



# UBS Group AG

2018 US Resolution Plan

Public Section

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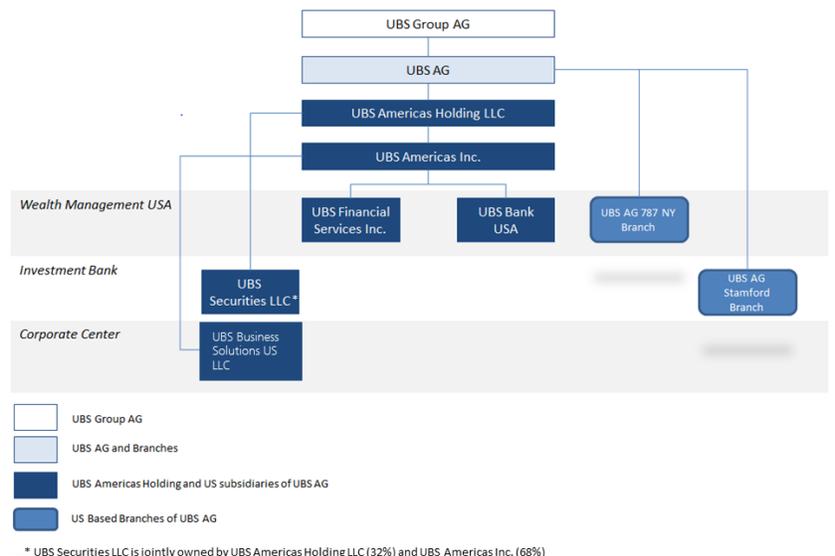


# 1. Introduction

UBS draws on its over 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. Its business strategy is centered on its preeminent global wealth management businesses and its leading universal bank in Switzerland, complemented by one of the world's largest asset managers and a specialized and successful Investment Bank. Capital strength continues to be a key pillar of the UBS strategy and since 2012 UBS has substantially reduced risk and balance sheet exposures while increasing total loss-absorbing capacity ("TLAC") under Swiss regulatory requirements. UBS is committed to maintaining a strong capital and TLAC position and ratios at all times in order to meet regulatory requirements and our target capital ratios, and to support the growth of our business.

Headquartered in Zurich, Switzerland, UBS has offices in more than 50 countries, including all major financial centers, and approximately 60,000 employees. UBS Group AG is the holding company of the UBS Group companies (collectively, the "Group"). Under Swiss company law, UBS Group AG is organized as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors. The current operational structure of the Group comprises four business divisions (Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank), and a Corporate Center. Figure 1.1 below provides a simplified US legal entity structure as of 30 June 2018 and depicts the US subsidiaries and branches that are material to the UBS US Resolution Plan.

Figure 1.1: Simplified US Legal Entity Structure



This public section describes the UBS 2018 US resolution plan ("UBS US Resolution Plan") filed by UBS Group AG pursuant to the regulations ("Regulations") of the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Federal Deposit Insurance Corporation ("FDIC" and, together with the Federal Reserve<sup>1</sup>, the "Agencies") under Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires certain financial companies with global assets in excess of USD 50 billion to file resolution plans with respect to their US operations. The Regulations prescribe specific requirements for resolution plans and the guidance published by the Federal Reserve and the FDIC in March 2017 (the "2018 Guidance"<sup>2</sup>) sets forth a specific resolution scenario to be addressed in 2018 resolution plans filed by covered foreign banking organizations, such as UBS, and certain vulnerabilities that must be addressed in the plan.

As required by the 2018 Guidance, the UBS US Resolution Plan sets forth UBS's strategy for the orderly resolution of UBS Americas Holding LLC assuming that (i) Americas Holding and its subsidiaries experience material financial distress<sup>3</sup>, (ii) UBS Group is unwilling or unable to provide financial support for the continuation of US operations and (iii) at least Americas Holding commences a proceeding under the US Bankruptcy Code. While UBS's US resolution plan addresses this hypothetical resolution scenario, the occurrence of such a scenario would be highly unusual for several reasons including those set out below:

- Americas Holding and its material subsidiaries are well capitalized and maintain a strong liquidity position.
  
- In the event the US operations of UBS experience significant losses or other adverse events, UBS is likely to provide support to Americas Holding as it represents a significant part of UBS's overall business, and operating subsidiaries of Americas Holding form a core part of

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<sup>1</sup> 12 CFR Part 243 and Part 381.

<sup>2</sup> The "2018 Guidance" means Guidance for 2018 § 165(d) Annual Resolution Plan Submissions by Foreign Covered Companies that Submitted Resolution Plans in 2015, jointly published by the FDIC and the Federal Reserve on 24 March 2017.

<sup>3</sup> The Regulations define "material financial distress" to mean that (i) a company has incurred, or is likely to incur, losses that will deplete all or substantially all of its capital, and there is no reasonable prospect for the company to avoid such depletion; (ii) the company's assets are, or are likely to be, less than its obligations to creditors and others; or (iii) the company is, or is likely to be, unable to pay its obligations in the normal course of business.

UBS's Global Wealth Management, Asset Management and Investment Bank business divisions.

- UBS maintains a strong capital position and is among the best capitalized of its peer institutions. UBS's fully applied Common Equity Tier 1 capital ratios on both a risk weighted assets and leverage ratio denominator basis are comfortably above Swiss fully applied 2020 requirements. Total loss-absorbing capacity has increased by around CHF<sup>4</sup> 50 billion since 2012 to almost CHF 80 billion. Further it maintains a strong liquidity position as measured by the liquidity coverage ratio. The Group's total high quality liquid assets was CHF 183 billion at 31 December 2017.
- UBS has developed a Global Resolution Plan that is aligned with the Swiss Financial Market Regulatory Authority ("FINMA") preferred single point of entry ("SPE") resolution strategy. Under the preferred SPE strategy, in the event UBS experienced significant financial distress, FINMA would, as part of its resolution measures, order the "bail-in" of Additional Tier 1 capital instruments and debt of UBS Group AG to restore the capitalization of UBS Group AG and permit any subsidiary that had suffered losses to be recapitalized without the subsidiary entering insolvency or resolution. At 31 December 2017, UBS had approximately CHF 78 billion of TLAC, as measured under the Swiss Capital Adequacy Ordinance. Refer to Section 2 for additional information.

