to the "Capital management" section of this report for more information

Leverage ratio denominator

The Swiss SRB leverage ratio denominator increased to CHF 263 billion from CHF 259 billion, consistent with the increase in balance sheet assets.

➔ Refer to the "Capital management" section of this report for more information

Results: 9M16 vs 9M15

Group ALM recorded a loss before tax of CHF 74 million compared with a profit before tax of CHF 338 million and on an adjusted basis recorded a profit before tax of CHF 75 million compared with a loss before tax of CHF 153 million.

Total operating income was negative CHF 75 million compared with positive CHF 335 million and adjusted total operating income was positive CHF 74 million compared with negative CHF 156 million.

Net income from risk management activities before allocations decreased by CHF 96 million to CHF 304 million. This was mainly due to a decrease in net income from capital investment and issuance activities of CHF 181 million to CHF 52 million, driven by lower revenues from the investment of the Group's equity and by higher net interest expenses related to the issuance of AT1 and other TLAC instruments.

Revenues related to business division-aligned risk management were broadly unchanged at CHF 637 million. Net income from Group structural risk management activities improved to negative CHF 384 million compared with negative CHF 472 million.

Net income allocations to business divisions and other Corporate Center units decreased by CHF 239 million to CHF 414 million, mainly due to the aforementioned reductions in capital investment and issuance net income.

Retained income from risk management activities improved by CHF 145 million to negative CHF 109 million, reflecting an increase in revenues from the Group's HQLA portfolio due to wider spreads between certain HQLA and internal funding liabilities.

Net income retained by Group ALM due to accounting asymmetries related to economic hedges improved by CHF 234 million to CHF 67 million. This improvement was mainly due to a fair value gain of CHF 131 million compared with a loss of CHF 26 million on certain internal funding transactions, resulting from the tightening of funding spreads.

Net income related to hedge accounting ineffectiveness on hedge-accounted derivatives was CHF 27 million compared with CHF 177 million, primarily as the first quarter of 2015 included an ineffectiveness gain of CHF 184 million related to our cash flow hedges following the Swiss National Bank's actions in January 2015.

Other net income was CHF 90 million compared with CHF 88 million and mainly related to interest income retained by Group ALM on behalf of non-controlling interests.

➔ Refer to the "Current market climate" section of our Annual Report 2015 for more information on the SNB actions in January 2015

Corporate Center – Non-core and Legacy Portfolio

Corporate Center – Non-core and Legacy Portfolio[1]

	As of or for the quarter ended			% change from		Year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Results							
Income	**45**	19	(114)	137		20	(122)
Credit loss (expense) / recovery	**1**	0	(12)			(3)	(10)
Total operating income	**46**	19	(126)	142		17	(132)
Personnel expenses	**23**	20	28	15	(18)	50	97
General and administrative expenses	**425**	62	572	585	(26)	546	664
Services (to) / from business divisions and other CC units	**76**	65	91	17	(16)	210	281
of which: services from CC – Services	***57***	*55*	*74*	*4*	*(23)*	*167*	*232*
Depreciation and impairment of property, equipment and software	**0**	0	0			0	0
Amortization and impairment of intangible assets	**0**	0	0			0	0
Total operating expenses[2]	**523**	148	692	253	(24)	806	1,042
Operating profit / (loss) before tax	**(477)**	(129)	(818)	270	(42)	(789)	(1,175)
Adjusted results[3]							
Total operating income as reported	**46**	19	(126)	142		17	(132)
Total operating income (adjusted)	**46**	19	(126)	142		17	(132)
Total operating expenses as reported	**523**	148	692	253	(24)	806	1,042
of which: personnel-related restructuring expenses	***0***	*0*	*4*			*1*	*12*
of which: non-personnel-related restructuring expenses	***0***	*0*	*0*			*0*	*0*
of which: restructuring expenses allocated from CC – Services	***7***	*5*	*11*			*13*	*27*
Total operating expenses (adjusted)	**516**	143	677	261	(24)	793	1,002
Operating profit / (loss) before tax as reported	**(477)**	(129)	(818)	270	(42)	(789)	(1,175)
Operating profit / (loss) before tax (adjusted)	**(470)**	(124)	(803)	279	(41)	(776)	(1,135)
Additional information							
Average attributed equity (CHF billion)[4]	**1.8**	2.3	2.8	(22)	(36)	2.1	3.0
Total assets (CHF billion)[5]	**83.5**	100.5	108.0	(17)	(23)	83.5	108.0
Risk-weighted assets (fully applied, CHF billion)[6]	**18.8**	31.3	32.1	(40)	(41)	18.8	32.1
Leverage ratio denominator (fully applied, CHF billion)[7]	**25.2**	28.1	58.8	(10)	(57)	25.2	58.8
Personnel (full-time equivalents)	**65**	70	82	(7)	(21)	65	82

1 Comparative figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. 2 Refer to "Note 17 Changes in organization and disposals" in the "Consolidated financial statements" section of this report for information on restructuring expenses. 3 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 4 Refer to the "Capital management" section of this report for more information. 5 Based on third-party view, i.e., without intercompany balances. 6 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 7 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable.

Results: 3Q16 vs 3Q15

Corporate Center – Non-core and Legacy Portfolio recorded a loss before tax of CHF 477 million compared with CHF 818 million.

➔ **Refer to the "Corporate Center – Group Asset and Liability Management" section of this report for more information on the transfer of the Risk Exposure Management function**

Operating income

Total operating income was positive CHF 46 million compared with negative CHF 126 million and included valuation gains on financial assets designated at fair value as well as a gain related to the settlement of a litigation claim. The third quarter of 2015 included higher losses related to unwind and novation activities.

Operating expenses

Total operating expenses decreased by CHF 169 million or 24% to CHF 523 million, mainly as net expenses for provisions for litigation, regulatory and similar matters decreased by CHF 126 million to CHF 408 million. In addition, professional fees decreased and net expenses for services from other Corporate Center units and business divisions were CHF 15 million lower.

Balance sheet, risk-weighted assets and leverage ratio denominator: 3Q16 vs 2Q16

Balance sheet assets

Balance sheet assets decreased by CHF 17 billion to CHF 84 billion. Positive replacement values (PRVs) decreased by CHF 15 billion, mainly in interest rate contracts, reflecting ongoing reduction activity including negotiated bilateral settlements, third-party novations, including transfers to central clearing houses, and agreements to net down trades with other dealer counterparties. Assets classified as Level 3 in the fair value hierarchy totaled CHF 2.2 billion as of 30 September 2016.

Risk-weighted assets

Risk-weighted assets (RWA) decreased to CHF 19 billion from CHF 31 billion, largely as a result of a revised methodology for the allocation of operational risk RWA to business divisions and Corporate Center units.

➔ **Refer to the "Capital management" section of this report for more information**

Leverage ratio denominator

The Swiss SRB leverage ratio denominator decreased to CHF 25 billion from CHF 28 billion, mainly due to reductions in derivative exposures.

➔ **Refer to the "Capital management" section of this report for more information**

➔ **Refer to the "Corporate Center – Group Asset and Liability Management" section of this report for more information on the transfer of the Risk Exposure Management function**

Results: 9M16 vs 9M15

Non-core and Legacy Portfolio recorded a loss before tax of CHF 789 million compared with a loss of CHF 1,175 million. Operating income was positive CHF 17 million compared with negative CHF 132 million. Operating expenses decreased by CHF 236 million to CHF 806 million, mainly as net expenses for provisions for litigation, regulatory and similar matters decreased by CHF 114 million to CHF 455 million. In addition, net expenses for services from other Corporate Center units and business divisions were CHF 71 million lower.

Composition of Non-core and Legacy Portfolio

An overview of the composition of Non-core and Legacy Portfolio is presented in the table below. The groupings of positions by category and the order in which these are listed are not necessarily representative of the magnitude of the risks associated with them, nor do the metrics shown in the tables necessarily represent the risk measures used to manage and control these positions.

CHF billion

Exposure category	Description	RWA[1]		Total assets[2]		LRD[3]	
		30.9.16	30.6.16	**30.9.16**	30.6.16	**30.9.16**	30.6.16
Rates (linear)	Consists of linear OTC products (primarily vanilla interest rate, inflation, basis and cross-currency swaps for all major currencies and some emerging markets) and non-linear OTC products (vanilla and structured options). More than 95% of gross PRVs are collateralized. Uncollateralized exposures are well diversified across counterparties, of which the majority is rated investment grade. Approximately 40% of gross PRVs are due to mature by end-2021.	**3.6**	4.2	**51.7**	62.0	**10.3**	12.7
Rates (non-linear)		**0.7**	0.6	**19.4**	23.0	**2.3**	1.8
Credit	Consists primarily of a residual structured credit book that is largely hedged against market risk. The remaining counterparty risk is fully collateralized and diversified across multiple names. The residual structured credit book is expected to materially run off by end-2018. Also includes corporate lending and residual distressed credit positions, with a similar expected run-off profile.	**0.5**	0.5	**1.1**	1.4	**2.8**	3.1
Securitizations	Consists primarily of a portfolio of CDS positions referencing ABS assets with related cash and synthetic hedges to mitigate the impact of directional movements. The majority of the remaining positions are expected to run off by end-2018.	**1.1**	1.0	**1.3**	1.4	**1.5**	1.5
Auction preferred stock (APS) and auction rate securities (ARSs)	Portfolio of long-dated APS and municipal ARSs. All APS were rated A or above and all ARS exposures were rated Ba1 or above as of 30 September 2016.	**0.8**	0.8	**2.5**	2.6	**2.5**	2.6
Muni swaps and options	Swaps and options with US state and local governments. Over 95% of the PRVs are with counterparties that were rated investment grade as of 30 September 2016.	**0.5**	0.4	**3.1**	3.4	**2.4**	2.6
Other	Diverse portfolio of smaller positions.	**1.5**	2.3	**4.4**	6.7	**3.4**	3.8[4]
Operational risk	Operational risk RWA allocated to Non-core and Legacy Portfolio.	**10.1**	21.5	**–**	–	**–**	–
Total		**18.8**	31.3	**83.5**	100.5	**25.2**	28.1

1 Fully applied and phase-in RWA. 2 Total assets of CHF 83.5 billion as of 30 September 2016 (CHF 100.5 billion as of 30 June 2016) include positive replacement values (gross exposure excluding the impact of any counterparty netting) of CHF 70.1 billion (CHF 84.8 billion as of 30 June 2016). 3 Swiss SRB leverage ratio denominator. 4 Comparative figure as of 30 June 2016 has been restated to reflect the transfer of the Risk Exposure Management (REM) function from Corporate Center – Non-core and Legacy Portfolio to Corporate Center – Group ALM in the third quarter of 2016. Refer to the "Corporate Center – Group Asset and Liability Management" section of this report for more information.

Risk, treasury and capital management

Management report

Table of contents

Risk management and control

This section provides information on key developments during the reporting period and should be read in conjunction with the "Risk management and control" section of our Annual Report 2015.

Credit risk

Overall credit risk exposures were broadly unchanged during the third quarter of 2016 and net credit loss expenses remained low at CHF 4 million. Within our wealth management businesses, margin calls related to security-backed lending decreased from the higher levels observed during the second quarter. Our Swiss lending portfolios continued to perform well, although we remain watchful for signs of deterioration in the Swiss economy that could impact some of our counterparties and lead to an increase in credit loss expenses from the low levels recently observed.

Although oil prices stabilized during the third quarter, we continue to closely monitor exposures to counterparties in the oil and gas sector. As of 30 September 2016, our total funded and unfunded net banking products exposure to this sector was CHF 5.1 billion, unchanged from 30 June 2016. As of 30 September 2016, total specific and collective allowances and provisions against these oil and gas exposures were CHF 23 million.

Within the Investment Bank, we saw a strong flow of leveraged loan underwriting activity in the third quarter, which gave rise to temporary concentrated credit risk exposure up to and beyond quarter-end. The majority of this activity was sub-investment grade, and there is currently no indication that these deals will not be distributed in line with their target date. Delayed regulatory approvals for some investment grade merger and acquisition transactions have resulted in delayed distribution of the associated financings beyond original targeted dates. Although this delay results in a longer risk period than originally anticipated, we are comfortable with our exposures, considering the investment grade quality. Loan underwriting exposures are classified as held for trading, with fair values reflecting the market conditions at the end of the quarter.

Market risk

We continued to manage market risks at low levels. Average 1-day, 95% confidence level, management value-at-risk (VaR) was largely unchanged at CHF 10 million. With management VaR at such low levels, the measure is relatively volatile and is affected by sizable client trades such as equity block transactions or option expiries.

There were no new Group VaR negative backtesting exceptions in the third quarter. The total number of negative backtesting exceptions within a 250-business-day window reduced from nine to six, lowering the FINMA VaR multiplier for the market risk RWA calculation from 3.85 to 3.5.

➔ Refer to "Market risk" in the "Risk, treasury and capital management" section of our first and second quarter 2016 reports for more information on our backtesting exceptions

As of 30 September 2016, the interest rate sensitivity of our banking book to a +1 basis point parallel shift in yield curves was negative CHF 2.3 million compared with negative CHF 0.2 million as of 30 June 2016. This change was mainly driven by Wealth Management Americas, whose modeled client rate duration for the non-maturity deposits decreased in response to higher market rates.

Country risk

We are closely following developments in Europe following the UK referendum on EU membership, with potential adverse consequences for the UK economy and the weak EU economic recovery. In this context, peripheral European countries continue to cause concerns.

In the third quarter of 2016, our direct exposure to peripheral European countries remained limited, although we have significant country risk exposure to major EU economies, including the UK.

Our Global Recession scenario, which is the binding scenario in our suite of combined stress testing scenarios, has a renewed eurozone crisis at its core, such that potential effects are captured in the calculation of our post-stress fully applied common equity tier 1 (CET1) capital ratio.

We remain comfortable with our direct exposure to China, and our exposure to other emerging markets countries is generally well diversified.

➔ Refer to the "Risk management and control" section of our Annual Report 2015 for more information

Binding stress scenario

We have developed a new Global Deflation scenario, which retains the existing Global Recession scenario as its foundation, but incorporates the risks stemming from severe negative rates in major developed countries. This Global Deflation scenario will replace the Global Recession scenario in our suite of combined stress testing scenarios, and will be adopted as the binding scenario in the fourth quarter of 2016, capturing the potential effects of negative interest rates in the calculation of our post-stress fully applied CET1 capital ratio.

We anticipate that stress losses forecast under the Global Deflation scenario could be slightly higher than those calculated under the Global Recession scenario. However, based on levels of risk exposure as of 30 September 2016, our post-stress fully applied CET1 capital ratio exceeded our 10% objective under both the Global Deflation scenario and the Global Recession scenario.

Key risk metrics

Banking and traded products exposure by business division and Corporate Center unit

	30.9.16								
CHF million	**Wealth Management**	**Wealth Management Americas**	**Personal & Corporate Banking**	**Asset Management**	**Investment Bank**	**CC – Services**	**CC – Group ALM**	**CC – Non-core and Legacy Portfolio**	**Group**
Banking products									
Gross exposure[1,2,3,4]	**109,798**	**52,890**	**151,887**	**445**	**66,770**	**1,186**	**101,438**	**777**	**485,189**
of which: loans (on-balance sheet)	***102,556***	***49,460***	***134,439***	***5***	***15,214***	***36***	***6,261***	***127***	***308,098***
of which: guarantees and loan commitments (off-balance sheet)	***3,553***	***906***	***15,925***	***0***	***41,222***	***107***	***1***	***649***	***62,363***
Total impaired exposure, gross	**81**	**26**	**1,095**		**107**			**24**	**1,333**
of which: impaired loan exposure, gross	***81***	***26***	***856***		***78***			***24***	***1,065***
Total allowances and provisions for credit losses	**65**	**28**	**484**	**0**	**56**	**0**	**0**	**16**	**649**
Traded products[1,5]									
Gross exposure	**6,703**	**1,671**	**1,705**	**0**		**36,290**			**46,369**
of which: over-the-counter derivatives	***5,487***	***27***	***1,615***	***0***		***13,680***			***20,809***
of which: securities financing transactions	***0***	***257***	***0***	***0***		***17,200***			***17,458***
of which: exchange-traded derivatives	***1,216***	***1,387***	***90***	***0***		***5,410***			***8,103***

	30.6.16								
CHF million	Wealth Management	Wealth Management Americas	Personal & Corporate Banking	Asset Management	Investment Bank	CC – Services	CC – Group ALM	CC – Non-core and Legacy Portfolio	Group
Banking products									
Gross exposure[1,2,3,4]	109,946	51,913	153,752	382	61,607	654	99,984	1,137	479,374
of which: loans (on-balance sheet)	*102,804*	*48,931*	*134,777*	*4*	*16,304*	*18*	*6,434*	*189*	*309,460*
of which: guarantees and loan commitments (off-balance sheet)	*3,735*	*952*	*17,559*	*0*	*34,313*	*10*	*0*	*948*	*57,516*
Total impaired exposure, gross	76	27	1,105		193			30	1,431
of which: impaired loan exposure, gross	*76*	*27*	*851*		*166*			*30*	*1,149*
Total allowances and provisions for credit losses	62	28	495	0	89	0	0	16	691
Traded products[1,5]									
Gross exposure	7,229	1,566	1,939	0		42,036			52,769
of which: over-the-counter derivatives	*6,177*	*29*	*1,850*	*0*		*20,003*			*28,058*
of which: securities financing transactions	*0*	*250*	*0*	*0*		*15,057*			*15,306*
of which: exchange-traded derivatives	*1,052*	*1,287*	*89*	*0*		*6,976*			*9,405*

1 Internal management view of credit risk, which differs in certain respects from IFRS. 2 Does not include reclassified securities and similar acquired securities held by CC – Non-core and Legacy Portfolio. 3 Excludes loans designated at fair value. 4 As of 30 September 2016, IFRS loans exposure for the Investment Bank and CC – Non-core and Legacy Portfolio was CHF 10,209 million (30 June 2016: CHF 11,828 million) and CHF 2,664 million (30 June 2016: CHF 2,732 million), respectively. For all other business divisions and Corporate Center units, IFRS loans exposure was the same as the internal management view. 5 As counterparty risk for traded products is managed at counterparty level, no further split between exposures in the Investment Bank, CC – Non-core and Legacy Portfolio and CC – Group ALM is provided.

Wealth Management, Wealth Management Americas and Personal & Corporate Banking loan portfolios, gross

	Wealth Management		Wealth Management Americas		Personal & Corporate Banking	
CHF million	**30.9.16**	30.6.16	**30.9.16**	30.6.16	**30.9.16**	30.6.16
Secured by residential property	**32,341**	32,131	**9,432**	8,736	**96,624**	96,735
Secured by commercial / industrial property	**2,082**	2,003	**0**	0	**18,117**	18,531
Secured by cash	**15,016**	15,465	**1,004**	1,247	**1,837**	1,882
Secured by securities	**46,315**	46,378	**37,964**	38,050	**1,653**	1,638
Secured by guarantees and other collateral	**6,464**	6,284	**783**	607	**6,261**	6,720
Unsecured loans	**339**	543	**276**	290	**9,948**	9,272
Total loans, gross	**102,556**	102,804	**49,460**	48,931	**134,439**	134,777
Total loans, net of allowances	**102,492**	102,742	**49,430**	48,902	**133,983**	134,316

Management value-at-risk (1-day, 95% confidence, 5 years of historical data) by business division and Corporate Center unit and general market risk type[1]

					Average by risk type				
CHF million	Min.	Max.	Period end	Average	Equity	Interest rates	Credit spreads	Foreign exchange	Commodities
Wealth Management	0	0	0	0	0	0	0	0	0
Wealth Management Americas	0	1	1	1	0	1	1	0	0
Personal & Corporate Banking	0	0	0	0	0	0	0	0	0
Asset Management	0	0	0	0	0	0	0	0	0
Investment Bank	5	11	6	8	5	7	3	2	1
CC – Services	0	0	0	0	0	0	0	0	0
CC – Group ALM	7	9	7	7	0	7	1	1	0
CC – Non-core and Legacy Portfolio	3	5	4	4	0	3	2	0	0
Diversification effect[2,3]			(8)	(10)	0	(8)	(3)	(1)	0
Total 30.9.16	**8**	**14**	**8**	**10**	**5**	**11**	**4**	**2**	**1**
Total 30.6.16	8	18	11	11	4	11	4	3	1

1 Statistics at individual levels may not be summed to deduce the corresponding aggregate figures. The minima and maxima for each level may occur on different days, and likewise, the VaR for each business line or risk type, being driven by the extreme loss tail of the corresponding distribution of simulated profits and losses for that business line or risk type, may well be driven by different days in the historical time series, rendering invalid the simple summation of figures to arrive at the aggregate total. 2 Difference between the sum of the standalone VaR for the business divisions and Corporate Center units and the VaR for the Group as a whole. 3 As the minimum and maximum occur on different days for different business divisions and Corporate Center units, it is not meaningful to calculate a portfolio diversification effect.

Interest rate sensitivity – banking book[1,2]

CHF million	–200 bps	–100 bps	+ 1bp	+100 bps	+200 bps
CHF	(0.4)	(0.4)	0.5	46.1	91.2
EUR	(118.8)	(118.8)	(0.2)	(19.3)	(34.9)
GBP	(191.7)	(124.2)	0.2	8.3	5.9
USD	705.6	452.4	(2.7)	(273.2)	(574.2)
Other	5.1	0.5	0.0	(0.6)	(0.8)
Total effect on interest rate-sensitive banking book positions 30.9.16	**399.8**	**209.5**	**(2.3)**	**(238.7)**	**(512.9)**
Total effect on interest rate-sensitive banking book positions 30.6.16	212.7	156.5	(0.2)	2.5	(24.8)

1 Does not include interest rate sensitivities for credit valuation adjustments on monoline credit protection, US and non-US reference-linked notes. 2 In the prevailing negative interest rate environment for the Swiss franc in particular, and to a lesser extent for the euro, interest rates for Wealth Management and Personal & Corporate Banking client transactions are generally being floored at non-negative levels. Accordingly, for the purposes of this disclosure table, downward moves of 100 / 200 basis points are floored to ensure that the resulting shocked interest rates do not turn negative. The flooring results in non-linear sensitivity behavior.

Exposures to eurozone countries rated lower than AAA / Aaa by at least one major rating agency

CHF million	30.9.16							30.6.16	
	Banking products		Traded products		Trading inventory	Total		Total	
	Before hedges	Net of hedges[1]	Before hedges	Net of hedges	Net long per issuer		Net of hedges		Net of hedges[1]
Austria	27	27	150	22	1,146	1,323	1,196	996	873
Belgium	598	598	32	32	43	673	673	279	279
Finland	85	52	31	31	652	767	734	651	618
France	1,131	862	1,206	1,007	4,315	6,652	6,185	4,746	4,347
Greece	15	15	0	0	1	17	17	18	18
Ireland[2]	112	112	974	974	57	1,143	1,143	1,464	1,464
Italy	2,611	2,181	365	365	162	3,138	2,709	3,024	2,535
Portugal	127	61	0	0	13	140	75	137	72
Spain	1,055	861	57	57	380	1,493	1,299	1,973	1,715
Other[3]	72	72	2	2	20	94	94	93	93

1 Not deducted from the "Net of hedges" exposures are total allowances and provisions for credit losses of CHF 48 million (of which: Malta CHF 36 million, Ireland CHF 6 million and France CHF 5 million). 2 The majority of the Ireland exposure relates to funds and foreign bank subsidiaries. 3 Represents aggregate exposures to Andorra, Cyprus, Estonia, Latvia, Lithuania, Malta, Monaco, Montenegro, San Marino, Slovakia and Slovenia.

Balance sheet, liquidity and funding management

Strategy, objectives and governance

This section provides balance sheet, liquidity and funding management information and should be read in conjunction with the "Treasury management" section of our Annual Report 2015, which provides more information about the Group's strategy, objectives and governance for liquidity and funding management.

Balances disclosed in this section represent quarter-end positions, unless indicated otherwise. Intra-quarter balances fluctuate in the ordinary course of business and may differ from quarter-end positions.

Assets and liquidity management

Balance sheet assets

As of 30 September 2016, balance sheet assets totaled CHF 935 billion, a decrease of CHF 54 billion from 30 June 2016, mainly due to a reduction in positive replacement values (PRVs) in both the Investment Bank and Corporate Center – Non-core and Legacy Portfolio. Total assets excluding PRVs decreased by CHF 10 billion to CHF 781 billion. Excluding currency effects, total assets excluding PRVs decreased by CHF 7 billion, mainly due to lower collateral trading assets.

PRVs decreased by CHF 44 billion, primarily resulting from a CHF 28 billion decrease in the Investment Bank, mainly related to foreign exchange contracts, primarily reflecting reduced market volatility compared with the second quarter of 2016, which was affected by the UK referendum on EU membership, and a CHF 15 billion reduction in Non-core and Legacy Portfolio, mainly in interest rate contracts, reflecting ongoing reduction activity including negotiated bilateral settlements, third-party novations, including transfers to central clearing houses, and agreements to net down trades with other dealer counterparties.

Collateral trading assets decreased by CHF 14 billion, primarily resulting from client-driven declines and a decrease in externally sourced collateral required to service client transactions due to a higher volume of available trading portfolio assets. Other assets decreased by CHF 4 billion, primarily reflecting a reduction in cash collateral receivables on derivative instruments following the decrease in replacement values.

These decreases were partly offset by a CHF 4 billion increase in trading portfolio assets, mainly reflecting market and client-driven increases in our Equities business, and a CHF 3 billion net increase in financial assets designated at fair value, available for sale and held to maturity, primarily resulting from an increase in on-balance sheet securities held in our high-quality liquid assets (HQLA) portfolio. Cash and balances with central banks and lending assets were broadly unchanged.

➔ **Refer to the "Consolidated financial statements" section of this report for more information**

IFRS balance sheet assets

	As of			% change from	
CHF billion	**30.9.16**	30.6.16	31.12.15	30.6.16	31.12.15
Cash and balances with central banks	**94.7**	94.2	91.3	1	4
Lending[1]	**320.1**	319.8	323.9	0	(1)
Collateral trading[2]	**88.3**	102.7	93.5	(14)	(6)
Trading portfolio	**105.4**	101.2	124.0	4	(15)
Positive replacement values	**154.4**	198.4	167.4	(22)	(8)
Financial assets at FV / AFS / HTM[3]	**90.4**	87.3	68.7	4	32
Other assets[4]	**81.9**	85.7	74.0	(4)	11
Total IFRS assets	**935.2**	989.4	942.8	(5)	(1)

1 Consists of amounts due from banks and loans. 2 Consists of reverse repurchase agreements and cash collateral on securities borrowed. 3 Consists of financial assets designated at fair value, financial assets available for sale and financial assets held to maturity. 4 Includes cash collateral receivables on derivative instruments and prime brokerage receivables.

High-quality liquid assets

The total weighted liquidity value of HQLA decreased by CHF 22 billion to CHF 197 billion in the third quarter of 2016. This reduction primarily reflects additional liquidity requirements applicable to our US operations from July 2016, resulting in an increase in assets that are not freely available to other entities within the Group and are therefore not fully HQLA-eligible at a Group level.

➔ **Refer to the "Treasury management" section of our Annual Report 2015 for more information on high-quality liquid assets**

High-quality liquid assets

	Average 3Q16			Average 2Q16		
CHF billion	**Level 1 weighted liquidity value[1]**	**Level 2 weighted liquidity value[1]**	**Total weighted liquidity value[1]**	Level 1 weighted liquidity value[1]	Level 2 weighted liquidity value[1]	Total weighted liquidity value[1]
Cash balances[2]	**104**	**0**	**104**	122	0	122
Securities	**82**	**11**	**93**	88	8	96
of which: on-balance sheet[3]	***70***	***8***	***78***	*66*	*5*	*71*
of which: off-balance sheet	***12***	***3***	***15***	*23*	*3*	*25*
Total high-quality liquid assets[4]	**186**	**11**	**197**	211	8	219

1 Calculated after the application of haircuts. 2 Includes cash and balances with central banks and other eligible balances as prescribed by FINMA. 3 Includes financial assets designated at fair value, available for sale and held to maturity and trading portfolio assets. 4 Calculated in accordance with FINMA requirements.

Liquidity coverage ratio

In the third quarter of 2016, our three-month average total LCR decreased 9 percentage points to 124%, remaining above the 110% Group LCR minimum communicated by FINMA. The decrease during the quarter was mainly due to the aforementioned CHF 22 billion decrease in HQLA, partly offset by a CHF 6 billion reduction in net cash outflows, primarily related to lower outflows from non-operational deposits, driven by prime brokerage accounts.

➔ Refer to the "Treasury management" section of our Annual Report 2015 for more information on liquidity management and the liquidity coverage ratio

Liquidity coverage ratio

		Average 3Q16		Average 2Q16	
CHF billion, except where indicated		Unweighted value	Weighted value[1]	Unweighted value	Weighted value[1]
High-quality liquid assets					
1	High-quality liquid assets		197		219
Cash outflows					
2	Retail deposits and deposits from small business customers	230	25	226	25
3	*of which: stable deposits*	*37*	*1*	*36*	*1*
4	*of which: less stable deposits*	*193*	*24*	*190*	*24*
5	Unsecured wholesale funding	195	112	201	120
6	*of which: operational deposits (all counterparties)*	*35*	*9*	*35*	*9*
7	*of which: non-operational deposits (all counterparties)*	*143*	*87*	*148*	*94*
8	*of which: unsecured debt*	*17*	*17*	*17*	*17*
9	Secured wholesale funding[2]		62		30
10	Additional requirements:	106	44	110	49
11	*of which: outflows related to derivatives and other transactions*	*58*	*30*	*61*	*34*
12	*of which: outflows related to loss of funding on debt products*[3]	*0*	*0*	*0*	*0*
13	*of which: committed credit and liquidity facilities*	*48*	*14*	*49*	*15*
14	Other contractual funding obligations	23	19	37	33
15	Other contingent funding obligations	210	7	202	7
16	**Total cash outflows**		269		264
Cash inflows					
17	Secured lending[2]	254	65	221	49
18	Inflows from fully performing exposures	54	29	57	30
19	Other cash inflows	17	17	21	21
20	**Total cash inflows**	325	111	299	100

		Average 3Q16	Average 2Q16
CHF billion, except where indicated		Total adjusted value[4]	Total adjusted value[4]
Liquidity coverage ratio			
21	High-quality liquid assets	197	219
22	Net cash outflows	158	164
23	**Liquidity coverage ratio (%)**	124	133

1 Calculated after the application of inflow and outflow rates. 2 In the third quarter of 2016, the presentation of securities financing transactions across our business areas was aligned. Prior-period unweighted cash inflows from secured lending have been adjusted accordingly. These changes did not affect net cash outflows or the liquidity coverage ratio. 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.

Liabilities and funding management

Liabilities

Total liabilities decreased by CHF 55 billion to CHF 881 billion as of 30 September 2016. Negative replacement values decreased by CHF 45 billion, in line with the aforementioned decreases in PRVs. Other liabilities decreased by CHF 6 billion, mainly due to reductions in prime brokerage payables and cash collateral payables on derivative instruments.

Long-term debt issued decreased by CHF 4 billion, mainly due to a CHF 5 billion reduction in financial liabilities designated at fair value, primarily reflecting trade terminations and maturities. Long-term debt issued held at amortized cost increased by CHF 1 billion, mainly driven by the issuance of CHF 3.8 billion equivalent of US dollar- and euro-denominated senior unsecured debt that contributes to our total loss-absorbing capacity (TLAC) and a USD 1.1 billion additional tier 1 perpetual subordinated bond with a first call option in 2021, partly offset by the maturity of senior and subordinated debt. TLAC issuances consisted of: (i) USD 2.0 billion 5.5-year fixed-rate notes with a coupon of 2.65%, (ii) USD 0.5 billion 5.5-year floating-rate notes linked to 3-month US dollar LIBOR and (iii) EUR 1.3 billion 10-year fixed-rate notes with a coupon of 1.25%. Maturities of senior and subordinated debt equivalent to CHF 3.2 billion in aggregate consisted of: (i) USD 0.6 billion 10-year 5.875% fixed-rate subordinated tier 2 notes, (ii) GBP 0.3 billion 7-year 6.375% fixed-rate senior unsecured notes, (iii) EUR 1.5 billion 2-year floating-rate senior unsecured notes and (iv) USD 0.6 billion 1.5-year floating-rate senior unsecured notes.

Short-term borrowings decreased by CHF 3 billion, mainly reflecting a reduction in deposits from other banks, partly offset by net issuances of certificates of deposit. Customer deposits, which represent 62% of our funding sources, increased by CHF 3 billion, primarily in Wealth Management. Trading portfolio liabilities increased by CHF 2 billion, while collateral trading liabilities were broadly unchanged.

The "Funding by product and currency" table and "Asset funding" chart on the following page provide more information on our funding sources.

➔ Refer to the "Capital management" section of this report for more information on instruments contributing to our total loss-absorbing capacity

➔ Refer to the "Consolidated financial statements" section of this report for more information

Equity

Equity attributable to shareholders increased by CHF 424 million to CHF 53,300 million.

Total comprehensive income attributable to shareholders was CHF 184 million, reflecting net profit of CHF 827 million and negative other comprehensive income (OCI) of CHF 643 million. Third quarter OCI included net losses on cash flow hedges of CHF 326 million, net losses on defined benefit plans of CHF 209 million, foreign currency translation losses of CHF 61 million, own credit losses of CHF 25 million and negative OCI related to financial assets available for sale of CHF 21 million.

Share premium increased by CHF 198 million, mainly due to the amortization of deferred equity compensation awards.

Net treasury share activity increased equity attributable to shareholders by CHF 42 million, mainly reflecting the net disposal of treasury shares related to employee share-based compensation awards.

➔ Refer to the "Consolidated financial statements" and "Group performance" sections of this report for more information

IFRS balance sheet liabilities and equity

	As of			% change from	
CHF billion	**30.9.16**	30.6.16	31.12.15	30.6.16	31.12.15
Short-term borrowings[1]	**42.4**	45.3	33.1	(6)	28
Due to customers	**411.8**	409.1	390.2	1	6
Collateral trading[2]	**13.1**	14.3	17.7	(8)	(26)
Trading portfolio	**32.1**	29.6	29.1	8	10
Negative replacement values	**151.0**	196.0	162.4	(23)	(7)
Long-term debt issued[3]	**130.0**	134.3	134.9	(3)	(4)
Other liabilities[4]	**100.8**	107.2	118.1	(6)	(15)
Total IFRS liabilities	**881.2**	935.8	885.5	(6)	0
Share capital	**0.4**	0.4	0.4	0	0
Share premium	**28.1**	27.9	31.2	1	(10)
Treasury shares	**(2.3)**	(2.3)	(1.7)	0	35
Retained earnings	**31.3**	30.7	29.5	2	6
Other comprehensive income[5]	**(4.2)**	(3.8)	(4.0)	11	5
Total IFRS equity attributable to shareholders	**53.3**	52.9	55.3	1	(4)
IFRS equity attributable to non-controlling interests	**0.7**	0.7	2.0	0	(65)
Total IFRS equity	**54.0**	53.6	57.3	1	(6)
Total IFRS liabilities and equity	**935.2**	989.4	942.8	(5)	(1)

1 Consists of short-term debt issued and amounts due to banks. 2 Consists of repurchase agreements and cash collateral on securities lent. 3 Consists of long-term debt issued held at amortized cost and financial liabilities designated at fair value. 4 Includes cash collateral payables on derivative instruments and prime brokerage payables. 5 Excludes defined benefit plans and own credit that are recorded directly in Retained earnings.

Net stable funding ratio

As of 30 September 2016, our estimated pro forma net stable funding ratio (NSFR) was 115%, an increase of 4 percentage points from 30 June 2016, primarily reflecting an increase in available stable funding of CHF 13 billion, mainly driven by increases in unsecured funding and customer deposits. The calculation of our pro forma NSFR includes estimates of the effect of the rules and interpretation and will be refined as regulatory interpretations evolve and as new models and associated systems are enhanced.

➔ **Refer to the "Treasury management" section of our Annual Report 2015 for more information on the net stable funding ratio**

Pro forma net stable funding ratio

CHF billion, except where indicated	30.9.16	30.6.16
Available stable funding	440	427
Required stable funding	381	385
Pro forma net stable funding ratio (%)	**115**	**111**

Funding by product and currency

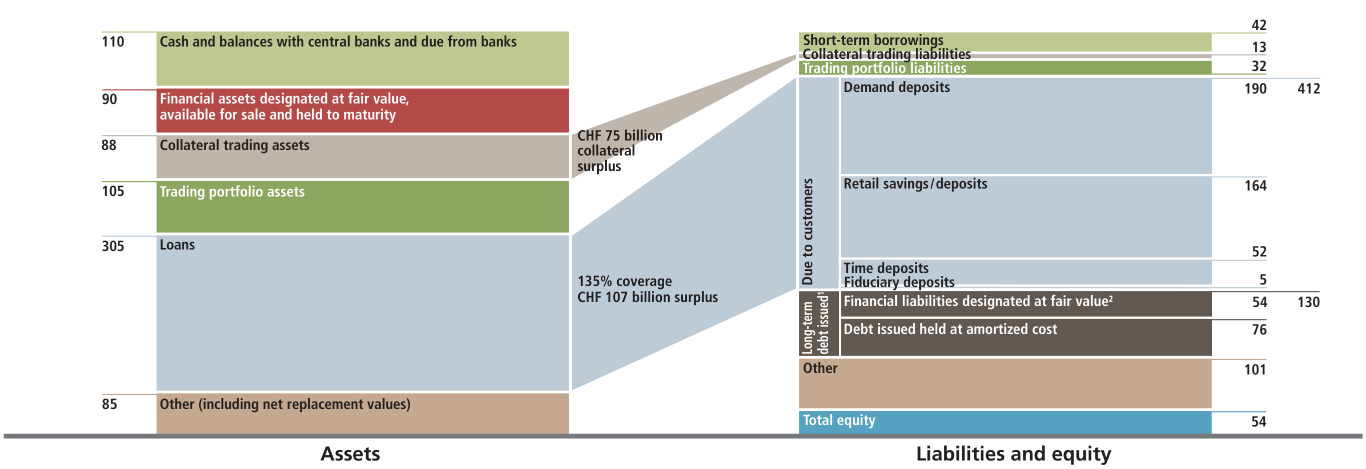
	CHF billion		As a percentage of total funding sources (%)									
	All currencies		All currencies		CHF		EUR		USD		Other	
	30.9.16	30.6.16	30.9.16	30.6.16	30.9.16	30.6.16	30.9.16	30.6.16	30.9.16	30.6.16	30.9.16	30.6.16
Short-term borrowings	42.4	45.3	6.4	6.7	0.5	1.0	1.1	0.8	3.2	3.9	1.5	1.0
of which: due to banks	*11.2*	*15.3*	*1.7*	*2.2*	*0.4*	*0.9*	*0.2*	*0.1*	*0.6*	*0.7*	*0.4*	*0.5*
of which: short-term debt issued[1]	*31.2*	*30.0*	*4.7*	*4.4*	*0.1*	*0.1*	*0.9*	*0.7*	*2.6*	*3.2*	*1.1*	*0.5*
Due to customers	411.8	409.1	62.0	60.3	24.4	23.7	7.0	6.6	25.1	24.7	5.4	5.3
of which: demand deposits	*190.4*	*184.9*	*28.6*	*27.3*	*8.9*	*8.2*	*6.0*	*5.7*	*9.8*	*9.6*	*3.9*	*3.8*
of which: retail savings / deposits	*164.5*	*164.1*	*24.8*	*24.2*	*14.1*	*14.0*	*0.8*	*0.8*	*9.9*	*9.5*	*0.0*	*0.0*
of which: time deposits	*52.2*	*55.3*	*7.8*	*8.1*	*1.4*	*1.5*	*0.2*	*0.1*	*4.8*	*5.1*	*1.4*	*1.4*
of which: fiduciary deposits	*4.8*	*4.9*	*0.7*	*0.7*	*0.0*	*0.0*	*0.0*	*0.0*	*0.5*	*0.5*	*0.1*	*0.1*
Collateral trading	13.1	14.3	2.0	2.1	0.0	0.0	0.5	0.5	1.3	1.3	0.2	0.2
of which: securities lending	*3.7*	*6.3*	*0.6*	*0.9*	*0.0*	*0.0*	*0.1*	*0.2*	*0.5*	*0.7*	*0.0*	*0.0*
of which: repurchase agreements	*9.3*	*8.0*	*1.4*	*1.2*	*0.0*	*0.0*	*0.4*	*0.3*	*0.8*	*0.6*	*0.2*	*0.2*
Long-term debt issued[2]	130.0	134.3	19.6	19.8	1.9	1.9	5.0	5.0	11.5	11.6	1.2	1.3
Cash collateral payables on derivative instruments	33.6	36.4	5.1	5.4	0.2	0.2	2.0	2.2	2.2	2.0	0.6	0.9
Prime brokerage payables	33.6	38.9	5.1	5.7	0.1	0.1	0.5	0.5	3.1	3.8	1.4	1.3
Total	**664.5**	**678.2**	**100.0**	**100.0**	**27.2**	**26.9**	**16.2**	**15.7**	**46.3**	**47.3**	**10.3**	**10.1**

1 Short-term debt issued is comprised of certificates of deposit, commercial paper, acceptances and promissory notes, and other money market paper. 2 Long-term debt issued also includes debt with a remaining time to maturity of less than one year.

Asset funding

CHF billion, except where indicated

As of 30.9.16



1 Long-term debt issued also includes debt with a remaining time to maturity of less than one year. 2 Including structured over-the-counter debt instruments.

Capital management

This section should be read in conjunction with the "Capital management" section of our Annual Report 2015, which provides more information about our strategy, objectives and governance for capital management. Capital and other regulatory information in this section is provided on a consolidated UBS Group basis.

UBS Group AG is a holding company and conducts substantially all of its operations through UBS AG and its subsidiaries. UBS Group AG and UBS AG have contributed a significant portion of their respective capital, and provide substantial liquidity, to subsidiaries, many of which are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements.

The requirements for Swiss systemically relevant banks (SRBs) outlined in "Regulatory framework" below are also applicable to UBS AG (consolidated) and UBS Switzerland AG. Key capital and other regulatory information for UBS AG on a consolidated basis is provided in the "Consolidated financial statements" section of this report. Additional information, including information for UBS AG on a standalone basis, will be provided in the document "UBS AG third quarter 2016 report," which will be available as of 2 November 2016 under "Quarterly reporting" at *www.ubs.com/investors*.

Capital and other regulatory information for UBS Switzerland AG and UBS Limited on a standalone basis will be available in separate documents as of 28 October 2016 under "Disclosure for legal entities" at *www.ubs.com/investors*.

As of 10 November 2016, we will provide information concerning the regulatory capital components and ratio requirements applicable to UBS Americas Holding LLC (consolidated) under "Disclosure for legal entities" at *www.ubs.com/investors*.

Regulatory framework

Introduction

The Basel III framework came into effect in Switzerland on 1 January 2013. In May 2016, the Swiss Federal Council adopted amendments to the too big to fail (TBTF) provisions, based on the cornerstones announced by the Swiss Federal Council in October 2015. The revised Capital Adequacy Ordinance forms the basis of a revised Swiss SRB framework, which became effective on 1 July 2016.

This framework, which will be transitioned in until 1 January 2020, contains going concern and gone concern requirements, which together represent the total loss-absorbing capacity (TLAC) requirements of the Group. TLAC encompasses regulatory capital, such as common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 capital, as well as liabilities that can be written down or converted into equity in case of resolution or recovery measures.

➔ **Refer to the document "UBS Group AG (consolidated) capital instruments and TLAC-eligible senior unsecured debt" under "Bondholder information" at *www.ubs.com/investors* for more information on the eligibility of capital or senior debt instruments**

Disclosures in this section focus on information in accordance with the Swiss SRB framework. Information in accordance with the Bank for International Settlements (BIS) framework is provided in the document "UBS Group AG (consolidated) regulatory information – 30 September 2016," which will be available as of 28 October 2016 under "Quarterly reporting" at *www.ubs.com/investors*.

The Basel Committee on Banking Supervision (BCBS) and other financial regulators are considering further revisions to the Basel III capital framework. If the proposed changes to the capital framework are adopted in their current form in Switzerland, we expect our overall risk-weighted assets (RWA) would significantly increase without considering the effect of mitigating measures.

Eligible capital

The Basel III framework includes prudential filters for the calculation of capital. These prudential filters consist mainly of capital deductions for deferred tax assets (DTAs) recognized for tax loss carry-forwards, DTAs on temporary differences that exceed a certain threshold and effects related to defined benefit plans. As these filters are being phased in between 2014 and 2018, their effects are gradually factored into our calculations of capital, RWA and capital ratios on a phase-in basis and are entirely reflected in our capital, RWA and capital ratios on a fully applied basis.

Going and gone concern requirements

Once the revised Swiss SRB requirements are fully implemented by 1 January 2020, total going concern minimum requirements for all Swiss SRBs consist of a capital ratio requirement of 12.86% and a leverage ratio requirement of 4.5%. In addition to these minimum requirements, an add-on reflecting the degree of systemic importance is applied based on market share and the leverage ratio denominator (LRD). The add-on for UBS is expected to be 1.44% of RWA and 0.5% of our LRD, resulting in total going concern capital requirements applicable as of 1 January 2020 of 14.3% of RWA and 5.0% of LRD. These requirements exclude countercyclical buffer requirements.

Furthermore, of the total going concern capital requirement of 14.3% of RWA, at least 10% must be met with CET1 capital, while a maximum of 4.3% can be met with high-trigger AT1 capital. Similarly, of the total going concern leverage ratio requirement of 5.0%, 3.5% must be met with CET1 capital, while a maximum of 1.5% can be met with high-trigger AT1 capital.

National authorities can put in place a countercyclical buffer requirement of up to 2.5% of RWA for credit exposures in their jurisdictions. These requirements must also be met with CET1 capital. The Swiss Federal Council has activated a countercyclical buffer requirement of 2% of RWA for mortgage loans on residential property in Switzerland, applicable since 30 June 2014. Furthermore, since 1 July 2016, we are required to apply additional countercyclical buffer requirements implemented in other Basel Committee member jurisdictions. The requirements will be phased in by and become fully effective on 1 January 2019. The effect as of 30 September 2016 was immaterial.

