



UBS Europe SE

30 June 2020 Pillar 3 Report

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Introduction and basis for preparation

Scope of Pillar 3 disclosures

UBS Europe SE is a fully authorized credit institution registered at the commercial register in Frankfurt and supervised by the European Central Bank (ECB). This report provides the disclosure information for UBS Europe SE as at 30 June 2020.

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 Directive (EU) 2013/36 and Regulation (EU) 575/2013 (Capital Requirements Regulation or "CRR"), the associated delegated and implementing acts and the related technical standards, as implemented within the Federal Republic of Germany by the Bundesbank. Further, these disclosures have been prepared in accordance with the European Banking Authority (EBA) guideline EBA/GL/2016/11 on Pillar 3.

Regulatory consolidation

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., SA. As the relevant limits according to

Article 19 of the CRR are not exceeded, the German subsidiary UBS Private Equity Komplementär GmbH is not included in the regulatory scope of consolidation.

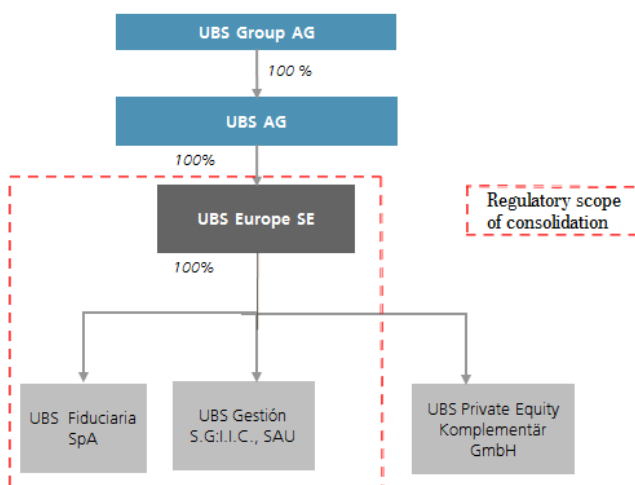
In accordance with the principle of materiality specified in Article 432 of the CRR, this report provides Pillar 3 disclosures for UBS Europe SE on the consolidated basis, including all relevant subsidiaries. In this report, "UBS Europe SE" refers to UBS Europe SE and its consolidated subsidiaries, unless stated otherwise.

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 Article 431 of the CRR we have a board-approved Pillar 3 disclosure governance policy in place. This Pillar 3 report has been approved in line with this policy.

Format of Pillar 3 disclosures

As defined by the EBA guidelines certain Pillar 3 disclosures follow a fixed format whereas other disclosures are flexible and may be modified to a certain degree to present the most relevant information. Pillar 3 requirements are presented under the relevant EBA table/template reference. Naming conventions are based upon the EBA guidance and may not reflect UBS naming convention. Disclosures classified as non-material in this report have been indicated accordingly in the respective sections. The table on the following page provides an overview of the Pillar 3 disclosures.



CRR Article	Pillar 3 Requirement (Part Eight CRR)	EU Table & Template Reference	Location of Pillar 3 disclosure in this supplementary disclosure document
437	Own Funds	EBA/GL/1423/2013	Own funds
438	Capital Requirements	EU OV1 EU CCR7	Capital requirements Counterparty credit risk
439	Exposure to counterparty credit risk	EU CCR1, EU CCR2, EU CCR5-A, EU CCR5-B, EU CCR6, EU CCR 7, EU CCR8	Counterparty credit risk
442	Credit risk adjustments	EU CR2-A, EU CR2-B	Credit risk adjustments
444	Use of ECAIs	EU CCR3 EU CR5	Counterparty credit risk Credit exposure
445	Exposure to market risk	EU MR1	Capital requirements
446	Operational risk		Capital requirements
449	Exposure to securitization positions		Securitization positions
451	Leverage Ratio	EBA/GL/2016/200	Leverage ratio
453	Credit risk mitigation techniques	EU CR3, EU CR4 EBA/GL/2020/07	Credit risk mitigation Covid-19 Disclosures

