

<p><b>Supplement No. 3 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 5 June 2019 to the Registration Document dated 27 November 2018 of UBS AG</p>
<p><b>Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 5 June 2019 to the already published Base Prospectus dated 14 June 2018 of UBS AG for the Issuance of Fixed Income Securities (Cash)</p>
<p><b>Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 5 June 2019 to the already published Base Prospectus dated 27 June 2018 of UBS AG for the offer of Warrants and other leveraged Securities</p>
<p><b>Supplement No. 5 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 5 June 2019 to the already published Base Prospectus dated 5 July 2018 of UBS AG for the offer of Securities</p>
<p><b>Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 5 June 2019 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 17 September 2018 of UBS AG and the Registration Document of UBS AG for the issuance of Portfolio Certificates linked to the Leading Global Trends Portfolio (ISIN CH0410019324)</p>
<p><b>Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 5 June 2019 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 20 September 2018 of UBS AG and the Registration Document of UBS AG for the issuance of Strategy Certificates on Gelfarth Select Strategy (ISIN CH0326223960)</p>
<p><b>Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 5 June 2019 to the already published Base Prospectus dated 10 October 2018 of UBS AG for the Issuance of Fixed Income Securities (Cash)</p>
<p><b>Supplement No. 4 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 5 June 2019 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 30 October 2018 of UBS AG and the Registration Document of UBS AG for the issuance of Portfolio Certificates linked to the Smart Health Care Portfolio (ISIN DE000US8MAR5)</p>
<p><b>Supplement No. 2 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 5 June 2019 to the already published Base Prospectus dated 27 March 2019 of UBS AG for the Issuance of Fixed Income Securities (Rates)</p>
<p><b>Supplement No. 1 pursuant to § 16 (1) of the German Securities Prospectus Act</b></p> <p>dated 5 June 2019 to the already published Base Prospectus dated 30 April 2019 of UBS AG for the offer of Securities</p>

**Supplement No. 1 pursuant to § 16 (1) of the German Securities Prospectus Act**

dated 5 June 2019 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 6 May 2019 of UBS AG and the Registration Document of UBS AG for the issuance of Open End Certificates linked to the UBS Global Quality Dividend Payers Total Return (EUR) Index (ISIN DE000UBS0QD1)

**Supplement No. 1 pursuant to § 16 (1) of the German Securities Prospectus Act**

dated 5 June 2019 to the already published tripartite Prospectus comprising the Summary and Securities Note dated 8 May 2019 of UBS AG and the Registration Document of UBS AG for the issuance of Portfolio Certificates linked to the PTAM Navigator Portfolio (ISIN CH0441698849)

**This supplement serves as update to the Registration Document, the Base Prospectuses dated 14 June 2018, 27 June 2018, 5 July 2018, 10 October 2018, 27 March 2019 and 30 April 2019 ("the Base Prospectuses") and the tripartite Prospectuses as mentioned above in connection to the following occurrence:**

The publication of the first quarter report as per 31 March 2019 of UBS Group AG on 25 April 2019 and UBS AG on 30 April 2019 (please refer to No. 1 in the table below).

The following table shows the updated information and reason for the update of the Registration Document, Base Prospectuses and tripartite Prospectuses, as mentioned above, and the revisions that have been made as a result thereof.

Updated information and reason for the update	Revisions
<p>1. Information regarding UBS AG have been updated pursuant to the above mentioned first quarter 2019 report.</p>	<p>The sections headed "Information about UBS AG", "Organisational Structure of UBS AG", "Business Overview", "Trend Information", "Administrative, Management and Supervisory Bodies of UBS AG", "Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses", "Litigation, Regulatory and Similar Matters", "Significant Changes in the Financial or Trading Position; Material Adverse Changes in Prospects" and "Documents on Display" in the Registration Document.</p> <p>The UBS Group First Quarter 2019 Report is added as Appendix 14 to the Registration Document.</p> <p>The UBS AG First Quarter 2019 Report is added as Appendix 15 to the Registration Document.</p> <p>The information in the Elements B.4b, B.5, and B.12 of the Summary and the Risk Factors in the Base Prospectuses and tripartite Prospectuses.</p>

