

UBS AG (standalone) regulatory information

This document contains information as of 31 March 2015 related to capital adequacy, Bank for International Settlements (BIS) Basel III leverage ratio, supplemental leverage ratio and liquidity coverage ratio, as required by the revised FINMA Circular 2008/22 "Disclosure – banks."

Capital requirements under Swiss SRB Basel III regulations

Under Swiss SRB regulations, article 125 “Reliefs for financial groups and individual institutions” of the Swiss Capital Ordinance (CAO), stipulates that the Swiss Financial Market Supervisory Authority (FINMA) may grant, under certain conditions, capital relief to individual institutions, to ensure that an individual institution’s compliance with the capital requirements does not lead to a de facto overcapitalization of the group it is part of.

FINMA granted relief concerning the regulatory capital requirements of UBS AG on a standalone basis by means of a decree issued on 20 December 2013, which became effective on 1 January 2014. The resulting capital requirements are described below.

1. Total capital requirement of 14%, of which 10% must be satisfied with common equity tier 1 (CET1) capital

This represents a relief at UBS AG standalone level compared with the capital requirements set by FINMA for the UBS Group. However, UBS AG (standalone) has been required to meet this capital requirement with immediate effect since 1 January 2014.

2. Consistent treatment of direct and indirect investments of UBS AG (standalone) in the equity of its subsidiaries

The aggregate amount of direct and indirect investments of UBS AG (standalone) in the equity of its subsidiaries is risk-weighted at 200% up to a threshold determined by FINMA. The total amount exceeding that threshold must be deducted from capital, 50% from CET1 and 50% from other capital. This approach could affect RWA and/or eligible capital, depending on the threshold defined by FINMA. If all investments are below the threshold, the resulting total capital requirement is 28%. If the threshold is set at zero, all investments would be deducted from capital. While the application of a threshold to directly held investments represents a relief, the inclusion of indirect investments represents a tightening of the requirements.

Overall, the decree provides an important contribution to ensuring that the capital requirements of UBS AG standalone do not result in a de facto overcapitalization of the Group.

The tables in this section provide UBS AG standalone capital information under Swiss SRB Basel III regulations, as per the abovementioned FINMA decree. In addition to the 14% total capital requirement set by the decree, UBS AG standalone is required to comply with countercyclical buffer requirements.

Reconciliation of Swiss federal banking law equity to Swiss SRB Basel III capital

CHF billion	31.3.15	31.12.14
Equity – Swiss federal banking law	44.1	42.5
Deferred tax assets	2.5	3.5
Defined benefit plans	2.9	3.7
Investments in the finance sector	(8.5)	(9.2)
Own shares, commitments related to own shares and compensation items	(0.2)	0.0
Goodwill and intangible assets	(0.4)	(0.4)
Other adjustments ¹	(4.9)	(4.3)
Common equity tier 1 capital (phase-in)	35.4	35.9
Tier 2 capital	6.3	6.4
Total capital (phase-in)	41.7	42.2

¹ Includes accruals for capital returns to shareholders and other items.

Swiss SRB Basel III available capital versus capital requirements (phase-in)

CHF million, except where indicated	Capital ratio (%)			Capital		
	Requirement	Actual	31.12.14	Requirement	Actual	31.12.14
Common equity tier 1 capital	10.1	12.1	12.2	29,736	35,412	35,851
<i>of which: countercyclical buffer</i>	0.1	0.1	0.1	369	369	322
Common equity tier 1 capital / high-trigger loss-absorbing capital	11.5	12.1	12.2	33,847	35,412	35,851
Total capital	14.1	14.2	14.4	41,483	41,702	42,241

Swiss SRB Basel III capital information

CHF million, except where indicated	Phase-in	
	31.3.15	31.12.14
Tier 1 capital	35,412	35,851
<i>of which: common equity tier 1 capital</i>	35,412	35,851
Tier 2 capital	6,290	6,390
<i>of which: low-trigger loss-absorbing capital</i>	10,038	10,451
<i>of which: net deductions</i>	(3,749)	(4,061)
Total capital	41,702	42,241
Common equity tier 1 capital ratio (%)	12.1	12.2
Tier 1 capital ratio (%)	12.1	12.2
Total capital ratio (%)	14.2	14.4
Risk-weighted assets	293,669	293,889

Swiss SRB leverage ratio

Swiss SRB leverage ratio requirements (phase-in)

	Swiss SRB leverage ratio (%)			Swiss SRB leverage ratio capital		
	Requirement ¹	Actual	31.12.14	Requirement	Actual	31.12.14
<i>CHF million, except where indicated</i>	31.3.15	31.3.15	31.12.14	31.3.15	31.3.15	31.12.14
Common equity tier 1 capital	2.4	3.8	3.8	22,272	35,412	35,851
Common equity tier 1 capital and high-trigger loss-absorbing capital	2.7	3.8	3.8	25,390	35,412	35,851
Total capital	3.4	4.5	4.5	31,181	41,702	42,241

¹ Requirements for common equity tier 1 capital (24% of 10%), common equity tier 1 capital / high-trigger loss-absorbing capital (24% of 11.4%) and total capital (24% of 14%).

