



UBS Europe SE

30 June 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 30 June 2019.

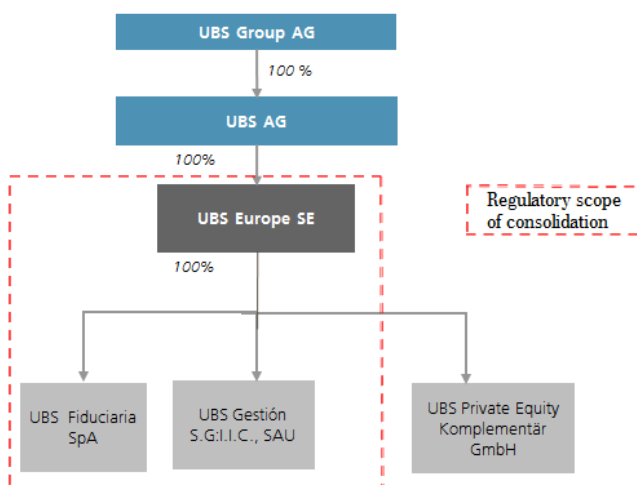
The capital adequacy framework consists of three pillars each of which focuses on a different aspect of adequacy. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market, operational and non-counterparty related risks faced by banks. Pillar 2 addresses the principles 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.



Key ratios

Key ratios

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

| | | |
|--|-----------------|----------|
| <i>EUR million</i> | 30.06.19 | 31.03.19 |
| Total Credit Exposure | 27,964 | 28,639 |
| Total RWA | 13,603 | 14,540 |
| <i>Of which credit risk (including CVA Risk)</i> | 9,823 | 10,666 |
| <i>Of which market risk</i> | 695 | 789 |
| <i>Of which operational risk</i> | 3,085 | 3,085 |
| Capital Ratio - CET1 | 26.07% | 24.56% |
| Capital Ratio - Tier 1 | 28.20% | 26.56% |
| Capital Ratio - Total Capital | 28.20% | 26.56% |
| Total Leverage Ratio exposures | 52,619 | 50,901 |
| Leverage Ratio | 7.29% | 7.59% |
| Liquidity Coverage Ratio | 177% | 214% |
| Eligible liability instruments ¹ | 1,850 | |
| Total own funds and Eligible liabilities | 5,686 | |
| Total own funds and Eligible liabilities as a percentage of RWA | 41.80% | |
| Total own funds and Eligible liabilities as a percentage of Leverage exposure | 10.81% | |

¹ This is a new requirement since the implementation of CCR2 on the 28th June 2019.

Own funds

Reconciliation of balance sheet total equity to regulatory capital

The following table provides a reconciliation of total equity per the balance sheet to the total regulatory capital in accordance with CRR (575/2013) Article 437 1(a) and Annex I of Commission Implementing Regulation (EU) 1423/2013.

Reconciliation of balance sheet total equity to regulatory capital

| | |
|---|-----------------|
| <i>EUR million</i> | 30.06.19 |
| Balance sheet total equity | 4,410 |
| Add: | |
| Tier 2 instruments classified as other liabilities | — |
| Less: | |
| Prudential Valuation adjustment | (28) |
| Deferred tax assets | (9) |
| Intangibles assets | (369) |
| Gains or losses on balance sheet amounts valued at fair value resulting from changes in own credit standing | (25) |
| Unaudited current year profits | (103) |
| Other comprehensive income and reserves | (41) |
| Total Own Funds | 3,836 |

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> | 30.06.19 | 31.03.19 |
|---|--------------|--------------|
| Common Equity Tier 1 capital instruments and the related share premium accounts | 3,976 | 4,007 |
| <i>of which:</i> | | |
| <i>Paid up Capital Instruments</i> | 446 | 446 |
| <i>Share Premium</i> | 324 | 324 |
| <i>Retained earnings</i> | 37 | 37 |
| <i>Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)</i> | 3,169 | 3,200 |
| Common Equity Tier 1 (CET1) capital before regulatory adjustments | 3,976 | 4,007 |
| Prudential valuation adjustment | (28) | (33) |
| Intangible assets | (369) | (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) | (9) |
| Gains or losses on balance sheet amounts valued at fair value resulting from changes in own credit standing | (25) | (25) |
| Total Common Equity Tier 1 capital | 3,546 | 3,571 |
| 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 | 3,836 | 3,861 |
| Tier 2 capital instruments and the related share premium accounts | – | – |
| Total Tier 2 capital | – | – |
| Total Own Funds | 3,836 | 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 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.