**The attention of the investors is in particular drawn to the following: Investors who have already agreed to purchase or subscribe for the Notes, Certificates, Bonds or Securities, as the case may be, before this supplement is published have, pursuant to § 16 (3) of the German Securities Prospectus Act, the right, exercisable within a time limit of two working days after the publication of this supplement, to withdraw their acceptances, provided that the new circumstances or the incorrectness causing the supplement occurred before the closing of the public offering and before the delivery of the securities. A withdrawal, if any, of an order must be communicated in writing to one of the following offices of the Issuer: UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland; UBS AG, Aeschenvorstadt 1, 4051 Basle, Switzerland; UBS AG, Jersey Branch, 24 Union Street, St. Helier JE2 3RF, Jersey, Channel Islands; UBS AG, London Branch, 5 Broadgate, London EC2M 2QS, United Kingdom also specified in the address list which can be found on page 50 of this supplement.**

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## 1) Registration Document

**In the section headed "IV. Information about UBS AG" (page 20 of the Registration Document) the first, second and third subparagraph have been completely replaced as follows:**

"UBS AG with its subsidiaries (together, "UBS AG consolidated", or "UBS AG Group"; together with UBS Group AG, which is the holding company of UBS AG, and its subsidiaries, "UBS Group", "Group", "UBS" or "UBS Group AG consolidated") provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Corporate Center and four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS's strategy is centered on its leading global wealth management business and its premier personal and corporate banking business in Switzerland, complemented by its focused investment bank and global asset manager. UBS concentrates on capital-efficient businesses in its targeted markets, where UBS has a strong competitive position and an attractive long-term growth or profitability outlook.

On 31 March 2019, UBS Group's common equity tier 1 ("CET1") capital ratio was 13.0%, the CET1 leverage ratio was 3.80%, the total loss-absorbing capacity ratio was 32.7%, and the total loss-absorbing capacity leverage ratio was 9.6%.<sup>1</sup> On the same date, invested assets stood at USD 3,318 billion, equity attributable to shareholders was USD 53,667 million and market capitalisation <sup>2</sup> was USD 45,009 million. On the same date, UBS employed 67,481 people <sup>3</sup>.

On 31 March 2019, UBS AG consolidated CET1 capital ratio was 13.1%, the CET1 leverage ratio was 3.83%, the total loss-absorbing capacity ratio was 32.2%, and the total loss-absorbing capacity leverage ratio was 9.4%.<sup>1</sup> On the same date, invested assets stood at USD 3,318 billion and equity attributable to UBS AG shareholders was USD 53,216 million. On the same date, UBS AG Group employed 47,773 people <sup>3</sup>.

**All paragraphs of the section headed "V. Organisational Structure of UBS AG " (starting on page 23 of the Registration Document) are completely replaced by the following text:**

"UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. UBS operates as a group with four business divisions and a Corporate Center.

In 2014, UBS began adapting its legal entity structure to improve the resolvability of the Group in response to too big to fail requirements in Switzerland and recovery and resolution regulation in other countries in which the Group operates. In December 2014, UBS Group AG became the holding company of the Group.

In 2015, UBS AG transferred its personal & corporate banking and wealth management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. In 2016, UBS Americas Holding LLC was designated as the intermediate holding company for UBS's US subsidiaries and UBS merged its wealth management subsidiaries in various European countries into UBS Europe SE, UBS's German-headquartered European subsidiary. Additionally, UBS transferred the majority of Asset Management's operating subsidiaries to UBS Asset Management AG.

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<sup>1</sup> All figures based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "*Capital management*" section of the Annual Report 2018 and of the First Quarter 2019 Report, as defined herein, for more information.

<sup>2</sup> The calculation of market capitalization has been amended to reflect total shares outstanding multiplied by the share price at the end of the period. The calculation was previously based on total shares issued multiplied by the share price at the end of the period.

<sup>3</sup> Full-time equivalents.

UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG, was established in 2015 and acts as the Group service company. In 2017, UBS's shared services functions in Switzerland and the UK were transferred from UBS AG to UBS Business Solutions AG. UBS also completed the transfer of shared services functions in the US to its US service company, UBS Business Solutions US LLC, a wholly owned subsidiary of UBS Americas Holding LLC.

In March 2019, UBS Limited, UBS's UK headquartered subsidiary, was merged into UBS Europe SE prior to the UK's scheduled departure from the EU. Former clients and other counterparties of UBS Limited who can be serviced by UBS AG's London Branch were migrated to UBS AG's London Branch prior to the merger.

UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments. Such changes may include further consolidation of operating subsidiaries in the EU and adjustments to the booking entity or location of products and services. Refer to "Risk Factors - UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Terms and Conditions do not contain any restrictions on the Issuer's or UBS's ability to restructure its business" above.

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2018, including interests in significant subsidiaries, are discussed in "Note 31 Interests in subsidiaries and other entities" to the UBS Group AG's consolidated financial statements included in the UBS Group AG and UBS AG Annual Report 2018 published on 15 March 2019 ("**Annual Report 2018**").

UBS AG's interests in subsidiaries and other entities as of 31 December 2018, including interests in significant subsidiaries, are discussed in "Note 31 Interests in subsidiaries and other entities" to the UBS AG's consolidated financial statements included in the Annual Report 2018.

UBS AG is the parent company of, and conducts a significant portion of its operations through, its subsidiaries. UBS AG has contributed a significant portion of its capital and provides substantial liquidity to subsidiaries. In addition, UBS Business Solutions AG provides substantial services to group companies including UBS AG and its subsidiaries. To this extent, UBS AG is dependent on certain of the entities of the UBS AG Group and of the UBS Group."

**In the section headed "VI. Business Overview" (starting on page 24 of the Registration Document) is completely replaced by the following text:**

**"Business Divisions and Corporate Center**

UBS operates as a group with four business divisions (Global Wealth Management, Personal & Corporate Banking, Asset Management, and the Investment Bank) and a Corporate Center. Each of the business divisions and the Corporate Center are described below. A description of the Group's strategy can be found under "Our strategy" in the "Our strategy, business model and environment" section of the Annual Report 2018; a description of the businesses, strategies, clients, organisational structures, products and services of the business divisions and the Corporate Center can also be found in the "Our strategy, business model and environment" section of the Annual Report 2018.

**Global Wealth Management**

Global Wealth Management provides investment advice and solutions to private clients, in particular in the ultra high net worth and high net worth segments. Clients benefit from Global Wealth Management's comprehensive set of capabilities, including wealth planning, investing, lending, asset protection, philanthropy, corporate and banking services as well as family office services in collaboration with the Investment Bank and Asset Management. Global Wealth Management has a global footprint, with the US representing its largest market. Clients are served through local offices and dedicated advisors. The ultra high net worth business is managed globally across the regions.

## **Personal & Corporate Banking**

Personal & Corporate Banking provides comprehensive financial products and services to private, corporate and institutional clients and operates in Switzerland in the private and corporate loan market. Personal & Corporate Banking is central to UBS's universal bank model in Switzerland and it works with the wealth management, investment bank and asset management businesses to help clients receive the best products and solutions for their specific financial needs. While Personal & Corporate Banking operates primarily in its home market of Switzerland, it also provides capabilities to support the growth of the international business activities of UBS's corporate and institutional clients through local hubs in Frankfurt, New York, Hong Kong and Singapore. The business is divided into Personal Banking and Corporate & Institutional Clients (CIC).

## **Asset Management**

Asset Management is a large-scale and diversified global asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes, as well as platform solutions and advisory support, to institutions, wholesale intermediaries and Global Wealth Management clients around the world. Asset Management offers clients a wide range of investment products and services in different asset classes in the form of segregated, pooled or advisory mandates as well as registered investment funds in various jurisdictions. It covers the main asset management markets globally, with a presence in 23 countries grouped in four regions: the Americas; Europe, Middle East and Africa; Switzerland; and Asia Pacific.

