



UBS Europe SE

31 March 2019 Pillar 3 Report

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Introduction and basis for preparation

Scope of Pillar 3 disclosures

UBS Europe SE is a CRR credit institution registered at the commercial register in Frankfurt and supervised by the European Central Bank. This document provides the disclosure information for UBS Europe SE as at 31 March 2019.

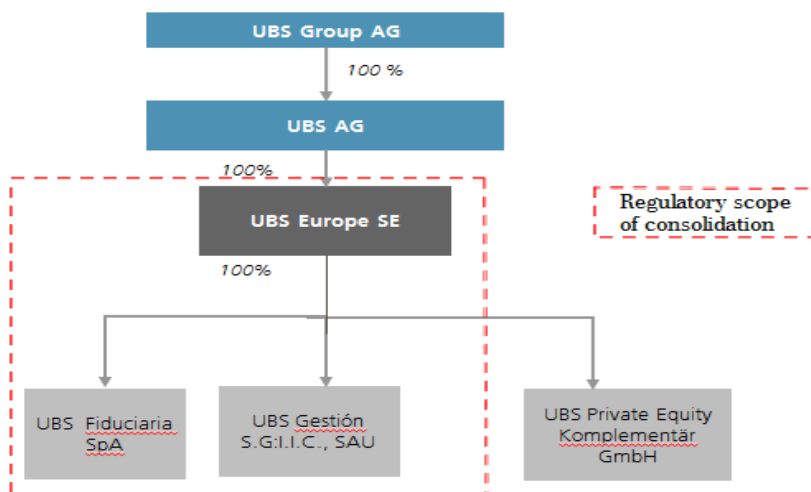
The capital adequacy framework consists of three pillars each of which focuses on a different aspect of adequacy. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market, operational and non-counterparty related risks faced by banks. Pillar 2 addresses the principles of the supervisory review process emphasising the need for a qualitative approach to supervising banks. Pillar 3 aims to encourage market discipline by requiring banks to publish a range of disclosures, mainly on risk and capital.

This document is based upon the EU regulations, Directive 2013/36/EU and Regulation 575/2013 (together known as “CRD IV”), the associated delegated and implementing acts and the related technical standards, as implemented within the Federal Republic of Germany by the Bundesbank. These disclosures have been prepared in accordance with the EBA/GL/2016/11 guidelines on Pillar 3.

UBS Europe SE is part of the UBS Group AG consolidated group and a direct, wholly owned subsidiary of UBS AG. The scope of regulatory reporting for UBS Europe SE includes the Italian subsidiary UBS Fiduciaria SpA as well as the Spanish subsidiary UBS Gestión S.G.I.I.C., SAU. As the relevant limits according to Section 19 para.1 of the CRR are not exceeded, the German UBS Private Equity Komplementär GmbH is not included in the regulatory scope of consolidation.

Governance over Pillar 3 Disclosures

The Management Board and senior management are responsible for establishing and maintaining an effective internal control structure over the disclosure of financial information, including Pillar 3 disclosures. In line with EBA requirements the company has established a board-approved Pillar 3 disclosure governance policy. This Pillar 3 report has been approved in line with this policy.



Recent developments

Merger with UBS Limited

The cross-border merger of UBS Limited into UBS Europe SE became legally and operationally effective from 1st March 2019. As a result, we are able to continue to serve our clients and access relevant markets in any political Brexit Scenario, including a scenario in which the UK leaves the EU without a binding withdrawal agreement (a "no-deal scenario"). The total assets of UBS Europe SE after the cross-border merger with UBS Limited total EUR 57 billion as at 31 March 2019.

Following the merger, UBS Europe SE is subject to direct supervision by the European Central Bank and is considered a significant regulated subsidiary. The size, scope and business model of the merged entity is now materially different. Comparatives for December 2018 have not been provided in the respective tables because data produced on the same basis is not available.

Risk management objectives and policies

Declaration of adequacy of risk management arrangements

The management of UBS Europe SE (UBS ESE) has assessed the adequacy of risk management arrangements of the Company. Based on this assessment, management considers that risk management systems put in place are adequate with regard to the profile and strategy of UBS ESE.