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

As of 30.9.16	Swiss SRB including transitional arrangements (phase-in)							
	Risk-weighted assets				Leverage ratio denominator			
CHF million, except where indicated	Requirement (%)	Actual (%)	Requirement	Eligible	Requirement (%)	Actual (%)	Requirement	Eligible
Common equity tier 1 capital	8.32	16.92	18,284	37,207	2.30	4.22	20,279	37,207
Maximum high-trigger loss-absorbing additional tier 1 capital[2,3]	2.63	7.92	5,772	17,416	0.70	1.98	6,172	17,416
of which: high-trigger loss-absorbing additional tier 1 capital		*2.82*		*6,200*		*0.70*		*6,200*
of which: high-trigger loss-absorbing tier 2 capital		*0.40*		*884*		*0.10*		*884*
of which: low-trigger loss-absorbing tier 2 capital		*4.70*		*10,332*		*1.17*		*10,332*
Total going concern	**10.94[4]**	**24.84**	**24,056**	**54,623**	**3.00[5]**	**6.20**	**26,452**	**54,623**
Base gone concern requirement	3.50	7.79	7,696	17,124	1.00	1.94	8,817	17,124
Total gone concern	**3.50**	**7.79**	**7,696**	**17,124**	**1.00**	**1.94**	**8,817**	**17,124**
Total loss-absorbing capacity	**14.44**	**32.63**	**31,752**	**71,747**	**4.00**	**8.14**	**35,269**	**71,747**

As of 30.9.16	Swiss SRB as of 1.1.20 (fully applied)							
	Risk-weighted assets				Leverage ratio denominator			
CHF million, except where indicated	Requirement (%)	Actual (%)	Requirement	Eligible	Requirement (%)	Actual (%)	Requirement	Eligible
Common equity tier 1 capital	10.19	13.95	22,097	30,254	3.50	3.45	30,706	30,254
Maximum high-trigger loss-absorbing additional tier 1 capital[2]	4.30	4.03	9,324	8,749	1.50	1.00	13,160	8,749
of which: high-trigger loss-absorbing additional tier 1 capital		*2.93*		*6,356*		*0.72*		*6,356*
of which: low-trigger loss-absorbing additional tier 1 capital		*1.10*		*2,392*		*0.27*		*2,392*
Total going concern	**14.49[6]**	**17.99**	**31,420**	**39,003**	**5.00[7]**	**4.45**	**43,866**	**39,003**
Base gone concern requirement including applicable add-ons	14.30	12.97	31,007	28,129	5.00	3.21	43,866	28,129
Total gone concern	**14.30**	**12.97**	**31,007**	**28,129**	**5.00**	**3.21**	**43,866**	**28,129**
Total loss-absorbing capacity	**28.79**	**30.96**	**62,427**	**67,132**	**10.00**	**7.65**	**87,731**	**67,132**

1 This table does not include the effect of any potential rebate. 2 Includes outstanding low-trigger loss-absorbing additional tier 1 capital instruments, which under the transitional rules for the Swiss SRB framework will remain available to meet the going concern requirements until their first call date, even if the first call date is after 31 December 2019. From their first call date, they may be used to meet the gone concern requirements. Low-trigger loss-absorbing additional tier 1 capital was fully offset by required deductions for goodwill on a phase-in basis. 3 Includes outstanding high- and low-trigger loss-absorbing tier 2 capital instruments, which under the transitional rules for the Swiss SRB framework will remain available to meet the going concern requirements until the earlier of their maturity or first call date or 31 December 2019. From 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. 4 Consists of a minimum capital requirement of 8% and a buffer capital requirement of 2.94%, including the effect of countercyclical buffers of 0.19%. 5 Consists of a minimum leverage ratio requirement of 3%. 6 Consists of a minimum capital requirement of 8% and a buffer capital requirement of 6.49%, including the effect of countercyclical buffers of 0.19% and applicable add-ons of 1.44%. 7 Consists of a minimum leverage ratio requirement of 3% and a buffer leverage ratio requirement of 2%, including applicable add-ons of 0.5%.

As an internationally active Swiss SRB, UBS is also subject to gone concern loss-absorbing capacity requirements, which are 14.3% of RWA and 5.0% of LRD, resulting in TLAC requirements of 28.6% of RWA and 10.0% of LRD as of 1 January 2020. The gone concern requirements also include add-ons for market share and the LRD, and may be met with senior unsecured debt that is TLAC-eligible. However, in the event that low-trigger AT1 or tier 2 capital instruments are used to meet the gone concern requirements, such requirements may be reduced by up to 2.86% for the RWA-based requirement and up to 1% for the LRD-based requirement. In this report, we refer to the RWA-based gone concern requirements as gone concern loss-absorbing capacity requirements and the RWA-based gone concern ratio is referred to as the gone concern loss-absorbing capacity ratio.

Including transitional arrangements, our going concern capital and leverage ratio requirements as of 30 September 2016 were 10.94% and 3.0%, respectively. Our gone concern capital and leverage ratio requirements including transitional arrangements were 3.5% and 1.0%, respectively.

Capital management

The revised Swiss SRB requirements make the Swiss capital regime one of the most demanding in the world. We intend to use the transition period up to 1 January 2020 to fully implement the new requirements. We intend to meet the new CET1 leverage ratio requirement of 3.5% by retaining sufficient earnings while maintaining our commitment to total capital returns to shareholders of at least 50% of net profit attributable to shareholders, provided that we maintain a fully applied CET1 capital ratio of at least 13% and consistent with our objective of maintaining a post-stress fully applied CET1 capital ratio of at least 10%. Furthermore, we plan to continue our issuance of AT1 instruments and TLAC-eligible senior unsecured debt to meet the new requirements without increasing overall funding for the Group. During the third quarter of 2016, we issued an AT1 instrument in an amount equivalent to CHF 1.1 billion and the equivalent of CHF 3.8 billion of senior unsecured debt that contributes to our TLAC.

Under the revised Swiss SRB framework, banks are eligible for a rebate on the gone concern requirements if they take actions that facilitate recovery and resolvability beyond the minimum requirements to ensure the integrity of systemically important functions in the case of an impending insolvency. FINMA has determined that the measures we have completed support a rebate on the gone concern requirement. As we complete additional measures to improve the resolvability of the Group, we expect to qualify for a larger rebate and therefore aim to operate with a gone concern ratio of less than 4% of LRD when the Swiss SRB framework becomes fully effective as of 1 January 2020. The amount of the rebate will be assessed annually by FINMA based on its assessment of completed measures to improve resolvability. The combined reduction applied for resolvability measures and the aforementioned gone concern requirement reduction for use of low-trigger AT1 and tier 2 instruments may not exceed 5.7% for the RWA-based requirement and 2% for the LRD-based requirement.

Swiss SRB loss-absorbing capacity

As of 30 September 2016, our total loss-absorbing capacity ratio was 31.0% on a fully applied basis compared with a pro forma ratio of 29.2% as of 30 June 2016. On a phase-in basis, the total loss-absorbing capacity ratio stood at 32.6%, an increase of 1.7 percentage points from the pro forma number as of 30 June 2016.

Current and former Swiss SRB going and gone concern information

	Swiss SRB including transitional arrangements (phase-in)		Swiss SRB as of 1.1.20 (fully applied)		Former Swiss SRB (phase-in)	Former Swiss SRB (fully applied)
CHF million, except where indicated	**30.9.16**	30.6.16 Pro forma	**30.9.16**	30.6.16 Pro forma	30.6.16	30.6.16
Common equity tier 1 capital	**37,207**	37,064	**30,254**	30,264	37,064	30,264
High-trigger loss-absorbing additional tier 1 capital	**6,200**[1]	5,220[1]	**6,356**	5,374	5,374	5,374
Low-trigger loss-absorbing additional tier 1 capital	**0**[1]	0[1]	**2,392**	2,411	496[2]	2,411
Total loss-absorbing additional tier 1 capital	**6,200**	5,220	**8,749**	7,785	5,870[3]	7,785
Total tier 1 capital	**43,407**	42,285	**39,003**	38,049	42,934	38,049
High-trigger loss-absorbing tier 2 capital	**884**	890			890	890
Low-trigger loss-absorbing tier 2 capital	**10,332**	10,441			10,441	10,441
Phase-out tier 2 capital[4]					741	
Total tier 2 capital	**11,216**	11,331			12,072	11,331
Total going concern capital	**54,623**	53,616	**39,003**	38,049		
Total capital					55,006	49,381
Gone concern loss-absorbing capacity						
Phase-out hybrid tier 1 capital[4]	**654**	649	**654**	649		
Total tier 1 capital	**654**	649	**654**	649		
High-trigger loss-absorbing tier 2 capital			**674**	678		
Low-trigger loss-absorbing tier 2 capital			**10,332**	10,441		
Phase-out tier 2 capital[4]	**772**	797	**772**	797		
Total tier 2 capital	**772**	797	**11,777**	11,916		
TLAC-eligible senior unsecured debt	**15,698**	11,920	**15,698**	11,920		
Total gone concern loss-absorbing capacity	**17,124**	13,365	**28,129**	24,485		
Total loss-absorbing capacity						
Total loss-absorbing capacity	**71,747**	66,982	**67,132**	62,534		
Risk-weighted assets / leverage ratio denominator						
Risk-weighted assets	**219,876**	216,671	**216,830**	213,840	216,671	213,840
Leverage ratio denominator	**881,717**	902,431	**877,313**	898,195	902,431	898,195
Capital and loss-absorbing capacity ratios (%)						
Tier 1 capital ratio					19.8	17.8
Total capital ratio					25.4	23.1
Going concern capital ratio	**24.8**	24.7	**18.0**	17.8		
of which: common equity tier 1 capital ratio	***16.9***	*17.1*	***14.0***	*14.2*	*17.1*	*14.2*
Gone concern loss-absorbing capacity ratio	**7.8**	6.2	**13.0**	11.5		
Total loss-absorbing capacity ratio	**32.6**	30.9	**31.0**	29.2		
Leverage ratios (%)						
Leverage ratio					6.0	5.5
Going concern leverage ratio	**6.2**	5.9	**4.4**	4.2		
of which: common equity tier 1 leverage ratio	***4.2***	*4.1*	***3.4***	*3.4*	*4.1*	*3.4*
Gone concern leverage ratio	**1.9**	1.5	**3.2**	2.7		
Total loss-absorbing capacity leverage ratio	**8.1**	7.4	**7.7**	7.0		

1 High-trigger loss-absorbing additional tier 1 capital of CHF 6,356 million (30 June 2016: CHF 5,374 million) and low-trigger loss-absorbing additional tier 1 capital of CHF 2,392 million (30 June 2016: CHF 2,411 million) were partly offset by required deductions for goodwill of CHF 2,548 million (30 June 2016: CHF 2,565 million). 2 Consists of low-trigger loss-absorbing additional tier 1 capital of CHF 2,411 million, partly offset by required deductions for goodwill of CHF 1,916 million. 3 Includes phase-out hybrid tier 1 capital of CHF 649 million, offset by required deductions for goodwill. 4 Phase-out hybrid tier 1 capital and phase-out tier 2 capital may still qualify as gone concern instruments. Under the Swiss SRB rules, these instruments are no longer subject to phase-out. Instruments with a maturity may be eligible to meet the gone concern requirements until one year prior to maturity, with a haircut of 50% applied in the last year of eligibility. The treatment of these instruments is subject to final agreement with FINMA.

Going concern capital ratio

In the third quarter of 2016, our fully applied CET1 capital ratio decreased 0.2 percentage points to 14.0%, resulting from a CHF 3.0 billion increase in RWA. On a phase-in basis, our CET1 capital ratio decreased 0.2 percentage points to 16.9%.

Our total going concern capital ratio increased 0.2 percentage points to 18.0% on a fully applied basis compared with the pro forma number as of 30 June 2016, due to a CHF 1.0 billion increase in AT1 capital, partly offset by the aforementioned increase in RWA. On a phase-in basis, our total going concern capital ratio increased 0.1 percentage points to 24.8%.

Gone concern loss-absorbing capacity ratio

As of 30 September 2016, our fully applied gone concern loss-absorbing capacity ratio stood at 13.0%, an increase of 1.5 percentage points from the pro forma number as of 30 June 2016. On a phase-in basis, the gone concern loss-absorbing capacity ratio increased by 1.6 percentage points to 7.8%. These increases were primarily driven by the issuance of TLAC-eligible senior unsecured debt of an equivalent of CHF 3.8 billion.

Post-stress CET1 capital ratio

We are committed to total capital returns to shareholders of at least 50% of net profit attributable to shareholders, provided that we maintain a fully applied CET1 capital ratio of at least 13% and consistent with our objective of maintaining a post-stress fully applied CET1 capital ratio of at least 10%. Our post-stress CET1 capital ratio exceeded the 10% objective as of 30 September 2016.

➔ **Refer to the "Risk management" section of this report for more information on our binding stress scenario**

Reconciliation from IFRS equity to CET1 capital and total loss-absorbing capacity movement

Going concern capital

As of 30 September 2016, our CET1 capital was CHF 30.3 billion on a fully applied basis, virtually unchanged from 30 June 2016, as the third quarter operating profit before tax and an increase in compensation- and own shares-related capital components were offset by effects from current tax expenses and defined benefit plans, mainly in the UK, as well as accruals for capital returns to shareholders.

➔ **Refer to the "Group performance" section of this report for more information on other comprehensive income attributable to shareholders related to defined benefit plans**

Our AT1 capital increased by CHF 1.0 billion to CHF 8.7 billion on a fully applied basis as of 30 September 2016, resulting from the issuance of a high-trigger loss-absorbing AT1 instrument.

Reconciliation IFRS equity to Swiss SRB common equity tier 1 capital

	Swiss SRB including transitional arrangements (phase-in)		Swiss SRB as of 1.1.20 (fully applied)	
CHF million	**30.9.16**	30.6.16	**30.9.16**	30.6.16
Total IFRS equity	**53,993**	53,562	**53,993**	53,562
Equity attributable to non-controlling interests	**(693)**	(686)	**(693)**	(686)
Defined benefit plans	**(215)**	(59)	**(359)**	(99)
Deferred tax assets recognized for tax loss carry-forwards	**(4,650)**	(4,619)	**(7,750)**	(7,699)
Deferred tax assets on temporary differences, excess over threshold	**(872)**	(822)	**(2,033)**	(1,938)
Goodwill, net of tax[1]	**(3,823)**	(3,847)	**(6,371)**	(6,412)
Intangible assets, net of tax	**(253)**	(272)	**(253)**	(272)
Unrealized (gains)/losses from cash flow hedges, net of tax	**(2,005)**	(2,332)	**(2,005)**	(2,332)
Compensation- and own shares-related components	**(1,404)**	(1,348)	**(1,404)**	(1,348)
Unrealized own credit related to financial liabilities designated at fair value, net of tax, and replacement values	**(333)**	(390)	**(333)**	(390)
Unrealized gains related to financial assets available for sale, net of tax	**(351)**	(339)	**(351)**	(339)
Prudential valuation adjustments	**(89)**	(63)	**(89)**	(63)
Consolidation scope	**(127)**	(126)	**(127)**	(126)
Other[2]	**(1,969)**	(1,592)	**(1,969)**	(1,592)
Total common equity tier 1 capital	**37,207**	37,064	**30,254**	30,264

1 Includes goodwill related to significant investments in financial institutions of CHF 340 million (30 June 2016: CHF 344 million). 2 Includes accruals for dividends to shareholders and other items.

Gone concern loss-absorbing capacity

During the third quarter of 2016, our gone concern loss-absorbing capacity increased by CHF 3.6 billion to CHF 28.1 billion on a fully applied basis, primarily driven by the issuance of TLAC-eligible senior unsecured debt in an amount equivalent to CHF 3.8 billion.

→ **Refer to "UBS Group AG (consolidated) capital instruments and TLAC-eligible senior unsecured debt" under "Bondholder information" at *www.ubs.com/investors* for more information on the eligibility of capital or senior debt instruments**

→ **Refer to "Bondholder information" at *www.ubs.com/investors* for more information on capital instruments, including key features and terms and conditions**

Swiss SRB total loss-absorbing capacity movement

CHF million	Swiss SRB including transitional arrangements (phase-in)	Swiss SRB as of 1.1.20 (fully applied)
Going concern capital		
Common equity tier 1 capital as of 30.6.16 (pro forma)	**37,064**	**30,264**
Operating profit before tax	877	877
Current tax (expense) / benefit	(204)	(204)
Defined benefit plans	(356)	(464)
Compensation and own shares-related capital components (including share premium)	184	184
Other (includes accruals for capital returns to shareholders)	(359)	(403)
Total movement	*142*	*(10)*
Common equity tier 1 capital as of 30.9.16	**37,207**	**30,254**
Loss-absorbing additional tier 1 capital as of 30.6.16 (pro forma)	**5,220**	**7,785**
Issuance of a high-trigger loss-absorbing additional tier 1 capital instrument	1,069	1,069
Foreign currency translation effects and others	(89)	(105)
Total movement	*980*	*963*
Loss-absorbing additional tier 1 capital as of 30.9.16	**6,200**	**8,749**
Loss-absorbing tier 2 capital as of 30.6.16 (pro forma)	**11,331**	
Foreign currency translation effects and others	(115)	
Loss-absorbing tier 2 capital as of 30.9.16	**11,216**	
Total going concern capital as of 30.6.16 (pro forma)	**53,616**	**38,049**
Total going concern capital as of 30.9.16	**54,623**	**39,003**
Gone concern loss-absorbing capacity		
Tier 1 capital as of 30.6.16 (pro forma)	**649**	**649**
Foreign currency translation effects and others	4	4
Tier 1 capital as of 30.9.16	**654**	**654**
Tier 2 capital as of 30.6.16 (pro forma)	**797**	**11,916**
Foreign currency translation effects and others	(25)	(139)
Tier 2 capital as of 30.9.16	**772**	**11,777**
TLAC-eligible senior unsecured debt as of 30.6.16 (pro forma)	**11,920**	**11,920**
Issuance of TLAC-eligible senior unsecured debt instruments	3,757	3,757
Foreign currency translation effects and others	22	22
Total movement	*3,779*	*3,779*
TLAC-eligible senior unsecured debt as of 30.9.16	**15,698**	**15,698**
Total gone concern loss-absorbing capacity as of 30.6.16 (pro forma)	**13,365**	**24,485**
Total gone concern loss-absorbing capacity as of 30.9.16	**17,124**	**28,129**
Total loss-absorbing capacity		
Total loss-absorbing capacity as of 30.6.16 (pro forma)	**66,982**	**62,534**
Total loss-absorbing capacity as of 30.9.16	**71,747**	**67,132**

Additional information

Sensitivity to currency movements

Corporate Center – Group Asset and Liability Management (Group ALM) is mandated to minimize the adverse effects from changes in currency rates on our fully applied CET1 capital and CET1 capital ratio. The Group Asset and Liability Management Committee, a committee of the UBS Group Executive Board, can adjust the currency mix in capital, within limits set by the Board of Directors, to balance the effect of foreign exchange movements on the fully applied CET1 capital and capital ratio. Limits are in place for the sensitivity of both CET1 capital and the capital ratio to an appreciation or depreciation of 10% in the value of the Swiss franc against other currencies.

We estimate that a 10% depreciation of the Swiss franc against other currencies would have increased our fully applied RWA by CHF 9 billion and our fully applied CET1 capital by CHF 1.0 billion as of 30 September 2016 (30 June 2016: CHF 9 billion and CHF 1.1 billion, respectively) and reduced our fully applied CET1 capital ratio by 14 basis points (30 June 2016: 12 basis points). Conversely, we estimate that a 10% appreciation of the Swiss franc against other currencies would have reduced our fully applied RWA by CHF 9 billion and our fully applied CET1 capital by CHF 0.9 billion (30 June 2016: CHF 8 billion and CHF 1.0 billion, respectively) and increased our fully applied CET1 capital ratio by 14 basis points (30 June 2016: 12 basis points).

Our leverage ratio is also sensitive to foreign exchange movements due to the currency mix of our capital and LRD. When adjusting the currency mix in capital, potential effects on the leverage ratios are taken into account and the sensitivity of the leverage ratio to an appreciation or depreciation of 10% in the value of the Swiss franc against other currencies is actively monitored.

We estimate that a 10% depreciation of the Swiss franc against other currencies would have increased our fully applied LRD by CHF 66 billion (30 June 2016: CHF 70 billion) and reduced our fully applied Swiss SRB going concern leverage ratio by 11 basis points (30 June 2016: 9 basis points). Conversely, we estimate that a 10% appreciation of the Swiss franc against other currencies would have reduced our fully applied LRD by CHF 59 billion (30 June 2016: CHF 63 billion) and increased our fully applied Swiss SRB going concern leverage ratio by 12 basis points (30 June 2016: 10 basis points).

These sensitivities do not consider foreign currency translation effects related to defined benefit plans other than those related to the currency translation of the net equity of foreign operations.

Estimated effect on capital from litigation, regulatory and similar matters subject to provisions and contingent liabilities

We have estimated the loss in capital that we could incur as a result of the risks associated with the matters described in "Note 15 Provisions and contingent liabilities" to our consolidated financial statements. This is an estimated amount and is not related and should not be considered in addition to these provisions and contingent liabilities. We have utilized for this purpose the advanced measurement approach (AMA) methodology that we use when determining the capital requirements associated with operational risks, based on a 99.9% confidence level over a 12-month horizon. The methodology takes into consideration UBS and industry experience for the AMA operational risk categories to which those matters correspond, as well as the external environment affecting risks of these types, in isolation from other areas. On this standalone basis, we estimate the loss in capital that we could incur over a 12-month period as a result of our risks associated with these operational risk categories at CHF 4.8 billion as of 30 September 2016. This estimate does not take into account any provisions recognized for any of these matters and does not constitute a subjective assessment of UBS's actual exposure in any of these matters.

➔ Refer to "Note 15 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report for more information

Joint liability of UBS AG and UBS Switzerland AG

In June 2015, the Personal & Corporate Banking and Wealth Management businesses booked in Switzerland were transferred from UBS AG to UBS Switzerland AG through an asset transfer in accordance with the Swiss Merger Act. Under the Swiss Merger Act, as of the asset transfer date 14 June 2015, UBS AG assumed joint liability for approximately CHF 260 billion of obligations of UBS Switzerland AG, excluding the collateralized portion of secured contractual obligations. Similarly, under the terms of the asset transfer agreement, UBS Switzerland AG assumed joint liability for approximately CHF 325 billion of contractual obligations of UBS AG existing on the asset transfer date, excluding the collateralized portion of secured contractual obligations and covered bonds. Under certain circumstances, the Swiss Banking Act and FINMA's Banking Insolvency Ordinance authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.

Both joint liability amounts decline as obligations mature, terminate or are novated following the asset transfer date. As of 30 September 2016, the joint liability of UBS AG and UBS Switzerland AG amounted to approximately CHF 1 billion and CHF 95 billion, respectively.

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

Risk-weighted assets

During the third quarter of 2016, fully applied RWA increased by CHF 3.0 billion to CHF 216.8 billion and remained below our short- to medium-term expectation of around CHF 250 billion. The increase was mainly driven by methodology changes and model updates of CHF 1.7 billion, as well as asset size and other increases of CHF 1.4 billion.

Risk-weighted assets movement by key driver – fully applied

CHF billion	**RWA as of 30.6.16**	Currency effects	Methodology changes and model updates	Regulatory add-ons	Asset size and other	**RWA as of 30.9.16**
Credit risk	110.7	(0.3)	2.1	0.9	0.6	**114.0**
Non-counterparty-related risk	16.2	(0.1)			0.2	**16.3**
Market risk	10.6		(0.4)	(0.6)	(0.9)	**8.7**
Operational risk	76.5				1.3	**77.8**
Total	**213.8**	**(0.4)**	**1.7**	**0.3**	**1.4**	**216.8**

Credit risk

Credit risk RWA increased by CHF 3.3 billion, driven by an increase due to methodology changes and model updates of CHF 2.1 billion resulting from the implementation of revised credit conversion factors for off-balance sheet exposures in Personal & Corporate Banking and, to a lesser extent, in Wealth Management.

Furthermore, regulatory add-ons increased RWA by CHF 0.9 billion, of which CHF 0.6 billion resulted from an increase in the internal ratings-based (IRB) multiplier for Investment Bank exposures to corporates, and of which CHF 0.2 billion resulted from an increase in the IRB multiplier for income-producing real estate in Personal & Corporate Banking and Wealth Management. The multipliers that FINMA requires banks that use the IRB approach to apply will continue to increase over time until implementation is complete by the end of the first quarter of 2019. We expect these increases to add approximately CHF 1 billion to our RWA in the fourth quarter of 2016 and an additional CHF 5 billion to CHF 6 billion in each of 2017 and 2018.

Market risk

Market risk RWA decreased by CHF 1.9 billion, largely driven by asset size and other decreases of CHF 0.9 billion. These decreases mainly related to the Investment Bank, primarily due to a change in the risk profile within Equities, which led to a decrease in regulatory and stressed value-at-risk (VaR) of CHF 1.8 billion. This was partly offset by an increase in the incremental risk charge (IRC) of CHF 1.0 billion, both in the Investment Bank and Group ALM, due to increased trading activity.

Furthermore, RWA decreased by CHF 0.6 billion in relation to regulatory add-ons, largely due to a lower value-at-risk (VaR) multiplier, resulting from fewer backtesting exceptions.

➔ Refer to “Market risk” in the “Risk management and control” section of this report for more information on market risk

Operational risk

Operational risk RWA increased by CHF 1.3 billion to CHF 77.8 billion as a result of the semi-annual review and update of inputs to our advanced measurement approach model agreed with FINMA as part of the overall review of the model completed in the first quarter of 2016.

Beginning in the third quarter of 2016, we have revised our methodology for the allocation of operational risk RWA to business divisions and Corporate Center units. In addition to considering historical operational risk loss contributions, the revised methodology takes into account the relative size of the business divisions and Corporate Center units and other operational risk indicators. As a result of these changes, operational risk RWA in Corporate Center – Non-core and Legacy Portfolio decreased by CHF 11.4 billion, while operational risk RWA in all business divisions and other Corporate Center units increased.

Risk-weighted assets by business division and Corporate Center unit

CHF billion	Wealth Management	Wealth Management Americas	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	CC – Services	CC – Group ALM	CC – Non-core and Legacy Portfolio	Total RWA	Total capital requirement[1]
					30.9.16					
Credit risk	**12.7**	**8.9**	**37.4**	**1.4**	**38.2**	**1.9**	**7.2**	**6.3**	**114.0**	**16.5**
Advanced IRB approach[2]	*8.9*	*3.3*	*35.1*	*0.8*	*34.8*	*0.3*	*5.2*	*4.9*	*93.3*	*13.5*
Standardized approach[3]	*3.9*	*5.5*	*2.3*	*0.6*	*3.5*	*1.7*	*2.1*	*1.3*	*20.7*	*3.0*
Non-counterparty-related risk[4]	**0.2**	**0.0**	**0.1**	**0.0**	**0.0**	**19.1**	**0.0**	**0.0**	**19.4**	**2.8**
Market risk	**0.0**	**1.1**	**0.0**	**0.0**	**7.2**	**(3.5)[5]**	**1.4**	**2.5**	**8.7**	**1.3**
Operational risk	**13.2**	**13.2**	**3.9**	**2.3**	**19.5**	**13.1**	**2.5**	**10.1**	**77.8**	**11.2**
Total RWA, phase-in	**26.1**	**23.3**	**41.4**	**3.7**	**64.9**	**30.6**	**11.1**	**18.8**	**219.9**	**31.8**
Phase-out items[6]	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0	3.0	
Total RWA, fully applied	**26.1**	**23.3**	**41.3**	**3.7**	**64.9**	**27.6**	**11.1**	**18.8**	**216.8**	
					30.6.16					
Credit risk	**13.0**	**8.8**	**35.2**	**1.5**	**37.3**	**1.4**	**6.0**	**7.4**	**110.7**	**15.9**
Advanced IRB approach[2]	*8.8*	*3.3*	*33.0*	*0.9*	*33.7*	*0.2*	*4.7*	*5.7*	*90.4*	*13.0*
Standardized approach[3]	*4.2*	*5.4*	*2.2*	*0.6*	*3.7*	*1.2*	*1.3*	*1.7*	*20.3*	*2.9*
Non-counterparty-related risk[4]	**0.1**	**0.0**	**0.1**	**0.0**	**0.0**	**18.7**	**0.0**	**0.0**	**19.0**	**2.7**
Market risk	**0.0**	**1.2**	**0.0**	**0.0**	**9.3**	**(3.2)[5]**	**0.8**	**2.4**	**10.6**	**1.5**
Operational risk	**12.9**	**12.7**	**1.6**	**0.9**	**17.1**	**9.7**	**0.1**	**21.5**	**76.5**	**11.0**
Total RWA, phase-in	**26.0**	**22.6**	**36.9**	**2.5**	**63.8**	**26.7**	**6.9**	**31.3**	**216.7**	**31.1**
Phase-out items[6]	0.0	0.0	0.0	0.0	0.0	2.8	0.0	0.0	2.8	
Total RWA, fully applied	**26.0**	**22.6**	**36.9**	**2.4**	**63.8**	**23.9**	**6.9**	**31.3**	**213.8**	
					30.9.16 vs 30.6.16					
Credit risk	**(0.3)**	**0.1**	**2.2**	**(0.1)**	**0.9**	**0.5**	**1.2**	**(1.1)**	**3.3**	
Advanced IRB approach[2]	*0.1*	*0.0*	*2.1*	*(0.1)*	*1.1*	*0.1*	*0.5*	*(0.8)*	*2.9*	
Standardized approach[3]	*(0.3)*	*0.1*	*0.1*	*0.0*	*(0.2)*	*0.5*	*0.8*	*(0.4)*	*0.4*	
Non-counterparty-related risk[4]	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.4**	**0.0**	**0.0**	**0.4**	
Market risk	**0.0**	**(0.1)**	**0.0**	**0.0**	**(2.1)**	**(0.3)**	**0.6**	**0.1**	**(1.9)**	
Operational risk	**0.3**	**0.5**	**2.3**	**1.4**	**2.4**	**3.4**	**2.4**	**(11.4)**	**1.3**	
Total RWA, phase-in	**0.1**	**0.7**	**4.5**	**1.2**	**1.1**	**3.9**	**4.2**	**(12.5)**	**3.2**	
Phase-out items[6]	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.2	
Total RWA, fully applied	**0.1**	**0.7**	**4.4**	**1.3**	**1.1**	**3.7**	**4.2**	**(12.5)**	**3.0**	

1 Calculated on the basis of our Swiss SRB total going and gone concern capital requirement of 14.4% of RWA on a phase-in basis (30 June 2016: 14.4%, based on the former Swiss SRB requirement on a phase-in basis). 2 Includes equity exposures in the banking book according to the simple risk weight method. 3 Includes settlement risk and business transfers. 4 Non-counterparty-related risk includes deferred tax assets recognized for temporary differences (30 September 2016: CHF 11.0 billion, 30 June 2016: CHF 10.8 billion), property, equipment and software (30 September 2016: CHF 8.0 billion, 30 June 2016: CHF 7.9 billion) and other items (30 September 2016: CHF 0.3 billion, 30 June 2016: CHF 0.3 billion). 5 Corporate Center – Services market risk RWA were negative, as they included the effect of portfolio diversification across businesses. 6 Phase-out items are entirely related to non-counterparty-related risk RWA.

Leverage ratio

As of 30 September 2016, our going concern leverage ratio was 4.4% on a fully applied basis compared with a pro forma ratio of 4.2% as of 30 June 2016. On a phase-in basis, the going concern leverage ratio increased 0.3 percentage points to 6.2%.

Swiss SRB leverage ratio

	Swiss SRB including transitional arrangements (phase-in)		Swiss SRB as of 1.1.20 (fully applied)		Former Swiss SRB (phase-in)	Former Swiss SRB (fully applied)
	30.9.16	30.6.16 Pro forma	**30.9.16**	30.6.16 Pro forma	30.6.16	30.6.16
Leverage ratio denominator (CHF billion)						
Total IFRS assets	**935.2**	989.4	**935.2**	989.4	989.4	989.4
Difference between IFRS and regulatory scope of consolidation[1]	**(15.5)**	(15.2)	**(15.5)**	(15.2)	(15.2)	(15.2)
Less derivative exposures and SFTs[2]	**(282.5)**	(347.7)	**(282.5)**	(347.7)	(347.7)	(347.7)
On-balance sheet exposures (excluding derivative exposures and SFTs)	**637.2**	626.5	**637.2**	626.5	626.5	626.5
Derivative exposures	**109.4**	121.2	**109.4**	121.2	121.2	121.2
Securities financing transactions	**112.2**	129.7	**112.2**	129.7	129.7	129.7
Off-balance sheet items	**36.0**	37.8	**36.0**	37.8	37.8	37.8
Items deducted from Swiss SRB tier 1 capital	**(13.1)**	(12.9)	**(17.5)**	(17.1)	(12.9)	(17.1)
Total exposures (leverage ratio denominator)	**881.7**	902.4	**877.3**	898.2	902.4	898.2
Loss-absorbing capacity (CHF million)						
Total capital					54,265	49,381
Going concern capital	**54,623**	53,616	**39,003**	38,049		
of which: common equity tier 1 capital	***37,207***	*37,064*	***30,254***	*30,264*	*37,064*	*30,264*
Gone concern loss-absorbing capacity	**17,124**	13,365	**28,129**	24,485		
Total loss-absorbing capacity	**71,747**	66,982	**67,132**	62,534		
Leverage ratios (%)						
Leverage ratio					6.0	5.5
Going concern leverage ratio	**6.2**	5.9	**4.4**	4.2		
of which: common equity tier 1 leverage ratio	***4.2***	*4.1*	***3.4***	*3.4*	*4.1*	*3.4*
Gone concern leverage ratio	**1.9**	1.5	**3.2**	2.7		
Total loss-absorbing capacity leverage ratio	**8.1**	7.4	**7.7**	7.0		

1 Represents the difference between the IFRS and the regulatory scope of consolidation, which is the applicable scope for the LRD calculation. 2 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 in accordance with the regulatory scope of consolidation, which are presented separately under Derivative exposures and Securities financing transactions in this table.

Leverage ratio denominator movement by key driver – fully applied

CHF billion	**LRD as of 30.6.16**	Currency effects	Incremental netting and collateral mitigation	Asset size and other	**LRD as of 30.9.16**
On-balance sheet exposures (excluding derivative exposures and SFTs)[1]	626.5	(1.7)		12.4	**637.2**
Derivative exposures	121.2	(0.5)		(11.3)	**109.4**
Securities financing transactions	129.7	(0.6)	(2.1)	(14.8)	**112.2**
Off-balance sheet items	37.8	(0.1)		(1.7)	**36.0**
Deduction items	(17.1)	0.1		(0.5)	**(17.5)**
Total	**898.2**	**(2.7)**	**(2.1)**	**(16.1)**	**877.3**

1 Excludes 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.

The fully applied LRD decreased by CHF 21 billion to CHF 877 billion and was below our short- to medium-term expectation of around CHF 950 billion. The decrease was driven by asset size and other reductions of CHF 16 billion, mainly in derivative exposures and securities financing transactions, currency effects of CHF 3 billion and incremental netting and collateral mitigation effects of CHF 2 billion. The LRD movements described below exclude currency effects.

On-balance sheet exposures (excluding derivative exposures and securities financing transactions) increased by CHF 12 billion, mainly driven by a CHF 6 billion increase in Group ALM, primarily relating to financial assets designated at fair value and held to maturity. Moreover, exposures in the Investment Bank increased by CHF 5 billion, primarily in trading portfolio assets, mainly reflecting market-driven increases in our Equities business.

Derivative exposures decreased by CHF 11 billion, primarily related to a reduction of CHF 8 billion in the Investment Bank, mainly related to foreign exchange contracts, primarily reflecting reduced market volatility compared with the second quarter of 2016, which was affected by the UK referendum on EU membership. Derivative exposures in Corporate Center – Non-core and Legacy Portfolio decreased by CHF 2 billion, reflecting ongoing reduction activities.

Securities financing transactions decreased by CHF 15 billion, due to asset size and other movements, largely in the Investment Bank. This decrease resulted primarily from client-driven declines and a decrease in externally sourced collateral required to service client transactions due to a higher volume of available trading portfolio assets.

Off-balance sheet items decreased by CHF 2 billion, primarily due to terminations of committed credit facilities in Personal & Corporate Banking and the Investment Bank.

➔ **Refer to the "Balance sheet, liquidity and funding management" section of this report for more information on balance sheet movements**

Leverage ratio denominator by business division and Corporate Center unit

CHF billion	Wealth Management	Wealth Management Americas	Personal & Corporate Banking	Asset Management	Investment Bank	CC – Services	CC – Group ALM[3]	CC – Non-core and Legacy Portfolio[3]	Total
				30.9.16					
Total IFRS assets	118.2	62.2	139.3	11.9	237.8	24.0	258.3	83.5	935.2
Difference in scope of consolidation[1]	(5.4)	(0.2)	0.0	(9.4)	(0.5)	(0.1)	0.2	0.0	(15.5)
Less derivative exposures and SFTs[2]	(1.8)	(1.8)	(1.9)	0.0	(134.7)	0.0	(63.9)	(78.4)	(282.5)
On-balance sheet exposures (excluding derivative exposures and SFTs)	**110.9**	**60.2**	**137.5**	**2.5**	**102.5**	**23.8**	**194.6**	**5.2**	**637.2**
Derivative exposures	3.5	2.4	2.5	0.0	76.6	0.0	7.0	17.4	109.4
Securities financing transactions	0.0	0.9	0.0	0.0	47.9	0.0	61.0	2.3	112.2
Off-balance sheet items	3.4	0.9	11.0	0.0	19.4	0.1	0.8	0.4	36.0
Items deducted from Swiss SRB tier 1 capital						(13.1)			(13.1)
Total exposures (leverage ratio denominator), phase-in	**117.9**	**64.4**	**151.0**	**2.5**	**246.4**	**10.9**	**263.4**	**25.2**	**881.7**
Additional items deducted from Swiss SRB tier 1 capital						(4.4)			(4.4)
Total exposures (leverage ratio denominator), fully applied	**117.9**	**64.4**	**151.0**	**2.5**	**246.4**	**6.5**	**263.4**	**25.2**	**877.3**
				30.6.16					
Total IFRS assets	119.2	61.6	140.3	11.7	282.2	22.3	253.1	98.9	989.4
Difference in scope of consolidation[1]	(5.4)	(0.2)	0.0	(9.1)	(0.5)	(0.1)	0.2	0.0	(15.2)
Less derivative exposures and SFTs[2]	(2.9)	(1.3)	(2.5)	0.0	(183.7)	0.0	(63.8)	(93.5)	(347.7)
On-balance sheet exposures (excluding derivative exposures and SFTs)	**110.9**	**60.1**	**137.8**	**2.5**	**98.0**	**22.2**	**189.5**	**5.4**	**626.5**
Derivative exposures	5.1	2.3	2.9	0.0	85.2	0.0	6.4	19.3	121.2
Securities financing transactions	0.0	0.4	0.0	0.0	63.8	0.0	62.7	2.9	129.7
Off-balance sheet items	3.4	0.9	12.1	0.0	20.1	0.0	0.8	0.6	37.8
Items deducted from Swiss SRB tier 1 capital						(12.9)			(12.9)
Total exposures (leverage ratio denominator), phase-in	**119.4**	**63.7**	**152.8**	**2.6**	**267.2**	**9.4**	**259.4**	**28.1**	**902.4**
Additional items deducted from Swiss SRB tier 1 capital						(4.2)			(4.2)
Total exposures (leverage ratio denominator), fully applied	**119.4**	**63.7**	**152.8**	**2.6**	**267.2**	**5.1**	**259.4**	**28.1**	**898.2**
				30.9.16 vs 30.6.16					
Total IFRS assets	(1.0)	0.6	(1.0)	0.2	(44.4)	1.7	5.2	(15.4)	(54.2)
Difference in scope of consolidation[1]	0.0	0.0	0.0	(0.3)	0.0	0.0	0.0	0.0	(0.3)
Less derivative exposures and SFTs[2]	1.1	(0.5)	0.6	0.0	49.0	0.0	(0.1)	15.1	65.2
On-balance sheet exposures (excluding derivative exposures and SFTs)	**0.0**	**0.1**	**(0.3)**	**0.0**	**4.5**	**1.6**	**5.1**	**(0.2)**	**10.7**
Derivative exposures	(1.6)	0.1	(0.4)	0.0	(8.6)	0.0	0.6	(1.9)	(11.8)
Securities financing transactions	0.0	0.5	0.0	0.0	(15.9)	0.0	(1.7)	(0.6)	(17.5)
Off-balance sheet items	0.0	0.0	(1.1)	0.0	(0.7)	0.1	0.0	(0.2)	(1.8)
Items deducted from Swiss SRB tier 1 capital						(0.2)			(0.2)
Total exposures (leverage ratio denominator), phase-in	**(1.5)**	**0.7**	**(1.8)**	**(0.1)**	**(20.8)**	**1.5**	**4.0**	**(2.9)**	**(20.7)**
Additional items deducted from Swiss SRB tier 1 capital						(0.2)			(0.2)
Total exposures (leverage ratio denominator), fully applied	**(1.5)**	**0.7**	**(1.8)**	**(0.1)**	**(20.8)**	**1.4**	**4.0**	**(2.9)**	**(20.9)**

1 Represents the difference between the IFRS and the regulatory scope of consolidation, which is the applicable scope for the LRD calculation. 2 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 in accordance with the regulatory scope of consolidation, which are presented separately under Derivative exposures and Securities financing transactions in this table. 3 Comparative figures as of 30 June 2016 in this table have been restated to reflect the transfer of the Risk Exposure Management (REM) function from Corporate Center – Non-core and Legacy Portfolio to Corporate Center – Group ALM in the third quarter of 2016. Refer to "Corporate Center – Group Asset and Liability Management" in the "UBS business divisions and Corporate Center" section of this report for more information.

Equity attribution and return on attributed equity

Average total equity attributed to the business divisions and Corporate Center decreased by CHF 0.6 billion to CHF 48.1 billion during the third quarter of 2016, mainly related to a decrease in Group items.

Average equity attributable to shareholders decreased to CHF 53.1 billion in the third quarter of 2016 from CHF 53.9 billion in the prior quarter. The difference between average equity attributable to shareholders and average equity attributed to the business divisions and Corporate Center decreased to CHF 5.0 billion from CHF 5.2 billion.

➔ Refer to the "Capital management" section of our Annual Report 2015 for more information on the equity attribution framework

Average attributed equity

	For the quarter ended			Year-to-date	
CHF billion	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Wealth Management	**3.5**	3.5	3.5	3.5	3.5
Wealth Management Americas	**2.6**	2.5	2.6	2.5	2.5
Personal & Corporate Banking	**4.1**	4.0	3.9	4.1	3.9
Asset Management	**1.4**	1.4	1.6	1.4	1.6
Investment Bank	**7.6**	7.7	7.3	7.7	7.3
Corporate Center	**28.9**	29.6	26.4	29.1	26.1
of which: Services	***22.8***	*23.2*	*20.4*	*22.7*	*19.8*
of which: Group items	***21.3***	*21.9*	*19.0*	*21.4*	*18.5*
of which: Group ALM	***4.3***	*4.1*	*3.2*	*4.2*	*3.3*
of which: Non-core and Legacy Portfolio	***1.8***	*2.3*	*2.8*	*2.1*	*3.0*
Average equity attributed to the business divisions and Corporate Center	**48.1**	48.7	45.3	48.2	45.0
Difference	**5.0**	5.2	6.8	5.8	6.6
Average equity attributable to shareholders	**53.1**	53.9	52.1	54.0	51.6

Return on attributed equity and return on equity[1]

	For the quarter ended			Year-to-date	
In %	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Wealth Management	**57.6**	59.2	73.0	60.2	89.4
Wealth Management Americas	**49.2**	37.9	39.8	40.4	38.1
Personal & Corporate Banking	**44.2**	53.4	47.8	45.4	43.7
Asset Management	**29.7**	32.6	28.5	29.3	33.7
Investment Bank	**8.5**	14.8	27.2	12.1	33.1
UBS Group	**6.2**	7.7	15.9	6.3	13.6

1 Return on attributed equity shown for the business divisions and return on equity attributable to shareholders shown for UBS Group. Return on attributed equity for Corporate Center is not shown, as it is not meaningful.

Return on attributed equity (adjusted)[1,2]

	For the quarter ended			Year-to-date	
In %	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Wealth Management	**73.5**	69.3	79.8	71.8	88.5
Wealth Management Americas	**55.1**	44.0	42.6	46.1	41.6
Personal & Corporate Banking	**46.1**	46.3	43.9	44.5	43.5
Asset Management	**39.4**	42.3	34.3	37.7	37.3
Investment Bank	**18.0**	23.2	33.6	20.2	37.7

1 Return on attributed equity for Corporate Center is not shown, as it is not meaningful. 2 Adjusted results are non-GAAP financial measures as defined by SEC regulations. Refer to the "Group performance" section of this report for more information on adjusted results.

UBS shares

UBS Group AG shares are registered shares with a par value of CHF 0.10 per share. They are traded and settled as global registered shares. Global registered shares provide direct and equal ownership for all shareholders, irrespective of the country and stock exchange on which they are traded. UBS Group AG shares are listed on the SIX Swiss Exchange (SIX) and the New York Stock Exchange (NYSE).

Shares issued increased slightly in the third quarter of 2016 due to the issuance of shares out of conditional share capital upon exercise of employee share options.

Treasury shares, which are primarily held to hedge our share delivery obligations related to employee share-based compensation and participation plans, decreased by 3 million shares during the third quarter of 2016, totaling CHF 141 million shares as of 30 September 2016.

UBS Group share information

	As of or for the quarter ended			% change from
	30.9.16	30.6.16	30.9.15	30.6.16
Shares issued	**3,850,381,434**	3,850,263,351	3,849,167,383	0
Treasury shares	**141,143,510**	143,744,288	96,325,993	(2)
Shares outstanding	**3,709,237,924**	3,706,519,063	3,752,841,390	0
Basic earnings per share (CHF)[1]	**0.22**	0.28	0.56	(21)
Diluted earnings per share (CHF)[1]	**0.22**	0.27	0.54	(19)
Equity attributable to shareholders (CHF million)	**53,300**	52,876	54,077	1
Less: goodwill and intangible assets (CHF million)	**6,345**	6,402	6,441	(1)
Tangible equity attributable to shareholders (CHF million)	**46,955**	46,474	47,636	1
Total book value per share (CHF)	**14.37**	14.27	14.41	1
Tangible book value per share (CHF)	**12.66**	12.54	12.69	1
Share price (CHF)	**13.23**	12.57	18.01	5
Market capitalization (CHF million)	**50,941**	48,398	69,324	5

1 Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Consolidated financial statements" section of this report for more information.