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

| EUR million | 30.06.19 | | 31.03.19 | |
|---|---------------|----------------------|----------|----------------------|
| | RWA | Capital Requirements | RWA | Capital Requirements |
| Credit Risk (excluding CCR) | 4,869 | 389 | 4,799 | 384 |
| of which the standardised approach | 4,869 | 389 | 4,799 | 384 |
| 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 | 4,843 | 387 | 5,818 | 465 |
| of which mark to market and financial collateral comprehensive method ¹ | 1,880 | 150 | 2,136 | 171 |
| of which original exposure | – | – | – | – |
| of which the standardised approach | – | – | – | – |
| of which the internal model method (IMM) and internal model approach (IMA) ² | 2,125 | 170 | 2,696 | 216 |
| of which risk exposure amount for contributions to the default fund of a CCP | 46 | 4 | 64 | 5 |
| of which CVA | 792 | 63 | 922 | 74 |
| Settlement risk | 111 | 9 | 49 | 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 | 695 | 56 | 789 | 63 |
| 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 | 13,603 | 1,088 | 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.

The main driver for the decrease in total RWA was a €0.5bn reduction in OTC credit risk exposure.

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 Europe SE does not utilise advanced methodologies these disclosures are derived under the standardised approach.

EU MR1: Market Risk under the standardised approach

| <i>EUR million</i> | 30.06.19 | | 31.03.19 | |
|---|------------|----------------------|------------|----------------------|
| | RWAs | Capital requirements | RWAs | Capital requirements |
| Outright products | | | | |
| Interest rate risk (general and specific) | 489 | 39 | 451 | 36 |
| Equity Risk (general and specific) | 10 | 1 | 10 | 1 |
| Foreign exchange risk | 161 | 13 | 281 | 22 |
| Commodity risk | – | – | – | – |
| Options | | | | |
| Simplified approach | – | – | – | – |
| Delta-plus method | 35 | 3 | 46 | 4 |
| Scenario approach | – | – | – | – |
| Securitisation (specific risk) | – | – | – | – |
| Total | 695 | 56 | 789 | 63 |

Exposure to counterparty credit risk

EU CCR1 – Analysis of CCR exposure by approach

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

| EUR million | Notional | Replacement cost/current MV | PFCE | EEPE | Multiplier | EAD post CRM | RWA |
|--|----------|-----------------------------|-------|-------|------------|--------------|--------------|
| Mark to market | | 773 | 5,599 | | | 3,817 | 1,283 |
| Original Exposure | – | | | | | – | – |
| Standardised approach | | – | | | – | – | – |
| IMM for derivatives and SFTs | | | | 3,580 | 1.6 | 3,390 | 1,808 |
| <i>of which SFTs</i> | | | | – | – | – | – |
| <i>of which derivatives and long settlement transactions</i> | | | | 3,580 | 1.6 | 3,390 | 1,808 |
| <i>of which from contractual cross product netting</i> | | | | – | – | – | – |
| Financial collateral simple method (for SFTs) | | | | | | – | – |
| Financial collateral comprehensive method (for SFTs) | | | | | | 1,656 | 598 |
| IMA for SFTs | | | | | | 1,955 | 316 |
| Total | | | | | | | 4,005 |

EU CCR2 CVA capital charge

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

| 30.06.19 | Exposure value | RWA |
|---|-------------------|------------|
| <i>EUR million</i> | | |
| 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 | 2,224 | 792 |
| Based on the original exposure method | - | - |
| Total subject to the CVA charge | 2,224 | 792 |