Key ratios

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

<i>EUR million</i>	30.06.2020	31.12.2019
Total Credit Exposure	29,673	28,700
Total RWA¹	13,475	15,146
<i>Of which credit risk (including CVA Risk)</i>	<i>9,453</i>	<i>11,227</i>
<i>Of which market risk</i>	<i>937</i>	<i>834</i>
<i>Of which operational risk</i>	<i>3,085</i>	<i>3,085</i>
Total Own Funds²	4,026	3,981
<i>Of which Common Equity Tier 1 capital²</i>	<i>3,736</i>	<i>3,691</i>
<i>Of which Additional Tier 1 capital</i>	<i>290</i>	<i>290</i>
Capital Ratio - CET1²	27.73%	24.37%
Capital Ratio - Tier 1²	29.88%	26.28%
Capital Ratio - Total Capital²	29.88%	26.28%
Total Leverage Ratio exposures	42,147	41,929
Leverage Ratio²	9.55%	9.49%
Liquidity Coverage Ratio	141%	147%
Eligible liability instruments	1,794	1,840
Total own funds and Eligible liabilities²	5,820	5,821
Total own funds and Eligible liabilities as a percentage of RWA²	43.19%	38.43%
Total own funds and Eligible liabilities as a percentage of Leverage exposure²	13.81%	13.88%

¹ Comparative figures as of 30 June 2020 have been aligned with the final information submitted to the European Central Bank, after the information for UBS Europe SE was reported in the UBS Group second and third quarter 2020 reports as well as in the 30 June and 30 September 2020 UBS Group Pillar 3 reports.

² Following the ECB's recommendation to EU financial institutions to refrain from capital distributions until 1 January 2021, regulatory capital, retained earnings and related metrics as of YE 2019 have been restated in line with the regulatory submissions to reflect the increased capital and included profit for 2019.

Own funds

This section provides disclosure information on own funds of UBS Europe SE in accordance with Article 437 of the CRR. The following table provides a reconciliation of total equity per the balance sheet to the total regulatory capital in accordance with 437 (1) (a) of the CRR and Annex I of Regulation (EU) 1423/2013.

Reconciliation of balance sheet total equity to regulatory capital

<i>EUR million</i>	30.06.2020	31.12.2019
Balance sheet total equity¹	4,530	4,490
Add:		
Tier 2 instruments classified as other liabilities	—	—
Less:		
Prudential Valuation adjustment	(31)	(26)
Deferred tax assets	(4)	(4)
Intangibles assets	(407)	(399)
Gains or losses on balance sheet amounts valued at fair value resulting from changes in own credit standing	(13)	(13)
Unaudited current year profits	(33)	—
Other comprehensive income and reserves	(16)	(67)
Total Own Funds¹	4,026	3,981

¹ Following the ECB's recommendation to EU financial institutions to refrain from capital distributions until 1 January 2021, regulatory capital, retained earnings and related metrics as of YE 2019 have been restated in line with the regulatory submissions to reflect the increased capital and included profit for 2019.

The table below depicts the main features and terms and conditions of capital instruments issued by UBS Europe SE in accordance with Article 437 of the CRR.

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
		11.06.2023, or earlier upon occurrence of tax or regulatory event at par value
Optional call date, contingent call dates and redemption amount	N/A	
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	EURIBOR floored to zero
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
		CET1 ratio falls below
If write-down, write-down trigger(s)	N/A	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

The following table provides an overview of nature and amounts of capital deductions from the own funds for UBS Europe SE.

Nature and amounts of capital deductions from own funds

<i>EUR million</i>	30.06.2020	31.12.2019 ¹
Common Equity Tier 1 capital instruments and the related share premium accounts	4,191	4,133
<i>of which:</i>		
<i>Paid up Capital Instruments</i>	446	446
<i>Share Premium</i>	324	324
<i>Retained earnings</i>	966	225
<i>Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)</i>	2,455	3,138
Common Equity Tier 1 (CET1) capital before regulatory adjustments	4,191	4,133
Prudential valuation adjustment	(31)	(26)
Intangible assets	(407)	(399)
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)	(4)	(4)
Gains or losses on balance sheet amounts valued at fair value resulting from changes in own credit standing	(13)	(13)
Total Common Equity Tier 1 capital	3,736	3,691
Additional Tier 1 capital instruments and the related share premium accounts	290	290
<i>of which:</i>		
<i>classified as equity under applicable accounting standards</i>	290	290
Total Additional Tier 1 capital	290	290
Total Tier 1 capital	4,026	3,981
Tier 2 capital instruments and the related share premium accounts	–	–
Total Tier 2 capital	–	–
Total Own Funds	4,026	3,981

¹ Following the ECB's recommendation to EU financial institutions to refrain from capital distributions until 1 January 2021, regulatory capital, retained earnings and related metrics as of YE 2019 have been restated in line with the regulatory submissions to reflect the increased capital and included profit for 2019.

