

## **UBS Group – Basel III Pillar 3 disclosure for composition of capital updated as of 30 September 2014**

This document provides a reconciliation of the accounting balance sheet (IFRS) to the balance sheet under the regulatory scope of consolidation (Basel III) as well as information about the composition of our capital as of 30 September 2014. Information is provided on a phase-in basis. Refer to our Basel III Pillar 3 First Half 2014 Report for more information on this disclosure as of 30 June 2014.

### **Composition of Capital**

The Basel Committee on Banking Supervision and FINMA require banks to publish their capital positions according to common templates. The following tables provide the required information.



**Table 35: Reconciliation of accounting balance sheet to balance sheet under the regulatory scope of consolidation**

The table below provides a reconciliation of the IFRS balance sheet to the balance sheet according to the regulatory scope of consolidation. Lines in the balance sheet under the regulatory scope of consolidation are expanded and referenced where relevant to display all components that are used in "Table 36: Composition of capital."

	Balance sheet in accordance with IFRS scope of consolidation	Effect of deconsolidated entities for regulatory consolidation 30.9.14	additional consolidated entities for regulatory consolidation	in accordance with regulatory scope of consolidation	References <sup>1</sup>
<i>CHF million</i>					
<b>Assets</b>					
Cash and balances with central banks	108'745	(0)	0	108'745	
Due from banks	17'041	(434)		16'607	
Cash collateral on securities borrowed	26'020			26'020	
Reverse repurchase agreements	68'050			68'050	
Trading portfolio assets	130'413	(17'963)		112'450	
Positive replacement values	247'580	40		247'620	
Cash collateral receivables on derivative instruments	31'171			31'171	
Financial assets designated at fair value	5'507			5'507	
Loans	310'262	114		310'377	
Financial investments available-for-sale	55'956	(64)		55'892	
Consolidated participations	0	204		204	
Investments in associates	896			896	
<i>of which: goodwill</i>	363			363	4
Property and equipment	6'651	(86)		6'566	
Goodwill and intangible assets	6'590	(0)	0	6'590	
<i>of which: goodwill</i>	6'169			6'169	4
<i>of which: intangible assets</i>	421			421	5
Deferred tax assets	10'074	(1)		10'073	
<i>of which: deferred tax assets recognized for tax loss carry-forwards</i>	6'860	(1)		6'860	9
<i>of which: deferred tax assets on temporary differences</i>	3'214	(0)		3'214	
Other assets	24'301	(229)	2	24'075	
<i>of which: net defined benefit pension and other post-employment assets</i>	723			723	10
<b>Total assets</b>	<b>1'049'258</b>	<b>(18'418)</b>	<b>2</b>	<b>1'030'842</b>	
<b>Liabilities</b>					
Due to banks	11'796	(52)	1	11'744	
Cash collateral on securities lent	9'241			9'241	
Repurchase agreements	13'991			13'991	
Trading portfolio liabilities	28'434	(63)		28'370	
Negative replacement values	244'029	120		244'149	
Cash collateral payables on derivative instruments	42'403	0		42'403	
Financial liabilities designated at fair value	70'725	41		70'766	
Due to customers	401'786	(94)	1	401'692	
Debt issued	98'917	(21)		98'895	
<i>of which: amount eligible for low-trigger loss-absorbing tier 2 capital <sup>2</sup></i>	9'968			9'968	7
<i>of which: amount eligible for capital instruments subject to phase-out from additional tier 1 capital <sup>2</sup></i>	1'200			1'200	6
<i>of which: amount eligible for capital instruments subject to phase-out from tier 2 capital <sup>3</sup></i>	2'159			2'159	8
Provisions	4'818	(5)		4'813	
Other liabilities	70'293	(18'258)	1	52'036	
<i>of which: amount eligible for high-trigger loss-absorbing capital (Deferred Contingent Capital Plan (DCCP)) <sup>4</sup></i>	519			519	7
<b>Total liabilities</b>	<b>996'430</b>	<b>(18'332)</b>	<b>2</b>	<b>978'100</b>	
Share capital	384	(2)	2	384	1
Share premium	33'449	1	(1)	33'449	1
Treasury shares	(1'440)			(1'440)	3
Equity classified as obligation to purchase own shares	(5)			(5)	3
Retained earnings	27'084	(202)	0	26'882	2
Cumulative net income recognized directly in equity, net of tax	(8'649)	116	(1)	(8'533)	3
<i>of which: unrealized gains / (losses) from cash flow hedges</i>	1'898			1'898	11
<b>Equity attributable to UBS shareholders</b>	<b>50'824</b>	<b>(86)</b>	<b>1</b>	<b>50'738</b>	
Equity attributable to preferred noteholders	1'962		(1'962)		
Equity attributable to non-controlling interests	41	1	1'962	2'005	6
<b>Total equity</b>	<b>52'828</b>	<b>(85)</b>	<b>1</b>	<b>52'743</b>	
<b>Total liabilities and equity</b>	<b>1'049'258</b>	<b>(18'418)</b>	<b>2</b>	<b>1'030'842</b>	