Ticker symbols UBS Group AG

Trading exchange	SIX/NYSE	Bloomberg	Reuters
SIX Swiss Exchange	UBSG	UBSG VX	UBSG.S
New York Stock Exchange	UBS	UBS UN	UBS.N

Security identification codes

ISIN	**CH0244767585**
Valoren	**24 476 758**
CUSIP	**CINS H42097 10 7**

intentionally left blank

Consolidated financial statements

Unaudited

Table of contents

UBS Group AG interim consolidated financial statements (unaudited)

Income statement

		For the quarter ended			% change from		Year-to-date	
CHF million, except per share data	Note	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Interest income	3	**3,305**	3,552	3,233	(7)	2	10,264	9,814
Interest expense	3	**(1,530)**	(2,388)	(1,387)	(36)	10	(5,613)	(4,841)
Net interest income	3	**1,775**	1,164	1,846	52	(4)	4,652	4,973
Credit loss (expense) / recovery		**(4)**	(7)	(28)	(43)	(86)	(13)	(58)
Net interest income after credit loss expense		**1,771**	1,158	1,817	53	(3)	4,638	4,915
Net fee and commission income	4	**4,056**	4,087	4,111	(1)	(1)	12,236	12,921
Net trading income	3	**1,098**	1,891	1,063	(42)	3	4,002	4,844
Other income	5	**104**	269	179	(61)	(42)	390	1,148
Total operating income		**7,029**	7,404	7,170	(5)	(2)	21,266	23,829
Personnel expenses	6	**3,942**	3,985	3,841	(1)	3	11,852	12,138
General and administrative expenses	7	**1,939**	1,666	2,285	16	(15)	5,269	5,694
Depreciation and impairment of property, equipment and software		**248**	240	230	3	8	731	660
Amortization and impairment of intangible assets		**23**	24	25	(4)	(8)	70	84
Total operating expenses		**6,152**	5,915	6,382	4	(4)	17,922	18,575
Operating profit / (loss) before tax		**877**	1,489	788	(41)	11	3,344	5,254
Tax expense / (benefit)	8	**49**	376	(1,295)	(87)		695	(182)
Net profit / (loss)		**829**	1,113	2,083	(26)	(60)	2,649	5,437
Net profit / (loss) attributable to non-controlling interests		**1**	79	14	(99)	(93)	81	182
Net profit / (loss) attributable to shareholders		**827**	1,034	2,068	(20)	(60)	2,568	5,255
Earnings per share (CHF)								
Basic	9	**0.22**	0.28	0.56	(21)	(61)	0.69	1.43
Diluted	9	**0.22**	0.27	0.54	(19)	(59)	0.67	1.40

Statement of comprehensive income

	For the quarter ended			Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Comprehensive income attributable to shareholders					
Net profit / (loss)	**827**	1,034	2,068	2,568	5,255
Other comprehensive income that may be reclassified to the income statement					
Foreign currency translation					
Foreign currency translation movements, before tax	**(172)**	310	822	(815)	(710)
Foreign exchange amounts reclassified to the income statement from equity	**4**	26	27	153	25
Income tax relating to foreign currency translation movements	**107**	(2)	(5)	110	2
Subtotal foreign currency translation, net of tax	**(61)**	334	844	(553)	(683)
Financial assets available for sale					
Net unrealized gains / (losses) on financial assets available for sale, before tax	**6**	116	135	375	250
Impairment charges reclassified to the income statement from equity	**1**	3	0	4	0
Realized gains reclassified to the income statement from equity	**(18)**	(166)	(66)	(273)	(268)
Realized losses reclassified to the income statement from equity	**0**	5	9	19	31
Income tax relating to net unrealized gains / (losses) on financial assets available for sale	**(9)**	3	(17)	(53)	(18)
Subtotal financial assets available for sale, net of tax	**(21)**	(39)	61	72	(5)
Cash flow hedges					
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	**(175)**	502	859	1,270	704
Net (gains) / losses reclassified to the income statement from equity	**(235)**	(274)	(324)	(812)	(820)
Income tax relating to cash flow hedges	**84**	(47)	(108)	(90)	25
Subtotal cash flow hedges, net of tax	**(326)**	181	427	367	(91)
Total other comprehensive income that may be reclassified to the income statement, net of tax	**(408)**	476	1,332	(113)	(779)
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans					
Gains / (losses) on defined benefit plans, before tax	**(186)**	(198)	(39)	(575)	113
Income tax relating to defined benefit plans	**(23)**	(4)	(1)	(16)	(17)
Subtotal defined benefit plans, net of tax	**(209)**	(202)	(41)	(590)	96
Own credit on financial liabilities designated at fair value					
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	**(30)**	(173)	0	(135)	0
Income tax relating to own credit on financial liabilities designated at fair value	**4**	16	0	5	0
Subtotal own credit on financial liabilities designated at fair value, net of tax	**(25)**	(157)	0	(130)	0
Total other comprehensive income that will not be reclassified to the income statement, net of tax	**(235)**	(359)	(41)	(720)	96
Total other comprehensive income	**(643)**	117	1,291	(834)	(683)
Total comprehensive income attributable to shareholders	**184**	1,151	3,360	1,734	4,572

Statement of comprehensive income (continued)

	For the quarter ended			Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Comprehensive income attributable to non-controlling interests					
Net profit / (loss)	**1**	79	14	81	182
Other comprehensive income that may be reclassified to the income statement					
Other comprehensive income that may be reclassified to the income statement, before tax	**0**	0	4	0	(12)
Income tax relating to other comprehensive income that may be reclassified to the income statement	**0**	0	(1)	0	2
Total other comprehensive income that may be reclassified to the income statement, net of tax	**0**	0	3	0	(10)
Other comprehensive income that will not be reclassified to the income statement					
Foreign currency translation movements, before tax	**5**	329	94	284	(132)
Income tax relating to foreign currency translation movements	**0**	0	0	0	0
Subtotal foreign currency translation, net of tax	**5**	329	94	284	(132)
Gains / (losses) on defined benefit plans, before tax	**0**	0	5	0	6
Income tax relating to defined benefit plans	**0**	0	(1)	0	(1)
Subtotal defined benefit plans, net of tax	**0**	0	4	0	5
Total other comprehensive income that will not be reclassified to the income statement, net of tax	**5**	329	98	284	(127)
Total other comprehensive income	**5**	329	102	284	(137)
Total comprehensive income attributable to non-controlling interests	**7**	407	116	364	45
Total comprehensive income					
Net profit / (loss)	**829**	1,113	2,083	2,649	5,437
Other comprehensive income	**(637)**	445	1,393	(550)	(819)
of which: other comprehensive income that may be reclassified to the income statement	***(408)***	*476*	*1,335*	*(113)*	*(788)*
of which: other comprehensive income that will not be reclassified to the income statement	***(229)***	*(30)*	*57*	*(437)*	*(31)*
Total comprehensive income	**191**	1,558	3,475	2,099	4,617

Balance sheet

					% change from	
CHF million	Note	**30.9.16**	30.6.16	31.12.15	30.6.16	31.12.15
Assets						
Cash and balances with central banks		**94,680**	94,246	91,306	0	4
Due from banks		**15,120**	12,964	11,948	17	27
Loans		**305,021**	306,881	311,954	(1)	(2)
Cash collateral on securities borrowed		**18,277**	29,367	25,584	(38)	(29)
Reverse repurchase agreements		**69,999**	73,289	67,893	(4)	3
Trading portfolio assets	10	**105,437**	101,217	124,035	4	(15)
of which: assets pledged as collateral which may be sold or repledged by counterparties		***33,441***	*30,778*	*51,943*	*9*	*(36)*
Positive replacement values	10, 11	**154,383**	198,441	167,435	(22)	(8)
Cash collateral receivables on derivative instruments	11	**24,644**	29,955	23,763	(18)	4
Financial assets designated at fair value	10	**69,832**	64,241	6,146	9	
Financial assets available for sale	10	**13,554**	18,211	62,543	(26)	(78)
Financial assets held to maturity		**7,005**	4,798		46	
Investments in associates		**947**	950	954	0	(1)
Property, equipment and software		**8,113**	7,967	7,695	2	5
Goodwill and intangible assets		**6,345**	6,402	6,568	(1)	(3)
Deferred tax assets		**12,396**	12,154	12,835	2	(3)
Other assets	12	**29,454**	28,314	22,160	4	33
Total assets		**935,206**	989,397	942,819	(5)	(1)

Balance sheet (continued)

					% change from	
CHF million	Note	**30.9.16**	30.6.16	31.12.15	30.6.16	31.12.15
Liabilities						
Due to banks		**11,227**	15,259	11,836	(26)	(5)
Due to customers		**411,840**	409,084	390,185	1	6
Cash collateral on securities lent		**3,726**	6,301	8,029	(41)	(54)
Repurchase agreements		**9,342**	8,043	9,653	16	(3)
Trading portfolio liabilities	10	**32,069**	29,614	29,137	8	10
Negative replacement values	10, 11	**151,031**	196,006	162,430	(23)	(7)
Cash collateral payables on derivative instruments	11	**33,641**	36,352	38,282	(7)	(12)
Financial liabilities designated at fair value	10, 13	**54,229**	59,664	62,995	(9)	(14)
Debt issued	14	**106,940**	104,659	93,147	2	15
Provisions	15	**3,954**	3,656	4,164	8	(5)
Other liabilities	12	**63,216**	67,198	75,652	(6)	(16)
Total liabilities		**881,213**	935,835	885,511	(6)	0
Equity						
Share capital		**385**	385	385	0	0
Share premium		**28,058**	27,860	31,164	1	(10)
Treasury shares		**(2,291)**	(2,333)	(1,693)	(2)	35
Retained earnings		**31,308**	30,716	29,504	2	6
Other comprehensive income recognized directly in equity, net of tax		**(4,160)**	(3,752)	(4,047)	11	3
Equity attributable to shareholders		**53,300**	52,876	55,313	1	(4)
Equity attributable to non-controlling interests		**693**	686	1,995	1	(65)
Total equity		**53,993**	53,562	57,308	1	(6)
Total liabilities and equity		**935,206**	989,397	942,819	(5)	(1)

Statement of changes in equity

CHF million	Share capital	Share premium	Treasury shares	Retained earnings
Balance as of 1 January 2015	**372**	**32,590**	**(1,393)**	**22,134**
Issuance of share capital	0			
Acquisition of treasury shares			(1,437)	
Disposal of treasury shares			1,224	
Treasury share gains / (losses) and net premium / (discount) on own equity derivative activity		(45)		
Premium on shares issued and warrants exercised		28		
Employee share and share option plans		147		
Tax (expense) / benefit recognized in share premium		15		
Dividends		(2,760)[2]		
Total comprehensive income for the period				5,351
of which: net profit / (loss)				*5,255*
of which: other comprehensive income that may be reclassified to the income statement, net of tax				
of which: other comprehensive income that will not be reclassified to the income statement, net of tax – defined benefit plans				*96*
of which: other comprehensive income that will not be reclassified to the income statement, net of tax – foreign currency translation				
Changes to legal structure / reorganization: Increase in UBS Group AG's ownership interest in UBS AG	13	1,029	(37)	868
Balance as of 30 September 2015	**385**	**31,004**	**(1,643)**	**28,353**
Balance as of 1 January 2016	**385**	**31,164**	**(1,693)**	**29,504**
Issuance of share capital	**0**			
Acquisition of treasury shares			**(1,374)**	
Disposal of treasury shares			**777**	
Treasury share gains / (losses) and net premium / (discount) on own equity derivative activity		**(25)**		
Premium on shares issued and warrants exercised		**3**		
Employee share and share option plans		**23**		
Tax (expense) / benefit recognized in share premium		**11**		
Dividends		**(3,164)**[2]		
Equity classified as obligation to purchase own shares		**3**		
Preferred notes				
New consolidations / (deconsolidations) and other increases / (decreases)		**43**		**(44)**
Total comprehensive income for the period				**1,848**
of which: net profit / (loss)				***2,568***
of which: other comprehensive income that may be reclassified to the income statement, net of tax				
of which: other comprehensive income that will not be reclassified to the income statement, net of tax – defined benefit plans				***(590)***
of which: other comprehensive income that will not be reclassified to the income statement, net of tax – own credit				***(130)***
of which: other comprehensive income that will not be reclassified to the income statement, net of tax – foreign currency translation				
Balance as of 30 September 2016	**385**	**28,058**	**(2,291)**	**31,308**

1 Excludes defined benefit plans and own credit that are recorded directly in Retained earnings. 2 Reflects the payment of an ordinary cash dividend of CHF 0.60 (2015: CHF 0.50) and the payment of a special cash dividend of CHF 0.25 per dividend-bearing share out of the capital contribution reserve.

Other comprehensive income recognized directly in equity, net of tax[1]	*of which: foreign currency translation*	*of which: financial assets available for sale*	*of which: cash flow hedges*	Total equity attributable to shareholders	Non-controlling interests	Total equity
(3,093)	*(5,406)*	*228*	*2,084*	**50,608**	**3,760**	**54,368**
				0		0
				(1,437)		(1,437)
				1,224		1,224
				(45)		(45)
				28		28
				147		147
				15		15
				(2,760)	(124)	(2,884)
(779)	*(683)*	*(5)*	*(91)*	4,572	45	4,617
				5,255	*182*	*5,437*
(779)	*(683)*	*(5)*	*(91)*	*(779)*	*(10)*	*(788)*
				96	*5*	*101*
				0	*(132)*	*(132)*
(150)	*(220)*	*7*	*63*	1,724	(1,724)	0
(4,022)	*(6,309)*	*230*	*2,056*	**54,077**	**1,957**	**56,034**
(4,047)	***(5,857)***	***172***	***1,638***	**55,313**	**1,995**	**57,308**
				0		**0**
				(1,374)		**(1,374)**
				777		**777**
				(25)		**(25)**
				3		**3**
				23		**23**
				11		**11**
				(3,164)	**(83)**	**(3,246)**
				3		**3**
				0	**(1,584)**	**(1,584)**
				(1)	**0**	**0**
(113)	***(553)***	***72***	***367***	**1,734**	**364**	**2,099**
				2,568	***81***	***2,649***
(113)	***(553)***	***72***	***367***	***(113)***		***(113)***
				(590)		***(590)***
				(130)		***(130)***
				0	***284***	***284***
(4,160)	***(6,409)***	***243***	***2,005***	**53,300**	**693**	**53,993**

Statement of cash flows

	Year-to-date	
CHF million	**30.9.16**	30.9.15
Cash flow from / (used in) operating activities		
Net profit / (loss)	**2,649**	5,437
Non-cash items included in net profit and other adjustments:		
Depreciation and impairment of property, equipment and software	**731**	660
Amortization and impairment of intangible assets	**70**	84
Credit loss expense / (recovery)	**13**	58
Share of net profits of associates	**(89)**	(159)
Deferred tax expense / (benefit)	**87**	(804)
Net loss / (gain) from investing activities	**(783)**	(718)
Net loss / (gain) from financing activities	**7,721**	(4,522)
Other net adjustments	**(43)**	4,913
Net change in operating assets and liabilities:		
Due from / to banks	**(472)**	813
Cash collateral on securities borrowed and reverse repurchase agreements	**(80)**	(12,781)
Cash collateral on securities lent and repurchase agreements	**(2,886)**	4,395
Trading portfolio and replacement values	**9,742**	8,800
Financial assets designated at fair value	**(65,523)**	(413)
Cash collateral on derivative instruments	**(3,996)**	2,559
Loans	**2,114**	(1,647)
Due to customers	**25,621**	(16,417)
Other assets, provisions and other liabilities	**(9,397)**	8,745
Income taxes paid, net of refunds	**(425)**	(293)
Net cash flow from / (used in) operating activities	**(34,946)**	(1,291)
Cash flow from / (used in) investing activities		
Purchase of subsidiaries, associates and intangible assets	**(25)**	(38)
Disposal of subsidiaries, associates and intangible assets[1]	**92**	205
Purchase of property, equipment and software	**(1,384)**	(1,284)
Disposal of property, equipment and software	**193**	520
Purchase of financial assets available for sale	**(10,581)**	(80,015)
Disposal and redemption of financial assets available for sale	**58,935**	71,689
Net (purchase) / redemption of financial assets held to maturity	**(7,077)**	
Net cash flow from / (used in) investing activities	**40,154**	(8,924)

Table continues on the next page.

Statement of cash flows (continued)

Table continued from previous page.

	Year-to-date	
CHF million	**30.9.16**	30.9.15
Cash flow from / (used in) financing activities		
Net short-term debt issued / (repaid)	**11,127**	(546)
Net movements in treasury shares and own equity derivative activity	**(1,256)**	(783)
Distributions paid on UBS shares	**(3,164)**	(2,760)
Issuance of long-term debt, including financial liabilities designated at fair value	**28,480**	43,013
Repayment of long-term debt, including financial liabilities designated at fair value	**(30,459)**	(32,543)
Net changes in non-controlling interests and preferred notes	**(1,371)**	(126)
Net cash flow from / (used in) financing activities	**3,358**	6,255
Effects of exchange rate differences on cash and cash equivalents	**(1,528)**	(3,145)
Net increase / (decrease) in cash and cash equivalents	**7,037**	(7,105)
Cash and cash equivalents at the beginning of the period	**103,044**	116,715
Cash and cash equivalents at the end of the period	**110,082**	109,609
Cash and cash equivalents comprise:		
Cash and balances with central banks	**94,617**	96,535
Due from banks	**14,074**	11,732
Money market paper[2]	**1,391**	1,342
Total[3]	**110,082**	109,609
Additional information		
Net cash flow from / (used in) operating activities include:		
Cash received as interest	**8,959**	8,172
Cash paid as interest	**4,616**	4,022
Cash received as dividends on equity investments, investment funds and associates[4]	**1,323**	1,674

1 Includes dividends received from associates. 2 Money market paper is included in the balance sheet under Trading portfolio assets, Financial assets available for sale and Financial assets designated at fair value. 3 Comprises balances with an original maturity of three months or less. CHF 3,932 million and CHF 3,961 million of cash and cash equivalents (mainly reflected in Due from banks) were restricted as of 30 September 2016 and 30 September 2015, respectively. Refer to Note 25 in the "Consolidated financial statements" of the Annual Report 2015 for more information. 4 Includes dividends received from associates reported within cash flow from / (used in) investing activities.

Notes to the UBS Group AG interim consolidated financial statements (unaudited)

Note 1 Basis of accounting

The consolidated financial statements (the Financial Statements) of UBS Group AG and its subsidiaries (together "UBS" or "the Group") are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and are stated in Swiss francs (CHF), the currency of Switzerland where UBS Group AG is incorporated. These interim Financial Statements are prepared in accordance with IAS 34, *Interim Financial Reporting*.

In preparing these interim Financial Statements, the same accounting policies and methods of computation have been applied as in the UBS Group AG consolidated annual Financial Statements for the period ended 31 December 2015, except for the changes described below and in "Note 1 Basis of accounting" in the "Consolidated financial statements" section of the first and second quarter 2016 reports. These interim Financial Statements are unaudited and should be read in conjunction with UBS Group AG's audited consolidated Financial Statements included in the Annual Report 2015. In the opinion of management, all necessary adjustments were made for a fair presentation of the Group's financial position, results of operations and cash flows.

Preparation of these interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities. These estimates and assumptions are based on the best available information. Actual results in the future could differ from such estimates and such differences may be material to the Financial Statements. Revisions to estimates, based on regular reviews, are recognized in the period in which they occur. For more information on areas of estimation uncertainty considered to require critical judgment, refer to item 2 of "Note 1a Significant accounting policies" in the "Consolidated financial statements" section of the Annual Report 2015.

Transfer of the Risk Exposure Management function from Corporate Center – Non-core and Legacy Portfolio to Corporate Center – Group ALM

Consistent with changes in the manner in which operating segment performance is assessed, beginning in the third quarter of 2016, UBS transferred the Risk Exposure Management (REM) function from Corporate Center – Non-core and Legacy Portfolio to Corporate Center – Group ALM to further harmonize REM risk management responsibility with the reporting structure and align it more closely with other activities performed by Group ALM. REM primarily performs risk management over credit, debit and funding valuation adjustments for the Group's over-the-counter derivatives portfolio. Prior-period segment profit and loss information was restated to reflect this transfer, which had no impact at a Group level. In Note 2, gross revenues from REM activities are now presented in Corporate Center – Group ALM within Net interest income and Non-interest income. Revenue allocations from REM to business divisions and other Corporate Center units are presented within Allocations from Corporate Center – Group ALM to business divisions and other Corporate Center units. There was no effect on operating profit before tax for any segment for any period from this restatement. Prior-period information for balance sheet assets has not been restated, as the effect would not have been material.

Offsetting financial assets and financial liabilities

Beginning this quarter, UBS will no longer include the "Offsetting financial assets and financial liabilities" Note in its quarterly reporting. The note will continue to be included in its Annual Report as required by IFRS 7, Financial Instruments: Disclosures. Information describing the further netting potential of derivatives and related collateral not recognized on the IFRS balance sheet is now included in "Note 11 Derivative instruments".

Note 2 Segment reporting

UBS's businesses are organized globally into five business divisions: Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank, supported by Corporate Center. The five business divisions qualify as reportable segments for the purpose of segment reporting and, together with Corporate Center and its units, reflect the management structure of the Group. Refer to "Note 1a item 34 Segment reporting" and "Note 2 Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2015 and to Note 1 of this report for more information on the Group's reporting segments.

Note 2 Segment reporting (continued)

CHF million	Wealth Management	Wealth Management Americas	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center – Services	Corporate Center – Group ALM	Corporate Center – Non-core and Legacy Portfolio	UBS
For the nine months ended 30 September 2016									
Net interest income	1,439	986	1,421	(25)	597	(242)	485	(10)	4,652
Non-interest income	3,773	4,652	1,359	1,450	5,266	162	(145)	109	16,628
Allocations from CC – Group ALM to business divisions and other CC units	302	70	261	6	(182)	37	(414)	(80)	0
Income	5,514	5,709	3,042	1,432	5,681	(43)	(75)	20	21,279
Credit loss (expense) / recovery	(4)	(2)	2	0	(6)	0	0	(3)	(13)
Total operating income	5,510	5,706	3,043	1,432	5,674	(43)	(75)	17	21,266
Personnel expenses	1,806	3,572	636	563	2,339	2,862	23	50	11,852
General and administrative expenses	392	402	185	170	533	3,031	10	546	5,269
Services (to) / from Corporate Center and other business divisions	1,727	923	825	386	2,077	(6,115)	(33)	210	0
of which: services from CC – Services	*1,664*	*913*	*902*	*404*	*2,014*	*(6,144)*	*80*	*167*	*0*
Depreciation and impairment of property, equipment and software	2	1	11	1	18	698	0	0	731
Amortization and impairment of intangible assets	3	39	0	3	9	16	0	0	70
Total operating expenses[1]	3,930	4,938	1,657	1,124	4,977	491	(1)	806	17,922
Operating profit / (loss) before tax	**1,580**	**768**	**1,386**	**308**	**698**	**(534)**	**(74)**	**(789)**	**3,344**
Tax expense / (benefit)									695
Net profit / (loss)									**2,649**
As of 30 September 2016									
Total assets	**118,193**	**62,217**	**139,324**	**11,915**	**237,756**	**23,967**	**258,286**	**83,550**	**935,206**
For the nine months ended 30 September 2015[2]									
Net interest income	1,351	768	1,415	(26)	1,142	(248)	556	15	4,973
Non-interest income	4,582	4,654	1,262	1,502	6,118	420	431	(56)	18,914
Allocations from CC – Group ALM to business divisions and other CC units	353	77	310	13	(141)	123	(653)	(81)	0
Income	6,286	5,499	2,987	1,489	7,118	295	335	(122)	23,887
Credit loss (expense) / recovery	(1)	(3)	(26)	0	(18)	0	0	(10)	(58)
Total operating income	6,285	5,496	2,961	1,489	7,100	295	335	(132)	23,829
Personnel expenses	1,923	3,387	662	531	2,647	2,870	23	97	12,138
General and administrative expenses	374	473	193	166	523	3,288	13	664	5,694
Services (to) / from Corporate Center and other business divisions	1,636	893	803	371	2,077	(6,025)	(38)	281	0
of which: services from CC – Services	*1,582*	*882*	*882*	*384*	*2,016*	*(6,051)*	*72*	*232*	*0*
Depreciation and impairment of property and equipment	4	2	13	2	19	619	0	0	660
Amortization and impairment of intangible assets	3	37	0	7	21	16	0	0	84
Total operating expenses[1]	3,940	4,792	1,671	1,077	5,288	768	(2)	1,042	18,575
Operating profit / (loss) before tax	**2,346**	**704**	**1,290**	**413**	**1,813**	**(474)**	**338**	**(1,175)**	**5,254**
Tax expense / (benefit)									(182)
Net profit / (loss)									**5,437**
As of 31 December 2015									
Total assets	**119,850**	**60,993**	**141,164**	**12,874**	**253,486**	**22,566**	**237,517**	**94,369**	**942,819**

1 Refer to Note 17 for information on restructuring expenses. 2 Figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period.

Note 3 Net interest and trading income

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Net interest and trading income							
Net interest income	**1,775**	1,164	1,846	52	(4)	4,652	4,973
Net trading income	**1,098**	1,891	1,063	(42)	3	4,002	4,844
Total net interest and trading income	**2,873**	3,055	2,909	(6)	(1)	8,653	9,817
Wealth Management	**722**	736	743	(2)	(3)	2,207	2,261
Wealth Management Americas	**454**	446	386	2	18	1,339	1,118
Personal & Corporate Banking	**620**	643	632	(4)	(2)	1,907	1,947
Asset Management	**(14)**	(1)	4			(24)	(3)
Investment Bank	**1,061**	1,171	1,325	(9)	(20)	3,253	4,384
of which: Corporate Client Solutions	***190***	*251*	*361*	*(24)*	*(47)*	*562*	*847*
of which: Investor Client Services	***871***	*920*	*965*	*(5)*	*(10)*	*2,691*	*3,537*
Corporate Center	**30**	61	(183)	(51)		(29)	111
of which: Services	***(29)***	*(13)*	*6*	*123*		*(52)*	*21*
of which: Group ALM	***49***	*58*	*(77)*	*(16)*		*40*	*321*
of which: own credit on financial liabilities designated at fair value			*32*				*518*
of which: Non-core and Legacy Portfolio	***10***	*16*	*(112)*	*(38)*		*(17)*	*(230)*
Total net interest and trading income	**2,873**	3,055	2,909	(6)	(1)	8,653	9,817
Net interest income							
Interest income							
Interest income from loans and deposits[1]	**2,355**	2,349	2,143	0	10	7,034	6,382
Interest income from securities financing transactions[2]	**286**	284	169	1	69	822	576
Interest income from trading portfolio[3]	**517**	781	766	(34)	(33)	1,986	2,426
Interest income from financial assets and liabilities designated at fair value	**89**	76	49	17	82	238	140
Interest income from financial assets available for sale and held to maturity[3]	**57**	63	106	(10)	(46)	184	290
Total	**3,305**	3,552	3,233	(7)	2	10,264	9,814
Interest expense							
Interest expense on loans and deposits[4]	**199**	209	99	(5)	101	589	358
Interest expense on securities financing transactions[5]	**306**	332	182	(8)	68	924	628
Interest expense on trading portfolio[6]	**137**	951	271	(86)	(49)	1,465	1,434
Interest expense on financial assets and liabilities designated at fair value	**202**	197	173	3	17	600	542
Interest expense on debt issued	**686**	698	661	(2)	4	2,035	1,879
Total	**1,530**	2,388	1,387	(36)	10	5,613	4,841
Net interest income	**1,775**	1,164	1,846	52	(4)	4,652	4,973
Net trading income							
Investment Bank Corporate Client Solutions	**30**	91	166	(67)	(82)	82	333
Investment Bank Investor Client Services	**637**	1,309	681	(51)	(6)	2,749	3,044
Other business divisions and Corporate Center	**431**	491	217	(12)	99	1,171	1,467
Net trading income	**1,098**	1,891	1,063	(42)	3	4,002	4,844
of which: net gains/(losses) from financial liabilities designated at fair value[7]	***(1,297)***	*(648)*	*4,607*	*100*		*(886)*	*4,866*

1 Consists of interest income from balances with central banks, amounts due from banks and loans, and negative interest on amounts due to banks and customers. 2 Includes interest income on securities borrowed and reverse repurchase agreements and negative interest, including fees, on securities lent and repurchase agreements. 3 Includes dividend income. 4 Consists of interest expense on amounts due to banks and customers, and negative interest on balances with central banks, amounts due from banks and loans. 5 Includes interest expense on securities lent and repurchase agreements and negative interest, including fees, on securities borrowed and reverse repurchase agreements. 6 Includes expense related to dividend payment obligations on trading liabilities. 7 Excludes fair value changes of hedges related to financial liabilities designated at fair value and foreign currency translation effects arising from translating foreign currency transactions into the respective functional currency, both of which are reported within net trading income.

Note 4 Net fee and commission income

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Underwriting fees	**213**	282	236	(24)	(10)	716	966
of which: equity underwriting fees	***124***	*137*	*145*	*(9)*	*(14)*	*374*	*641*
of which: debt underwriting fees	***90***	*145*	*91*	*(38)*	*(1)*	*342*	*325*
M&A and corporate finance fees	**162**	176	135	(8)	20	477	504
Brokerage fees	**843**	879	949	(4)	(11)	2,689	3,021
Investment fund fees	**774**	779	879	(1)	(12)	2,367	2,718
Portfolio management and advisory fees	**2,031**	1,968	1,988	3	2	5,965	5,879
Other	**456**	438	402	4	13	1,320	1,268
Total fee and commission income	**4,479**	4,522	4,589	(1)	(2)	13,535	14,356
Brokerage fees paid	**173**	192	224	(10)	(23)	562	666
Other	**251**	243	253	3	(1)	737	768
Total fee and commission expense	**423**	436	478	(3)	(12)	1,299	1,434
Net fee and commission income	**4,056**	4,087	4,111	(1)	(1)	12,236	12,921
of which: net brokerage fees	***671***	*687*	*725*	*(2)*	*(7)*	*2,127*	*2,355*

Note 5 Other income

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Associates and subsidiaries							
Net gains / (losses) from disposals of subsidiaries[1]	**(5)**	(49)	(24)	(90)	(79)	(177)	120
Net gains / (losses) from disposals of investments in associates	**0**	0	0			0	0
Share of net profits of associates	**49**	22	106	123	(54)	89	159
Total	**44**	(27)	83		(47)	(88)	278
Financial assets available for sale							
Net gains / (losses) from disposals	**18**	161	56	(89)	(68)	255	241
Impairment charges	**(1)**	(3)	0	(67)		(4)	0
Total	**17**	158	56	(89)	(70)	250	241
Net income from properties (excluding net gains / (losses) from disposals)[2]	**5**	7	7	(29)	(29)	19	20
Net gains / (losses) from disposals of properties held for sale	**1**	120	0	(99)		121	378
Net gains / (losses) from disposals of loans and receivables	**(3)**	0	0			(4)	26
Other	**41**	10	33	310	24	92	204
Total other income	**104**	269	179	(61)	(42)	390	1,148

1 Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to disposed foreign subsidiaries and branches. 2 Includes net rent received from third parties and net operating expenses.

Note 6 Personnel expenses

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Salaries and variable compensation	**2,419**	2,530	2,358	(4)	3	7,309	7,599
Wealth Management Americas: Financial advisor compensation[1]	**913**	911	886	0	3	2,733	2,635
Contractors	**103**	117	93	(12)	11	321	262
Social security	**213**	158	181	35	18	555	618
Pension and other post-employment benefit plans	**158**	151	179	5	(12)	508	591
Other personnel expenses	**136**	117	144	16	(6)	425	433
Total personnel expenses[2]	**3,942**	3,985	3,841	(1)	3	11,852	12,138

1 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment which are subject to vesting requirements. 2 Includes restructuring expenses. Refer to Note 17 for more information.

Note 7 General and administrative expenses

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Occupancy	**230**	222	228	4	1	685	679
Rent and maintenance of IT and other equipment	**113**	125	129	(10)	(12)	379	376
Communication and market data services	**153**	158	156	(3)	(2)	477	458
Administration	**144**	121	141	19	2	403	390
Marketing and public relations	**102**	130	155	(22)	(34)	330	347
Travel and entertainment	**86**	115	104	(25)	(17)	319	329
Professional fees	**270**	324	341	(17)	(21)	871	951
Outsourcing of IT and other services	**391**	383	417	2	(6)	1,209	1,234
Provisions for litigation, regulatory and similar matters[1]	**419**	72	592	482	(29)	530	722
Other	**30**	18	23	67	30	65	208
Total general and administrative expenses[2]	**1,939**	1,666	2,285	16	(15)	5,269	5,694

1 Reflects the net increase in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 15 for more information. Also includes recoveries from third parties. 2 Includes restructuring expenses. Refer to Note 17 for more information.

Note 8 Income taxes

The Group recognized a net income tax expense of CHF 49 million for the third quarter of 2016, compared with a net income tax benefit of CHF 1,295 million for the third quarter of 2015.

The third quarter 2016 net income tax expense included a net upward revaluation of deferred tax assets of CHF 424 million. This net benefit reflected an increase in US deferred tax assets of CHF 681 million, partly offset by net write-downs of Swiss and UK deferred tax assets of CHF 170 million and CHF 87 million, respectively. The increase in US deferred tax assets of CHF 681 million was driven by an increase in profit forecast for Wealth Management Americas. The CHF 170 million write-down of Swiss deferred tax assets mainly reflected a reduction in the effective tax rate applicable to forecast Swiss taxable profits generated in the loss set-off period. The CHF 87 million decrease in UK deferred tax assets mainly reflected the impact of changes in UK law enacted in the quarter, which reduced the proportion of banks' annual taxable profits that can be offset by tax losses carried forward from 50% to 25% with effect from 1 April 2016 and reduced the UK corporate income tax rate from 18% to 17% with effect from 1 April 2020.

The net income tax expense in the quarter also included tax expenses of CHF 473 million in respect of taxable profits arising in 2016. This included current tax expenses of CHF 204 million and deferred tax expenses of CHF 269 million, the latter mainly representing amortization of prior-year Swiss tax loss and temporary difference deferred tax assets.

In the fourth quarter of 2016, we expect to recognize a further net upward revaluation of deferred tax assets, representing approximately 25% of the full-year revaluation based on profit forecasts beyond 2016.

During the second quarter of 2016, Her Majesty's Revenue and Customs indicated that they no longer accept that there was a transfer of UK tax losses carried forward from UBS AG London branch to UBS Limited in 2014, notwithstanding their prior confirmation to the contrary. To the extent that UBS Limited does not prevail in a dispute on the validity of the transfer of these UK tax losses carried forward, it would incur a further reduction in recognized deferred tax assets of approximately CHF 100 million as well as additional current tax expenses for prior periods.

Note 9 Earnings per share (EPS) and shares outstanding

	As of or for the quarter ended			% change from		As of or year-to-date	
	30.9.16	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Basic earnings (CHF million)							
Net profit / (loss) attributable to shareholders	827	1,034	2,068	(20)	(60)	2,568	5,255
Diluted earnings (CHF million)							
Net profit / (loss) attributable to shareholders	827	1,034	2,068	(20)	(60)	2,568	5,255
Less: (profit) / loss on UBS Group AG equity derivative contracts	0	(1)	0	(100)		0	0
Net profit / (loss) attributable to shareholders for diluted EPS	827	1,033	2,068	(20)	(60)	2,568	5,255
Weighted average shares outstanding							
Weighted average shares outstanding for basic EPS	3,708,461,667	3,718,850,408	3,708,517,262	0	0	3,722,921,422	3,669,696,073
Effect of dilutive potential shares resulting from notional shares, in-the-money options and warrants outstanding	103,397,473	97,765,689	93,036,324	6	11	99,928,126	87,951,382
Weighted average shares outstanding for diluted EPS	3,811,859,140	3,816,616,097	3,801,553,586	0	0	3,822,849,548	3,757,647,455
Earnings per share (CHF)							
Basic	0.22	0.28	0.56	(21)	(61)	0.69	1.43
Diluted	0.22	0.27	0.54	(19)	(59)	0.67	1.40
Shares outstanding							
Shares issued	3,850,381,434	3,850,263,351	3,849,167,383	0	0		
Treasury shares	141,143,510	143,744,288	96,325,993	(2)	47		
Shares outstanding	3,709,237,924	3,706,519,063	3,752,841,390	0	(1)		

The table below outlines the potential shares which could dilute basic earnings per share in the future, but were not dilutive for the periods presented.

				% change from			
Number of shares	30.9.16	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Potentially dilutive instruments							
Employee share-based compensation awards	52,768,695	55,681,518	72,290,211	(5)	(27)	52,768,695	72,290,211
Other equity derivative contracts	17,985,645	16,261,836	6,653,441	11	170	17,139,767	6,877,951
Total	70,754,340	71,943,354	78,943,652	(2)	(10)	69,908,462	79,168,162

Note 10 Fair value measurement

This Note provides fair value measurement information for both financial and non-financial instruments and should be read in conjunction with "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2015, which provides more information on valuation principles, valuation governance, valuation techniques, valuation adjustments, fair value hierarchy classification, valuation inputs, sensitivity of fair value measurements and methods applied to calculate fair values for financial instruments not measured at fair value.

a) Valuation adjustments

Day-1 reserves

The table below summarizes the changes in deferred day-1 profit or loss reserves during the respective period.

Deferred day-1 profit or loss related to financial instruments other than financial assets available for sale is released into *Net trading income* when pricing of equivalent products or the underlying parameters become observable or when the transaction is closed out.

Deferred day-1 profit or loss related to financial assets available for sale is released into *Other comprehensive income* when pricing of equivalent products or the underlying parameters become observable and is released into *Other income* when the assets are sold.

Deferred day-1 profit or loss

	For the quarter ended			Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Balance at the beginning of the period	**444**	474	425	421	480
Profit / (loss) deferred on new transactions	**67**	38	66	227	211
(Profit) / loss recognized in the income statement	**(105)**	(53)	(86)	(216)	(253)
(Profit) / loss recognized in other comprehensive income	**0**	(23)	0	(23)	0
Foreign currency translation	**(2)**	8	15	(7)	(17)
Balance at the end of the period	**403**	444	421	403	421

Note 10 Fair value measurement (continued)

b) Fair value measurements and classification within the fair value hierarchy

The fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value is summarized in the table below.

Determination of fair values from quoted market prices or valuation techniques[1]

	30.9.16				30.6.16				31.12.15			
CHF million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis												
Financial assets held for trading[2]	83,172	15,899	1,692	100,764	78,597	16,093	2,171	96,861	96,388	21,934	2,070	120,393
of which:												
Government bills / bonds	*14,978*	*1,839*	*0*	*16,817*	*14,693*	*1,412*	*0*	*16,105*	*12,911*	*3,277*	*5*	*16,193*
Corporate bonds and municipal bonds, including bonds issued by financial institutions	*105*	*6,994*	*669*	*7,767*	*101*	*6,400*	*842*	*7,343*	*232*	*8,096*	*698*	*9,026*
Loans	*0*	*1,941*	*620*	*2,562*	*0*	*3,073*	*888*	*3,961*	*0*	*1,769*	*816*	*2,585*
Investment fund units	*6,169*	*3,520*	*61*	*9,750*	*5,331*	*3,534*	*82*	*8,946*	*6,062*	*5,697*	*168*	*11,928*
Asset-backed securities	*0*	*484*	*197*	*681*	*0*	*721*	*27*	*748*	*0*	*958*	*201*	*1,159*
Equity instruments	*53,405*	*504*	*72*	*53,981*	*50,305*	*481*	*244*	*51,031*	*62,420*	*1,475*	*89*	*63,984*
Financial assets for unit-linked investment contracts	*8,515*	*619*	*73*	*9,207*	*8,167*	*472*	*88*	*8,728*	*14,764*	*663*	*93*	*15,519*
Positive replacement values	680	151,096	2,607	154,383	1,281	194,858	2,301	198,441	545	164,025	2,865	167,435
of which:												
Interest rate contracts	*2*	*77,619*	*328*	*77,949*	*2*	*90,151*	*13*	*90,165*	*1*	*74,443*	*88*	*74,531*
Credit derivative contracts	*0*	*3,343*	*1,143*	*4,486*	*0*	*3,761*	*946*	*4,707*	*0*	*5,384*	*1,272*	*6,656*
Foreign exchange contracts	*334*	*49,370*	*314*	*50,018*	*490*	*79,733*	*433*	*80,656*	*304*	*64,886*	*484*	*65,675*
Equity / index contracts	*3*	*18,177*	*813*	*18,993*	*0*	*17,895*	*898*	*18,794*	*2*	*15,938*	*996*	*16,936*
Commodity contracts	*0*	*2,538*	*9*	*2,548*	*0*	*3,227*	*11*	*3,238*	*0*	*3,363*	*25*	*3,388*
Financial assets designated at fair value	45,883	21,425	2,524	69,832	41,115	20,307	2,820	64,241	170	2,675	3,301	6,146
of which:												
Government bills / bonds	*44,323*	*4,163*	*0*	*48,486*	*40,924*	*5,638*	*0*	*46,563*	*4*	*0*	*0*	*4*
Corporate bonds and municipal bonds, including bonds issued by financial institutions	*1,385*	*14,802*	*0*	*16,187*	*25*	*12,223*	*0*	*12,248*	*0*	*0*	*0*	*0*
Loans (including structured loans)	*0*	*2,100*	*1,651*	*3,752*	*0*	*2,102*	*1,533*	*3,635*	*0*	*2,311*	*1,677*	*3,988*
Structured reverse repurchase and securities borrowing agreements	*0*	*40*	*675*	*715*	*0*	*23*	*1,153*	*1,177*	*0*	*40*	*1,510*	*1,550*
Other	*174*	*321*	*197*	*693*	*165*	*321*	*133*	*620*	*165*	*325*	*113*	*603*
Financial assets available for sale	3,974	8,989	591	13,554	4,193	13,439	579	18,211	34,204	27,653	686	62,543
of which:												
Government bills / bonds	*2,976*	*324*	*0*	*3,300*	*3,242*	*361*	*0*	*3,604*	*31,108*	*1,986*	*0*	*33,094*
Corporate bonds and municipal bonds, including bonds issued by financial institutions	*843*	*5,319*	*16*	*6,179*	*870*	*9,718*	*14*	*10,602*	*2,992*	*22,186*	*27*	*25,205*
Investment fund units	*0*	*32*	*120*	*152*	*0*	*30*	*123*	*153*	*0*	*64*	*139*	*202*
Asset-backed securities	*0*	*3,242*	*0*	*3,242*	*0*	*3,264*	*0*	*3,264*	*0*	*3,396*	*0*	*3,396*
Equity instruments	*149*	*72*	*442*	*664*	*80*	*67*	*440*	*587*	*103*	*21*	*517*	*641*
Non-financial assets												
Precious metals and other physical commodities	4,708	0	0	4,708	4,391	0	0	4,391	3,670	0	0	3,670
Assets measured at fair value on a non-recurring basis												
Other assets[3]	5,368	133	66	5,567	5,304	135	67	5,506	266	69	78	413
Total assets measured at fair value	143,784	197,545	7,481	348,811	134,881	244,834	7,938	387,653	135,242	216,362	9,001	360,605

Note 10 Fair value measurement (continued)

Determination of fair values from quoted market prices or valuation techniques[1] (continued)

	30.9.16				30.6.16				31.12.15			
CHF million	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value on a recurring basis												
Trading portfolio liabilities	**28,024**	**3,917**	**128**	**32,069**	25,745	3,739	130	29,614	25,476	3,504	158	29,137
of which:												
Government bills/bonds	***9,916***	***773***	***0***	***10,689***	*6,838*	*721*	*0*	*7,560*	*5,997*	*845*	*0*	*6,842*
Corporate bonds and municipal bonds, including bonds issued by financial institutions	***24***	***2,756***	***55***	***2,836***	*21*	*2,701*	*89*	*2,811*	*12*	*2,370*	*90*	*2,471*
Investment fund units	***552***	***0***	***1***	***553***	*356*	*87*	*0*	*443*	*666*	*52*	*20*	*738*
Equity instruments	***17,533***	***429***	***72***	***18,033***	*18,530*	*187*	*76*	*18,793*	*18,802*	*235*	*47*	*19,084*
Negative replacement values	**749**	**146,355**	**3,927**	**151,031**	1,296	190,725	3,984	196,006	640	158,494	3,296	162,430
of which:												
Interest rate contracts	***1***	***70,754***	***679***	***71,435***	*2*	*81,598*	*630*	*82,230*	*2*	*67,225*	*326*	*67,553*
Credit derivative contracts	***0***	***3,862***	***1,577***	***5,439***	*0*	*3,927*	*1,613*	*5,540*	*0*	*5,350*	*1,303*	*6,653*
Foreign exchange contracts	***349***	***48,198***	***174***	***48,721***	*476*	*80,383*	*180*	*81,039*	*286*	*62,965*	*233*	*63,484*
Equity/index contracts	***29***	***21,064***	***1,496***	***22,590***	*0*	*21,716*	*1,559*	*23,276*	*1*	*19,722*	*1,433*	*21,156*
Commodity contracts	***0***	***2,428***	***1***	***2,429***	*0*	*3,052*	*2*	*3,053*	*0*	*3,222*	*0*	*3,222*
Financial liabilities designated at fair value	**2**	**43,688**	**10,538**	**54,229**	2	48,032	11,630	59,664	1	52,321	10,673	62,995
of which:												
Non-structured fixed-rate bonds	***0***	***912***	***2,503***	***3,415***	*0*	*937*	*3,259*	*4,196*	*0*	*1,453*	*2,645*	*4,098*
Structured debt instruments issued	***0***	***38,848***	***7,054***	***45,903***	*0*	*42,518*	*6,824*	*49,342*	*0*	*45,744*	*6,692*	*52,436*
Structured over-the-counter debt instruments	***2***	***3,742***	***692***	***4,436***	*2*	*4,336*	*917*	*5,254*	*2*	*4,719*	*773*	*5,493*
Structured repurchase agreements	***0***	***155***	***282***	***437***	*0*	*180*	*619*	*799*	*0*	*293*	*556*	*849*
Loan commitments and guarantees	***0***	***30***	***8***	***38***	*0*	*61*	*12*	*73*	*0*	*113*	*7*	*119*
Other liabilities – amounts due under unit-linked investment contracts	**0**	**9,364**	**0**	**9,364**	0	8,973	0	8,973	0	15,718	0	15,718
Liabilities measured at fair value on a non-recurring basis												
Other liabilities[3]	**0**	**5,425**	**0**	**5,425**	0	5,334	0	5,334	0	235	0	235
Total liabilities measured at fair value	**28,775**	**208,748**	**14,594**	**252,117**	27,043	256,804	15,744	299,591	26,117	230,272	14,127	270,515

1 Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are excluded from this table. As of 30 September 2016, net bifurcated embedded derivative assets held at fair value totaling CHF 61 million (of which CHF 142 million were net Level 2 assets and CHF 81 million net Level 2 liabilities) were recognized on the balance sheet within Due to customers and Debt issued. As of 30 June 2016, net bifurcated embedded derivative assets held at fair value totaling CHF 112 million (of which CHF 187 million were net Level 2 assets and CHF 75 million net Level 2 liabilities) were recognized on the balance sheet within Due to customers and Debt issued. As of 31 December 2015, net bifurcated embedded derivative liabilities held at fair value totaling CHF 130 million (of which CHF 106 million were net Level 2 assets and CHF 236 million net Level 2 liabilities) were recognized on the balance sheet within Debt issued. 2 Financial assets held for trading do not include precious metals and other physical commodities. 3 Other assets and other liabilities primarily consist of assets held for sale as well as assets and liabilities of a disposal group held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell. Refer to Note 17 for more information on the disposal group held for sale.