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 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 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 in accordance with Article 113 of the CRR.

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

EU - OV1 - Overview of RWAs

EUR million	30.06.2020		31.12.2019	
	RWA	Capital Requirements	RWA	Capital Requirements
Credit Risk (excluding CCR)	4,548	364	4,805	385
of which the standardised approach	4,548	364	4,805	385
of which the foundation IRB (FIRB) approach	-	-	-	-
of which the advanced IRB (AIRB) approach	-	-	-	-
of which the equity IRB under the simple risk weighted approach or the IMA	-	-	-	-
CCR	4,828	386	6,368	509
of which mark to market and financial collateral comprehensive method ¹	1,685	135	2,367	189
of which original exposure	-	-	-	-
of which the standardised approach	-	-	-	-
of which the internal model method (IMM) and internal model approach (IMA) ²	2,136	171	2,644	212
of which risk exposure amount for contributions to the default fund of a CCP	29	2	41	3
of which CVA	978	78	1,315	105
Settlement risk	77	6	54	4
Securitisation exposures in the banking book (after the cap)	-	-	-	-
of which IRB approach	-	-	-	-
of which IRB supervisory formula approach (SFA)	-	-	-	-
of which internal assessment approach (IAA)	-	-	-	-
of which standardised approach	-	-	-	-
Market risk	937	75	834	67
of which IMA	-	-	-	-
Large exposures	-	-	-	-
Operational risk	3,085	247	3,085	247
of which BIA approach	3,085	247	3,085	247
of which standardised approach	-	-	-	-
of which advanced measurement approach	-	-	-	-
Amounts above the threshold for deduction (subject to 250% risk weight)	-	-	-	-
Floor adjustment	-	-	-	-
Total	13,475	1,078	15,146	1,212

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.

Over the period there was no particular driver for the decrease in total RWA. The nature of CRR can be volatile due to daily settlement and revaluation effects and these movements are deemed within normal levels.

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

EU MR1 - Market Risk under the standardised approach

<i>EUR million</i>	30.06.2020		31.12.2019	
	RWAs	Capital requirements	RWAs	Capital requirements
Outright products				
Interest rate risk (general and specific)	618	49	536	43
Equity Risk (general and specific)	7	1	23	2
Foreign exchange risk	261	21	250	20
Commodity risk	-	-	-	-
Options				
Simplified approach	-	-	-	-
Delta-plus method	51	4	25	2
Scenario approach	-	-	-	-
Securitisation (specific risk)				
-	-	-	-	-
Total	937	75	834	67

Counterparty credit risk

The following table provides a view of the methods utilized to calculate CCR regulatory requirements together with the main parameters utilized for each methodology including market values (MV), potential future credit exposures (PFCE), effective expected positive exposure (EEPE), exposure at default (EAD) and credit risk mitigation (CRM) effects.

EU CCR1 - Analysis of CCR exposure by approach

30.06.2020							
EUR million	Notional	Replacement cost/current MV	PFCE	EEPE	Multiplier	EAD post CRM	RWA
Mark to market		1,246	2,661			2,736	1,242
Original Exposure	-					-	-
Standardised approach		-				-	-
IMM for derivatives and SFTs				3,462	1.6	3,348	1,728
<i>of which SFTs</i>				-	-	-	-
<i>of which derivatives and long settlement transactions</i>				3,462	1.6	3,348	1,728
<i>of which from contractual cross product netting</i>				-	-	-	-
Financial collateral simple method (for SFTs)						-	-
Financial collateral comprehensive method (for SFTs)						1,293	443
IMA for SFTs						2,419	407
Total							3,821

31.12.2019							
EUR million	Notional	Replacement cost/current MV	PFCE	EEPE	Multiplier	EAD post CRM	RWA
Mark to market		743	3,673			4,034	1,583
Original Exposure	-					-	-
Standardised approach		-				-	-
IMM for derivatives and SFTs				3,689	1.6	3,660	2,066
<i>of which SFTs</i>				-	-	-	-
<i>of which derivatives and long settlement transactions</i>				3,689	1.6	3,660	2,066
<i>of which from contractual cross product netting</i>				-	-	-	-
Financial collateral simple method (for SFTs)						-	-
Financial collateral comprehensive method (for SFTs)						1,785	784
IMA for SFTs						1,644	578
Total							5,011

The following table provides the breakdown of the CVA capital charge by approach, UBS Europe SE currently only utilizes the standardized approach for CVA charge calculation.