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

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

| 30.06.19 | Risk Weight | | | | | | | | | | | Total | Of which unrated |
|---|-------------|--------------|----------|----------|--------------|--------------|----------|----------|--------------|----------|----------|---------------|------------------|
| EUR million | 0% | 2% | 4% | 10% | 20% | 50% | 70% | 75% | 100% | 150% | Other | | |
| Exposure classes | | | | | | | | | | | | | |
| Central governments and central banks | 470 | – | – | – | 1 | – | – | – | – | – | – | 471 | 267 |
| Regional governments and local authorities | – | – | – | – | 1 | 2 | – | – | 52 | – | – | 55 | 33 |
| Public sector entities | – | – | – | – | 16 | – | – | – | 52 | – | – | 67 | 59 |
| Multilateral development banks | 1 | – | – | – | – | – | – | – | – | – | – | 1 | – |
| International Organisations | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Institutions | – | 3,169 | – | – | 1,624 | 2,277 | – | – | 141 | 5 | – | 7,215 | 798 |
| Corporates | – | – | – | – | 734 | 109 | – | – | 2,020 | – | – | 2,864 | 1,953 |
| Retail | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Institutions and corporates with a short-term credit assessment | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Other items | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Total | 471 | 3,169 | – | – | 2,375 | 2,388 | – | – | 2,265 | 5 | – | 10,673 | 3,110 |

| 31.03.19 | Risk Weight | | | | | | | | | | | Total | Of which unrated |
|---|-------------|--------------|----------|----------|--------------|--------------|----------|----------|--------------|-----------|----------|---------------|------------------|
| EUR million | 0% | 2% | 4% | 10% | 20% | 50% | 70% | 75% | 100% | 150% | Other | | |
| 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 main driver of the €0.8bn reduction in Institutions at 50% relates to reduced OTC credit exposure to financial institutions.

EU CCR5-A – Impact of netting and collateral held on exposure values

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

| 30.06.19 | Gross positive fair value ¹ | Netting benefits | Netted current credit exposure | Collateral held | Net credit exposure |
|--------------------|--|------------------|--------------------------------|-----------------|---------------------|
| <i>EUR million</i> | | | | | |
| Derivatives | 17,460 | 6,390 | 11,070 | 3,863 | 7,207 |
| SFTs | 24,520 | – | 24,520 | 20,909 | 3,611 |
| Total | 41,980 | 6,390 | 35,590 | 24,772 | 10,818 |

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.

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

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

| 30.06.19 | 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 | – | 10,335 | – | 7,099 | 2,964 | 10,322 |
| Non-cash | 2,448 | 3,553 | 472 | 3,296 | 47,350 | 36,870 |
| Total | 2,448 | 13,887 | 472 | 10,395 | 50,314 | 47,192 |

EU CCR6 - Credit derivatives exposures

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

EU CCR6 - Credit derivative exposures

30.06.19

EUR million

| | Protection bought | Protection sold | Other |
|----------------------------------|-------------------|-----------------|----------|
| Notionals | | | |
| Single name credit default swaps | 1,277 | 814 | - |
| Multi name credit default swaps | 917 | 916 | - |
| Total Notionals | 2,194 | 1,730 | - |
| Fair values | | | |
| Positive fair value (asset) | 22 | 25 | - |
| Negative fair value (liability) | 35 | 19 | - |

EU CCR7 – RWA flow statement of CCR exposures under the IMM

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

| 30.06.19 | RWA Amounts | Capital Requirements |
|--|--------------|----------------------|
| <i>EUR Million</i> | | |
| RWAs as at the end of the previous reporting period (31.03.19) | 2,289 | 183 |
| Asset size | (477) | (38) |
| Credit quality of counterparties | – | – |
| 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 (30.06.19) | 1,808 | 145 |

EU CCR8 – Exposures to CCPs

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

30.06.19

| <i>EUR million</i> | Exposure value | RWA |
|---|----------------|------------|
| Exposures to QCCPs (total)¹ | | 271 |
| Exposures for trades at QCCPs; of which | 3,918 | 225 |
| (i) OTC derivatives | 1,294 | 62 |
| (ii) Exchange-traded derivatives | 938 | 100 |
| (iii) SFTs | 1,684 | 50 |
| (iv) Netting sets where cross-product netting has been approved | – | – |
| Segregated initial margin | – | – |
| Non-segregated initial margin | – | – |
| Prefunded default fund contributions | 69 | 46 |
| 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 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 standardized approach.

