

## **UBS Group – Basel III Pillar 3 disclosure for composition of capital updated as of 31 March 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 31 March 2014. Information is provided on a phase-in basis. Refer to the “Supplemental disclosures required under Basel III Pillar 3 regulations” section of our Annual Report 2013, which was issued on 14 March 2014, for more information on tables 30 and 31 providing respective information as of 31 December 2013 on a fully-applied basis.

### **Composition of Capital**

With the objective of mitigating the risk of inconsistent disclosure formats undermining market participants’ ability to compare capital adequacy of banks across jurisdictions, 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 30: 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 31: Composition of capital."

|  | According to the<br>financial statement | Effect of<br>deconsolidated<br>entities for regulatory<br>consolidation | Effect of<br>additional<br>consolidated<br>entities for<br>regulatory<br>consolidation | According to<br>the<br>regulatory<br>consolidation<br>scope | References <sup>1</sup> |
|--|---|---|--|---|-------------------------|
| CHF million  | 31.3.14                                 | 31.3.14   | 31.3.14  | 31.3.14   |                         |
| Cash and balances with central banks   | 87'548                                  |   |  | 87'548  |                         |
| Due from banks   | 19'711                                  | (460)   |  | 19'251  |                         |
| Cash collateral on securities borrowed   | 30'096                                  |   |  | 30'096  |                         |
| Reverse repurchase agreements  | 80'605                                  |   |  | 80'605  |                         |
| Trading portfolio assets   | 125'668                                 | (16'264)  |  | 109'404   |                         |
| Positive replacement values  | 215'307                                 | 18  |  | 215'325   |                         |
| Cash collateral receivables on derivative instruments  | 25'757                                  |   |  | 25'757  |                         |
| Financial assets designated at fair value  | 5'862                                   |   |  | 5'862   |                         |
| Loans  | 294'805                                 | 114   |  | 294'918   |                         |
| Financial investments available-for-sale   | 53'184                                  | (53)  |  | 53'130  |                         |
| Consolidated participations  | 0                                       | 205   |  | 205   |                         |
| Investments in associates  | 846                                     |   |  | 846   |                         |
| <i>of which: goodwill</i>  | 332                                     |   |  | 332   | 4                       |
| Property and equipment   | 6'094                                   | (84)  |  | 6'011   |                         |
| Goodwill and intangible assets   | 6'211                                   |   |  | 6'211   |                         |
| <i>of which: goodwill</i>  | 5'783                                   |   |  | 5'783   | 4                       |
| <i>of which: intangible assets</i>   | 428                                     |   |  | 428   | 5                       |
| Deferred tax assets  | 8'370                                   | (1)   |  | 8'369   |                         |
| <i>of which: deferred tax assets recognized for tax loss carry-forwards</i>  | 5'687                                   |   |  | 5'687   | 9                       |
| <i>of which: deferred tax assets on temporary differences</i>  | 2'683                                   |   |  | 2'683   |                         |
| Other assets   | 22'468                                  | (253)   | 2  | 22'217  |                         |
| <i>of which: net defined benefit pension and other post-employment assets</i>  | 1'500                                   |   |  | 1'500   | 10                      |