EU CCR2 - CVA Capital charge

<i>EUR million</i>	30.06.2020		31.12.2019	
	Exposure value	RWA	Exposure value	RWA
Total portfolios subject to the advanced method	–	–	–	–
(i) VaR component (including the 3× multiplier)		–		–
(ii) SVaR component (including the 3× multiplier)		–		–
All portfolios subject to the standardised method	2,451	978	2,489	1,315
Based on the original exposure method				
Total subject to the CVA charge	2,451	978	2,489	1,315

The following tables provide a breakdown of CCR exposures by type of portfolio and risk weight.

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

30.06.2020 <i>EUR million</i>	Risk Weight											Total	Of which unrated	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other			
Exposure classes														
Central governments and central banks	465	-	-	-	0	1	-	-	-	-	-	-	466	152
Regional governments and local authorities	-	-	-	-	12	-	-	-	46	-	-	-	58	32
Public sector entities	-	-	-	-	9	23	-	-	37	-	-	-	69	43
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	2,273	-	-	2,376	1,501	-	-	261	-	-	-	6,411	1,265
Corporates	-	-	-	-	674	125	-	-	1,992	0	-	-	2,791	1,960
Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	465	2,273	-	-	3,072	1,650	-	-	2,336	0	-	-	9,796	3,452

31.12.2019 <i>EUR million</i>	Risk Weight											Total	Of which unrated	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other			
Central governments and central banks	229	-	-	-	2	4	-	-	-	-	-	-	235	108
Regional governments and local authorities	-	-	-	-	11	-	-	-	43	-	-	-	54	36
Public sector entities	-	-	-	-	7	16	-	-	34	-	-	-	56	37
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	2,593	-	-	1,642	2,840	-	-	299	2	-	-	7,376	960
Corporates	-	-	-	-	609	136	-	-	2,628	-	-	-	3,373	2,592
Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	229	2,593	-	-	2,271	2,996	-	-	3,004	2	-	-	11,094	3,733

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

The following tables outline the impact of netting and collateral held on CCR exposures, including exposures arising from transactions cleared through a CCP.

EU CCR5-A - Impact of netting and collateral held on exposures

30.06.2020	Gross positive fair value ¹	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
<i>EUR million</i>					
Derivatives	11,142	3,947	7,195	1,799	5,396
SFTs	14,472	–	14,472	10,760	3,712
Total	25,614	3,947	21,667	12,559	9,108

¹ Derivatives gross positive fair value is materially the sum of gross positive replacement value together with the gross PFCE of the trades treated under the mark to market methodology and the EEPE exposure calculated using the company's approved credit model. SFT gross positive fair value is materially the asset value, from both the on- and off- balance sheet, of cash and securities lent out and the company's approved model for calculating SFT exposure.

31.12.2019	Gross positive fair value ¹	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
<i>EUR million</i>					
Derivatives	11,423	3,159	8,263	1,563	6,701
SFTs	15,242	–	15,242	11,812	3,429
Total	26,664	3,159	23,505	13,375	10,130

The following tables provide a breakdown of all types of collateral posted or received to support CCR exposures on derivatives and SFTs.

EU CCR5-B - Composition of collateral for exposures to CCR

30.06.2020	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
	Segregated	Unsegregated	Segregated	Unsegregated		
<i>EUR million</i>						
Cash	–	10,435	–	8,875	22,351	25,105
Non-cash	635	969	294	177	28,776	25,884
Total	635	11,404	294	9,052	51,127	50,989

31.12.2019	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received ¹	Fair value of collateral posted ¹
	Segregated	Unsegregated	Segregated	Unsegregated		
<i>EUR million</i>						
Cash	–	10,308	–	9,297	15,210	19,795
Non-cash	886	874	454	339	23,479	19,044
Total	886	11,182	454	9,636	38,688	38,839

The following table provides an overview of the credit derivative portfolio of UBS Europe SE by product group using notional amounts. UBS Europe SE does not utilize credit derivatives within its banking book.

EU CCR6 - Credit derivative exposures

<i>EUR million</i>	30.06.2020			31.12.2019		
	Protection bought	Protection sold	Other	Protection bought	Protection sold	Other
Notionals						
Single name credit default swaps	1,316	975	–	1,138	810	–
Multi name credit default swaps	796	794	–	843	842	–
Total Notionals	2,112	1,769	–	1,981	1,652	–
Fair values						
Positive fair value (asset)	9	17	–	5	37	–
Negative fair value (liability)	17	15	–	47	3	–

The following table provides a view of the drivers behind the change in the RWA relating to OTC derivatives under the IMM over the period.