## **Investment Bank**

The Investment Bank provides a range of services to institutional, corporate and wealth management clients to help them raise capital, grow their businesses, invest and manage risks. It is focused on its traditional strengths in advisory, capital markets, equities and foreign exchange, complemented by a targeted rates and credit platform. The Investment Bank uses its research and technology capabilities to support its clients as they adapt to the evolving market structures and changes in the regulatory, technological, economic and competitive landscape. The Investment Bank delivers solutions to corporate, institutional and wealth management clients, using its intellectual capital and electronic platforms. It also provides services to Global Wealth Management, Personal & Corporate Banking and Asset Management. It has a global reach, with a presence in 33 countries and principal offices in all major financial hubs.

## **Corporate Center**

Corporate Center provides services to the Group through the Corporate Center – Services and Group Treasury units. Corporate Center also includes the Non-core and Legacy Portfolio unit. Corporate Center – Services consists of the Group Chief Operating Officer area (Group Technology, Group Corporate Services, Group Human Resources, Group Operations and Group Sourcing), Group Finance (excluding Group Treasury), Group Legal, Group Risk Control, Communications & Branding, Group Compliance, Regulatory & Governance, and UBS in society. Group Treasury manages the structural risk of UBS's balance sheet, including interest rate risk, structural foreign exchange risk and collateral risk, as well as the risks associated with the Group's liquidity and funding portfolios. Group Treasury also seeks to optimize financial performance by matching assets and liabilities. Group Treasury serves all business divisions and the other Corporate Center units through three main risk management areas, and its risk management is fully integrated into the Group's risk governance framework. Non-core and Legacy Portfolio manages legacy positions from businesses exited by the Investment Bank. It is overseen by a committee chaired by the Group Chief Risk Officer.

Beginning with the first quarter 2019 report, UBS provides results for total Corporate Center only and does not separately report Corporate Center – Services, Group ALM and Non-core and Legacy Portfolio. Furthermore, UBS has operationally combined Group Treasury with Group ALM and calls this combined function Group Treasury. Refer to "Changes in Corporate Center segment reporting" under "Accounting, regulatory and legal developments" below for more information. Former Group ALM total risk management net income after allocations will continue to be disclosed as a separate line item. Prior-period information will be restated.

## Competition

The financial services industry is characterised by intense competition, continuous innovation, restrictive, detailed, and sometimes fragmented regulation and ongoing consolidation. UBS faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to UBS in their size and breadth. Barriers to entry in individual markets and pricing levels are being eroded by new technology. UBS expects these trends to continue and competition to increase.

## Recent Developments:

### *UBS AG (consolidated) key figures*

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2018, 2017 and 2016 from the Annual Report 2018, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2018 and comparative figures for the years ended 31 December 2017 and 2016. The selected consolidated financial information included in the table below for the quarter ended 31 March 2019 and 31 March 2018 was derived from the UBS AG First Quarter 2019 Report, which contains the UBS AG interim consolidated financial statements (unaudited), as well as additional unaudited consolidated financial information, for the quarter ended 31 March 2019 and comparative figures for the quarter ended 31 March 2018.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and are stated in US dollars. Effective from 1 October 2018, the functional currency of UBS Group AG and UBS AG’s Head Office in Switzerland changed from Swiss francs to US dollars and that of UBS AG’s London Branch from British pounds to US dollars, in compliance with the requirements of International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates. The presentation currency of UBS AG’s consolidated financial statements has changed from Swiss francs to US dollars to align with the functional currency changes of significant Group entities. Prior periods have been restated for this presentation currency change. Assets, liabilities and total equity were translated to US dollars at closing exchange rates prevailing on the respective balance sheet dates, and income and expenses were translated at the respective average rates prevailing for the relevant periods.