EU CR5 - Standardised approach ¹

30.06.19

| <i>EUR million</i> | 0% | 2% | 4% | 10% | 20% | 50% | 70% | 75% | 100% | 150% | 250% | 1250% | Others | Total | Of which unrated |
|--|---------------|--------------|----------|----------|--------------|--------------|----------|----------|--------------|------------|----------|----------|----------|---------------|------------------|
| Central governments and central banks | 9,551 | - | - | - | 1 | - | - | - | - | - | - | - | - | 9,552 | 8,804 |
| Regional governments and local authorities | 324 | - | - | - | 35 | 2 | - | - | 52 | - | - | - | - | 413 | 34 |
| Public sector entities | 535 | - | - | - | 328 | - | - | - | 52 | - | - | - | - | 914 | 110 |
| Multilateral development banks | 292 | - | - | - | - | - | - | - | - | - | - | - | - | 292 | - |
| International organisations | 51 | - | - | - | - | - | - | - | - | - | - | - | - | 51 | - |
| Institutions | 371 | 3,169 | - | - | 3,562 | 2,369 | - | - | 146 | 5 | - | 7 | - | 9,629 | 1,039 |
| Corporates | - | - | - | - | 800 | 132 | - | - | 5,876 | 117 | - | 2 | - | 6,926 | 5,519 |
| Retail | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Secured by Mortgages on immovable property | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exposures in default | - | - | - | - | - | - | - | - | - | 17 | - | - | - | 17 | 17 |
| Items of high risk | - | - | - | - | - | - | - | - | - | 10 | - | - | - | 10 | 10 |
| Covered bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Collective investment undertakings | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity Exposures | - | - | - | - | - | - | - | - | - | - | 1 | - | - | 1 | 1 |
| Other Items | 2 | - | - | - | - | - | - | - | 160 | - | - | - | - | 161 | 161 |
| Grand Total | 11,125 | 3,169 | - | - | 4,726 | 2,503 | - | - | 6,286 | 148 | 1 | 9 | - | 27,964 | 15,695 |

31.03.19

| <i>EUR million</i> | 0% | 2% | 4% | 10% | 20% | 50% | 70% | 75% | 100% | 150% | 250% | 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 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Collective investment undertakings | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity Exposures | - | - | - | - | - | - | - | - | - | - | - | - | 1 | 1 | 1 |
| Other Items | 2 | - | - | - | - | - | - | - | 369 | - | - | - | - | 370 | 370 |
| Grand Total | 11,446 | 3,179 | - | - | 3,689 | 3,349 | - | - | 6,733 | 238 | - | 5 | 1 | 28,639 | 16,422 |

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

The main driver for the €0.7bn increase in Institutions at 20% relates to an increase in margin for exchange traded derivatives. The main driver for the €(0.8)bn decrease in Institutions at 50% relates to reduced OTC credit exposure to financial institutions.

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 Europe SE these are not deemed to be material and are excluded from these Pillar 3 disclosures.

External credit assessment institutions

Use of external credit assessment institutions (ECAIs)

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

EU CR3 – Credit risk mitigation techniques - Overview

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

| 30.06.19 | 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 | 13,072 | 4,888 | 4,888 | – | – |
| Total debt securities | 3,531 | – | – | 13 | – |
| Total exposures | 16,603 | 4,888 | 4,888 | 13 | – |
| <i>of which defaulted</i> | – | – | – | – | – |

EU CR4 – Standardised approach – credit risk exposure and CRM techniques

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

| 30.06.19 | 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 | 9,081 | – | 9,081 | – | – | 0% |
| Regional governments and local authorities | 357 | – | 357 | – | 7 | 2% |
| Public sector entities | 895 | 29 | 847 | – | 63 | 7% |
| Multilateral development banks | 291 | – | 291 | – | – | 0% |
| International organisations | 51 | – | 51 | – | – | 0% |
| Institutions | 3,753 | 1 | 2,414 | – | 526 | 22% |
| Corporates | 6,890 | 8,302 | 3,383 | 678 | 4,073 | 100% |
| Exposures in default | 25 | – | 17 | – | 25 | 150% |
| Items associated with particularly high risk | – | 20 | – | 10 | 15 | 150% |
| Equity | 1 | – | 1 | – | 2 | 250% |
| Other items | 161 | – | 161 | – | 160 | 99% |
| Total | 21,505 | 8,352 | 16,603 | 689 | 4,869 | 28% |