EU CCR7 - RWA flow statements of CCR exposures under the IMM

30.06.2020

EUR million	RWA Amounts	Capital Requirements
RWAs as at the end of the previous reporting period (31.12.19)	2,066	165
Asset size	(304)	(24)
Credit quality of counterparties	(31)	(3)
Model updates (IMM only)	-	-
Methodology and policy (IMM only)	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	(3)	-
Other	-	-
RWAs as at the end of the current reporting period (30.06.20)	1,728	138

31.12.2019

EUR million	RWA Amounts	Capital Requirements
RWAs as at the end of the previous reporting period (30.06.19)	1,808	145
Asset size	261	21
Credit quality of counterparties	(8)	(1)
Model updates (IMM only)	-	-
Methodology and policy (IMM only)	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	4	-
Other	-	-
RWAs as at the end of the current reporting period (31.12.19)	2,066	165

The following table provides an overview of the CCR charge resulting from exposures to Central Clearing Counterparties (CCP). It sets out the types of exposures as well as their related capital charges.

EU - CCR8 - Exposure to CCPs

<i>EUR million</i>	30.06.2020		31.12.2019	
	Exposure value	RWA	Exposure value	RWA
Exposures to QCCPs (total)¹		208		229
Exposures for trades at QCCPs; of which	2,855	179	3,254	187
(i) OTC derivatives	671	23	1,236	70
(ii) Exchange-traded derivatives	378	74	827	79
(iii) SFTs	1,780	60	1,188	34
(iv) Netting sets where cross-product netting has been approved				
Segregated initial margin				
Non-segregated initial margin				
Prefunded default fund contributions	92	29	74	41
Alternative calculation of own funds requirements for exposures				
Exposures to non-QCCPs (total)				
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which				
(i) OTC derivatives				
(ii) Exchange-traded derivatives				
(iii) SFTs				
(iv) Netting sets where cross-product netting has been approved				
Segregated initial margin				
Non-segregated initial margin				
Prefunded default fund contributions				
Unfunded default fund contributions				

¹ Exposures associated with initial margin that have not been excluded under CRR Article 306(1)(c), have been subsumed within the exposure values disclosed under (i), (ii) and (iii) where appropriate

Credit exposure

The following table provides a view of the breakdown of credit exposures by risk weight and asset class under the standardized approach.

EU CR5 - Standardised approach ¹

30.06.2020

EUR million	Risk Weight													Total	Of which unrated	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	250%	1250%	Others			
Central governments and central banks	11,515	-	-	-	-	1	-	-	-	-	-	-	-	-	11,516	8,601
Regional governments and local authorities	448	-	-	-	47	-	-	-	46	-	-	-	-	-	541	33
Public sector entities	508	-	-	-	214	23	-	-	37	-	-	-	-	-	782	89
Multilateral development banks	388	-	-	-	-	-	-	-	-	-	-	-	-	-	388	-
International organisations	458	-	-	-	-	-	-	-	-	-	-	-	-	-	458	-
Institutions	448	2,273	-	-	3,133	2,151	-	-	374	-	-	3	-	8,381	2,119	
Corporates	-	-	-	-	741	141	-	-	5,329	101	-	1	-	6,313	5,123	
Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Secured by Mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Exposures in default	-	-	-	-	-	-	-	-	-	41	-	-	-	41	41	
Items of high risk	-	-	-	-	-	-	-	-	-	3	-	-	-	3	3	
Covered bonds	-	-	-	1,072	-	-	-	-	-	-	-	-	-	1,072	-	
Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity Exposures	-	-	-	-	-	-	-	-	-	-	1	-	-	1	1	
Other Items	1	-	-	-	-	-	-	-	175	-	-	-	-	177	165	
Grand Total	13,767	2,273	-	1,072	4,135	2,316	-	-	5,961	145	1	4	-	29,673	16,175	

