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2019 Dodd-Frank Act Annual Stress Test (DFAST)

Filed with Board of Governors of the Federal Reserve System on April 5th, 2019

June 21st, 2019

Cautionary statement

This 2019 Dodd-Frank Act Stress Test Disclosure presents stress test results conducted by UBS Americas Holding LLC ("AH" or "Americas Holding") in accordance with the regulation, issued by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), which implements the Dodd-Frank Act Stress Testing ("DFAST") requirements for covered companies.   The results summarized in this presentation contain forward-looking projections prepared by Americas Holding LLC, based on the hypothetical, severely adverse economic scenario prescribed by the Federal Reserve and summarized in this presentation. The estimates also reflect certain required assumptions regarding Americas Holding's capital actions. The quantitative outputs and qualitative discussion herein should not be viewed as forecasts of expected pre-provision net revenue ("PPNR"), income, capital, risk-weighted assets ("RWAs"), capital or leverage ratios outcomes as a measure of the solvency or actual financial performance or condition of Americas Holding LLC. Instead, the outputs and discussions are estimates from forward-looking exercises that consider possible outcomes based on hypothetical, highly adverse economic scenarios and therefore are more adverse than expected results.

The outputs of the analyses and the discussion contained herein may not align with those produced by the Federal Reserve Board or other financial institutions conducting similar exercises, even if similar hypothetical stress scenarios were used, due to differences in methodologies and assumptions used to produce those outputs.

2019 Dodd-Frank Act Annual Stress Test

Requirements for Annual Dodd-Frank Act Stress Test

- The stress testing regulation of the Board of Governors of the Federal Reserve System ("Federal Reserve") requires firms subject to the annual stress testing requirement to disclose the results of their company-run stress tests, under the Federal Reserve's Supervisory Severely Adverse stress scenario, within 15 days of the date the Federal Reserve discloses the DFAST results[1].

- Covered companies must disclose capital and leverage ratios projected by the company under the Federal Reserve's Supervisory Severely Adverse stress scenario, which describes the hypothetical evolution of certain specific macroeconomic and market variables consistent with a severely adverse recession. The principal assumptions in the 2019 Supervisory Severely Adverse Scenario are described on page 5.

- The planning horizon begins with UBS Americas Holding LLC's ("AH LLC") actual position as of December 31, 2018 and includes a nine quarter forecast beginning with the first quarter of 2019 and ending with the first quarter of 2021.

- AH LLC is required to assume the following capital actions (the "Dodd-Frank Act Stress Testing Capital Actions") to estimate its projected capital level and ratios over the nine quarter forecast horizon:

  - Actual capital actions completed for the first quarter of the planning horizon.
  - Payment of common dividends equal to the quarterly average dollar amount of common stock dividends paid over the past four quarters.
  - Payments on any other instrument eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest or principal due on such instrument.
  - No redemption or repurchase of any capital instrument eligible for inclusion in the numerator of a regulatory capital ratio; and
  - No issuances of common stock or preferred stock, except for issuances related to expensed employee compensation or in connection with a planned merger or acquisition.

- The results of AH LLC's stress test, under the Federal Reserve's Severely Adverse stress scenario assuming the Dodd-Frank Act Stress Testing Capital Actions enumerated above, are presented on pages 6 through 10.

UBS [1]Comprehensive Capital Analysis and Review 2019 Summary Instructions, March 2019.
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Requirements for Annual Dodd-Frank Act Stress Test

- For the 2019 stress test, in addition to the eight BHCs and as one of six IHCs with significant trading activity, AH LLC became subject to the global market shock component in the Federal Reserve's Supervisory Adverse and Supervisory Severely Adverse scenarios[1].

  - For the company-run stress projections under the Federal Reserve's stress scenarios, AH LLC must estimate trading and counterparty losses in the Supervisory Adverse and Supervisory Severely Adverse scenarios using a company-run market risk shock that is applied to the Firm's exposures as of November 5, 2018 pursuant to the Federal Reserve's 2019 supervisory instructions[1] and prescribed global market shocks.

  - AH LLC also became subject to the counterparty default scenario, which requires AH LLC to estimate and report potential losses associated with instantaneous default of the counterparty that would generate the largest losses across its derivative and securities financing transactions by applying the global market shock to exposures as of November 5, 2018.

[1]2019 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule, March 2019 (p.6-8).
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Description of the Federal Reserve Board's Supervisory Severely Adverse Stress Test Scenario

The severely adverse scenario[1] is characterized by a severe global recession accompanied by a period of heightened stress in commercial real estate markets and corporate debt markets.

- Real US GDP declines by 8.0 percent from its pre-recession highs and the unemployment rate increases to 10 percent. Consumer price inflation falls to about 1¼ percent in the second quarter and recovers to about 2 percent at an annual rate by the second half of 2020.

- As a result of the severe decline in real activity, the interest rate for 3-month Treasury bills falls 2¼ percent and remains near zero through the end of the scenario. The 10-year Treasury yield falls by a somewhat smaller amount, resulting in a mildly steeper yield curve. The 10-year Treasury yield reaches a trough of about ¾ of a percent in the first quarter of 2019 and rises gradually thereafter to about 1½ percent by the first quarter of 2021.

- Financial conditions in corporate and real estate lending markets are stressed severely. The spread between yields on investment-grade corporate bonds and yields on long-term Treasury securities widens to 5½ percent by the third quarter of 2019, an increase of 3½ percent relative to the fourth quarter of 2018.

- Equity prices fall 50% through the end of 2019, accompanied by a rise in the VIX, which reaches a peak of 70 percent. House prices and commercial real estate prices also experience large declines of about 25 percent and 35 percent, respectively.

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UBS Americas Holding LLC Dodd-Frank Stress Test – Risk Based Capital Ratio, RWA and Leverage Ratio Projections

Actual Q4 2018 and Projected through Q1 2021 Risk Based Capital and Leverage Ratios[1] and RWAs[2]
Under the Federal Reserve Board's Supervisory Severely Adverse Scenario

Regulatory Ratio	Actual Ratio at 12/31/18[3]	Projected Stressed Ratios at 3/31/21	Projected Stressed Minimum Ratios	Federal Reserve Board Regulatory Minimums
Common Equity Tier 1 Ratio (%)	21.7	14.3	14.3	4.5
Tier 1 Capital Ratio (%)	25.7	18.2	18.2	6.0
Total Capital Ratio (%)	27.0	19.6	19.6	8.0
Tier 1 Leverage Ratio (%)	11.3	7.2	7.2	4.0

RWAs[3]		
in USD billions	Actual RWAs at 12/31/18[3]	Projected Stressed RWAs at 3/31/21
US Basel III RWAs	54.1	55.0

[1]The capital ratios are calculated using capital action assumptions prescribed under the Dodd-Frank Act stress testing requirement. Minimum reflects the lowest value for each ratio over the nine quarter forecast horizon for the period Q1 2019 through Q1 2021.

[2]RWAs are calculated applying the standardized approach under the Federal Reserve's Regulatory Capital Rules: 12 CFR Parts 208, 217, and 225.

[3]As reported in UBS Americas Holding LLC Form FR Y-9C as of December 31, 2018.

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UBS Americas Holding LLC Dodd-Frank Stress Test

Projected PPNR, Losses and Net (Loss)/Income Before Taxes from Q1 2019 through Q1 2021
Under the Federal Reserve Board's Supervisory Severely Adverse Scenario

in USD millions	Cumulative Results Over 9 Quarters	% of Average Assets
PPNR[1]	-$938.8	-0.6%
Provision for Loan and Lease Losses	-$662.7	
Realized Gains on Securities (AFS/HTM)	$60.5	
Trading and Counterparty Losses[2]	-$1,559.6	
Other Losses[3]	-$122.6	
Net Income Before Taxes	-$3,223.2	-2.1%

[1]Pre-provision net revenue includes losses from operational-risk events.

[2]Trading and counterparty losses include mark-to-market and CVA (Credit Valuation Adjustment) losses and losses arising from the counterparty default component scenario applied to derivatives and securities lending, and repurchase agreement activities.

[3]Other losses/gains includes projected change in fair value of loans held for sale and loans held for investment measured under the fair value option, goodwill impairment losses and other non-credit losses.

UBS Americas Holding LLC Dodd-Frank Stress Test

Projected Loan Losses by Type of Loan from Q1 2019 through Q1 2021
Under the Federal Reserve Board's Supervisory Severely Adverse Scenario