UBS has considered the actions that would be required if such an event as described in the 2018 Guidance were to occur and has undertaken extensive efforts to develop the UBS US Resolution Plan including taking measures to improve its ability to execute the actions contemplated and to address potential vulnerabilities. UBS believes the UBS US Resolution Plan presents a credible and executable strategy for the resolution of Americas Holding and its material subsidiaries without an adverse effect on financial stability in the US and without losses being incurred by UBS customers, the US government or the FDIC's deposit insurance fund.

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<sup>4</sup> CHF means Swiss Francs.

## 2. UBS's Group Resolution Strategy

**UBS is committed to structuring itself and operating so that it is capable of being resolved without causing systemic disruption or requiring public support in the event it suffers significant financial distress.**

UBS has implemented a well-defined and focused business strategy that is centered on its leading Global Wealth Management business and universal bank in Switzerland, enhanced by its Asset Management and Investment Bank businesses. Capital strength is a key pillar of the firm's strategy. The UBS Group operates prudently with robust capital and sound liquidity and with capital-efficient and highly capital generative businesses. UBS has materially reduced the size of its balance sheet and significantly reduced its Non-Core and Legacy assets since implementing its strategy in 2012 while at the same time building TLAC to meet Swiss fully-applied regulatory requirements ahead of the 1 January 2020 deadline. This strategy is intended not only to produce consistent and attractive returns for shareholders with a focus on sustainable performance over the long term, but also – taking into account lessons of the financial crisis – to minimize the likelihood of UBS requiring restructuring or resolution.

UBS has established a Global Recovery Plan that further improves resilience by establishing an early warning system based on quantitative and qualitative recovery risk indicators and that provides a comprehensive set of capital and liquidity measures that could be executed by UBS management in an acute crisis situation.

In the event that recovery measures are exhausted or insufficient to restore the Group's financial strength and ensure its ongoing viability following an unforeseen set of events, the Global Resolution Strategy is intended to provide for the resolution of the firm without recourse to taxpayers, while maintaining financial stability, protecting depositors, avoiding unnecessary destruction of shareholder value and treating creditors fairly. Our Global Resolution Strategy is fully-aligned with FINMA's preferred resolution strategy, as outlined in its position paper "Resolution of global systemically important banks" issued in August 2013:

*"FINMA's preferred resolution strategy for these financial groups consists of a resolution led centrally by the home supervisory and resolution authority and focused on the top-level group company. This is called the 'single point of entry' ('SPE') approach. Creditors of the parent bank or*

*top-level holding company bear a share of the losses, allowing the entire financial group to be recapitalized. This recapitalization must be sufficient to meet the needs of all group companies in Switzerland and abroad. This buys time with regard to restructuring the affected banks so that they can return to viable operation. The fallback option is a break-up of the group which may include a sale of entities and business lines or a wind-down of the non-viable parts of the group while systemically important functions are preserved."*

In line with this guidance the Global Resolution Strategy would entail a recapitalization of UBS Group AG through the cancellation of existing common stock, write-down of additional tier 1 and tier 2 capital instruments (to the extent not already written down in the recovery phase), and conversion of debt of UBS Group AG into newly created common stock. This recapitalization would be sufficient to restore UBS Group AG's capitalization and permit it to contribute capital to its operating subsidiaries sufficient to permit them to continue operating as going concerns or to execute a managed wind-down of activities in accordance with a restructuring plan. This strategy is intended to provide assurance to the counterparties and creditors of UBS's operating subsidiaries and therefore stabilize those subsidiaries from a liquidity perspective, enabling a more orderly disposition in the interest of all stakeholders.

UBS has worked in conjunction with FINMA and other relevant parties to define the Group Resolution Strategy and the steps necessary to implement the strategy. The Group Resolution Strategy would be implemented by means of a restructuring order issued by FINMA. The restructuring order and the bail-in are immediately effective and cannot be reversed by creditor challenge. UBS has worked closely with FINMA to develop the Group Resolution Strategy, including detailed plans to execute the strategy to ensure that it could be successfully executed.

UBS has implemented significant changes in its legal structure and operations to ensure that the Group Resolution Strategy can be successfully implemented. These changes include:

- The creation of UBS Group AG, a non-operating top-tier holding company for the Group;
- The transfer of the Personal and Corporate Banking and Global Wealth Management businesses booked in Switzerland to UBS Switzerland AG to ensure the continuity of Swiss systemically significant functions;
- The transfer of support personnel and related systems, contracts and intellectual property to a Group service company (and to the US service company subsidiary of UBS Americas Inc., a wholly owned subsidiary of Americas Holding) to preserve the continuity of support services in the event of a resolution;



- The establishment of Americas Holding as our US intermediate holding company, and alignment of our US subsidiaries under Americas Holding; and
- Implementation of a more self-sufficient operating model for UBS Limited, a UK broker-dealer primarily used by the Investment Bank.

UBS has further built substantial loss absorbing capacity at UBS Group AG to ensure that there are sufficient resources eligible for bail-in to execute the Group Resolution Strategy. At 31 December 2017, the Group's TLAC was CHF 78 billion.

## 3. Summary of the UBS US Resolution Plan

### 3.1. Introduction

The UBS US Resolution Plan addresses the resolution of UBS's US operations under a hypothetical resolution scenario required by the 2018 Guidance. The 2018 Guidance requires that the UBS US Resolution Plan address the following hypothetical resolution scenario:

*"...The U.S. resolution plan for a Foreign-based covered company would address a scenario where the U.S. operations experience material financial distress and the foreign parent was unable or unwilling to provide sufficient financial support for the continuation of U.S. operations, and at least the U.S. IHC files for Chapter 11 bankruptcy. Under such a scenario, the plan should provide for the orderly resolution of the Foreign-based covered company's U.S. material entities and operations..."*

In the event that a resolution scenario affecting UBS materialized, UBS expects to execute the Preferred Resolution Strategy supported by FINMA and execute a SPE bail-in at the UBS Group AG level. The bail-in would allow UBS to recapitalize its operating subsidiaries, including UBS AG, Americas Holding and the US material entities. UBS believes that such a recapitalization would have a material stabilizing impact on the financial condition of these subsidiaries, in order to allow for a return to ongoing operations.