31.12.2019

EUR million	Risk Weight													Total	Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	250%	1250%	Others		
Central governments and central banks	8,580	-	-	-	2	4	-	-	-	-	-	-	-	8,586	7,570
Regional governments and local authorities	274	-	-	-	45	-	-	-	43	-	-	-	-	362	35
Public sector entities	391	-	-	-	159	16	-	-	34	-	-	-	-	599	95
Multilateral development banks	382	-	-	-	-	-	-	-	-	-	-	-	-	382	-
International organisations	255	-	-	-	-	-	-	-	-	-	-	-	-	255	-
Institutions	377	2,593	-	-	3,154	3,275	-	-	308	2	-	2	-	9,710	1,281
Corporates	-	-	-	-	738	242	-	-	6,133	192	-	2	-	7,306	5,836
Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Secured by Mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Exposures in default	-	-	-	-	-	-	-	-	-	41	-	-	-	41	41
Items of high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Covered bonds	-	-	-	1,324	-	-	-	-	-	-	-	-	-	1,324	-
Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity Exposures	-	-	-	-	-	-	-	-	-	-	1	-	-	1	1
Other Items	2	-	-	-	-	-	-	-	131	-	-	-	-	133	133
Grand Total	10,260	2,593	-	1,324	4,098	3,536	-	-	6,649	236	1	4	-	28,700	14,992

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

The increase in exposures with central governments and central banks is due to an increase in high-quality liquid asset (HQLA) eligible bonds.

Credit risk adjustments

The EBA guideline specifies a number of templates (CR1 A-E) around credit and specific risk adjustments, write offs and impairments but due to the nature of the business conducted in UBS Europe SE these are not deemed to be material. The large majority of trades conducted on UBS Europe SE are fully collateralized and this is managed on a daily basis. The templates CR1 A-E are excluded from these Pillar 3 because of this reason. The templates CR2-A and CR2-B have been included to provide an overview of the movements during the period.

Table CR2-A shows the development of the total stock of Credit Risk Adjustment for loans and debt securities belonging to the IFRS category 'amortised cost' and Off-Balance Sheet positions which are defaulted or impaired during the first half of 2020. Numbers are based on IFRS and the regulatory scope of consolidation is taken into consideration.

EU CR2-A Changes in the stock of general and specific risk adjustments

<i>EUR million</i>	30.06.2020		31.12.2019	
	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening Balance	14	–	10	–
Increases due to amounts set aside for estimated loan losses during the period	1	–	4	–
Decreases due to amounts reversed for estimated loan losses during the period	–	–	–	–
Decreases due to amounts taken against accumulated credit risk adjustments	–	–	–	–
Transfers between credit risk adjustments	–	–	–	–
Impact of exchange rate differences	–	–	–	–
Business combinations, including acquisitions and disposals of subsidiaries	–	–	–	–
Other adjustments	–	–	–	–
Closing Balance	15	–	14	–
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	–	–	–	–
Specific credit risk adjustments directly recorded to the statement of profit or loss	1	–	4	–

Table CR2-B shows the changes in stock of defaulted loans and debt securities belonging to the IFRS category 'amortised cost' and Off-Balance Sheet positions during the first half of 2020. Numbers are based on IFRS and the regulatory scope of consolidation is taken into consideration.

EU CR2-B Changes in the stock of defaulted and impaired loans and debt securities

<i>EUR million</i>	30.06.2020	31.12.2019
	Gross carrying value defaulted exposures	Gross carrying value defaulted exposures
Opening Balance	51	23
Loans and debt securities that have defaulted or impaired since the last reporting period	21	29
Returned to non-defaulted status	(19)	–
Amounts written off	–	–
Other changes	–	–
Closing Balance	53	51

External credit assessment institutions

Use of external credit assessment institutions (ECAIs), Article 444 of the CRR

The standardised approach requires banks to use risk assessments prepared by external credit assessment institutions (ECAI) or export credit agencies to determine the risk weightings applied to rated counterparties. For this purpose UBS Europe SE uses three recognised ECAIs; Standard and Poor's Global Ratings, Moody's Investors Service and Fitch Ratings.

The mapping of external ratings to the standardised approach risk weights is determined by the EBA. UBS Europe SE applies risk weightings determined in this way to all relevant exposure classes in both the trading and non-trading books.

Credit risk mitigation

The following table outlines the extent of usage of CRM techniques. It shows the carrying values of all collateral, financial guarantees and credit derivatives used as CRM.

EU CR3 - CRM techniques overview

30.06.2020	Exposures unsecured - carrying amounts	Exposures secured - carrying amounts	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
<i>EUR million</i>					
Exposure carrying values under credit risk mitigation					
Total loans	11,273	2,942	2,942	–	–
Total debt securities	8,128	44	–	44	–
Total exposures	19,401	2,986	2,942	44	–
<i>of which defaulted</i>	–	–	–	–	–
31.12.2019					
<i>EUR million</i>					
Exposure carrying values under credit risk mitigation					
Total loans	11,968	3,585	3,585	–	–
Total debt securities	4,934	14	–	14	–
Total exposures	16,902	3,599	3,585	14	–
<i>of which defaulted</i>	–	–	–	–	–

The following table outlines the effects of CRM excluding derivative, long settlement transactions, margin lending and SFT transactions and outlines exposures pre and post CRM and credit conversion factors (CCF).

EU CR4 - Standardised approach - Credit risk exposure and CRM effects

30.06.2020	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
<i>EUR million</i>						
Exposure class						
Central governments or central banks	11,050	–	11,050	–	–	0%
Regional government or local authorities	483	–	483	–	7	1%
Public sector entities	746	0	712	–	41	6%
Multilateral development banks	388	–	388	–	–	0%
International organisations	458	–	458	–	–	0%
Institutions	2,368	1,590	1,970	0	627	32%
Corporates	5,602	10,068	3,049	473	3,523	100%
Exposures in default	51	–	41	–	62	150%
Items associated with particularly high risk	–	6	–	3	5	150%
Covered bonds	1,072	–	1,072	–	107	10%
Equity	1	–	1	–	2	250%
Other items	177	–	177	–	175	99%
Total	22,397	11,664	19,401	476	4,548	23%

31.12.2019	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
<i>EUR million</i>						
Exposure class						
Central governments and central banks	8,351	–	8,351	–	–	0%
Regional governments and local authorities	309	–	309	–	7	2%
Public sector entities	585	25	543	–	30	6%
Multilateral development banks	382	–	382	–	–	0%
International organisations	255	–	255	–	–	0%
Institutions	2,773	0	2,334	0	550	24%
Corporates	6,347	10,469	3,230	704	3,891	99%
Exposures in default	50	–	41	–	62	150%
Items associated with particularly high risk	1,324	–	1,324	–	132	10%
Equity	1	–	1	–	2	250%
Other items	133	–	133	–	131	98%
Total	20,510	10,495	16,902	704	4,805	27%

The increase in off-balance sheet exposures before CCF and CRM with institutions is driven by a new loan commitment that is fully collateralized by UBS AG.

Securitization positions

UBS Europe SE is not the originator or sponsor of securitization positions. UBS Europe SE enters into derivative contracts with securitization vehicles incidental to its normal trading business. The value of these contracts is not material as determined under the company's Pillar 3 policy.

Liquidity

The following table shows the components of the LCR as an average of the twelve months.

Liquidity Coverage Ratio

Consolidated		
<i>EUR million</i>		
Quarter Ended on:	30.06.2020	31.03.2019
21 Liquidity Buffer	15,540	14,839
22 Total net cash outflows	11,062	10,467
23 Liquidity coverage ratio (%) ¹	141%	142%

The above table shows UBS Europe SE's average LCR for the twelve month periods ending on 30th June 2020 and 31st March 2020. Over those periods the average LCR remained stable, with a EUR 0.7 billion increase in high-quality liquid assets (HQLA) and a EUR 0.6 billion increase in total net cash outflows, mainly due to treasury management of the excess HQLA through securities financing transactions.

Leverage ratio

The following tables set out the leverage ratio and related disclosures in accordance with Article 451 of the CRR.

Leverage ratio disclosures

<i>EUR million</i>	30.06.2020	31.12.2019
On-balance sheet items (excluding derivatives, securities financing transactions but including collateral)	29,885	26,786
Asset amounts deducted in determining Tier 1 capital ¹	(411)	(403)
Total on-balance sheet exposures ¹	29,474	26,382
Replacement cost of derivative transactions	1,248	1,101
Add-on amounts for potential future exposure of derivative transactions	9,825	10,588
Receivable assets for cash variable margin for derivative transactions	(2,003)	(1,560)
Exempted CCP transactions	(4,042)	(3,672)
Adjusted notional of written credit derivatives	1,769	1,652
Adjusted effective notional offsets & add-on deductions for written credit derivatives	(1,769)	(1,652)
Total derivative exposures	5,028	6,456
Gross securities financing transaction assets	25,214	19,796
Netted amounts of cash payables and receivables of gross securities financing transaction assets	(19,692)	(13,310)
Counterparty credit risk exposure for securities financing transaction assets	793	1,186
Total securities financing transaction exposures	6,315	7,672
Off-balance sheet exposures at gross notional amounts	9,465	8,618
Adjustments for conversion to credit equivalent amounts	(8,135)	(7,200)
Total other off-balance sheet assets	1,330	1,418
Total leverage ratio exposure ¹	42,147	41,929
Tier 1 Capital ¹	4,026	3,981
Leverage Ratio¹	9.55%	9.49%