Liquidity

Liquidity coverage ratio (LCR)

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

Liquidity Coverage Ratio

| Consolidated | | | |
|--------------------------|------------------------------------|-----------------|-----------------|
| <i>EUR million</i> | | | |
| Quarter Ended on: | | 30/06/19 | 31/03/19 |
| 21 | Liquidity Buffer | 14,367 | 14,770 |
| 22 | Total net cash outflows | 8,200 | 6,895 |
| 23 | Liquidity coverage ratio(%) | 177% | 214% |

The above table shows UBS Europe SE's average LCR for the four month periods ending on 30th June 2019 and the actual period end on 31st March 2019. Meaningful 12 month averages ending on the current and previous quarter end are not reported because the entity's liquidity profile has materially changed since the cross border merger on 1st March 2019.

Over those periods the rolling average LCR ratio exceeded the Pillar 1 regulatory minimum requirement (100%). Net cash outflows increased by EUR 1.3 billion, largely due to Treasury activities.

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> | 30.06.19 | 31.03.19 |
|--|--------------|--------------|
| On-balance sheet items (excluding derivatives, securities financing transactions but including collateral) | 28,599 | 27,765 |
| Asset amounts deducted in determining Tier 1 capital | (377) | (377) |
| Total on-balance sheet exposures | 28,221 | 27,388 |
| Replacement cost of derivative transactions | 1,948 | 1,761 |
| Add-on amounts for potential future exposure of derivative transactions | 15,230 | 15,150 |
| Receivable assets for cash variable margin for derivative transactions | (1,893) | (1,712) |
| Exempted CCP transactions | (7,065) | (6,503) |
| Adjusted notional of written credit derivatives | 1,730 | 1,657 |
| Adjusted effective notional offsets & add-on deductions for written credit derivatives | (1,730) | (1,657) |
| Total derivative exposures | 8,219 | 8,697 |
| Gross securities financing transaction assets | 34,899 | 37,473 |
| Netted amounts of cash payables and receivables of gross securities financing transaction assets | (20,941) | (24,626) |
| Counterparty credit risk exposure for securities financing transaction assets | 833 | 857 |
| Total securities financing transaction exposures | 14,791 | 13,704 |
| Off-balance sheet exposures at gross notional amounts | 8,352 | 5,231 |
| Adjustments for conversion to credit equivalent amounts | (6,965) | (4,118) |
| Total other off-balance sheet assets | 1,387 | 1,113 |
| Total leverage ratio exposure | 52,619 | 50,901 |
| Tier 1 Capital | 3,836 | 3,861 |
| Leverage Ratio | 7.29% | 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> | 30.06.19 | 31.03.19 |
|--|---------------|---------------|
| Total assets as per published financial statements | 60,987 | 56,687 |
| Adjustments for derivative instruments | (8,732) | (6,562) |
| Adjustments for securities financing transactions (SFTs) | (645) | 40 |
| Adjustments for off-balance sheet items | 1,387 | 1,113 |
| Other adjustments | (377) | (377) |
| Total | 52,619 | 50,901 |

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

Split of balance sheet exposures

| <i>EUR million</i> | 30.06.19 | 31.03.19 |
|--|---------------|----------|
| Total on-balance sheet exposures (excluding derivatives, SFTs, exempted exposures) | 26,705 | 26,061 |
| Trading book exposures | 4,672 | 3,758 |
| Banking book exposures | 22,033 | 22,303 |
| <i>of which:</i> | | |
| <i>Sovereigns</i> | 9,423 | 10,546 |
| <i>Local and regional government, public sector and supranationals not treated as sovereigns</i> | 1,253 | 226 |
| <i>Institutions</i> | 4,327 | 4,520 |
| <i>Corporate</i> | 6,865 | 6,671 |
| <i>Exposures in default</i> | 25 | 8 |
| Other exposures | 141 | 332 |

Contacts

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