1 References link respective lines of this table to the respective reference numbers provided in the column "References" in "Table 36: Composition of capital". 2 Represent IFRS book value. 3 IFRS book value is CHF 4,397 million. 4 IFRS book value is CHF 641 million. Refer to the "Compensation" section of our Annual Report 2013 for more information on the DCCP.

**Table 36: Composition of capital**

The table below provides the "Composition of capital" as defined by BIS and FINMA. Reference is made to items reconciling to the balance sheet under the regulatory scope of consolidation as disclosed in "Table 35: Reconciliation of accounting balance sheet to balance sheet under the regulatory scope of consolidation." Where relevant, the effect of phase-in arrangements is disclosed as well.

→ Refer to "Swiss SRB Basel III capital framework" in the "Capital management" section of our third quarter 2014 report for more information on phase-in arrangements

	Numbers phase-in 30.9.14	Effect of the transition phase 30.9.14	References <sup>1</sup>
<i>CHF million, except where indicated</i>			
1	33'834		1
2	26'882		2
3	(9'978)		3
4			
5			
<b>6</b>	<b>50'738</b>		
7	(148)		
8	2	(3'342)	4, 6
9	2	(414)	5
10	3	(1'472)	9
11	(1'898)	(5'902)	11
12	(337)		
13			
14	180		
15	2'453	(3'176)	10
16	(1'151)		
17			
17a			
17b			
18			
19			
20			
21		(178)	
22			
23			
24			
25			
26			
26a	(323)		
26b	(1'821)		7
27			
<b>28</b>	<b>(8'274)</b>	<b>(12'418)</b>	
<b>29</b>	<b>42'464</b>	<b>(12'418)</b>	
30			
31			
32			
33			
34	3'162	(3'162)	6
35	3'162	(3'162)	6
<b>36</b>	<b>3'162</b>	<b>(3'162)</b>	
37			
38			
38a			
38b			
39			
40			
41	(3'162)	3'162	6
42			
<b>Tier 1 adjustments on impact of transitional arrangements</b>	<b>(3'162)</b>	<b>3'162</b>	
<i>of which: prudential valuation adjustment</i>			
<i>of which: own CET1 instruments</i>			
<i>of which: goodwill net of tax, offset against hybrid capital</i>	(3'162)	3'162	
<i>of which: intangible assets (net of related tax liabilities)</i>			
<i>of which: gains from the calculation of cash flow hedges</i>			
<i>of which: IRB shortfall of provisions to expected losses</i>			
<i>of which: gains on sales related to securitization transactions</i>			
<i>of which: gains/losses in connection with own credit risk</i>			
<i>of which: investments</i>			
<i>of which: expected loss amount for equity exposures under the PD/LGD approach</i>			
<i>of which: mortgage servicing rights</i>			
42a			
<b>43</b>	<b>(3'162)</b>	<b>3'162</b>	
<b>44</b>	<b>0</b>	<b>0</b>	
<b>45</b>	<b>42'464</b>	<b>(12'418)</b>	