Swiss SRB leverage ratio

<i>CHF million, except where indicated</i>	Average 1Q15	Average 4Q14
Total on-balance sheet assets¹	1,004,960	1,001,479
Netting of securities financing transactions	(31,648)	(28,861)
Netting of derivative exposures	(190,987)	(186,875)
Current exposure method (CEM) add-on for derivative exposures	59,127	65,938
Off-balance sheet items	95,094	102,117
<i>of which: commitments and guarantees – unconditionally cancellable (10%)</i>	8,899	9,495
<i>of which: commitments and guarantees – other than unconditionally cancellable (100%)</i>	86,195	92,622
Items deducted from Swiss SRB tier 1 capital, phase-in (at period-end)	(8,541)	(9,552)
Total adjusted exposure (leverage ratio denominator), phase-in²	928,004	944,248

	As of	
	31.3.15	31.12.14
Common equity tier 1 capital (phase-in)	35,412	35,851
Tier 2 capital	6,290	6,390
Total capital	41,702	42,241
Swiss SRB leverage ratio phase-in (%)	4.5	4.5

¹ Represent assets recognized on the UBS AG (standalone) balance sheet in accordance with IFRS measurement principles. ² In accordance with current Swiss SRB leverage ratio requirements, the leverage ratio denominator excludes forward starting repos, securities lending indemnifications and CEM add-ons for exchange-traded derivatives (ETD), both proprietary and agency transactions, and for OTC derivatives with a qualifying central counterparty.

BIS Basel III leverage ratio

BIS Basel III leverage ratio disclosure requirements

The Bank for International Settlements (BIS) Basel III disclosure requirements for the leverage ratio came into effect in Switzerland on 1 January 2015 and we therefore disclose the respective leverage ratio information on a quarterly basis starting in the first quarter of 2015.

The BIS Basel III leverage ratio is calculated by dividing the sum of period-end tier 1 capital by the period-end BIS Basel III total

adjusted exposure (BIS Basel III Leverage Ratio Denominator (LRD)), which consists of IFRS on-balance sheet assets and off-balance sheet items and adjusted for netting of derivatives, eligible cash variation margin netting, net notional amounts less add-on deductions for written credit derivatives as well as an additional charge for counterparty credit risk related to securities financing transactions.

BIS Basel III leverage ratio

<i>CHF million, except where indicated</i>	31.3.15
BIS Basel III tier 1 capital, phase-in	35,412
BIS total exposures (leverage ratio denominator), phase-in	990,802
BIS Basel III leverage ratio, phase-in (%)	3.6

Supplemental leverage ratio

The following table provides a pro-forma measure of the Swiss SRB leverage ratio using a denominator based on BIS Basel III rules.

<i>CHF million, except where indicated</i>	31.3.15
Swiss SRB Basel III common equity tier 1 capital including loss-absorbing capital, phase-in	41,702
BIS total exposures (leverage ratio denominator), phase-in	990,802
Supplemental leverage ratio, phase-in (%)	4.2

Liquidity coverage ratio

Basel III rules require disclosure of the liquidity coverage ratio (LCR). As a Swiss SRB, we must maintain an LCR of at least 100% since 1 January 2015 and disclose LCR information on a quarterly basis starting with the first quarter of 2015.

→ Refer to the “Liquidity and funding management” section of the UBS Group first quarter 2015 report for more information

Liquidity coverage ratio

<i>CHF billion, except where indicated</i>	Weighted value ¹	
	Average 1Q15 ²	31.12.14 ³
High-quality liquid assets	158	161
Net cash outflows	141	145
<i>of which: cash outflows</i>	259	268
<i>of which: cash inflows</i>	118	123
LCR (%)	112	111

¹ Calculated after the application of haircuts and inflow and outflow rates as well as, where applicable, caps on level 2 assets and cash inflows. ² Data provided represents the 3-month average of the quarter.

³ Calculated on a pro-forma basis.

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Tables | Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis.