UBS

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UBS Europe SE

Annual Financial Statements as of 31 December 2019 (and complementary disclosures)

Independent auditor's report

To UBS Europe SE

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of UBS Europe SE, Frankfurt am Main, which comprise the balance sheet as at 31 December 2019, and the income statement for the fiscal year from 1 January 2019 to 31 December 2019, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of UBS Europe SE for the fiscal year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sec. 289f (4) HGB ("Handelsgesetzbuch": German Commercial Code) (disclosures on the quota for women on executive boards).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the statement on corporate governance pursuant referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Recognition and measurement of provisons for legal risks

Reasons why the matter was determined to be a key audit matter

The Company operates in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities. Overall, the legal provision represents the Company's best estimate for existing legal matters that have a probable and estimable impact on the Company's financial position.

Additionally, UBS Europe SE has received an indemnity guarantee from the Swiss parent company UBS AG CH with regard to a part of its pending legal lawsuits. Therefore, a provision does not have to be recognized for uncertain liabilities in respect to the amounts claimed under these pending lawsuits plus the related interest and further costs.

There are risks in the annual financial statements in relation to the completeness and the assessment of the matters concerned. We therefore identified the recognition and valuation of provisions for legal risks as a key audit matter.

Auditor's response

We examined the process for identifying legal risks. We compared the methodologies on which the provision amounts are based with the legal assessments. Additionally, we checked the mathematical correctness of the provision. We read the legal analyses supporting the judgmental aspects impacted by legal interpretations. We obtained correspondence directly from all external legal counsel and followed up directly with external counsel as deemed necessary. We also assessed the Institution`s provisions disclosure within the notes to the financial statements and the management report.

We have verified the effectiveness of the indemnity agreement concluded between UBS Europe SE and UBS AG CH in favor of UBS Europe SE, as a result of which provisions do not need to be recognized for pending litigation relating to a certain portfolio of pending lawsuits.

Furthermore, we ensured that UBS Europe SE has established a process for regularly reviewing the creditworthiness of UBS AG CH, one of its major borrowers, and that there are no doubts as to the creditworthiness of the borrower UBS AG CH in terms of the total outstanding and the guarantee amount.

On the basis of Management Board meeting minutes we retraced that the Management Board has been informed by the Legal Department on a quarterly basis about major changes or events in the portfolio of pending lawsuits that are covered by the indemnity agreement.

We inspected a sample of closed legal cases in 2019 in order to investigate the impact on the previous assumptions and therefore also on the calculation of the maximum indemnity.

Our audit procedures did not lead to any reservations concerning the recognition and measurement of provisions for legal risks.

Reference to related disclosures

The Institution`s disclosures on the principles for recognition and measurement of provisions for legal risks are provided in section "Accounting and valuation principles" of the notes to the financial statements and in section "Litigation" of the management report.

2. Merger of UBS Limited into UBS Europe SE

Reasons why the matter was determined to be a key audit matter

On 1 March 2019, the cross-border merger of UBS Limited into UBS Europe SE was completed. With the merger, the Investment Banking division was transferred to UBS Europe SE. The accounts of the former UBS Limited were prepared in accordance with International Financial Reporting Standards. In accordance with the merger agreement, the assets and liabilities of UBS Limited were transferred at book value. By means of corresponding adjustment entries, these were subsequently to be transferred to a chart of accounts that complied with the commercial law valuation and accounting regulations and the form requirements for credit institutions.

In view of the complexity of the transaction and the increased risk of error in the reconciliation of the IFRS closing balance sheet values of UBS Limited to the commercial accounting standards, the reconciliation of the IFRS closing balance sheet values has been identified as key audit matter.

Auditor’s response

Based on the audit of the IFRS financial statements of UBS Limited as of 31 December 2018 for purposes of the IFRS consolidated financial statements of the Swiss parent company and the accounting-related internal control system, the sub-auditor audited the IFRS closing balance sheet of UBS Limited as of 28 February 2019.

The assets and liabilities of UBS Limited were transferred to the balance sheet of UBS Europe SE at IFRS carrying amounts at the merger date. We have comprehended the transfer of the closing balance sheet values and their reconciliation to the commercial law chart of accounts of UBS Europe SE.

The Bank has prepared a concept that specifies the adjustment entries for a transition from IFRS accounting to HGB accounting, analysing the differences in accounting for the individual types of business and products concerned. We have assessed whether the concept provides a suitable basis for annual financial statements prepared in accordance with German commercial law.

We have tested the effectiveness of the controls implemented as part of the annual financial statement closing process to ensure that the adjustment entries are carried out correctly.

In addition, we reconstructed the adjustment entries in random samples.

Our audit procedures regarding the carrying forward of the book values and the implementation of the adjustment entries did not give rise to any objections.

Reference to related disclosures

The Company's disclosures on the merger of UBS Limited into UBS Europe SE on 1 March 2019 and the effects on valuation and accounting are set out in the "General", "Accounting and valuations policies", "Notes to the balance sheet" and "Notes to the income statement" sections of the Notes.

Other information

The supervisory board is responsible for the supervisory board`s annual report. In all other respects, the executive directors are responsible for the other information. The other information comprises the disclosures on the quota for women on executive boards pursuant to Sec. 289f (4) HGB in the management report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of such other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor’s responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with (German) law, and the view of the Company's position it provides.

Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 18 June 2018. We were engaged by the supervisory board on 27 June 2019. We have been the auditor of UBS Europe SE without interruption since fiscal year 2000.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Company or entities controlled by it the following services that are not disclosed in the annual financial statements or in the management report:

- The audit of the reporting requirements and the rules of conduct pursuant to Sec. 89 (1) WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act) and Sec. 89 (1) Sentence 2 WpHG as well as of the custody operations within the meaning of Sec. 1 (1) Sentence 2 No. 5 KWG for the reporting period 1 July 2018 to 30 June 2019,
- Execution of agreed upon procedures according to ISRS 4400,
- Review of a reporting package according to ISRE 2410 and IDW PS 900 and
- Audit of the internal control system according to ISAE 3402.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Iris Helke.

Eschborn/Frankfurt am Main, 15 May 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Helke	Kuhlmann
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor]	(German Public Auditor]

Balance Sheet as of 31 December 2019
UBS Europe SE
Bockenheimer Landstraße 2-4
60306 Frankfurt am Main

Assets

			31. December 2019	31. December 2018
	EUR	EUR	EUR	EUR k
1. Cash reserve				
a) Cash on hand		**1,932,618.30**		1,567
b) Balances at central banks		**1,293,633,032.43**		5,753,904
thereof: at Deutsche Bundesbank Euro 286,166,484.90 (prior year: EUR k 5,610,120)			**1,295,565,650.73**	**5,755,471**
3. Due from banks				
a) Payable on demand		**13,706,693,832.02**		1,285,922
b) Other amounts due		**12,972,049,094.87**		9,044,960
			26,678,742,926.89	**10,330,882**
4. Due from customers			**9,716,191,946.39**	**6,777,397**
thereof: secured by real estate property liens Euro 404,753,252.14 (prior year: EUR k 492,782)				
5. Debt securities and other fixed-income securities				
a) Money market securities				
aa) Issued by the public sector	569,165,289.01			217,602
thereof: eligible as collateral with Deutsche Bundesbank Euro 547,172,465.30 (prior year: EUR k 0)				
ab) Issued by other borrowers	491,744,387.05	**1,060,909,676.06**		260,931
thereof: eligible as collateral with Deutsche Bundesbank Euro 234,774,736.88 (prior year: EUR k 0)				
b) Bonds and debt securities				
ba) Issued by the public sector	694,949,867.47			166,151
thereof: eligible as collateral with Deutsche Bundesbank Euro 694,949,867.48 (prior year: EUR k 12,324)				
bb) Issued by other borrowers	3,179,151,372.27	**3,874,101,239.74**		501,167
thereof: eligible as collateral with Deutsche Bundesbank Euro 3,179,066,669.11 (prior year: EUR k 121,956)			**4,935,010,915.80**	**1,145,851**
6. Shares and other variable-yield securities			**684,871.27**	**772**
6a. Trading portfolio			**4,271,326,252.81**	**0**
7. Equity investments			**667,808.00**	**629**
thereof: in banks Euro 0.00 (prior year: EUR k 0)				
thereof: in financial services institutions Euro 0.00 (prior year: EUR k 0)				
8. Shares in affiliates			**10,008,693.62**	**10,009**
thereof: in banks Euro 0.00 (prior year: EUR k 0)				
thereof: in financial services institutions Euro 9,704,113.20 (prior year: EUR k 9,704)				
9. Trust assets			**37,770,090.00**	**40,459**
thereof: trust loans Euro 0.00 (prior year: EUR k 0)				
11. Intangible assets				
b) Purchased franchises, industrial and similar rights and assets and licenses in such rights and assets		**837,162.47**		1,410
c) Goodwill		**114,919,473.96**		127,562
			115,756,636.43	**128,972**
12. Property and equipment			**21,076,011.29**	**19,649**
14. Other assets			**2,588,792,918.34**	**527,093**
15. Prepaid expenses			**4,746,850.70**	**4,716**
		Total assets	**49,676,341,572.27**	**24,741,900**

Balance Sheet as of 31 December 2019
UBS Europe SE
Bockenheimer Landstraße 2-4
60306 Frankfurt am Main

Liabilities and equity

				31. December 2019	31. December 2018
		EUR	EUR	EUR	EUR k
1.	**Liabilities to banks**				
	a) Payable on demand		**7,211,340,027.91**		3,221,198
	b) With an agreed term of period of notice		**10,761,222,737.55**		99,225
				17,972,562,765.46	**3,320,423**
2.	**Liabilities to customers**				
	a) Other liabilities				
	aa) Payable on demand		**19,920,506,689.22**		18,315,817
	ab) with an agreed term of period of notice		**978,676,710.81**		640,426
				20,899,183,400.03	**18,956,243**
3.	**Securitized liabilities**				
	a) Debt securities issued			**5,070,530.77**	**5,007**
3a.	**Trading portfolio**			**2,472,344,846.54**	**0**
4.	**Trust liabilities**			**37,770,090.00**	**40,459**
	thereof: trust loans Euro 0.00 (prior year: EUR k 0)				
5.	**Other liabilities**			**1,886,552,270.98**	**160,226**
6.	**Deferred income**			**1,254,227.51**	**573**
7.	**Provisions**				
	a) Provisions for pensions and similar obligations		**269,542,459.38**		251,297
	b) Tax provisions		**30,299,082.85**		4,992
	c) Other provisions		**141,460,535.52**		114,874
				441,302,077.75	**371,163**
9.	**Subordinated liabilities**			**2,041,832,393.62**	**790,859**
11.	**Fund for general banking risks**			**0.00**	**4**
	thereof: special reserve pursuant to Sec. 340e (4) HGB Euro 0.00 (prior year: EUR k 4)				
12.	**Equity**				
	a) Subscribed capital		**446,001,000.00**		446,001
	b) Capital reserves		**2,779,297,396.50**		536,405
	c) Revenue reserves				
	cd) Other revenue reserves	46,428,856.75	**46,428,856.75**		46,429
	d) Net retained profit		**646,741,716.36**		68,108
				3,918,468,969.61	**1,096,943**
			Total liabilities and equity	**49,676,341,572.27**	**24,741,900**
1.	**Contingent liabilities**				
	b) Guarantees		**83,935,343.10**		**106,398**
				83,935,343.10	**106,398**
2.	**Other obligations**				
	c) Irrevocable loan commitments		**13,680,007.06**		**26,118**
				13,680,007.06	**26,118**

UBS

Income statement 31 December 2019

UBS Europe SE
Bockenheimer Landstraße 2-4
60306 Frankfurt am Main

for the period from 1 January 2019 to 31 December 2019

			2019	2018
	EUR	EUR	EUR	EUR k
1. Interest income from				
a) Lending and money market transactions	**136,614,299.11**			105,911
thereof: Negative interest income from lending and money market transactions Euro 154,640,166.50 (prior year: EUR k 47,408)				
b) Fixed-Income securities and government-inscribed debt	**52,355,507.05**	**188,969,806.16**		27,549
2. Interest expenses		**175,967,441.24**		54,165
thereof: Negative interest exenses Euro 142,881,171.21 (prior year: EUR k 24,717)				
			13,002,364.92	**79,295**
3. Current income from				
a) Shares and other variable-yield securities		**72,260,454.29**		0
b) Equity investments		**11,900.00**		42
c) Investments in affiliated companies		**9,889,081.17**		16,266
			82,161,435.46	**16,308**
5. Commission income		**999,747,292.05**		582,745
6. Commission expense		**241,386,870.37**		86,049
			758,360,421.68	**496,696**
7. Net income or net expense from trading book positions			**-16,654,344.94**	**3**
thereof: Allocation to the special item/income from the reversal of the special item "Fund for general banking risks" Euro 4,000.00 (prior year: EUR k 4)				
8. Other operating income			**106,594,504.26**	**89,319**
10. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	**320,882,538.89**			256,726
ab) Social security, pension and other benefit costs	**49,467,062.84**	**370,349,601.73**		44,711
thereof: for pensions Euro 20,036,852.91 (prior year: EUR k 19,092)				
b) Other administrative expenses		**445,906,920.19**		252,123
			816,256,521.92	**553,560**
11. Amortization, depreciation and write-downs of intangible assets and property and equipment			**21,623,507.35**	**12,322**
12. Other operating expenses			**27,367,683.78**	**25,761**
13. Write-downs of and allowances on amounts due and certain securities as well as allocations to provisions for possible loan losses			**2,868,063.40**	**2,839**
14. Income from the write-up of amounts due and certain securities as well as from the reversal of provisions for possible loan losses			**4,047,695.28**	**5,354**
15. Write-downs of and allowances on equity investments, shares in affiliates and securities classified as fixed assets			**0.00**	**29**
16. Income from write-ups on equity investments, shares in affiliates and securities classified as fixed assets			**1,703,811.81**	**12,230**
19. Results from ordinary activities			**81,100,112.02**	**104,694**
23. Income taxes			**34,336,773.53**	**36,560**
thereof: Deferred taxes Euro 0.00 (prior year: EUR k 0)				
24. Other taxes not disclosed under item 12			**21,622.13**	**25**
27. Net income for the year			**46,741,716.36**	**68,109**
29. Withdrawals from the capital reserve			**600,000,000.00**	**0**
34. Net retained profit			**646,741,716.36**	**68,109**

Translation from the German language

UBS Europe SE
Notes to the financial statements as of 31 December 2019

General

The financial statements for fiscal year 2019 of UBS Europe SE, headquartered in Frankfurt am Main, Bockenheimer Landstraße 2-4, and registered in the commercial register of Frankfurt Local Court under HRB no. 107046, were prepared in accordance with the provisions of the HGB [“Handelsgesetzbuch”: German Commercial Code], the AktG [“Aktiengesetz”: German Stock Corporation Act] and in compliance with the RechKredV [“Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute”: German Bank and Financial Services Institutions Accounting Directive].

The structure of the balance sheet and income statement follows the forms prescribed by the RechKredV.

UBS Europe SE is not publicly traded (“capital market-oriented” as defined by Sec. 264d HGB) and has therefore opted not to prepare a cash flow statement or a statement of changes in equity.

As part of UBS's planning strategy in response to the decision of the United Kingdom ("UK") to leave the European Union ("EU") ("Brexit"), all businesses and divisions of UBS Limited, London, were transferred to UBS Europe SE with effect from 1 March 2019 carried out by means of a combined business transfer and cross-border merger pursuant to European Cross Border Mergers Directive 2017/1132/EU, Part VII of the UK Financial Services and Markets Act and sections 122a et seq. of German Business Transfer and Merger Act (Umwandlungsgesetz).

The objective of the transfer was to ensure that UBS can continue to provide comprehensive and reliable investment banking services to existing investment bank customers, and continue to provide services, in certain EU jurisdictions after Brexit.

The merger plan notarized on 12 October 2018 was registered and published by the local commercial court of Frankfurt am Main (Handelsregister beim Amtsgericht Frankfurt am Main) on 30 October 2018.Supervisory authorities have granted approval to the business transfer on 24 January 2019 (cross-border merger) and on 5 February 2019 (Part VII) by the UK High Court of Justice.

As part of the merger, financial instruments, receivables and liabilities with a gross volume (before intra-group consolidation) of EUR 38.7 billion were transferred. In result the transferred business will be fully reflected in the income statement of UBS Europe SE for the 2019 financial year from March 2019 onwards. In addition approx. 60 employees have been relocated to Frankfurt and other locations and offices of UBS Europe SE within the EU.

The new businesses and transactions are predominantly assigned/ allocated to the business unit Investment banking and Treasury (Asset/Liability Management) of UBS Europe SE. The transferred product portfolio also includes products that were not previously part of the portfolio structure of UBS Europe SE. This applies in particular repo transactions with credit institutions, syndicated loans, extensive volumes of cash collateral positions deriving from derivatives, shares and equities held for trading, debt securities as well as interest, equity and currency swaps and options respectively.

Accounting and valuation principles

The accounting and valuation principles have not changed in principle compared to the prior year. However, as part of the cross-border merger of UBS Limited, London, transactions were transferred, that have not previously been accounted for at UBS Europe SE. This applies in particular to the trading portfolio.

The items of the **cash reserve** are stated at their nominal amount.

Amounts due from banks and customers are reported at their nominal amount, with differences between the issuing amount and the nominal amount deferred over the respective term.

Sufficient provision was made for identifiable and general risks in the lending business. A general bad debt allowance was set up in an appropriate amount to account for the general credit risk and calculated in accordance with the letter from the Federal Ministry of Finance, dated 10 January 1994.

Securities held in the liquidity portfolio are measured at amortized cost according to the strict lower of cost or market principle. They are also included in the valuation of interest rate transactions at present value in accordance with IDW AcP [IDW Stellungnahme zur Rechnungslegung] BFA 3 "Aspects of valuing interest rate transactions of the banking book (interest rate book) at net realizable value".

Securities of the investment portfolio are measured at amortized cost according to the modified lower of cost or market principle.

Option premiums and future margin payments for transactions that are not yet due as well as accrued interest income from interest rate swaps are recognized as other assets or other liabilities.

Financial instruments of the **trading portfolio** are measured at fair value minus a risk charge. The risk charge is calculated on the basis of the regulatory value-at-risk approach in such a way that the anticipated maximum loss from the trading portfolio will not be exceeded with a 99% probability over a holding period of 10 days. A historical observation period of one year is used.

If financial instruments are traded on an active market, the market price is used as fair value. Where no market prices are available on an active market, fair value is determined by various methods, including valuation models. Both the valuation methods and models selected and the parameters used depend on the individual product and are in line with market standards.

The change in fair value compared to the last reporting date or the acquisition costs (valuation gains/losses) is recorded as net income or net loss from the trading portfolio.

Current interest income and expenses from the trading business are shown as interest income. Dividend income from the trading portfolio is reported as "current income from shares and other variable-yield securities.

Securities lending transactions do not involve the derecognition of securities loaned or the recognition of securities borrowed, as the risk arising from the security and the corresponding beneficial ownership remains with the lender.

Equity investments and **shares in affiliates** are valued at acquisition cost or their lower fair value if the decline in value is expected to be permanent.

Trust assets and liabilities result from investments in private equity funds held in trust. They are recognized at the lower of cost or market principle.

Intangible assets, goodwill and property and equipment are recognized at acquisition and production cost and depreciated or amortized on a straight-line basis over their expected useful lives. Interests on borrowings are not capitalized.

Low-value assets are either fully expensed in the year of acquisition (with a net acquisition cost of up to and including EUR 250), or depreciated on a straight-line basis by 5 years (assets costing more than EUR 250 up to and including EUR 1,000).

Prepaid expenses and deferred income include payments which will be recognized in the income statement in future fiscal years.

The option provided by Sec. 274 (1) Sentence 2 HGB is applied, meaning that no **deferred tax assets** are recognized.

The excess of deferred tax assets primarily resulted from tax loss carryforwards in various tax jurisdictions and deductible temporary differences in the balance sheet items "Provisions for pensions and similar obligations," "Other assets," "Property and equipment" and "Intangible assets" in various tax jurisdictions that are not offset by material taxable temporary differences on the liability side.

Deferred taxes are measured using the respective national and company-specific tax rates at the expected realization date. The applicable tax rate for German branches is 31.93% comprising corporate income tax of 15.0% plus 5.5% solidarity surcharge plus an average trade tax rate. Deferred taxes in foreign branches are calculated with the applicable statutory tax rates which are in the range of 19.0 and 32.0%

Liabilities are stated at the settlement value with differences between the issuing amount and the settlement amount deferred over the respective term.

The **pension and similar obligations** are calculated in an actuarial report (using the projected unit credit method) applying the 2018 G mortality tables of Dr. Heubeck. They are discounted using the average market interest rate for the past 10 fiscal years. Freely available reserves were retained for the difference in profit which would have arisen if discounting had been carried out using the average market interest rate for the last 7 fiscal years.

In calculating the settlement value for **provisions**, all identifiable risks and uncertain liabilities were taken into account in accordance with prudent business judgment.

The settlement value of the **other provisions** is calculated taking future price and cost increases into account. Provisions with a residual term of more than one year are discounted at the average market interest rate of the last 10 fiscal years for their respective residual terms as determined by Deutsche Bundesbank. Indemnification claims are taken into consideration in measuring provisions, which were thus presented on a net basis.

Subordinated liabilities are stated at the settlement value.

Forward and other derivative transactions were used both to hedge the fair value of positions and for trading purposes. Trading portfolio is measured at fair value minus a risk charge. Derivatives of the non-trading portfolio are valued at the prices and interest rates on the balance sheet date. Derivative transactions entered into to hedge the Bank's interest rate risk are included in the valuation of interest rate transactions in the banking book at net realizable value (IDW AcP BFA 3).

Valuation of interest rate transactions in the banking book at net realizable value

The principle of prudence enshrined in German commercial law must be applied for all interest rate financial instruments in the banking book by recognizing a provision pursuant to Sec. 340a in conjunction with Sec. 249 (1) Sentence 1 Alt. 2 HGB ("provision for potential losses") for any net obligation from the valuation of the interest component of the entire interest position. As of 31 December 2019, the Bank applied the IDW AcP [IDW Stellungnahme zur Rechnungslegung] BFA 3 "Aspects of valuing interest rate transactions of the banking book (interest rate book) at net realizable value" issued on 16 October 2017 for the valuation of interest rate transactions at net realizable value. The present value of the interest result from these transactions is compared with the administrative and risk costs. As of the balance sheet date, there was no net obligation. No provisions were therefore recognized.

Foreign currency receivables and liabilities were valued at the ECB mean exchange rate on the balance sheet date. If the ECB does not publish mean rates, currency positions are valued at market rates. Unsettled spot exchange and forward exchange transactions were valued using the respective mean spot or forward rate on the balance sheet date. The majority of the foreign currency transactions are hedged by concluding matching offsetting transactions in the same currency. Expenses and income from currency translation are treated in accordance with the requirements of Sec. 340h HGB. The result from currency translation is recorded in the income statement under "Other operating income" or "Other operating expenses" respectively.

Contingent liabilities are reported under the balance sheet statement at their nominal amount, less risk provisioning if necessary,

The **disclosure of negative interest** income or expenses in the profit and loss statement depends on the host contract. Negative interest rates related to financial assets will lower the interest income and negative interest for financial liabilities reduces the interest expenses.

Hedge Accounting

In the past, the Bank had issued structured financial instruments in the form of certificates. The repayable amount of these instruments is dependent on the performance of stock indices, foreign currencies or other individual securities which are embedded as derivatives in the instrument along with the underlying instrument. The market risks relating to the issued instruments were fully hedged by offsetting transactions with UBS AG, London Branch. The Bank designated offsetting transactions with the UBS AG branch in London which serve to hedge repayment claims as hedges together with the instruments issued. In the Bank's financial statements, the underlying instrument and embedded derivative are reported together under securitized liabilities. Furthermore, the bank had issued note loans, which were also fully hedged by offsetting transactions with UBS AG, London branch, and designated as hedging transactions. These transactions are reported as liabilities to customers/banks. Hedges, which were valued using the net method, were accounted for at the issue price taking accrued interest and discounts into account.

The critical terms match method is used to measure the effectiveness of the micro hedges on the basis of matching components such as nominal amounts, disbursement value, maturity, interest payment dates and repayment structure in the underlying and the hedging instruments.

Hedged items are recognized at book value, with the offsetting transactions reported at identical amounts.

UBS Europe SE
Notes to the financial statements as of 31 December 2019

Notes to the balance sheet

Amounts due from banks

Due from banks		
	31 Dec 2019	**31 Dec 2018**
	EUR k	EUR k
Other amounts due in three months or less	11,492,177	8,118,378
more than three months and up to one year	1,256,062	807,795
more than one year and up to five years	79,618	98,787
more than five years	144,192	20,000
Total	**12,972,049**	**9,044,960**

Amounts due from customers

Due from customers		
	31 Dec 2019	**31 Dec 2018**
	EUR k	EUR k
Other amounts due in three months or less	3,984,460	2,996,834
more than three months and up to one year	2,077,122	2,349,817
more than one year and up to five years	623,930	416,203
more than five years	26,103	28,270
with an indefinite term	3,004,577	986,273
Total	**9,716,192**	**6,777,397**

Amounts due from affiliates and other investees and investors

Due from affiliates		
	31 Dec 2019	**31 Dec 2018**
	EUR k	EUR k
Amounts due from banks	6,759,161	3,943,892
Thereof: amounts due from UBS AG	*6,550,288*	*3,852,881*
Amounts due from customers	11,886	10,594

Due from other investees and investors		
	31 Dec 2019	**31 Dec 2018**
	EUR k	EUR k
Amounts due from customers	0	10,012

Debt securities and other fixed-income securities

Debt securities and other fixed-income securities	31 Dec 2019
	EUR k
Due in the following year	2,341,161
Negotiable	4,935,011
Listed	3,790,242

Securities with a book value of EUR k 2,672,417 and a fair value (market value) of EUR k 2,670,189 are not valuated according to the lower of cost or market principle, because the bank is not expecting a long term and significant decline in value.

Shares and other variable-yield securities

Shares and other variable-yield securities	31 Dec 2019
	EUR k
Negotiable	683
Listed	-

"Shares and other variable-yield securities" include shares in a real estate fund and variable-yield debt securities.

Trading portfolio

Trading assets	31 Dec 2019	31 Dec 2018
	EUR k	EUR k
Derivative financial instruments	1,318,901	0
Bonds and other fixed-income securities	247,863	0
Equities and other non-fixed-income securities	2,706,262	0
Risk charge	-1,700	0
Total	**4,271,326**	**0**

Trading liabilities	31 Dec 2019	31 Dec 2018
	EUR k	EUR k
Derivative financial instruments	1,539,343	0
Liabilities (from Short-Sales)	933,002	0
Total	**2,472,345**	**0**

Equity investments and shares in affiliates

The equity investments and shares in affiliates do not contain negotiable or listed instruments.

Equity investments pursuant to Sec. 285 No. 11 HGB

Company	Capital in EUR	Share of capital	Net income in EUR
UBS Fiduciaria S.p.A., Milan[1]	864,527.00	100%	118,815.00
UBS Gestión Sociedad Gestora de Instit. Colectiva SA, Madrid[2]	10,823,556.80	100%	8,966,278.58
UBS Private Equity Komplementär GmbH, Frankfurt am Main[2]	36,249.67	100%	8,899.60

Trust receivables and liabilities

Trust assets		
	31 Dec 2019	**31 Dec 2018**
	EUR k	EUR k
Equity investments	37,770	40,459
Trust liabilities		
	31 Dec 2019	**31 Dec 2018**
	EUR k	EUR k
Liabilities to customers	37,770	40,459

The Bank offers its customers the option of investing in private equity fund shares. The Bank concludes trust agreements with the customers to enable them to make small investments. This resulted in equity investments held in trust in the amount of the trust arrangements concluded (EUR 37.8 m).

[1] Financial Statements as of 31 December 2018
[2] Financial Statements as of 31 December 2019 - unaudited

Statement of changes in fixed assets

EUR k	Shares and other variable-yield securities	Equity investments	Shares in affiliates	Goodwill	Other intangible assets	Property and equipment
Book value 01/01/2019	**772**	**629**	**10,009**	**127,562**	**1,410**	**19,649**
Acquisition/ production cost						
Opening balance	5,190	629	10,009	140,581	22,946	103,947
Additions		39			264	7,910
Disposals	108			2,588	3	3,230
Reclassifications					2	-2
Translation differences				4,522	2	282
Closing balance	5,082	668	10,009	142,515	23,211	108,907
Write-downs						
Opening balance	4,418			13,019	21,536	84,298
Additions				14,186	838	6,583
Write-ups	19					
Disposals					2	3,204
Translation differences				390		156
Reclassifications					2	-2
Closing balance	4,399			27,596	22,374	87,831
Book value 31/12/2019	**683**	**668**	**10,009**	**114,920**	**837**	**21,076**

Intangible assets, goodwill and property and equipment

The **goodwill** stems from the acquisition of ETRA SIM S.p.A in 2005 and Santander Private Banking Unit (SPB Unit Italia) in June 2016 by the former UBS Italia S.p.A. and was acquired at book value in the merger. The goodwill regarding the acquisition of ETRA SIM S.p.A. and SPB Unit Italia has a remaining useful life of six and four years respectively.

In October 2018 UBS Europe SE completed the takeover of Nordea's Luxembourg-based private banking business. This transaction resulted in the initial recognition of a goodwill amounting to EUR 116.9 m. In 2019, the goodwill was adjusted by virtue of a subsequent adjustment of the purchase price of EUR 2.6 m. The remaining useful life is nine years.

All of the **other intangible assets** comprise purchased software.

As of the end of fiscal year 2019, **property and equipment** exclusively comprise furniture, fixtures and office equipment.

Other assets

"Other assets" mainly include variation/initial margins (EUR 2,233.9 m), receivables from the tax office (EUR 91.2 m) and receivables from group allocations (EUR 83.4 m).

Prepaid expenses

"Prepaid expenses" contain income from advance payments of non-staff operating costs (EUR 4.7 m) and premiums paid (EUR 0.1 m).

Liabilities to banks

Liabilities to banks		
	31 Dec 2019	**31 Dec 2018**
	EUR k	EUR k
With an agreed term or period of notice of three months or less	10,588,484	7,739
more than three months and up to one year	119,897	32,310
more than one year and up to five years	44,814	54,327
more than five years	8,027	4,849
Total	**10,761,223**	**99,225**

Liabilities to customers

Liabilities to customers		
	31 Dec 2019	**31 Dec 2018**
	EUR k	EUR k
With an agreed term or period of notice of three months or less	704,596	496,253
more than three months and up to one year	54,782	29,272
more than one year and up to five years	75,107	94,901
more than five years	144,192	20,000
Total	**978,677**	**640,426**

Liabilities to affiliates and to other investees and investors

Liabilities to affiliates		
	31 Dec 2019	**31 Dec 2018**
	EUR k	EUR k
Liabilitites to banks	7,796,754	3,077,226
Thereof: liabilities to UBS AG	*7,437,806*	*2,883,337*
Liabilities to customers	129,100	179,651

Liabilities to other investees and investors		
	31 Dec 2019	**31 Dec 2018**
	EUR k	EUR k
Liabilities to customers	0	10,592

Debt securities issued

Debt securities issued	
	31 Dec 2019
	EUR k
Due in the following year	5,071

Other liabilities

"Other liabilities" primarily comprise liabilities from variation/initial margins (EUR 1,472.6 m), intragroup settlements (EUR 85.3 m) and liabilities to the tax office (EUR 47.9 m).

Deferred income

"Deferred income" primarily contains premiums received for the issuance of note loans (EUR 0.1 m) and income received in advance in the amount of EUR 1.4 m.