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which the instrument is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurement:

– Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
– Level 2 – valuation techniques for which all significant inputs are, or are based on, observable market data or
– Level 3 – valuation techniques for which significant inputs are not based on observable market data.

Note 10 Fair value measurement (continued)

c) Transfers between Level 1 and Level 2 in the fair value hierarchy

The amounts disclosed reflect transfers between Level 1 and Level 2 for instruments which were held for the entire reporting period.

Assets totaling approximately CHF 0.6 billion, which were mainly comprised of financial assets available for sale, primarily government bills/bonds, and financial assets held for trading, mainly corporate and municipal bonds as well as equity instruments, and liabilities totaling approximately CHF 0.2 billion were transferred from Level 2 to Level 1 during the first nine months of 2016, generally due to increased levels of trading activity observed within the market.

Assets totaling approximately CHF 0.4 billion, which were mainly comprised of financial assets held for trading, primarily equity instruments, and financial assets available for sale, mainly corporate and municipal bonds, and liabilities totaling approximately CHF 0.1 billion were transferred from Level 1 to Level 2 during the first nine months of 2016, generally due to diminished levels of trading activity observed within the market.

d) Movements of Level 3 instruments

Significant changes in Level 3 instruments

The table on the following pages presents additional information about Level 3 assets and liabilities measured at fair value on a recurring basis. Level 3 assets and liabilities may be hedged with instruments classified as Level 1 or Level 2 in the fair value hierarchy and, as a result, realized and unrealized gains and losses included in the table may not include the effect of related hedging activity. Furthermore, the realized and unrealized gains and losses presented within the table are not limited solely to those arising from Level 3 inputs, as valuations are generally derived from both observable and unobservable parameters.

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

Assets transferred into and out of Level 3 totaled CHF 1.8 billion and CHF 0.6 billion, respectively. Transfers into Level 3 were primarily comprised of interest rate derivative contracts and structured loans, due to decreased observability of the respective rates volatility and credit spread inputs. Transfers out of Level 3 were primarily comprised of loans and equity/index derivative contracts, reflecting increased observability of the respective credit spread and equity volatility inputs.

Liabilities transferred into and out of Level 3 totaled CHF 2.0 billion and CHF 2.8 billion, respectively. Transfers into Level 3 were primarily comprised of interest rate derivative contracts and equity-linked structured debt instruments issued, due to decreased observability of the respective rates volatility and equity volatility inputs used to determine the fair value of the options embedded in these structures. Transfers out of Level 3 were primarily comprised of equity-linked structured debt instruments issued and non-structured fixed-rate bonds resulting from changes in the availability of the observable equity volatility and rates volatility inputs used to determine the fair value of the options embedded in these structures.

Note 10 Fair value measurement (continued)

Movements of Level 3 instruments

		Total gains / losses included in comprehensive income									
CHF billion	**Balance as of 31 December 2014**	Net interest income, net trading income and other income	*of which: related to Level 3 instruments held at the end of the reporting period*	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	**Balance as of 30 September 2015**
Financial assets held for trading	**3.5**	**(0.6)**	***(0.1)***	**0.6**	**(5.1)**	**4.3**	**0.0**	**0.8**	**(0.7)**	**(0.2)**	**2.6**
of which:											
Corporate bonds and municipal bonds, including bonds issued by financial institutions	*1.4*	*0.0*	*0.0*	*0.4*	*(0.6)*	*0.0*	*0.0*	*0.1*	*(0.1)*	*(0.1)*	*1.1*
Loans	*1.1*	*(0.6)*	*(0.2)*	*0.0*	*(3.8)*	*4.3*	*0.0*	*0.2*	*(0.3)*	*0.0*	*0.8*
Asset-backed securities	*0.6*	*0.0*	*0.0*	*0.1*	*(0.5)*	*0.0*	*0.0*	*0.2*	*(0.1)*	*0.0*	*0.2*
Other	*0.5*	*0.1*	*0.1*	*0.1*	*(0.2)*	*0.0*	*0.0*	*0.3*	*(0.3)*	*0.0*	*0.5*
Financial assets designated at fair value	**3.5**	**(1.0)**	***(0.6)***	**0.0**	**0.0**	**1.3**	**(0.2)**	**0.3**	**(0.4)**	**(0.1)**	**3.3**
of which:											
Loans (including structured loans)	*1.0*	*(0.2)*	*(0.2)*	*0.0*	*0.0*	*1.2*	*(0.2)*	*0.3*	*(0.4)*	*0.0*	*1.7*
Structured reverse repurchase and securities borrowing agreements	*2.4*	*(0.8)*	*(0.3)*	*0.0*	*0.0*	*0.1*	*0.0*	*0.0*	*0.0*	*(0.1)*	*1.5*
Other	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*
Financial assets available for sale	**0.6**	**0.0**	***0.0***	**0.0**	**(0.1)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.6**
Positive replacement values	**4.4**	**(0.5)**	***(0.4)***	**0.0**	**0.0**	**1.6**	**(2.2)**	**0.6**	**(0.4)**	**(0.1)**	**3.5**
of which:											
Credit derivative contracts	*1.7*	*(0.4)*	*(0.2)*	*0.0*	*0.0*	*0.9*	*(1.1)*	*0.2*	*(0.1)*	*0.0*	*1.0*
Foreign exchange contracts	*0.6*	*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.6*
Equity / index contracts	*1.9*	*(0.1)*	*(0.2)*	*0.0*	*0.0*	*0.6*	*(0.9)*	*0.3*	*(0.2)*	*0.0*	*1.5*
Other	*0.3*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.2*	*0.0*	*0.0*	*0.4*
Negative replacement values	**5.0**	**(0.7)**	***(0.8)***	**0.0**	**0.0**	**0.7**	**(1.6)**	**0.5**	**(0.3)**	**(0.2)**	**3.4**
of which:											
Credit derivative contracts	*1.7*	*(0.3)*	*(0.2)*	*0.0*	*0.0*	*0.0*	*(0.7)*	*0.3*	*(0.1)*	*0.0*	*1.0*
Foreign exchange contracts	*0.3*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.3*
Equity / index contracts	*2.4*	*(0.4)*	*(0.5)*	*0.0*	*0.0*	*0.5*	*(0.8)*	*0.2*	*(0.2)*	*(0.1)*	*1.6*
Other	*0.6*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*(0.1)*	*0.5*
Financial liabilities designated at fair value	**11.9**	**(0.4)**	***(0.2)***	**0.0**	**0.0**	**5.6**	**(5.6)**	**1.1**	**(1.4)**	**(0.5)**	**10.7**
of which:											
Non-structured fixed-rate bonds	*2.2*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.8*	*(0.5)*	*0.0*	*0.0*	*0.0*	*2.3*
Structured debt instruments issued	*7.3*	*0.3*	*(0.1)*	*0.0*	*0.0*	*3.4*	*(3.7)*	*1.1*	*(1.4)*	*(0.3)*	*6.6*
Structured over-the-counter debt instruments	*1.5*	*0.1*	*0.1*	*0.0*	*0.0*	*0.8*	*(1.1)*	*0.0*	*0.0*	*(0.1)*	*1.2*
Structured repurchase agreements	*0.9*	*(0.6)*	*(0.1)*	*0.0*	*0.0*	*0.6*	*(0.3)*	*0.0*	*0.0*	*0.0*	*0.6*

[1] Total Level 3 assets as of 30 September 2016 were CHF 7.5 billion (30 June 2016: CHF 7.9 billion; 31 December 2015: CHF 9.0 billion). Total Level 3 liabilities as of 30 September 2016 were CHF 14.6 billion (30 June 2016: CHF 15.7 billion; 31 December 2015: CHF 14.1 billion).

Balance as of 31 December 2015	Total gains / losses included in comprehensive income: Net interest income, net trading income and other income	*of which: related to Level 3 instruments held at the end of the reporting period*	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 30 September 2016[1]
2.1	**0.0**	***(0.1)***	**0.8**	**(4.2)**	**2.9**	**0.0**	**0.5**	**(0.3)**	**(0.1)**	**1.7**
0.7	*0.1*	*0.0*	*0.5*	*(0.6)*	*0.0*	*0.0*	*0.1*	*(0.1)*	*(0.1)*	*0.7*
0.8	*0.0*	*0.0*	*0.1*	*(3.0)*	*2.9*	*0.0*	*0.1*	*(0.2)*	*0.0*	*0.6*
0.2	*0.0*	*0.0*	*0.0*	*(0.1)*	*0.0*	*0.0*	*0.1*	*0.0*	*0.0*	*0.2*
0.4	*(0.1)*	*(0.1)*	*0.2*	*(0.5)*	*0.0*	*0.0*	*0.3*	*0.0*	*0.0*	*0.2*
3.3	**(0.1)**	***(0.1)***	**0.0**	**0.0**	**0.6**	**(1.5)**	**0.4**	**(0.1)**	**(0.1)**	**2.5**
1.7	*(0.2)*	*(0.2)*	*0.0*	*0.0*	*0.5*	*(0.6)*	*0.4*	*(0.1)*	*(0.1)*	*1.7*
1.5	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.9)*	*0.0*	*0.0*	*0.0*	*0.7*
0.1	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.2*
0.7	**0.0**	***0.0***	**0.1**	**(0.1)**	**0.0**	**0.0**	**0.0**	**(0.1)**	**0.0**	**0.6**
2.9	**(0.2)**	***(0.2)***	**0.0**	**0.0**	**0.7**	**(1.4)**	**0.9**	**(0.1)**	**(0.1)**	**2.6**
1.3	*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.3*	*(0.5)*	*0.2*	*0.0*	*(0.1)*	*1.1*
0.5	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.2)*	*0.0*	*0.0*	*0.0*	*0.3*
1.0	*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.3*	*(0.4)*	*0.2*	*(0.1)*	*0.0*	*0.8*
0.1	*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.1*	*(0.3)*	*0.4*	*0.0*	*0.0*	*0.3*
3.3	**0.8**	***0.8***	**0.0**	**0.0**	**0.7**	**(1.3)**	**0.9**	**(0.4)**	**0.1**	**3.9**
1.3	*0.7*	*0.7*	*0.0*	*0.0*	*0.0*	*(0.4)*	*0.1*	*(0.1)*	*0.0*	*1.6*
0.2	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*(0.1)*	*0.1*	*0.0*	*0.0*	*0.2*
1.4	*(0.1)*	*(0.2)*	*0.0*	*0.0*	*0.6*	*(0.4)*	*0.2*	*(0.2)*	*0.0*	*1.5*
0.3	*0.2*	*0.2*	*0.0*	*0.0*	*0.0*	*(0.3)*	*0.6*	*(0.2)*	*0.0*	*0.7*
10.7	**0.6**	***0.5***	**0.0**	**0.0**	**3.1**	**(2.5)**	**1.2**	**(2.3)**	**(0.2)**	**10.5**
2.6	*0.2*	*0.2*	*0.0*	*0.0*	*0.7*	*(0.1)*	*0.1*	*(0.9)*	*0.0*	*2.5*
6.7	*0.5*	*0.3*	*0.0*	*0.0*	*1.9*	*(1.5)*	*1.0*	*(1.4)*	*(0.2)*	*7.1*
0.8	*0.0*	*0.0*	*0.0*	*0.0*	*0.4*	*(0.5)*	*0.1*	*0.0*	*0.0*	*0.7*
0.6	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.4)*	*0.0*	*0.0*	*0.0*	*0.3*

Note 10 Fair value measurement (continued)

e) Valuation of assets and liabilities classified as Level 3

The table below presents assets and liabilities recognized at fair value and classified as Level 3, together with the valuation techniques used to measure fair value, the significant inputs used in the valuation technique that are considered unobservable and a range of values and respective weighted averages, where applicable, for those unobservable inputs.

The range of values represents the highest and lowest level input used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities. The ranges and weighted averages will vary from period to period and from parameter to parameter based on characteristics of the instruments held at each balance sheet date. Further, the ranges and weighted averages of unobservable inputs may differ across other financial institutions due to the diversity of the products in each firm's inventory.

The significant unobservable inputs disclosed in the table below are consistent with those included in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2015. A description of the potential effect that a change in each unobservable input in isolation may have on a fair value measurement, including information to facilitate an understanding of factors that give rise to the input ranges shown, is also provided in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2015.

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

	Fair value						Range of inputs						
	Assets		Liabilities				30.9.16			31.12.15			
CHF billion	**30.9.16**	31.12.15	**30.9.16**	31.12.15	**Valuation technique(s)**	**Significant unobservable input(s)**[1]	**low**	**high**	**weighted average**[2]	low	high	weighted average[2]	unit[1]
Financial assets held for trading / Trading portfolio liabilities, Financial assets / liabilities designated at fair value and Financial assets available for sale													
Corporate bonds and municipal bonds, including bonds issued by financial institutions	***0.7***	*0.7*	***0.1***	*0.1*	Relative value to market comparable	Bond price equivalent	**0**	**130**	**92**	0	134	94	points
Traded loans, loans designated at fair value, loan commitments and guarantees	***2.5***	*2.6*	***0.0***	*0.0*	Relative value to market comparable	Loan price equivalent	**38**	**103**	**93**	65	100	93	points
					Discounted expected cash flows	Credit spread	**79**	**512**		30	252		basis points
					Market comparable and securitization model	Discount margin / spread	**0**	**17**	**3**	1	14	2	%
Investment fund units[3]	***0.2***	*0.3*	***0.0***	*0.0*	Relative value to market comparable	Net asset value							
Asset-backed securities	***0.2***	*0.2*	***0.0***	*0.0*	Discounted cash flow projection	Constant prepayment rate	**0**	**10**	**2**	0	18	5	%
						Discount margin / spread	**2**	**3**	**2**	0	12	3	%
					Relative value to market comparable	Bond price equivalent	**1**	**94**	**54**	1	92	72	points
Equity instruments[3]	***0.5***	*0.6*	***0.1***	*0.0*	Relative value to market comparable	Price							
Structured (reverse) repurchase agreements	***0.7***	*1.5*	***0.3***	*0.6*	Discounted expected cash flows	Funding spread	**15**	**195**		18	183		basis points
Financial assets for unit-linked investment contracts[3]	***0.1***	*0.1*			Relative value to market comparable	Price							
Structured debt instruments and non-structured fixed-rate bonds[4]			***10.2***	*10.1*									

Note 10 Fair value measurement (continued)

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities (continued)

	Fair value						Range of inputs						
	Assets		Liabilities				30.9.16			31.12.15			
CHF billion	30.9.16	31.12.15	30.9.16	31.12.15	Valuation technique(s)	Significant unobservable input(s)[1]	low	high	weighted average[2]	low	high	weighted average[2]	unit[1]
Replacement values													
Interest rate contracts	***0.3***	*0.1*	***0.7***	*0.3*	Option model	Volatility of interest rates	**37**	**142**		16	130		%
						Rate-to-rate correlation	**84**	**94**		84	94		%
						Intra-curve correlation	**36**	**94**		36	94		%
					Discounted expected cash flows	Constant prepayment rate[5]				0	3		%
Credit derivative contracts	***1.1***	*1.3*	***1.6***	*1.3*	Discounted expected cash flow based on modeled defaults and recoveries	Credit spreads	**0**	**732**		1	1,163		basis points
						Upfront price points	**25**	**25**		8	25		%
						Recovery rates	**0**	**55**		0	95		%
						Credit index correlation	**10**	**85**		10	85		%
						Discount margin / spread	**0**	**61**		1	72		%
						Credit pair correlation	**57**	**84**		57	94		%
					Discounted cash flow projection on underlying bond	Constant prepayment rate	**1**	**15**		0	15		%
						Constant default rate	**1**	**8**		0	9		%
						Loss severity	**28**	**100**		0	100		%
						Discount margin / spread	**1**	**121**		1	15		%
						Bond price equivalent	**3**	**104**		0	104		points
Foreign exchange contracts	***0.3***	*0.5*	***0.2***	*0.2*	Option model	Rate-to-FX correlation	**(57)**	**60**		(57)	60		%
						FX-to-FX correlation	**(70)**	**80**		(70)	80		%
Equity / index contracts	***0.8***	*1.0*	***1.5***	*1.4*	Option model	Equity dividend yields	**0**	**14**		0	57		%
						Volatility of equity stocks, equity and other indices	**0**	**190**		0	143		%
						Equity-to-FX correlation	**(40)**	**80**		(44)	82		%
						Equity-to-equity correlation	**15**	**98**		3	99		%
Non-financial assets[3,6]	***0.1***	*0.1*			Relative value to market comparable	Price							
					Discounted cash flow projection	Projection of cost and income related to the particular property							
						Discount rate							
						Assessment of the particular property's condition							

1 The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). 2 Weighted averages are provided for non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to derivative contracts as this would not be meaningful. 3 The range of inputs is not disclosed due to the dispersion of possible values given the diverse nature of the investments. 4 Valuation techniques, significant unobservable inputs and the respective input ranges for structured debt instruments and non-structured fixed-rate bonds are the same as the equivalent derivative or structured financing instruments presented elsewhere in this table. 5 The range of inputs is not disclosed as of 30 September 2016 because this unobservable input parameter was not significant to the respective valuation technique as of that date. 6 Non-financial assets include other assets which primarily consist of assets held for sale.

Note 10 Fair value measurement (continued)

f) Sensitivity of fair value measurements to changes in unobservable input assumptions

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, and the estimated effect thereof.

The table shown presents the favorable and unfavorable effects for each class of financial assets and liabilities for which the potential change in fair value is considered significant. The sensitivity data presented represent an estimation of valuation uncertainty based on reasonably possible alternative values for Level 3 inputs at the balance sheet date and does not represent the estimated effect of stress scenarios. Typically, these financial assets and liabilities are sensitive to a combination of inputs from Levels 1–3. Although well-defined interdependencies may exist between Levels 1–2 and Level 3 parameters (e.g., between interest rates, which are generally Level 1 or Level 2, and prepayments, which are generally Level 3), these have not been incorporated in the table. Further, direct inter-relationships between the Level 3 parameters are not a significant element of the valuation uncertainty.

Sensitivity of fair value measurements to changes in unobservable input assumptions

	30.9.16		30.6.16		31.12.15	
CHF million	Favorable changes[1]	Unfavorable changes[1]	Favorable changes[1]	Unfavorable changes[1]	Favorable changes[1]	Unfavorable changes[1]
Corporate bonds and municipal bonds, including bonds issued by financial institutions	37	(31)	41	(36)	24	(25)
Traded loans, loans designated at fair value, loan commitments and guarantees	79	(8)	86	(14)	88	(28)
Equity instruments	70	(53)	81	(58)	166	(74)
Interest rate derivative contracts, net	29	(38)	49	(36)	107	(67)
Credit derivative contracts, net	122	(224)	160	(234)	174	(196)
Foreign exchange derivative contracts, net	17	(7)	18	(8)	33	(28)
Equity / index derivative contracts, net	70	(62)	65	(65)	61	(57)
Structured debt instruments issued and non-structured fixed-rate bonds	122	(116)	142	(145)	136	(146)
Other	29	(30)	15	(15)	20	(20)
Total	574	(570)	658	(611)	809	(640)

1 Of the total favorable changes, CHF 76 million as of 30 September 2016 (30 June 2016: CHF 84 million; 31 December 2015: CHF 164 million) related to financial assets available for sale. Of the total unfavorable changes, CHF 59 million as of 30 September 2016 (30 June 2016: CHF 62 million; 31 December 2015: CHF 71 million) related to financial assets available for sale.

Note 10 Fair value measurement (continued)

g) Financial instruments not measured at fair value

The table below reflects the estimated fair values of financial instruments not measured at fair value.

Financial instruments not measured at fair value

	30.9.16		30.6.16		31.12.15	
CHF billion	**Carrying value**	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Assets						
Cash and balances with central banks	**94.7**	**94.7**	94.2	94.2	91.3	91.3
Due from banks	**15.1**	**15.1**	13.0	13.0	11.9	11.9
Loans	**305.0**	**309.3**	306.9	311.9	312.0	314.1
Cash collateral on securities borrowed	**18.3**	**18.3**	29.4	29.4	25.6	25.6
Reverse repurchase agreements	**70.0**	**70.0**	73.3	73.3	67.9	67.9
Cash collateral receivables on derivative instruments	**24.6**	**24.6**	30.0	30.0	23.8	23.8
Financial assets held to maturity	**7.0**	**7.1**	4.8	4.9		
Other assets	**21.9**	**21.9**	21.1	21.1	20.0	20.0
Liabilities						
Due to banks	**11.2**	**11.2**	15.3	15.3	11.8	11.8
Due to customers	**411.8**	**411.8**	409.1	409.1	390.2	390.2
Cash collateral on securities lent	**3.7**	**3.7**	6.3	6.3	8.0	8.0
Repurchase agreements	**9.3**	**9.3**	8.0	8.0	9.7	9.7
Cash collateral payables on derivative instruments	**33.6**	**33.6**	36.4	36.4	38.3	38.3
Debt issued	**107.0**	**109.1**	104.7	106.3	93.0	95.5
Other liabilities	**40.0**	**40.0**	45.4	45.4	51.4	51.4
Guarantees / Loan commitments ((assets) / liabilities)						
Guarantees	**0.0**	**(0.1)**	0.0	(0.1)	0.0	(0.1)
Loan commitments	**0.0**	**0.0**	0.0	(0.3)	0.0	0.0

The fair values included in the table above were calculated for disclosure purposes only. The fair value valuation techniques and assumptions relate only to the fair value of UBS's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimation, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another.

Note 11 Derivative instruments[1]

As of 30.9.16, CHF billion	Positive replacement values	Notional values related to positive replacement values[1]	Negative replacement values	Notional values related to negative replacement values[1]	Other notional values[2]
Derivative instruments					
Interest rate contracts	**77.9**	**1,211**	**71.4**	**1,065**	**9,964**
Credit derivative contracts	**4.5**	**141**	**5.4**	**161**	
Foreign exchange contracts	**50.0**	**2,604**	**48.7**	**2,418**	**5**
Equity / index contracts	**19.0**	**265**	**22.6**	**336**	**48**
Commodity contracts	**2.5**	**36**	**2.4**	**34**	**9**
Unsettled purchases of non-derivative financial instruments[3]	**0.2**	**32**	**0.2**	**25**	
Unsettled sales of non-derivative financial instruments[3]	**0.2**	**28**	**0.2**	**25**	
Total derivative instruments, based on IFRS netting[4]	**154.4**	**4,318**	**151.0**	**4,064**	**10,026**
Further netting potential not recognized on the balance sheet[5]	**(138.3)**		**(129.8)**		
of which: netting of recognized financial liabilities / assets	***(112.5)***		***(112.5)***		
of which: netting with collateral received / pledged	***(25.8)***		***(17.3)***		
Total derivative instruments, after consideration of further netting potential	**16.1**		**21.2**		
As of 30.6.16, CHF billion					
Derivative instruments					
Interest rate contracts	90.2	1,269	82.2	1,148	9,965
Credit derivative contracts	4.7	148	5.5	159	
Foreign exchange contracts	80.7	2,701	81.0	2,545	5
Equity / index contracts	18.8	260	23.3	317	40
Commodity contracts	3.2	43	3.1	37	9
Unsettled purchases of non-derivative financial instruments[3]	0.7	48	0.2	16	
Unsettled sales of non-derivative financial instruments[3]	0.2	20	0.7	41	
Total derivative instruments, based on IFRS netting[4]	198.4	4,489	196.0	4,262	10,019
Further netting potential not recognized on the balance sheet[5]	(175.9)		(168.3)		
of which: netting of recognized financial liabilities / assets	*(147.3)*		*(147.3)*		
of which: netting with collateral received / pledged	*(28.6)*		*(21.0)*		
Total derivative instruments, after consideration of further netting potential	22.5		27.7		
As of 31.12.15, CHF billion					
Derivative instruments					
Interest rate contracts	74.5	1,493	67.6	1,399	8,771
Credit derivative contracts	6.7	162	6.7	170	
Foreign exchange contracts	65.7	2,658	63.5	2,487	8
Equity / index contracts	16.9	230	21.2	306	43
Commodity contracts	3.4	30	3.2	25	8
Unsettled purchases of non-derivative financial instruments[3]	0.1	10	0.2	17	
Unsettled sales of non-derivative financial instruments[3]	0.2	20	0.1	6	
Total derivative instruments, based on IFRS netting[4]	167.4	4,603	162.4	4,409	8,831
Further netting potential not recognized on the balance sheet[5]	(148.5)		(140.4)		
of which: netting of recognized financial liabilities / assets	*(123.0)*		*(123.0)*		
of which: netting with collateral received / pledged	*(25.5)*		*(17.4)*		
Total derivative instruments, after consideration of further netting potential	18.9		22.1		

1 In cases where replacement values are presented on a net basis on the balance sheet, the respective notional values of the netted replacement values are still presented on a gross basis. 2 Other notional values relate to derivatives which are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for all periods presented. 3 Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as replacement values. 4 Financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. 5 Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 26 Offsetting financial assets and liabilities" in the "Consolidated financial statements" section of the Annual Report 2015 for more information.

Note 11 Derivative instruments (continued)

CHF billion	Receivables 30.9.16	Payables 30.9.16	Receivables 30.6.16	Payables 30.6.16	Receivables 31.12.15	Payables 31.12.15
Cash collateral on derivative instruments, based on IFRS netting[1]	24.6	33.6	30.0	36.4	23.8	38.3
Further netting potential not recognized on the balance sheet[2]	(14.6)	(20.7)	(18.5)	(21.7)	(12.4)	(21.5)
of which: netting of recognized financial liabilities / assets	*(14.0)*	*(19.4)*	*(17.3)*	*(20.9)*	*(10.9)*	*(19.0)*
of which: netting with collateral received / pledged	*(0.6)*	*(1.3)*	*(1.2)*	*(0.8)*	*(1.5)*	*(2.5)*
Cash collateral on derivative instruments, after consideration of further netting potential	**10.1**	**12.9**	11.4	14.6	11.3	16.8

1 Financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. 2 Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 26 Offsetting financial assets and liabilities" in the "Consolidated financial statements" section of the Annual Report 2015 for more information.

Note 12 Other assets and liabilities

CHF million	30.9.16	30.6.16	31.12.15
Other assets			
Prime brokerage receivables[1]	11,983	11,695	11,341
Recruitment loans to financial advisors	3,092	3,161	3,184
Other loans to financial advisors	469	490	418
Bail deposit[2]	1,231	1,220	1,221
Accrued interest income	574	473	462
Accrued income – other	970	1,139	844
Prepaid expenses	1,108	1,042	1,033
Net defined benefit pension and post-employment assets	359	99	50
Settlement and clearing accounts	1,173	374	402
VAT and other tax receivables	276	349	398
Properties and other non-current assets held for sale	123	126	134
Assets of disposal group held for sale[3]	5,444	5,380	279
Other	2,652	2,766	2,393
Total other assets	**29,454**	28,314	22,160
Other liabilities			
Prime brokerage payables[1]	33,569	38,888	45,306
Amounts due under unit-linked investment contracts	9,364	8,973	15,718
Compensation-related liabilities	6,810	5,790	6,839
of which: accrued expenses	*1,946*	*1,487*	*2,885*
of which: Deferred Contingent Capital Plan	*1,527*	*1,367*	*1,181*
of which: other deferred compensation plans	*2,055*	*1,900*	*2,038*
of which: net defined benefit pension and post-employment liabilities	*1,282*	*1,036*	*736*
Third-party interest in consolidated investment funds	432	476	536
Settlement and clearing accounts	1,652	1,548	894
Current and deferred tax liabilities	1,000	1,028	819
VAT and other tax payables	447	449	447
Deferred income	194	237	210
Accrued interest expenses	1,294	1,021	1,431
Other accrued expenses	2,408	2,689	2,500
Liabilities of disposal group held for sale[3]	5,425	5,334	235
Other	622	765	718
Total other liabilities	**63,216**	67,198	75,652

1 Prime brokerage services include clearance, settlement, custody, financing and portfolio reporting services for corporate clients trading across multiple asset classes. Prime brokerage receivables are mainly comprised of margin lending receivables. Prime brokerage payables are mainly comprised of client securities financing and deposits. 2 Refer to item 1 in Note 15b for more information. 3 Refer to Note 17 for more information.

Note 13 Financial liabilities designated at fair value

CHF million	**30.9.16**	30.6.16	31.12.15
Non-structured fixed-rate bonds	**3,415**	4,196	4,098
of which: issued by UBS AG with original maturity greater than one year[1,2]	***2,839***	*3,622*	*3,542*
Structured debt instruments issued[3]	**45,903**	49,342	52,436
of which: issued by UBS AG with original maturity greater than one year[1,4]	***34,294***	*35,007*	*36,539*
Structured over-the-counter debt instruments	**4,436**	5,254	5,493
of which: issued by UBS AG with original maturity greater than one year[1,5]	***3,887***	*4,676*	*4,497*
Repurchase agreements	**437**	799	849
Loan commitments and guarantees[6]	**38**	73	119
Total	**54,229**	59,664	62,995
of which: life-to-date own credit (gain)/loss	***(128)***	*(165)*	*(287)*

1 Issued by UBS AG (standalone). Based on original contractual maturity without considering any early redemption features. 2 100% of the balance as of 30 September 2016 was unsecured (30 June 2016: 100% of the balance was unsecured; 31 December 2015: 100% of the balance was unsecured). 3 Includes non-structured rates-linked debt instruments issued. 4 More than 98% of the balance as of 30 September 2016 was unsecured (30 June 2016: more than 98% of the balance was unsecured; 31 December 2015: more than 98% of the balance was unsecured). 5 More than 45% of the balance as of 30 September 2016 was unsecured (30 June 2016: more than 40% of the balance was unsecured; 31 December 2015: more than 35% of the balance was unsecured). 6 Loan commitments recognized as "Financial liabilities designated at fair value" until drawn and recognized as loans.

Note 14 Debt issued held at amortized cost

CHF million	**30.9.16**	30.6.16	31.12.15
Certificates of deposit	**23,875**	21,731	11,967
Commercial paper	**1,858**	2,860	3,824
Other short-term debt	**5,429**	5,450	5,424
Short-term debt[1]	**31,162**	30,040	21,215
Non-structured fixed-rate bonds	**26,654**	29,293	31,240
of which: issued by UBS AG with original maturity greater than one year[2]	***26,503***	*29,136*	*31,078*
Senior unsecured debt that contributes to total loss-absorbing capacity[3]	**15,698**	11,920	5,633
Covered bonds	**5,923**	6,000	8,490
Subordinated debt	**19,225**	19,000	17,763
of which: high-trigger loss-absorbing additional tier 1 perpetual capital notes	***5,388***	*4,397*	*2,837*
of which: low-trigger loss-absorbing additional tier 1 perpetual capital notes	***2,392***	*2,411*	*2,326*
of which: low-trigger loss-absorbing tier 2 capital	***10,356***	*10,462*	*10,346*
of which: phase-out tier 2 capital	***1,090***	*1,729*	*2,254*
Debt issued through the central bond institutions of the Swiss regional or cantonal banks	**8,149**	8,116	8,237
Other long-term debt	**129**	290	570
of which: issued by UBS AG with original maturity greater than one year[2]	***98***	*259*	*278*
Long-term debt[4]	**75,777**	74,619	71,932
Total debt issued held at amortized cost	**106,940**	104,659	93,147

1 Debt with an original maturity of less than one year. 2 Issued by UBS AG (standalone). Based on original contractual maturity without considering any early redemption features. 100% of the balance as of 30 September 2016 was unsecured (30 June 2016: 100% of the balance was unsecured; 31 December 2015: 100% of the balance was unsecured). 3 Issued by UBS Group Funding (Jersey) Limited, a funding subsidiary directly held and guaranteed by UBS Group AG. 4 Debt with original maturity greater than or equal to one year.

Note 15 Provisions and contingent liabilities

a) Provisions

CHF million	Operational risks[1]	Litigation, regulatory and similar matters[2]	Restructuring	Loan commitments and guarantees	Real estate	Employee benefits[5]	Other	Total provisions
Balance as of 31 December 2015	47	2,983	624	35	157	198	120	4,164
Balance as of 30 June 2016	43	2,682	533	42	134	96	127	3,656
Increase in provisions recognized in the income statement	4	437	146	7	0	1	2	**597**
Release of provisions recognized in the income statement	(1)	(18)	(24)	(6)	0	(2)	0	**(51)**
Provisions used in conformity with designated purpose	(4)	(109)	(107)	0	(4)	(2)	0	**(226)**
Capitalized reinstatement costs	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	(5)	0	0	0	**(5)**
Foreign currency translation / unwind of discount	1	(16)	(3)	0	(1)	0	1	**(18)**
Balance as of 30 September 2016	**43**	**2,976**	**545[3]**	**38**	**130[4]**	**92**	**130**	**3,954**

1 Comprises provisions for losses resulting from security risks and transaction processing risks. 2 Comprises provisions for losses resulting from legal, liability and compliance risks. 3 Includes personnel related restructuring provisions of CHF 151 million as of 30 September 2016 (30 June 2016: CHF 118 million; 31 December 2015: CHF 110 million) and provisions for onerous lease contracts of CHF 394 million as of 30 September 2016 (30 June 2016: CHF 415 million; 31 December 2015: CHF 514 million). 4 Includes reinstatement costs for leasehold improvements of CHF 87 million as of 30 September 2016 (30 June 2016: CHF 87 million; 31 December 2015: CHF 95 million) and provisions for onerous lease contracts of CHF 43 million as of 30 September 2016 (30 June 2016: CHF 47 million; 31 December 2015: CHF 62 million). 5 Includes provisions for sabbatical and anniversary awards as well as provisions for severance which are not part of restructuring provisions.

Restructuring provisions primarily relate to onerous lease contracts and severance payments. The utilization of onerous lease provisions is driven by the maturities of the underlying lease contracts. Severance-related provisions are utilized within a short time period, usually within six months, but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring and therefore the estimated costs.

Information on provisions and contingent liabilities in respect of Litigation, regulatory and similar matters, as a class, is included in Note 15b. There are no material contingent liabilities associated with the other classes of provisions.

b) Litigation, regulatory and similar matters

The Group operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this Note may refer to UBS Group AG and/or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where the Group may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which the Group believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. The Group makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against the Group, but are nevertheless expected to be, based on the Group's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to select matters could be significant.

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

Note 15 Provisions and contingent liabilities (continued)

In the case of certain matters below, we state that we have established a provision, and for the other matters we make no such statement. When we make this statement and we expect disclosure of the amount of a provision to prejudice seriously our position with other parties in the matter, because it would reveal what UBS believes to be the probable and reliably estimable outflow, we do not disclose that amount. In some cases we are subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which we do not state whether we have established a provision, either (a) we have not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) we have established a provision but expect disclosure of that fact to prejudice seriously our position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which we have established provisions, we are able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which we are able to estimate expected timing is immaterial relative to our current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in Note 15a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require us to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, which have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although we therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, we believe that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the Non-Prosecution Agreement (NPA) described in paragraph 5 of this Note, which we entered into with the US Department of Justice (DOJ), Criminal Division, Fraud Section in connection with our submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate (LIBOR), was terminated by the DOJ based on its determination that we had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG has pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, and has agreed to pay a USD 203 million fine and accept a three-year term of probation. A guilty plea to, or conviction of, a crime (including as a result of termination of the NPA) could have material consequences for UBS. Resolution of regulatory proceedings may require us to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate our participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining our capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of this report.

Provisions for litigation, regulatory and similar matters by business division and Corporate Center unit[1]

CHF million	Wealth Management	Wealth Management Americas	Personal & Corporate Banking	Asset Management	Investment Bank	CC – Services	CC – Group ALM	CC – Non-core and Legacy Portfolio	UBS
Balance as of 31 December 2015	245	459	83	16	585	310	0	1,284	2,983
Balance as of 30 June 2016	247	416	79	7	589	301	0	1,042	2,682
Increase in provisions recognized in the income statement	2	14	0	4	2	3	0	412	**437**
Release of provisions recognized in the income statement	(4)	(4)	(3)	(1)	0	(1)	0	(4)	**(18)**
Provisions used in conformity with designated purpose	(12)	(36)	(4)	0	(2)	(41)	0	(13)	**(109)**
Foreign currency translation / unwind of discount	1	(3)	0	0	(4)	(1)	0	(9)	**(16)**
Balance as of 30 September 2016	**234**	**386**	**72**	**9**	**584**	**261**	**0**	**1,429**	**2,976**

1 Provisions, if any, for the matters described in this Note are recorded in Wealth Management (item 3), Wealth Management Americas (item 4), the Investment Bank (item 8), CC – Services (item 7) and CC – Non-core and Legacy Portfolio (item 2). Provisions, if any, for the matters described in this Note in items 1 and 6 are allocated between Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this Note in item 5 are allocated between the Investment Bank, CC – Services and CC – Non-core and Legacy Portfolio.

1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration (FTA) to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests. In addition, the Swiss Federal Supreme Court ruled in September 2016 that the double taxation agreement between the Netherlands and Switzerland provides a sufficient legal basis for an administrative assistance group request without specifying the names of the targeted taxpayers, which makes it more likely that similar requests for administrative assistance will be granted by the FTA.

As a result of investigations in France, in 2013, UBS (France) S.A. and UBS AG were put under formal examination ("mise en examen") for complicity in having illicitly solicited clients on French territory, and were declared witness with legal assistance ("témoin assisté") regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons. In 2014, UBS AG was placed under formal examination with respect to the potential charges of laundering of proceeds of tax fraud, and the investigating judges ordered UBS AG to provide bail ("caution") of EUR 1.1 billion. UBS AG appealed the determination of the bail amount, but both the appeal court ("Cour d'Appel") and the French Supreme Court ("Cour de Cassation") upheld the bail amount and rejected the appeal in full in late 2014. UBS AG has filed and has had formally registered an application to the European Court of Human Rights to challenge various aspects of the French court's decision. In September 2015, the former CEO of UBS Wealth Management was placed under formal examination in connection with these proceedings. In addition, the investigating judges have sought to issue arrest warrants against three Swiss-based former employees of UBS AG who did not appear when summoned by the investigating judge.

In 2015, UBS (France) S.A. was placed under formal examination for complicity regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons for the years 2004 until 2008 and declared witness with legal assistance for the years 2009 to 2012. A bail of EUR 40 million was imposed, and was subsequently reduced by the Court of Appeals to EUR 10 million.

In February 2016, the investigating judge notified UBS AG and UBS (France) S.A. that he has closed his investigation. In July 2016, UBS AG and UBS (France) S.A. received the National Financial Prosecutor's recommendation ("réquisitoire"). As permitted, the parties have commented on the recommendation. The next procedural step will be for the judge to issue his final decree ("ordonnance de renvoi en correctionnelle") which would set out any charges for which UBS AG and UBS (France) S.A. will be tried, both legally and factually, and transfer the case to court.

UBS has been notified by the Belgian investigating judge that it is under formal investigation ("inculpé") regarding the laundering of proceeds of tax fraud and of banking, financial solicitation by unauthorized persons and serious tax fraud.

In 2015, UBS received inquiries from the US Attorney's Office for the Eastern District of New York and from the US Securities and Exchange Commission (SEC), which are investigating potential sales to US persons of bearer bonds and other unregistered securities in possible violation of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) and the registration requirements of the US securities laws. UBS is cooperating with the authorities in these investigations.

UBS has, and reportedly numerous other financial institutions have, received inquiries from authorities concerning accounts relating to the Fédération Internationale de Football Association (FIFA) and other constituent soccer associations and related persons and entities. UBS is cooperating with authorities in these inquiries.

Our balance sheet at 30 September 2016 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

2. Claims related to sales of residential mortgage-backed securities and mortgages

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities (RMBS) and was a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. (UBS RESI), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007, UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued.

Note 15 Provisions and contingent liabilities (continued)

UBS RESI also sold pools of loans acquired from originators to third-party purchasers. These whole loan sales during the period 2004 through 2007 totaled approximately USD 19 billion in original principal balance.

We were not a significant originator of US residential loans. A subsidiary of UBS originated approximately USD 1.5 billion in US residential mortgage loans during the period in which it was active from 2006 to 2008, and securitized less than half of these loans.

RMBS-related lawsuits concerning disclosures: UBS is named as a defendant relating to its role as underwriter and issuer of RMBS in lawsuits related to approximately USD 2.5 billion in original face amount of RMBS underwritten or issued by UBS. Of the USD 2.5 billion in original face amount of RMBS that remains at issue in these cases, approximately USD 1.2 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans (UBS-sponsored RMBS). The remaining USD 1.3 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter (third-party RMBS).

In connection with certain of these lawsuits, UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS, but UBS cannot predict the extent to which it will succeed in enforcing those rights.

UBS is a defendant in a lawsuit brought by the National Credit Union Administration (NCUA), as conservator for certain failed credit unions, asserting misstatements and omissions in the offering documents for RMBS purchased by the credit unions. The lawsuit was filed in the US District Court for the District of Kansas. The original principal balance at issue in the case is approximately USD 1.15 billion. Motions for summary judgment are expected to be fully submitted in December 2016. In the second quarter of 2016, UBS resolved a similar case brought by the NCUA in the US District Court for the Southern District of New York (SDNY) relating to RMBS with an original principal balance of approximately USD 400 million, for a total of approximately USD 69.8 million, in addition to reasonable attorneys' fees incurred by NCUA.

Lawsuits related to contractual representations and warranties concerning mortgages and RMBS: When UBS acted as an RMBS sponsor or mortgage seller, we generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, we were in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses. UBS has received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitization trust aggregating approximately USD 4.1 billion in original principal balance. Of this amount, UBS considers claims relating to approximately USD 2 billion in original principal balance to be resolved, including claims barred by the statute of limitations. Substantially all of the remaining claims are in litigation, including the matters described in the next paragraph. UBS believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

In 2012, certain RMBS trusts filed an action (Trustee Suit) in the SDNY seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations (Transactions) with an original principal balance of approximately USD 2 billion, for which Assured Guaranty Municipal Corp. (Assured Guaranty), a financial guaranty insurance company, had previously demanded repurchase. A bench trial in the SDNY adjourned in May 2016. Approximately 9,000 loans were at issue in the trial. In September 2016, the Court issued an order ruling on numerous legal and factual issues and applying those rulings to 20 exemplar loans. The Court further ordered that a Lead Master be appointed to apply the Court's rulings to the loans that remain at issue following the trial. With respect to the loans subject to the Trustee Suit that were originated by institutions still in existence, UBS intends to enforce its indemnity rights against those institutions.

We also have tolling agreements with certain institutional purchasers of RMBS concerning their potential claims related to substantial purchases of UBS-sponsored or third-party RMBS.

Mortgage-related regulatory matters: In 2014, UBS received a subpoena from the US Attorney's Office for the Eastern District of New York issued pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), which seeks documents and information related to UBS's RMBS business from 2005 through 2007. In 2015, the Eastern District of New York identified a number of transactions that are the focus of their inquiry, and has subsequently provided a revised list of transactions. We have provided and continue to provide information. UBS continues to respond to the FIRREA subpoena and to subpoenas from the New York State Attorney General and other state attorneys general relating to its RMBS business. In addition, UBS has also been responding to inquiries from both the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) (who is working in conjunction with the US Attorney's Office for Connecticut and the DOJ) and the SEC relating to trading practices in connection with purchases and sales of mortgage-backed securities in the secondary market from 2009 through the present. We are cooperating with the authorities in these matters.

Provision for claims related to sales of residential mortgage-backed securities and mortgages

USD million	**Total**
Balance as of 31 December 2015	1,218
Balance as of 30 June 2016	988
Increase in provisions recognized in the income statement	**421**
Release of provisions recognized in the income statement	**0**
Provisions used in conformity with designated purpose	**(4)**
Balance as of 30 September 2016	**1,405**

As reflected in the table "Provision for claims related to sales of residential mortgage-backed securities and mortgages," our balance sheet at 30 September 2016 reflected a provision of USD 1,405 million with respect to matters described in this item 2. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by Luxembourg investigating authorities, without, however, being named as parties in those investigations. In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million, respectively. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the BMIS Trustee. These amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 million, respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals were filed by the claimants against the 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In 2014, the Luxembourg Court of Appeal dismissed one test case appeal in its entirety, which decision was appealed by the investor. In 2015, the Luxembourg Supreme Court found in favor of UBS and dismissed the investor's appeal. In June 2016, the Luxembourg Court of Appeal dismissed the remaining test cases in their entirety. In the US, the BMIS Trustee filed claims in 2010 against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. Following a motion by UBS, in 2011, the SDNY dismissed all of the BMIS Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the BMIS Trustee lacks standing to bring such claims. In 2013, the Second Circuit affirmed the District Court's decision and, in 2014, the US Supreme Court denied the BMIS Trustee's petition seeking review of the Second Circuit ruling. In 2014, several claims, including a purported class action, were filed in the US by BMIS customers against UBS entities, asserting claims similar to the ones made by the BMIS Trustee, seeking unspecified damages. One claim was voluntarily withdrawn by the plaintiff. In 2015, following a motion by UBS, the SDNY dismissed the two remaining claims on the basis that the New York courts did not have jurisdiction to hear the claims against the UBS entities. The plaintiff in one of those claims has appealed the dismissal. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds. In 2015, a court of appeal ordered UBS to pay EUR 49 million, plus interest of approximately EUR 15.3 million.

Note 15 Provisions and contingent liabilities (continued)

4. Puerto Rico

Declines since August 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (the funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of approximately USD 1.9 billion, of which claims with aggregate claimed damages of approximately USD 740 million have been resolved through settlements, arbitration or withdrawal of the claim. The claims are filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans. A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied. Defendants' requests for permission to appeal that ruling were denied by the Puerto Rico Court of Appeals and the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management, and the co-manager of certain of the funds seeking damages for investor losses in the funds during the period from May 2008 through May 2014. Defendants have moved to dismiss that complaint. In 2015, a class action was filed in Puerto Rico state court against UBS PR seeking equitable relief in the form of a stay of any effort by UBS PR to collect on non-purpose loans it acquired from UBS Bank USA in December 2013 based on plaintiffs' allegation that the loans are not valid. The trial court denied defendants' motion to dismiss the action based on a forum selection clause in the loan agreements; the Puerto Rico Supreme Court has stayed the action pending its review of defendants' appeal from that ruling.