Risk Statement

UBS ESE is exposed to credit risk, market risk, liquidity and funding risk, country risk, operational risk, business risk, pension risk, legal and reputational risk as described below.

Credit risk

Credit Risk is the risk of loss to UBS ESE 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 and contingent liabilities, from accepting collateral and from other risk mitigating activities.

Market risk

Market risks in UBS ESE arise from a combination of trading book and banking book activities.

Primary drivers of market risks in the trading book are market making activities in the Investment Bank, mainly from derivative and securities trading across Rates, Credit, FX and Equities asset classes. Further giving rise to market risk is the counterparty credit and funding risk management of the OTC derivatives portfolio by the XVA Management business in Group Treasury. Market Risk in the banking book mainly arises from duration mismatch in banking products (including non-maturing deposits) in Global Wealth Management that are transferred to and managed in Regional Treasury UBS ESE. Additionally, exposure arises from liability creation management (including AT1 and Internal minimum requirement for own funds and eligible liabilities (iMREL)), from asset portfolio management, such as high-quality liquid assets (HQLA), and from management of excess cash in Regional Treasury UBS ESE.

Liquidity and funding risk

Liquidity risk arises from any activities that impact UBS ESE's ability to meet future expected and unexpected cash flows without incurring unacceptable costs. Funding risk arises from any activity that impacts UBS ESE's ability to ensure cash and collateral positions are appropriately funded without incurring unacceptable costs.

Country risk

Country risk includes all country-specific events that occur within a jurisdiction and that may lead to an impairment of the Bank's exposures. It can take the form of either:

A transfer risk event, i.e. the country's authorities cannot or will not allow the foreign currency to be obtained and/or paid by the counterparty (including the government itself), or so-called other or systemic country risk events. These are country-specific political and/or macroeconomic developments such as a harsh recession, an inappropriate shift in economic policy, a serious political event, or a dramatic loss of market confidence that may lead to severe disruption and/or reduction in the valuation or liquidity in the domestic and/or international markets for the country's assets, and to systemic counterparty defaults.

Operational risk

Operational risk arises naturally out of all areas of UBS activities and is defined as 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 in the form of revenue forgone as a result of business suspension. They may also result in damage to our reputation and to our franchise, which have longer term financial consequences.

Business risk

Business risk is the potential negative impact on earnings from lower than expected business volumes or margins, to the extent not offset by a decrease in expenses.

Pension risk

Pension risk is the risk of a negative impact on our capital as a result of deteriorating funded status from changes in the value of defined benefit pension obligations due to changes in actuarial assumptions (e.g. discount rate, life expectancy, rate of pension increase) and / or changes to plan designs.

Legal risk

Legal risk is the (i) financial risk resulting from a contract or any rights under or connected to the contract such as a right of set-off or a right conferred by security arrangements not being enforceable or the inability or failure to assert non-contractual rights such as intellectual property rights; and (ii) the financial or reputational risk resulting from UBS being held liable for a contractual or legal claim, or otherwise being subject to a penalty or liability in a legal action, based on a contractual or

other legal claim, violation of law, or regulation, or infringement of intellectual property rights; or the failure to manage litigation, other dispute resolution proceedings, or other actions, including legal or regulatory enforcement actions appropriately or effectively.

Reputational Risk

Reputational risk is the risk of a decline in the reputation of UBS ESE from the point of view of its stakeholders, customers, shareholders, staff and general public. It mostly materializes via drawbacks in the business, respectively in reduced earnings or liquidity.

Risk Appetite, Management and Control

UBS Europe SE's risk appetite and management and control mechanisms are aligned to the Group's Pillars, Principles and Behaviors, Code of Conduct and Ethics, Risk Management and Control Principles, the Total Reward Principles and are formulated in line with the Group Risk Appetite Framework. The UBS ESE Management Board has delegated responsibility to implement and enforce the Company's risk governance framework to the Chief Risk Officer (CRO). Other responsibilities lie with the Chief Financial Officer, Chief Operating Officer, the Head of Internal Audit and the Head of Compliance and Operational Risk Control.

Internal risk reporting

Consistent with the UBS Group, comprehensive and transparent reporting of risks is central to the control and oversight responsibilities set out in the risk governance framework and is a requirement of our risk management and control principles. Accordingly, risks are reported at a frequency and to a level of detail commensurate with the extent and variability of the risk and the needs of the various governance bodies, regulators and risk authority holders.

Credit Risk

The UBS ESE Management Board approves to entity-specific portfolio limits in line with the risk appetite of the Entity. The UBS ESE CRO is responsible for ensuring the UBS ESE risk limit framework is in line with any relevant limits at UBS divisional and Group levels. The volume limitation is aligned to the capital plan (owned by Treasury ALM and controlled by Regulatory Reporting) in the way that the Bank shall always be able to underpin the credit exposure with its capital. The limits are being reviewed at least annually by the Management Board.

Market risk

UBS ESE has adopted the UBS Group Market Risk Framework policy that sets out the principles and criteria for the management and control of market risk. Market Risks are measured and controlled using limits and triggers set on portfolio risk measures, risk sensitivities and on interest income

and margin measures. Risk limits are set at consolidated firm-wide Entity level with sub allocations to the various business divisions as deemed necessary, in line with the Entity's risk profile.

Liquidity and funding risk

Liquidity and Funding risks are measured and monitored via a set of internal and regulatory models and tools. The key models address both the near term liquidity risk as well as longer term structural liquidity and funding risk. The liquidity and funding risk appetite statement is translated into structural (approved by the Company's Management Board) and supplementary limits, triggers and targets.

Country risk

Geographic concentrations are managed and controlled based on the underlying risk domicile in accordance with UBS Group's Country Risk policy. UBS assigns counterparty ratings or probability of default ("PD") grades to all its credit counterparties. The country rating reflects UBS's view of the country's fundamental position and the probability of a country risk event occurring that leads to an impairment of UBS's exposures. Limit breaches are escalated to the UBS ESE Head of Credit Risk by RRAD (Group Country Risk Reporting unit). The UBS ESE monthly Treasury Report displays country risk within the Local Liquidity Portfolio. Geographic concentrations are also monitored under stress.

Operational Risk (incl Conduct and Legal Risk)

The comprehensive assessment of the operational risk financial and non-financial events across the entire UBS ESE operational risk taxonomy and legal entities scheme, together with other external and internal factors, articulates the UBS ESE operational risk exposure reported in the monthly Risk Report, which informs the Management Board about the operational risk status of the entity.

Business risk

Business Risk is monitored by the Finance department on a regular basis and reported to the Management Board at least on a monthly basis. Whenever utilization of indicators show a deviation from projections there is a root-cause information provided. Decision to perform potential mitigating actions is with the Senior Management.

Pension risk

Pension risk is measured within the ICAAP concept both in normative and economic view and will be monitored within the strategic ICAAP triggers. Calculation details are described within the ICAAP concept document which is reported to the UBS ESE Management Board via the Asset-Liability committee (ALCO).

Reputational Risk

This is being made by including reputational risk into the risk identification process and a constant monitoring on a regular basis (qualitative) via the most important committees (e.g. Risk Control Committee). Branches are involved into this via bottom-up-process by way of providing a qualitative reputational risk assessment on a monthly basis.

Risk Culture

The Management of UBS ESE is ultimately responsible for an adequate risk management and establishing an integrated and institution-wide risk culture as outlined in the UBS ESE Risk Governance policy. Furthermore UBS ESE's risk culture is common to the UBS Group and further details can be found in the UBS Group AG Annual Report under the section headed 'Risk appetite framework'.

Key ratios

The following is a summary of the key ratios of UBS Europe SE.

Key ratios

| | |
|--|---------------|
| <i>EUR million</i> | 31.03.19 |
| Total Credit Exposure | 28,639 |
| Total RWA | 14,540 |
| <i>Of which credit risk (including CVA Risk)</i> | <i>10,666</i> |
| <i>Of which market risk</i> | <i>789</i> |
| <i>Of which operational risk</i> | <i>3,085</i> |
| Capital Ratio - CET1 | 24.56% |
| Capital Ratio - Tier 1 | 26.56% |
| Capital Ratio - Total Capital | 26.56% |
| Leverage Ratio | 7.59% |
| Liquidity Coverage Ratio | 214% |

Own funds

Main features and terms and conditions of capital instruments issued by UBS Europe SE

Capital instruments main features

| | Common Equity Tier 1 | Additional Tier 1 |
|---|-----------------------|--|
| Issuer | UBS Europe SE | UBS Europe SE |
| Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | N/A | N/A |
| Governing law(s) of the instrument | German | German |
| Regulatory treatment | | |
| Transitional CRR rules | Common Equity Tier 1 | Additional Tier 1 |
| Post-transitional CRR rules | Common Equity Tier 1 | Additional Tier 1 |
| Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated | Solo and Consolidated | Solo and Consolidated |
| Instrument type (types to be specified by each jurisdiction) | CET1 Instrument | Additional Tier 1 |
| Amount recognised in regulatory capital (currency in million, as of most recent reporting date) | EUR 770 million | EUR 290 million |
| Nominal amount of instrument | 1.00 | EUR 290 million |
| Issue price | Various | 1.00 |
| Redemption price | Par | Par |
| Accounting classification | Shareholders Equity | Shareholders Equity |
| Original date of issuance | Various | 11.06.2018 |
| Perpetual or dated | Perpetual | Perpetual |
| Original maturity date | No Maturity | No Maturity |
| Issuer call subject to prior supervisory approval | N/A | Yes |
| Optional call date, contingent call dates and redemption amount | N/A | 11.06.2023, or earlier upon occurrence of tax or regulatory event at par value |
| Subsequent call dates, if applicable | N/A | N/A |
| Coupons / dividends | | |
| Fixed or floating dividend/coupon | Floating | Floating |
| Coupon rate and any related index | N/A | 3m LIBOR plus 466 bps |
| Existence of a dividend stopper | No | No |
| Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary | Fully discretionary |
| Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary | Fully discretionary |
| Existence of step up or other incentive to redeem | No | No |
| Noncumulative or cumulative | Non cumulative | Non cumulative |
| Convertible or non-convertible | Non convertible | Non convertible |
| If convertible, conversion trigger(s) | N/A | N/A |
| If convertible, fully or partially | N/A | N/A |
| If convertible, conversion rate | N/A | N/A |
| If convertible, mandatory or optional conversion | N/A | N/A |
| If convertible, specify instrument type convertible into | N/A | N/A |
| If convertible, specify issuer of instrument it converts into | N/A | N/A |
| Write-down features | No | Yes |
| If write-down, write-down trigger(s) | N/A | CET1 ratio falls below 5.125% |
| If write-down, full or partial | N/A | Full |
| If write-down, permanent or temporary | N/A | Permanent |
| If temporary write-down, description of write-up mechanism | N/A | N/A |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | AT1 | N/A |
| Non-compliant transitioned features | No | No |
| If yes, specify non-compliant features | N/A | N/A |

Nature and amounts of capital deductions from the own funds of UBS Europe SE

Nature and amounts of capital deductions from own funds

| | |
|---|--------------|
| <i>EUR million</i> | 31.03.19 |
| Common Equity Tier 1 capital instruments and the related share premium accounts | 4,007 |
| <i>of which:</i> | |
| <i>Paid up capital instruments</i> | 446 |
| <i>Share premium</i> | 324 |
| <i>Retained earnings</i> | 37 |
| <i>Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)</i> | 3,200 |
| Common Equity Tier 1 (CET1) capital before regulatory adjustments | 4,007 |
| Prudential valuation adjustments | (33) |
| Intangible assets | (369) |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) | (9) |
| Gains or losses on balance sheet amounts valued at fair value resulting from changes in own credit standing | (25) |
| Total Common Equity Tier 1 capital | 3,571 |
| Additional Tier 1 capital instruments and the related share premium accounts | 290 |
| <i>of which:</i> | |
| <i>classified as equity under applicable accounting standards</i> | 290 |
| Total Additional Tier 1 capital | 290 |
| Total Tier 1 capital | 3,861 |
| Tier 2 capital instruments and the related share premium accounts | – |
| Total Tier 2 capital | – |
| Total Own Funds | 3,861 |

Capital requirements

Pillar 1 capital requirements

For Pillar 1, regulatory capital exposures are calculated using supervisory standardised approaches except for:

Credit risk determined by internal credit model

- Exposures arising from OTC derivatives are calculated using an internal model method (IMM) credit model. Exposures on OTC transactions that are not approved to be calculated in this model are determined using the supervisory mark-to-market approach.
- Exposures arising from securities financing transactions (SFT) are calculated using an internal model approach (IMA) credit model. Exposures on SFT transactions not approved to be calculated in this model are determined using the supervisory volatility adjustments approach for master netting agreements.

Market risk

- Exposures relating to interest rate swaps are calculated using sensitivity models except for trades booked within Group Treasury which follow standardised approaches.

UBS Europe SE applies standardised risk weightings where applicable using external credit ratings of the rating agencies Moody's, Standard & Poors and Fitch.

EU OV1: Overview of RWAs

The following table outlines an overview of the RWAs and capital requirement for UBS Europe SE.

EU - OV1 - Overview of RWAs

| | 31.03.19 | |
|--|---------------|----------------------|
| <i>EUR million</i> | RWA | Capital Requirements |
| Credit Risk (excluding CCR) | 4,799 | 384 |
| <i>of which the standardised approach</i> | <i>4,799</i> | <i>384</i> |
| <i>of which the foundation IRB (FIRB) approach</i> | <i>–</i> | <i>–</i> |
| <i>of which the advanced IRB (AIRB) approach</i> | <i>–</i> | <i>–</i> |
| <i>of which the equity IRB under the simple risk weighted approach or the IMA</i> | <i>–</i> | <i>–</i> |
| CCR | 5,818 | 465 |
| <i>of which mark to market and financial collateral comprehensive method ¹</i> | <i>2,136</i> | <i>171</i> |
| <i>of which original exposure</i> | <i>–</i> | <i>–</i> |
| <i>of which the standardised approach</i> | <i>–</i> | <i>–</i> |
| <i>of which the internal model method (IMM) and internal model approach (IMA) ²</i> | <i>2,696</i> | <i>216</i> |
| <i>of which risk exposure amount for contributions to the default fund of a CCP</i> | <i>64</i> | <i>5</i> |
| <i>of which CVA</i> | <i>922</i> | <i>74</i> |
| Settlement risk | 49 | 4 |
| Securitisation exposures in the banking book (after the cap) | – | – |
| <i>of which IRB approach</i> | <i>–</i> | <i>–</i> |
| <i>of which IRB supervisory formula approach (SFA)</i> | <i>–</i> | <i>–</i> |
| <i>of which internal assessment approach (IAA)</i> | <i>–</i> | <i>–</i> |
| <i>of which standardised approach</i> | <i>–</i> | <i>–</i> |
| Market risk | 789 | 63 |
| <i>of which IMA</i> | <i>–</i> | <i>–</i> |
| Large exposures | – | – |
| Operational risk | 3,085 | 247 |
| <i>of which BIA approach</i> | <i>3,085</i> | <i>247</i> |
| <i>of which standardised approach</i> | <i>–</i> | <i>–</i> |
| <i>of which advanced measurement approach</i> | <i>–</i> | <i>–</i> |
| Amounts above the threshold for deduction (subject to 250% risk weight) | – | – |
| Floor adjustment | – | – |
| Total | 14,540 | 1,163 |

¹ Where not eligible for inclusion in a modelled approach, the mark to market method is used for over the counter (OTC) and exchange traded derivatives (ETD), and the financial collateral comprehensive method is used for securities financing transactions (SFT)

² Includes exposures to OTC derivatives under the IMM and exposures to SFTs under a Repo IMA model.

EU MR1: Market Risk under the standardised approach

The following table outlines the breakdown of market risk within UBS Europe SE by the main categories, showing RWAs and capital requirements. As UBS ESE does not utilise advanced methodologies these disclosures are derived under the standardised approach.

EU MR1: Market Risk under the standardised approach

| | 31.03.19 | |
|---|------------|----------------------|
| <i>EUR million</i> | RWAs | Capital requirements |
| Outright products | | |
| Interest rate risk (general and specific) | 451 | 36 |
| Equity Risk (general and specific) | 10 | 1 |
| Foreign exchange risk | 281 | 22 |
| Commodity risk | - | - |
| Options | | |
| Simplified approach | - | - |
| Delta-plus method | 46 | 4 |
| Scenario approach | - | - |
| Securitisation (specific risk) | - | - |
| Total | 789 | 63 |

Exposure to counterparty credit risk

Under the EBA guidelines prior period disclosures are not required for first time disclosures. As a result **EU CCR7** will be produced for subsequent disclosure periods.

EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk

The following table provides a breakdown of CCR exposures by risk weight and asset class under the standardised approach.

EU CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk¹

| 31.03.2019 EUR million | Risk Weight | | | | | | | | | | | | Total | Of which unrated | |
|---|-------------|--------------|----------|----------|--------------|--------------|----------|----------|--------------|-----------|----------|----------|----------|---------------------|--------------|
| | 0% | 2% | 4% | 10% | 20% | 50% | 70% | 75% | 100% | 150% | 1250% | Other | | | |
| Exposure classes | | | | | | | | | | | | | | | |
| Central governments and central banks | 580 | – | – | – | 1 | – | – | – | – | – | – | – | – | 581 | 392 |
| Regional governments and local authorities | – | – | – | – | 2 | 2 | – | – | 52 | – | – | – | – | 56 | 34 |
| Public sector entities | – | – | – | – | 9 | – | – | – | 49 | – | – | – | – | 59 | 50 |
| Multilateral development banks | 4 | – | – | – | – | – | – | – | – | – | – | – | – | 4 | – |
| International Organisations | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Institutions | – | 3,179 | – | – | 1,228 | 3,109 | – | – | 117 | 81 | – | – | – | 7,715 | 789 |
| Corporates | – | – | – | – | 569 | 115 | – | – | 2,453 | 1 | – | – | – | 3,137 | 2,397 |
| Retail | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Institutions and corporates with a short-term credit assessment | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Other items | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Total | 584 | 3,179 | – | – | 1,809 | 3,226 | – | – | 2,672 | 82 | – | – | – | 11,551 | 3,662 |

¹ Exposure is stated after the application of CCFs and CRM and the addition of volatility adjustments to exposures

The counterparty credit risk exposures for UBS Europe SE are driven mainly by OTC trading, clearing of exchange traded derivatives and securities financing activities.

Credit exposure and credit risk adjustments

EU CR5 – Standardised approach

The following tables provide a view of the breakdown of credit exposures by risk weight and asset class under the standardised approach.

EU CR5 - Standardised approach ¹

31.03.2019

| <i>EUR million</i> | 0% | 2% | 20% | 50% | 100% | 150% | 1250% | Others | Total | Of which unrated |
|---|---------------|--------------|--------------|--------------|--------------|------------|----------|----------|---------------|------------------|
| Central governments and central banks | 9,825 | – | 1 | – | – | – | – | – | 9,825 | 8,922 |
| Regional governments and local authorities | 465 | – | 23 | 2 | 52 | – | – | – | 541 | 55 |
| Public sector entities | 464 | – | 162 | – | 50 | – | – | – | 676 | 186 |
| Multilateral development banks | 276 | – | – | – | – | – | – | – | 276 | – |
| International organisations | 100 | – | – | – | – | – | – | – | 100 | – |
| Institutions | 314 | 3,179 | 2,867 | 3,210 | 118 | 81 | 3 | – | 9,772 | 1,096 |
| Corporates | – | – | 637 | 137 | 6,136 | 157 | 2 | – | 7,069 | 5,784 |
| Retail | – | – | – | – | – | – | – | – | – | – |
| Secured by Mortgages on immovable property | – | – | – | – | – | – | – | – | – | – |
| Exposures in default | – | – | – | – | 8 | – | – | – | 8 | 8 |
| Items of high risk | – | – | – | – | – | – | – | – | – | – |
| Covered bonds | – | – | – | – | – | – | – | – | – | – |
| Institutions and corporates with a short term credit assessment | – | – | – | – | – | – | – | – | – | – |
| Collective investment undertakings | – | – | – | – | – | – | – | – | – | – |
| Equity Exposures | – | – | – | – | – | – | – | 1 | 1 | 1 |
| Other Items | 2 | – | – | – | 369 | – | – | – | 370 | 370 |
| Total | 11,446 | 3,179 | 3,689 | 3,349 | 6,733 | 238 | 5 | 1 | 28,639 | 9,821 |

¹ Exposure is stated after the application of CCFs and CRM and the addition of volatility adjustments to exposures

The credit risk exposures for UBS Europe SE are driven mainly by Lombard and mortgage lending, OTC trading and securities financing activities.