Provisions for pensions and similar obligations

The provisions recognized relate almost exclusively to obligations for employees of the parent company in Germany.

The following assumptions were applied in measuring provisions for pensions:

- Actuarial interest rate: 2.71%
- Salary and income threshold progression rate: 2.50%
- Pension increases: 1.80% for old commitments (issued prior to 1 January 1999)
  1.00% for new commitments
- Turnover: average 15.20%

In accordance with Sec. 253 (6) HGB, the difference arising between discounting using a 10-year average interest rate and a 7-year average interest rate has to be calculated as of the reporting date. The 7-year average discount rate with a remaining term of 15 years as published by Deutsche Bundesbank (1.97%) is used to present the comparative amounts for the purpose of calculating this difference. The resulting pension provision and deferred compensation provision amount to EUR 182.3 m and EUR 113.5 m, respectively.

Applying the corresponding 10-year average interest rate with a remaining term of 15 years in the amount of 2.71%, the pension provision and the deferred compensation provision would amount to EUR 165.6 m and EUR 103.7 m, respectively. This leads to a difference for pensions and deferred compensation of EUR 26.4 m, which may not be distributed or transferred.

Other provisions

"Other provisions" comprise the following main items:

Other provisions	31.12.2019
	EUR m
Bonuses	70.1
Legal risks and damages claims	23.9
Early retirement obligations	4.9
Accrual for vacation	7.4
Restructuring	7.9
Severance payments	3.9
Storage costs business documents	3.4
Fee reimbursement claims from retrocessions	3.5

Subordinated liabilities

In 2020, the bank issued two additional subordinated loans to parent entity UBS AG with a cumulated volume of 1,250.0 m in total. The debtee bears full assumption of costs for the emission.

Terms of the subordinated liabilities are as follows:

Subordinated liabilities				
nominal amount	**currency**	**interest rate**	**due date**	**capital**
290,000,000.00	EUR	Euribor 3M + 466 BP	unbefristet	Additional Tier 1 capital
500,000,000.00	EUR	Euribor 3M + 105 BP	12. Juni 2023	MREL eligible
975,000,000.00	EUR	Euribor 3M + 125 BP	27. Februar 2024	MREL eligible
275,000,000.00	EUR	Euribot 3M + 103 BP	14. Mai 2029	MREL eligible

The interest rate contains a floor component at reference rate Euribor with 0.00 %. Any option of extraordinary termination persists to the issuer exclusively according to CRR regulation.

Subscribed capital and shares

The subscribed capital of EUR 446,001,000 divided into 446,001,000 registered shares that are wholly owned by UBS AG, Zurich.

Capital and revenue reserves

The capital reserves increased by EUR 2,242.9 m to EUR 2,279.3 m. An increase of EUR 2,842.9 m is caused by the cross-border merger with UBS Limited, London. Furthermore, an amount of EUR 600,0 m was transferred from the capital reserve pursuant to Sec. 272 (2) No. 4 HGB to the net retained profit.

Luxembourg tax legislation allows a reduction of the net worth tax liability if a dedicated reserve equal to five times the net worth tax liability is recognized; this reserve must not be distributed within the next five years. The non-distributable reserve is part of the capital reserves recognized in accordance with Sec. 272 (2) No. 1 HGB in the equity of UBS Europe SE; it amounts to EUR 55.7 m as of 31 December 2019.

EUR 26.4 m of the capital reserves pursuant to Sec. 272 (2) No. 4 HGB relates to the difference under Sec. 253 (6) HGB due to the adjustment of the discount rate (see the note on the pension provisions).

In July 2019, the entire net retained profit reported for fiscal year 2018 was distributed to the shareholder.

The revenue reserves are unchanged at EUR 46.4 m.

Contingent liabilities and other obligations

Contingent liabilities comprise guarantees provided, thereof EUR 0.4 m in favour of credit institutions of UBS group. There is no significant call risk.

All of the other obligations are irrevocable loan commitments.

Repurchase agreements

The book value of assets reported on the balance sheet and sold subject to a repurchase agreement amount to EUR 314.9 m.

Foreign currency assets and liabilities

Foreign currency assets totaled EUR 13,480.2 m, foreign currency liabilities totaled EUR 13,693.6 m and foreign currency position below the line item totaled EUR 10.4 m.

Notes to the income statement

Net interest income

Net interest income contains EUR 154.6 m in negative interest paid and EUR 142.9 m in negative interest received.

Negative interest of EUR 7.2 m was paid to Deutsche Bundesbank as a result of intragroup euro clearing, while negative interest of EUR 6.9 m was collected from the parent company, UBS AG.

Current income from shares, equity investments and investments in affiliated companies

Current income is primarily attributable to the dividend payment received from UBS Gestión Sociedad Gestora de Instituciones de Inversión Colectiva SA, Madrid (Spain) (EUR 9.8 m).

Furthermore, dividend payments from the trading portfolio of EUR 72.3 are included.

Net commission income

Net commission income	
	31 Dec 2019
	EUR m
Custody account management	81.4
Wealth managment	194.2
Brokerage of funds	279.5
Consulting on planned equity investments and mergers	95.4
Income from sales activities (equities, bonds and certificates)	2.5
Securities settlement	145.0
Other commissions	-39.6
Total net commission income	**758.4**

Net income from trading book positions

The special reserve under section 340e para 4 HGB was released with EUR 4k.

Other operating income

This item primarily contains group allocations (EUR 62.3 m), reversals of provisions (EUR 2.8 m) and currency translation income (EUR 39.1 m).

Other operating expenses

This item mainly includes taxes of EUR 15.5 m, payments and provision allocations in connection with customer complaints resulting in court proceedings (EUR 2.5 m) and expenses of EUR 8.3 m from unwinding discounts on provisions as of 31 December 2019 (thereof pension obligations and deferred compensation of EUR 7.9 m).

Geographical breakdown

Geographical breakdown			
in EUR k	**Net interest income**	**Net commission income**	**Other operating income**
Germany	-12,396	327,796	65,253
Luxembourg	-260	143,932	15,118
Italy	15,198	156,175	9,417
Spain	7,368	39,515	5,768
Netherlands	-5	30,482	1,636
Great Britain	-	24,781	2,221
Austria	3,097	20,914	933
France	-	8,054	259
Sweden	-	5,237	2,774
Switzerland	-	-	3,225
Poland	-	1,434	-10
Denmark	-	40	1
Total UBS Europe SE	**13,002**	**758,360**	**106,595**

The other disclosure for fiscal year 2019 is contained in the country-specific reporting in accordance with Sec. 26a KWG [“Kreditwesengesetz”: German Banking Act].

<u>Other notes</u>

Proposal for the appropriation of net retained profit

The closing balance sheet of UBS Europe SE for 2019 reports a net retained profit of EUR 646.7 m.

The Management Board proposes the distribution of the full amount of the net retained profit reported as of 31 December 2019 to the shareholder. This corresponds to a dividend of EUR 1.45 per share, for 446,001,000 shares. In order to be able to respond flexible to developments in connection with the Corona pandemic, the Management Board took the decision in coordination with the Supervisory Board according to the recently adopted Covid-19-mitigation act, to hold an extraordinary general meeting after 1 October 2020, which decides on the use of the retained earnings 2019.

Other financial obligations

Other financial obligations include rent obligations for the premises used for the Bank’s head office and branches. The lease agreement for its head office (the Opernturm building in Frankfurt) expires in 2025. Rent obligations until 2033 for all buildings come to EUR 115.2 m, EUR 50.6 m of which relates to the Opernturm building (UBS Group).

Obligations for subsequent capital contributions may occur from the membership in the deposit protection schemes of "Bundesverband deutscher Banken" and "Entschädigungseinrichtung deutscher Banken GmbH" ("EdB").

Contingent liabilities

There were no further contingent liabilities as of 31 December 2019.

Derivative financial instruments at fair value

The table below shows the book values of the derivative financial instruments mearured at fair value, that are recognized as trading assets and trading liabilities.

	Nominal amount	Fair value	
		positive	negative
	in EUR m	in EUR m	in EUR m
Currency transactions			
Foreign currency forward transactions	673.1	1.8	2.6
Interest/Currency swaps	37,257.8	1,219.3	1,420.0
Foreign currency options	973.0	21.9	37.5
Other foreign currency transactions	138.7	25.1	26.1
Total	**39,042.6**	**1,268.2**	**1,486.3**
Interest rate transactions			
Interest swaps	0.0	0.4	0.4
Total	**0.0**	**0.4**	**0.4**
Equity/index-related transactions			
Equity/Index options	602.1	17.3	17.2
Other contracts	0.0	29.2	23.5
Total	**602.1**	**46.5**	**40.7**
Other transactions			
Credit derivatives	1,142.5	3.8	12.0
Total	**1,142.5**	**3.8**	**12.0**

Hedges

The Bank issues structured financial instruments which are offered in the form of certificates. The Bank also issues plain vanilla products, which it offers its customers as note loans. For the structured products, the repayment value is linked to the performance of the underlying instruments. For the plain vanilla products, the Bank pays a fixed rate of interest. The Bank has concluded offsetting transactions with UBS AG, London Branch, to hedge its repayment and individual payment obligations under the financial instruments it has issued. The Bank uses these offsetting transactions to hedge against its entire market, foreign currency and interest rate risk from all issues. The issue positions are grouped together with the offsetting transactions to form hedges. A total volume of EUR 126.2 m (book value) is hedged with these transactions.

Hedge transactions protect against currency risks with a fair value of EUR 4.1 m. In addition, hedges protect against interest rate risks with a fair value of EUR 140.5 m.

It is corporate policy to hedge all financial instruments at group banks.

Derivatives used as hedges for issuing transactions

	Nominal amount	Fair value	
		positive	negative
	in EUR m	in EUR m	in EUR m
Equity/Index swaps	12.2	0.0	13.8

Derivative financial instruments not measured at fair value

The table below shows the volume of derivative financial instruments of the banking book. Book values of these transactions are shown as other assets (EUR 62.6 m) and other liabilities (EUR 82.7 m).

	Nominal amount	Fair value	
		positive	negative
	in EUR m	in EUR m	in EUR m
Currency transactions			
Foreign currency forward transactions	30,931.4	210.3	209.8
Interest/Currency swaps	20,305.4	98.9	119.0
Foreign currency options	154.9	0.3	0.3
Total	**51,391.7**	**309.4**	**329.1**
Interest rate transactions			
Interest swaps	28,606.3	49.0	47.1
Total	**28,606.3**	**49.0**	**47.1**
Equity/index-related transactions			
Other contracts	0.8	0.0	13.9
Total	**0.8**	**0.0**	**13.9**
Other transactions			
Other contracts	191.8	2.0	2.0
Total	**191.8**	**2.0**	**2.0**

Fair value is determined by various methods. Foreign currency forward transactions are valued on the basis of market-based spot exchange rates, whereas options are valued with standard market option price models and swap contracts are valued using discounted cash flow models. Both the valuation models selected and the parameters used depend on the individual product and are in line with market standards.

Derivatives and forward transactions used in the agency business

	Nominal amount	Fair value	
		positive	negative
	in EUR m	in EUR m	in EUR m
Currency transactions			
Foreign currency forward transactions	13,904.1	106.0	106.0
Interest/Currency swaps	205,882.4	5,744.0	5,777.8
Foreign currency options	13,707.3	73.4	73.4
Total	**233,493.8**	**5,923.4**	**5,957.3**
Interest rate transactions			
Forward transactions	14.6	0.0	0.0
Interest options	31,614.6	169.3	166.7
Interest swaps	99,534.6	1,015.1	983.8
Total	**131,163.7**	**1,184.4**	**1,150.6**
Equity/index-related transactions			
Equity/Index options	14,628.7	620.5	620.5
Equity/Index swaps	14,978.7	277.3	277.2
Total	**29,607.4**	**897.8**	**897.7**
Other transactions			
Credit derivatives	2,466.7	37.3	37.4
Other contracts	1,642.6	9.7	9.7
Total	**4,109.3**	**47.0**	**47.1**

Auditor's fees

No auditor's fees need to be disclosed since they are disclosed in the consolidated financial statements of UBS AG, Zurich.

Related party disclosures

The parent company UBS AG, having its registered office in Zurich, UBS Group AG and all not fully consolidated companies, joint ventures and associates of the UBS Group were identified as related parties of UBS Europe SE.

Persons related to key management personnel (members of the Management Board, general managers and Supervisory Board members) of the UBS Group, UBS AG in Zurich and UBS Europe SE are treated as related parties.

The following financial transactions are performed with related parties (group companies only):

- Money market transactions, investing in and raising funds
- Forward transactions in equities, foreign currency, bonds and structured products
- Options in equities, bonds and foreign currency
- Equity and interest rate swaps

- Securities lending
- Securities transactions (reverse repos)
- Guarantees
- Procurement/provision of intragroup services

All transactions were concluded at arm's length.

Significant events after the balance sheet date

The outbreak of the Corona virus (Covid-19) and the related constraints on economic activities are expected to have a negative impact on the worldwide economic growth. A significant rise in the number of Covid-19 infections, infections in a wide range of countries and regions, or a prolongation of the outbreak could significantly adversely affect economic growth, affect specific industries or countries or affect the employees and business operations of UBS in affected countries. Any of these developments may adversely affect the business or financial results of UBS.

On 26th March 2020, UBS AG decided to transfer the businesses of UBS Securities France S.A. and UBS Securities España Sociedad de Valores S.A. to UBS Europe SE by means of a cross border merger. The total assets of the entities is EUR 42.4 m as of 31st December 2019 according to IFRS-reporting.

Otherwise, the Bank is not aware of any significant events occurring after the end of the fiscal year which have not been taken into account in the balance sheet or income statement.

Group affiliation

UBS Europe SE is included in the basis of consolidation of UBS Group AG. In accordance with the KonBefrV ["Konzernabschlussbefreiungsverordnung"]: German Ordinance on the Exemption from Preparation of Consolidated Financial Statements], UBS Europe SE therefore opts not to prepare subgroup consolidated financial statements.

UBS Group AG, Zurich, prepares exempting consolidated financial statements and a Group management report. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These are the consolidated financial statements for the largest group of companies. The consolidated financial statements and the Group management report for 2019 of UBS Group AG, Zurich, are available on the UBS website and are published in German in the elektronischer Bundesanzeiger [Electronic German Federal Gazette] by UBS Beteiligungs-GmbH & Co. KG, Frankfurt am Main.

In addition, UBS Europe SE is included in the consolidated financial statements of UBS AG, Zurich, which are also prepared in accordance with IFRS. These are the consolidated financial statements for the smallest group of companies. The consolidated financial statements of UBS AG, Zurich, are available on the UBS website.

Disclosure

The disclosure report for the year ended 31 December 2019 is published on the UBS Europe SE website at https://www.ubs.com/de/en/ubs-germany/financial-reports.html.

Governing bodies

Supervisory Board

- Roland Koch, Chairman,
  Independent attorney, Former Prime Minister of the State of Hesse, Frankfurt, Germany

- Miriam Gonzalez-Durantez, Deputy Chair, (since 1 March 2019),
  Of-Counsel, Washington DC, United States of America

- Silke Alberts*,
  Chairman of the Works Council, UBS Europe SE, Frankfurt, Germany

- Dr. Sabine Keller-Busse (since 01 October 2019)
  Group Chief Operating Officer, UBS AG, Zurich, Switzerland

- Dr. Ulrich Körner (until 30 September 2019),
  President Asset Management and President Europe, Middle East and Africa, UBS AG, Zurich, Switzerland

- Jean-Marc Lehnertz*,
  Investment Platforms and Solutions, UBS Europe SE, Luxembourg

- Jonathan (Bobby) Magee, (since 1 March 2019),
  Consultant, Guildford, United Kingdom

- Beatriz Martin Jimenez (since 26 June 2019)
  Investment Banking Chief Operating Officer, UBS AG, London Branch

- Emma Molvidson,
  Chief of Staff President Investment Bank, UBS AG, Zurich, Switzerland

- Francesco Stumpo*,
  Wealth Management IT Application Delivery,UBS Europe SE, Milan, Italy

- Tanja Christiane Weiher,
  Chief of Staff to the Group CEO, UBS AG, Zurich, Switzerland

- Dr. Martin Christof Wittig,
  Board of Directors of mcw Management Services AG, Samedan, Switzerland

*Employee representatives

In accordance with the resolution of the Extraordinary General Meeting dated 21 February 2019, remuneration totaling EUR 80 k was paid to the employee representatives on the Supervisory Board in the fiscal year for 2018. Remuneration totaling EUR 260 k was paid to the independent members of the Supervisory Board.

Management Board

- Christine Leitner Novakovic, Chairman of the Board (since 01 September 2019)
  Head Global Wealth Management, UBS Europe SE, Frankfurt, Germany

- Thomas Rodermann, Spokesman of the Board (until 30 August 2019),
  Head Wealth Management and Asset Management, UBS Europe SE, Frankfurt, Germany

- Birgit Dietl-Benzin (until 30 April 2020),
  Chief Risk Officer, UBS Europe SE, Frankfurt, Germany

- Georgia Paphiti,
  Chief Financial Officer, UBS Europe SE, Frankfurt, Germany

- Dr. Andreas Przewloka,
  Chief Operating Officer, UBS Europe SE, Frankfurt, Germany

- Stefan M. Winter (until 30 June 2019),
  Head Investment Bank, UBS Europe SE, Frankfurt, Germany

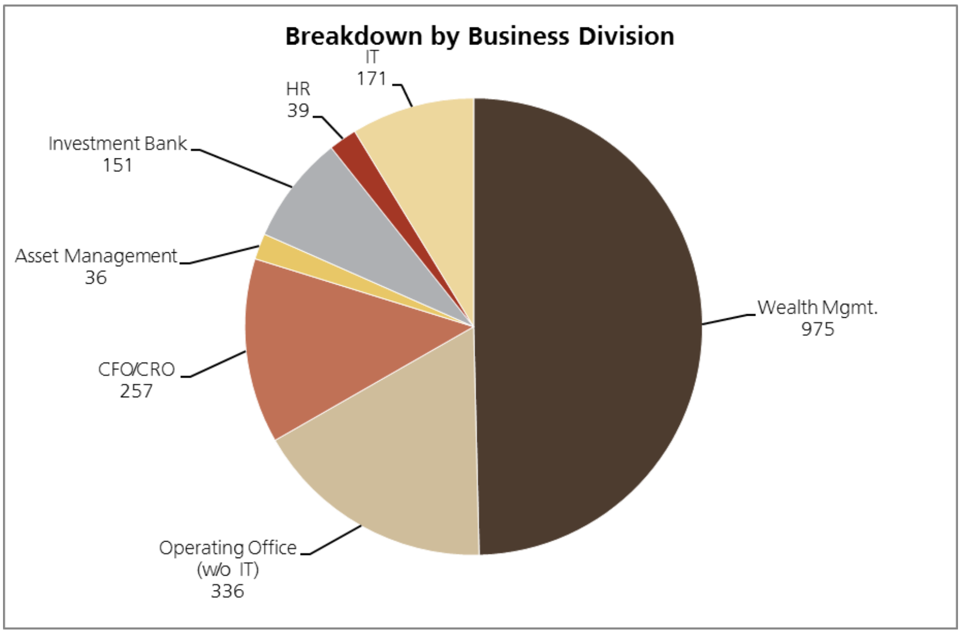
- Tobias Vogel, (since 01 March 2019)
  Head Investment Bank and Global Wealth Management Germany, UBS Europe SE, Frankfurt

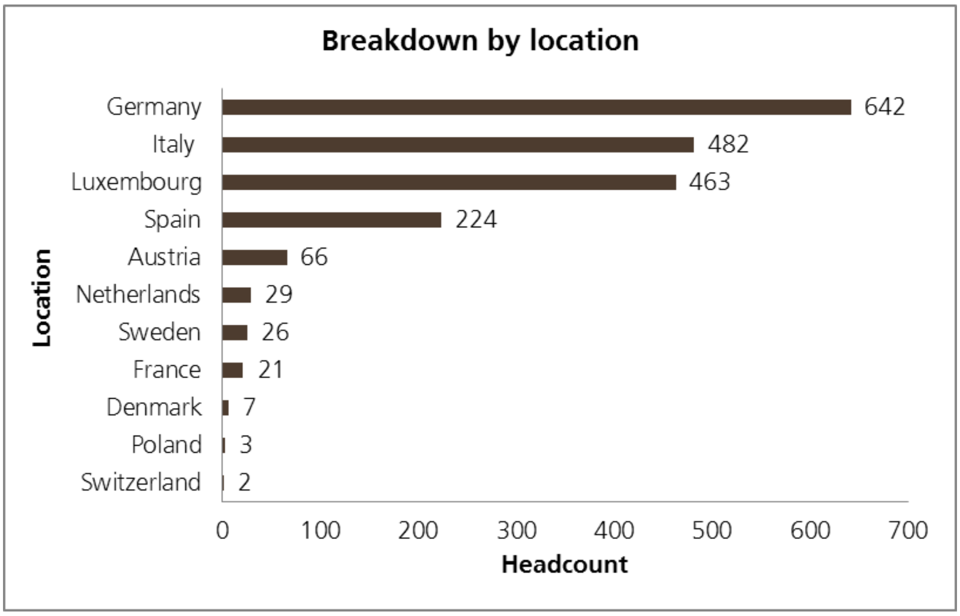
Remuneration for the members of the Management Board amounted to EUR 8.0 m in the fiscal year. The amount includes the basic salary, variable remuneration and other remuneration for the period during which they were a member of the Management Board.

EUR 2.5 m was paid to former members of the Management Board, i.e., members of the former UBS Deutschland AG and their survivors; the pension provisions for this group were EUR 38.8 m on 31 December 2019.

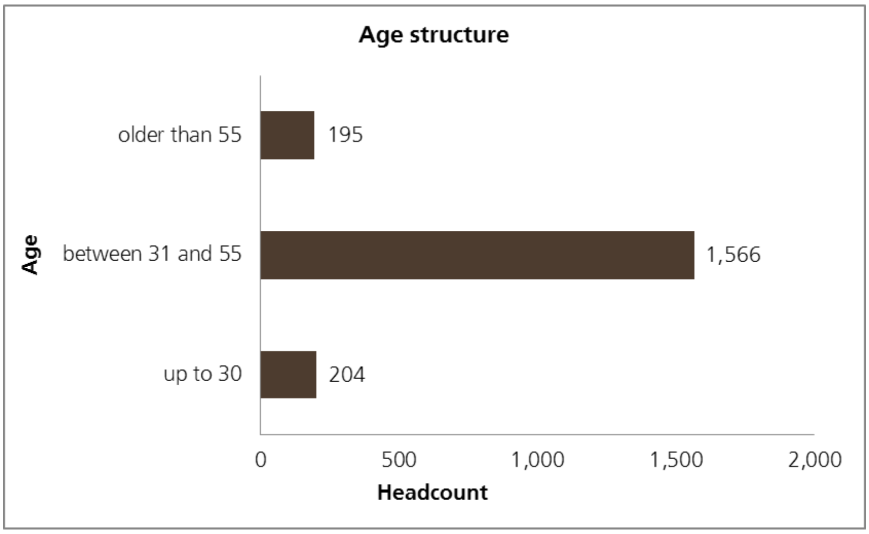
Employees

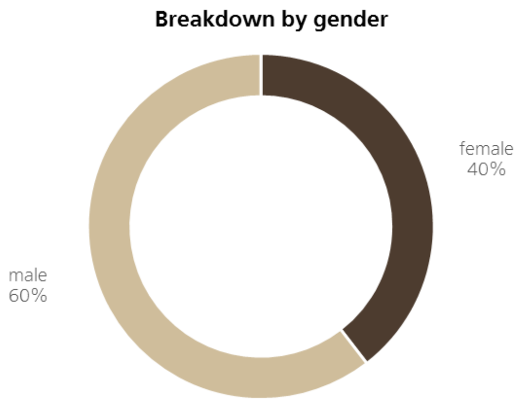
As of 31 December 2019, the headcount was 1,965. The average number of employees during 2019 was 1,980. 23 employees were on parental leave as of 31 December 2019.

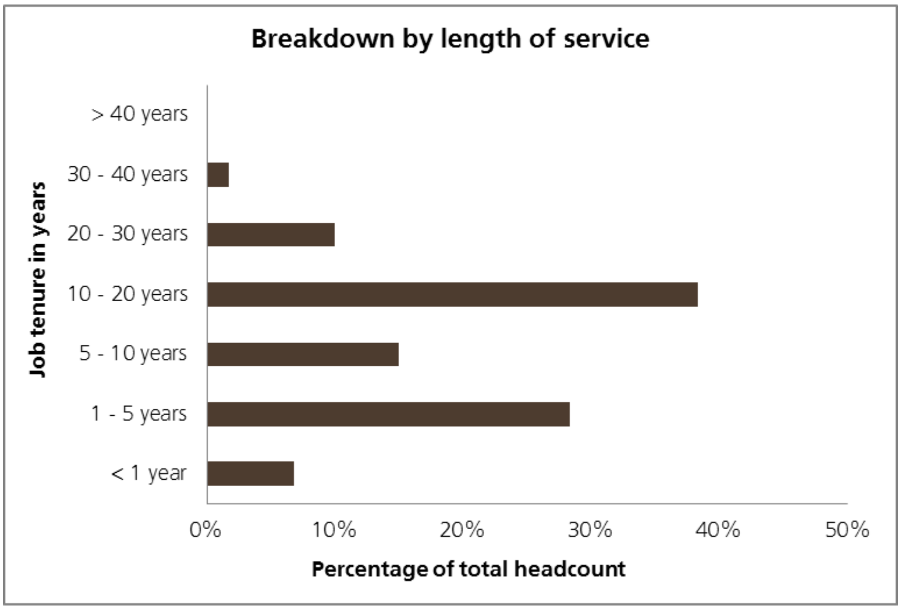




UBS Europe SE
Notes to the financial statements as of 31 December 2019







Frankfurt am Main, 8 May 2020

UBS Europe SE

- Managing Board -

Christine Novakovic

Tobias Vogel

Georgia Paphiti

Dr. Andreas Przewloka

UBS Europe SE
Annual Report 2019 – Management Report

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I. Business Report

Divisions and organization

UBS Europe SE, based in Frankfurt, has been created in 2016 by merging several wealth management subsidiaries of UBS group into a single pan-European entity and is one of the leading financial services providers for wealth management in Europe.

The bank is a direct, hundred percent subsidiary of UBS AG, Zurich. Its organizational structure comprises the divisions Wealth Management (WM), Investment Bank (IB) and Asset Management (AM).

As a universal bank within the meaning of the German Banking Act (KWG) and as an SE under European law, its administrative bodies are Management Board, Supervisory Board (incl. Committees) and Annual General Meeting.

UBS Europe SE encompasses six branches in Germany and 27 branches in Europe, including Spain, Italy, Luxembourg, Austria, Denmark, Sweden, Netherlands, United Kingdom, France, Switzerland and Poland.

UBS Europe SE has **Wealth Management** as its core business, for Ultra High Net Worth (UHNW) clients including Family Offices, High Net Worth (HNW) and Affluent client segments within the European Union. The Financial Intermediaries (FIM) client segment supports UBS Europe SE's business by providing access to markets and clients beyond the bank's client advisor network. The Wealth Management division encompasses six branches in Germany and 22 branches in Europe, including Spain, Italy, Luxembourg, Austria, Denmark and Sweden.

The **Investment Bank** (IB) products are offered in all European locations in which UBS Europe SE is present. At its core, the Investment Bank is divided mainly into two independent and aligned business units: Corporate Client Solutions (CCS) and Investor Client Services (ICS).

CCS offers solutions for corporate clients looking for strategic advice with respect to capital raising and M&A. CCS also works with institutional or individual investors for raising funds.

ICS, which includes the Equities business and the FX, Rates and Credit (FRC) business, provides a comprehensive distribution platform with enhanced cross-asset delivery as well as specialist skills to corporate, institutional, official sector and wealth management clients.

In addition to the two core units of the Investment Bank division, Corporate and Institutional Clients (CIC) is responsible for maintaining and expanding the local product offering for Cash

Management Solutions and, by cooperating closely with other CIC teams across the international UBS network, allowing UBS to offer its global expertise to clients in Europe.

As part of UBS's planning strategy in response to the decision of the United Kingdom ("UK") to leave the European Union ("EU") ("Brexit"), all businesses and divisions of UBS Limited, London, were transferred to UBS Europe SE with effect from 1 March 2019 carried out by means of a combined business transfer and cross-border merger pursuant to European Cross Border Mergers Directive 2017/1132/EU, Part VII of the UK Financial Services and Markets Act and sections 122a et seq. of German Business Transfer and Merger Act ("Umwandlungsgesetz").

The objective of the transfer is to ensure that UBS can continue to provide comprehensive and reliable investment banking services to existing investment bank customers, and continue to provide services, in certain EU jurisdictions after Brexit.

UBS Europe SE offers **Asset Management** services to (I) Institutional investors such as insurance companies, pension funds, companies, pension insurance carriers, church institutions and foundations, (II) Wholesale clients (banks, savings banks and other financial service providers) and (III) UBS Wealth Management clients. The distribution department of Asset Management is located in Austria, Luxembourg and Spain.

Strategy

UBS Europe SE's strategy is centered on the leading wealth management business in Europe, which is enhanced by Asset Management and the Investment Bank. The focus is on businesses that have a strong competitive position in their targeted markets, are capital efficient and have an attractive long-term structural growth or profitability outlook. The wealth management business benefits from significant scale in an industry with attractive growth prospects (4.2% expected increase in net investable assets for High Net Worth in the coming years[1]), increasingly high entry barriers and the leading position of UBS across the attractive high net worth and ultra-high net worth client segments. The partnership between wealth management and the other business units is a key differentiating factor and a source of competitive advantage. The 2019 Euromoney Survey awarded UBS the main global prize "Best Private Banking Services Overall". In total, UBS received nine global awards, 15 regional awards and numerous country specific awards. UBS Germany is particularly pleased to have received the award "Best Private Banking Services Overall Germany".

[1] Bain analysis, pre-COVID-19 perspective

With regards to **Wealth Management**, the ambition of UBS Europe SE is (I) to grow the traditional and core business through focused and disciplined execution of the strategic levers and priorities, (II) make a fundamental shift towards embedded risk culture and management, (III) gain efficiency by the expansion of a scalable operating platform, (IV) developing the best talents.

A series of priorities aimed to deliver the goals above have been defined: (I) Focus on profitable growth, enhancing the focus on HNWI; becoming the bank of choice for UHNW clients, developing an affluent strategy based on efficiency while fostering digitisation and maintaining FIM business growth momentum, (II) Expand UBS's footprint across Europe, (III) Expand a scalable operating platform to consolidate the competitive advantage to onboard new assets at industry leading marginal costs and to tap new sources of growth, (IV) Talent retention and development.

The **Investment Bank** strategy focuses on disciplined growth in the capital-light advisory and execution businesses, while accelerating the digital transformation.

CCS is focused on being (I) Trusted Lead Advisor to each one of our clients, (II) Go-To Bank for innovative solutions and excellence in execution and (III) most profitable highest growth IB business. CCS works across the bank to provide solutions to clients.

- To achieve the ambition, UBS has three strategic pillars:
- Client focus: UBS earns the right to be Trusted Advisor to each and every client it serves.
- Content and solutions: UBS provides creative ideas with a winning edge
- Superior execution: UBS is focused on excellence and outperformance

The following five ambitions are guiding the decisions of ICS:

- One Client – one client strategy that places the clients at the heart of everything UBS is doing. Driving best client outcomes through relationships and collaboration enabled by technology, data and operational excellence is how UBS achieves it.

- Top Liquidity Provider – delivering unique and deep liquidity across asset classes and seamless execution via access to venues that best suit the clients trading strategies.

- Differentiated Content – differentiated content that helps the clients identify the best opportunities, uncover new evidence and generate new insights to drive their investment decisions.