UBS has significantly reduced financial interconnectedness and potential frictions in the US. UBS today maintains capital and funding resources that can be deployed during any stress period to enhance the operational continuity of its US operations, and has put in place a framework to ensure resources are available where needed. UBS has significantly improved its operational flexibility by establishing dedicated service companies, that provide shared services that support the operations and businesses and strengthen operational continuity.

The UBS US Resolution Plan, however, does not rely upon a successful global recapitalization of UBS and its operating subsidiaries. The approach adopted in the UBS US Resolution Plan reflects the regulatory requirement that recapitalization of US subsidiaries by the parent should not form part of the UBS US Resolution Plan and the Plan should contemplate the bankruptcy of at least Americas Holding.



The UBS US Resolution Plan assumes that only Americas Holding enters into an insolvency proceeding after having recapitalized and funded the US operating subsidiaries, which are then resolved outside of resolution proceedings through the sale or wind-down of businesses.

### **3.2. Definitions**

UBS Group AG is the *"covered company"* for purposes of the Regulations. A *"material entity"* is defined in the Regulations as *"a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line."* The *"Core business lines"* are defined in the Regulations as *"those business lines of the covered company, including associated operations, services, functions and support which, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value."* UBS defines core business lines in the UBS US Resolution Plan as the core business lines conducted by the operating subsidiaries of Americas Holding. A description of the core business lines is provided below. While the material entities listed below have been designated as relevant for resolution planning purposes, they do not represent the entire universe of legal entities that constitute the UBS Group and contribute to its success.

### **3.3. US material entities**

Based upon the core business lines identified and described below, and the critical operations designated by the Federal Reserve and the FDIC, UBS Group AG designated two branches of UBS AG and six US subsidiaries as material entities for purposes of this UBS US Resolution Plan. The material entities in the UBS US Resolution Plan are: Americas Holding, UBS Americas Inc., UBS Securities LLC, UBS Financial Services Inc., UBS Bank USA, UBS Business Solutions US LLC, UBS AG Stamford Branch and UBS AG New York 787 Branch. Descriptions of the material entities are provided below.

#### **3.3.1. UBS Americas Holding LLC**

Americas Holding is a Delaware limited liability company and is a wholly owned, non-operating US subsidiary of its parent, UBS AG. Americas Holding holds, directly or indirectly, 100% of the ownership interests in all of UBS's US subsidiaries, including UBS Americas Inc., UBS Financial Services Inc., UBS Bank USA, UBS Securities LLC and UBS Business Solutions US LLC. As described above, the US resolution strategy contemplates that only Americas Holding will enter an insolvency proceeding, and that it will have the financial resources to recapitalize and fund the US operating subsidiaries, which are then resolved outside of insolvency proceedings and without government support through the sale or wind-down of businesses.



### 3.3.2. UBS Americas Inc.

UBS Americas Inc. is a Delaware corporation and is a wholly-owned, non-operating US subsidiary of its parent, Americas Holding. UBS Americas Inc. holds 100% of the ownership interests in UBS Financial Services Inc., UBS Bank USA, UBS Business Solutions US LLC and has a 68% direct ownership interest in UBS Securities LLC (with Americas Holding having the remaining 32% direct ownership interest).

### 3.3.3. UBS Securities LLC

UBS Securities LLC is a Delaware limited liability company. Direct ownership of UBS Securities LLC is shared by Americas Holding, 32%, and UBS Americas Inc., 68%. In line with UBS's broader business strategy, UBS Securities LLC has simplified its business and is focused on providing client focused advisory, capital markets and financing solutions and providing access to primary and secondary markets to a broad base of clients. Exposure to derivatives is primarily limited to those instruments traded on exchanges. UBS Securities LLC is a registered broker-dealer under the Securities Exchange Act of 1934 and is registered with the Securities and Exchange Commission. UBS Securities LLC is a member of the Securities Investor Protection Corporation, the Financial Industry Regulation Authority, the National Futures Association and is a member of the New York Stock Exchange, NASDAQ and other principal exchanges. In addition, it is a registered futures commission merchant with the Commodity Futures Trading Commission and a member of major US and foreign commodity exchanges. UBS Securities LLC is also a primary dealer in US government securities and provides a full range of investment banking services, including corporate finance, mergers and acquisitions, capital markets, trading and sales, fixed income, equity research and prime brokerage operations.

### 3.3.4. UBS Financial Services Inc.

UBS Financial Services Inc. is a Delaware corporation and a wholly-owned subsidiary of UBS Americas, Inc. UBS Financial Services Inc.'s business activities include securities and commodities brokerage, investment advisory and asset management services serving the investment, cash management, financial planning and borrowing needs of individual and institutional clients. UBS Financial Services Inc. is primarily run as the wealth management retail broker-dealer that is segregated from UBS Securities LLC's US institutional brokerage business. Trading positions are used to facilitate client needs. UBS Financial Services Inc., is registered with the Securities and Exchange Commission as a broker-dealer under the Securities Exchange Act of 1934 and an Investment Advisor under the Investment Advisors Act of 1940. UBS Financial Services Inc. is a member of the Securities Investor Protection Corporation, the Financial Industry Regulation Authority, and the National Futures Association, and is also a member of various exchanges and is subject to regulation by each US state in which it conducts business. In



addition, it is a registered futures commission merchant with the Commodity Futures Trading Commission.

### 3.3.5. UBS Bank USA

UBS Bank USA is an insured depository institution and industrial bank organized and licensed under the laws of the State of Utah. It is supervised by the Utah Department of Financial Institutions, the FDIC and the Consumer Financial Protection Bureau. UBS Bank USA's products and services are offered throughout the US. It is headquartered in Salt Lake City, Utah. UBS Bank USA offers money market deposit accounts, transaction accounts, and certificates of deposit through UBS Financial Services Inc. The deposits are principally used to fund loans collateralized by securities held in accounts maintained with UBS Financial Services Inc., loans collateralized by residential real estate and investments, reverse repurchase agreements, and credit card loans. UBS Bank USA's deposits are insured by the FDIC up to FDIC limits. UBS Bank USA is a wholly-owned subsidiary of UBS Americas Inc.