Information for the years ended 31 December 2018, 2017 and 2016 which is indicated as being unaudited in the table below was included in the Annual Report 2018, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2018 and the UBS AG First Quarter 2019 Report are incorporated by reference herein. Prospective investors should read the whole of this Prospectus and the documents incorporated by reference herein and should not rely solely on the summarized information set out below:

	As of or for the quarter ended		As of or for the year ended		
	31.3.19	31.3.18	31.12.18	31.12.17	31.12.16
<i>USD million, except where indicated</i>					
	<i>unaudited</i>		<i>audited, except where indicated</i>		
<b>Results</b>					
Operating income	7,343	8,301	30,642	30,044	28,831
Operating expenses	5,890	6,404	25,184	24,969	24,643
Operating profit / (loss) before tax	1,454	1,897	5,458	5,076	4,188
Net profit / (loss) attributable to shareholders	1,069	1,412	4,107	758	3,351
<b>Profitability and growth</b>					
Return on equity (%) <sup>1</sup>	8.1	10.7	7.9*	1.4*	6.0*
Return on tangible equity (%) <sup>2</sup>	9.3	12.3	9.1*	1.6*	6.9*



Return on common equity tier 1 capital (%) <sup>3</sup>	12.3	16.3	11.9*	2.3*	10.2*
Return on risk-weighted assets, gross (%) <sup>4</sup>	11.1	13.1	12.0*	12.8*	13.1*
Return on leverage ratio denominator, gross (%) <sup>5</sup>	3.2	3.6	3.4*	3.4*	3.2*
Cost / income ratio (%) <sup>6</sup>	80.0	76.9	81.9*	82.7*	85.4*
Net profit growth (%) <sup>7</sup>	(24.3)	16.4	441.9*	(77.4)*	(48.5)*
<b>Resources</b>					
Total assets	956,737	965,224	958,055	940,020	919,236
Equity attributable to shareholders	53,216	53,185	52,256	51,987	52,957
Common equity tier 1 capital <sup>8,9</sup>	34,933	35,060	34,608	34,100*	31,879*
Risk-weighted assets <sup>8</sup>	266,581	266,202	262,840*	242,725*	219,330*
Common equity tier 1 capital ratio (%) <sup>8</sup>	13.1	13.2	13.2*	14.0*	14.5*
Going concern capital ratio (%) <sup>8</sup>	17.0	15.9	16.1*	15.6*	16.3*
Total loss-absorbing capacity ratio (%) <sup>8</sup>	32.2	30.7	31.3*	31.4*	29.6*
Leverage ratio denominator <sup>8</sup>	911,410	926,914	904,458*	910,133*	855,718*
Common equity tier 1 leverage ratio (%) <sup>8</sup>	3.83	3.78	3.83*	3.75*	3.73*
Going concern leverage ratio (%) <sup>8</sup>	5.0	4.6	4.7*	4.2*	4.2*
Total loss-absorbing capacity leverage ratio (%) <sup>8</sup>	9.4	8.8	9.1*	8.4*	7.6*
<b>Other</b>					
Invested assets (USD billion) <sup>10</sup>	3,318	3,309	3,101	3,262	2,761
Personnel (full-time equivalents)	47,773	46,433	47,643*	46,009*	56,208*

\* unaudited

<sup>1</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. This measure provides information on the profitability of the business in relation to equity.

<sup>2</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. The definition of the numerator for return on tangible equity has been revised to align with numerators for return on equity and return on CET1 capital; i.e., it is no longer adjusted for amortization and impairment of goodwill and intangible assets. Prior periods have been restated. This measure provides information on the profitability of the business in relation to tangible equity.

<sup>3</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average common equity tier 1 capital. This measure provides information on the profitability of the business in relation to common equity tier 1 capital.

<sup>4</sup> Calculated as operating income before credit loss expense or recovery (annualized as applicable) / average risk-weighted assets. This measure provides information on the revenues of the business in relation to risk-weighted assets.

<sup>5</sup> Calculated as operating income before credit loss expense or recovery (annualized as applicable) / average leverage ratio denominator. This measure provides information on the revenues of the business in relation to leverage ratio denominator.

<sup>6</sup> Calculated as operating expenses / operating income before credit loss expense or recovery. This measure provides information on the efficiency of the business by comparing operating expenses with gross income.

<sup>7</sup> Calculated as change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. This measure provides information on profit growth in comparison with the prior-year period.