- Bespoke Solutions – structured, scalable investment products, liability management solutions, financing alternatives and other value-add bespoke solutions which help the clients to solve complex problems.

- Dynamic Resource Allocation – dynamic resource allocation to generate stable long term profits and operational leverage which enables UBS to provide reliable quality service to their clients.

The digital strategy is led by the businesses, which are harnessing technology to deliver superior and differentiated client service. UBS has established an Innovation Lab to speed up innovation by enabling proofs of concept. UBS is also focusing on digitizing the entire front-to-back process.

Partnership across the IB's businesses and the Group should also lead to growth by delivering global products to each region, leveraging the global connectivity of UBS across borders and sharing and strengthening the best client relationships.

Strategy on the **Asset Management** side is based on (I) positioning UBS Europe SE as a leading European player for passive products, leading global player for Real Estate Private Markets and a leading player for embedding sustainability themes across its full product range, (II) Expansion of the market share in the institutional and wholesale business respectively, (III) Consolidation of the status as a preferred partner of Wealth Management, (IV) Increasing profitability.

Cross-divisional collaboration between the various segments and markets in Wealth Management and the business divisions of the Investment Bank and Asset Management is essential. In order to determine the optimal solution for the clients, UBS Europe SE makes use of the expertise from all three divisions, selecting the most suitable products and services from each. Owing to its size, UBS is able to scale the services in all divisions of the company and offers them not only to institutional, but also to private clients, especially in the UHNW segment.

Across all divisions and hierarchical levels efficiency and cost management are integral parts of the strategy, in particular against the background of the ever-increasing pressure on margins. The bank will focus on cost initiatives that won't compromise the customers' experience, but helps the bank to improve service quality and make internal processes more efficient.

Beyond the mere standardization of processes and services, digitisation is taking on major significance as part of the growth strategy. Above all, this is justified by changed client behavior and an increased demand for digital banking services.

Management systems

The Bank's management systems comprise of financial and regulatory reporting systems.

Planning for the legal entity UBS Europe SE is performed on an annual basis and covers a period of three years. The plan is based on group reporting systems and is broken down by branch and by division.

For wealth management the legal entity plan is based on the divisional targets for revenues, costs, head count and growth of Net New Money.

For other divisions the planning is based on a backward looking view and adjusted for known items.

Any known cost or revenue items are taken into account for the planning.

The key **reporting system** is the cost center accounting system (web-based standard reporting system "DOMINO"). The DOMINO reporting system focuses on the following figures for the last three (up to 23) months of the current year and the same prior-year period: Managed assets, net inflows/outflows of customer funds, costs, income broken down by type and product, margins, number of front office and support staff and number of customers. The above mentioned indicators are also reported in relative terms such as income per customer advisor or cost-income ratio.

II. Economic Report

Financial performance indicators

The key financial performance indicators (KPIs) of UBS Europe SE are aligned with the business objectives, focusing on the drivers of direct increases in efficiency and profitability. Hence, all levels of divisions' functional organizational structure (segment, location and team level) are covered.

The following performance indicators are analysed on a monthly basis:

- Cost/income ratio: The financial year 2019 resulted in EUR 946.3m revenues and EUR 865.2m cost. Based on these HGB figures, the cost/income ratio is 91%. The budget is based on IFRS figures and stipulated a cost/income ratio of 77%. Cost/income ratio according to IFRS is 81%. Thus, the target was not achieved which is due to costs in connection with the merger.
- Profit before taxes per division and per location: The bank discloses the profit before taxes per division and per location at the internal management information system. In the wealth management business, Luxembourg and Sweden increased their result (+ 7% and + 50% respectively) compared to previous year, whereas the other branches were behind the profit before tax of the previous year (Denmark – 69%, Italy – 56%, Spain – 22%, Austria – 17%) and Germany even reported a negative result. The investment bank grew significantly due to the merger with UBS Limited and reported a profit before tax of EUR 90.5m, being in line with the budget.
- Net inflow of funds (Net New Money): The Net New Money for 2019 was planned at EUR 5.5bn. This target has not been achieved. Even though Germany recorded Net New Money of EUR 4.9bn, the total Net New Money was negative with EUR 2.1bn due to outflows in the other branches.
- Return on Assets (margin on invested assets): In the wealth management business segment, the profitability of the invested assets is expressed by the Return on Assets ratio. The invested assets as well as the respective revenues increased by around 8%. Accordingly, the margin increased by around 8% in the current year while revenues increased by around 5%. Accordingly, the margin slightly decreased compared to 2018.

Non-financial performance indicators

The performance of UBS Europe SE cannot be measured using financial indicators alone. Competitiveness and target achievement are largely – as with every company – dependent on the quality of the employees.

Pursuant to Article 76 (4) and § 111 (4) AktG ("Aktiengesetz": German Stock Cooperation Act) in conjunction with the FührposGleichberG ("German Act on the Equal Participation of Women and Men in Management Positions"), in 2015 the predecessor of UBS Europe SE (UBS Deutschland AG) defined targets for the ratio of female employees on the Supervisory Board, the Management Board and the two management levels below the Management Board. In 2018, the Management Board of UBS Europe SE reaffirmed the target of 27 % of women in the first management level below Management Board and 20% for the second management level. The target has been fulfilled for 2019. As of 31.12.2019 the ratio of women to men in the UBS Europe SE Supervisory Board was 4:5, exceeding the minimum female representation threshold of 30% for Supervisory Boards (UBS Europe SE is at 44%). The female representation in the Management Board increased to 60% by the end of 2019, with a female-to-male ratio of 3:2.The level of staff turnover at UBS Europe SE in 2019 was 11.7 % overall. In the largest location Germany, staff turnover was 8.7%. The average length of service of permanent employees is approximately 12.5 years, showing the shortest length of service in France with 6.3 years and the longest in Luxembourg with 12.9 years.

Non-financial report

UBS AG has issued a separate non-financial group report and published it in accordance with Article 114 WpHG. The report contains a consolidated Global Reporting Initiative (GRI) document, providing comprehensive disclosures on environmental, social and governance (ESG) factors and including the disclosures on non-financial information required by German law implementing the EU directive 2014/95 (CSR-Richtlinie-Umsetzungsgesetz / CSR-RUG). The GRI document is available in English under "Annual reporting" at www.ubs.com/global/investor-relations. UBS Europe SE is therefore exempted from the issuance of a non-financial report in accordance with Article 298b HGB and refers to the GRI document for details on the mentioned subjects.

Overall economic environment

2019 was a very good year for investors, with all major asset classes tracked by UBS delivering positive returns. A U-turn in central bank monetary policy and improvements in the US – China trade dispute were the two most important market drivers. The following six observations summarize the overall economic environment in 2019:

- Growth slowed but markets were strong
- Balances portfolios had their best year in a decade
- US equity market outperformed again

- Easier-than-expected monetary policy was one key reason for market strength
- Signs of a trade deal in late 2019 also supported stocks and
- Currency volatility decreased

Despite such positive developments, in 2019, global economic growth looks to have fallen to a post-financial crisis low due to slowdowns in the US, Europe and China. Although the labor market and consumption remained relatively healthy, fixed investment and trade growth weakened as the US – China trade conflict impacted business confidence.

In the base case, UBS expected sub-trend growth to continue into 2020 even before the outbreak of the COVID-19 pandemic. It is expected that the COVID-19 pandemic will affect adversely the worldwide economic growth. However, at present, the impact is hard to predict.

Elections will take place in the US. The issues up for grabs include how to structure a healthcare system for an aging population, growing income inequality, the role of the nation-state in an interconnected world, technological change and who pays for environmental damage. The polarization between candidates, magnitude of issues, and market capitalization of the US markets make these elections relevant for investors around the world. How each issue is decided will shape global trends and define sectoral winners and losers.

China's competition with the US in the economic, technological and geopolitical spheres creates an ongoing challenge to the previous world order that will not be easily resolved. In an era of "deglobalization", the trade turmoil between the two nations could flare up again in 2020, even if an interim deal is reached soon. But, equally, both sides have key influencers who would prefer to curb tensions. A deal to reduce or remove existing tariffs and a pledge to stop adding more could dramatically reduce global economic uncertainty, unlock pent-up investment demand, and enable US President Donald Trump to "declare victory" in an election year.

Business in 2019

The European Wealth Management market is undergoing fundamental structural changes with significant implications for UBS Europe SE, e.g. customer protection, regulatory changes and pressures, Brexit, megatrends such as digitization, demographic change and sustainability.

In 2019, UBS' **Wealth Management** division has witnessed significant net new money (NNM) growth in Germany, despite an overall negative result in the entity. Costs have continuously been strictly monitored at all levels. However, costs increased compared to budget due to one-off effects.

Although UBS Europe SE's market environment faces increasing competition, with its EUR 144bn of assets under management as of December 2019, the bank remains one of the leading globally active wealth managers in the region and was able to meet its goals with respect to business growth. Accordingly, the prognoses of the bank concerning a positive development of its core business, the Wealth Management, were proven correct. Hence, UBS Europe SE strengthened its revenue base through the acquisition of new customers and additions to stocked assets by existing customers.

The **Investment Bank** division was significantly influenced in 2019 by the cross-border merger with UBS Limited, London. Due to the merger, the profit before tax of the Investment Bank division increased to EUR 90.5m compared to EUR 5.1m in the previous year.

Investor Client Services (ICS)

(I) FRC

The priority of UBS is delivering excellence through specialization by providing clients with the products that deliver the most value. In Sales, UBS ESE aims to be the most productive, data driven and technology enabled salesforce in the industry.

FRC consists of the FX franchise, which ranks in the top tier globally and which includes the market-leading PM business, as well as select rates and credit businesses. These businesses support the execution, distribution and risk management related to corporate and institutional client businesses and they also meet the needs of UBS's wealth management clients via targeted intermediaries. UBS is focused on building a leading agency execution and electronic trading business and continuing to maintain high levels of balance sheet velocity.

For FRC, 2019 was a successful year with a profit before tax exceeding the target by 27%.

(II) Equities

The IB's equities business provides a full front-to-back product suite globally, including financing, execution, clearing and custody services. The franchise takes a client-centric approach in serving hedge funds, asset managers, wealth management advisors, financial institutions and sponsors, pension funds, sovereign wealth funds and corporations globally. It distributes structures, executes finances and clears cash equity and equity derivative products.

The strategic goals include cementing UBS's position in EMEA, capturing addressable wallet opportunities and focusing on innovation to achieve competitive advantage and evolve the business model.

Equities also exceeded the target for the profit before tax (+7%).

Corporate Client Solutions (CCS)

CCS combines UBS expertise and service offering in European locations, in industry verticals and in investment banking products. The bank leverages the global reach and macro views complemented by perspectives within industry sub-sectors for the strategic client dialogue. Through the CCS business, UBS Europe SE advises clients on strategic business opportunities, assists them to raise debt or equity capital to fund their activities while minimizing cost of capital and risk.

CCS turned into a good performance with a profit before tax exceeding the target by 3%. Income was mainly generated by Advisory (44%), DCM (22%) and ECM (19%).

In spite of the demanding market environment, the **Asset Management** division achieved a good result in 2019.

Financial position

Net assets

The bank's net assets are in order.

The balance sheet total increased to EUR 49.7bn for the current year (prior year: EUR 24.7bn) The increase mainly results from the transfer of all major businesses of UBS Limited, London, by means of a cross-border merger with effect from 1 March 2019.

Key items were receivables from credit institutions (54% of total assets) and customer receivables (20%). Further items affecting net assets are described below.

Cash reserve

As of the balance sheet date 2019, the credit balance with central banks was EUR 1.3bn (prior year: EUR 5.8bn), thereof EUR 0.3bn (prior year: EUR 5.6bn) with Deutsche Bundesbank. Balances with Deutsche Bundesbank have been reduced significantly due to applicable terms and conditions.

Receivables from credit institutions and customers

Total receivables increased by EUR 19.3bn compared to the previous year – mainly caused by the cross-border merger with UBS Limited. The deposit facility with Deutsche Bundesbank decreased by EUR 0.7bn to EUR 5.3bn. Receivables from affiliated companies increased by EUR 2.8bn and receivables from customers increased by EUR 2.9bn.

	31/12/2019	31/12/2018	Change	
	m. EUR	m. EUR	m. EUR	%
Receivables from credit institutions	26,679	10,331	16,348	158.2%
Receivables from customers	9,716	6,777	2,939	43.4%
Total Receivables	**36,395**	**17,108**	**19,287**	**112.7%**

Trading assets

Trading assets consist solely of business from the former UBS Limited and include shares and other variable-yield securities amounting to EUR 2.7bn and positive replacement values from derivatives amounting to EUR 1.3bn.

Liabilities to credit institutions and customers

Total liabilities increased by EUR 16.6bn compared to the prior-year value. The intercompany liabilities increased by EUR 4.7bn.

	31/12/2019	31/12/2018	Change	
	m. EUR	m. EUR	m. EUR	%
Liabilities to credit institutions	17,973	3,320	14,652	441.3%
Liabilities to customers	20,899	18,956	1,943	10.2%
Securitized liabilities	5	5	0	0.0%
Total liabilities	**38,877**	**22,282**	**16,595**	**74.5%**

Receivables and liabilities according to geographical source

Breakdown by country in m. EUR 31/12/2019	**Receivables from credit institutions**	**Receivables from customers**	**Liabilitites to credit institutions**	**Liabilities to customers**
Germany	26,066	4,803	17,877	6,383
Luxembourg	476	2,180	64	9,759
Italy	78	1,626	23	3,555
Spain	11	843	0	755
Austria	25	264	0	447
Great Britain	9	0	8	0
Sweden	5	0	0	0
Netherlands	4	0	1	0
France	4	0	0	0
Poland	1	0	0	0
Denmark	1	0	0	0
Switzerland	1	0	0	0
TOTAL	**26,679**	**9,716**	**17,973**	**20,899**

Securities

Debt securities and other fixed-income securities increased to EUR 4.9bn due to the cross-border merger with UBS Limited.

The shares and other variable securities portfolio is nearly unchanged compared to the previous year.

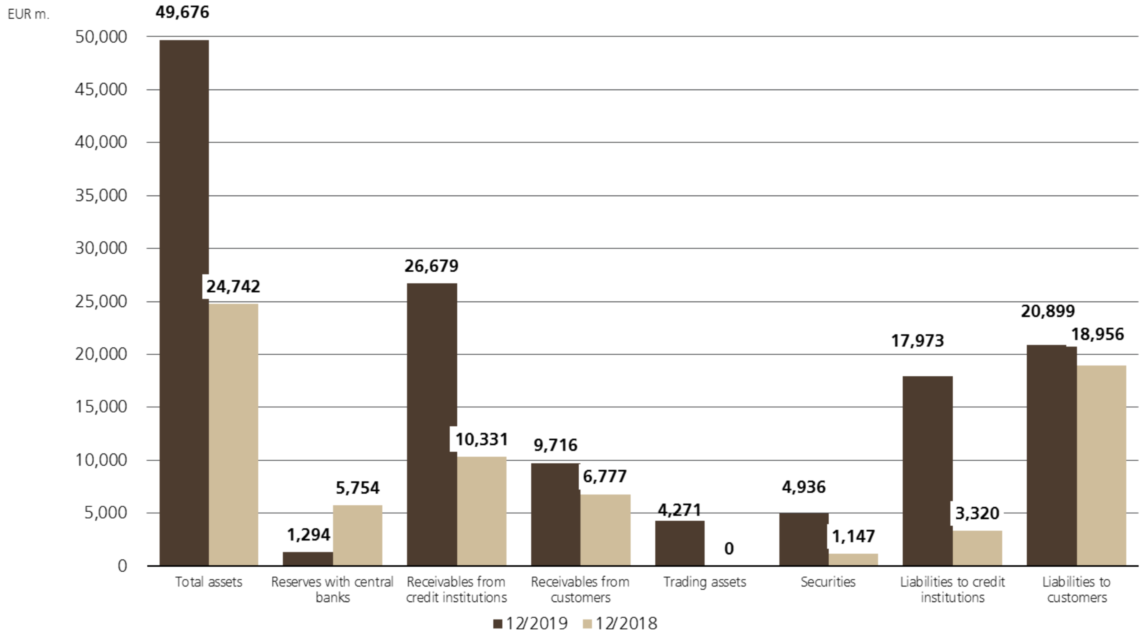
	31/12/2019	31/12/2018	Change	
	m. EUR	m. EUR	m. EUR	%
Money market instruments, bonds and debt securities from public issuers	1,264	384	880	229.4%
Money market instruments, bonds and debt securities from other issuers	3,671	762	2,909	381.7%
Debt and other fixed-income securities	**4,935**	**1,146**	**3,789**	**330.7%**
Shares and other variable-yield securities	**1**	**1**	**0**	**0.0%**
Total securities	**4,936**	**1,147**	**3,789**	**330.4%**

Equity

The bank's subscribed capital is unchanged at EUR 446,001,000 and is divided into 446,001,000 registered shares. The capital reserves increased due to the cross-border merger with UBS Limited by EUR 2,842.9m. Furthermore, an amount of EUR 600.0m was transferred from the capital reserves to the net retained profit. The capital reserves amount to EUR 2,779.3m as of 31 December 2019. Profit reserves remained unchanged amounting to EUR 46.4 m.