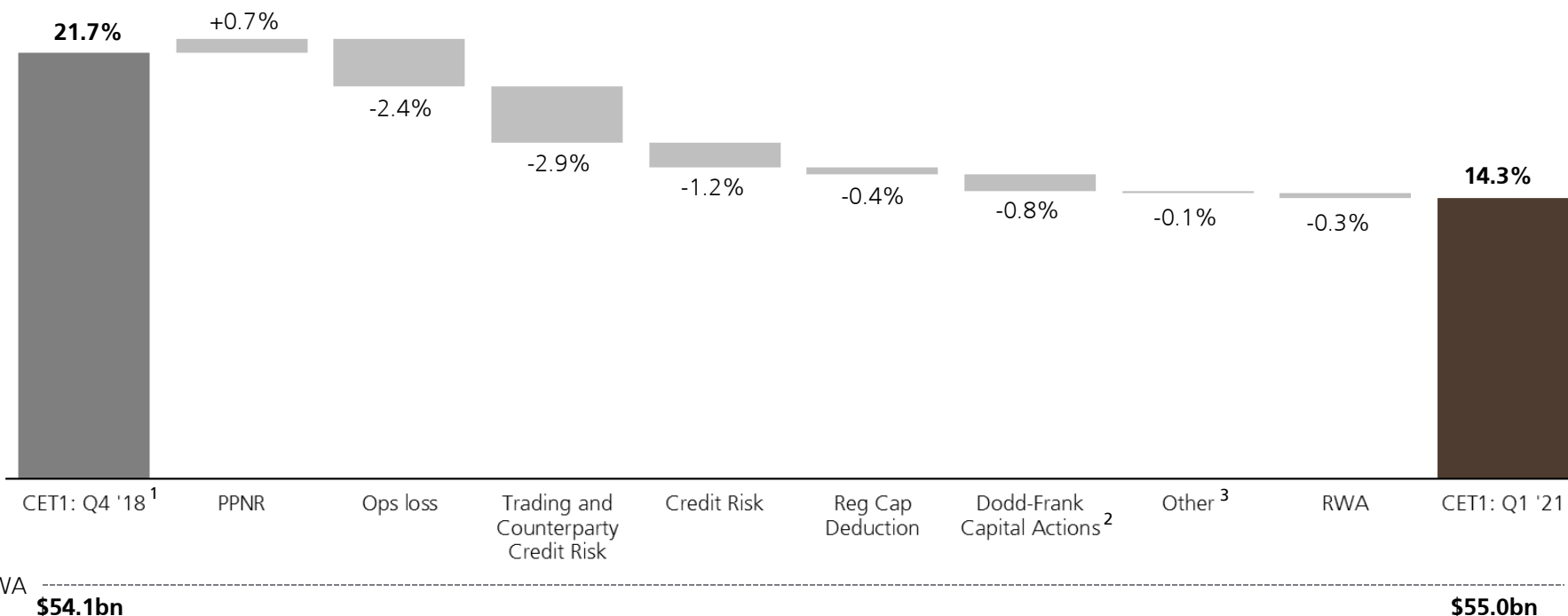| Loan Type[1] in USD millions	Cumulative Loan Losses Over 9 Quarters	Portfolio Loss Rates Over 9 Quarters
Estimated Loan Losses	$572.0	1.1%
First Lien Mortgages, Domestic	$242.8	1.5%
Junior Lien Mortgages, Domestic	$0.0	0.0%
Commercial and Industrial	$1.2	0.0%
Commercial Real Estate	$25.3	7.2%
Credit Cards	$17.1	8.7%
Other Consumer	$45.6	0.2%
Other Loans	$240.0	2.2%

[1]Loan categories follow FR Y-14A reporting requirements. Average loan balance used to calculate portfolio loss rates excludes loans held for sale and loans held for investment under the fair value option, and are calculated over nine quarters.

UBS Americas Holding LLC Dodd-Frank Stress Test

Key Drivers of Common Equity Tier 1 Capital Ratio ("CET1")
Under the Federal Reserve Board's Supervisory Severely Adverse Scenario

21.7%	+0.7%	-2.4%	-2.9%	-1.2%	-0.4%	-0.8%	-0.1%	-0.3%	14.3%
CET1: Q4 '18 [1]	PPNR	Ops loss	Trading and Counterparty Credit Risk	Credit Risk	Reg Cap Deduction	Dodd-Frank Capital Actions [2]	Other [3]	RWA	CET1: Q1 '21