<sup>8</sup> Based on the Swiss systemically relevant bank framework as of 1 January 2020.

<sup>9</sup> The information as published in Swiss francs in the Annual Report 2017 for the period ended on 31 December 2017 (CHF 33,240 million) and in the UBS Group AG and UBS AG annual report 2016 for the period ended on 31 December 2016 (CHF 32,447 million) was audited.

<sup>10</sup> Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking.

## Revised gone concern capital requirements in Switzerland

In April 2019, the Swiss Federal Department of Finance issued a revised Capital Adequacy Ordinance for consultation. Among other items, the proposal introduces gone concern capital requirements for Swiss-based legal entities of global systemically important banks. Under the proposal, UBS AG would be subject to a gone concern capital requirement on its third-party exposure on a standalone basis, as well as to an additional gone concern capital buffer requirement on its consolidated exposure. UBS Switzerland AG would continue to be required to maintain gone concern capital. These gone concern requirements would become effective on 1 January 2020 and the buffer would be phased in in full between 1 January 2021 and 1 January 2024.

The proposal also caps the maximum gone concern rebate relevant for UBS Group AG consolidated and UBS AG at 1.25% of total exposure, compared with a maximum rebate level of 2.0% under the current regime.

Finally, the eligibility of bail-in bonds with a remaining maturity between one and two years would increase, from 50% under the current regime to 100% effective 1 January 2020; however, their share in total gone concern capital would be capped at 20%.

Based on its initial assessment, UBS would expect that when fully phased in on 1 January 2024, it would be required to maintain a gone concern leverage ratio of around 100 basis points higher than otherwise needed to meet the Group requirements.

#### UK withdrawal from the EU

The previously announced combined UK business transfer and cross-border merger of UBS Limited into UBS Europe SE became legally effective on 1 March 2019. As a result, UBS is able to continue to serve its 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 cross-border merger of UBS Limited into UBS Europe SE resulted in a combined balance sheet of EUR 57 billion. Following the merger, UBS Europe SE is subject to direct supervision by the European Central Bank and is considered a significant regulated subsidiary. Effective from the first quarter of 2019, UBS includes financial and regulatory information of UBS Europe SE in its quarterly and annual Group reporting.

The UK's Prudential Regulation Authority and Financial Conduct Authority have opened registration for the Temporary Permissions Regime ("TPR"). This regime will allow firms and funds domiciled in the European Economic Area ("EEA") that currently are passported into the UK to continue operating within the scope of their existing permissions for a limited period after the UK's withdrawal. UBS has provided TPR notifications for UBS subsidiaries in the EEA that currently passport into the UK, in order to ensure the continuity of UK regulatory permissions in the event of a no-deal scenario.

In addition, the European Securities and Markets Authority ("ESMA") has taken measures to mitigate potential disruptions in a no-deal scenario. It agreed to recognize the three UK-authorized central counterparties ("CCPs"): LCH Limited, ICE Clear Europe Ltd and LME Clear Limited. This will allow them to continue to provide clearing services in the EU for a limited period in a no-deal scenario and will avoid the need to migrate UBS Europe SE's current derivatives exposures from a UK CCP to an EU CCP ahead of the exit date. ESMA has also announced a recognition decision for the UK-authorized Central Securities Depository – Euroclear UK & Ireland Limited – for a limited period. This will make possible the continued use of the Euroclear UK & Ireland securities depository to settle Irish securities for as long as they are recognized by ESMA. These ESMA decisions will be effective from 31 October 2019 unless there is a change in circumstances.