### 3.3.6. UBS Business Solutions US LLC

UBS Business Solutions US LLC is a Delaware limited liability company and a wholly-owned subsidiary of UBS Americas Inc. UBS Business Solutions US LLC employs personnel who provide shared services to affiliates including the UBS branches and subsidiaries in the US. It houses support functions such as Operations, Technology, Legal, Finance and Treasury, among others. Given the nature of its activities, UBS Business Solutions US LLC is not a licensed entity.

### 3.3.7. UBS AG Stamford Branch

UBS AG Stamford Branch is an uninsured federally-licensed US branch of UBS AG that is supervised by the Office of the Comptroller of the Currency. It engages in receiving uninsured deposits, making loans and other similar activities associated with a US branch of a foreign bank. UBS AG Stamford Branch serves several functions in the US: it is the center of operations for the Treasury function and payment operations in the US and the primary booking center for the Investment Bank's Foreign Exchange business with US clients and US corporate lending business.

### 3.3.8. UBS AG New York 787 Branch

UBS AG New York 787 Branch is an uninsured federally-licensed US branch of UBS AG that is supervised by the Office of the Comptroller of the Currency. The UBS AG New York 787 Branch is the account holder for UBS's master account maintained with the Federal Reserve through which wire transfer and discount window borrowing services are accessed by the UBS AG Stamford Branch on behalf of UBS.

### **3.4. US Core Business Lines**

As part of its resolution planning activities, UBS is required to identify its US core business lines; which are those US business lines whose failure could result in a material loss of revenue, profit or franchise value. Two business divisions with US operations collectively operate three core business lines in the US as set forth below.

#### **3.4.1. Wealth Management USA**

Wealth Management USA ("WM USA") provides advice-based solutions and banking services through financial advisors who deliver a fully integrated set of products and services specifically designed to address the needs of wealthy private clients, particularly ultra-high net worth and high net worth individuals and families. It includes UBS's domestic US and Canadian wealth management business as well as international business booked in the US. WM USA is part of UBS's Global Wealth Management business division.

#### **3.4.2. Investment Bank**

The Investment Bank provides corporate, institutional and wealth management clients with advice, innovative financial solutions, outstanding execution, and comprehensive access to the global capital markets. The Investment Bank is an active participant in capital markets flow activities, including sales, trading, and market-making across a range of securities. The US core business lines contained within the Investment Bank are:

- Corporate Client Solutions ("CCS"): CCS provides client coverage, advisory, debt and equity capital market solutions and financing solutions for corporate, financial institution and sponsor clients. The main business lines of CCS are Advisory, Equity Capital Markets, Debt Capital Markets, Financing Solutions and Risk Management. CCS works closely with Investor Client Services in the distribution and risk management of capital market products.
  
- Investor Client Services Equities ("ICS Equities"): ICS Equities provides a full front-to-back product suite globally, including financing, execution, clearing and custody services to hedge funds, asset managers, wealth management advisors, financial institutions and sponsors, pension funds, sovereign wealth funds and corporations globally. The ICS Equities core business line distributes, structures, executes, finances and clears cash equity and equity derivative products. Research capabilities within the ICS Equities core business line



provide in-depth investment analysis on companies, sectors, regions, macroeconomic trends, public policy and asset-allocation strategies.

### **3.5. Overview of Hypothetical Resolution Scenario in the UBS US Resolution Plan**

The UBS US Resolution Plan is premised on a hypothetical stress scenario where Americas Holding and its subsidiaries experience unanticipated losses. It is assumed that these losses manifest in a single initial shock to the US operations, and occur against the backdrop of severely adverse general market conditions. The first three weeks of this hypothetical stress scenario (the “recovery period”) are characterized by efforts to manage liquidity in an increasingly uncertain environment consistent with regulatory guidance. During the third week of the hypothetical stress scenario the US operations find they are unable to recover without parent support. When, as required by the regulators under this hypothetical scenario, the parent does not provide the requested support, Americas Holding would downstream resources to its subsidiaries and then files a Chapter 11 bankruptcy case.

Provided below is an overview of the resolution strategy for each US material entity under the hypothetical resolution scenario that provides for the continuity, transfer, or orderly wind down of the US material entities and their operations after the hypothetical bankruptcy filing of Americas Holding.

#### **3.5.1. Americas Holding**

Americas Holdings is a non-operating holding company whose assets are holdings in subsidiary entities, supported predominantly by intercompany liabilities. Third party liabilities of Americas Holding are de minimus. As required by the Federal Reserve and the FDIC, in the hypothetical resolution scenario Americas Holding would be placed into a Chapter 11 bankruptcy proceeding when it reaches the point of non-viability.

#### **3.5.2. UBS Financial Services Inc. and UBS Bank USA**

At the point of non-viability for Americas Holding, the UBS US Resolution Plan projects UBS Financial Services Inc. and UBS Bank USA to be solvent and in compliance with its regulatory capital requirements. UBS believes that in such a hypothetical resolution scenario, a sale of the WM USA assets of UBS Financial Services Inc. and UBS Bank USA as going concerns is the most likely resolution scenario for these material entities given their significant client base and franchise value. Accordingly, the UBS US Resolution Plan includes scenarios where a sale of the assets of UBS Financial Services Inc. and UBS Bank USA would be executed soon after the bankruptcy filing of Americas Holding.

#### **3.5.3. UBS Securities LLC**



At the point of non-viability for Americas Holding, the UBS US Resolution Plan projects UBS Securities LLC to be solvent and in compliance with its regulatory capital requirements. UBS believes that in such a hypothetical resolution scenario an orderly transfer or wind-down of customer accounts is the most likely resolution scenario for this material entity. The UBS US Resolution Plan incorporates an account transfer strategy for prime brokerage clients intended to minimize disruptions and facilitate client access to their assets. UBS believes this strategy would result in the successful transfer of the majority of client assets in an orderly and timely manner after Americas Holding files its Chapter 11 bankruptcy case.