EBA Disclosures on credit adjustments, write offs & impairment

The EBA specifies a number of templates (CR1 A-E and CR2 A-B) around credit and specific risk adjustments, write offs and impairments but due to the nature of the business conducted in UBS ESE these are not deemed to be material and are excluded from these Pillar 3 disclosures.

Liquidity

Liquidity coverage ratio (LCR)

The following table shows the components of the LCR as at 31st March 2019.

Liquidity Coverage Ratio

| Consolidated | | |
|--------------------------|------------------------------------|-------------------|
| <i>EUR million</i> | | |
| Quarter Ended on: | | 31/03/2019 |
| 21 | Liquidity Buffer | 14,770 |
| 22 | Total net cash outflows | 6,895 |
| 23 | Liquidity coverage ratio(%) | 214% |

March month end reporting date values rather than an average calculation are disclosed as the size, scope and business model of UBS Europe SE have significantly changed as a result of the cross-border merger with UBS Limited.

The LCR regulatory minimum requirement was 90% up until 31 December 2017 and then increased to 100% from January 2018. These ratios do not take into account Pillar 2 requirements.

Leverage ratio

Leverage ratio exposures

The following tables set out the leverage ratio and related disclosures in accordance with Article 451 of the Capital Requirements Regulation EU No. 575/2013.

The following table outlines the leverage ratio and its main components.

Leverage ratio disclosures

| <i>EUR million</i> | 31.03.19 |
|--|-----------------|
| On-balance sheet items (excluding derivatives, securities financing transactions but including collateral) | 27,765 |
| Asset amounts deducted in determining Tier 1 capital | (377) |
| Total on-balance sheet exposures | 27,388 |
| Replacement cost of derivative transactions | 1,761 |
| Add-on amounts for potential future exposure of derivative transactions | 15,150 |
| Receivable assets for cash variable margin for derivative transactions | (1,712) |
| Exempted CCP transactions | (6,503) |
| Adjusted notional of written credit derivatives | 1,657 |
| Adjusted effective notional offsets & add-on deductions for written credit derivatives | (1,657) |
| Total derivative exposures | 8,697 |
| Gross securities financing transaction assets | 37,473 |
| Netted amounts of cash payables and receivables of gross securities financing transaction assets | (24,626) |
| Counterparty credit risk exposure for securities financing transaction assets | 857 |
| Total securities financing transaction exposures | 13,704 |
| Off-balance sheet exposures at gross notional amounts | 5,231 |
| Adjustments for conversion to credit equivalent amounts | (4,118) |
| Total other off-balance sheet assets | 1,113 |
| Total leverage ratio exposure | 50,901 |
| Tier 1 Capital | 3,861 |
| Leverage Ratio | 7.59% |

The following table reconciles the leverage ratio exposure amount to the balance sheet assets.

Reconciliation of accounting assets and leverage ratio exposures

| <i>EUR million</i> | 31.03.19 |
|--|-----------------|
| Total assets as per quarterly financial statements | 56,687 |
| Adjustments for derivative instruments | (6,562) |
| Adjustments for securities financing transactions (SFTs) | 40 |
| Adjustments for off-balance sheet items | 1,113 |
| Other adjustments | (377) |
| Total | 50,901 |

The table below sets out the split of balance sheet assets.

Split of balance sheet exposures

| | |
|--|-----------------|
| <i>EUR million</i> | 31.03.19 |
| Total on-balance sheet exposures (excluding derivatives, SFTs, exempted exposures) | 26,061 |
| Trading book exposures | 3,758 |
| Banking book exposures | 22,303 |
| <i>of which:</i> | |
| <i>Sovereigns</i> | 10,546 |
| <i>Local and regional government, public sector and supranationals not treated as sovereigns</i> | 226 |
| <i>Institutions</i> | 4,520 |
| <i>Corporate</i> | 6,671 |
| <i>Exposures in default</i> | 8 |
| <i>Other exposures</i> | 332 |

Contacts

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