RWA
$54.1bn   **$55.0bn**

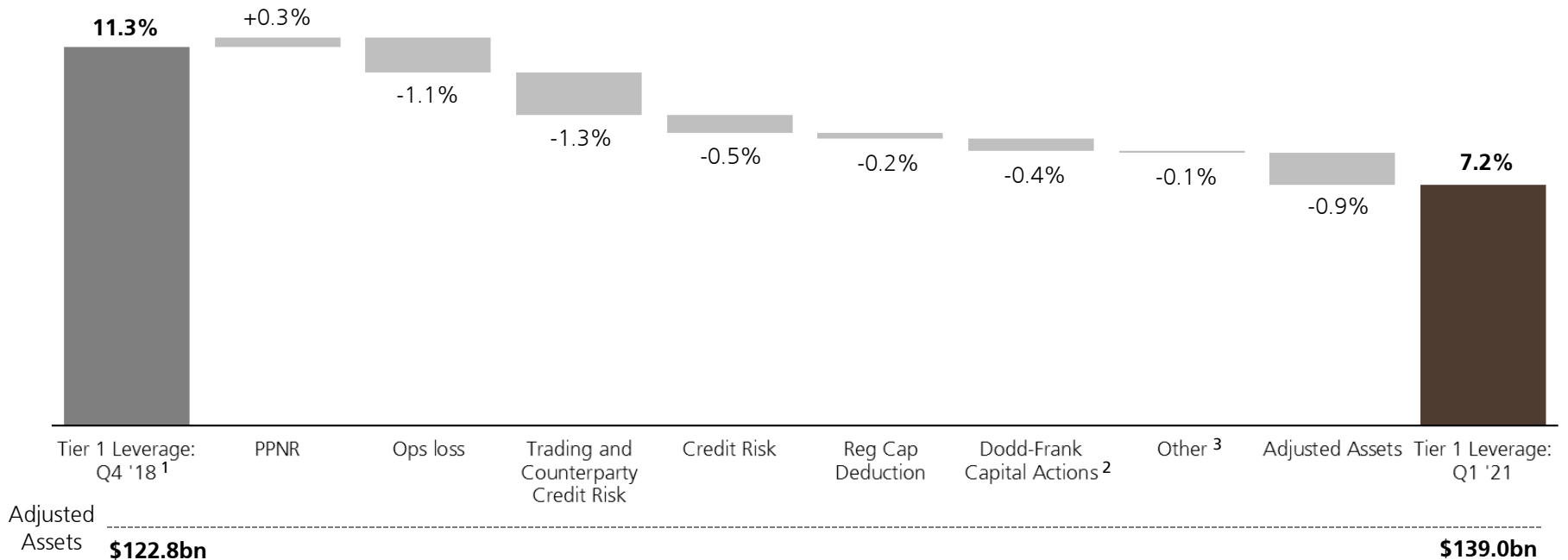[1]As reported in UBS Americas Holding LLC Form FR Y-9C as of December 31, 2018.

[2]Dodd Frank Capital Actions reflect cash dividends declared on preferred stock in accordance with the assumptions prescribed in the Dodd-Frank Act Stress Testing Capital Actions, which are outlined on page 3 of this presentation.

[3]Other losses/gains includes projected change in fair value of loans held for sale and loans held for investment measured under the fair value option, goodwill impairment losses, other non-credit losses.

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UBS Americas Holding LLC Dodd-Frank Stress Test

Key Drivers of Tier 1 Leverage Ratio
Under the Federal Reserve Board's Supervisory Severely Adverse Scenario

11.3%	+0.3%	-1.1%	-1.3%	-0.5%	-0.2%	-0.4%	-0.1%	-0.9%	**7.2%**
Tier 1 Leverage: Q4 '18 [1]	PPNR	Ops loss	Trading and Counterparty Credit Risk	Credit Risk	Reg Cap Deduction	Dodd-Frank Capital Actions [2]	Other [3]	Adjusted Assets	Tier 1 Leverage: Q1 '21

Adjusted Assets

$122.8bn   **$139.0bn**

[1] As reported in UBS Americas Holding LLC Form FR Y-9C as of December 31, 2018.

[2] Dodd Frank Capital Actions reflect cash dividends declared on preferred stock in accordance with the assumptions prescribed in the Dodd Frank Act Stress Testing Capital Actions, which are outlined on page 3 of this presentation.

[3] Other losses/gains include projected change in fair value of loans held for sale and loans held for investment measured under the fair value option, goodwill impairment losses, other non-credit losses.

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Material risks impacting capital adequacy assessment projections

The below risks are those inherent in the Firm's business activities and its capital stress tests reflect these risks:

Business Risk	The potential negative impact on earnings from lower-than-expected business volumes and/or margins, to the extent they are not offset by a decrease in expenses.
Compliance and Operational Risk	*Operational risk:* Inadequate or failed internal processes, people and systems, or external causes which have an impact to UBS, its clients or the markets in which it operates. Operational risk incorporates conduct risk. *Compliance risk:* The financial or reputational risk incurred by AH LLC by not adhering to the applicable laws, rules and regulations, local and international best practice (including ethical standards) and AH LLC's own internal standards.
Credit Risk	The risk of loss resulting from the failure of a client or counterparty to meet its contractual obligations toward AH LLC. This risk arises from a variety of business activities, including lending commitments, mortgages, traded products, and includes country risk.
Investment Risk	The risk arising from co-investments in UBS Asset Management sponsored funds and from infrastructure and commercial equity holdings.
Legal Risk	The risk of AH LLC being held liable for a breach of applicable law, rule or regulation, contractual or other legal obligations, or inability or failure to enforce or protect contractual or non-contractual rights sufficiently to protect AH LLC's interests. It also includes the failure to adequately develop, supervise and resource internal and external legal teams and failure to adequately manage any potential, threatened and commenced litigation and legal proceedings.
Market Risk	The risk of loss resulting from adverse movements in market variables. Market variables include observable variables, such as interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices, and variables that may be unobservable or indirectly observable, such as volatilities and correlations.
Model Risk	Risk of adverse financial or non-financial consequences (e.g. poor business and/or strategic decision making, or damage to the firm's reputation), resulting from decisions based on incorrect or misused model outputs and reports.
Pension Risk	The risk of a negative impact on capital as a result of deteriorating funded status from decreases in the fair value of assets held in defined benefit pension funds and changes in the value of defined benefit pension obligations due to changes in actuarial assumptions (e.g., discount rate, life expectancy, rate of pension increase) or changes to plan designs.
Reputational Risk	The risk of damage to our reputation from the point of view of our stakeholders, such as clients, shareholders, staff and the general public.
Treasury Risk	The risk of increased cost or reduced access to funding sources. It includes liquidity risk, funding risk and interest rate risk in the banking book.

Forecasting Methodologies – Dodd-Frank Supervisory Severely Adverse Scenario

- AH LLC's projected capital ratios under the Company-Run Supervisory Severely Adverse Scenario (described on page 5) reflect the effect of the hypothetical macroeconomic and market environment on sources and uses of capital as well as market, credit and operational risk loss projections.
- Under the Company-Run Supervisory Severely Adverse Scenario, AH LLC developed the following forecast methodologies to estimate the impact of the hypothetical assumptions over the nine quarter forecast time horizon.

PPNR

- AH LLC's forecast reflects a detailed process in which each major business developed a projection of PPNR over the nine-quarter forecast horizon using a mix of quantitative models, qualitative estimates, and expert judgment-driven approaches.

Losses

- AH LLC's loss projection processes and methodologies consider all identified material risks. These estimation methodologies project the IHC's material exposures to credit, market, and operational risks. The estimation of losses is a key component of the capital planning process and is executed using both quantitative and qualitative projection methodologies. Loss estimation methodologies are organized to cover the exposures below:

  - Banking Book (Retail and Wholesale credit, Securities)   – Trading
  - Operational risk   – Counterparty credit risk

- Losses for the banking book are mainly calculated through an expected loss framework, using stressed probability of default, loss given default and exposure at default. Losses for AH LLC's securities-backed lending portfolio are calculated through security-level revaluation of collateral followed by an approximation of the margining process.
- Operational Risk's methodology to project operational losses employs a quantitative approach based on historical losses and a qualitative approach based on estimates of forward looking losses.
- Trading losses are derived as a function of the Federal Reserve Board's Global Market Shock ("GMS") scenario and the market risk exposures in the AH LLC's Trading Book. The Trading Incremental Default Risk ("IDR") result is computed as an incremental loss arising from issuer defaults following the Global Market Shock calculation.
- Counterparty losses are derived as a function of the GMS scenario and measured as credit valuation adjustment ("CVA") impacts under stress and the impact from the default of AH LLC's largest counterparty.

Balance Sheet

- Balance sheet forecasts were developed based on a product-specific projection approach using quantitative regression-based models, which are sensitive to the macroeconomic factors and project behaviors associated with the Supervisory Severely Adverse scenario conditions, which are supported by expert judgment-based assumptions.

Risk-Weighted Assets ("RWAs")

- RWAs are projected under the Basel III standardized approach.
- Credit Risk RWA: Risk weights as prescribed by regulatory rules are applied to projected balances.
- Market Risk RWA: Simulation calculations and forecasting frameworks are used, as appropriate, to project computation of RWA for general Value at Risk ("VaR"), stressed VaR, specific risk add-ons, and De Minimis exposures.

Capital Position

- AH LLC's capital position was projected by aggregating revenue, loss estimates, balance sheet and RWA projections as outlined above and deriving their respective impacts on the levels of CET1 Capital, Tier 1 Capital and Total Capital and their respective ratios on a quarterly basis over the nine-quarter forecast horizon.