¹ Following the ECB's recommendation to EU financial institutions to refrain from capital distributions until 1 January 2021, regulatory capital, retained earnings and related metrics as of YE 2019 have been restated in line with the regulatory submissions to reflect the increased capital and included profit for 2019.

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>	30.06.2020	31.12.2019
Total assets	52,671	46,247
Adjustments for derivative instruments	(11,797)	(6,515)
Adjustments for securities financing transactions (SFTs)	355	1,182
Adjustments for off-balance sheet items	1,330	1,418
Other adjustments ¹	(412)	(403)
Total¹	42,147	41,929

¹ Following the ECB's recommendation to EU financial institutions to refrain from capital distributions until 1 January 2021, regulatory capital, retained earnings and related metrics as of YE 2019 have been restated in line with the regulatory submissions to reflect the increased capital and included profit for 2019.

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

Split of balance sheet exposures

<i>EUR million</i>	30.06.2020	31.12.2019
Total on-balance sheet exposures (excluding derivatives, SFTs, exempted exposures)	27,881	25,225
Trading book exposures	4,694	4,086
Banking book exposures	23,187	21,139
<i>of which:</i>		
<i>Sovereigns</i>	11,907	9,043
<i>Local and regional government, public sector and supranationals not treated as sovereigns</i>	1,219	839
<i>Institutions</i>	3,162	3,485
<i>Corporate</i>	5,603	6,259
<i>Exposures in default</i>	50	50
<i>Covered bonds</i>	1,072	1,324
<i>Other exposures</i>	174	139

The company's capital management framework includes an integrated approach to manage capital and leverage including triggers, monitors, planning and reporting.

The leverage ratio is reported on a regular basis against Management Board established triggers. The leverage ratio, own funds and leverage denominator are reported to the ALCO and Management Board on a regular basis. Material movements in

own funds or leverage ratio denominator are investigated and analysed.

These assist the ALCO and Management Board to assess whether any actions or mitigation plans should be put in place.

Covid-19 Disclosures

The following table provides an overview of the credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis, in accordance with EBA/GL/2020/02.

Application of moratoria is on a case by case basis on own merits. Usually involves extension of bullet mortgage (with continued payment of interest) or if under legislative moratoria - suspension of capital and interest payments. There have been no economic losses or provisions so far.

Covid-19 Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

	Gross carrying amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk				Gross carrying amount
	Performing		Non performing		Performing		Non performing		
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due <= 90 days	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due <= 90 days	
<i>EUR million</i>									Inflows to non-performing exposures
Loans and advances subject to moratorium	7	7	-	-	-	-	-	-	
<i>of which: Households</i>	1	1							
<i>of which: Collateralised by residential immovable property</i>	1	1							
<i>of which: Non-financial corporations</i>	6	6							
<i>of which: Small and Medium-sized Enterprises</i>	6	6							
<i>of which: Collateralised by commercial immovable property</i>	6	6							

The following table provides an overview of the volume of loans and advances subject to legislative and non-legislative moratoria in accordance with EBA/GL/2020/02 by residual maturity of these moratoria.

Length of the moratoria is agreed on a case by case basis with the client based on the merits of the case. For legislative moratoria we are bound by the government laws. Further extensions would also be agreed on a case by cases basis.

Covid-19 Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

EUR million	Gross carrying amount							
	Number of obligors	Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 1 year	
Loans and advances for which moratorium was offered	13	7						
Loans and advances subject to moratorium (granted)	7	6	2	-	2	-		4
<i>of which: Households</i>		-	-		-			
<i>of which: Collateralised by residential immovable property</i>		-	-		-			
<i>of which: Non-financial corporations</i>		6	2		2			4
<i>of which: Non-financial corporations</i>		6	2		2			4
<i>of which: Small and Medium-sized Enterprises</i>		6	2		2			4

As of 30 June 2020, there were no newly originated loans and advances subject to public guarantee schemes introduced in response to COVID-19 crisis.

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