The Common Equity Tier 1 (CET 1) ratio according to Article 92 CRR was 24.92% (prior year: 22.21%).

Summary of key balance sheet items



Valuation of interest rate transactions in the Banking Book at net realizable value

There was no net obligation as of 31st of December 2019. Therefore provisions were not recognized.

Results of operations

The financial year 2019 resulted in EUR 46.7m after EUR 68.1m in the previous year.

Net interest income totaled EUR 13.0m, burdened by net negative interest amounting to EUR 11.8m. The negative interest is related to the European Central Bank's Negative Interest Rate Policy and is expected to incur over the following years based on current market expectations. Net commission income is EUR 758.4. Net trading income, which was reported for the first time due to the merger with UBS Limited, London, was negative with EUR 16.7m.

Regarding costs, the most significant items were personnel expenses with EUR 370.5m. Other administrative expenses amount to EUR 445.9m. Largest part of the other administrative expenses with 64.9% are intra group charges, particularly for IT and management services.

The result of UBS Europe includes the result of the former UBS Limited, London, which was transferred to UBS Europe SE by means of a cross-border merger with effect from 1 March 2019.

On the cost side, the bank is working to foster efficiency to recuperate the economic result.

The contribution to operating income by the branches is as follows:

In EUR k	Profit before tax
Denmark	-241
Germany	-53,068
France	-3,939
United Kingdom	32,264
Netherlands	24,597
Italy	-17,637
Luxembourg	83,278
Austria	7,049
Poland	-1,702
Sweden	1,426
Switzerland	-278
Spain	9,329
Total UBS Europe SE	**81,078**

The result of Germany includes treasury activities for all branches (total p&l EUR – 50.2m).

Liquidity

UBS Europe SE was solvent at all times during the fiscal year. Since 1st of October 2015, the minimum requirements for the Liquidity Coverage Ratio (LCR) have to be fulfilled. According to the Delegated Regulation 2015/61 as of 10th of October 2014 the minimum ratio is 100% for 2018. As of 31st of December 2019, the LCR for UBS Europe SE amounted to 139.9% (prior year UBS Deutschland AG: 146.7%).

III. Opportunities and Risk Report

The environment that **Wealth Management business** and the banking sector in general is facing is highly conditioned by the following aspects:

(I) Demographics: Growing entrepreneurial wealth creation, young generation with inherited wealth, new client target groups: women and an increasingly younger client base
(II) Transparency: Tax regularization is completed across all markets, with two consequences, the continuous repatriation of offshore assets to domestic markets or, in some cases, the need to provide the advice from the local markets while assets being booked abroad ("proximity"). MiFID II huge transparency requirements show a great opportunity for those entities advanced in its implementation and with sufficient financial and solvency muscle as to made the necessary investments
(III) Digitisation: High adoption of internet and mobile devices, increasing acceptance and demand for e-channels, ability to reduce costs and enter new segments
(IV) Regulations: Harmonization of regulations (e.g. MiFID), new regulation (in particular amendments of the MaRisk 2017 and BAIT), with the subsequent consolidation of European market and synergy potential for pan-European players

Within this context UBS Europe SE sees the following challenges:

(I) How to face an increasingly complex political environment
(II) Moderate economic growth in Europe, although solid in terms of trend, with low interest rates
(III) Implementation of regulatory requirements

The previously described scenario provides a serious of opportunities for our European entity:
(I) Adaptation of the current advisory model towards a much "holistic" approach, from asset manager to holistic wealth advisor
(II) Client demand for digital services combined with new clients segments to serve
(III) Advance in the implementation of the wealth management platform, an IT cost – effective service platform across Europe which provides strong operating leverage for growth

Following the result of the UK elections, the UK parliament voted for the EU/UK agreement resulting in Brexit on 31 January with a transition period until end of 2020. The concrete extent of the transition arrangements are still hard to predict resulting in continuous uncertainty required preparation work.

As a global business object to numerous regulatory regimes, monitoring and implementation of new and updated regulation is critical to maintaining globally consistent offering to the clients. UBS Europe SE sets a high value on open communication with home and host regulators.

The bank considers the following challenges and risks for the **Investment Bank** business:

(I) Non-bank competitors are now present in the market, forcing the banks to become more nimble in developing frameworks to compete due to the lower cost structures that these new entrants have
(II) Continued margin pressure on the traditional profitable businesses
(III) Direct and attributed cost management impact on EP
(IV) Differentiation / leadership position: in line with the UBS strategy, banks are focusing on selected business areas where they can aim to get a leadership position or can systematically be in the TOP 3 (e.g. UBS in Equity Capital Markets – ECM)
(V) Market environment: there is continued volatility in the capital markets space driving risk of deals being pulled due to market conditions and subsequently a reduction in fees
(VI) Clients demanding lending to get access to the CCS business

With Digital Investment Bank (innovation and transformation activities), UBS aims to continue to deliver excellence to the Investment Bank's clients, UBS has launched a number of business initiatives to transform itself into the bank of the future with data driven and technology enabled solutions. Each area is driving business specific innovation while aligned through the leadership of the Investment Bank Executive Committee.

Furthermore, UBS sees the following opportunities for ICS and CCS:

Investor Client Services (ICS)

(I) Provide bespoke solutions in an increasingly complex world as competitive advantage
(II) One-Client-strategy places the customer in the centre
(III) Delivery of highly differentiated content providing added value to the client

Investor Client Solutions (CCS)

(I) Enhancement of product offering via Evidence Lab and Data Analytics
(II) Strengthened partnership with Wealth Management

Despite the current challenging environment for **Asset Management**, it remains an attractive and growing industry. UBS Europe SE sees the following trends and challenges:

(I) Increased margin and consolidation pressure
(II) Increasing share of passive investments
(III) Challenge to generate a product portfolio aligned to sustainability criteria
(IV) Rise of Fintechs and new technology businesses entering the financial services sector

In contrast to this, there are the following opportunities:

(I) Establish UBS as one of the leading providers of products in the context of sustainability topics
(II) Increase of market share in passive investments
(III) Operational Excellence as success factor.

COVID-19

UBS Europe SE is exposed to a situation where the standard business continuity strategy with fixed backup desks is not suitable to mitigate the COVID-19 risks as these concepts would implicate an aggregation of staff and requirements for crossing borders travelling to other locations. Therefore, UBS Europe SE adjusted its standard business continuity strategy and invoked 'Split Operations' by March 16th 2020 to ensure business continuity. For avoiding close contact of many employees all teams have been split in three groups: approximately 80% of the employees are working from home and 20% are present in UBS offices working at two independent areas without physical interaction. Social Distancing is a key element of the UBS protection measures and UBS Europe SE is fully compliant with the 17 workplace standards published on April 16th 2020.

UBS Europe SE follows the recommendations of the World Health Organization and has a centralized approach in communication and managing crisis activities. Furthermore, UBS Europe SE is in contact with local health authorities in all countries and includes their guidance in its crisis measures. For ensuring fast and clear crisis communication, UBS Europe SE installed local crisis management committees in each country (LCMCs) and centralized the coordination on EMEA level in an EMEA BCM task force.

UBS Europe SE has reflected critical staff, critical IT systems, outsourcings and critical processes in its business continuity plans. This ensures sufficient backup resources for critical services, especially Tier I services like Treasury and Operations. To cope with increased cyber risks during the crisis, UBS Europe SE has reviewed the remote access entitlements and UBS's base IT security standards include also mitigation measures for remote working as per standard operational procedures. UBS Europe SE expanded its network capacity for remote working. Additionally an employee awareness campaign has been launched by the Information Security Officer (ISO).

UBS Europe SE sees a key risk in timely execution of WM client trades (e.g. margin calls) in case many clients asking for selling positions and UBS has to guarantee timely execution while being faced with own business stabilization under business continuity conditions. Although UBS Europe SE has been faces with high system loads, no issues or backlogs have been identified. Another operational risk is the timely delivery of ad hoc client information by physical mail (triggered by loss thresholds or other urgent messaging). Delays in external mail distribution by Swiss Post and DHL from Switzerland to UBS Europe SE countries could be prevented in all affected countries (Luxembourg, Germany, Austria and Spain).

Overall UBS ESE is reporting stable operations under COVID-19 conditions and continues to monitor the situation closely whilst being alerted and prepared for scenarios like loss of significant number of staff

Risk management and methods

UBS Europe SE uses a risk management and risk control approach that is both qualitative and quantitative in nature.

The choice of quantitative and/or qualitative measures is dependent on the nature of the respective risk and whether it is managed as part of the day to day business (operational level) or on a strategic level. While operational risk is limited qualitatively by policies and process descriptions, the bank's primary risks are mainly steered by quantitative operational limits.

A quantitative comparison of material risks and own funds on enterprise level is being conducted as part of the Bank's ICAAP (Internal Capital Adequacy Assessment Process), which encompasses a normative (three years forward looking time horizon) as well as an economic view (one year forward looking time horizon). Both, normative as well as economic view follows a going concern assumption.

As another component of the overall ICAAP, UBS Europe SE has implemented a so-called stress testing concept, which conducts scenario- as well as sensitivity stress tests for all material risks, including reserves stress tests.

Market and competitive risks

Due to its multinational and multicultural nature the banking business in Europe is highly heterogeneous. Given this fragmentation of the market, regional players have emerged in the various European nations and became well established in the financial services market of their selected region. As one of the top brands in the business[2], UBS Europe SE and its branches face vigorous competition from well-established financial service providers on a national and regional level. Examples of such players include Deutsche Bank and Commerzbank in Germany, Nordea and Danske in Denmark or Intesa Sanpaolo and Unicredit in Italy. Some Swiss banks such as Julius Bär and Pictet have been establishing themselves across Europe, further increasing competition.

While growth projections for the European banking sector are moderate and competition is high, UBS Europe SE is well positioned to differentiate itself from its competitors. As the only competitor in the market with a pan-European Wealth Management setup, UBS Europe SE can develop a sustainable competitive advantage by balancing the comprehensive local and global expertise of its various business units.

On European soil Germany is the most fiercely competed market for **Investment Bank** services. However, some US banks among other major foreign banks have been partly withdrawing from Europe, shifting their focus towards growing markets such as Asia. In preparation for Brexit end of 2020 other banks will shift / increase operations for 2020.

The competitors in **Asset Management** division mainly include major national asset managers such as BlackRock, Fidelity Investments, JP Morgan and Franklin Templeton as well as the respective domestic incumbents and domestic boutiques.

Counterparty Default Risk

Counterparty default risk is the risk of loss as a result of a failure by a counterparty (including issuers) to meet its contractual obligations to UBS ESE. It arises from the credit exposure inherent in lending, trading, contingent liabilities and irrevocable loan commitments. Risks are reduces by accepting collateral and from other risk mitigating activities. Counterparty default risk arises through Wealth Management business, Investment Banking business and Issuer Risk.

[2] 2019 Euromoney Survey awarded UBS the main global prize "Best Private Banking Services Overall. In total, UBS received nine global awards, 15 regional awards and numerous awards in country-specific categories. UBS Germany is pleased to be awarded as "Best Private Banking Services Overall in Germany"

Wealth Management Business

During 2019, UBS ESE continued to focus on traditional securities backed lending to Wealth Management clients across its branch network, as well as Asset Servicing clients out of UBS ESE Luxembourg. Credit risk is offered in the form of Lombard and mortgage loans as well as loans for margins on derivatives. Lombard business encompasses not only loans to private clients, but also credit lines to funds, which are collateralized by the fund's assets. With the exception of a complementary offering in Italy, Mortgage business in UBS ESE is closed for new business.

2019 saw a small increase in provisioning of the Italian mortgage book with two loans requiring a new provision. In addition UBS ESE witnessed an increase in the number of names on watch list with some deterioration in the mortgage book that was acquired from Nordea.

Investment Banking Business

Key change to the Counterparty default risk was the cross-border merger (CBM) where a large portion of the Investment Bank (IB) business from UBS Limited was moved to UBS ESE. The CBM substantially changed the Counterparty default risk profile of UBS Europe SE.

Since 1 March 2019, UBS ESE provides services to UBA non-exempt EEA clients for Derivative products and lending. Counterparty Default risk arises from traditional banking products such as loans, loan commitments and guarantees and from traded products, including over-the-counter (OTC) derivative transactions and exchange-traded derivatives, as well as securities financing transactions such as repurchase agreements (repos and reverse repos), securities borrowing and lending transactions.

IB Loans booked into UBS ESE are fully sub-participated to UBS AG London Branch (AGLB), under the terms of the revised MSPA (Master Sub-participation agreement) and are subject to existing Credit Risk Control processes and reporting.

Issuer Risk

Issuer Risk is counterparty default risk arising from both trading & banking book activities. Risk in trading book comes from the IB market making activities and REM CVA management. Risk in banking book come primarily from liquidity & excess cash portfolios managed by Group Treasury.

There was a major regulatory impact to the CBM, making UBS ESE a Significant Financial Institution in Europe and therefore now coming under the regulatory regime of the ECB (European Central Bank). UBS ESE has run through the ECB on boarding process, which includes an Asset Quality Review and was finished in March 2020.

Market Risk

Market Risk is 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 (including precious metal) prices, and variables that may be unobservable or only indirectly observable, such as volatilities and correlations.

Market risks in UBS Europe SE arise from both trading and non-trading business activities.

Trading market risks arise mainly in connection with market making for securities and derivatives within the Investment Banking. In addition, credit and funding valuation adjustment risks of the derivatives portfolio managed by Regional Treasury, also give risk to the market risk of the entity.

Non-trading market risk arises predominantly in the form of interest rate risk in connection with lending & deposits within the Wealth Management business. This inherent interest rate risks are transferred either by means of back-to-back transactions, or in case of products with no contractual maturity date, by replicating portfolios into Regional Treasury where the risks are managed.

Regional Treasury assumes market risks in the process of managing interest rate risk of the entity and the liquidity and funding profile where exposure arises from intercompany funding transactions (including AT1 and MREL), from asset portfolio such as HQLA and from management of excess cash. Regional Treasury uses derivative instruments to manage interest rate risk in the banking book, some of which are in designated hedge accounting relationships.

Market risks are measured and controlled using limits and triggers proposed by Market and Treasury Risk Control. The Management Board approves the risk appetite for the entity and the portfolio limit, including their allocation to the business divisions and Corporate Center units. Limits are then also allocated at granular levels within the various business lines reflecting the nature and magnitude of the market risks.

The primary portfolio measures of market risk are liquidity adjusted stress (LAS) loss and value at risk (VaR). These measures are complemented by concentration and granular limits for general and specific market risk factors. Value at risk is based on a level of confidence of 99% and a holding period of one day over a historical observation period of five years.

In addition, Market and Treasury Risk Control applies a holistic risk framework which sets the appetite for treasury-related risk taking activities across the entity. A key element of this framework is an overarching economic value sensitivity (EVS) limit. Furthermore, the sensitivity of net interest income (NII) to changes in interest rates is monitored in order to analyze the outlook and volatility of net interest income based on market-expected interest rates.