| <b>Total assets</b>  | <b>982'530</b>                          | <b>(16'777)</b>   | <b>3</b>   | <b>965'755</b>  |                         |
| Due to banks   | 14'077                                  | (49)  | 1  | 14'029  |                         |
| Cash collateral on securities lent   | 13'351                                  |   |  | 13'351  |                         |
| Repurchase agreements  | 17'728                                  |   |  | 17'728  |                         |
| Trading portfolio liabilities  | 29'459                                  | (48)  |  | 29'411  |                         |
| Negative replacement values  | 210'056                                 | 122   |  | 210'178   |                         |
| Cash collateral payables on derivative instruments   | 46'679                                  |   |  | 46'680  |                         |
| Financial liabilities designated at fair value   | 68'748                                  | 20  |  | 68'768  |                         |
| Due to customers   | 388'839                                 | 80  | 1  | 388'920   |                         |
| Debt issued  | 76'779                                  | (24)  |  | 76'754  |                         |
| <i>of which: amount eligible for low-trigger loss-absorbing tier 2 capital <sup>2</sup></i>  | 7'127                                   |   |  | 7'127   | 7                       |
| <i>of which: amount eligible for capital instruments subject to phase-out from additional tier 1 capital <sup>3</sup></i>              | 1'212                                   |   |  | 1'212   | 6                       |
| <i>of which: amount eligible for capital instruments subject to phase-out from tier 2 capital <sup>4</sup></i>                         | 2'957                                   |   |  | 2'957   | 8                       |
| Provisions   | 3'200                                   | (5)   |  | 3'195   |                         |
| Other liabilities  | 62'677                                  | (16'809)  |  | 45'868  |                         |
| <i>of which: amount eligible for high-trigger loss-absorbing tier 2 capital (Deferred Contingent Capital Plan (DCCP)) <sup>5</sup></i> | 480                                     |   |  | 480   | 7                       |
| <b>Total liabilities</b>   | <b>931'593</b>                          | <b>(16'713)</b>   | <b>2</b>   | <b>914'882</b>  |                         |
| Share capital  | 384                                     | (2)   | 2  | 384   | 1                       |
| Share premium  | 33'919                                  | 1   | (1)  | 33'919  | 1                       |
| Treasury shares  | (1'464)                                 |   |  | (1'464)   | 3                       |
| Equity classified as obligation to purchase own shares   | (23)                                    |   |  | (23)  | 3                       |
| Retained earnings  | 25'529                                  | (195)   |  | 25'334  | 2                       |
| Cumulative net income recognized directly in equity, net of tax  | (9'322)                                 | 131   | (1)  | (9'192)   | 3                       |
| <i>of which: unrealized (gains) / losses from cash flow hedges</i>   | 1'673                                   |   |  | 1'673   | 11                      |
| <b>Equity attributable to UBS shareholders</b>   | <b>49'023</b>                           | <b>(66)</b>   | <b>1</b>   | <b>48'958</b>   |                         |
| Equity attributable to preferred noteholders   | 1'877                                   | 1   |  | 1'878   | 6                       |
| Equity attributable to non-controlling interests   | 36                                      |   |  | 37  |                         |
| <b>Total equity</b>  | <b>50'937</b>                           | <b>(65)</b>   | <b>1</b>   | <b>50'873</b>   |                         |
| <b>Total liabilities and equity</b>  | <b>982'530</b>                          | <b>(16'777)</b>   | <b>3</b>   | <b>965'755</b>  |                         |