#### 3.5.4. UBS AG Stamford Branch and UBS AG New York 787 Branch

The hypothetical resolution scenario does not envisage the failure or resolution of any US branch material entities, including the Stamford and New York 787 Branches of UBS AG. It assumes that the US branches would remain operating subject to enhanced supervisory requirements.

#### 3.5.5. UBS Business Solutions US LLC and UBS Americas Inc.

The hypothetical resolution scenario does not envisage the failure of either UBS Business Solutions US LLC or UBS Americas Inc. UBS Business Solutions US LLC would continue to be paid for services provided to support the US operations for as long as such services are required. Neither of these US material entities becomes insolvent or is required to file its own bankruptcy proceeding.

#### 3.5.6. The US Operations at the Conclusion of the Resolution Period

At the conclusion of the resolution period of the hypothetical resolution scenario, the UBS US Resolution Plan envisages that all or substantially all of the assets of UBS Financial Services Inc. and UBS Bank USA would have been sold to a third party and the operations of UBS Securities LLC will have been wound down. The resulting US operations will have been materially reduced in size and the residual activities of UBS in the US, either through the US branches of UBS AG or the continuing smaller subsidiaries of Americas Holding, will either continue to be wound down, sold or transferred or will continue for the benefit of UBS Group activities, as directed by UBS AG.

## 4. US Resolution Planning Governance

UBS established clear roles and responsibilities with respect to the major elements of the resolution planning process in order to facilitate effective working processes and compliance with decisions made by the US Recovery and Resolution Planning Office ("US RRP Office") and US Recovery and Resolution Planning Steering Committee (the "Steering Committee"). UBS has also established processes for preparing, verifying and obtaining sign off on US resolution planning materials at global and local levels. This structure assures that Group and US senior management, the Steering Committee, the Americas Holding Board of Directors ("Americas Holding Board"), the UBS Group AG "Group Executive Board"; and the UBS Group AG Board of Directors ("Group Board"), take responsibility for the content of the deliverables and are comfortable that information provided to them is appropriate and, further, that implementation issues are adequately addressed at all levels.

The US RRP Office is part of the Group Regulatory and Governance ("GRG") unit, which reports to the Group Chief Executive Officer and oversees both global and local recovery and resolution planning activities. The Steering Committee meets regularly to review the progress of US resolution planning activities and review deliverables as necessary. The composition of the Steering Committee includes senior management and officers of Americas Holding, as well as functions, regions, and divisions that are directly affected by the resolution planning process.

The Head of the US RRP Office has a dual reporting line to Group and regionally in the Americas. These reporting lines help ensure coordination of the US resolution planning process with Group recovery and resolution planning requirements and other key regulatory initiatives applicable to the US operations. Close monitoring of the UBS US Resolution Plan is achieved in the US and at UBS Group AG through established program governance processes that closely link the GRG initiatives and resolution planning. This UBS US Resolution Plan has been approved by the Americas Holding Board, the Group Executive Board, and the Group Board.

## 5. Summary Financial Information on Assets, Liabilities, Capital and Major Funding Sources

### 5.1. UBS Group AG Income Statement as of 31 December 2017

Table 5.1: UBS Group AG Income Statement<sup>5</sup>

#### Income statement

CHF million	For the year ended			% change from
	31.12.17	31.12.16	31.12.15	
Net interest income	6,528	6,413	6,732	2
Credit loss (expense) / recovery	(128)	(37)	(117)	246
Net interest income after credit loss expense	6,400	6,376	6,615	0
Net fee and commission income	17,186	16,397	17,140	5
Net trading income	4,972	4,948	5,742	0
<i>of which: own credit on financial liabilities designated at fair value</i>			553	
Other income	509	599	1,107	(15)
Total operating income	29,067	28,320	30,605	3
<i>of which: net interest and trading income</i>	11,499	11,361	12,474	1
Personnel expenses	15,889	15,720	15,981	1
General and administrative expenses	6,808	7,434	8,107	(8)
Depreciation and impairment of property, equipment and software	1,033	985	920	5
Amortization and impairment of intangible assets	70	91	107	(23)
Total operating expenses	23,800	24,230	25,116	(2)
Operating profit / (loss) before tax	5,268	4,090	5,489	29
Tax expense / (benefit)	4,139	805	(898)	414
Net profit / (loss)	1,128	3,286	6,386	(66)
Net profit / (loss) attributable to non-controlling interests	76	82	183	(7)

<sup>5</sup> Source: 2017 UBS Group AG Annual Report

Net profit / (loss) attributable to shareholders	1,053	3,204	6,203	(67)
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### Comprehensive income

Total comprehensive income	218	2,170	5,781	(90)
Total comprehensive income attributable to non-controlling interests	428	352	83	22
<b>Total comprehensive income attributable to shareholders</b>	<b>(210)</b>	<b>1,817</b>	<b>5,698</b>	

## 5.2. UBS Group AG Balance Sheet Statement as of 31 December 2017

Table 5.2: UBS Group AG Balance Sheet<sup>6</sup>

### Balance sheet

CHF million	Note	31.12.17	31.12.16
<b>Assets</b>			
Cash and balances with central banks		87,775	107,767
Due from banks	10, 11	13,739	13,156
Cash collateral on securities borrowed	24	12,393	15,111
Reverse repurchase agreements	24	77,240	66,246
Trading portfolio assets	22	130,707	96,575
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>	23	35,363	30,260
Positive replacement values	12, 22, 24	118,227	158,411
Cash collateral receivables on derivative instruments	24	23,434	26,664
Loans	10, 11	319,568	306,325
Financial assets designated at fair value	22, 24, 25	58,933	65,353
Financial assets available for sale	13, 22	8,665	15,676
Financial assets held to maturity	13	9,166	9,289
Investments in associates	28	1,018	963
Property, equipment and software	14	8,829	8,331
Goodwill and intangible assets	15	6,398	6,556
Deferred tax assets	8	9,844	13,155
Other assets	16	29,706	25,436
<b>Total assets</b>		<b>915,642</b>	<b>935,016</b>
<b>Liabilities</b>			
Due to banks	17	7,533	10,645
Cash collateral on securities lent	24	1,789	2,818
Repurchase agreements	24	15,255	6,612
Trading portfolio liabilities	22	30,463	22,824
Negative replacement values	12, 22, 24	116,133	153,810
Cash collateral payables on derivative instruments	24	30,247	35,472