**Table 36: Composition of capital - continued**

		Numbers phase-in	Effect of the transition phase	References <sup>1</sup>
46	Directly issued qualifying tier 2 instruments plus related stock surplus	4	10'943	7
47	Directly issued capital instruments subject to phase-out from tier 2		(2'170)	8
48	Tier 2 instruments (and CET1 and additional tier 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group tier 2)			
49	<i>of which: instruments issued by subsidiaries subject to phase-out</i>			
50	Provisions			
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>13'113</b>	<b>(2'170)</b>	
52	Investments in own tier 2 instruments	(31)	11	
53	Reciprocal cross holdings in tier 2 instruments			
53a	Qualifying interest where a controlling influence is exercised together with other owners (tier 2 instruments)			
53b	Investments to be consolidated (tier 2 instruments)			
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)			
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	National specific regulatory adjustments			
56a	Excess of the adjustments which are allocated to the additional tier 1 capital			
57	<b>Total regulatory adjustments to tier 2 capital</b>	<b>(31)</b>	<b>11</b>	
58	<b>Tier 2 capital (T2)</b>	<b>13'082</b>	<b>(2'159)</b>	
	<i>of which: high-trigger loss-absorbing capital</i>	954		7
	<i>of which: low-trigger loss-absorbing capital</i>	9'968		7
59	<b>Total capital (TC = T1 + T2)</b>	<b>55'546</b>	<b>(14'577)</b>	
	Amount with risk-weight pursuant the transitional arrangement (phase-in)		(3'351)	
	<i>of which: defined benefit plans</i>		(2'975)	
	<i>of which: reversal of deferred tax assets arising from temporary differences (10% over threshold)</i>		(446)	
	<i>of which: deferred tax assets on temporary differences for IAS19R</i>		69	
60	<b>Total risk-weighted assets</b>	<b>222'648</b>	<b>(3'351)</b>	
	Capital ratios and buffers			
61	Common equity tier 1 (as a percentage of risk-weighted assets)		19.1	
62	Tier 1 (Pos 45 as a percentage of risk-weighted assets)		19.1	
63	Total capital (pos 59 as a percentage of risk-weighted assets)		24.9	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk-weighted assets)		8.6	
65	<i>of which: capital conservation buffer</i>		4.5	
66	<i>of which: bank-specific countercyclical buffer requirement</i>		0.1	
67	<i>of which: G-SIB buffer requirement</i>			
68	Common equity tier 1 available to meet buffers (as a percentage of risk-weighted assets)		19.1	
68a	Common equity tier 1 requirement including countercyclical buffer according to FINMA RS 11/2		8.6	
68b	Available common equity tier 1 (in percentage of risk-weighted assets)		19.1	
68c	Tier 1 requirement including countercyclical buffer according to FINMA RS 11/2		8.6	
68d	Available tier 1 (in percentage of risk-weighted assets)		19.1	
68e	Total capital requirement including countercyclical buffer according to FINMA RS 11/2		11.1	
68f	Available total capital (in percentage of risk-weighted assets)		24.9	
72	Non significant investments in the capital of other financials		1'591	
73	Significant investments in the common stock of financials		709	
74	Mortgage servicing rights (net of related tax liability)			
75	Deferred tax assets arising from temporary differences (net of related tax liability)		3'183	
	<b>Applicable caps on the inclusion of provisions in tier 2</b>			
76	Provisions eligible for inclusion in tier 2 in respect of exposures subject to standardised approach (prior to application of cap)			
77	Cap on inclusion of provisions in tier 2 under standardized approach			
78	Provisions eligible for inclusion in tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
79	Cap for inclusion of provisions in tier 2 under internal ratings-based approach			

1 References link respective lines of this table to the respective reference numbers provided in the column "References" in "Table 35: Reconciliation of accounting balance sheet to balance sheet under the regulatory scope of consolidation". 2 The CHF 6,504 million (CHF 3,342 million and CHF 3,162 million) reported in line 8 includes DTL on goodwill of CHF 28 million. The CHF 414 million reported in line 9 includes DTL on intangibles of CHF 7 million. 3 The CHF 7,373 million (CHF 1,472million and CHF 5,902 million) deferred tax assets recognized for tax loss carry-forwards reported in line 10 differ from the CHF 6,860 million deferred tax assets shown in the line "Deferred tax assets" in Table 35 because the latter figure is shown after the offset of deferred tax liabilities for cash flow hedge gains (CHF 487 million) and other temporary differences, which are adjusted out in line 11 and other lines of this table. 4 The CHF 10,943 million reported in line 46 includes the following positions: CHF 9,988 million low-trigger loss-absorbing tier 2 capital recognized (line "Debt issue" in table 35), which is shown net of CHF 20 million investments in own tier 2 instruments reported in line 52 of this table, CHF 519 million DCCP recognized in the line "Other liabilities" in table 35, CHF 434 million recognized in DCCP-related charge for regulatory capital purpose in line 26b "Other deductions".