In 2014, UBS reached a settlement with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico (OCFI) in connection with OCFI's examination of UBS's operations from January 2006 through September 2013, pursuant to which UBS is paying up to an aggregate of USD 7.7 million in investor education contributions and restitution.

In 2015, the SEC and the Financial Industry Regulatory Authority (FINRA) announced settlements with UBS PR of their separate investigations stemming from the 2013 market events. Without admitting or denying the findings in either matter, UBS PR agreed in the SEC settlement to pay USD 15 million and USD 18.5 million in the FINRA matter. We also understand that the DOJ is conducting a criminal inquiry into the impermissible reinvestment of non-purpose loan proceeds. We are cooperating with the authorities in this inquiry.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of approximately USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. Defendants' motion to dismiss is pending. In September 2016, the System announced its intention to join the action as a plaintiff.

Also, in 2013, an SEC Administrative Law Judge dismissed a case brought by the SEC against two UBS executives, finding no violations. The charges had stemmed from the SEC's investigation of UBS's sale of closed-end funds in 2008 and 2009, which UBS settled in 2012. Beginning in 2012, two federal class action complaints, which were subsequently consolidated, were filed against various UBS entities, certain of the funds, and certain members of UBS PR senior management, seeking damages for investor losses in the funds during the period from January 2008 through May 2012 based on allegations similar to those in the SEC action. In September 2016, the court denied plaintiffs' motion for class certification.

In 2015, Puerto Rico's Governor stated that the Commonwealth was unable to meet its obligations. Certain agencies and public corporations of the Commonwealth have defaulted on certain interest payments beginning in August 2015 and continuing in 2016, culminating in the default on almost all principal and interest payments due on the Commonwealth's general obligation debt in July 2016. The Governor has passed a series of executive orders that divert funds from issuers of Commonwealth debt to pay for essential services, as opposed to making debt payments, and stay any action to enforce creditors' rights. As a result, additional payment defaults are expected to occur going forward. In June 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) created an Oversight Board with power to oversee Puerto Rico's finances and to restructure its debt. In September 2016, President Obama appointed the seven members of the Oversight Board and a stay was implemented with respect to any action aimed at enforcing creditors' rights on any Puerto Rico bonds. These events, further defaults, any further legislative action to create a legal means of restructuring Commonwealth obligations or to impose additional oversight on the Commonwealth's finances, or any restructuring of the Commonwealth's obligations, may increase the number of claims against UBS concerning Puerto Rico securities, as well as potential damages sought.

Our balance sheet at 30 September 2016 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that we have recognized.

5. Foreign exchange, LIBOR, and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Following an initial media report in 2013 of widespread irregularities in the foreign exchange markets, UBS immediately commenced an internal review of its foreign exchange business, which includes our precious metals and related structured products businesses. Since then, various authorities have commenced investigations concerning possible manipulation of foreign exchange markets, including FINMA, the Swiss Competition Commission (WEKO), the DOJ, the SEC, the US Commodity Futures Trading Commission (CFTC), the Board of Governors of the Federal Reserve System (Federal Reserve Board), the California State Attorney General, the UK Financial Conduct Authority (FCA) (to which certain responsibilities of the UK Financial Services Authority (FSA) have passed), the UK Serious Fraud Office (SFO), the Australian Securities and Investments Commission (ASIC), the Hong Kong Monetary Authority (HKMA), the Korea Fair Trade Commission (KFTC) and the Brazil Competition Authority (CADE). In addition, WEKO is, and a number of other authorities reportedly are, investigating potential manipulation of precious metals prices. UBS has taken and will continue to take appropriate action with respect to certain personnel as a result of its ongoing review.

In 2014, UBS reached settlements with the FCA and the CFTC in connection with their foreign exchange investigations, and FINMA issued an order concluding its formal proceedings with respect to UBS relating to its foreign exchange and precious metals businesses. UBS has paid a total of approximately CHF 774 million to these authorities, including GBP 234 million in fines to the FCA, USD 290 million in fines to the CFTC, and CHF 134 million to FINMA representing confiscation of costs avoided and profits. In 2015, the Federal Reserve Board and the Connecticut Department of Banking issued an Order to Cease and Desist and Order of Assessment of a Civil Monetary Penalty Issued upon Consent (Federal Reserve Order) to UBS AG. As part of the Federal Reserve Order, UBS AG paid a USD 342 million civil monetary penalty.

In 2015, the DOJ's Criminal Division (Criminal Division) terminated the December 2012 Non-Prosecution Agreement (NPA) with UBS AG related to UBS's submissions of benchmark interest rates. As a result, UBS AG entered into a plea agreement with the Criminal Division pursuant to which UBS AG agreed to and did plead guilty to a one-count criminal information filed in the US District Court for the District of Connecticut charging UBS AG with one count of wire fraud in violation of 18 USC Sections 1343 and 2. Under the plea agreement, UBS AG agreed to a sentence that includes a USD 203 million fine and a three-year term of probation. The criminal information charges that, between approximately 2001 and 2010, UBS AG engaged in a scheme to defraud counterparties to interest rate derivatives transactions by manipulating benchmark interest rates, including Yen LIBOR. Sentencing is currently scheduled for 29 November 2016. The Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA, including fraudulent and deceptive currency trading and sales practices in conducting certain foreign exchange market transactions with clients and collusion with other participants in certain foreign exchange markets.

We have ongoing obligations to cooperate with these authorities and to undertake certain remediation, including actions to improve UBS's processes and controls.

UBS has been granted conditional immunity by the Antitrust Division of the DOJ (Antitrust Division) from prosecution for EUR/USD collusion and entered into a non-prosecution agreement covering other currency pairs. As a result, UBS AG will not be subject to prosecutions, fines or other sanctions for antitrust law violations by the Antitrust Division, subject to UBS AG's continuing cooperation. However, the conditional immunity grant does not bar government agencies from asserting other claims and imposing sanctions against UBS AG, as evidenced by the settlements and ongoing investigations referred to above. UBS has also been granted conditional leniency by authorities in certain jurisdictions, including WEKO, in connection with potential competition law violations relating to precious metals, and as a result, will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in those jurisdictions, subject to UBS AG's continuing cooperation.

Investigations relating to foreign exchange and precious metals matters by numerous authorities, including the CFTC, remain ongoing notwithstanding these resolutions.

Note 15 Provisions and contingent liabilities (continued)

Foreign exchange-related civil litigation: Putative class actions have been filed since November 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. They allege collusion by the defendants and assert claims under the antitrust laws and for unjust enrichment. In 2015, additional putative class actions were filed in federal court in New York against UBS and other banks on behalf of a putative class of persons who entered into or held any foreign exchange futures contracts and options on foreign exchange futures contracts since 1 January 2003. The complaints assert claims under the Commodity Exchange Act (CEA) and the US antitrust laws. In 2015, a consolidated complaint was filed on behalf of both putative classes of persons covered by the US federal court class actions described above. UBS has entered into a settlement agreement that would resolve all of these US federal court class actions. The agreement, which has been preliminarily approved by the court and is subject to final court approval, requires, among other things, that UBS pay an aggregate of USD 141 million and provide cooperation to the settlement classes.

A putative class action has been filed in federal court in New York against UBS and other banks on behalf of participants, beneficiaries, and named fiduciaries of plans qualified under the Employee Retirement Income Security Act of 1974 (ERISA) for whom a defendant bank provided foreign currency exchange transactional services, exercised discretionary authority or discretionary control over management of such ERISA plan, or authorized or permitted the execution of any foreign currency exchange transactional services involving such plan's assets. The complaint asserts claims under ERISA. The parties filed a stipulation to dismiss the case with prejudice. The plaintiffs have appealed the dismissal.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of a putative class of persons and businesses in the US who directly purchased foreign currency from the defendants and their co-conspirators for their own end use. That action has been transferred to federal court in New York. Motions to dismiss are pending.

In 2015, UBS was added to putative class actions pending against other banks in federal court in New York and other jurisdictions on behalf of putative classes of persons who bought or sold physical precious metals and various precious metal products and derivatives. The complaints in these lawsuits assert claims under the antitrust laws and the CEA, and other claims. In October 2016, the court granted UBS's motions to dismiss the putative class actions relating to gold and silver. UBS's motion to dismiss the putative class action relating to platinum and palladium remains pending.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the SFO, the Monetary Authority of Singapore (MAS), the HKMA, FINMA, the various state attorneys general in the US, and competition authorities in various jurisdictions have conducted or are continuing to conduct investigations regarding submissions with respect to LIBOR and other benchmark rates. These investigations focus on whether there were improper attempts by UBS, among others, either acting on our own or together with others, to manipulate LIBOR and other benchmark rates at certain times.

In 2012, UBS reached settlements with the FSA, the CFTC and the Criminal Division of the DOJ in connection with their investigations of benchmark interest rates. At the same time, FINMA issued an order concluding its formal proceedings with respect to UBS relating to benchmark interest rates. UBS has paid a total of approximately CHF 1.4 billion in fines and disgorgement – including GBP 160 million in fines to the FSA, USD 700 million in fines to the CFTC, USD 500 million in fines to the DOJ, and CHF 59 million in disgorgement to FINMA. UBS Securities Japan Co. Ltd. (UBSSJ) entered into a plea agreement with the DOJ under which it entered a plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR. UBS entered into an NPA with the DOJ, which (along with the plea agreement) covered conduct beyond the scope of the conditional leniency/immunity grants described below, required UBS to pay the USD 500 million fine to the DOJ after the sentencing of UBSSJ, and provided that any criminal penalties imposed on UBSSJ at sentencing be deducted from the USD 500 million fine. Under the NPA, we agreed, among other things, that for two years from 18 December 2012 UBS would not commit any US crime, and we would advise DOJ of any potentially criminal conduct by UBS or any of its employees relating to violations of US laws concerning fraud or securities and commodities markets. The term of the NPA was extended by one year to 18 December 2015. In 2015, the Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA. As a result, UBS entered into a plea agreement with the DOJ under which it entered a guilty plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR, and agreed to pay a fine of USD 203 million and accept a three-year term of probation. Sentencing is currently scheduled for 29 November 2016.

In 2014, UBS reached a settlement with the European Commission (EC) regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives and paid a EUR 12.7 million fine, which was reduced to this level based in part on UBS's cooperation with the EC. The MAS, HKMA and the Japan Financial Services Agency have also resolved investigations of UBS (and in some cases, other banks). We have ongoing obligations to cooperate with the authorities with whom we have reached resolutions and to undertake certain remediation with respect to benchmark interest rate submissions.

Investigations by the CFTC, ASIC and other governmental authorities remain ongoing notwithstanding these resolutions.

UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ, WEKO and the EC, in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR. WEKO has also granted UBS conditional immunity in connection with potential competition law violations related to submissions for CHF LIBOR and certain transactions related to CHF LIBOR. As a result of these conditional grants, we will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in the jurisdictions where we have conditional immunity or leniency in connection with the matters covered by the conditional grants, subject to our continuing cooperation. However, the conditional leniency and conditional immunity grants we have received do not bar government agencies from asserting other claims and imposing sanctions against us, as evidenced by the settlements and ongoing investigations referred to above. In addition, as a result of the conditional leniency agreement with the DOJ, we are eligible for a limit on liability to actual rather than treble damages were damages to be awarded in any civil antitrust action under US law based on conduct covered by the agreement and for relief from potential joint and several liability in connection with such civil antitrust action, subject to our satisfying the DOJ and the court presiding over the civil litigation of our cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against us.

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in, or expected to be transferred to, the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending are actions asserting losses related to various products whose interest rates were linked to USD LIBOR, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. All of the complaints allege manipulation, through various means, of various benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, USD ISDAFIX rates and other benchmark rates, and seek unspecified compensatory and other damages under varying legal theories. In 2013, the district court in the USD action dismissed the federal antitrust and racketeering claims of certain USD LIBOR plaintiffs and a portion of their claims brought under the CEA and state common law. Certain plaintiffs appealed the decision to the Second Circuit, which, in May 2016, vacated the district court's ruling finding no antitrust injury and remanded the case back to the district court for a further determination on whether plaintiffs have antitrust standing. A motion to dismiss plaintiffs' revived antitrust claims is pending. In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiff's claims, including federal antitrust claims. In 2015, the same court dismissed plaintiff's federal racketeering claims and affirmed its previous dismissal of plaintiff's antitrust claims. UBS and other defendants in other lawsuits including those related to EURIBOR, CHF LIBOR and GBP LIBOR have filed motions to dismiss. UBS has entered into an agreement with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement is subject to court approval.

Since September 2014, putative class actions have been filed in federal court in New York and New Jersey against UBS and other financial institutions, among others, on behalf of parties who entered into interest rate derivative transactions linked to ISDAFIX. The complaints, which have since been consolidated into an amended complaint, allege that the defendants conspired to manipulate ISDAFIX rates from 1 January 2006 through January 2014, in violation of US antitrust laws and certain state laws, and seek unspecified compensatory damages, including treble damages. In March 2016, the court in the ISDAFIX action denied in substantial part defendants' motion to dismiss, holding that plaintiffs have stated Sherman Act, breach-of-contract, and unjust-enrichment claims against defendants, including UBS AG.

Government bonds: Putative class actions have been filed in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. The complaints generally allege that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction. They assert claims under the antitrust laws and the CEA and for unjust enrichment. The cases have been consolidated in the SDNY. Following filing of these complaints, UBS and reportedly other banks are responding to investigations and requests for information from various authorities regarding US Treasury securities and other government bond trading practices. As a result of its review to date, UBS has taken appropriate action.

With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, our balance sheet at 30 September 2016 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 15 Provisions and contingent liabilities (continued)

6. Swiss retrocessions

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver.

FINMA has issued a supervisory note to all Swiss banks in response to the Supreme Court decision. The note sets forth the measures Swiss banks are to adopt, which include informing all affected clients about the Supreme Court decision and directing them to an internal bank contact for further details. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among others, the existence of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

Our balance sheet at 30 September 2016 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

7. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. (Pactual) by UBS to BTG Investments, LP (BTG), BTG has submitted contractual indemnification claims that UBS estimates amount to approximately BRL 2.5 billion, including interest and penalties, which is net of liabilities retained by BTG. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being challenged in administrative and judicial proceedings. The majority of these assessments relate to the deductibility of goodwill amortization in connection with UBS's 2006 acquisition of Pactual and payments made to Pactual employees through various profit-sharing plans. In 2015, an intermediate administrative court issued a decision that was largely in favor of the tax authority with respect to the goodwill amortization assessment. In May 2016, the highest level of the administrative court agreed to review this decision on a number of the significant issues.

8. Investigation of UBS's role in initial public offerings in Hong Kong

The Hong Kong Securities and Futures Commission (SFC) has been conducting investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. In October 2016, the SFC informed UBS that it intends to commence action against UBS and certain UBS employees with respect to sponsorship work in those offerings. If such action is taken, there may be financial ramifications for UBS, including fines and restitution orders. Such action could also result in suspension of UBS's ability to provide corporate finance advisory services in Hong Kong for a period of time.

Note 16 Guarantees, commitments and forward starting transactions

The table below shows the maximum irrevocable amount of guarantees, commitments and forward starting transactions.

	30.9.16			30.6.16			31.12.15		
CHF million	**Gross**	**Sub-participations**	**Net**	Gross	Sub -participations	Net	Gross	Sub-participations	Net
Guarantees									
Credit guarantees and similar instruments	**6,310**	**(412)**	**5,898**	6,393	(448)	5,945	6,708	(315)	6,393
Performance guarantees and similar instruments	**3,082**	**(763)**	**2,319**	3,111	(763)	2,347	3,035	(699)	2,336
Documentary credits	**6,197**	**(1,596)**	**4,601**	6,376	(1,626)	4,750	6,276	(1,707)	4,569
Total guarantees	**15,590**	**(2,771)**	**12,819**	15,880	(2,837)	13,043	16,019	(2,721)	13,298
Loan commitments	**48,242**	**(1,501)**	**46,741**	49,577	(1,454)	48,123	56,067	(1,559)	54,508
Forward starting transactions[1]									
Reverse repurchase agreements	**18,438**			14,373			6,577		
Securities borrowing agreements	**27**			88			6		
Repurchase agreements	**13,864**			11,188			6,323		

1 Cash to be paid in the future by either UBS or the counterparty.

Note 17 Changes in organization and disposals

Restructuring expenses

Restructuring expenses arise from programs that materially change either the scope of business undertaken by the Group or the manner in which such business is conducted. Restructuring expenses are temporary costs that are necessary to effect such programs and include items such as severance and other personnel-related expenses, duplicate headcount costs, impairment and accelerated depreciation of assets, contract termination costs, consulting fees, and related infrastructure and system costs. These costs are presented in the income statement according to the underlying nature of the expense. As the costs associated with restructuring programs are temporary in nature, and in order to provide a more thorough understanding of business performance, such costs are separately presented below.

Net restructuring expenses by business division and Corporate Center unit

	For the quarter ended			Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Wealth Management	**139**	86	74	304	190
Wealth Management Americas	**38**	38	39	109	87
Personal & Corporate Banking	**41**	31	28	95	60
Asset Management	**34**	34	23	88	44
Investment Bank	**181**	163	118	461	253
Corporate Center	**11**	25	17	30	160
of which: Services	***4***	*20*	*2*	*17*	*120*
of which: Non-core and Legacy Portfolio	***7***	*5*	*15*	*13*	*40*
Total net restructuring expenses	**444**	377	298	1,086	794
of which: personnel expenses	***257***	*192*	*118*	*577*	*295*
of which: general and administrative expenses	***187***	*185*	*178*	*508*	*485*
of which: depreciation and impairment of property, equipment and software	***1***	*0*	*0*	*1*	*12*
of which: amortization and impairment of intangible assets	***0***	*0*	*2*	*0*	*2*

Net restructuring expenses by personnel expense category

	For the quarter ended			Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Salaries and variable compensation	**252**	200	115	567	312
Contractors	**13**	16	15	41	29
Social security	**3**	1	1	6	3
Pension and other post-employment benefit plans	**(18)**	(30)	(18)	(52)	(59)
Other personnel expenses	**6**	4	4	14	10
Total net restructuring expenses: personnel expenses	**257**	192	118	577	295

Net restructuring expenses by general and administrative expense category

	For the quarter ended			Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Occupancy	**27**	41	55	97	75
Rent and maintenance of IT and other equipment	**28**	34	0	72	24
Administration	**5**	3	1	11	5
Travel and entertainment	**3**	5	4	11	10
Professional fees	**39**	36	46	109	119
Outsourcing of IT and other services	**81**	74	72	229	142
Other[1]	**3**	(8)	(1)	(22)	110
Total net restructuring expenses: general and administrative expenses	**187**	185	178	508	485

1 Mainly comprised of onerous real estate lease contracts.

Note 17 Changes in organization and disposals (continued)

Disposal group held for sale

In the second quarter of 2016, UBS agreed to sell a life insurance subsidiary within Wealth Management, which resulted in the recognition of a loss of CHF 23 million. This sale is expected to close in the fourth quarter of 2016 subject to customary closing conditions. As of 30 September 2016, the assets and liabilities of this business are presented as a disposal group held for sale within *Other assets* and *Other liabilities* and amounted to CHF 5,444 million and CHF 5,425 million, respectively (30 June 2016: CHF 5,380 million and CHF 5,334 million, respectively).

Note 18 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of UBS's foreign operations into Swiss francs.

	Spot rate				Average rate[1]				
	As of				For the quarter ended			Year-to-date	
	30.9.16	30.6.16	31.12.15	30.9.15	**30.9.16**	30.6.16	30.9.15	**30.9.16**	30.9.15
1 USD	**0.97**	0.98	1.00	0.97	**0.97**	0.98	0.97	**0.98**	0.95
1 EUR	**1.09**	1.08	1.09	1.09	**1.09**	1.10	1.08	**1.09**	1.05
1 GBP	**1.26**	1.30	1.48	1.47	**1.27**	1.37	1.49	**1.35**	1.45
100 JPY	**0.96**	0.95	0.83	0.81	**0.95**	0.92	0.80	**0.91**	0.79

1 Monthly income statement items of foreign operations with a functional currency other than Swiss franc are translated with month-end rates into Swiss francs. Disclosed average rates for a quarter represent an average of three month-end rates, weighted according to the income and expense volumes of all foreign operations of the Group with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for the Group.

UBS AG interim consolidated financial information (unaudited)

This section contains a comparison of selected financial and capital information between UBS Group AG (consolidated) and UBS AG (consolidated), as well as key figures for UBS AG (consolidated). Refer to "Quarterly reporting" at *www.ubs.com/investors* for the interim consolidated financial statements of UBS AG, which will be published on 2 November 2016.

Comparison UBS Group AG (consolidated) versus UBS AG (consolidated)

The accounting policies applied under International Financial Reporting Standards (IFRS) to both UBS Group AG and UBS AG consolidated financial statements are identical. However, there are certain scope and presentation differences which relate to:

- Assets, liabilities, operating income, operating expenses and operating profit before tax relating to UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG, are reflected in the consolidated financial statements of UBS Group AG but not of UBS AG. UBS AG's assets, liabilities, operating income, and operating expenses related to transactions with UBS Group AG and its directly held subsidiaries are not subject to elimination in the UBS AG consolidated financial statements, but are eliminated in the UBS Group AG consolidated financial statements.
- Total equity of UBS Group AG (consolidated) was lower than total equity of UBS AG (consolidated) as of 30 September 2016, primarily related to employee share-based compensation awards.
- Preferred notes issued by UBS AG are presented in the consolidated UBS Group AG balance sheet as equity attributable to NCI, while in the consolidated UBS AG balance sheet, these preferred notes are required to be presented as equity attributable to preferred noteholders.
- Fully applied going concern capital of UBS AG (consolidated) was lower than fully applied going concern capital of UBS Group AG (consolidated) as of 30 September 2016, reflecting lower AT1 capital, partly offset by higher CET1 capital. The difference in CET1 capital was primarily due to compensation-related regulatory capital accruals, liabilities and capital instruments which are reflected on the level of UBS Group AG. The difference in AT1 capital relates to the issuances of AT1 capital notes by UBS Group AG, as well as Deferred Contingent Capital Plan (DCCP) awards granted for the performance years 2014 and 2015.

Comparison UBS Group AG (consolidated) versus UBS AG (consolidated)

	As of or for the quarter ended 30.9.16		
CHF million, except where indicated	**UBS Group AG (consolidated)**	**UBS AG (consolidated)**	Difference (absolute)
Income statement			
Operating income	**7,029**	**7,049**	(20)
Operating expenses	**6,152**	**6,161**	(9)
Operating profit / (loss) before tax	**877**	**888**	(11)
of which: Wealth Management	***504***	***502***	*2*
of which: Wealth Management Americas	***320***	***313***	*7*
of which: Personal & Corporate Banking	***453***	***454***	*(1)*
of which: Asset Management	***104***	***104***	*0*
of which: Investment Bank	***161***	***155***	*6*
of which: Corporate Center	***(665)***	***(640)***	*(25)*
of which: Services	***(218)***	***(216)***	*(2)*
of which: Group ALM	***30***	***53***	*(23)*
of which: Non-core and Legacy Portfolio	***(477)***	***(476)***	*(1)*
Net profit / (loss)	**829**	**847**	(18)
of which: net profit / (loss) attributable to shareholders	***827***	***846***	*(19)*
of which: net profit / (loss) attributable to preferred noteholders		***0***	*0*
of which: net profit / (loss) attributable to non-controlling interests	***1***	***1***	*0*
Statement of comprehensive income			
Other comprehensive income	**(637)**	**(638)**	1
of which: attributable to shareholders	***(643)***	***(643)***	*0*
of which: attributable to preferred noteholders		***4***	*(4)*
of which: attributable to non-controlling interests	***5***	***1***	*4*
Total comprehensive income	**191**	**210**	(19)
of which: attributable to shareholders	***184***	***203***	*(19)*
of which: attributable to preferred noteholders		***4***	*(4)*
of which: attributable to non-controlling interests	***7***	***3***	*4*
Balance sheet			
Total assets	**935,206**	**935,683**	(477)
Total liabilities	**881,213**	**881,433**	(220)
Total equity	**53,993**	**54,250**	(257)
of which: equity attributable to shareholders	***53,300***	***53,556***	*(256)*
of which: equity attributable to preferred noteholders		***654***	*(654)*
of which: equity attributable to non-controlling interests	***693***	***40***	*653*
Capital information			
Common equity tier 1 capital (fully applied)	**30,254**	**32,110**	(1,856)
Common equity tier 1 capital (phase-in)	**37,207**	**38,994**	(1,787)
Going concern loss-absorbing additional tier 1 capital (fully applied)[1]	**8,749**	**3,776**	4,973
Going concern tier 2 capital (phase-in)[1]	**11,216**	**10,332**	884
Going concern capital (fully applied)[1]	**39,003**	**35,885**	3,118
Risk-weighted assets (fully applied)	**216,830**	**217,297**	(467)
Common equity tier 1 capital ratio (fully applied, %)	**14.0**	**14.8**	(0.8)
Common equity tier 1 capital ratio (phase-in, %)	**16.9**	**17.7**	(0.8)
Going concern capital ratio (fully applied, %)[1]	**18.0**	**16.5**	1.5
Leverage ratio denominator (fully applied)	**877,313**	**877,926**	(613)
Going concern leverage ratio (fully applied, %)[1]	**4.4**	**4.1**	0.3

1 Based on the revised Swiss SRB framework that became effective on 1 July 2016. Refer to the "Comparison UBS Group AG (consolidated) versus UBS AG (consolidated)" table in our previous quarterly reports for more information on total capital ratios and leverage ratios under the former Swiss SRB framework.

	As of or for the quarter ended 30.6.16			As of or for the quarter ended 31.12.15		
	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)
	7,404	7,399	5	6,775	6,771	4
	5,915	5,942	(27)	6,541	6,543	(2)
	1,489	1,457	32	234	228	6
	518	514	4	344	342	2
	237	225	12	14	8	6
	534	533	1	355	356	(1)
	114	113	1	171	171	0
	284	267	17	80	83	(3)
	(198)	(195)	(3)	(729)	(732)	3
	(113)	(109)	(4)	(345)	(349)	4
	44	42	2	(56)	(54)	(2)
	(129)	(128)	(1)	(329)	(329)	0
	1,113	1,088	25	950	951	(1)
	1,034	1,009	25	949	950	(1)
		78	(78)		0	0
	79	1	78	1	1	0
	445	446	(1)	214	214	0
	117	118	(1)	177	177	0
		328	(328)		35	(35)
	329	0	329	37	2	35
	1,558	1,535	23	1,164	1,165	(1)
	1,151	1,127	24	1,126	1,126	0
		406	(406)		35	(35)
	407	1	406	38	3	35
	989,397	990,135	(738)	942,819	943,256	(437)
	935,835	936,096	(261)	885,511	886,013	(502)
	53,562	54,039	(477)	57,308	57,243	65
	52,876	53,353	(477)	55,313	55,248	65
		649	(649)		1,954	(1,954)
	686	37	649	1,995	41	1,954
	30,264	32,184	(1,920)	30,044	32,042	(1,998)
	37,064	38,913	(1,849)	40,378	41,516	(1,138)
	213,840	214,210	(370)	207,530	208,186	(656)
	14.2	15.0	(0.8)	14.5	15.4	(0.9)
	17.1	17.9	(0.8)	19.0	19.5	(0.5)
	898,195	899,075	(880)	897,607	898,251	(644)

UBS AG (consolidated) key figures

	As of or for the quarter ended				As of or year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	31.12.15	30.9.15	30.9.16	30.9.15
Results						
Operating income	**7,049**	7,399	6,771	7,189	21,303	23,834
Operating expenses	**6,161**	5,942	6,543	6,401	17,979	18,655
Operating profit / (loss) before tax	**888**	1,457	228	788	3,324	5,179
Net profit / (loss) attributable to shareholders	**846**	1,009	950	2,083	2,568	5,285
Key performance indicators[1]						
Profitability						
Return on tangible equity (%)	**7.4**	8.6	8.1	18.1	7.3	15.4
Return on assets, gross (%)	**2.9**	3.0	2.8	3.0	2.9	3.2
Cost / income ratio (%)	**87.3**	80.2	95.8	88.7	84.3	78.1
Growth						
Net profit growth (%)	**(59.4)**	(14.3)	6.4	173.4	(51.4)	102.6
Net new money growth for combined wealth management businesses (%)[2]	**2.1**	1.7	2.9	0.8	3.2	2.0
Resources						
Common equity tier 1 capital ratio (fully applied, %)[3]	**14.8**	15.0	15.4	15.3	14.8	15.3
Going concern leverage ratio (phase-in, %)[4]	**5.7**				5.7	
Additional information						
Profitability						
Return on equity (RoE) (%)	**6.3**	7.4	6.9	15.7	6.3	13.3
Return on risk-weighted assets, gross (%)[5]	**13.1**	13.8	12.8	13.5	13.3	14.8
Resources						
Total assets	**935,683**	990,135	943,256	981,891	935,683	981,891
Equity attributable to shareholders	**53,556**	53,353	55,248	54,126	53,556	54,126
Common equity tier 1 capital (fully applied)[3]	**32,110**	32,184	32,042	33,183	32,110	33,183
Common equity tier 1 capital (phase-in)[3]	**38,994**	38,913	41,516	40,581	38,994	40,581
Risk-weighted assets (fully applied)[3]	**217,297**	214,210	208,186	217,472	217,297	217,472
Common equity tier 1 capital ratio (phase-in, %)[3]	**17.7**	17.9	19.5	18.3	17.7	18.3
Going concern capital ratio (fully applied, %)[4]	**16.5**				16.5	
Going concern capital ratio (phase-in, %)[4]	**23.0**				23.0	
Common equity tier 1 leverage ratio (fully applied, %)[6]	**3.7**	3.6	3.6	3.5	3.7	3.5
Going concern leverage ratio (fully applied, %)[4]	**4.1**				4.1	
Leverage ratio denominator (fully applied)[6]	**877,926**	899,075	898,251	949,548	877,926	949,548
Other						
Invested assets (CHF billion)[7]	**2,747**	2,677	2,689	2,577	2,747	2,577
Personnel (full-time equivalents)[8]	**57,012**	57,387	58,131	58,502	57,012	58,502

1 Refer to the "Measurement of performance" section of our Annual Report 2015. 2 Based on adjusted net new money, which excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion, second quarter of 2015: CHF 6.6 billion) in Wealth Management from our balance sheet and capital optimization program. 3 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of this report for more information. 4 Based on the revised Swiss SRB framework that became effective on 1 July 2016. Refer to the "UBS AG key figures" table in our previous quarterly reports for more information on total capital ratios and leverage ratios under the former Swiss SRB framework. 5 Based on fully applied risk-weighted assets. 6 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of this report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. 7 Includes invested assets for Personal & Corporate Banking. 8 As of 30 September 2016, the breakdown of personnel by business division and Corporate Center unit was: Wealth Management: 9,914; Wealth Management Americas: 13,574; Personal & Corporate Banking: 5,124; Asset Management: 2,326; Investment Bank: 4,917; CC – Services: 20,956; CC – Group ALM: 137; CC – Non-core and Legacy Portfolio: 65.

Abbreviations frequently used in our financial reports

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

Abbreviations frequently used in our financial reports (continued)

N

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

O

OCI	other comprehensive income
OTC	over-the-counter

P

PRA	UK Prudential Regulation Authority
PRV	positive replacement value

R

RLN	reference-linked note
RMBS	residential mortgage-backed security
RoAE	return on attributed equity
RoE	return on equity
RoTE	return on tangible equity
RV	replacement value
RWA	risk-weighted assets

S

SE	structured entity
SEC	US Securities and Exchange Commission
SEEOP	Senior Executive Equity Ownership Plan
SFT	securities financing transaction
SNB	Swiss National Bank
SRB	systemically relevant bank
SRM	Single Resolution Mechanism
SVaR	stressed value-at-risk

T

TBTF	too big to fail
TLAC	total loss-absorbing capacity
TRS	total return swap

U

USD	US dollar

V

VaR	value-at-risk

Information sources

Reporting publications

Annual publications: Annual publications: *Annual report (SAP no. 80531):* Published in both English and German, this single volume report provides a description of our Group strategy and performance; the strategy and performance of the business divisions and Corporate Center; a description of risk, treasury, capital management, corporate governance, responsibility and senior management compensation, including compensation for the Board of Directors and the Group Executive Board members; and financial information, including the financial statements. *Review (SAP no. 80530):* The booklet contains key information on our strategy and financials. It is published in English, German, French and Italian. *Compensation Report (SAP no. 82307):* The report discusses our compensation framework and provides information on compensation for the Board of Directors and the Group Executive Board members. It is published in English and German.

Quarterly publications: *Financial report (SAP no. 80834) and results materials:* The quarterly financial report, published for the first, second and third quarter, and the fourth-quarter earnings release and financial supplement provide an update on our strategy and performance for the respective quarter. They are mainly available in English.

How to order reports: The annual and quarterly publications are available in PDF on the internet at *www.ubs.com/investors* in the "Financial information" section. Printed copies can be ordered from the same website in the "Investor services" section, which can be accessed via the link on the left-hand side of the screen. Alternatively, they can be ordered by quoting the SAP number and the language preference, where applicable, from UBS AG, F4UK–AUL, P.O. Box, CH-8098 Zurich, Switzerland.

Other information

Website: The "Investor Relations" website at *www.ubs.com/investors* provides the following information on UBS: news releases, financial information, including results-related filings with the US Securities and Exchange Commission, information for shareholders, including UBS share price charts and data and dividend information, and for bondholders, the UBS corporate calendar and presentations by management for investors and financial analysts. Information on the internet is available in English, with some information also available in German.

Result presentations: Our quarterly results presentations are webcast live. A playback of most presentations is downloadable at *www.ubs.com/presentations*.

Messaging service / UBS news alert: On the *www.ubs.com/newsalerts* website, it is possible to subscribe to receive news alerts about UBS via SMS or email. Messages are sent in English, German, French or Italian and it is possible to state theme preferences for the alerts received.

Form 20-F and other submissions to the US Securities and Exchange Commission: We file periodic reports and submit other information about UBS to the US Securities and Exchange Commission (SEC). Principal among these filings is the annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934. The filing of Form 20-F is structured as a "wrap-around" document. Most sections of the filing can be satisfied by referring to parts of the annual report. However, there is a small amount of additional information in Form 20-F which is not presented elsewhere, and is particularly targeted at readers in the US. Readers are encouraged to refer to this additional disclosure. Any document that we file with the SEC is available to read and copy on the SEC's website, *www.sec.gov,* or at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, DC, 20549. Please call the SEC on +1800-SEC-0330 for further information on the operation of its public reference room. Refer to *www.ubs.com/investors* for more information.

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

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

Intentionally left blank

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

ubs.com

UBS

APPENDIX II

APPENDIX 13 to the Registration Document

Third quarter 2016 report of UBS AG as at 30 September 2016

UBS

UBS AG

Third quarter 2016 report

Intentionally left blank

Contacts

Switchboards
For all general inquiries.
Zurich +41-44-234 1111
London +44-20-7567 8000
New York +1-212-821 3000
Hong Kong +852-2971 8888
www.ubs.com/contact

Investor Relations

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

UBS 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
Fax (Zurich) +41-44-234 3415

Media Relations

UBS's Media Relations team supports global media and journalists from 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

Corporate calendar UBS AG

Publication dates of quarterly and annual reports and results will be made available as part of the corporate calendar of UBS AG at www.ubs.com/investors

Imprint

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

UBS AG (consolidated) key figures

UBS AG (consolidated) key figures

	As of or for the quarter ended				As of or year-to-date	
CHF million, except where indicated	**30.9.16**	30.6.16	31.12.15	30.9.15	30.9.16	30.9.15
Results						
Operating income	**7,049**	7,399	6,771	7,189	21,303	23,834
Operating expenses	**6,161**	5,942	6,543	6,401	17,979	18,655
Operating profit / (loss) before tax	**888**	1,457	228	788	3,324	5,179
Net profit / (loss) attributable to shareholders	**846**	1,009	950	2,083	2,568	5,285
Key performance indicators[1]						
Profitability						
Return on tangible equity (%)	**7.4**	8.6	8.1	18.1	7.3	15.4
Return on assets, gross (%)	**2.9**	3.0	2.8	3.0	2.9	3.2
Cost / income ratio (%)	**87.3**	80.2	95.8	88.7	84.3	78.1
Growth						
Net profit growth (%)	**(59.4)**	(14.3)	6.4	173.4	(51.4)	102.6
Net new money growth for combined wealth management businesses (%)[2]	**2.1**	1.7	2.9	0.8	3.2	2.0
Resources						
Common equity tier 1 capital ratio (fully applied, %)[3]	**14.8**	15.0	15.4	15.3	14.8	15.3
Going concern leverage ratio (phase-in, %)[4]	**5.7**				5.7	
Additional information						
Profitability						
Return on equity (RoE) (%)	**6.3**	7.4	6.9	15.7	6.3	13.3
Return on risk-weighted assets, gross (%)[5]	**13.1**	13.8	12.8	13.5	13.3	14.8
Resources						
Total assets	**935,683**	990,135	943,256	981,891	935,683	981,891
Equity attributable to shareholders	**53,556**	53,353	55,248	54,126	53,556	54,126
Common equity tier 1 capital (fully applied)[3]	**32,110**	32,184	32,042	33,183	32,110	33,183
Common equity tier 1 capital (phase-in)[3]	**38,994**	38,913	41,516	40,581	38,994	40,581
Risk-weighted assets (fully applied)[3]	**217,297**	214,210	208,186	217,472	217,297	217,472
Common equity tier 1 capital ratio (phase-in, %)[3]	**17.7**	17.9	19.5	18.3	17.7	18.3
Going concern capital ratio (fully applied, %)[4]	**16.5**				16.5	
Going concern capital ratio (phase-in, %)[4]	**23.0**				23.0	
Common equity tier 1 leverage ratio (fully applied, %)[6]	**3.7**	3.6	3.6	3.5	3.7	3.5
Going concern leverage ratio (fully applied, %)[4]	**4.1**				4.1	
Leverage ratio denominator (fully applied)[6]	**877,926**	899,075	898,251	949,548	877,926	949,548
Other						
Invested assets (CHF billion)[7]	**2,747**	2,677	2,689	2,577	2,747	2,577
Personnel (full-time equivalents)[8]	**57,012**	57,387	58,131	58,502	57,012	58,502

1 Refer to the "Measurement of performance" section of our Annual Report 2015. 2 Based on adjusted net new money, which excludes the negative effect on net new money (third quarter of 2015: CHF 3.3 billion, second quarter of 2015: CHF 6.6 billion) in Wealth Management from our balance sheet and capital optimization program. 3 Based on the Basel III framework as applicable for Swiss systemically relevant banks (SRBs). Refer to the "Capital management" section of the UBS Group third quarter 2016 report for more information 4 Based on the revised Swiss SRB framework that became effective on 1 July 2016. Refer to the "UBS AG key figures" table in our previous quarterly reports for more information on total capital ratios and leverage ratios under the former Swiss SRB framework. 5 Based on fully applied risk-weighted assets. 6 Calculated in accordance with Swiss SRB rules. Refer to the "Capital management" section of the UBS Group third quarter 2016 report for more information. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable. 7 Includes invested assets for Personal & Corporate Banking. 8 As of 30 September 2016, the breakdown of personnel by business division and Corporate Center unit was: Wealth Management: 9,914; Wealth Management Americas: 13,574; Personal & Corporate Banking: 5,124; Asset Management: 2,326; Investment Bank: 4,917; CC – Services: 20,956; CC – Group ALM: 137; CC – Non-core and Legacy Portfolio: 65.

Introduction

Structure of this report

Following the establishment of UBS Group AG as the holding company for the UBS Group and the parent company of UBS AG, UBS Group AG is the primary financial reporting entity for the UBS Group. 100% of UBS AG's issued shares are held by UBS Group AG, and UBS AG's shares are no longer publicly traded following delisting from the New York Stock Exchange and SIX Swiss Exchange in 2015. Financial information for UBS AG (consolidated) does not differ materially from that for UBS Group AG (consolidated).

This report includes risk and capital management information for UBS AG (consolidated), the interim consolidated financial statements of UBS AG for the quarter ended 30 September 2016, as well as selected financial and regulatory information for UBS AG (standalone).

➔ Refer to the UBS Group third quarter 2016 report in "Quarterly reporting" at *www.ubs.com/investors* for more information

Comparison UBS Group AG (consolidated) vs UBS AG (consolidated)

The table on the following page contains a comparison of selected financial and capital information between UBS Group AG (consolidated) and UBS AG (consolidated).

The accounting policies applied under International Financial Reporting Standards (IFRS) to both UBS Group AG and UBS AG consolidated financial statements are identical. However, there are certain scope and presentation differences:

- Assets, liabilities, operating income, operating expenses and operating profit before tax relating to UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG, are reflected in the consolidated financial statements of UBS Group AG, but not of UBS AG. UBS AG's assets, liabilities, operating income, and operating expenses related to transactions with UBS Group AG and its directly held subsidiaries are not subject to elimination in the UBS AG consolidated financial statements, but are eliminated in the UBS Group AG consolidated financial statements.
- Total equity of UBS Group AG (consolidated) was lower than total equity of UBS AG (consolidated) as of 30 September 2016, primarily related to employee share-based compensation awards.
- Preferred notes issued by UBS AG are presented in the consolidated UBS Group AG balance sheet as equity attributable to non-controlling interests (NCI), while in the consolidated UBS AG balance sheet, these preferred notes are required to be presented as equity attributable to preferred noteholders.
- Refer to the "Capital management" section of this report for more information on differences in regulatory capital between UBS Group AG (consolidated) and UBS AG (consolidated).

Comparison UBS Group AG (consolidated) versus UBS AG (consolidated)

	As of or for the quarter ended 30.9.16		
CHF million, except where indicated	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)
Income statement			
Operating income	7,029	7,049	(20)
Operating expenses	6,152	6,161	(9)
Operating profit / (loss) before tax	877	888	(11)
of which: Wealth Management	*504*	*502*	*2*
of which: Wealth Management Americas	*320*	*313*	*7*
of which: Personal & Corporate Banking	*453*	*454*	*(1)*
of which: Asset Management	*104*	*104*	*0*
of which: Investment Bank	*161*	*155*	*6*
of which: Corporate Center	*(665)*	*(640)*	*(25)*
of which: Services	*(218)*	*(216)*	*(2)*
of which: Group ALM	*30*	*53*	*(23)*
of which: Non-core and Legacy Portfolio	*(477)*	*(476)*	*(1)*
Net profit / (loss)	829	847	(18)
of which: net profit / (loss) attributable to shareholders	*827*	*846*	*(19)*
of which: net profit / (loss) attributable to preferred noteholders		*0*	*0*
of which: net profit / (loss) attributable to non-controlling interests	*1*	*1*	*0*
Statement of comprehensive income			
Other comprehensive income	(637)	(638)	1
of which: attributable to shareholders	*(643)*	*(643)*	*0*
of which: attributable to preferred noteholders		*4*	*(4)*
of which: attributable to non-controlling interests	*5*	*1*	*4*
Total comprehensive income	191	210	(19)
of which: attributable to shareholders	*184*	*203*	*(19)*
of which: attributable to preferred noteholders		*4*	*(4)*
of which: attributable to non-controlling interests	*7*	*3*	*4*
Balance sheet			
Total assets	935,206	935,683	(477)
Total liabilities	881,213	881,433	(220)
Total equity	53,993	54,250	(257)
of which: equity attributable to shareholders	*53,300*	*53,556*	*(256)*
of which: equity attributable to preferred noteholders		*654*	*(654)*
of which: equity attributable to non-controlling interests	*693*	*40*	*653*
Capital information			
Common equity tier 1 capital (fully applied)	30,254	32,110	(1,856)
Common equity tier 1 capital (phase-in)	37,207	38,994	(1,787)
Going concern loss-absorbing additional tier 1 capital (fully applied)[1]	8,749	3,776	4,973
Going concern tier 2 capital (phase-in)[1]	11,216	10,332	884
Going concern capital (fully applied)[1]	39,003	35,885	3,118
Risk-weighted assets (fully applied)	216,830	217,297	(467)
Common equity tier 1 capital ratio (fully applied, %)	14.0	14.8	(0.8)
Common equity tier 1 capital ratio (phase-in, %)	16.9	17.7	(0.8)
Going concern capital ratio (fully applied, %)[1]	18.0	16.5	1.5
Leverage ratio denominator (fully applied)	877,313	877,926	(613)
Going concern leverage ratio (fully applied, %)[1]	4.4	4.1	0.3

1 Based on the revised Swiss SRB framework that became effective on 1 July 2016. Refer to the "Comparison UBS Group AG (consolidated) versus UBS AG (consolidated)" table in our previous quarterly reports for more information on total capital ratios and leverage ratios under the former Swiss SRB framework.

As of or for the quarter ended 30.6.16			As of or for the quarter ended 31.12.15		
UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)
7,404	7,399	5	6,775	6,771	4
5,915	5,942	(27)	6,541	6,543	(2)
1,489	1,457	32	234	228	6
518	*514*	*4*	*344*	*342*	*2*
237	*225*	*12*	*14*	*8*	*6*
534	*533*	*1*	*355*	*356*	*(1)*
114	*113*	*1*	*171*	*171*	*0*
284	*267*	*17*	*80*	*83*	*(3)*
(198)	*(195)*	*(3)*	*(729)*	*(732)*	*3*
(113)	*(109)*	*(4)*	*(345)*	*(349)*	*4*
44	*42*	*2*	*(56)*	*(54)*	*(2)*
(129)	*(128)*	*(1)*	*(329)*	*(329)*	*0*
1,113	1,088	25	950	951	(1)
1,034	*1,009*	*25*	*949*	*950*	*(1)*
	78	*(78)*		*0*	*0*
79	*1*	*78*	*1*	*1*	*0*
445	446	(1)	214	214	0
117	*118*	*(1)*	*177*	*177*	*0*
	328	*(328)*		*35*	*(35)*
329	*0*	*329*	*37*	*2*	*35*
1,558	1,535	23	1,164	1,165	(1)
1,151	*1,127*	*24*	*1,126*	*1,126*	*0*
	406	*(406)*		*35*	*(35)*
407	*1*	*406*	*38*	*3*	*35*
989,397	990,135	(738)	942,819	943,256	(437)
935,835	936,096	(261)	885,511	886,013	(502)
53,562	54,039	(477)	57,308	57,243	65
52,876	*53,353*	*(477)*	*55,313*	*55,248*	*65*
	649	*(649)*		*1,954*	*(1,954)*
686	*37*	*649*	*1,995*	*41*	*1,954*
30,264	32,184	(1,920)	30,044	32,042	(1,998)
37,064	38,913	(1,849)	40,378	41,516	(1,138)
213,840	214,210	(370)	207,530	208,186	(656)
14.2	15.0	(0.8)	14.5	15.4	(0.9)
17.1	17.9	(0.8)	19.0	19.5	(0.5)
898,195	899,075	(880)	897,607	898,251	(644)

Risk and capital management

Management report

Risk management and control

UBS AG (consolidated) risk profile

The risk profile of UBS AG (consolidated) does not differ materially from that of UBS Group AG (consolidated), and risk information provided in the UBS Group third quarter 2016 report is equally applicable to UBS AG (consolidated).