<sup>6</sup> Source: 2017 UBS Group AG Annual Report

Due to customers	17	<b>408,999</b>	423,672
Financial liabilities designated at fair value	18, 22, 24	<b>54,202</b>	55,017
Debt issued	19	<b>139,551</b>	103,649
Provisions	20	<b>3,133</b>	4,174
Other liabilities	8, 21	<b>57,064</b>	62,020
<b>Total liabilities</b>		<b>864,371</b>	880,714

**Equity**

Share capital		<b>385</b>	385
Share premium		<b>25,942</b>	28,254
Treasury shares		<b>(2,133)</b>	(2,249)
Retained earnings		<b>32,752</b>	31,725
Other comprehensive income recognized directly in equity, net of tax		<b>(5,732)</b>	(4,494)
<b>Equity attributable to shareholders</b>		<b>51,214</b>	53,621
Equity attributable to non-controlling interests		<b>57</b>	682
<b>Total equity</b>		<b>51,271</b>	54,302
<b>Total liabilities and equity</b>		<b>915,642</b>	935,016

## 6. Memberships in Material Payment, Clearing and Settlement Systems

Certain US material entities are direct members of payment, clearing and settlement systems as shown in Table 6.1 below.

Table 6.1: US Material Entities with Direct Membership in Material PCS Systems

US Material Entity With Direct Membership	UBS Securities LLC	UBS Financial Service Inc.	Stamford Branch	NY Branch	
Clearing and settlement	DTC	X	X	X	
	NSCC	X	X		
	Clearstream	X	X		
	FICC	X	X	X	
	BNYM	X	X	X	
	OCC	X	X		
	CME Clearing	X			
	ICE Europe	X			
	ICE US	X			
	ICE Credit	X			
	LCH Ltd. (UK)	X			
	Payments: wholesale / retail	CHIPS		X	
		Fedwire Funds		-	X

## 7. Description of Material MIS

UBS Group Technology in the Americas supports UBS's business divisions and is centrally located in UBS Business Solutions US LLC. UBS's management information systems were designed with a business division and global focus that does not necessarily lend itself to reporting on a legal entity and jurisdictional basis. In recognition of the need for enhanced control and flexibility with respect to data and data processing within the UBS organization, UBS has made substantial investments to build capabilities and enhance the information technology infrastructure, across risk, finance, treasury/liquidity, and front office that will facilitate legal entity risk management and reporting capabilities.

In the US, examples of these specifically include:

- Capital and stress testing reporting relating to the Federal Reserve's annual Comprehensive Capital Adequacy and Review ("CCAR") requirements;
- Enhanced Cash flow reporting;
- Reporting of liquidity stress testing results;
- Development of a Core Resolution Tool for the estimation and projection of liquidity and capital needs under various stress and resolution scenarios;
- Risk management and risk control processes and information; and
- Implementation of a data governance framework.

In the preparation of the UBS US Resolution Plan, UBS identified the key management information systems and applications used to support the critical operations of the US material entities including risk management, accounting, and financial and regulatory reporting. UBS has compiled detailed inventories identifying the resolution relevant systems or critical application systems and mapped these systems to material entities, core business lines and critical operations.

UBS is also identifying opportunities to further enhance its MIS portfolio to provide transparency, control, timeliness and accuracy to facilitate effective decision-making and analysis at the US level and for escalation to the UBS Group as needed during a resolution scenario.

## 8. Descriptions of Global Operations

UBS is present in all major financial centers worldwide. It has offices in more than 50 countries, with about 34% of its employees working in the Americas, 33% in Switzerland, 18% in the rest of Europe, the Middle East and Africa and 15% in Asia Pacific. UBS Group AG employs about 60,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the NYSE.

UBS is committed to providing private, institutional and corporate clients worldwide, as well as retail clients in Switzerland, with superior financial advice and solutions while generating attractive and sustainable returns for shareholders. UBS's strategy is centered on its preeminent global wealth management businesses and its leading universal bank in Switzerland, complemented by one of the world's largest asset managers and a specialized and successful Investment Bank.

### **8.1. Global Wealth Management**

On 1 February 2018, Wealth Management and Wealth Management Americas were combined into the unified business division Global Wealth Management ("GWM"). The creation of the integrated business division aims to further enhance UBS's superior client experience and product offering in line with an increasingly global client base. GWM provides clients with broader access to more diversified global products and services and an integrated multi-shore offering. Clients benefit from the scale and insights of a truly global business, while UBS retains the distinct client service models best suited to each of the regions in which the Group operates. GWM leverages its scale to generate greater synergies through joint investments in technology, new products, new business lines and employees.

GWM provides comprehensive advice and tailored financial services to wealthy private clients around the world. Clients benefit from the full spectrum of resources that a global firm can offer, including investment management, portfolio construction, wealth planning, banking and lending, and corporate financial advice. This model gives clients access to a wide range of products from the world's leading third-party institutions that complement UBS specific offerings together with innovative solutions. UBS GWM has unique scale and a global footprint and booking centers around the globe.

### **8.2. Personal and Corporate Banking**

As the leading personal and corporate banking ("P&C") business in Switzerland, UBS provides comprehensive financial products and services to private, corporate and institutional clients in



Switzerland. UBS is among the leading players in the private and corporate loan market in Switzerland, with a well-collateralized and conservatively managed lending portfolio.

The P&C business is central to UBS's universal bank delivery model in Switzerland. It works with the Group's wealth management, investment bank and asset management businesses to help clients receive the best products and solutions for their specific financial needs. P&C is also an important source of growth for these business divisions through client referrals. In addition, it manages a substantial part of UBS's Swiss infrastructure and banking products platform, both of which are leveraged across the Group.

The P&C distribution model is based on a multi-channel strategy and digital banking continues to strengthen UBS's position as the leading multi-channel bank in Switzerland. The Swiss branch network includes around 280 branches, covering 10 geographical regions.