Liquidity Risk

Liquidity risk is the risk of not being able to effectively meet both expected und unexpected current and forecasted cash flows and collateral needs without negatively affecting either daily operations or the financial condition of the entity.

The entity's Liquidity & Funding Risk Management Framework defines the liquidity and funding risk management approach for UBS Europe SE. As such, the framework lays out the key principles, approach and governance for liquidity and funding risk management. It outlines the key models, tools and controls to manage the liquidity and funding risk of the entity under normal and severe stress conditions, and in accordance with the Management Board approved liquidity risk appetite and the corresponding structural limits. Both the liquidity risk appetite and structural limits are proposed by Market & Treasury Risk Control who acts as the second line of defense for the entity's liquidity risk management.

The Internal Liquidity Adequacy Assessment Process (ILAAP) as per regulatory requirements complements the Liquidity & Funding Risk Management Framework. The key output of the ILAAP is the Management Board's assessment of UBS Europe SE's liquidity adequacy, formalized through the respective statement.

Operational Risk

The risk resulting from inadequate or failed internal processes, people and systems, or from external causes (deliberate, accidental or natural) which have an impact (either financial or non-financial) to UBS, its clients or the markets in which it operates. Events may be direct financial losses or indirect losses in the form of revenue forgone as a result of business suspension. They may also result in damage to the reputation and to the franchise of UBS Europe SE, which have longer term financial consequences.

Operational risk incorporates both conduct risk and compliance risk, which are defined as follows:

Conduct risk

In line with the Risk Strategy of UBS Europe SE, Conduct Risk is the risk that the conduct of the firm or its individuals unfairly impacts clients or counterparties, undermines the integrity of the financial system or impairs effective competition to the detriment of consumers. Conduct Risk is also understood as the current or prospective risk of losses to an institution arising from inappropriate supply of financial services including cases of willful or negligent misconduct.

Compliance risk

The risk incurred by the bank by not adhering to the applicable laws, rules and regulations and the own internal standards.

Together, these definitions provide a complete overview of the impact of operational risks, issues and failures both internally and externally.

UBS Europe SE’s operational risk exposure is systematically monitored, assessed and reported by the Compliance and Operational Risk Control department in line with the holistic operational risk framework based on the three-lines-of-defense model, including the approved operational risk appetite, comprehensive control frameworks and key operational risk assessment and reporting processes.

The framework is managed on enterprise level, considering UBS Europe SE including its branches and subsidiaries, and on individual entity level, if required. UBS Europe SE's governance bodies are fully updated on the operational risk exposure and mitigation actions on a monthly basis, in accordance with the approved UBS Risk Governance structure.

In 2019 Operational Risk topics have been mainly driven by the BREXIT Cross-Border Merger, i.e. the incorporation of the open Operational Risk of UBS Ltd. into the UBS Europe SE risk profile, the classification of UBS Europe SE as a significant entity and the need for implementation of the comprehensive Operational Risk requirements set by the Risk Control Framework. Subsequently to the BREXIT Cross-Border Merger, UBS Europe SE initiated the ECB-Onboarding process, which implies additional requirements in Operational risk management and control. In terms of the Operational Risk inherited from UBS Ltd., the number and the severity of risk issues impacting UBS Europe SE significantly increased. In this regard, UBS Europe SE has implemented a dedicated forum for the close monitoring of the Operational Risk items. On the implementation of the comprehensive Operational Risk requirements, UBS Europe SE executed during 2019 an aggregated legal entity Risk Control Self-Assessment Process (RCSA) for the first time, by consolidating the key conclusions resulting from GWM and IB Business Divisions RCSAs. Additionally, a cross-divisional KPCIs process and a legal entity Operational Risk Appetite

Statement have been rolled out during the year, including good examples of better idiosyncratic Operational Risk assessments and a stronger framework around the Operational Risk Capital.

With regards to the UBS Europe SE Operational Risk Profile, normalized by excluding the significant Operational Risk financial events resulting from the litigation portfolio and very exceptional events, the distribution of the operational losses are fully in line with the UBS Europe SE core business activities, being the Operational Risk Taxonomies related to the transactional activities (Taxonomy 9 Transaction Capture and Operational Processing Activity) the most predominant taxonomy in terms of amount of operational losses, consuming approximately 80% of the total amount.

In terms of the Operational Risk item inventory, and despite the impacting issues inherited as result of the BREXIT Cross-Border Merger, the Taxonomy 5.1 AML/KYC has been the top Taxonomy in number of issues, but also in their severity. This is in line with the unsatisfactory results obtained from various regulatory AML inspections. In Italy, an investigation against former and current employees was initiated by public prosecutors relating to AML/KYC deficiencies.

The UBS Europe SE GWM Business Division RCSA for 2019 concluded that the Operational Risk Taxonomy 6.1 Client Suitability control environment was ineffective due to the ongoing "red" results on the MIFID II Suitability controls. Remediation were put in place, however no short-term improvement was expected. The residual risk was assessed as high and consequently outside the level of accepted risks. In addition, for risk taxonomy 7.1 Data Confidentiality the high residual risk exposure has been assessed as "outside the level of accepted risks" for GWM and IB. The same applies for risk taxonomies 7.3 Internal disruption of service and 11.2 Third party management specifically for IB. For all these taxonomies, remediation actions are implemented or ongoing.

Outsourcing Risk

Outsourcing risk as the aggregate outsourcing risk of branches' and subsidiaries' exposures is managed, assessed and controlled primarily at enterprise level and complementary acting on individual basis if required.

The intragroup outsourcing risk is subject to ongoing evaluation in accordance with the Circular 10/2017 Minimum Requirements for Risk Management (MaRisk). The results of this evaluation process are being managed to ensure full compliance with MaRisk and EBA Guideline requirements.

The operational strategy of the bank will gradually increase the intragroup outsourcing framework and the contract structure standardization across the entire UBS Europe SE network.

The external outsourcing framework and risk are equally subject to ongoing evaluation in light of the MaRisk and EBA Guideline requirements.

For the efficient outsourcing management UBS Europe SE has set up teams and governance (1st and 2nd line) to ensure early and effective implementation of any new regulatory requirements. Additionally all staff of UBS Europe SE responsible for outsourcing were trained to fulfill MaRisk and EBA Guideline requirements in their daily business.

The major parts of the Corporate Center services are provided by UBS Business Solutions AG, a one hundred percent subsidiary of UBS AG.

Reputational Risks

Reputational risk is the risk of damage to the reputation of UBS Europe SE from the point of view of its stakeholders, such as clients, shareholders, staff and general public. First, each action, existing or new transaction or product that can cause damage to the reputation might lead to losses in the appraisal value either directly or indirectly via triggering losses in other risk categories. Second, every loss in other risk categories – irrespective of its size – can cause significant damage to the reputation of UBS Europe SE if it becomes public knowledge. Therefore, reputational risk can be a consequence of losses in all risk categories such as market and credit risk, as well as a cause for them.

Customers are one of the key UBS Europe SE stakeholders in terms of bank's reputation protection. Overall number of client complaints has been on a stable moderate level over the year and no critical patterns have been identified. One of the main areas of complaints related to the tax reporting in Germany and the quality thereof after system migration.

No relevant reputational risks have been identified towards shareholders, staff and general public during 2019 except the following:

- Mannheim, Germany (investigation re alleged aiding and abetting of German citizens in evading taxes): in respect of the Mannheim prosecutor court claim the court decided to open the proceeding against UBS Europe SE, Germany. The prosecution case is still open.

- Italy: Investigation against former and current employees was initiated by public prosecutors relating to AML/KYC deficiencies. Court hearing with the relevant persons has been scheduled. Based on the hearings, the court will decide whether proceedings will be opened.

In terms of reputational risk towards regulators, the focus is on maintaining a transparent and reliable working relationship with all relevant regulators.

There have been the following events noteworthy with respect to the interaction with the regulators:

UBS Europe SE, Germany

BaFin has conducted a special audit according to § 44 KWG relating to the LatAM business with a focus on AML. The audit report included several significant findings. UBS Europe SE responded to BaFin outlining that the filing on Voluntary Compliance Program related Suspicious Activity Reports and the hence increased number of filings was in line with the approach agreed with BaFin and that remediation measures were already in place prior to the special audit announcement. However, BaFin has opened a formal administrative sanction procedure against unknown persons and against UBS Europe SE as a secondary participant. The underlying material issues were mostly resolved at the time of the audit. Remaining issues (F1-F3) are in resolution.

UBS Europe SE, Italy Branch

Bank of Italy conducted an onsite inspection of UBS Europe SE, Italy branch and the subsidiary UBS Fiduciaria S.p.A. with focus on AML related topics. The result of the two reports contains multiple findings with an overall severe final judgement. Bank of Italy has also initiated the internal sanctions procedure. No indication on final fine is known yet. Mitigation of the issues is ongoing. In addition, there is an ongoing criminal investigation and administrative proceedings regarding a client of FIM business in WM Italy.

UBS Europe SE, Spain Branch

SEPBLAC conducted an onsite inspection of UBS Europe SE, Spain branch with a focus on AML related topics. The audit report includes multiple deficiencies. The report considers UBS Europe SE, Spain branch as "high risk entity" and rates the findings as "serious". However, the regulator did not identify criminal offences. Mitigation of the issues is ongoing.

UBS Europe SE, Austria Branch

Following an on-site inspection of UBS Europe SE, Austria Branch, in 2018, Austrian Financial Market Supervisory Authority (FMA) commenced administrative proceedings against UBS Europe SE on AML-related topics in 2020. No decision was taken so far. The underlying material issues are mitigated.

Legal risks

UBS Europe SE operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and legal proceedings, including litigation, arbitration and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS Europe SE may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS Europe SE believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. In some cases UBS Europe SE is subject to confidentiality obligations that preclude such disclosure.

Specific litigation matters and external investigations are described below, including matters that the Management Board believes to be of significance due to potential financial, reputational and other effects.

A significant proportion of the value in dispute for UBS Europe SE, as legal successor to UBS (Luxembourg) S.A. is attributable to the consequences of the Madoff investment fraud. UBS Europe SE is indemnified by UBS AG up to a contractually defined maximum amount for Madoff-related liabilities that might arise as a result of having become the successor to UBS (Luxembourg) S.A. The indemnity agreement with UBS Europe SE has turned the original litigation risk into a counterparty risk involving UBS AG. As a consequence UBS Europe SE's concentration risk towards the group has increased. In order to appropriately monitor the enhanced concentration risk a “collateral posting process” has been implemented in addition to the already existing monitoring processes. According to the collateral posting process UBS AG needs to provide additional collateral in case its long term credit rating falls below a pre-defined threshold. In addition, the specific litigation risk is monitored by the Legal department on a continuous basis.

Apart from the aforementioned Madoff litigation cases, UBS Europe SE was involved in civil litigation cases in various jurisdictions where it operates and has established provisions for legal risks and damage claims amounting to EUR 23.9 m for these cases.

UBS Europe SE and relevant UBS-individuals are also subject to certain investigations by public authorities in various countries, which may result in reputational and financial impact.

Risk Mitigation

Legal risks are curtailed at various stages of work processes by measures put in place by Legal and Compliance among other departments. Main preventive measures include the operational framework as well as the involvement of Legal in the drafting of standard forms and contracts. Non-standardized contracts and/or disclaimers require review and sign-off by the Legal department. Outside legal counsel may only be retained by the Legal department or a unit authorized by the Legal department. During the processing of legal proceedings, the bank regularly reviews whether a provision needs to be recognized or adjusted for specific events. Legal reports on significant developments in existing and new litigation cases are reported to the Risk and Capital Committee of UBS Europe SE on a regular basis.

Overall, no material legal risks in connection with the abovementioned legal matters beyond the individual case level were identified for the bank in the reporting period. In individual cases the Legal department and the Compliance department have provided information and specific recommendations on how to lower the risk with regard to operational processes, documentation or product design based on experience gained from processing complaints, actions filed and other events.

IT Risks

Both the volume of cyber–related attacks and their sophistication have increased in the financial industry and the expectation is that this trend will continue. UBS Europe SE communicates with its industry peers, regulators, Industry intelligence sources and law enforcement to address developments in the threat landscape (scope) and the sophistication of attacks. UBS group has increased the investment in cyber security through the recent years, allocating significant resources for the operation of the bank's security control infrastructure as well as programs to address the evolving threats. Frequent Management Reporting regarding Cyber Threat Risk has been established and regular status updates are presented to the Risk Control Committee.

While cyber threats remain a major concern for the entire bank sectors, no impacting events were reported as a result of cyber-attacks to UBS Europe SE in 2019.

The further development of the regulations (for EBA Guidelines on ICT, BAIT) as well as ensuring data security and integrity in data collection in the IT systems will be the focus of regulatory regulation in the coming years (or in the future).

UBS Europe SE ties the above together with a formal risk and governance framework that includes multiple levels of internal and external risk assessments as well as processes for tracking and remediating know operational risk.

Furthermore, UBS group uses cloud computing as a strategy for future solutions and invests in this technology.

UBS Europe SE regularly examines the security measures of the external vendors who connect to the network or are otherwise entrusted with confidential data.

In addition, the bank is committed to raising staff awareness and provides all staff with information regarding effective protection and defensive measures to mitigate IT risk.

Risk Position

The bank's own funds pursuant to Article 72 CRR amounted to EUR 3,764m (prior year: 1,176m), which corresponds to an overall ratio of 24.92% (prior year: 22.21%). The capital requirements according to Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) have been fulfilled at all times during the fiscal year.

The bank's risk-weighted assets as of the balance sheet date break down as follows:

Risk-weighted assets in EUR m	**31st of December 2019**
Credit risk	9,878
Settlement / Delivery risk	54
Market risk	815
Operational risk	3,039
Credit value adjustments	1,315
Total risk-weighted asset	**15,102**

Summarizing presentation of the risk position

UBS Europe SE carries out a risk inventory on enterprise level on a yearly basis to determine the material risks the bank is exposed to.

Within the ICAAP, potential risk exposures for material risks are calculated on a quarterly basis and compared with the own funds available at the respective reporting date. This results in necessary capital ratios after stress in the normative view and in remaining internal capital in the economic view.

Conceptually the ICAAP encompasses a normative as well as an economic view. The normative view aims to prove adherence to regulatory (minimum) ratios in baseline scenario as well as under severe adverse conditions and simulates a three year forward looking time horizon. The economic view represents a point in time risk calculation based on internal methodologies under a 99% confidence level and a one year forward looking time horizon. Risk exposures are being compared to internal capital in order to prove sufficient capital resources are available.