The credit risk profile of UBS AG (consolidated) differs from that of UBS Group AG (consolidated) primarily in relation to receivables of UBS AG and UBS Switzerland AG from UBS Group AG. As a result of these receivables, total banking products exposure of UBS AG (consolidated) as of 30 September 2016 was CHF 0.7 billion or 0.2% higher than the exposure of UBS Group, compared with CHF 0.9 billion or 0.2% as of 30 June 2016.

➔ **Refer to the "Risk management and control" section of the UBS Group third quarter 2016 report in "Quarterly reporting" at *www.ubs.com/investors* for more information**

Capital management

UBS is considered a systemically relevant bank (SRB) under Swiss banking law and both UBS Group AG and UBS AG are, on a consolidated basis, required to comply with regulations based on the Basel III framework as applicable for Swiss SRBs.

The Basel III framework came into effect in Switzerland on 1 January 2013. In May 2016, the Swiss Federal Council adopted amendments to the too big to fail (TBTF) provisions, based on the cornerstones announced by the Swiss Federal Council in October 2015. The revised Capital Adequacy Ordinance forms the basis of a revised Swiss SRB framework, which became effective on 1 July 2016. The Swiss SRB framework and requirements applicable to UBS AG (consolidated) are consistent with those applicable to UBS Group AG (consolidated). Therefore, disclosures in this section focus on information in accordance with the Swiss SRB framework.

In this section, we disclose UBS AG (consolidated) loss-absorbing capacity, risk-weighted assets information and leverage ratio, and differences between UBS Group AG (consolidated) and UBS AG (consolidated) as of 30 September 2016. Corresponding information for UBS Group AG (consolidated) is provided in the UBS Group third quarter 2016 report.

Information on capital and leverage ratio as of 30 June 2016 was prepared under the former Swiss SRB framework and is not fully comparable. It is not included in this report and is provided in the UBS AG second quarter 2016 report.

➔ **Refer to the UBS Group third quarter 2016 report under "Quarterly reporting" at *www.ubs.com/investors*, for more information**

Going and gone concern requirements and information

As of 30 September 2016, the going concern capital and leverage ratio requirements including transitional arrangements (phase-in) for UBS AG (consolidated) were 10.94% and 3.0%, respectively. The gone concern requirements on a phase-in basis were 3.5% for the RWA-based requirement and 1.0% for the LRD-based requirement.

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

	Swiss SRB including transitional arrangements (phase-in)							
As of 30.9.16	Risk-weighted assets				Leverage ratio denominator			
CHF million, except where indicated	Requirement (%)	Actual (%)	Requirement	Eligible	Requirement (%)	Actual (%)	Requirement	Eligible
Common equity tier 1 capital	8.32	17.71	18,308	38,994	2.30	4.42	20,292	38,994
Maximum high-trigger loss-absorbing additional tier 1 capital[2]	2.63	5.25	5,779	11,559	0.70	1.31	6,176	11,559
of which: high-trigger loss-absorbing additional tier 1 capital		0.56		1,227		0.14		1,227
of which: low-trigger loss-absorbing tier 2 capital		*4.69*		*10,332*		*1.17*		*10,332*
Total going concern	**10.94[3]**	**22.96**	**24,088**	**50,552**	**3.00[4]**	**5.73**	**26,468**	**50,552**
Base gone concern requirement	3.50	7.78	7,706	17,124	1.00	1.94	8,823	17,124
Total gone concern	**3.50**	**7.78**	**7,706**	**17,124**	**1.00**	**1.94**	**8,823**	**17,124**
Total loss-absorbing capacity	**14.44**	**30.74**	**31,794**	**67,676**	**4.00**	**7.67**	**35,290**	**67,676**

	Swiss SRB as of 1.1.20 (fully applied)							
As of 30.9.16	Risk-weighted assets				Leverage ratio denominator			
CHF million, except where indicated	Requirement (%)	Actual (%)	Requirement	Eligible	Requirement (%)	Actual (%)	Requirement	Eligible
Common equity tier 1 capital	10.19	14.78	22,144	32,110	3.50	3.66	30,727	32,110
Maximum high-trigger loss-absorbing additional tier 1 capital	4.30	1.74	9,344	3,776	1.50	0.43	13,169	3,776
of which: high-trigger loss-absorbing additional tier 1 capital		*1.74*		*3,776*		*0.43*		*3,776*
Total going concern	**14.49[5]**	**16.51**	**31,487**	**35,885**	**5.00[6]**	**4.09**	**43,896**	**35,885**
Base gone concern requirement including applicable add-ons	14.30	12.63	31,073	27,455	5.00	3.13	43,896	27,455
Total gone concern	**14.30**	**12.63**	**31,073**	**27,455**	**5.00**	**3.13**	**43,896**	**27,455**
Total loss-absorbing capacity	**28.79**	**29.15**	**62,561**	**63,341**	**10.00**	**7.21**	**87,793**	**63,341**

1 This table does not include the effect of any potential rebate. 2 High-trigger loss-absorbing additional tier 1 capital was partly offset by required deductions for goodwill. Includes outstanding low-trigger loss-absorbing tier 2 capital instruments, which under the transitional rules for the Swiss SRB framework will remain available to meet the going concern requirements until the earlier of their maturity or first call date or 31 December 2019. From 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. 3 Consists of a minimum capital requirement of 8% and a buffer capital requirement of 2.94%, including the effect of countercyclical buffers of 0.19%. 4 Consists of a minimum leverage ratio requirement of 3%. 5 Consists of a minimum capital requirement of 8% and a buffer capital requirement of 6.49%, including the effect of countercyclical buffers of 0.19% and applicable add-ons of 1.44%. 6 Consists of a minimum leverage ratio requirement of 3% and a buffer leverage ratio requirement of 2%, including applicable add-ons of 0.5%.

Swiss SRB loss absorbing capacity

As of 30 September 2016, fully applied going concern capital of UBS AG (consolidated) was CHF 3.1 billion lower than for UBS Group AG (consolidated), reflecting CHF 5.0 billion lower additional tier 1 (AT1) capital, partly offset by CHF 1.9 billion higher common equity tier 1 (CET1) capital. The fully applied gone concern loss-absorbing capacity was CHF 0.7 billion lower, due to lower tier 2 capital.

The difference of CHF 1.9 billion in fully applied CET1 capital was primarily due to compensation-related regulatory capital accruals, liabilities and capital instruments which are reflected at the UBS Group AG level.

The difference of CHF 5.0 billion in AT1 capital on a fully applied basis relates to AT1 capital notes issued at the UBS Group AG level, as well as CHF 1.0 billion of high-trigger loss-absorbing Deferred Contingent Capital Plan (DCCP) awards granted to eligible employees for the performance years 2014 and 2015.

The difference of CHF 0.7 billion in tier 2 capital relates to high-trigger loss-absorbing capital, in the form of 2012 and 2013 DCCP awards, held at UBS Group AG level.

Differences in capital between UBS Group AG (consolidated) and UBS AG (consolidated) related to employee compensation plans will reverse to the extent underlying services are performed by employees of, and are consequently charged to, UBS AG and its subsidiaries. Such reversal generally occurs over the service period of the employee compensation plans.

Swiss SRB going and gone concern information (UBS Group AG vs UBS AG consolidated)

As of 30.9.16	Swiss SRB including transitional arrangements (phase-in)			Swiss SRB as of 1.1.20 (fully applied)		
CHF million, except where indicated	UBS Group AG (consolidated)	UBS AG (consolidated)	Differences	UBS Group AG (consolidated)	UBS AG (consolidated)	Differences
Going concern capital						
Common equity tier 1 capital	37,207	38,994	(1,787)	30,254	32,110	(1,856)
High-trigger loss-absorbing additional tier 1 capital	6,200[1]	1,227[2]	4,973	6,356	3,776	2,580
Low-trigger loss-absorbing additional tier 1 capital	0[1]		0	2,392		2,392
Total loss-absorbing additional tier 1 capital	6,200	1,227	4,973	8,749	3,776	4,973
Total tier 1 capital	43,407	40,221	3,186	39,003	35,885	3,118
High-trigger loss-absorbing tier 2 capital	884		884			
Low-trigger loss-absorbing tier 2 capital	10,332	10,332	0			
Total tier 2 capital	11,216	10,332	884			
Total going concern capital	54,623	50,552	4,071	39,003	35,885	3,118
Gone concern loss-absorbing capacity						
Phase-out hybrid tier 1 capital	654	654	0	654	654	0
Total tier 1 capital	654	654	0	654	654	0
High-trigger loss-absorbing tier 2 capital				674		674
Low-trigger loss-absorbing tier 2 capital				10,332	10,332	0
Phase-out tier 2 capital	772	772	0	772	772	0
Total tier 2 capital	772	772	0	11,777	11,104	673
TLAC-eligible senior unsecured debt	15,698	15,698	0	15,698	15,698	0
Total gone concern loss-absorbing capacity	17,124	17,124	0	28,129	27,455	674
Total loss-absorbing capacity						
Total loss-absorbing capacity	71,747	67,676	4,071	67,132	63,341	3,791
Risk-weighted assets / leverage ratio denominator						
Risk-weighted assets	219,876	220,171	(295)	216,830	217,297	(467)
Leverage ratio denominator	881,717	882,261	(544)	877,313	877,926	(613)
Capital and loss-absorbing capacity ratios (%)						
Going concern capital ratio	24.8	23.0	1.8	18.0	16.5	1.5
of which: common equity tier 1 capital ratio	*16.9*	*17.7*	*(0.8)*	*14.0*	*14.8*	*(0.8)*
Gone concern loss-absorbing capacity ratio	7.8	7.8	0.0	13.0	12.6	0.4
Total loss-absorbing capacity ratio	32.6	30.7	1.9	31.0	29.1	1.9
Leverage ratios (%)						
Going concern leverage ratio	6.2	5.7	0.5	4.4	4.1	0.3
of which: common equity tier 1 leverage ratio	*4.2*	*4.4*	*(0.2)*	*3.4*	*3.7*	*(0.3)*
Gone concern leverage ratio	1.9	1.9	0.0	3.2	3.1	0.1
Total loss-absorbing capacity leverage ratio	8.1	7.7	0.4	7.7	7.2	0.5

1 High-trigger loss-absorbing additional tier 1 capital of CHF 6,356 million and low-trigger loss-absorbing additional tier 1 capital of CHF 2,392 million were partly offset by required deductions for goodwill of CHF 2,548 million. 2 High-trigger loss-absorbing additional tier 1 capital of CHF 3,776 million was partly offset by required deductions for goodwill of CHF 2,548 million.

Reconciliation IFRS equity to Swiss SRB common equity tier 1 capital (UBS Group AG vs UBS AG consolidated)

As of 30.9.16	Swiss SRB including transitional arrangements (phase-in)			Swiss SRB as of 1.1.20 (fully applied)		
CHF million	UBS Group AG (consolidated)	UBS AG (consolidated)	Differences	UBS Group AG (consolidated)	UBS AG (consolidated)	Differences
Total IFRS equity	53,993	54,250	(257)	53,993	54,250	(257)
Equity attributable to preferred noteholders and non-controlling interests	(693)	(693)	0	(693)	(693)	0
Defined benefit plans	(215)	(215)	0	(359)	(359)	0
Deferred tax assets recognized for tax loss carry-forwards	(4,650)	(4,650)	0	(7,750)	(7,750)	0
Deferred tax assets on temporary differences, excess over threshold	(872)	(769)	(103)	(2,033)	(1,861)	(172)
Goodwill, net of tax	(3,823)	(3,823)	0	(6,371)	(6,371)	0
Intangible assets, net of tax	(253)	(253)	0	(253)	(253)	0
Unrealized (gains)/losses from cash flow hedges, net of tax	(2,005)	(2,005)	0	(2,005)	(2,005)	0
Compensation- and own shares-related capital components	(1,404)		(1,404)	(1,404)		(1,404)
Unrealized own credit related to financial liabilities designated at fair value, net of tax, and replacement values	(333)	(333)	0	(333)	(333)	0
Unrealized gains related to financial assets available for sale, net of tax	(351)	(351)	0	(351)	(351)	0
Prudential valuation adjustments	(89)	(89)	0	(89)	(89)	0
Consolidation scope	(127)	(127)	0	(127)	(127)	0
Other	(1,969)	(1,947)	(22)	(1,969)	(1,947)	(22)
Total common equity tier 1 capital	37,207	38,994	(1,787)	30,254	32,110	(1,856)

Leverage ratio information

The leverage ratio framework for UBS AG (consolidated) is consistent with that of UBS Group AG (consolidated).

As of 30 September 2016, the going concern leverage ratio of UBS AG (consolidated) was 0.3 percentage points lower than that of UBS Group AG (consolidated) on a fully applied basis, mainly as the going concern capital of UBS AG (consolidated) was CHF 3.1 billion lower.

Swiss SRB leverage ratio (UBS Group AG vs UBS AG consolidated)

As of 30.9.16	Swiss SRB including transitional arrangements (phase-in)			Swiss SRB as of 1.1.20 (fully applied)		
	UBS Group AG (consolidated)	UBS AG (consolidated)	Differences	UBS Group AG (consolidated)	UBS AG (consolidated)	Differences
Leverage ratio denominator (CHF billion)						
Total IFRS assets	935.2	935.7	(0.5)	935.2	935.7	(0.5)
Difference between IFRS and regulatory scope of consolidation[1]	(15.5)	(15.6)	0.1	(15.5)	(15.6)	0.1
Less derivative exposures and SFTs[2]	(282.5)	(282.5)	0.0	(282.5)	(282.5)	0.0
On-balance sheet exposures (excluding derivative exposures and SFTs)	637.2	637.6	(0.4)	637.2	637.6	(0.4)
Derivative exposures	109.4	109.4	0.0	109.4	109.4	0.0
Securities financing transactions	112.2	112.2	0.0	112.2	112.2	0.0
Off-balance sheet items	36.0	36.0	0.0	36.0	36.0	0.0
Items deducted from Swiss SRB tier 1 capital	(13.1)	(13.0)	(0.1)	(17.5)	(17.3)	(0.2)
Total exposures (leverage ratio denominator)	881.7	882.3	(0.6)	877.3	877.9	(0.6)
Loss-absorbing capacity (CHF million)						
Going concern capital	54,623	50,552	4,071	39,003	35,885	3,118
of which common equity tier 1 capital	*37,207*	*38,994*	*(1,787)*	*30,254*	*32,110*	*(1,856)*
Gone concern loss-absorbing capacity	17,124	17,124	0	28,129	27,455	674
Total loss-absorbing capacity	71,747	67,676	4,071	67,132	63,341	3,791
Leverage ratios (%)						
Going concern leverage ratio	6.2	5.7	0.5	4.4	4.1	0.3
of which: common equity tier 1 leverage ratio	*4.2*	*4.4*	*(0.2)*	*3.4*	*3.7*	*(0.3)*
Gone concern leverage ratio	1.9	1.9	0.0	3.2	3.1	0.1
Total loss-absorbing capacity leverage ratio	8.1	7.7	0.4	7.7	7.2	0.5

1 Represents the difference between the IFRS and the regulatory scope of consolidation, which is the applicable scope for the LRD calculation. 2 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 in accordance with the regulatory scope of consolidation, which are presented separately under Derivative exposures and Securities financing transactions in this table.

Consolidated financial statements

Unaudited

Table of contents

UBS AG interim consolidated financial statements (unaudited)

UBS AG interim consolidated financial statements (unaudited)

Income statement

		For the quarter ended			% change from		Year-to-date	
CHF million	Note	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Interest income	3	**3,305**	3,548	3,235	(7)	2	10,258	9,818
Interest expense	3	**(1,538)**	(2,390)	(1,391)	(36)	11	(5,626)	(4,844)
Net interest income	3	**1,767**	1,157	1,844	53	(4)	4,633	4,973
Credit loss (expense) / recovery		**(4)**	(7)	(28)	(43)	(86)	(13)	(58)
Net interest income after credit loss expense		**1,763**	1,151	1,816	53	(3)	4,619	4,916
Net fee and commission income	4	**4,075**	4,087	4,132	0	(1)	12,283	12,964
Net trading income	3	**1,099**	1,891	1,062	(42)	3	4,001	4,802
Other income	5	**113**	270	180	(58)	(37)	401	1,152
Total operating income		**7,049**	7,399	7,189	(5)	(2)	21,303	23,834
Personnel expenses	6	**3,907**	3,953	3,835	(1)	2	11,759	12,131
General and administrative expenses	7	**1,985**	1,727	2,311	15	(14)	5,423	5,781
Depreciation and impairment of property, equipment and software		**246**	239	230	3	7	727	659
Amortization and impairment of intangible assets		**23**	24	25	(4)	(8)	70	84
Total operating expenses		**6,161**	5,942	6,401	4	(4)	17,979	18,655
Operating profit / (loss) before tax		**888**	1,457	788	(39)	13	3,324	5,179
Tax expense / (benefit)	8	**41**	369	(1,297)	(89)		675	(185)
Net profit / (loss)		**847**	1,088	2,085	(22)	(59)	2,649	5,364
Net profit / (loss) attributable to preferred noteholders		**0**	78	1	(100)	(100)	78	77
Net profit / (loss) attributable to non-controlling interests		**1**	1	1	0	0	3	2
Net profit / (loss) attributable to shareholders		**846**	1,009	2,083	(16)	(59)	2,568	5,285

Statement of comprehensive income

	For the quarter ended			Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Comprehensive income attributable to shareholders					
Net profit / (loss)	**846**	1,009	2,083	2,568	5,285
Other comprehensive income that may be reclassified to the income statement					
Foreign currency translation					
Foreign currency translation movements, before tax	**(172)**	311	837	(814)	(744)
Foreign exchange amounts reclassified to the income statement from equity	**4**	26	27	153	25
Income tax relating to foreign currency translation movements	**107**	(2)	(5)	110	2
Subtotal foreign currency translation, net of tax	**(61)**	335	859	(552)	(718)
Financial assets available for sale					
Net unrealized gains / (losses) on financial assets available for sale, before tax	**6**	116	136	375	254
Impairment charges reclassified to the income statement from equity	**1**	3	0	4	0
Realized gains reclassified to the income statement from equity	**(18)**	(166)	(67)	(273)	(274)
Realized losses reclassified to the income statement from equity	**0**	5	9	19	32
Income tax relating to net unrealized gains / (losses) on financial assets available for sale	**(9)**	3	(17)	(53)	(18)
Subtotal financial assets available for sale, net of tax	**(21)**	(39)	62	72	(5)
Cash flow hedges					
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	**(175)**	502	867	1,270	711
Net (gains) / losses reclassified to the income statement from equity	**(235)**	(274)	(327)	(812)	(837)
Income tax relating to cash flow hedges	**84**	(47)	(109)	(90)	27
Subtotal cash flow hedges, net of tax	**(326)**	181	430	367	(100)
Total other comprehensive income that may be reclassified to the income statement, net of tax	**(408)**	476	1,351	(113)	(823)
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit plans					
Gains / (losses) on defined benefit plans, before tax	**(186)**	(198)	(35)	(575)	119
Income tax relating to defined benefit plans	**(23)**	(4)	(2)	(16)	(18)
Subtotal defined benefit plans, net of tax	**(209)**	(202)	(37)	(590)	101
Own credit on financial liabilities designated at fair value					
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	**(30)**	(173)	0	(135)	0
Income tax relating to own credit on financial liabilities designated at fair value	**4**	16	0	5	0
Subtotal own credit on financial liabilities designated at fair value, net of tax	**(25)**	(157)	0	(130)	0
Total other comprehensive income that will not be reclassified to the income statement, net of tax	**(235)**	(359)	(37)	(720)	101
Total other comprehensive income	**(643)**	118	1,314	(833)	(721)
Total comprehensive income attributable to shareholders	**203**	1,127	3,397	1,735	4,563

Statement of comprehensive income (continued)

CHF million	For the quarter ended 30.9.16	30.6.16	30.9.15	Year-to-date 30.9.16	30.9.15
Comprehensive income attributable to preferred noteholders					
Net profit / (loss)	**0**	78	1	78	77
Other comprehensive income that will not be reclassified to the income statement					
Foreign currency translation movements, before tax	**4**	328	79	283	(94)
Income tax relating to foreign currency translation movements	**0**	0	0	0	0
Subtotal foreign currency translation, net of tax	**4**	328	79	283	(94)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	**4**	328	79	283	(94)
Total comprehensive income attributable to preferred noteholders	**4**	406	80	361	(17)
Comprehensive income attributable to non-controlling interests					
Net profit / (loss)	**1**	1	1	3	2
Other comprehensive income that will not be reclassified to the income statement					
Foreign currency translation movements, before tax	**1**	0	0	1	(4)
Income tax relating to foreign currency translation movements	**0**	0	0	0	0
Subtotal foreign currency translation, net of tax	**1**	0	0	1	(4)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	**1**	0	0	1	(4)
Total comprehensive income attributable to non-controlling interests	**3**	1	1	4	(2)
Total comprehensive income					
Net profit / (loss)	**847**	1,088	2,085	2,649	5,364
Other comprehensive income	**(638)**	446	1,393	(549)	(819)
of which: other comprehensive income that may be reclassified to the income statement	***(408)***	*476*	*1,351*	*(113)*	*(823)*
of which: other comprehensive income that will not be reclassified to the income statement	***(229)***	*(30)*	*42*	*(437)*	*3*
Total comprehensive income	**210**	1,535	3,478	2,100	4,544

Balance sheet

					% change from	
CHF million	Note	**30.9.16**	30.6.16	31.12.15	30.6.16	31.12.15
Assets						
Cash and balances with central banks		**94,680**	94,246	91,306	0	4
Due from banks		**15,031**	12,870	11,866	17	27
Loans		**305,837**	307,860	312,723	(1)	(2)
Cash collateral on securities borrowed		**18,277**	29,367	25,584	(38)	(29)
Reverse repurchase agreements		**69,999**	73,289	67,893	(4)	3
Trading portfolio assets	9	**105,493**	101,364	124,047	4	(15)
of which: assets pledged as collateral which may be sold or repledged by counterparties		***33,441***	*30,778*	*51,943*	*9*	*(36)*
Positive replacement values	9, 10	**154,383**	198,441	167,435	(22)	(8)
Cash collateral receivables on derivative instruments	10	**24,644**	29,955	23,763	(18)	4
Financial assets designated at fair value	9	**69,512**	63,922	5,808	9	
Financial assets available for sale	9	**13,554**	18,211	62,543	(26)	(78)
Financial assets held to maturity		**7,005**	4,798		46	
Investments in associates		**947**	950	954	0	(1)
Property, equipment and software		**8,081**	7,941	7,683	2	5
Goodwill and intangible assets		**6,345**	6,402	6,568	(1)	(3)
Deferred tax assets		**12,392**	12,150	12,833	2	(3)
Other assets	11	**29,503**	28,368	22,249	4	33
Total assets		**935,683**	990,135	943,256	(5)	(1)

Balance sheet (continued)

CHF million	Note	30.9.16	30.6.16	31.12.15	% change from 30.6.16	% change from 31.12.15
Liabilities						
Due to banks		**11,227**	15,259	11,836	(26)	(5)
Due to customers		**437,074**	429,555	402,522	2	9
Cash collateral on securities lent		**3,726**	6,301	8,029	(41)	(54)
Repurchase agreements		**9,342**	8,043	9,653	16	(3)
Trading portfolio liabilities	9	**32,069**	29,614	29,137	8	10
Negative replacement values	9, 10	**151,031**	196,006	162,430	(23)	(7)
Cash collateral payables on derivative instruments	10	**33,641**	36,352	38,282	(7)	(12)
Financial liabilities designated at fair value	9, 12	**54,229**	59,664	62,995	(9)	(14)
Debt issued	13	**83,462**	85,931	82,359	(3)	1
Provisions	14	**3,950**	3,653	4,163	8	(5)
Other liabilities	11	**61,683**	65,719	74,606	(6)	(17)
Total liabilities		**881,433**	936,096	886,013	(6)	(1)
Equity						
Share capital		**386**	386	386	0	0
Share premium		**29,485**	29,483	29,477	0	0
Retained earnings		**27,846**	27,235	29,433	2	(5)
Other comprehensive income recognized directly in equity, net of tax		**(4,160)**	(3,752)	(4,047)	11	3
Equity attributable to shareholders		**53,556**	53,353	55,248	0	(3)
Equity attributable to preferred noteholders		**654**	649	1,954	1	(67)
Equity attributable to non-controlling interests		**40**	37	41	8	(2)
Total equity		**54,250**	54,039	57,243	0	(5)
Total liabilities and equity		**935,683**	990,135	943,256	(5)	(1)

Statement of changes in equity

CHF million	Share capital	Share premium	Treasury shares	Retained earnings
Balance as of 1 January 2015	**384**	**32,057**	**(37)**	**22,902**
Issuance of share capital	1			
Acquisition of treasury shares			(292)	
Disposal of treasury shares			328	
Treasury share gains / (losses) and net premium / (discount) on own equity derivative activity		41		
Premium on shares issued and warrants exercised		290		
Employee share and share option plans		(8)		
Tax (expense) / benefit recognized in share premium		15		
Dividends		(2,914)[2]		(8)
Preferred notes				
Total comprehensive income for the period				5,386
of which: net profit / (loss)				*5,285*
of which: other comprehensive income that may be reclassified to the income statement, net of tax				
of which: other comprehensive income that will not be reclassified to the income statement, net of tax – defined benefit plans				*101*
of which: other comprehensive income that will not be reclassified to the income statement, net of tax – foreign currency translation				
Balance as of 30 September 2015	**386**	**29,481**	**0**	**28,281**
Balance as of 1 January 2016	**386**	**29,477**	**0**	**29,433**
Issuance of share capital				
Premium on shares issued and warrants exercised		4		
Employee share and share option plans		(2)		
Tax (expense) / benefit recognized in share premium		7		
Dividends				(3,434)[2]
Preferred notes				
New consolidations / (deconsolidations) and other increases / (decreases)		(2)		(1)
Total comprehensive income for the period				1,848
of which: net profit / (loss)				*2,568*
of which: other comprehensive income that may be reclassified to the income statement, net of tax				
of which: other comprehensive income that will not be reclassified to the income statement, net of tax – defined benefit plans				*(590)*
of which: other comprehensive income that will not be reclassified to the income statement, net of tax – own credit				*(130)*
of which: other comprehensive income that will not be reclassified to the income statement, net of tax – foreign currency translation				
Balance as of 30 September 2016	**386**	**29,485**	**0**	**27,846**

1 Excludes defined benefit plans and own credit that are recorded directly in Retained earnings. 2 Reflects the payment of an ordinary cash dividend of CHF 0.89 out of retained earnings (2015: CHF 0.50 out of the capital contribution reserve).

	Other comprehensive income recognized directly in equity, net of tax[1]	*of which: foreign currency translation*	*of which: financial assets available for sale*	*of which: cash flow hedges*	Total equity attributable to shareholders	Preferred noteholders	Non-controlling interests	Total equity
	(3,199)	*(5,591)*	*236*	*2,156*	**52,108**	**2,013**	**45**	**54,165**
					1			1
					(292)			(292)
					328			328
					41			41
					290			290
					(8)			(8)
					15			15
					(2,922)	(77)	(5)	(3,004)
					0			0
	(823)	*(718)*	*(5)*	*(100)*	4,563	(17)	(2)	4,544
					5,285	*77*	*2*	*5,364*
	(823)	*(718)*	*(5)*	*(100)*	*(823)*			*(823)*
					101			*101*
					0	*(94)*	*(4)*	*(98)*
	(4,022)	*(6,309)*	*230*	*2,056*	**54,126**	**1,919**	**38**	**56,083**
	(4,047)	(5,857)	172	1,638	55,248	1,954	41	57,243
					0			0
					4			4
					(2)			(2)
					7			7
					(3,434)	(78)	(5)	(3,517)
					0	(1,584)		(1,584)
					(2)		0	(2)
	(113)	(552)	72	367	1,735	361	4	2,100
					2,568	78	3	2,649
	(113)	(552)	72	367	(113)			(113)
					(590)			(590)
					(130)			(130)
					0	283	1	284
	(4,160)	(6,409)	243	2,005	53,556	654	40	54,250

Statement of cash flows

	Year-to-date	
CHF million	**30.9.16**	30.9.15
Cash flow from / (used in) operating activities		
Net profit / (loss)	**2,649**	5,364
Non-cash items included in net profit and other adjustments:		
Depreciation and impairment of property, equipment and software	**727**	659
Amortization and impairment of intangible assets	**70**	84
Credit loss expense / (recovery)	**13**	58
Share of net profits of associates	**(89)**	(159)
Deferred tax expense / (benefit)	**88**	(804)
Net loss / (gain) from investing activities	**(783)**	(719)
Net loss / (gain) from financing activities	**7,721**	(4,522)
Other net adjustments	**(82)**	4,905
Net change in operating assets and liabilities:		
Due from / to banks	**(475)**	818
Cash collateral on securities borrowed and reverse repurchase agreements	**(80)**	(12,781)
Cash collateral on securities lent and repurchase agreements	**(2,886)**	4,395
Trading portfolio and replacement values	**9,746**	8,793
Financial assets designated at fair value	**(65,541)**	(555)
Cash collateral on derivative instruments	**(3,996)**	2,559
Loans	**2,060**	(3,842)
Due to customers	**25,849**	(14,154)
Other assets, provisions and other liabilities	**(10,533)**	7,868
Income taxes paid, net of refunds	**(421)**	(293)
Net cash flow from / (used in) operating activities	**(35,963)**	(2,325)
Cash flow from / (used in) investing activities		
Purchase of subsidiaries, associates and intangible assets	**(25)**	(38)
Disposal of subsidiaries, associates and intangible assets[1]	**92**	205
Purchase of property, equipment and software	**(1,359)**	(1,284)
Disposal of property, equipment and software	**193**	520
Purchase of financial assets available for sale	**(10,581)**	(80,015)
Disposal and redemption of financial assets available for sale	**58,935**	71,689
Net (purchase) / redemption of financial assets held to maturity	**(7,077)**	
Net cash flow from / (used in) investing activities	**40,179**	(8,924)

Table continues on the next page.

Statement of cash flows (continued)

Table continued from previous page.

	Year-to-date	
CHF million	**30.9.16**	30.9.15
Cash flow from / (used in) financing activities		
Net short-term debt issued / (repaid)	**11,127**	(546)
Distributions paid on UBS shares	**(3,434)**	(2,626)
Issuance of long-term debt, including financial liabilities designated at fair value	**28,481**	43,013
Repayment of long-term debt, including financial liabilities designated at fair value	**(30,460)**	(32,543)
Dividends paid and repayments of preferred notes	**(1,366)**	(78)
Net changes in non-controlling interests	**(5)**	(5)
Net cash flow from / (used in) financing activities	**4,344**	7,215
Effects of exchange rate differences on cash and cash equivalents	**(1,528)**	(3,144)
Net increase / (decrease) in cash and cash equivalents	**7,031**	(7,178)
Cash and cash equivalents at the beginning of the period	**102,962**	116,715
Cash and cash equivalents at the end of the period	**109,993**	109,537
Cash and cash equivalents comprise:		
Cash and balances with central banks	**94,617**	96,535
Due from banks	**13,986**	11,660
Money market paper[2]	**1,391**	1,342
Total[3]	**109,993**	109,537
Additional information		
Net cash flow from / (used in) operating activities include:		
Cash received as interest	**8,953**	8,175
Cash paid as interest	**4,619**	4,023
Cash received as dividends on equity investments, investment funds and associates[4]	**1,323**	1,674

1 Includes dividends received from associates. 2 Money market paper is included in the balance sheet under Trading portfolio assets, Financial assets available for sale and Financial assets designated at fair value. 3 Comprises balances with an original maturity of three months or less. CHF 3,932 million and CHF 3,961 million of cash and cash equivalents (mainly reflected in Due from banks) were restricted as of 30 September 2016 and 30 September 2015, respectively. Refer to Note 25 in the "Consolidated financial statements" of the Annual Report 2015 for more information. 4 Includes dividends received from associates reported within cash flow from / (used in) investing activities.

Notes to the UBS AG interim consolidated financial statements (unaudited)

Note 1 Basis of accounting

The consolidated financial statements (the Financial Statements) of UBS AG and its subsidiaries (together referred to as "UBS AG" in these financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and are stated in Swiss francs (CHF), the currency of Switzerland where UBS AG is incorporated. UBS AG is 100% held by UBS Group AG. These interim Financial Statements are prepared in accordance with IAS 34, *Interim Financial Reporting.*

In preparing these interim Financial Statements, the same accounting policies and methods of computation have been applied as in the UBS AG consolidated annual Financial Statements for the period ended 31 December 2015, except for the changes described below and in "Note 1 Basis of accounting" in the "Consolidated financial statements" section of the first and second quarter 2016 reports. These interim Financial Statements are unaudited and should be read in conjunction with UBS AG's audited consolidated Financial Statements included in the Annual Report 2015. In the opinion of management, all necessary adjustments were made for a fair presentation of UBS AG's financial position, results of operations and cash flows.

Preparation of these interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities. These estimates and assumptions are based on the best available information. Actual results in the future could differ from such estimates and such differences may be material to the Financial Statements. Revisions to estimates, based on regular reviews, are recognized in the period in which they occur. For more information on areas of estimation uncertainty considered to require critical judgment, refer to item 2 of "Note 1a Significant accounting policies" in the "Consolidated financial statements" section of the Annual Report 2015.

Transfer of the Risk Exposure Management function from Corporate Center – Non-core and Legacy Portfolio to Corporate Center – Group ALM

Consistent with changes in the manner in which operating segment performance is assessed, beginning in the third quarter of 2016, UBS AG transferred the Risk Exposure Management (REM) function from Corporate Center – Non-core and Legacy Portfolio to Corporate Center – Group ALM to further harmonize REM risk management responsibility with the reporting structure and align it more closely with other activities performed by Group ALM. REM primarily performs risk management over credit, debit and funding valuation adjustments for UBS AG's over-the-counter derivatives portfolio. Prior-period segment profit and loss information was restated to reflect this transfer, which had no impact at the UBS AG consolidated level. In Note 2, gross revenues from REM activities are now presented in Corporate Center – Group ALM within Net interest income and Non-interest income. Revenue allocations from REM to business divisions and other Corporate Center units are presented within Allocations from Corporate Center – Group ALM to business divisions and other Corporate Center units. There was no effect on operating profit before tax for any segment for any period from this restatement. Prior-period information for balance sheet assets has not been restated, as the effect would not have been material.

Offsetting financial assets and financial liabilities

Beginning this quarter, UBS AG will no longer include the "Offsetting financial assets and financial liabilities" Note in its quarterly reporting. The note will continue to be included in its Annual Report as required by IFRS 7, Financial Instruments: Disclosures. Information describing the further netting potential of derivatives and related collateral not recognized on the IFRS balance sheet is now included in "Note 10 Derivative instruments".

Note 2 Segment reporting

UBS AG's businesses are organized globally into five business divisions: Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank, supported by Corporate Center. The five business divisions qualify as reportable segments for the purpose of segment reporting and, together with Corporate Center and its units, reflect the management structure of UBS AG. Refer to "Note 1a item 34 Segment reporting" and "Note 2 Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2015 and to Note 1 of this report for more information on UBS AG's reporting segments.

Note 2 Segment reporting (continued)

CHF million	Wealth Management	Wealth Management Americas	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center			UBS AG
						Services	Group ALM	Non-core and Legacy Portfolio	
For the nine months ended 30 September 2016									
Net interest income	1,439	986	1,421	(25)	597	(242)	466	(10)	4,633
Non-interest income	3,773	4,652	1,359	1,450	5,262	161	(84)	109	16,684
Allocations from CC – Group ALM to business divisions and other CC units	302	70	261	6	(182)	37	(414)	(80)	0
Income	5,514	5,709	3,042	1,432	5,676	(44)	(32)	20	21,317
Credit loss (expense) / recovery	(4)	(2)	2	0	(6)	0	0	(3)	(13)
Total operating income	5,510	5,706	3,043	1,432	5,670	(44)	(32)	17	21,303
Personnel expenses	1,806	3,572	636	563	2,339	2,770	23	50	11,759
General and administrative expenses	404	428	186	172	574	3,105	10	544	5,423
Services (to) / from Corporate Center and other business divisions	1,727	923	825	386	2,072	(6,110)	(33)	210	0
of which: services from CC – Services	*1,664*	*913*	*902*	*404*	*2,009*	*(6,139)*	*80*	*167*	*0*
Depreciation and impairment of property, equipment and software	2	1	11	1	18	693	0	0	727
Amortization and impairment of intangible assets	3	39	0	3	9	16	0	0	70
Total operating expenses[1]	3,942	4,964	1,657	1,125	5,013	475	(1)	805	17,979
Operating profit / (loss) before tax	**1,568**	**742**	**1,386**	**307**	**658**	**(519)**	**(32)**	**(787)**	**3,324**
Tax expense / (benefit)									675
Net profit / (loss)									**2,649**
As of 30 September 2016									
Total assets	**118,193**	**62,217**	**139,351**	**11,914**	**237,878**	**24,225**	**258,356**	**83,549**	**935,683**
For the nine months ended 30 September 2015[2]									
Net interest income	1,351	768	1,415	(26)	1,142	(245)	553	15	4,973
Non-interest income	4,582	4,654	1,262	1,502	6,117	423	432	(56)	18,918
Allocations from CC – Group ALM to business divisions and other CC units	353	77	310	13	(141)	123	(653)	(81)	0
Income	6,286	5,499	2,987	1,489	7,118	301	333	(122)	23,891
Credit loss (expense) / recovery	(1)	(3)	(26)	0	(18)	0	0	(10)	(58)
Total operating income	6,285	5,496	2,961	1,489	7,100	301	333	(132)	23,834
Personnel expenses	1,923	3,387	662	531	2,647	2,863	23	97	12,131
General and administrative expenses	386	492	193	167	567	3,301	13	662	5,781
Services (to) / from Corporate Center and other business divisions	1,636	893	803	371	2,077	(6,025)	(38)	281	0
of which: services from CC – Services	*1,582*	*882*	*882*	*384*	*2,016*	*(6,051)*	*72*	*232*	*0*
Depreciation and impairment of property and equipment	4	2	13	2	19	619	0	0	659
Amortization and impairment of intangible assets	3	37	0	7	21	16	0	0	84
Total operating expenses[1]	3,951	4,811	1,671	1,077	5,331	774	(2)	1,040	18,655
Operating profit / (loss) before tax	**2,334**	**684**	**1,290**	**412**	**1,769**	**(473)**	**335**	**(1,172)**	**5,179**
Tax expense / (benefit)									(185)
Net profit / (loss)									**5,364**
As of 31 December 2015									
Total assets	**119,850**	**60,993**	**141,174**	**12,874**	**253,571**	**22,866**	**237,560**	**94,369**	**943,256**

1 Refer to Note 16 for information on restructuring expenses. 2 Figures in this table may differ from those originally published in quarterly and annual reports due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period.

Note 3 Net interest and trading income

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Net interest and trading income							
Net interest income	**1,767**	1,157	1,844	53	(4)	4,633	4,973
Net trading income	**1,099**	1,891	1,062	(42)	3	4,001	4,802
Total net interest and trading income	**2,866**	3,048	2,906	(6)	(1)	8,633	9,776
Wealth Management	**722**	736	743	(2)	(3)	2,207	2,261
Wealth Management Americas	**454**	446	386	2	18	1,339	1,118
Personal & Corporate Banking	**620**	643	632	(4)	(2)	1,907	1,947
Asset Management	**(14)**	(1)	4			(24)	(3)
Investment Bank	**1,059**	1,169	1,325	(9)	(20)	3,248	4,384
of which: Corporate Client Solutions	***190***	*251*	*361*	*(24)*	*(47)*	*562*	*847*
of which: Investor Client Services	***869***	*918*	*965*	*(5)*	*(10)*	*2,687*	*3,537*
Corporate Center	**25**	55	(185)	(55)		(45)	69
of which: Services	***(29)***	*(13)*	*4*	*123*		*(52)*	*27*
of which: Group ALM	***44***	*53*	*(77)*	*(17)*		*24*	*273*
of which: own credit on financial liabilities designated at fair value			*32*				*518*
of which: Non-core and Legacy Portfolio	***10***	*16*	*(112)*	*(38)*		*(17)*	*(230)*
Total net interest and trading income	**2,866**	3,048	2,906	(6)	(1)	8,633	9,776
Net interest income							
Interest income							
Interest income from loans and deposits[1]	**2,355**	2,345	2,145	0	10	7,028	6,386
Interest income from securities financing transactions[2]	**286**	284	169	1	69	822	576
Interest income from trading portfolio[3]	**517**	781	766	(34)	(33)	1,986	2,426
Interest income from financial assets and liabilities designated at fair value	**89**	76	49	17	82	238	140
Interest income from financial assets available for sale and held to maturity[3]	**57**	63	106	(10)	(46)	184	290
Total	**3,305**	3,548	3,235	(7)	2	10,258	9,818
Interest expense							
Interest expense on loans and deposits[4]	**430**	415	180	4	139	1,166	521
Interest expense on securities financing transactions[5]	**306**	332	182	(8)	68	924	628
Interest expense on trading portfolio[6]	**137**	951	271	(86)	(49)	1,465	1,434
Interest expense on financial assets and liabilities designated at fair value	**202**	197	173	3	17	600	542
Interest expense on debt issued	**463**	495	585	(6)	(21)	1,471	1,719
Total	**1,538**	2,390	1,391	(36)	11	5,626	4,844
Net interest income	**1,767**	1,157	1,844	53	(4)	4,633	4,973
Net trading income							
Investment Bank Corporate Client Solutions	**30**	91	166	(67)	(82)	82	333
Investment Bank Investor Client Services	**635**	1,307	680	(51)	(7)	2,744	3,044
Other business divisions and Corporate Center	**434**	493	216	(12)	101	1,174	1,426
Net trading income	**1,099**	1,891	1,062	(42)	3	4,001	4,802
of which: net gains / (losses) from financial liabilities designated at fair value[7]	***(1,297)***	*(648)*	*4,607*	*100*		*(886)*	*4,866*

1 Consists of interest income from balances with central banks, amounts due from banks and loans, and negative interest on amounts due to banks and customers. 2 Includes interest income on securities borrowed and reverse repurchase agreements and negative interest, including fees, on securities lent and repurchase agreements. 3 Includes dividend income. 4 Consists of interest expense on amounts due to banks and customers, and negative interest on balances with central banks, amounts due from banks and loans. 5 Includes interest expense on securities lent and repurchase agreements and negative interest, including fees, on securities borrowed and reverse repurchase agreements. 6 Includes expense related to dividend payment obligations on trading liabilities. 7 Excludes fair value changes of hedges related to financial liabilities designated at fair value and foreign currency translation effects arising from translating foreign currency transactions into the respective functional currency, both of which are reported within net trading income.

Note 4 Net fee and commission income

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Underwriting fees	**232**	282	257	(18)	(10)	761	1,008
of which: equity underwriting fees	***124***	*137*	*145*	*(9)*	*(14)*	*374*	*641*
of which: debt underwriting fees	***109***	*145*	*111*	*(25)*	*(2)*	*387*	*367*
M&A and corporate finance fees	**162**	176	135	(8)	20	477	504
Brokerage fees	**843**	880	949	(4)	(11)	2,691	3,021
Investment fund fees	**774**	779	879	(1)	(12)	2,367	2,718
Portfolio management and advisory fees	**2,031**	1,968	1,988	3	2	5,965	5,879
Other	**456**	438	402	4	13	1,320	1,268
Total fee and commission income	**4,498**	4,523	4,610	(1)	(2)	13,582	14,398
Brokerage fees paid	**173**	192	224	(10)	(23)	562	666
Other	**251**	243	253	3	(1)	737	768
Total fee and commission expense	**423**	436	478	(3)	(12)	1,299	1,434
Net fee and commission income	**4,075**	4,087	4,132	0	(1)	12,283	12,964
of which: net brokerage fees	***671***	*687*	*725*	*(2)*	*(7)*	*2,129*	*2,355*

Note 5 Other income

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Associates and subsidiaries							
Net gains / (losses) from disposals of subsidiaries[1]	**(5)**	(49)	(23)	(90)	(78)	(177)	120
Net gains / (losses) from disposals of investments in associates	**0**	0	0			0	0
Share of net profits of associates	**49**	22	106	123	(54)	89	159
Total	**44**	(27)	83		(47)	(88)	279
Financial assets available for sale							
Net gains / (losses) from disposals	**18**	161	56	(89)	(68)	255	241
Impairment charges	**(1)**	(3)	0	(67)		(4)	0
Total	**17**	158	56	(89)	(70)	250	241
Net income from properties (excluding net gains / (losses) from disposals)[2]	**5**	7	7	(29)	(29)	19	20
Net gains / (losses) from disposals of properties held for sale	**1**	120	0	(99)		121	378
Net gains / (losses) from disposals of loans and receivables	**(3)**	0	0			(4)	26
Other	**50**	12	33	317	52	103	207
Total other income	**113**	270	180	(58)	(37)	401	1,152

1 Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to disposed foreign subsidiaries and branches. 2 Includes net rent received from third parties and net operating expenses.

Note 6 Personnel expenses

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Salaries and variable compensation	**2,391**	2,505	2,352	(5)	2	7,236	7,594
Wealth Management Americas: Financial advisor compensation[1]	**913**	911	886	0	3	2,733	2,635
Contractors	**103**	117	93	(12)	11	321	262
Social security	**210**	155	181	35	16	546	617
Pension and other post-employment benefit plans	**158**	150	179	5	(12)	507	591
Other personnel expenses	**133**	114	144	17	(8)	417	433
Total personnel expenses[2]	**3,907**	3,953	3,835	(1)	2	11,759	12,131

1 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment which are subject to vesting requirements. 2 Includes restructuring expenses. Refer to Note 16 for more information.