### **8.3. Asset Management**

Asset Management is a large-scale and diversified asset manager, with an onshore presence in 23 countries. The business offers investment capabilities and investment styles across all major traditional and alternative asset classes, as well as platform solutions and advisory support, to institutions, wholesale intermediaries and wealth management clients around the world.

### **8.4. Investment Bank**

The Investment Bank ("IB") provides investment advice, financial solutions and capital markets access in over 35 countries, with principal offices in all major financial centers. The business serves corporate, institutional and wealth management clients across the globe and partners with UBS wealth management, personal and corporate banking and asset management businesses.

The business division is organized into Corporate Client Solutions (with the main business lines of Advisory, Equity and Debt Capital Markets, Financing Solutions and Risk Management) and Investor Client Services (Equities and Foreign Exchange, Rates and Credit, as well as UBS Securities Research). Specialist teams work closely together, complementing a global product offering with regional expertise. This enables the IB to understand its clients and provide best-in-class services and solutions tailored to their investment and financing needs.

The IB's focus remains on its traditional strengths in advisory, capital markets, equities and foreign exchange businesses to deliver attractive and sustainable risk-adjusted returns. The business continues to



invest in talent and technology, and to strengthen its operational risk framework. The IB operates a tightly controlled balance sheet, risk weighted assets and leverage ratio denominator allocation process.

## **8.5. Corporate Center**

Corporate Center provides services to the Group through the reporting units Corporate Center – Services and Group Asset and Liability Management ("Group ALM"). Corporate Center also includes the Non-core and Legacy Portfolio unit. All Corporate Center functions are represented in onshore, nearshore and offshore locations

Specifically, in the areas of finance, risk management and control, and legal, the Corporate Center aims to provide high-quality advice and solutions, while optimizing resources and mitigating risk. In other areas such as compliance, human resources, information technology, operations and marketing and communications, services are aligned based on demand and delivery of defined strategies. There is a continuing focus on achieving greater effectiveness and efficiency through the strategic levers of workforce and footprint, organization and process optimization and technology.

Corporate Center – Services consists of the Group Chief Operating Officer's area, Group Finance, Group Risk Control, Group Communications and Branding, Group Regulatory and Governance, Group General Counsel and UBS and Society, which covers such UBS activities as sustainable investing, philanthropy and community investment.

Group ALM manages the structural risks of our balance sheet, including interest rate risk in the banking book, currency risk and collateral risk, as well as the risks associated with the Group's liquidity and funding portfolios. Group ALM also seeks to optimize the Group's financial performance by matching assets and liabilities within the context of the Group's liquidity, funding and capital targets and constraints.

The Non-core and Legacy Portfolio team is responsible for managing legacy positions from businesses exited by the IB and pursues a primarily passive wind-down strategy focusing on a disciplined reduction of risk weighted assets, leverage ratio denominator and costs.

## 9. Description of US Derivative and Hedging Activities

There are no material over-the-counter derivative ("OTC derivative") positions booked in Americas Holding or its subsidiaries, including UBS Securities LLC and UBS Financial Services Inc. As of 31 December 2017, the majority of the OTC derivative positions that are booked in the US subsidiaries pertain to risk management trades to hedge the liquidity buffer held by Americas Holding. Hedging activities within the Investment Bank are primarily used to manage the risk of both cash and derivative positions. The hedge and the risk positions are typically held in the same legal entity, however, there are certain instances of "split hedges" where one legal entity holds a cash position and another legal entity holds the derivative position that hedges that exposure.

## 10. Material Supervisory Authorities

UBS's operations are regulated by authorities in each of the jurisdictions in which it has offices, branches and subsidiaries. This section describes the regulation and supervisory authorities for the material entities for purposes of this UBS US Resolution Plan.

### 10.1. Regulation and Supervision in Switzerland

UBS Group AG and its subsidiaries are subject to consolidated supervision by FINMA under the Swiss Federal Law on Banks and Savings Banks ("Swiss Banking Act") and the related ordinances that impose, among other requirements, minimum standards for capital, liquidity, risk concentration and organizational structure. FINMA fulfills its statutory supervisory responsibilities through licensing, regulation, monitoring and enforcement. FINMA is responsible for prudential supervision and mandates audit firms to perform on its behalf regulatory audits and certain other supervisory tasks.

As an internationally active Swiss Single Resolution Bank ("SRB"), UBS is subject to capital and total loss-absorbing capacity requirements, which are based on both risk weighted assets and leverage ratio denominator metrics and are among the most stringent in the world. UBS is also required to maintain a minimum liquidity coverage ratio of high-quality liquid assets to estimated stressed short-term net cash outflows. Following implementation of the net stable funding ratio requirements and subject to finalization of relevant rules, UBS will be required to maintain a minimum net stable funding ratio.

The Swiss Banking Act and related ordinances provide FINMA with additional powers to intervene in order to prevent a failure or resolve a failing financial institution, including UBS Group AG, UBS AG and UBS Switzerland AG. These measures may be triggered when certain thresholds are breached and permit the exercise of considerable discretion by FINMA in determining whether, when or in what manner to exercise such powers. In case of a possible insolvency, FINMA may impose more onerous requirements on UBS, including restrictions on the payment of dividends and interest as well as measures to alter UBS's legal structure (e.g., to separate lines of business into dedicated entities, with limitations on intra-Group funding and certain guarantees) or to reduce business risk in some manner. The Swiss Banking Act provides FINMA with the ability to extinguish or convert to common equity the liabilities of UBS Group entities domiciled in Switzerland in connection with its resolution.

Furthermore, Swiss too big to fail provisions require Swiss SRBs, including UBS, to put in place a viable



emergency plan to preserve the operation of systemically important functions in case of a failure of the institution. The Swiss National Bank defined the systemically relevant functions of UBS in Switzerland, which are held by UBS Switzerland AG.

In addition, UBS is required to develop a global recovery plan and provide the information necessary for FINMA to develop a UBS resolution plan. In response to these requirements in Switzerland, as well as to similar requirements in other jurisdictions, UBS has developed comprehensive recovery plans that provide the tools to manage a severe loss event without the intervention of public authorities. UBS also provides relevant authorities with information and/or resolution plans for restructuring or winding down certain businesses in the event the firm could not be stabilized. Alongside these measures, UBS has invested significantly in structural, financial and operational measures to improve the Group's resolvability.