1 References link respective lines of this table to the respective reference numbers provided in the column "References" in "Table 31: Composition of capital." 2 Represent IFRS book value. 3 IFRS book value is CHF 1,212 million. 4 IFRS book value is CHF 5,076 million. 5 Represents IFRS book value. Refer to the "Compensation" section of our Annual Report 2013 for more information on the Deferred Contingent Capital Plan.

**Table 31: Composition of capital**

The table below provides the "Composition of capital" as defined by the Basel Committee on Banking Supervision and FINMA. Reference is made to items reconciling to the balance sheet under the regulatory scope of consolidation as disclosed in "Table 30: 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 the "Capital management" section of our Annual Report 2013 for more information on phase-in arrangements

|   | Numbers<br>phase-in | Effect of the<br>transition<br>phase | References <sup>1</sup> |
|---|---------------------|--------------------------------------|-------------------------|
| <i>CHF million, except where indicated</i>  | <b>31.3.14</b>      | <b>31.3.14</b>                       |                         |
| 1 Directly issued qualifying common share (and equivalent for non joint stock companies) capital plus related stock surplus   | 34'304              |                                      | 1                       |
| 2 Retained earnings   | 25'334              |                                      | 2                       |
| 3 Accumulated other comprehensive income (and other reserves)   | (10'680)            |                                      | 3                       |
| 4 Directly issued capital subject to phase-out from common equity tier 1 capital (only applicable to non-joint stock companies)   |                     |                                      |                         |
| 5 Common share capital issued by subsidiaries and held by third parties (amount allowed in group common equity tier 1 capital )   |                     |                                      |                         |
| <b>6 Common equity tier 1 capital before regulatory adjustments</b>   | <b>48'958</b>       |                                      |                         |
| 7 Prudential valuation adjustments  | (98)                |                                      |                         |
| 8 Goodwill net of tax, less hybrid capital <sup>2</sup>   | (2'998)             | (3'089)                              | 4, 6                    |
| 9 Intangible assets, net of tax <sup>2</sup>  | (414)               |                                      | 5                       |
| 10 Deferred tax assets recognized for tax loss carry-forwards <sup>3</sup>  | (1'217)             | (4'871)                              | 9                       |
| 11 Unrealized (gains) / losses from cash flow hedges, net of tax  | (1'673)             |                                      | 11                      |
| 12 Expected losses on advanced internal ratings-based portfolio less general provisions   | (343)               |                                      |                         |
| 13 Securitization gain on sale  |                     |                                      |                         |
| 14 Own credit related to financial liabilities designated at fair value and replacement values, net of tax  | 240                 |                                      |                         |
| 15 Defined benefit pension plans  | 1'790               | (3'290)                              | 10                      |
| 16 Compensation and own shares related capital components (not recognized in net profit)  | (751)               |                                      |                         |
| 17 Reciprocal cross holdings in common equity   |                     |                                      |                         |
| 17a Holdings with a significant investments in the common stock   |                     |                                      |                         |
| 17b Consolidated investments (CET1 instruments)   |                     |                                      |                         |
| 18 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)                      |                     |                                      |                         |
| 19 Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)  |                     |                                      |                         |
| 20 Mortgage servicing rights (amount above 10 % threshold)  |                     |                                      |                         |
| 21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)  |                     |                                      |                         |
| 22 Amount exceeding the 15% threshold   |                     |                                      |                         |
| 23 <i>of which: significant investments in the common stock of financials</i>   |                     |                                      |                         |
| 24 <i>of which: mortgage servicing rights</i>   |                     |                                      |                         |
| 25 <i>of which: deferred tax assets arising from temporary differences</i>  |                     |                                      |                         |
| 26 Expected losses on equity investments treated according to the PD/LGD approach   |                     |                                      |                         |
| 26a Other adjustments relating to the application of an internationally accepted accounting standard  | (304)               |                                      |                         |
| 26b Other deductions  | (2'003)             |                                      | 7                       |
| 27 Regulatory adjustments applied to common equity tier 1 due to insufficient additional tier 1 and tier 2 to cover deductions  |                     |                                      |                         |
| <b>28 Total regulatory adjustments to common equity tier 1</b>  | <b>(7'771)</b>      | <b>(11'250)</b>                      |                         |
| <b>29 Common equity tier 1 capital (CET1)</b>   | <b>41'187</b>       | <b>(11'250)</b>                      |                         |
| 30 Directly issued qualifying additional tier 1 instruments plus related stock surplus  |                     |                                      |                         |
| 31 <i>of which: classified as equity under applicable accounting standards</i>  |                     |                                      |                         |
| 32 <i>of which: classified as liabilities under applicable accounting standards</i>   |                     |                                      |                         |
| 33 Directly issued capital instruments subject to phase-out from additional tier 1  | 3'089               | (3'089)                              | 6                       |
| 34 Additional tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group additional tier 1)  |                     |                                      |                         |
| 35 <i>of which: instruments issued by subsidiaries subject to phase-out</i>   |                     |                                      |                         |
| <b>36 Additional tier 1 capital before regulatory adjustments</b>   | <b>3'089</b>        | <b>(3'089)</b>                       |                         |
| 37 Investments in own additional tier 1 instruments   |                     |                                      |                         |
| 38 Reciprocal crossholdings in additional tier 1 instruments  |                     |                                      |                         |
| 38a Holdings with a significant investments in the common stock   |                     |                                      |                         |
| 38b Holdings in companies which are to be consolidated (additional tier 1 instruments)  |                     |                                      |                         |
| 39 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) |                     |                                      |                         |
| 40 Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)   |                     |                                      |                         |
| 41 National specific regulatory adjustments   | (3'089)             | 3'089                                | 6                       |
| 42 Regulatory adjustments applied to additional tier 1 due to insufficient tier 2 to cover deductions   |                     |                                      |                         |
| <b>Tier 1 adjustments on impact of transitional arrangements</b>  | <b>(3'089)</b>      | <b>3'089</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>   | (3'089)             | 3'089                                |                         |
| <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 Excess of the adjustments which are allocated to the common equity tier 1 capital   |                     |                                      |                         |
| <b>43 Total regulatory adjustments to additional tier 1 capital</b>   | <b>(3'089)</b>      | <b>3'089</b>                         |                         |
| <b>44 Additional tier 1 capital (AT1)</b>   | <b>0</b>            | <b>0</b>                             |                         |
| <b>45 Tier 1 capital (T1 = CET1 + AT1)</b>  | <b>41'187</b>       | <b>(11'250)</b>                      |                         |