Note 7 General and administrative expenses

	For the quarter ended			% change from		Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	2Q16	3Q15	30.9.16	30.9.15
Occupancy	**225**	218	227	3	(1)	675	678
Rent and maintenance of IT and other equipment	**113**	125	129	(10)	(12)	379	376
Communication and market data services	**153**	157	156	(3)	(2)	476	458
Administration	**220**	203	173	8	27	623	491
Marketing and public relations	**101**	129	154	(22)	(34)	328	346
Travel and entertainment	**84**	111	102	(24)	(18)	311	327
Professional fees	**268**	322	340	(17)	(21)	866	950
Outsourcing of IT and other services	**374**	375	417	0	(10)	1,182	1,234
Provisions for litigation, regulatory and similar matters[1]	**419**	72	592	482	(29)	530	722
Other	**27**	15	20	80	35	55	198
Total general and administrative expenses[2]	**1,985**	1,727	2,311	15	(14)	5,423	5,781

1 Reflects the net increase in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 14 for more information. Also includes recoveries from third parties. 2 Includes restructuring expenses. Refer to Note 16 for more information.

Note 8 Income taxes

UBS AG recognized a net income tax expense of CHF 41 million for the third quarter of 2016, compared with a net income tax benefit of CHF 1,297 million for the third quarter of 2015.

The third quarter 2016 net income tax expense included a net upward revaluation of deferred tax assets of CHF 424 million. This net benefit reflected an increase in US deferred tax assets of CHF 681 million, partly offset by net write-downs of Swiss and UK deferred tax assets of CHF 170 million and CHF 87 million, respectively. The increase in US deferred tax assets of CHF 681 million was driven by an increase in profit forecast for Wealth Management Americas. The CHF 170 million write-down of Swiss deferred tax assets mainly reflected a reduction in the effective tax rate applicable to forecast Swiss taxable profits generated in the loss set-off period. The CHF 87 million decrease in UK deferred tax assets mainly reflected the impact of changes in UK law enacted in the quarter, which reduced the proportion of banks' annual taxable profits that can be offset by tax losses carried forward from 50% to 25% with effect from 1 April 2016 and reduced the UK corporate income tax rate from 18% to 17% with effect from 1 April 2020.

The net income tax expense in the quarter also included tax expenses of CHF 465 million in respect of taxable profits arising in 2016. This included current tax expenses of CHF 196 million and deferred tax expenses of CHF 269 million, the latter mainly representing amortization of prior-year Swiss tax loss and temporary difference deferred tax assets.

In the fourth quarter of 2016, we expect to recognize a further net upward revaluation of deferred tax assets, representing approximately 25% of the full-year revaluation based on profit forecasts beyond 2016.

During the second quarter of 2016, Her Majesty's Revenue and Customs indicated that they no longer accept that there was a transfer of UK tax losses carried forward from UBS AG London branch to UBS Limited in 2014, notwithstanding their prior confirmation to the contrary. To the extent that UBS Limited does not prevail in a dispute on the validity of the transfer of these UK tax losses carried forward, it would incur a further reduction in recognized deferred tax assets of approximately CHF 100 million as well as additional current tax expenses for prior periods.

Note 9 Fair value measurement

This Note provides fair value measurement information for both financial and non-financial instruments and should be read in conjunction with "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2015, which provides more information on valuation principles, valuation governance, valuation techniques, valuation adjustments, fair value hierarchy classification, valuation inputs, sensitivity of fair value measurements and methods applied to calculate fair values for financial instruments not measured at fair value.

a) Valuation adjustments

Day-1 reserves

The table below summarizes the changes in deferred day-1 profit or loss reserves during the respective period.

Deferred day-1 profit or loss related to financial instruments other than financial assets available for sale is released into *Net trading income* when pricing of equivalent products or the underlying parameters become observable or when the transaction is closed out.

Deferred day-1 profit or loss related to financial assets available for sale is released into *Other comprehensive income* when pricing of equivalent products or the underlying parameters become observable and is released into *Other income* when the assets are sold.

Deferred day-1 profit or loss

	For the quarter ended			Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Balance at the beginning of the period	**444**	474	425	421	480
Profit / (loss) deferred on new transactions	**67**	38	66	227	211
(Profit) / loss recognized in the income statement	**(105)**	(53)	(86)	(216)	(253)
(Profit) / loss recognized in other comprehensive income	**0**	(23)	0	(23)	0
Foreign currency translation	**(2)**	8	15	(7)	(17)
Balance at the end of the period	**403**	444	421	403	421

Note 9 Fair value measurement (continued)

b) Fair value measurements and classification within the fair value hierarchy

The fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value is summarized in the table below.

Determination of fair values from quoted market prices or valuation techniques[1]

	30.9.16				30.6.16				31.12.15			
CHF million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis												
Financial assets held for trading[2]	83,178	15,949	1,692	100,820	78,602	16,234	2,171	97,008	96,388	21,946	2,070	120,405
of which:												
Government bills / bonds	*14,978*	*1,839*	*0*	*16,817*	*14,693*	*1,412*	*0*	*16,105*	*12,911*	*3,277*	*5*	*16,193*
Corporate bonds and municipal bonds, including bonds issued by financial institutions	*105*	*7,044*	*669*	*7,817*	*101*	*6,541*	*842*	*7,484*	*232*	*8,108*	*698*	*9,038*
Loans	*0*	*1,941*	*620*	*2,562*	*0*	*3,073*	*888*	*3,961*	*0*	*1,769*	*816*	*2,585*
Investment fund units	*6,169*	*3,520*	*61*	*9,750*	*5,331*	*3,534*	*82*	*8,946*	*6,062*	*5,697*	*168*	*11,928*
Asset-backed securities	*0*	*484*	*197*	*681*	*0*	*721*	*27*	*748*	*0*	*958*	*201*	*1,159*
Equity instruments	*53,411*	*504*	*72*	*53,987*	*50,311*	*481*	*244*	*51,036*	*62,420*	*1,475*	*89*	*63,984*
Financial assets for unit-linked investment contracts	*8,515*	*619*	*73*	*9,207*	*8,167*	*472*	*88*	*8,728*	*14,764*	*663*	*93*	*15,519*
Positive replacement values	680	151,096	2,607	154,383	1,281	194,858	2,301	198,441	545	164,025	2,865	167,435
of which:												
Interest rate contracts	*2*	*77,619*	*328*	*77,949*	*2*	*90,151*	*13*	*90,165*	*1*	*74,443*	*88*	*74,531*
Credit derivative contracts	*0*	*3,343*	*1,143*	*4,486*	*0*	*3,761*	*946*	*4,707*	*0*	*5,384*	*1,272*	*6,656*
Foreign exchange contracts	*334*	*49,370*	*314*	*50,018*	*490*	*79,733*	*433*	*80,656*	*304*	*64,886*	*484*	*65,675*
Equity / index contracts	*3*	*18,177*	*813*	*18,993*	*0*	*17,895*	*898*	*18,794*	*2*	*15,938*	*996*	*16,936*
Commodity contracts	*0*	*2,538*	*9*	*2,548*	*0*	*3,227*	*11*	*3,238*	*0*	*3,363*	*25*	*3,388*
Financial assets designated at fair value	45,883	21,105	2,524	69,512	41,115	19,987	2,820	63,922	170	2,338	3,301	5,808
of which:												
Government bills / bonds	*44,323*	*4,163*	*0*	*48,486*	*40,924*	*5,638*	*0*	*46,563*	*4*	*0*	*0*	*4*
Corporate bonds and municipal bonds, including bonds issued by financial institutions	*1,385*	*14,802*	*0*	*16,187*	*25*	*12,223*	*0*	*12,248*	*0*	*0*	*0*	*0*
Loans (including structured loans)	*0*	*2,100*	*1,651*	*3,752*	*0*	*2,102*	*1,533*	*3,635*	*0*	*2,310*	*1,678*	*3,988*
Structured reverse repurchase and securities borrowing agreements	*0*	*40*	*675*	*715*	*0*	*23*	*1,153*	*1,177*	*0*	*40*	*1,510*	*1,550*
Other	*174*	*1*	*197*	*373*	*165*	*2*	*133*	*300*	*165*	*13*	*113*	*266*
Financial assets available for sale	3,974	8,989	591	13,554	4,193	13,439	579	18,211	34,204	27,653	686	62,543
of which:												
Government bills / bonds	*2,976*	*324*	*0*	*3,300*	*3,242*	*361*	*0*	*3,604*	*31,108*	*1,986*	*0*	*33,094*
Corporate bonds and municipal bonds, including bonds issued by financial institutions	*843*	*5,319*	*16*	*6,179*	*870*	*9,718*	*14*	*10,602*	*2,992*	*22,186*	*27*	*25,205*
Investment fund units	*0*	*32*	*120*	*152*	*0*	*30*	*123*	*153*	*0*	*64*	*139*	*202*
Asset-backed securities	*0*	*3,242*	*0*	*3,242*	*0*	*3,264*	*0*	*3,264*	*0*	*3,396*	*0*	*3,396*
Equity instruments	*149*	*72*	*442*	*664*	*80*	*67*	*440*	*587*	*103*	*21*	*517*	*641*
Non-financial assets												
Precious metals and other physical commodities	4,708	0	0	4,708	4,391	0	0	4,391	3,670	0	0	3,670
Assets measured at fair value on a non-recurring basis												
Other assets[3]	5,368	133	66	5,567	5,304	135	67	5,506	266	69	78	413
Total assets measured at fair value	143,790	197,275	7,481	348,546	134,886	244,656	7,938	387,481	135,242	216,037	9,001	360,280

Note 9 Fair value measurement (continued)

Determination of fair values from quoted market prices or valuation techniques[1] (continued)

	30.9.16				30.6.16				31.12.15			
CHF million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value on a recurring basis												
Trading portfolio liabilities	28,024	3,917	128	32,069	25,745	3,739	130	29,614	25,476	3,504	158	29,137
of which:												
Government bills/bonds	9,916	773	0	10,689	6,838	721	0	7,560	5,997	845	0	6,842
Corporate bonds and municipal bonds, including bonds issued by financial institutions	24	2,756	55	2,836	21	2,701	89	2,811	12	2,370	90	2,471
Investment fund units	552	0	1	553	356	87	0	443	666	52	20	738
Equity instruments	17,533	429	72	18,033	18,530	187	76	18,793	18,802	235	47	19,084
Negative replacement values	749	146,355	3,927	151,031	1,296	190,725	3,984	196,006	640	158,494	3,296	162,430
of which:												
Interest rate contracts	1	70,754	679	71,435	2	81,598	630	82,230	2	67,225	326	67,553
Credit derivative contracts	0	3,862	1,577	5,439	0	3,927	1,613	5,540	0	5,350	1,303	6,653
Foreign exchange contracts	349	48,198	174	48,721	476	80,383	180	81,039	286	62,965	233	63,484
Equity/index contracts	29	21,064	1,496	22,590	0	21,716	1,559	23,276	1	19,722	1,433	21,156
Commodity contracts	0	2,428	1	2,429	0	3,052	2	3,053	0	3,222	0	3,222
Financial liabilities designated at fair value	2	43,688	10,538	54,229	2	48,032	11,630	59,664	1	52,321	10,673	62,995
of which:												
Non-structured fixed-rate bonds	0	912	2,503	3,415	0	937	3,259	4,196	0	1,453	2,645	4,098
Structured debt instruments issued	0	38,848	7,054	45,903	0	42,518	6,824	49,342	0	45,744	6,692	52,436
Structured over-the-counter debt instruments	2	3,742	692	4,436	2	4,336	917	5,254	2	4,719	773	5,493
Structured repurchase agreements	0	155	282	437	0	180	619	799	0	293	556	849
Loan commitments and guarantees	0	30	8	38	0	61	12	73	0	113	7	119
Other liabilities – amounts due under unit-linked investment contracts	0	9,364	0	9,364	0	8,973	0	8,973	0	15,718	0	15,718
Liabilities measured at fair value on a non-recurring basis												
Other liabilities[3]	0	5,425	0	5,425	0	5,334	0	5,334	0	235	0	235
Total liabilities measured at fair value	28,775	208,748	14,594	252,117	27,043	256,804	15,744	299,591	26,117	230,272	14,127	270,515

1 Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are excluded from this table. As of 30 September 2016, net bifurcated embedded derivative assets held at fair value totaling CHF 61 million (of which CHF 142 million were net Level 2 assets and CHF 81 million net Level 2 liabilities) were recognized on the balance sheet within Due to customers and Debt issued. As of 30 June 2016, net bifurcated embedded derivative assets held at fair value totaling CHF 112 million (of which CHF 187 million were net Level 2 assets and CHF 75 million net Level 2 liabilities) were recognized on the balance sheet within Due to customers and Debt issued. As of 31 December 2015, net bifurcated embedded derivative liabilities held at fair value totaling CHF 130 million (of which CHF 106 million were net Level 2 assets and CHF 236 million net Level 2 liabilities) were recognized on the balance sheet within Debt issued. 2 Financial assets held for trading do not include precious metals and other physical commodities. 3 Other assets and other liabilities primarily consist of assets held for sale as well as assets and liabilities of a disposal group held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell. Refer to Note 16 for more information on the disposal group held for sale.

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which the instrument is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – valuation techniques for which all significant inputs are, or are based on, observable market data or
- Level 3 – valuation techniques for which significant inputs are not based on observable market data.

c) Transfers between Level 1 and Level 2 in the fair value hierarchy

The amounts disclosed reflect transfers between Level 1 and Level 2 for instruments which were held for the entire reporting period.

Assets totaling approximately CHF 0.6 billion, which were mainly comprised of financial assets available for sale, primarily government bills/bonds, and financial assets held for trading, mainly corporate and municipal bonds as well as equity instruments, and liabilities totaling approximately CHF 0.2 billion were transferred from Level 2 to Level 1 during the first nine months of 2016, generally due to increased levels of trading activity observed within the market.

Assets totaling approximately CHF 0.4 billion, which were mainly comprised of financial assets held for trading, primarily equity instruments, and financial assets available for sale, mainly corporate and municipal bonds, and liabilities totaling approximately CHF 0.1 billion were transferred from Level 1 to Level 2 during the first nine months of 2016, generally due to diminished levels of trading activity observed within the market.

d) Movements of Level 3 instruments

Significant changes in Level 3 instruments

The table on the following pages presents additional information about Level 3 assets and liabilities measured at fair value on a recurring basis. Level 3 assets and liabilities may be hedged with instruments classified as Level 1 or Level 2 in the fair value hierarchy and, as a result, realized and unrealized gains and losses included in the table may not include the effect of related hedging activity. Furthermore, the realized and unrealized gains and losses presented within the table are not limited solely to those arising from Level 3 inputs, as valuations are generally derived from both observable and unobservable parameters.

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

Assets transferred into and out of Level 3 totaled CHF 1.8 billion and CHF 0.6 billion, respectively. Transfers into Level 3 were primarily comprised of interest rate derivative contracts and structured loans, due to decreased observability of the respective rates volatility and credit spread inputs. Transfers out of Level 3 were primarily comprised of loans and equity/index derivative contracts, reflecting increased observability of the respective credit spread and equity volatility inputs.

Liabilities transferred into and out of Level 3 totaled CHF 2.0 billion and CHF 2.8 billion, respectively. Transfers into Level 3 were primarily comprised of interest rate derivative contracts and equity-linked structured debt instruments issued, due to decreased observability of the respective rates volatility and equity volatility inputs used to determine the fair value of the options embedded in these structures. Transfers out of Level 3 were primarily comprised of equity-linked structured debt instruments issued and non-structured fixed-rate bonds resulting from changes in the availability of the observable equity volatility and rates volatility inputs used to determine the fair value of the options embedded in these structures.

Note 9 Fair value measurement (continued)

Movements of Level 3 instruments

CHF billion	Balance as of 31 December 2014	Total gains / losses included in comprehensive income: Net interest income, net trading income and other income	*of which: related to Level 3 instruments held at the end of the reporting period*	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 30 September 2015
Financial assets held for trading	**3.5**	**(0.6)**	***(0.1)***	**0.6**	**(5.1)**	**4.3**	**0.0**	**0.8**	**(0.7)**	**(0.2)**	**2.6**
of which:											
Corporate bonds and municipal bonds, including bonds issued by financial institutions	*1.4*	*0.0*	*0.0*	*0.4*	*(0.6)*	*0.0*	*0.0*	*0.1*	*(0.1)*	*(0.1)*	*1.1*
Loans	*1.1*	*(0.6)*	*(0.2)*	*0.0*	*(3.8)*	*4.3*	*0.0*	*0.2*	*(0.3)*	*0.0*	*0.8*
Asset-backed securities	*0.6*	*0.0*	*0.0*	*0.1*	*(0.5)*	*0.0*	*0.0*	*0.2*	*(0.1)*	*0.0*	*0.2*
Other	*0.5*	*0.1*	*0.1*	*0.1*	*(0.2)*	*0.0*	*0.0*	*0.3*	*(0.3)*	*0.0*	*0.5*
Financial assets designated at fair value	**3.5**	**(1.0)**	***(0.6)***	**0.0**	**0.0**	**1.3**	**(0.2)**	**0.3**	**(0.4)**	**(0.1)**	**3.3**
of which:											
Loans (including structured loans)	*1.0*	*(0.2)*	*(0.2)*	*0.0*	*0.0*	*1.2*	*(0.2)*	*0.3*	*(0.4)*	*0.0*	*1.7*
Structured reverse repurchase and securities borrowing agreements	*2.4*	*(0.8)*	*(0.3)*	*0.0*	*0.0*	*0.1*	*0.0*	*0.0*	*0.0*	*(0.1)*	*1.5*
Other	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*
Financial assets available for sale	**0.6**	**0.0**	***0.0***	**0.0**	**(0.1)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.6**
Positive replacement values	**4.4**	**(0.5)**	***(0.4)***	**0.0**	**0.0**	**1.6**	**(2.2)**	**0.6**	**(0.4)**	**(0.1)**	**3.5**
of which:											
Credit derivative contracts	*1.7*	*(0.4)*	*(0.2)*	*0.0*	*0.0*	*0.9*	*(1.1)*	*0.2*	*(0.1)*	*0.0*	*1.0*
Foreign exchange contracts	*0.6*	*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.6*
Equity / index contracts	*1.9*	*(0.1)*	*(0.2)*	*0.0*	*0.0*	*0.6*	*(0.9)*	*0.3*	*(0.2)*	*0.0*	*1.5*
Other	*0.3*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.2*	*0.0*	*0.0*	*0.4*
Negative replacement values	**5.0**	**(0.7)**	***(0.8)***	**0.0**	**0.0**	**0.7**	**(1.6)**	**0.5**	**(0.3)**	**(0.2)**	**3.4**
of which:											
Credit derivative contracts	*1.7*	*(0.3)*	*(0.2)*	*0.0*	*0.0*	*0.0*	*(0.7)*	*0.3*	*(0.1)*	*0.0*	*1.0*
Foreign exchange contracts	*0.3*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.3*
Equity / index contracts	*2.4*	*(0.4)*	*(0.5)*	*0.0*	*0.0*	*0.5*	*(0.8)*	*0.2*	*(0.2)*	*(0.1)*	*1.6*
Other	*0.6*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*(0.1)*	*0.5*
Financial liabilities designated at fair value	**11.9**	**(0.4)**	***(0.2)***	**0.0**	**0.0**	**5.6**	**(5.6)**	**1.1**	**(1.4)**	**(0.5)**	**10.7**
of which:											
Non-structured fixed-rate bonds	*2.2*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.8*	*(0.5)*	*0.0*	*0.0*	*0.0*	*2.3*
Structured debt instruments issued	*7.3*	*0.3*	*(0.1)*	*0.0*	*0.0*	*3.4*	*(3.7)*	*1.1*	*(1.4)*	*(0.3)*	*6.6*
Structured over-the-counter debt instruments	*1.5*	*0.1*	*0.1*	*0.0*	*0.0*	*0.8*	*(1.1)*	*0.0*	*0.0*	*(0.1)*	*1.2*
Structured repurchase agreements	*0.9*	*(0.6)*	*(0.1)*	*0.0*	*0.0*	*0.6*	*(0.3)*	*0.0*	*0.0*	*0.0*	*0.6*

1 Total Level 3 assets as of 30 September 2016 were CHF 7.5 billion (30 June 2016: CHF 7.9 billion; 31 December 2015: CHF 9.0 billion). Total Level 3 liabilities as of 30 September 2016 were CHF 14.6 billion (30 June 2016: CHF 15.7 billion; 31 December 2015: CHF 14.1 billion).

Balance as of 31 December 2015	Total gains / losses included in comprehensive income: Net interest income, net trading income and other income	Total gains / losses included in comprehensive income: *of which: related to Level 3 instruments held at the end of the reporting period*	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 30 September 2016[1]
2.1	**0.0**	***(0.1)***	**0.8**	**(4.2)**	**2.9**	**0.0**	**0.5**	**(0.3)**	**(0.1)**	**1.7**
0.7	*0.1*	*0.0*	*0.5*	*(0.6)*	*0.0*	*0.0*	*0.1*	*(0.1)*	*(0.1)*	*0.7*
0.8	*0.0*	*0.0*	*0.1*	*(3.0)*	*2.9*	*0.0*	*0.1*	*(0.2)*	*0.0*	*0.6*
0.2	*0.0*	*0.0*	*0.0*	*(0.1)*	*0.0*	*0.0*	*0.1*	*0.0*	*0.0*	*0.2*
0.4	*(0.1)*	*(0.1)*	*0.2*	*(0.5)*	*0.0*	*0.0*	*0.3*	*0.0*	*0.0*	*0.2*
3.3	**(0.1)**	***(0.1)***	**0.0**	**0.0**	**0.6**	**(1.5)**	**0.4**	**(0.1)**	**(0.1)**	**2.5**
1.7	*(0.2)*	*(0.2)*	*0.0*	*0.0*	*0.5*	*(0.6)*	*0.4*	*(0.1)*	*(0.1)*	*1.7*
1.5	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.9)*	*0.0*	*0.0*	*0.0*	*0.7*
0.1	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.2*
0.7	**0.0**	***0.0***	**0.1**	**(0.1)**	**0.0**	**0.0**	**0.0**	**(0.1)**	**0.0**	**0.6**
2.9	**(0.2)**	***(0.2)***	**0.0**	**0.0**	**0.7**	**(1.4)**	**0.9**	**(0.1)**	**(0.1)**	**2.6**
1.3	*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.3*	*(0.5)*	*0.2*	*0.0*	*(0.1)*	*1.1*
0.5	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.2)*	*0.0*	*0.0*	*0.0*	*0.3*
1.0	*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.3*	*(0.4)*	*0.2*	*(0.1)*	*0.0*	*0.8*
0.1	*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.1*	*(0.3)*	*0.4*	*0.0*	*0.0*	*0.3*
3.3	**0.8**	***0.8***	**0.0**	**0.0**	**0.7**	**(1.3)**	**0.9**	**(0.4)**	**0.1**	**3.9**
1.3	*0.7*	*0.7*	*0.0*	*0.0*	*0.0*	*(0.4)*	*0.1*	*(0.1)*	*0.0*	*1.6*
0.2	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*(0.1)*	*0.1*	*0.0*	*0.0*	*0.2*
1.4	*(0.1)*	*(0.2)*	*0.0*	*0.0*	*0.6*	*(0.4)*	*0.2*	*(0.2)*	*0.0*	*1.5*
0.3	*0.2*	*0.2*	*0.0*	*0.0*	*0.0*	*(0.3)*	*0.6*	*(0.2)*	*0.0*	*0.7*
10.7	**0.6**	***0.5***	**0.0**	**0.0**	**3.1**	**(2.5)**	**1.2**	**(2.3)**	**(0.2)**	**10.5**
2.6	*0.2*	*0.2*	*0.0*	*0.0*	*0.7*	*(0.1)*	*0.1*	*(0.9)*	*0.0*	*2.5*
6.7	*0.5*	*0.3*	*0.0*	*0.0*	*1.9*	*(1.5)*	*1.0*	*(1.4)*	*(0.2)*	*7.1*
0.8	*0.0*	*0.0*	*0.0*	*0.0*	*0.4*	*(0.5)*	*0.1*	*0.0*	*0.0*	*0.7*
0.6	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.4)*	*0.0*	*0.0*	*0.0*	*0.3*

Note 9 Fair value measurement (continued)

e) Valuation of assets and liabilities classified as Level 3

The table below presents assets and liabilities recognized at fair value and classified as Level 3, together with the valuation techniques used to measure fair value, the significant inputs used in the valuation technique that are considered unobservable and a range of values and respective weighted averages, where applicable, for those unobservable inputs.

The range of values represents the highest and lowest level input used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities. The ranges and weighted averages will vary from period to period and from parameter to parameter based on characteristics of the instruments held at each balance sheet date. Further, the ranges and weighted averages of unobservable inputs may differ across other financial institutions due to the diversity of the products in each firm's inventory.

The significant unobservable inputs disclosed in the table below are consistent with those included in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2015. A description of the potential effect that a change in each unobservable input in isolation may have on a fair value measurement, including information to facilitate an understanding of factors that give rise to the input ranges shown, is also provided in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2015.

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

	Fair value						Range of inputs						
	Assets		Liabilities				30.9.16			31.12.15			
CHF billion	30.9.16	31.12.15	30.9.16	31.12.15	Valuation technique(s)	Significant unobservable input(s)[1]	low	high	weighted average[2]	low	high	weighted average[2]	unit[1]
Financial assets held for trading / Trading portfolio liabilities, Financial assets / liabilities designated at fair value and Financial assets available for sale													
Corporate bonds and municipal bonds, including bonds issued by financial institutions	0.7	0.7	0.1	0.1	Relative value to market comparable	Bond price equivalent	0	130	92	0	134	94	points
Traded loans, loans designated at fair value, loan commitments and guarantees	2.5	2.6	0.0	0.0	Relative value to market comparable	Loan price equivalent	38	103	93	65	100	93	points
					Discounted expected cash flows	Credit spread	79	512		30	252		basis points
					Market comparable and securitization model	Discount margin / spread	0	17	3	1	14	2	%
Investment fund units[3]	0.2	0.3	0.0	0.0	Relative value to market comparable	Net asset value							
Asset-backed securities	0.2	0.2	0.0	0.0	Discounted cash flow projection	Constant prepayment rate	0	10	2	0	18	5	%
						Discount margin / spread	2	3	2	0	12	3	%
					Relative value to market comparable	Bond price equivalent	1	94	54	1	92	72	points
Equity instruments[3]	0.5	0.6	0.1	0.0	Relative value to market comparable	Price							
Structured (reverse) repurchase agreements	0.7	1.5	0.3	0.6	Discounted expected cash flows	Funding spread	15	195		18	183		basis points
Financial assets for unit-linked investment contracts[3]	0.1	0.1			Relative value to market comparable	Price							
Structured debt instruments and non-structured fixed-rate bonds[4]			10.2	10.1									

Note 9 Fair value measurement (continued)

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities (continued)

	Fair value						Range of inputs						
	Assets		Liabilities				30.9.16			31.12.15			
CHF billion	30.9.16	31.12.15	30.9.16	31.12.15	Valuation technique(s)	Significant unobservable input(s)[1]	low	high	weighted average[2]	low	high	weighted average[2]	unit[1]
Replacement values													
Interest rate contracts	***0.3***	*0.1*	***0.7***	*0.3*	Option model	Volatility of interest rates	37	142		16	130		%
						Rate-to-rate correlation	84	94		84	94		%
						Intra-curve correlation	36	94		36	94		%
					Discounted expected cash flows	Constant prepayment rate[5]				0	3		%
Credit derivative contracts	***1.1***	*1.3*	***1.6***	*1.3*	Discounted expected cash flow based on modeled defaults and recoveries	Credit spreads	0	732		1	1,163		basis points
						Upfront price points	25	25		8	25		%
						Recovery rates	0	55		0	95		%
						Credit index correlation	10	85		10	85		%
						Discount margin / spread	0	61		1	72		%
						Credit pair correlation	57	84		57	94		%
					Discounted cash flow projection on underlying bond	Constant prepayment rate	1	15		0	15		%
						Constant default rate	1	8		0	9		%
						Loss severity	28	100		0	100		%
						Discount margin / spread	1	121		1	15		%
						Bond price equivalent	3	104		0	104		points
Foreign exchange contracts	***0.3***	*0.5*	***0.2***	*0.2*	Option model	Rate-to-FX correlation	(57)	60		(57)	60		%
						FX-to-FX correlation	(70)	80		(70)	80		%
Equity / index contracts	***0.8***	*1.0*	***1.5***	*1.4*	Option model	Equity dividend yields	0	14		0	57		%
						Volatility of equity stocks, equity and other indices	0	190		0	143		%
						Equity-to-FX correlation	(40)	80		(44)	82		%
						Equity-to-equity correlation	15	98		3	99		%
Non-financial assets[3,6]	***0.1***	*0.1*			Relative value to market comparable	Price							
					Discounted cash flow projection	Projection of cost and income related to the particular property							
						Discount rate							
						Assessment of the particular property's condition							

1 The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). 2 Weighted averages are provided for non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to derivative contracts as this would not be meaningful. 3 The range of inputs is not disclosed due to the dispersion of possible values given the diverse nature of the investments. 4 Valuation techniques, significant unobservable inputs and the respective input ranges for structured debt instruments and non-structured fixed-rate bonds are the same as the equivalent derivative or structured financing instruments presented elsewhere in this table. 5 The range of inputs is not disclosed as of 30 September 2016 because this unobservable input parameter was not significant to the respective valuation technique as of that date. 6 Non-financial assets include other assets which primarily consist of assets held for sale.

Note 9 Fair value measurement (continued)

f) Sensitivity of fair value measurements to changes in unobservable input assumptions

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, and the estimated effect thereof.

The table shown presents the favorable and unfavorable effects for each class of financial assets and liabilities for which the potential change in fair value is considered significant. The sensitivity data presented represent an estimation of valuation uncertainty based on reasonably possible alternative values for Level 3 inputs at the balance sheet date and does not represent the estimated effect of stress scenarios. Typically, these financial assets and liabilities are sensitive to a combination of inputs from Levels 1–3. Although well-defined interdependencies may exist between Levels 1–2 and Level 3 parameters (e.g., between interest rates, which are generally Level 1 or Level 2, and prepayments, which are generally Level 3), these have not been incorporated in the table. Further, direct inter-relationships between the Level 3 parameters are not a significant element of the valuation uncertainty.

Sensitivity of fair value measurements to changes in unobservable input assumptions

	30.9.16		30.6.16		31.12.15	
CHF million	Favorable changes[1]	Unfavorable changes[1]	Favorable changes[1]	Unfavorable changes[1]	Favorable changes[1]	Unfavorable changes[1]
Corporate bonds and municipal bonds, including bonds issued by financial institutions	37	(31)	41	(36)	24	(25)
Traded loans, loans designated at fair value, loan commitments and guarantees	79	(8)	86	(14)	88	(28)
Equity instruments	70	(53)	81	(58)	166	(74)
Interest rate derivative contracts, net	29	(38)	49	(36)	107	(67)
Credit derivative contracts, net	122	(224)	160	(234)	174	(196)
Foreign exchange derivative contracts, net	17	(7)	18	(8)	33	(28)
Equity / index derivative contracts, net	70	(62)	65	(65)	61	(57)
Structured debt instruments issued and non-structured fixed-rate bonds	122	(116)	142	(145)	136	(146)
Other	29	(30)	15	(15)	20	(20)
Total	574	(570)	658	(611)	809	(640)

1 Of the total favorable changes, CHF 76 million as of 30 September 2016 (30 June 2016: CHF 84 million; 31 December 2015: CHF 164 million) related to financial assets available for sale. Of the total unfavorable changes, CHF 59 million as of 30 September 2016 (30 June 2016: CHF 62 million; 31 December 2015: CHF 71 million) related to financial assets available for sale.

Note 9 Fair value measurement (continued)

g) Financial instruments not measured at fair value

The table below reflects the estimated fair values of financial instruments not measured at fair value.

Financial instruments not measured at fair value

	30.9.16		30.6.16		31.12.15	
CHF billion	**Carrying value**	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Assets						
Cash and balances with central banks	**94.7**	**94.7**	94.2	94.2	91.3	91.3
Due from banks	**15.0**	**15.0**	12.9	12.9	11.9	11.9
Loans	**305.8**	**310.2**	307.9	312.8	312.7	314.9
Cash collateral on securities borrowed	**18.3**	**18.3**	29.4	29.4	25.6	25.6
Reverse repurchase agreements	**70.0**	**70.0**	73.3	73.3	67.9	67.9
Cash collateral receivables on derivative instruments	**24.6**	**24.6**	30.0	30.0	23.8	23.8
Financial assets held to maturity	**7.0**	**7.1**	4.8	4.9		
Other assets	**22.0**	**22.0**	21.2	21.2	20.1	20.1
Liabilities						
Due to banks	**11.2**	**11.2**	15.3	15.3	11.8	11.8
Due to customers	**437.1**	**437.8**	429.6	430.0	402.5	402.8
Cash collateral on securities lent	**3.7**	**3.7**	6.3	6.3	8.0	8.0
Repurchase agreements	**9.3**	**9.3**	8.0	8.0	9.7	9.7
Cash collateral payables on derivative instruments	**33.6**	**33.6**	36.4	36.4	38.3	38.3
Debt issued	**83.5**	**84.9**	86.0	87.2	82.2	84.4
Other liabilities	**40.5**	**40.5**	45.8	45.8	52.1	52.1
Guarantees / Loan commitments ((assets) / liabilities)						
Guarantees	**0.0**	**(0.1)**	0.0	(0.1)	0.0	(0.1)
Loan commitments	**0.0**	**0.0**	0.0	(0.3)	0.0	0.0

The fair values included in the table above were calculated for disclosure purposes only. The fair value valuation techniques and assumptions relate only to the fair value of UBS AG's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimation, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another.

Note 10 Derivative instruments[1]

As of 30.9.16, CHF billion	Positive replacement values	Notional values related to positive replacement values[1]	Negative replacement values	Notional values related to negative replacement values[1]	Other notional values[2]
Derivative instruments					
Interest rate contracts	**77.9**	**1,211**	**71.4**	**1,065**	**9,964**
Credit derivative contracts	**4.5**	**141**	**5.4**	**161**	
Foreign exchange contracts	**50.0**	**2,604**	**48.7**	**2,418**	**5**
Equity / index contracts	**19.0**	**265**	**22.6**	**336**	**48**
Commodity contracts	**2.5**	**36**	**2.4**	**34**	**9**
Unsettled purchases of non-derivative financial instruments[3]	**0.2**	**32**	**0.2**	**25**	
Unsettled sales of non-derivative financial instruments[3]	**0.2**	**28**	**0.2**	**25**	
Total derivative instruments, based on IFRS netting[4]	**154.4**	**4,318**	**151.0**	**4,064**	**10,026**
Further netting potential not recognized on the balance sheet[5]	**(138.3)**		**(129.8)**		
of which: netting of recognized financial liabilities / assets	***(112.5)***		***(112.5)***		
of which: netting with collateral received / pledged	***(25.8)***		***(17.3)***		
Total derivative instruments, after consideration of further netting potential	**16.1**		**21.2**		

As of 30.6.16, CHF billion	Positive replacement values	Notional values related to positive replacement values[1]	Negative replacement values	Notional values related to negative replacement values[1]	Other notional values[2]
Derivative instruments					
Interest rate contracts	90.2	1,269	82.2	1,148	9,965
Credit derivative contracts	4.7	148	5.5	159	
Foreign exchange contracts	80.7	2,701	81.0	2,545	5
Equity / index contracts	18.8	260	23.3	317	40
Commodity contracts	3.2	43	3.1	37	9
Unsettled purchases of non-derivative financial instruments[3]	0.7	48	0.2	16	
Unsettled sales of non-derivative financial instruments[3]	0.2	20	0.7	41	
Total derivative instruments, based on IFRS netting[4]	198.4	4,489	196.0	4,262	10,019
Further netting potential not recognized on the balance sheet[5]	(175.9)		(168.3)		
of which: netting of recognized financial liabilities / assets	*(147.3)*		*(147.3)*		
of which: netting with collateral received / pledged	*(28.6)*		*(21.0)*		
Total derivative instruments, after consideration of further netting potential	22.5		27.7		

As of 31.12.15, CHF billion	Positive replacement values	Notional values related to positive replacement values[1]	Negative replacement values	Notional values related to negative replacement values[1]	Other notional values[2]
Derivative instruments					
Interest rate contracts	74.5	1,493	67.6	1,399	8,771
Credit derivative contracts	6.7	162	6.7	170	
Foreign exchange contracts	65.7	2,658	63.5	2,487	8
Equity / index contracts	16.9	230	21.2	306	43
Commodity contracts	3.4	30	3.2	25	8
Unsettled purchases of non-derivative financial instruments[3]	0.1	10	0.2	17	
Unsettled sales of non-derivative financial instruments[3]	0.2	20	0.1	6	
Total derivative instruments, based on IFRS netting[4]	167.4	4,603	162.4	4,409	8,831
Further netting potential not recognized on the balance sheet[5]	(148.5)		(140.4)		
of which: netting of recognized financial liabilities / assets	*(123.0)*		*(123.0)*		
of which: netting with collateral received / pledged	*(25.5)*		*(17.4)*		
Total derivative instruments, after consideration of further netting potential	18.9		22.1		

1 In cases where replacement values are presented on a net basis on the balance sheet, the respective notional values of the netted replacement values are still presented on a gross basis. 2 Other notional values relate to derivatives which are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for all periods presented. 3 Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as replacement values. 4 Financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. 5 Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 26 Offsetting financial assets and liabilities" in the "Consolidated financial statements" section of the Annual Report 2015 for more information.

Note 10 Derivative instruments (continued)

CHF billion	Receivables 30.9.16	Payables 30.9.16	Receivables 30.6.16	Payables 30.6.16	Receivables 31.12.15	Payables 31.12.15
Cash collateral on derivative instruments, based on IFRS netting[1]	24.6	33.6	30.0	36.4	23.8	38.3
Further netting potential not recognized on the balance sheet[2]	(14.6)	(20.7)	(18.5)	(21.7)	(12.4)	(21.5)
of which: netting of recognized financial liabilities / assets	*(14.0)*	*(19.4)*	*(17.3)*	*(20.9)*	*(10.9)*	*(19.0)*
of which: netting with collateral received / pledged	*(0.6)*	*(1.3)*	*(1.2)*	*(0.8)*	*(1.5)*	*(2.5)*
Cash collateral on derivative instruments, after consideration of further netting potential	**10.1**	**12.9**	11.4	14.6	11.3	16.8

1 Financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. 2 Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 26 Offsetting financial assets and liabilities" in the "Consolidated financial statements" section of the Annual Report 2015 for more information.

Note 11 Other assets and liabilities

CHF million	30.9.16	30.6.16	31.12.15
Other assets			
Prime brokerage receivables[1]	11,983	11,695	11,341
Recruitment loans to financial advisors	3,092	3,161	3,184
Other loans to financial advisors	469	490	418
Bail deposit[2]	1,231	1,220	1,221
Accrued interest income	574	473	462
Accrued income – other	974	1,139	844
Prepaid expenses	1,105	1,041	1,032
Net defined benefit pension and post-employment assets	359	99	50
Settlement and clearing accounts	1,172	374	402
VAT and other tax receivables	249	292	397
Properties and other non-current assets held for sale	123	126	134
Assets of disposal group held for sale[3]	5,444	5,380	279
Other	2,728	2,878	2,485
Total other assets	**29,503**	28,368	22,249
Other liabilities			
Prime brokerage payables[1]	33,569	38,888	45,306
Amounts due under unit-linked investment contracts	9,364	8,973	15,718
Compensation-related liabilities	4,805	3,964	5,122
of which: accrued expenses	*1,906*	*1,460*	*2,827*
of which: other deferred compensation plans	*1,617*	*1,468*	*1,559*
of which: net defined benefit pension and post-employment liabilities	*1,282*	*1,036*	*736*
Third-party interest in consolidated investment funds	480	524	594
Settlement and clearing accounts	1,650	1,546	893
Current and deferred tax liabilities	978	1,011	810
VAT and other tax payables	436	441	446
Deferred income	199	243	210
Accrued interest expenses	1,308	1,032	1,438
Other accrued expenses	2,386	2,675	2,492
Liabilities of disposal group held for sale[3]	5,425	5,334	235
Other	1,084	1,088	1,343
Total other liabilities	**61,683**	65,719	74,606

1 Prime brokerage services include clearance, settlement, custody, financing and portfolio reporting services for corporate clients trading across multiple asset classes. Prime brokerage receivables are mainly comprised of margin lending receivables. Prime brokerage payables are mainly comprised of client securities financing and deposits. 2 Refer to item 1 in Note 14b for more information. 3 Refer to Note 16 for more information.

Note 12 Financial liabilities designated at fair value

CHF million	30.9.16	30.6.16	31.12.15
Non-structured fixed-rate bonds	3,415	4,196	4,098
of which: issued by UBS AG with original maturity greater than one year[1,2]	*2,839*	*3,622*	*3,542*
Structured debt instruments issued[3]	45,903	49,342	52,436
of which: issued by UBS AG with original maturity greater than one year[1,4]	*34,294*	*35,007*	*36,539*
Structured over-the-counter debt instruments	4,436	5,254	5,493
of which: issued by UBS AG with original maturity greater than one year[1,5]	*3,887*	*4,676*	*4,497*
Repurchase agreements	437	799	849
Loan commitments and guarantees[6]	38	73	119
Total	**54,229**	59,664	62,995
of which: life-to-date own credit (gain)/loss	*(128)*	*(165)*	*(287)*

1 Issued by UBS AG (standalone). Based on original contractual maturity without considering any early redemption features. 2 100% of the balance as of 30 September 2016 was unsecured (30 June 2016: 100% of the balance was unsecured; 31 December 2015: 100% of the balance was unsecured). 3 Includes non-structured rates-linked debt instruments issued. 4 More than 98% of the balance as of 30 September 2016 was unsecured (30 June 2016: more than 98% of the balance was unsecured; 31 December 2015: more than 98% of the balance was unsecured). 5 More than 45% of the balance as of 30 September 2016 was unsecured (30 June 2016: more than 40% of the balance was unsecured; 31 December 2015: more than 35% of the balance was unsecured). 6 Loan commitments recognized as "Financial liabilities designated at fair value" until drawn and recognized as loans.

Note 13 Debt issued held at amortized cost

CHF million	30.9.16	30.6.16	31.12.15
Certificates of deposit	23,875	21,731	11,967
Commercial paper	1,858	2,860	3,824
Other short-term debt	5,429	5,450	5,424
Short-term debt[1]	**31,162**	30,040	21,215
Non-structured fixed-rate bonds	26,654	29,293	31,240
of which: issued by UBS AG with original maturity greater than one year[2]	*26,503*	*29,136*	*31,078*
Covered bonds	5,923	6,000	8,490
Subordinated debt	11,446	12,191	12,600
of which: low-trigger loss-absorbing tier 2 capital	*10,356*	*10,462*	*10,346*
of which: phase-out tier 2 capital	*1,090*	*1,729*	*2,254*
Debt issued through the central bond institutions of the Swiss regional or cantonal banks	8,149	8,116	8,237
Other long-term debt	129	290	577
of which: issued by UBS AG with original maturity greater than one year[2]	*98*	*259*	*278*
Long-term debt[3]	**52,300**	55,891	61,144
Total debt issued held at amortized cost	**83,462**	85,931	82,359

1 Debt with an original maturity of less than one year. 2 Issued by UBS AG (standalone). Based on original contractual maturity without considering any early redemption features. 100% of the balance as of 30 September 2016 was unsecured (30 June 2016: 100% of the balance was unsecured; 31 December 2015: 100% of the balance was unsecured). 3 Debt with original maturity greater than or equal to one year.

Note 14 Provisions and contingent liabilities

a) Provisions

CHF million	Operational risks[1]	Litigation, regulatory and similar matters[2]	Restructuring	Loan commitments and guarantees	Real estate	Employee benefits[5]	Other	Total provisions
Balance as of 31 December 2015	47	2,983	624	35	157	198	120	4,163
Balance as of 30 June 2016	43	2,682	532	42	132	95	127	3,653
Increase in provisions recognized in the income statement	4	437	146	7	0	1	2	**597**
Release of provisions recognized in the income statement	(1)	(18)	(24)	(6)	0	(2)	0	**(51)**
Provisions used in conformity with designated purpose	(4)	(109)	(107)	0	(4)	(2)	0	**(226)**
Capitalized reinstatement costs	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	(5)	0	0	0	**(5)**
Foreign currency translation / unwind of discount	1	(16)	(3)	0	(1)	0	1	**(18)**
Balance as of 30 September 2016	**43**	**2,976**	**544[3]**	**38**	**128[4]**	**92**	**130**	**3,950**

1 Comprises provisions for losses resulting from security risks and transaction processing risks. 2 Comprises provisions for losses resulting from legal, liability and compliance risks. 3 Includes personnel related restructuring provisions of CHF 150 million as of 30 September 2016 (30 June 2016: CHF 117 million; 31 December 2015: CHF 110 million) and provisions for onerous lease contracts of CHF 394 million as of 30 September 2016 (30 June 2016: CHF 415 million; 31 December 2015: CHF 514 million). 4 Includes reinstatement costs for leasehold improvements of CHF 84 million as of 30 September 2016 (30 June 2016: CHF 84 million; 31 December 2015: CHF 94 million) and provisions for onerous lease contracts of CHF 43 million as of 30 September 2016 (30 June 2016: CHF 47 million; 31 December 2015: CHF 62 million). 5 Includes provisions for sabbatical and anniversary awards as well as provisions for severance which are not part of restructuring provisions.

Restructuring provisions primarily relate to onerous lease contracts and severance payments. The utilization of onerous lease provisions is driven by the maturities of the underlying lease contracts. Severance-related provisions are utilized within a short time period, usually within six months, but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring and therefore the estimated costs.

Information on provisions and contingent liabilities in respect of Litigation, regulatory and similar matters, as a class, is included in Note 14b. There are no material contingent liabilities associated with the other classes of provisions.

b) Litigation, regulatory and similar matters

UBS operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this Note may refer to UBS AG and/or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to select matters could be significant.

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

Note 14 Provisions and contingent liabilities (continued)

In the case of certain matters below, we state that we have established a provision, and for the other matters we make no such statement. When we make this statement and we expect disclosure of the amount of a provision to prejudice seriously our position with other parties in the matter, because it would reveal what UBS believes to be the probable and reliably estimable outflow, we do not disclose that amount. In some cases we are subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which we do not state whether we have established a provision, either (a) we have not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) we have established a provision but expect disclosure of that fact to prejudice seriously our position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which we have established provisions, we are able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which we are able to estimate expected timing is immaterial relative to our current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in Note 14a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require us to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, which have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although we therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, we believe that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the Non-Prosecution Agreement (NPA) described in paragraph 5 of this Note, which we entered into with the US Department of Justice (DOJ), Criminal Division, Fraud Section in connection with our submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate (LIBOR), was terminated by the DOJ based on its determination that we had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG has pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, and has agreed to pay a USD 203 million fine and accept a three-year term of probation. A guilty plea to, or conviction of, a crime (including as a result of termination of the NPA) could have material consequences for UBS. Resolution of regulatory proceedings may require us to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate our participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining our capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the UBS Group third quarter 2016 report.