## **10.2. Regulation and Supervision in the US**

In the US, UBS is subject to regulation and supervision by the Federal Reserve under a number of laws. Furthermore, our US operations are subject to oversight by the Federal Reserve Large Institution Supervision Coordinating Committee, which coordinates supervision of large or complex financial institutions.

In addition to being a financial holding company under the Bank Holding Company Act, UBS AG maintains several branches and representative offices in the US, which are authorized and supervised by the Office of the Comptroller of the Currency. UBS AG is registered as a swap dealer with the Commodity Futures Trading Commission, and expects it will register as a security-based swap dealer with the Securities and Exchange Commission when such registration is required.

Americas Holding is subject to requirements established by the Federal Reserve related to risk-based capital, liquidity, the CCAR stress testing and capital planning process, resolution planning and governance. Beginning in 2018, the Federal Reserve will publish its CCAR assessment for Americas Holding.

UBS Bank USA is an insured depository institution and an indirect subsidiary of Americas Holding that is licensed and regulated by state regulators in Utah and by the FDIC. UBS Financial Services Inc., UBS Securities LLC and several other US subsidiaries are subject to regulation by a number of different government agencies and self-regulatory organizations, including the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Commodity Futures Trading Commission, the Municipal Securities Rulemaking Board and national securities exchanges, depending on the nature of their business.

## 11. Principal Officers

Table 11.1 below provides a list of the members of the Board of Directors and the Secretary of UBS Group AG as of 30 June 2018.

Table 11.1: Board of Directors

<b>Name</b>	<b>Function in UBS</b>	<b>Year of Initial Appointment</b>
Axel A. Weber	Chairman of the Board of Directors/Chairperson of the Governance and Nominating Committee/Chairperson of the Corporate Culture and Responsibility Committee	2012
Michel Demaré	Independent Vice Chairman of the Board of Directors/member of the Audit Committee/member of the Governance and Nominating Committee/	2009
David Sidwell	Senior Independent Director of the Board of Directors/Chairperson of the Risk Committee/member of the Governance and Nominating Committee	2008
Jeremy Anderson	Chairperson of Audit Committee/member of the Corporate Culture and Responsibility Committee	2018
Reto Francioni	Member of the Compensation Committee/member of the Corporate Culture and Responsibility Committee/member of the Risk Committee	2013
Ann F. Godbehere	Chairperson of the Compensation Committee/member of the Audit Committee	2009
Fred Hu	Member of the Board of Directors	2018
Isabelle Romy	Member of the Audit Committee/member of the Governance and Nominating Committee	2012
Robert W. Scully	Member of the Risk Committee	2016
Beatrice Weder di Mauro	Member of the Audit Committee	2012
Dieter Wemmer	Member of the Compensation Committee/member of the Risk Committee	2016
Markus Baumann	Group Company Secretary	-



UBS Group AG operates under a strict dual board structure, as required by Swiss banking law. The UBS Group AG Board decides on the strategy of the Group upon recommendations by the Group CEO and exercises ultimate supervision over management, whereas the Group Executive Board, headed by the Group CEO, has executive management responsibility. Table 11.2 below provides information on the Group Executive Board members as of 30 June 2018.

Table 11.2: Principal Officers

<b>Name</b>	<b>Function in UBS</b>	<b>Year of Initial Appointment</b>
Sergio P. Ermotti	Group Chief Executive Officer	2011
Martin Blessing	President Wealth Management and co-President Global Wealth Management	2016
Christian Bluhm	Group Chief Risk Officer	2016
Markus U. Diethelm	Group General Counsel	2008
Kirt Gardner	Group Chief Financial Officer	2016
Sabine Keller-Busse	Group Chief Operating Officer	2016
Ulrich Koerner	President Asset Management and President UBS Europe, Middle East and Africa	2009
Axel P. Lehmann	President Personal & Corporate Banking and President UBS Switzerland	2016
Tom Naratil	Co-President Global Wealth Management and President UBS Americas	2011
Andrea Orcel	President Investment Bank	2012
Kathryn Shih	President UBS Asia Pacific	2016

## 12. Cautionary Statements

Requirements of the non-US financial regulators relating to resolution planning differ from those under the US requirements. In particular, this UBS US Resolution Plan is focused on planning for the resolution of UBS's US operations, whereas global as well as local planning documentation being provided in other jurisdictions, including Switzerland, also contain plans for the recovery of UBS in the event of financial distress. The required assumptions, definitions, and approaches taken in the UBS US Resolution Plan may differ from those used or taken in the plans filed with non-US regulators.

The strategy and steps laid out in the UBS US Resolution Plan are intended to assist the relevant US authorities in the wind-down of UBS's US operations in the event of a financial crisis. The UBS US Resolution Plan is based on a series of hypothetical scenarios and assumptions about future events and circumstances. Accordingly, many of the statements and assessments in the UBS US Resolution Plan constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements include statements, other than historical information or statements of current conditions, that relate to UBS's future plans, objectives and resolution strategies (including UBS's expectations and projections regarding the implementation of those strategies), among other things, and to the objectives and effectiveness of UBS's risk management, capital and liquidity policies. The UBS US Resolution Plan is not binding on a bankruptcy court, UBS's regulators or any other resolution authority, and in the event of the resolution of UBS, the strategies implemented by UBS, its regulators or any other resolution authority could differ, possibly materially, from the strategies UBS has described. In addition, UBS's expectations and projections regarding the implementation of its resolution strategies are based on scenarios and assumptions that are hypothetical and may not reflect events to which UBS is or may become subject. As a result, the outcomes of UBS's resolution strategies could differ, possibly materially, from those UBS has described.

UBS has also included information about projects it has undertaken, or is considering, in connection with resolution planning. Some of these projects are in progress or under development. The statements with respect to these projects and their impact and effectiveness are forward-looking statements, based on UBS's current expectations regarding its ability to complete those projects and any actions that third parties must take, or refrain from taking, to permit UBS to complete those projects. As a result, the timing of those projects may change, possibly materially, from what is currently expected.