The following tables show the normative and the economic perspective of ICAAP as of 31 December 2019:

All values are displayed in EURm

Normative view - total capital requirement - baseline & adverse

	Baseline scenario		Adverse scenario			
	3-year planned capital requirement		3-year adverse capital requirement and cumulative capital impacts			
	Going Concern Capital Requirement = 14.89%		*Total SREP Capital Requirement = 11%*			
Credit Risk	**Planned RWA**	**RWA x Capital Requirement**	**Adverse RWA**	**Adverse RWA x TSCR**	**Capital impacts**	**Total**
OTC	*Note: RWA planned at total level*		3.209	353	39	**392**
Lombard Loans			2.807	309	3	**311**
SFT			1.393	153	3	**156**
ETD			2.056	226	5	**231**
Loan Facilities			763	84	-	**84**
Cash			798	88	30	**118**
Mortgages			459	50	4	**54**
Fails			85	9	-	**9**
Issuer Risk					(45)	**(45)**
Other			237	26	46	**73**
Total Credit Risk	**11.816**	**1.759**	**11.808**	**1.299**	**85**	**1.384**
Market Risk (incl. CVA)	**RWA**	**RWA x Capital Requirement**	**Adverse RWA**	**Adverse RWA x TSCR**	**Capital impacts**	**Total**
CVA	1.138	169	1.351	149		**149**
Market Risk	1.084	161	834	92	10	**102**
Total Market Risk	**2.222**	**331**	**2.186**	**240**	**10**	**251**
Operational Risk	**RWA**	**RWA x Capital Requirement**	**Adverse RWA**	**Adverse RWA x TSCR**	**Capital impacts**	**Total**
Operational Risk	2.462	367	2.462	271	261	**532**
Total Operational Risk	**2.462**	**367**	**2.462**	**271**	**261**	**532**
Other					**Capital impacts**	**Total**
Business Risk				-	299	**299**
Funding Risk				-	165	**165**
Pension Risk				-	-	**-**
Total Other		-		-	**464**	**464**
Total capital requirement & scenario impact		**2.457**		**1.810**	**820**	**2.630**
Trigger Headroom		266		247		**247**
Total capital trigger level		**2.723**		**2.057**	**820**	**2.877**
Management buffer		349		347		**347**
Total capital target level (incl. mgmt buffer)		**2.806**		**2.157**	**820**	**2.977**
Capital resources						
Total available capital resources		**2.764**				**3.176**
Capital surplus / (deficit) to trigger level		**41**				**299**

ICAAP Economic View

All values are displayed in EURm

Economic Risk Exposure	**Dec 2019**					
Risk side		WM	IB	GALM	Other/ OPS	**Total**
Credit/ Issuer risk incl. Country risk *	Lombard	23				**23**
	Mortgages	16				**16**
	Other WM	3				**3**
	IB T&H		129			**129**
	Issuer risk (Trading portfolios)		-18			**-18**
	Nostro	6	31			**37**
	Intra UBS	18	11			**29**
	Issuer risk (Liquidity buffer)			178		**178**
	Agg. Credit/ Issuer risk	**66**	**152**	**178**	**0**	**396**
Market risk *	General market risk	0	7	129	0	**136**
	o/w Liquidity reserve			122		**122**
	RniV			18		**18**
	Uncertainty buffer/autocorrelation					**40**
	Agg. Market risk[1]	**0**	**7**	**148**	**0**	**195**
Operational risk incl. Legal risk	**Agg. Op risk incl. Legal risk**	**641**	**170**	**26**	**37**	**875**
Funding cost risk incl. FVA	Funding cost risk	13	25	0	12	**49**
	Funding valuation adjusmtents	0	0	91	0	**91**
	Agg. Funding risk	**13**	**25**	**91**	**12**	**141**
Aggregated risk exposure excl Pension risk & Business risk		**721**	**354**	**443**	**48**	**1.607**
Pension risk		54	32		22	**109**
Aggregated risk exposure incl Pension risk, excl Business risk		**775**	**386**	**443**	**71**	**1.715**
Business Risk		137	31		63	**230**
Aggregated risk exposure incl Pension risk & Business Risk		**912**	**417**	**443**	**133**	**1.945**

[1] Aggregated Market Risk currently includes an uncertainty buffer

IV. Forecast Report

UBS Europe SE has its core business in **Wealth Management** and is set up as a pan-European Wealth Manager, with supporting business divisions providing other services on a regional level.

UBS Europe SE aims to expand all of the business activities in Europe, being the UBS home market, and to be one of the market leaders for 2020 and beyond and the first choice among the target clients. The bank aspires to further develop its market position and to safeguard and improve its reputation. To achieve that, UBS Europe SE has defined a clear strategy for active customer acquisition. By supporting and developing the cooperation between different markets, segments and divisions it should be ensured that the clients have access to the entire set of capabilities and skills that the company has to offer. The key challenges to achieve this are notably the continuous implementation of new regulatory requirements, a cost-efficient positioning to compensate for falling income and a sustainable approach to rebuild customer confidence across all divisions and markets.

The European Wealth Management market is undergoing fundamental structural changes with significant implications for the bank (e.g. customer protection, regulatory requirements, technological change). UBS Europe SE will continue to deliver an "onshore" experience to the Wealth Management clients, combined with easy market access for all businesses across the European Economic Area (EEA).

With over 15.4bn USD in wealth (4.8m HNWI), Europe is – following North America and Asia – the third largest asset pool in the world and therefore one of the three most important markets for Global Wealth Management. The bank expects to outperform the market with regard to the increase in earnings by capturing additional market share in the coming year through focused and disciplined execution of the strategic levers and priorities on the core segments (UHNW, HNWI, FIM and affluent).

Furthermore, UBS Europe SE sees additional potential for growth due to an increasing willingness of clients to switch to new service providers, the growing tendency to have accounts with multiple banks and UBS Europe SE's ability to transcend borders and cater to our clients' cosmopolitan lifestyle.

In the **Investment Bank**, the focus is on profitable and leading market position in Europe by focusing its core competencies and expanding the relationships with its top clients which includes:

(I) Concentrate on clients who display particularly high levels of income and potential in order to ensure sustainable growth

(II) Focusing on the core activities of advisory and the IB's leading position in the equity and foreign exchange field
(III) Further expand the collaboration within the IB as well as with WM and AM to leverage client relationships
(IV) Position the IB in the market through the active communication of its comparative strengths

For the individual business lines this entails:

Investor Client Services (ICS)

(I) Cash equities: successfully defend the IB's leading position in the market
(II) Equity derivatives: increase the IB's market share in the public distribution business, especially by intensifying the relationships with online brokers, as well as expanding the market share of successful product segments, i.e. certificates
(III) FX: maintain leading market position

Corporate Client Solutions (CCS)

(I) Focus on large corporate clients and sectors where fees pools and activity is increasing: Industrials, TMT, Consumer and Healthcare
(II) Expansion of the M&A business
(III) Strengthening the coverage footprint in a number of the key European locations.

Within UBS Europe SE the **Asset Management** division is the distribution arm for major traditional and alternative asset classes covering institutional clients, wholesale clients and wealth management clients worldwide.

Based on this fundament UBS Europe SE is able to turn the challenges of the clients in an increasingly complex and networked world into opportunities and help the clients in Germany to find tailored solutions.

In summary, UBS Europe SE expects a moderate increase in the income for the next financial year due to higher net new money of 2 – 4% of the net invested assets and a stable cost/income ratio.

Furthermore, UBS Europe SE expects the outbreak of the corona virus (Covid-19) and the related constraints on economic activities to have a negative impact on the worldwide economic growth. A continuation of the current situation over a longer period of time could significantly adversely affect economic growth, affect specific industries or countries as well as the employees and business operations of UBS in affected countries. Due to the uncertainties about the duration and the impact of the COVID-19 pandemic, the assumptions underlying the planning do not include any possible effects from the pandemic.

V. Dependency Report according to Article 312 AktG (3) sentence 3

The Management Board of UBS Europe SE has provided a report on the relations with affiliated companies for the fiscal year, which includes the following declaration:

"For all known legal relationships with the obligation to be reported in the Dependency Report according to § 312 with related parties and affiliated entities, UBS Europe SE received appropriate compensation in return. The company has not been prejudiced by any act or omission".

Frankfurt/Main, 8 May 2020

UBS Europe SE
- The Management Board –

Christine Novakovic   Tobias Vogel

Georgia Paphiti   Dr. Andreas Przewloka

Other disclosures in accordance with Sec. 26a (1) Sentences 2 and 4 KWG ("Kreditwesengesetz": German Banking Act) for fiscal year 2017 (Arts. 89 and 90 of Directive 2013/36/EU)

Country-by-Country Reporting (Sec. 26a (1) Sentence 2 KWG))

1. UBS Europe SE is included in the scope of consolidation of UBS Group AG, Zurich.
   UBS Group AG, Zurich, prepared exempting consolidated financial statements. These are available at UBS Europe SE and are published by UBS Beteiligungs-GmbH & Co. KG, Frankfurt am Main, in German language in the Electronic Federal Gazette ("elektronischer Bundesanzeiger").
   The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB).

2. UBS Europe SE has forreign branches in the following locations:

   - Copenhagen, Denmark
   - Paris, France
   - London, United Kingdom
   - Milan, Italy
   - Naples, Italy
   - Treviso, Italy
   - Modena, Italy
   - Padua, Italy
   - Turin, Italy
   - Brescia, Italy
   - Florence, Italy
   - Bologna, Italy
   - Rome, Italy
   - Luxembourg, Luxembourg
   - Amsterdam, Netherlands
   - Vienna, Austria
   - Salzburg, Austria
   - Warsaw , Poland
   - Stockholm, Sweden
   - Opfikon, Switzerland
   - Madrid, Spain
   - La Coruna, Spain
   - Saragossa, Spain
   - Valencia, Spain
   - Seville, Spain
   - Barcelona, Spain

3. UBS Europe SE offers the following key services:

   - Wealth Management und -advice for private customers
   - Custody Business (including its custodian bank function)
   - Distribution of funds
   - Consultancy in Mergers and Acquistions
   - Research for German equities
   - Issuance of certificates, promissory note loans and registered bonds

4. UBS Europe SE generated a revenue of EUR 960.119 k. This amount includes the following components:

   - Net interest income
   - Net commission income
   - Current income
   - Other operting income

Country-by-Country information is provided on a gross basis (i.e. before the expensing of borrowing costs between branches).

Revenue	in EUR k
Denmark	2,650
Germany	267,098
France	9,671
United Kingdom	125,619
Netherlands	32,159
Italy	190,932
Luxembourg	232,911
Austria	24,708
Poland	1,547
Sweden	11,042
Switzerland	3,315
Spain	64,023
Total UBS Europe SE	**965,675**

5. The average number of employees in full-time equivalents was 1,965 in 2019.

Number of employees	
Denmark	7
Germany	642
France	21
Italy	482
United Kingdom	0
Luxembourg	463
Netherlands	29
Austria	66
Poland	3
Sweden	26
Switzerland	2
Spain	224
Total UBS Europe SE	**1,965**

6. Net profit before taxes on profit and loss amounts to EUR 81,078 k and the taxes on profit and loss were EUR 34.337 k.

in EUR k	Result before taxes on profit and loss	Taxes on profit and loss	**Result after taxes on profit and loss**
Denmark	-241	0	**-241**
Germany	-53,068	-9,295	**-43,773**
France	-3,939	53	**-3,992**
United Kingdom	32,264	3,156	**29,108**
Netherlands	24,597	6,481	**18,116**
Italy	-17,637	12,438	**-30,075**
Luxembourg	83,278	19,963	**63,315**
Austria	7,049	1,912	**5,137**
Poland	-1,702	104	**-1,806**
Sweden	1,426	327	**1,099**
Switzerland	-278	39	**-317**
Spain	9,329	-841	**10,170**
Total UBS Europe SE	**81,078**	**34,337**	**46,741**

7. UBS Europe SE did not receive any public subsidies in the reporting year.

Disclosure of return on capital (Sec. 26a (1) Sentence 4 KWG)

8. Return on capital (as the ratio of net profit by total assets) for UBS Europe SE is 0.09%.

English / Englisch

Report of the Supervisory Board for 2019

The Supervisory Board fulfilled all its tasks according to law and according to the articles of association. The Supervisory Board advised and supervised the Management Board on a regular basis and was involved in decisions which were of fundamental importance for the entity.

In 2019 the Management Board regularly informed the Supervisory Board about the business policy as well as general questions of corporate governance and corporate planning, financial development, profitability and risk management. Important topics and decisions were regularly discussed in meetings between the Chair of the Management Board and the Chair of the Supervisory Board.

In the financial year 2019, the Supervisory Board has had six ordinary and five extra-ordinary meetings. In these meetings, all relevant issues and topics were discussed and appropriate decisions were taken. Moreover, all relevant topics and developments on strategies were discussed together with the Management Board. Additionally the four Supervisory Board committees (Risk Committee, Audit Committee, Nomination Committee and Remuneration Committee) support the Supervisory Board in performing its tasks and functions, in accordance with the Rules of Procedures and the legal requirements. Due to the cross-border-merger of UBS Europe SE and UBS Ltd., UK, in March 2019 and the related changes in the Supervisory Board the annual self-assessment of the Supervisory Board was conducted in Q4 2019. As the Rules of Procedure of the Supervisory Board define the performance of the self-assessment in Q2 on an annual basis, the Supervisory Board approved the postponement in the Supervisory Board meeting dated 24th June 2019 accordingly.

The auditor Ernst & Young GmbH, Wirtschaftprüfungsgesellschaft, Eschborn / Frankfurt, elected as auditors by the Annual General Meeting in the previous year, has audited the financial statement of UBS Europe SE and the Management Report for 2019 and issued their unqualified certification.

The Supervisory Board approvingly acknowledges the result of the auditor. The Supervisory Board follows the assessment of the auditor and does not raise any objections to the final assessment after its own examination and therefore approves the annual financial statement provided by the Management Board. The annual financial statement is adopted respectively.

The Supervisory Board would like to thank all employees who have contributed significantly through their great commitment to this result and the good of the bank.

German / Deutsch

Bericht des Aufsichtsrats für 2019

Der Aufsichtsrat hat im abgelaufenen Jahr die ihm nach Gesetz und Satzung obliegenden Aufgaben wahrgenommen. Er hat den Vorstand regelmäßig beraten, überwacht und war in Entscheidungen von grundlegender Bedeutung für die Bank eingebunden.

Der Vorstand hat dem Aufsichtsrat im Geschäftsjahr 2019 regelmäßig über die Geschäftspolitik und andere grundsätzliche Fragen der Unternehmensführung und -planung, finanzielle Entwicklung und Ertragslage der Bank sowie das Risikomanagement berichtet. Aktuelle Einzelthemen und Entscheidungen wurden in regelmäßigen Gesprächen zwischen dem Vorstandsvorsitzenden und dem Vorsitzenden des Aufsichtsrats erörtert.

Der Aufsichtsrat trat im Geschäftsjahr 2019 zu insgesamt sechs ordentlichen und fünf außerordentlichen Sitzungen zusammen. In diesen Sitzungen wurden alle für den Aufsichtsrat relevanten Themen diskutiert und die notwendigen Beschlüsse gefasst. Die Berichte und Entwicklung der einzelnen Geschäftsbereiche wurden zudem gemeinsam mit der Geschäftsleitung erörtert sowie die strategischen

Fragestellungen diskutiert. Weiterhin hat der Aufsichtsrat seine Aufgaben gemeinsam mit den vier bestehenden Ausschüssen (Risikoausschuss, Prüfungsausschuss, Nominierungsausschuss und Vergütungskontrollausschuss) gemäß den regulatorischen Vorgaben und der Geschäftsordnung wahrgenommen. Aufgrund der grenzüberschreitenden Fusion der UBS Europe SE und der UBS Ltd., UK, im März 2019 und der damit verbundenen Veränderungen im Aufsichtsrat, wurde die jährliche Selbsteinschätzung des Aufsichtsrats im 4. Quartal 2019 vorgenommen. Da die Geschäftsordnung des Aufsichtsrats die Durchführung der Selbsteinschätzung für das 2. Quartal eines Jahres festlegt, hat der Aufsichtsrat der Verschiebung der Selbsteinschätzung in der Aufsichtsratssitzung vom 24. Juni 2019 entsprechend zugestimmt.

Die von der Hauptversammlung des vergangenen Jahres zum Abschlussprüfer gewählte Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, hat den Jahresabschluss der UBS Europe SE und den Lagebericht für das Geschäftsjahr 2019 geprüft und mit einem uneingeschränkten Bestätigungsvermerk versehen.

Der Aufsichtsrat nimmt das Ergebnis der Abschlussprüfung zustimmend zur Kenntnis. Er schließt sich dem Ergebnis der Abschlussprüfung an und erhebt auch nach dem abschließenden Ergebnis seiner eigenen Prüfung keine Einwendungen, sondern billigt den vom Vorstand aufgestellten Jahresabschluss der UBS Europe SE. Der Jahresabschluss ist damit festgestellt.

Besonderer Dank gilt allen Mitarbeiterinnen und Mitarbeitern, die durch ihren großen Einsatz maßgeblich zum Wohle der Bank beigetragen haben.

Frankfurt, 25 June / Juni 2020

The Supervisory Board / Der Aufsichtsrat

Roland Koch
Chair of the Supervisory Board / Vorsitzender des Aufsichtsrat