Provisions for litigation, regulatory and similar matters by business division and Corporate Center unit[1]

CHF million	Wealth Management	Wealth Management Americas	Personal & Corporate Banking	Asset Management	Investment Bank	CC – Services	CC – Group ALM	CC – Non-core and Legacy Portfolio	UBS
Balance as of 31 December 2015	245	459	83	16	585	310	0	1,284	2,983
Balance as of 30 June 2016	247	416	79	7	589	301	0	1,042	2,682
Increase in provisions recognized in the income statement	2	14	0	4	2	3	0	412	**437**
Release of provisions recognized in the income statement	(4)	(4)	(3)	(1)	0	(1)	0	(4)	**(18)**
Provisions used in conformity with designated purpose	(12)	(36)	(4)	0	(2)	(41)	0	(13)	**(109)**
Foreign currency translation / unwind of discount	1	(3)	0	0	(4)	(1)	0	(9)	**(16)**
Balance as of 30 September 2016	**234**	**386**	**72**	**9**	**584**	**261**	**0**	**1,429**	**2,976**

1 Provisions, if any, for the matters described in this Note are recorded in Wealth Management (item 3), Wealth Management Americas (item 4), the Investment Bank (item 8), CC – Services (item 7) and CC – Non-core and Legacy Portfolio (item 2). Provisions, if any, for the matters described in this Note in items 1 and 6 are allocated between Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this Note in item 5 are allocated between the Investment Bank, CC – Services and CC – Non-core and Legacy Portfolio.

1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration (FTA) to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests. In addition, the Swiss Federal Supreme Court ruled in September 2016 that the double taxation agreement between the Netherlands and Switzerland provides a sufficient legal basis for an administrative assistance group request without specifying the names of the targeted taxpayers, which makes it more likely that similar requests for administrative assistance will be granted by the FTA.

As a result of investigations in France, in 2013, UBS (France) S.A. and UBS AG were put under formal examination ("mise en examen") for complicity in having illicitly solicited clients on French territory, and were declared witness with legal assistance ("témoin assisté") regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons. In 2014, UBS AG was placed under formal examination with respect to the potential charges of laundering of proceeds of tax fraud, and the investigating judges ordered UBS AG to provide bail ("caution") of EUR 1.1 billion. UBS AG appealed the determination of the bail amount, but both the appeal court ("Cour d'Appel") and the French Supreme Court ("Cour de Cassation") upheld the bail amount and rejected the appeal in full in late 2014. UBS AG has filed and has had formally registered an application to the European Court of Human Rights to challenge various aspects of the French court's decision. In September 2015, the former CEO of UBS Wealth Management was placed under formal examination in connection with these proceedings. In addition, the investigating judges have sought to issue arrest warrants against three Swiss-based former employees of UBS AG who did not appear when summoned by the investigating judge.

In 2015, UBS (France) S.A. was placed under formal examination for complicity regarding the laundering of proceeds of tax fraud and of banking and financial solicitation by unauthorized persons for the years 2004 until 2008 and declared witness with legal assistance for the years 2009 to 2012. A bail of EUR 40 million was imposed, and was subsequently reduced by the Court of Appeals to EUR 10 million.

In February 2016, the investigating judge notified UBS AG and UBS (France) S.A. that he has closed his investigation. In July 2016, UBS AG and UBS (France) S.A. received the National Financial Prosecutor's recommendation ("réquisitoire"). As permitted, the parties have commented on the recommendation. The next procedural step will be for the judge to issue his final decree ("ordonnance de renvoi en correctionnelle") which would set out any charges for which UBS AG and UBS (France) S.A. will be tried, both legally and factually, and transfer the case to court.

UBS has been notified by the Belgian investigating judge that it is under formal investigation ("inculpé") regarding the laundering of proceeds of tax fraud and of banking, financial solicitation by unauthorized persons and serious tax fraud.

In 2015, UBS received inquiries from the US Attorney's Office for the Eastern District of New York and from the US Securities and Exchange Commission (SEC), which are investigating potential sales to US persons of bearer bonds and other unregistered securities in possible violation of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) and the registration requirements of the US securities laws. UBS is cooperating with the authorities in these investigations.

UBS has, and reportedly numerous other financial institutions have, received inquiries from authorities concerning accounts relating to the Fédération Internationale de Football Association (FIFA) and other constituent soccer associations and related persons and entities. UBS is cooperating with authorities in these inquiries.

Our balance sheet at 30 September 2016 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

2. Claims related to sales of residential mortgage-backed securities and mortgages

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities (RMBS) and was a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. (UBS RESI), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007, UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued.

Note 14 Provisions and contingent liabilities (continued)

UBS RESI also sold pools of loans acquired from originators to third-party purchasers. These whole loan sales during the period 2004 through 2007 totaled approximately USD 19 billion in original principal balance.

We were not a significant originator of US residential loans. A subsidiary of UBS originated approximately USD 1.5 billion in US residential mortgage loans during the period in which it was active from 2006 to 2008, and securitized less than half of these loans.

RMBS-related lawsuits concerning disclosures: UBS is named as a defendant relating to its role as underwriter and issuer of RMBS in lawsuits related to approximately USD 2.5 billion in original face amount of RMBS underwritten or issued by UBS. Of the USD 2.5 billion in original face amount of RMBS that remains at issue in these cases, approximately USD 1.2 billion was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitization trust and made representations and warranties about those loans (UBS-sponsored RMBS). The remaining USD 1.3 billion of RMBS to which these cases relate was issued by third parties in securitizations in which UBS acted as underwriter (third-party RMBS).

In connection with certain of these lawsuits, UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS, but UBS cannot predict the extent to which it will succeed in enforcing those rights.

UBS is a defendant in a lawsuit brought by the National Credit Union Administration (NCUA), as conservator for certain failed credit unions, asserting misstatements and omissions in the offering documents for RMBS purchased by the credit unions. The lawsuit was filed in the US District Court for the District of Kansas. The original principal balance at issue in the case is approximately USD 1.15 billion. Motions for summary judgment are expected to be fully submitted in December 2016. In the second quarter of 2016, UBS resolved a similar case brought by the NCUA in the US District Court for the Southern District of New York (SDNY) relating to RMBS with an original principal balance of approximately USD 400 million, for a total of approximately USD 69.8 million, in addition to reasonable attorneys' fees incurred by NCUA.

Lawsuits related to contractual representations and warranties concerning mortgages and RMBS: When UBS acted as an RMBS sponsor or mortgage seller, we generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, we were in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses. UBS has received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitization trust aggregating approximately USD 4.1 billion in original principal balance. Of this amount, UBS considers claims relating to approximately USD 2 billion in original principal balance to be resolved, including claims barred by the statute of limitations. Substantially all of the remaining claims are in litigation, including the matters described in the next paragraph. UBS believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

In 2012, certain RMBS trusts filed an action (Trustee Suit) in the SDNY seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations (Transactions) with an original principal balance of approximately USD 2 billion, for which Assured Guaranty Municipal Corp. (Assured Guaranty), a financial guaranty insurance company, had previously demanded repurchase. A bench trial in the SDNY adjourned in May 2016. Approximately 9,000 loans were at issue in the trial. In September 2016, the Court issued an order ruling on numerous legal and factual issues and applying those rulings to 20 exemplar loans. The Court further ordered that a Lead Master be appointed to apply the Court's rulings to the loans that remain at issue following the trial. With respect to the loans subject to the Trustee Suit that were originated by institutions still in existence, UBS intends to enforce its indemnity rights against those institutions.

We also have tolling agreements with certain institutional purchasers of RMBS concerning their potential claims related to substantial purchases of UBS-sponsored or third-party RMBS.

Mortgage-related regulatory matters: In 2014, UBS received a subpoena from the US Attorney's Office for the Eastern District of New York issued pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), which seeks documents and information related to UBS's RMBS business from 2005 through 2007. In 2015, the Eastern District of New York identified a number of transactions that are the focus of their inquiry, and has subsequently provided a revised list of transactions. We have provided and continue to provide information. UBS continues to respond to the FIRREA subpoena and to subpoenas from the New York State Attorney General and other state attorneys general relating to its RMBS business. In addition, UBS has also been responding to inquiries from both the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) (who is working in conjunction with the US Attorney's Office for Connecticut and the DOJ) and the SEC relating to trading practices in connection with purchases and sales of mortgage-backed securities in the secondary market from 2009 through the present. We are cooperating with the authorities in these matters.

Note 14 Provisions and contingent liabilities (continued)

Provision for claims related to sales of residential mortgage-backed securities and mortgages

USD million	**Total**
Balance as of 31 December 2015	1,218
Balance as of 30 June 2016	988
Increase in provisions recognized in the income statement	**421**
Release of provisions recognized in the income statement	**0**
Provisions used in conformity with designated purpose	**(4)**
Balance as of 30 September 2016	**1,405**

As reflected in the table "Provision for claims related to sales of residential mortgage-backed securities and mortgages," our balance sheet at 30 September 2016 reflected a provision of USD 1,405 million with respect to matters described in this item 2. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) SA and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate, although that figure likely includes fictitious profit reported by BMIS. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members. UBS (Luxembourg) SA and certain other UBS subsidiaries are responding to inquiries by Luxembourg investigating authorities, without, however, being named as parties in those investigations. In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305 million, respectively. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the BMIS Trustee. These amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 million, respectively. In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals were filed by the claimants against the 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. In 2014, the Luxembourg Court of Appeal dismissed one test case appeal in its entirety, which decision was appealed by the investor. In 2015, the Luxembourg Supreme Court found in favor of UBS and dismissed the investor's appeal. In June 2016, the Luxembourg Court of Appeal dismissed the remaining test cases in their entirety. In the US, the BMIS Trustee filed claims in 2010 against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. Following a motion by UBS, in 2011, the SDNY dismissed all of the BMIS Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the BMIS Trustee lacks standing to bring such claims. In 2013, the Second Circuit affirmed the District Court's decision and, in 2014, the US Supreme Court denied the BMIS Trustee's petition seeking review of the Second Circuit ruling. In 2014, several claims, including a purported class action, were filed in the US by BMIS customers against UBS entities, asserting claims similar to the ones made by the BMIS Trustee, seeking unspecified damages. One claim was voluntarily withdrawn by the plaintiff. In 2015, following a motion by UBS, the SDNY dismissed the two remaining claims on the basis that the New York courts did not have jurisdiction to hear the claims against the UBS entities. The plaintiff in one of those claims has appealed the dismissal. In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds. In 2015, a court of appeal ordered UBS to pay EUR 49 million, plus interest of approximately EUR 15.3 million.

Note 14 Provisions and contingent liabilities (continued)

4. Puerto Rico

Declines since August 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (the funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of approximately USD 1.9 billion, of which claims with aggregate claimed damages of approximately USD 740 million have been resolved through settlements, arbitration or withdrawal of the claim. The claims are filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans. A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied. Defendants' requests for permission to appeal that ruling were denied by the Puerto Rico Court of Appeals and the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management, and the co-manager of certain of the funds seeking damages for investor losses in the funds during the period from May 2008 through May 2014. Defendants have moved to dismiss that complaint. In 2015, a class action was filed in Puerto Rico state court against UBS PR seeking equitable relief in the form of a stay of any effort by UBS PR to collect on non-purpose loans it acquired from UBS Bank USA in December 2013 based on plaintiffs' allegation that the loans are not valid. The trial court denied defendants' motion to dismiss the action based on a forum selection clause in the loan agreements; the Puerto Rico Supreme Court has stayed the action pending its review of defendants' appeal from that ruling.

In 2014, UBS reached a settlement with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico (OCFI) in connection with OCFI's examination of UBS's operations from January 2006 through September 2013, pursuant to which UBS is paying up to an aggregate of USD 7.7 million in investor education contributions and restitution.

In 2015, the SEC and the Financial Industry Regulatory Authority (FINRA) announced settlements with UBS PR of their separate investigations stemming from the 2013 market events. Without admitting or denying the findings in either matter, UBS PR agreed in the SEC settlement to pay USD 15 million and USD 18.5 million in the FINRA matter. We also understand that the DOJ is conducting a criminal inquiry into the impermissible reinvestment of non-purpose loan proceeds. We are cooperating with the authorities in this inquiry.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of approximately USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. Defendants' motion to dismiss is pending. In September 2016, the System announced its intention to join the action as a plaintiff.

Also, in 2013, an SEC Administrative Law Judge dismissed a case brought by the SEC against two UBS executives, finding no violations. The charges had stemmed from the SEC's investigation of UBS's sale of closed-end funds in 2008 and 2009, which UBS settled in 2012. Beginning in 2012, two federal class action complaints, which were subsequently consolidated, were filed against various UBS entities, certain of the funds, and certain members of UBS PR senior management, seeking damages for investor losses in the funds during the period from January 2008 through May 2012 based on allegations similar to those in the SEC action. In September 2016, the court denied plaintiffs' motion for class certification.

In 2015, Puerto Rico's Governor stated that the Commonwealth was unable to meet its obligations. Certain agencies and public corporations of the Commonwealth have defaulted on certain interest payments beginning in August 2015 and continuing in 2016, culminating in the default on almost all principal and interest payments due on the Commonwealth's general obligation debt in July 2016. The Governor has passed a series of executive orders that divert funds from issuers of Commonwealth debt to pay for essential services, as opposed to making debt payments, and stay any action to enforce creditors' rights. As a result, additional payment defaults are expected to occur going forward. In June 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) created an Oversight Board with power to oversee Puerto Rico's finances and to restructure its debt. In September 2016, President Obama appointed the seven members of the Oversight Board and a stay was implemented with respect to any action aimed at enforcing creditors' rights on any Puerto Rico bonds. These events, further defaults, any further legislative action to create a legal means of restructuring Commonwealth obligations or to impose additional oversight on the Commonwealth's finances, or any restructuring of the Commonwealth's obligations, may increase the number of claims against UBS concerning Puerto Rico securities, as well as potential damages sought.

Our balance sheet at 30 September 2016 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that we have recognized.

5. Foreign exchange, LIBOR, and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Following an initial media report in 2013 of widespread irregularities in the foreign exchange markets, UBS immediately commenced an internal review of its foreign exchange business, which includes our precious metals and related structured products businesses. Since then, various authorities have commenced investigations concerning possible manipulation of foreign exchange markets, including FINMA, the Swiss Competition Commission (WEKO), the DOJ, the SEC, the US Commodity Futures Trading Commission (CFTC), the Board of Governors of the Federal Reserve System (Federal Reserve Board), the California State Attorney General, the UK Financial Conduct Authority (FCA) (to which certain responsibilities of the UK Financial Services Authority (FSA) have passed), the UK Serious Fraud Office (SFO), the Australian Securities and Investments Commission (ASIC), the Hong Kong Monetary Authority (HKMA), the Korea Fair Trade Commission (KFTC) and the Brazil Competition Authority (CADE). In addition, WEKO is, and a number of other authorities reportedly are, investigating potential manipulation of precious metals prices. UBS has taken and will continue to take appropriate action with respect to certain personnel as a result of its ongoing review.

In 2014, UBS reached settlements with the FCA and the CFTC in connection with their foreign exchange investigations, and FINMA issued an order concluding its formal proceedings with respect to UBS relating to its foreign exchange and precious metals businesses. UBS has paid a total of approximately CHF 774 million to these authorities, including GBP 234 million in fines to the FCA, USD 290 million in fines to the CFTC, and CHF 134 million to FINMA representing confiscation of costs avoided and profits. In 2015, the Federal Reserve Board and the Connecticut Department of Banking issued an Order to Cease and Desist and Order of Assessment of a Civil Monetary Penalty Issued upon Consent (Federal Reserve Order) to UBS AG. As part of the Federal Reserve Order, UBS AG paid a USD 342 million civil monetary penalty.

In 2015, the DOJ's Criminal Division (Criminal Division) terminated the December 2012 Non-Prosecution Agreement (NPA) with UBS AG related to UBS's submissions of benchmark interest rates. As a result, UBS AG entered into a plea agreement with the Criminal Division pursuant to which UBS AG agreed to and did plead guilty to a one-count criminal information filed in the US District Court for the District of Connecticut charging UBS AG with one count of wire fraud in violation of 18 USC Sections 1343 and 2. Under the plea agreement, UBS AG agreed to a sentence that includes a USD 203 million fine and a three-year term of probation. The criminal information charges that, between approximately 2001 and 2010, UBS AG engaged in a scheme to defraud counterparties to interest rate derivatives transactions by manipulating benchmark interest rates, including Yen LIBOR. Sentencing is currently scheduled for 29 November 2016. The Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA, including fraudulent and deceptive currency trading and sales practices in conducting certain foreign exchange market transactions with clients and collusion with other participants in certain foreign exchange markets.

We have ongoing obligations to cooperate with these authorities and to undertake certain remediation, including actions to improve UBS's processes and controls.

UBS has been granted conditional immunity by the Antitrust Division of the DOJ (Antitrust Division) from prosecution for EUR/USD collusion and entered into a non-prosecution agreement covering other currency pairs. As a result, UBS AG will not be subject to prosecutions, fines or other sanctions for antitrust law violations by the Antitrust Division, subject to UBS AG's continuing cooperation. However, the conditional immunity grant does not bar government agencies from asserting other claims and imposing sanctions against UBS AG, as evidenced by the settlements and ongoing investigations referred to above. UBS has also been granted conditional leniency by authorities in certain jurisdictions, including WEKO, in connection with potential competition law violations relating to precious metals, and as a result, will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in those jurisdictions, subject to UBS AG's continuing cooperation.

Investigations relating to foreign exchange and precious metals matters by numerous authorities, including the CFTC, remain ongoing notwithstanding these resolutions.

Note 14 Provisions and contingent liabilities (continued)

Foreign exchange-related civil litigation: Putative class actions have been filed since November 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. They allege collusion by the defendants and assert claims under the antitrust laws and for unjust enrichment. In 2015, additional putative class actions were filed in federal court in New York against UBS and other banks on behalf of a putative class of persons who entered into or held any foreign exchange futures contracts and options on foreign exchange futures contracts since 1 January 2003. The complaints assert claims under the Commodity Exchange Act (CEA) and the US antitrust laws. In 2015, a consolidated complaint was filed on behalf of both putative classes of persons covered by the US federal court class actions described above. UBS has entered into a settlement agreement that would resolve all of these US federal court class actions. The agreement, which has been preliminarily approved by the court and is subject to final court approval, requires, among other things, that UBS pay an aggregate of USD 141 million and provide cooperation to the settlement classes.

A putative class action has been filed in federal court in New York against UBS and other banks on behalf of participants, beneficiaries, and named fiduciaries of plans qualified under the Employee Retirement Income Security Act of 1974 (ERISA) for whom a defendant bank provided foreign currency exchange transactional services, exercised discretionary authority or discretionary control over management of such ERISA plan, or authorized or permitted the execution of any foreign currency exchange transactional services involving such plan's assets. The complaint asserts claims under ERISA. The parties filed a stipulation to dismiss the case with prejudice. The plaintiffs have appealed the dismissal.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of a putative class of persons and businesses in the US who directly purchased foreign currency from the defendants and their co-conspirators for their own end use. That action has been transferred to federal court in New York. Motions to dismiss are pending.

In 2015, UBS was added to putative class actions pending against other banks in federal court in New York and other jurisdictions on behalf of putative classes of persons who bought or sold physical precious metals and various precious metal products and derivatives. The complaints in these lawsuits assert claims under the antitrust laws and the CEA, and other claims. In October 2016, the court granted UBS's motions to dismiss the putative class actions relating to gold and silver. UBS's motion to dismiss the putative class action relating to platinum and palladium remains pending.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the SFO, the Monetary Authority of Singapore (MAS), the HKMA, FINMA, the various state attorneys general in the US, and competition authorities in various jurisdictions have conducted or are continuing to conduct investigations regarding submissions with respect to LIBOR and other benchmark rates. These investigations focus on whether there were improper attempts by UBS, among others, either acting on our own or together with others, to manipulate LIBOR and other benchmark rates at certain times.

In 2012, UBS reached settlements with the FSA, the CFTC and the Criminal Division of the DOJ in connection with their investigations of benchmark interest rates. At the same time, FINMA issued an order concluding its formal proceedings with respect to UBS relating to benchmark interest rates. UBS has paid a total of approximately CHF 1.4 billion in fines and disgorgement – including GBP 160 million in fines to the FSA, USD 700 million in fines to the CFTC, USD 500 million in fines to the DOJ, and CHF 59 million in disgorgement to FINMA. UBS Securities Japan Co. Ltd. (UBSSJ) entered into a plea agreement with the DOJ under which it entered a plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR. UBS entered into an NPA with the DOJ, which (along with the plea agreement) covered conduct beyond the scope of the conditional leniency/immunity grants described below, required UBS to pay the USD 500 million fine to the DOJ after the sentencing of UBSSJ, and provided that any criminal penalties imposed on UBSSJ at sentencing be deducted from the USD 500 million fine. Under the NPA, we agreed, among other things, that for two years from 18 December 2012 UBS would not commit any US crime, and we would advise DOJ of any potentially criminal conduct by UBS or any of its employees relating to violations of US laws concerning fraud or securities and commodities markets. The term of the NPA was extended by one year to 18 December 2015. In 2015, the Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA. As a result, UBS entered into a plea agreement with the DOJ under which it entered a guilty plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR, and agreed to pay a fine of USD 203 million and accept a three-year term of probation. Sentencing is currently scheduled for 29 November 2016.

In 2014, UBS reached a settlement with the European Commission (EC) regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives and paid a EUR 12.7 million fine, which was reduced to this level based in part on UBS's cooperation with the EC. The MAS, HKMA and the Japan Financial Services Agency have also resolved investigations of UBS (and in some cases, other banks). We have ongoing obligations to cooperate with the authorities with whom we have reached resolutions and to undertake certain remediation with respect to benchmark interest rate submissions.

Investigations by the CFTC, ASIC and other governmental authorities remain ongoing notwithstanding these resolutions.

UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ, WEKO and the EC, in connection with potential antitrust or competition law violations related to submissions for Yen LIBOR and Euroyen TIBOR. WEKO has also granted UBS conditional immunity in connection with potential competition law violations related to submissions for CHF LIBOR and certain transactions related to CHF LIBOR. As a result of these conditional grants, we will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in the jurisdictions where we have conditional immunity or leniency in connection with the matters covered by the conditional grants, subject to our continuing cooperation. However, the conditional leniency and conditional immunity grants we have received do not bar government agencies from asserting other claims and imposing sanctions against us, as evidenced by the settlements and ongoing investigations referred to above. In addition, as a result of the conditional leniency agreement with the DOJ, we are eligible for a limit on liability to actual rather than treble damages were damages to be awarded in any civil antitrust action under US law based on conduct covered by the agreement and for relief from potential joint and several liability in connection with such civil antitrust action, subject to our satisfying the DOJ and the court presiding over the civil litigation of our cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against us.

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in, or expected to be transferred to, the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending are actions asserting losses related to various products whose interest rates were linked to USD LIBOR, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. All of the complaints allege manipulation, through various means, of various benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, USD ISDAFIX rates and other benchmark rates, and seek unspecified compensatory and other damages under varying legal theories. In 2013, the district court in the USD action dismissed the federal antitrust and racketeering claims of certain USD LIBOR plaintiffs and a portion of their claims brought under the CEA and state common law. Certain plaintiffs appealed the decision to the Second Circuit, which, in May 2016, vacated the district court's ruling finding no antitrust injury and remanded the case back to the district court for a further determination on whether plaintiffs have antitrust standing. A motion to dismiss plaintiffs' revived antitrust claims is pending. In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiff's claims, including federal antitrust claims. In 2015, the same court dismissed plaintiff's federal racketeering claims and affirmed its previous dismissal of plaintiff's antitrust claims. UBS and other defendants in other lawsuits including those related to EURIBOR, CHF LIBOR and GBP LIBOR have filed motions to dismiss. UBS has entered into an agreement with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement is subject to court approval.

Since September 2014, putative class actions have been filed in federal court in New York and New Jersey against UBS and other financial institutions, among others, on behalf of parties who entered into interest rate derivative transactions linked to ISDAFIX. The complaints, which have since been consolidated into an amended complaint, allege that the defendants conspired to manipulate ISDAFIX rates from 1 January 2006 through January 2014, in violation of US antitrust laws and certain state laws, and seek unspecified compensatory damages, including treble damages. In March 2016, the court in the ISDAFIX action denied in substantial part defendants' motion to dismiss, holding that plaintiffs have stated Sherman Act, breach-of-contract, and unjust-enrichment claims against defendants, including UBS AG.

Government bonds: Putative class actions have been filed in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. The complaints generally allege that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction. They assert claims under the antitrust laws and the CEA and for unjust enrichment. The cases have been consolidated in the SDNY. Following filing of these complaints, UBS and reportedly other banks are responding to investigations and requests for information from various authorities regarding US Treasury securities and other government bond trading practices. As a result of its review to date, UBS has taken appropriate action.

With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, our balance sheet at 30 September 2016 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 14 Provisions and contingent liabilities (continued)

6. Swiss retrocessions

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver.

FINMA has issued a supervisory note to all Swiss banks in response to the Supreme Court decision. The note sets forth the measures Swiss banks are to adopt, which include informing all affected clients about the Supreme Court decision and directing them to an internal bank contact for further details. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among others, the existence of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

Our balance sheet at 30 September 2016 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

7. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. (Pactual) by UBS to BTG Investments, LP (BTG), BTG has submitted contractual indemnification claims that UBS estimates amount to approximately BRL 2.5 billion, including interest and penalties, which is net of liabilities retained by BTG. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being challenged in administrative and judicial proceedings. The majority of these assessments relate to the deductibility of goodwill amortization in connection with UBS's 2006 acquisition of Pactual and payments made to Pactual employees through various profit-sharing plans. In 2015, an intermediate administrative court issued a decision that was largely in favor of the tax authority with respect to the goodwill amortization assessment. In May 2016, the highest level of the administrative court agreed to review this decision on a number of the significant issues.

8. Investigation of UBS's role in initial public offerings in Hong Kong

The Hong Kong Securities and Futures Commission (SFC) has been conducting investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. In October 2016, the SFC informed UBS that it intends to commence action against UBS and certain UBS employees with respect to sponsorship work in those offerings. If such action is taken, there may be financial ramifications for UBS, including fines and restitution orders. Such action could also result in suspension of UBS's ability to provide corporate finance advisory services in Hong Kong for a period of time.

Note 15 Guarantees, commitments and forward starting transactions

The table below shows the maximum irrevocable amount of guarantees, commitments and forward starting transactions.

	30.9.16			30.6.16			31.12.15		
CHF million	**Gross**	**Sub-participations**	**Net**	Gross	Sub-participations	Net	Gross	Sub-participations	Net
Guarantees									
Credit guarantees and similar instruments	**6,310**	**(412)**	**5,898**	6,393	(448)	5,945	6,708	(315)	6,393
Performance guarantees and similar instruments	**3,082**	**(763)**	**2,319**	3,111	(763)	2,347	3,035	(699)	2,336
Documentary credits	**6,197**	**(1,596)**	**4,601**	6,376	(1,626)	4,750	6,276	(1,707)	4,569
Total guarantees	**15,590**	**(2,771)**	**12,819**	15,880	(2,837)	13,043	16,019	(2,721)	13,298
Loan commitments	**48,247**	**(1,501)**	**46,746**	49,582	(1,454)	48,128	56,072	(1,559)	54,513
Forward starting transactions[1]									
Reverse repurchase agreements	**18,438**			14,373			6,577		
Securities borrowing agreements	**27**			88			6		
Repurchase agreements	**13,864**			11,188			6,323		

1 Cash to be paid in the future by either UBS or the counterparty.

Note 16 Changes in organization and disposals

Restructuring expenses

Restructuring expenses arise from programs that materially change either the scope of business undertaken by UBS AG or the manner in which such business is conducted. Restructuring expenses are temporary costs that are necessary to effect such programs and include items such as severance and other personnel-related expenses, duplicate headcount costs, impairment and accelerated depreciation of assets, contract termination costs, consulting fees, and related infrastructure and system costs. These costs are presented in the income statement according to the underlying nature of the expense. As the costs associated with restructuring programs are temporary in nature, and in order to provide a more thorough understanding of business performance, such costs are separately presented below.

Net restructuring expenses by business division and Corporate Center unit

	For the quarter ended			Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Wealth Management	**139**	86	74	304	190
Wealth Management Americas	**38**	38	39	109	87
Personal & Corporate Banking	**41**	31	28	95	60
Asset Management	**34**	34	23	88	44
Investment Bank	**181**	163	118	461	253
Corporate Center	**4**	22	17	16	159
of which: Services	***(2)***	*18*	*1*	*3*	*120*
of which: Non-core and Legacy Portfolio	***7***	*5*	*15*	*13*	*40*
Total net restructuring expenses	**436**	373	298	1,072	793
of which: personnel expenses	***249***	*187*	*117*	*562*	*295*
of which: general and administrative expenses	***187***	*187*	*178*	*510*	*484*
of which: depreciation and impairment of property, equipment and software	***1***	*0*	*0*	*1*	*12*
of which: amortization and impairment of intangible assets	***0***	*0*	*2*	*0*	*2*

Net restructuring expenses by personnel expense category

	For the quarter ended			Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Salaries and variable compensation	**247**	197	114	557	312
Contractors	**13**	16	15	41	29
Social security	**3**	1	1	6	3
Pension and other post-employment benefit plans	**(18)**	(30)	(18)	(52)	(59)
Other personnel expenses	**4**	2	4	10	9
Total net restructuring expenses: personnel expenses	**249**	187	117	562	295

Net restructuring expenses by general and administrative expense category

	For the quarter ended			Year-to-date	
CHF million	**30.9.16**	30.6.16	30.9.15	30.9.16	30.9.15
Occupancy	**27**	41	55	97	75
Rent and maintenance of IT and other equipment	**28**	34	0	72	24
Administration	**7**	6	1	17	5
Travel and entertainment	**3**	4	4	9	10
Professional fees	**39**	36	46	109	119
Outsourcing of IT and other services	**80**	74	72	228	142
Other[1]	**3**	(8)	(1)	(22)	110
Total net restructuring expenses: general and administrative expenses	**187**	187	178	510	484

1 Mainly comprised of onerous real estate lease contracts.

Note 16 Changes in organization and disposals (continued)

Disposal group held for sale

In the second quarter of 2016, UBS AG agreed to sell a life insurance subsidiary within Wealth Management, which resulted in the recognition of a loss of CHF 23 million. This sale is expected to close in the fourth quarter of 2016 subject to customary closing conditions. As of 30 September 2016, the assets and liabilities of this business are presented as a disposal group held for sale within *Other assets* and *Other liabilities* and amounted to CHF 5,444 million and CHF 5,425 million, respectively (30 June 2016: CHF 5,380 million and CHF 5,334 million, respectively).

Note 17 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of UBS AG's foreign operations into Swiss francs.

	Spot rate				Average rate[1]				
	As of				For the quarter ended			Year-to-date	
	30.9.16	30.6.16	31.12.15	30.9.15	**30.9.16**	30.6.16	30.9.15	**30.9.16**	30.9.15
1 USD	**0.97**	0.98	1.00	0.97	**0.97**	0.98	0.97	**0.98**	0.95
1 EUR	**1.09**	1.08	1.09	1.09	**1.09**	1.10	1.08	**1.09**	1.05
1 GBP	**1.26**	1.30	1.48	1.47	**1.27**	1.37	1.49	**1.35**	1.45
100 JPY	**0.96**	0.95	0.83	0.81	**0.95**	0.92	0.80	**0.91**	0.79

1 Monthly income statement items of foreign operations with a functional currency other than Swiss franc are translated with month-end rates into Swiss francs. Disclosed average rates for a quarter represent an average of three month-end rates, weighted according to the income and expense volumes of all foreign operations with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for UBS AG.

UBS AG (standalone) financial and regulatory information

Unaudited

Table of contents

UBS AG (standalone) selected financial information

Selected financial information

	For the quarter ended				Year-to-date	
CHF million	**30.9.16**	30.6.16	31.12.15	30.9.15	30.9.16	30.9.15[1]
Income statement[2]						
Net interest income (including credit loss expense / recovery)	**566**	(18)	529	657	1,058	2,400
Net fee and commission income	**409**	328	377	299	1,130	2,422
Net trading income	**705**	1,584	(42)	1,023	3,289	3,767
Other income from ordinary activities	**1,619**	1,820	1,645	1,617	4,904	4,164
Total operating income	**3,300**	3,714	2,509	3,596	10,381	12,753
Personnel expenses	**1,816**	1,629	1,275	1,447	4,999	5,163
General and administrative expense	**1,293**	1,342	1,664	1,333	3,928	3,951
Other operating expenses	**430**	413	97	(849)	1,396	1,037
Total operating expenses	**3,539**	3,383	3,036	1,931	10,323	10,151
Operating profit / (loss)	**(240)**	331	(527)	1,665	58	2,602
Extraordinary net income	**5**	1,196	90	9,432	1,265	10,039
Tax expense / (benefit)	**37**	37	(5)	14	123	225
Net profit / (loss)	**(272)**	1,491	(432)	11,082	1,201	12,416
of which: dividend income from subsidiaries and net impairments / reversal of impairments of investments in subsidiaries[3]	***54***	*1,273*	*688*	*10,743*	*1,055*	*9,668*

	As of		
CHF million	**30.9.16**	30.6.16	31.12.15
Balance sheet[2]			
Cash and balances with central banks	**31,545**	34,260	45,125
Due from banks	**40,955**	50,572	40,611
Receivables from securities financing transactions	**75,933**	98,755	90,479
Due from customers and mortgage loans	**114,136**	108,797	102,080
Trading portfolio assets	**78,448**	75,142	94,210
Positive replacement values	**17,351**	23,975	20,987
Financial investments	**43,324**	41,364	27,528
Investments in subsidiaries and other participations	**45,968**	46,187	43,791
Other assets	**12,341**	12,219	12,232
Total assets	**460,002**	491,269	477,045
Due to banks	**36,168**	36,164	36,669
Payables from securities financing transactions	**45,897**	64,883	55,457
Due to customers	**148,554**	148,463	144,842
Trading portfolio liabilities	**21,525**	21,253	21,179
Negative replacement values	**19,968**	26,798	24,669
Financial liabilities designated at fair value	**50,623**	55,601	58,104
Bonds issued and loans from central mortgage institutions	**75,497**	76,333	72,750
Other liabilities	**12,275**	12,006	11,647
Total liabilities	**410,507**	441,501	425,316
Total equity	**49,495**	49,768	51,728

1 Comparative amounts presented for year-to-date 30 September 2015 include the results of the Personal & Corporate Banking and Wealth Management businesses booked in Switzerland, which were transferred from UBS AG to UBS Switzerland AG in the second quarter of 2015. Refer to "Establishment of UBS Switzerland AG" in the "Legal entity financial and regulatory information" section of our Annual Report 2015 for more information. 2 UBS AG standalone selected financial information is prepared in accordance with Swiss GAAP (FINMA Circular 2015 / 1 and the Banking Ordinance), but does not represent interim financial statements under Swiss GAAP. Refer to Note 2 to the UBS AG standalone financial statements in the Annual Report 2015 for more information. 3 Consists of dividend income from investments in subsidiaries and other participations, impairments of investments in subsidiaries and other participations and reversals of impairments of investments in subsidiaries and other participations, all on a pre-tax basis.

Joint and several liability

In June 2015, the Personal & Corporate Banking and Wealth Management businesses booked in Switzerland were transferred from UBS AG to UBS Switzerland AG through an asset transfer in accordance with the Swiss Merger Act. Under the Swiss Merger Act, UBS AG assumed joint liability for obligations existing on the asset transfer date, 14 June 2015, that were transferred to UBS Switzerland AG.

As of the asset transfer date, UBS AG assumed joint liability for approximately CHF 260 billion of obligations of UBS Switzerland AG, excluding the collateralized portion of secured contractual obligations. UBS AG has no liability for new obligations incurred by UBS Switzerland AG after the asset transfer date.

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

The joint liability amount declines as obligations mature, terminate or are novated following the asset transfer date. As of 30 September 2016, the joint liability amounted to approximately CHF 1 billion.

UBS AG (standalone) regulatory information

This section contains information related to capital adequacy, the leverage ratio and the liquidity coverage ratio, as required by the Swiss Financial Market Supervisory Authority (FINMA) Circular 2008/22 "Disclosure – banks."

Swiss SRB capital requirements and capital information

UBS AG is considered a systemically relevant bank (SRB) under Swiss banking law. However, on a standalone basis, UBS AG is not subject to the revised too big to fail capital requirements.

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

FINMA granted relief concerning the regulatory capital requirements of UBS AG on a standalone basis by means of a decree issued on 20 December 2013, which became effective on 1 January 2014 and is still effective.

➔ Refer to "Swiss SRB capital requirements and capital information" in the "UBS AG (standalone) regulatory information" section of the "UBS AG first quarter 2016 report" for more information on the UBS AG (standalone) capital requirements

The tables in this section provide UBS AG standalone capital information under Swiss SRB regulations, as per the abovementioned FINMA decree. In addition to the 14.0% total capital requirement set by the decree, UBS AG is required to comply with countercyclical buffer requirements on a standalone basis. The effect of the countercyclical buffer capital requirement was immaterial as of 30 September 2016, 30 June 2016 and 31 December 2015.

Capital ratio requirements and information (phase-in)

	Capital ratio (%)				Capital			
	Requirement	Actual			Requirement	Eligible		
CHF million, except where indicated	30.9.16	30.9.16	30.6.16	31.12.15	30.9.16	30.9.16	30.6.16	31.12.15
Common equity tier 1 capital	10.0	14.2	14.2	14.4	24,521	34,708	34,128	32,656
Total capital	14.0	14.2	14.2	14.4	34,342	34,844	34,128	32,656

Capital information (phase-in)

CHF million, except where indicated	30.9.16	30.6.16	31.12.15
Capital			
Common equity tier 1 capital	50,009	50,773	51,274
Deductions from common equity tier 1 capital	(15,301)	(16,645)	(18,618)
Total common equity tier 1 capital	**34,708**	**34,128**	**32,656**
High-trigger loss-absorbing additional tier 1 capital	3,739	2,688	1,252
Deductions from high-trigger loss-absorbing additional tier 1 capital	(3,602)	(2,688)	(1,252)
Total loss-absorbing additional tier 1 capital	**137**	**0**	**0**
Total tier 1 capital	**34,844**	**34,128**	**32,656**
Low-trigger loss-absorbing tier 2 capital	10,332	10,441	10,325
Phase-out hybrid tier 2 capital	654	649	1,954
Phase-out tier 2 capital	714	741	996
Deductions from tier 2 capital	(11,699)	(11,831)	(13,276)
Total tier 2 capital	**0**	**0**	**0**
Total capital	**34,844**	**34,128**	**32,656**
Risk-weighted assets			
Risk-weighted assets	245,214	240,762	227,170
Capital ratios (%)			
Common equity tier 1 capital ratio	14.2	14.2	14.4
Tier 1 capital ratio	14.2	14.2	14.4
Total capital ratio	14.2	14.2	14.4

Leverage ratio information

Swiss SRB leverage ratio

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

As of 30 September 2016, the effective total leverage ratio requirement for UBS AG (standalone) was 3.4%, resulting from multiplying the total capital ratio requirement (excluding the countercyclical buffer requirement) of 14.0% by 24%.

Leverage ratio requirements and information (phase-in)

	Leverage ratio (%)				Leverage ratio capital			
	Requirement[1]	Actual			Requirement	Eligible		
CHF million, except where indicated	**30.9.16**	**30.9.16**	30.6.16	31.12.15	**30.9.16**	**30.9.16**	30.6.16	31.12.15
Common equity tier 1 capital	**2.4**	**5.9**	5.5	5.2	**14,114**	**34,708**	34,128	32,656
Total capital	**3.4**	**5.9**	5.5	5.2	**19,760**	**34,844**	34,128	32,656

1 Requirements for common equity tier 1 capital (24% of 10%) and total capital (24% of 14%).

Leverage ratio (phase-in)

CHF billion	**30.9.16**	30.6.16	31.12.15
Swiss GAAP total assets	**460.0**	491.3	477.0
Difference between Swiss GAAP and IFRS total assets	**150.9**	191.2	170.0
Less derivative exposures and SFTs[1]	**(259.5)**	(332.7)	(295.5)
On-balance sheet exposures (excluding derivative exposures and SFTs)	**351.3**	349.7	351.5
Derivative exposures	**100.2**	114.6	124.1
Securities financing transactions	**111.7**	136.9	130.8
Off-balance sheet items	**38.1**	39.5	42.6
Items deducted from Swiss SRB tier 1 capital	**(13.3)**	(14.9)	(14.9)
Total exposures (leverage ratio denominator)	**588.1**	625.8	634.0

CHF million, except where indicated	**30.9.16**	30.6.16	31.12.15
Common equity tier 1 capital	**34,708**	34,128	32,656
Additional tier 1 capital	**137**	0	0
Tier 2 capital	**0**	0	0
Total capital	**34,844**	34,128	32,656
Leverage ratio (%)	**5.9**	5.5	5.2

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

BIS Basel III leverage ratio

On 1 January 2015, disclosure requirements for the leverage ratio in accordance with BIS Basel III regulations came into effect in Switzerland, and UBS AG (standalone) is required to disclose BIS Basel III leverage ratio information on a quarterly basis. The table below provides BIS Basel III leverage ratio information according to the current disclosure requirements.

BIS Basel III leverage ratio (phase-in)

CHF million, except where indicated	**30.9.16**	30.6.16	31.3.16	31.12.15
Total tier 1 capital	**34,844**	34,128	33,678	32,656
Total exposures (leverage ratio denominator)	**588,098**	625,789	636,514	633,985
BIS Basel III leverage ratio (%)	**5.9**	5.5	5.3	5.2

Liquidity coverage ratio

BIS Basel III rules require disclosure of the liquidity coverage ratio (LCR). As a Swiss SRB, UBS AG (standalone) must maintain an LCR of at least 100% since 1 January 2015 and disclose LCR information on a quarterly basis. As of 30 September 2016, UBS AG (standalone) was above the 105% standalone LCR minimum communicated by FINMA.

Liquidity coverage ratio

	Weighted value[1]		
CHF billion, except where indicated	**Average 3Q16**	Average 2Q16	Average 4Q15
High-quality liquid assets	**94**	103	108
Total net cash outflows	**81**	79	93
of which: cash outflows[2]	***187***	*177*	*219*
of which: cash inflows[2]	***106***	*98*	*125*
Liquidity coverage ratio (%)	**116**	131	116

1 Calculated after the application of haircuts and inflow and outflow rates. 2 In the third quarter of 2016, the presentation of securities financing transactions across our business areas was aligned. This change did not affect net cash outflows or the liquidity coverage ratio.

Cautionary Statement Regarding Forward-Looking Statements | This report contains statements that constitute "forward-looking statements," including but not limited to management's outlook for the financial performance of UBS AG (which, for the purpose of this cautionary statement, refers to UBS AG and its subsidiaries) and statements relating to the anticipated effect of transactions and strategic initiatives on UBS AG's business and future development. While these forward-looking statements represent UBS AG's judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS AG's expectations. These factors include, but are not limited to: (i) the degree to which UBS AG and the UBS Group are successful in executing the announced strategic plans, including cost reduction and efficiency initiatives and the targets for risk-weighted assets (RWA) and leverage ratio denominator (LRD), and the degree to which UBS AG and the UBS Group are successful in implementing changes to the wealth management businesses to meet changing market, regulatory and other conditions; (ii) continuing low or negative interest rate environment, developments in the macroeconomic climate and in the markets in which UBS AG operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions on the financial position or creditworthiness of UBS AG's clients and counterparties as well as on client sentiment and levels of activity; (iii) changes in the availability of capital and funding, including any changes in UBS AG's credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK and other financial centers that may impose, or result in, more stringent capital, TLAC, leverage ratio, liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these would have on UBS AG's business activities; (v) uncertainty as to when and to what degree the Swiss Financial Market Supervisory Authority (FINMA) will approve, or confirm, limited reductions of gone concern requirements due to measures to reduce resolvability risk; (vi) the degree to which UBS AG and the UBS Group are successful in implementing further changes to the Group's legal structure to improve its resolvability and meet related regulatory requirements, including changes in legal structure and reporting required to implement US enhanced prudential standards, implementing a service company model, completing the transfer of the Asset Management business to a holding company, and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements relating to capital requirements, resolvability requirements and proposals in Switzerland and other countries for mandatory structural reform of banks and the extent to which such changes have the intended effects; (vii) the uncertainty arising from the timing and nature of the UK exit from the EU and the potential need to make changes in UBS's legal structure and operations as a result of it; (viii) changes in UBS AG's competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS AG's ability to compete in certain lines of business; (ix) changes in the standards of conduct applicable to UBS AG's businesses that may result from new regulation or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (x) the liability to which UBS AG may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses or loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational component of UBS AG's RWA; (xi) the effects on UBS AG's cross-border banking business of tax or regulatory developments and of possible changes in UBS AG's policies and practices relating to this business; (xii) UBS AG's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors including differences in compensation practices; (xiii) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xiv) limitations on the effectiveness of UBS AG's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xv) whether UBS AG will be successful in keeping pace with competitors in updating its technology, particularly in trading businesses; (xvi) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyber-attacks, and systems failures; (xvii) restrictions on the ability of UBS AG to make payments or distributions, including due to restrictions on the ability of subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS AG's operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xviii) the degree to which changes in regulation, capital or legal structure, financial results or other factors, including methodology, assumptions and stress scenarios, may affect UBS Group's ability to maintain its stated capital return objective; and (xix) the effect that these or other factors or unanticipated events may have on UBS's reputation and the additional consequences that this may have on UBS AG's business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS Group AG and UBS AG and filings made by UBS Group AG and UBS AG with the SEC, including UBS Group AG's and UBS AG's Annual Report on Form 20-F for the year ended 31 December 2015. UBS AG is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

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

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

UBS AG
P.O. Box, CH-8098 Zurich
P.O. Box, CH-4002 Basel

ubs.com

UBS

Zurich, 18 November 2016

UBS AG

By:

(signed by Stefanie Ganz)

By:

(signed by Sebastian Rogge)