**Table 31: Composition of capital (continued)**

|     | Numbers<br>phase-in | Effect of the<br>transition<br>phase | References <sup>1</sup> |
|-----|---------------------|--------------------------------------|-------------------------|
| 46  | 8'085               |                                      | 7                       |
| 47  | 2'963               | (2'963)                              | 8                       |
| 48  |                     |                                      |                         |
| 49  |                     |                                      |                         |
| 50  |                     |                                      |                         |
| 51  | <b>11'049</b>       | <b>(2'963)</b>                       |                         |
| 52  | (14)                | 6                                    |                         |
| 53  |                     |                                      |                         |
| 53a |                     |                                      |                         |
| 53b |                     |                                      |                         |
| 54  |                     |                                      |                         |
| 55  |                     |                                      |                         |
| 56  |                     |                                      |                         |
| 56a |                     |                                      |                         |
| 57  | <b>(14)</b>         | <b>6</b>                             |                         |
| 58  | <b>11'035</b>       | <b>(2'957)</b>                       |                         |
|     | 951                 |                                      | 7                       |
|     | 7'127               |                                      | 7                       |
| 59  | <b>52'222</b>       | <b>(14'207)</b>                      |                         |
|     |                     | (3'074)                              |                         |
|     |                     | (3'122)                              |                         |
|     |                     | 48                                   |                         |
| 60  | <b>229'879</b>      | <b>(3'074)</b>                       |                         |
| 61  | 17.9                |                                      |                         |
| 62  | 17.9                |                                      |                         |
| 63  | 22.7                |                                      |                         |
| 64  | 8.6                 |                                      |                         |
| 65  | 4.5                 |                                      |                         |
| 66  | 0.1                 |                                      |                         |
| 67  |                     |                                      |                         |
| 68  | 17.9                |                                      |                         |
| 68a | 8.6                 |                                      |                         |
| 68b | 17.9                |                                      |                         |
| 68c | 8.6                 |                                      |                         |
| 68d | 17.9                |                                      |                         |
| 68e | 11.4                |                                      |                         |
| 68f | 22.7                |                                      |                         |
| 72  | 1'436               |                                      |                         |
| 73  | 713                 |                                      |                         |
| 74  |                     |                                      |                         |
| 75  | 2'667               |                                      |                         |
| 76  |                     |                                      |                         |
| 77  |                     |                                      |                         |
| 78  |                     |                                      |                         |
| 79  |                     |                                      |                         |

1 References link respective lines of this table to the respective reference numbers provided in the column "References" in "Table 30: Reconciliation of accounting balance sheet to balance sheet under the regulatory scope of consolidation". 2 The CHF 6,088 million (CHF 2,998 million and CHF 3,089 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 14 million. 3 The CHF 6,088 million (CHF 1,217 million and CHF 4,871 million) deferred tax assets recognized for tax loss carry-forwards reported in line 10 differ from the CHF 5,687 million deferred tax assets shown in the line "Deferred tax assets" in Table 30 because the latter figure is shown after the offset of deferred tax liabilities for cash flow hedge gains (CHF 422 million) and other temporary differences, which are adjusted out in line 11 and other lines of this table. 4 The CHF 8,085 million reported in line 46 includes the following positions: CHF 7'127 million low-trigger loss-absorbing tier 2 capital recognized in the line "Debt issue" in table 30, CHF 480 million DCCP recognized in the line "Other liabilities" in table 30 (excluding Core-Cycle 2014 accrual of CHF 48 million), CHF 520 million recognized in DCCP-related charge for regulatory capital purpose in line 26b "Other deductions" and CHF 8 million investments in own tier 2 instruments reported in line 52 of this table.