#### Tailoring of regulation for foreign banks in the US

In April 2019, the US Federal banking agencies released two proposals that would tailor how certain capital and liquidity requirements and enhanced prudential standards ("EPS") apply to foreign banking organizations ("FBO") with significant US operations. Under the proposal, FBOs with USD 100 billion or more, over USD 250 billion and over USD 700 billion or more in combined US assets and their US intermediate holding companies ("IHC") would be assigned to categories based on their size in total assets and scores for four other risk-based indicators: non-bank assets, a weighted measure of short-term wholesale funding, off-balance sheet exposure and cross-jurisdictional activity. The category determined based

on calculations at the organizational level of an FBO's IHC, would determine capital requirements and capital-related EPS applicable to the FBO's IHC and, in some cases, a US depository institution subsidiary. The category, determined based on calculations at the organizational level of an FBO's combined US operations ("CUSO"), would determine liquidity requirements, liquidity-related EPS and other EPS applicable to the FBO's CUSO, IHC or certain US depository institution subsidiaries. The Federal Reserve Board has estimated that UBS would be a category III firm. In this category, among other things, UBS Americas Holding LLC would continue to be subject to annual assessments of its capital plan through the Comprehensive Capital Analysis and Review process, the supplementary leverage ratio, the newly applicable liquidity coverage ratio requirements and the proposed net stable funding ratio requirements. UBS is evaluating the proposal's implications.

#### IFRS 16, Leases

UBS has adopted IFRS 16, *Leases*, effective 1 January 2019, fundamentally changing how it accounts for operating leases when acting as a lessee. Upon adoption, assets and liabilities increased by USD 3.5 billion, with a corresponding increase in risk-weighted assets ("RWA") and leverage ratio denominator ("LRD").

In the income statement, the adoption of the new standard has resulted in increases in *Depreciation and impairment of property, equipment and software* and *Interest expense*, which have been partly offset by a decrease in *General and administrative expenses*. In the first quarter of 2019, this resulted in a net decrease in operating profit or loss of USD 12 million. For the full year 2019, IFRS 16 is expected to result in a total net decrease in operating profit or loss of approximately USD 60 million, with this effect reversing over the tenor of the leases. As permitted by IFRS 16, UBS elected not to restate prior-period information.

#### Presentation of dividend income and expense from financial instruments measured at fair value through profit or loss

Effective from 1 January 2019, UBS refined the presentation of dividend income and expense, reclassifying dividends from financial instruments measured at fair value through profit or loss from *Net interest income* to *Other net income from financial instruments measured at fair value through profit or loss* (prior to 1 January 2019: *Other net income from fair value changes on financial instruments*), in order to align the presentation of dividends with other associated fair value changes. There is no effect on *Total operating income* or *Net profit/(loss)*. The change reduces the significant volatility in *Net interest income* that previously arose on a quarterly basis.

Prior periods have been restated for this presentation change. For the financial year 2018, this resulted in a decrease of USD 976 million in *Net interest income* and a corresponding increase in *Other net income from financial instruments measured at fair value through profit or loss*.

#### Changes in Corporate Center cost and resource allocation to business divisions

In order to further align Group and divisional performance, UBS has adjusted its methodology for the allocation of Corporate Center funding costs and expenses to the business divisions. At the same time, UBS updated its funds transfer pricing framework to better reflect the sources and usage of funding. All of these changes were effective as of 1 January 2019. Prior periods have been restated.

Together, for the full year 2018, these changes reduced the business divisions' operating results and thereby increased their adjusted cost / income ratios by approximately 1–2

percentage points, while Corporate Center's 2018 operating loss before tax decreased by USD 0.7 billion.

In Corporate Center, UBS retain funding costs for deferred tax assets, costs relating to its legal entity transformation program and other costs not attributable to, or representative of the performance of, the business divisions.

Alongside the updates to cost allocations and to its funds transfer pricing framework, UBS increased the allocation of balance sheet resources from Corporate Center to the business divisions. For 2018, the restatement resulted in USD 26 billion of additional RWA and USD 93 billion of additional LRD allocated from Corporate Center to the business divisions.

The additional USD 3.5 billion RWA and LRD that resulted from the adoption of IFRS 16, *Leases*, have been fully allocated to the business divisions.

#### Changes in equity attribution

The aforementioned changes in resource allocation from Corporate Center to the business divisions are reflected in the equity attribution to the business divisions. Furthermore, UBS has updated its equity attribution framework, revising the capital ratio for RWA from 11% to 12.5% and incrementally allocating to business divisions USD 2 billion of attributed equity that is related to certain CET1 deduction items previously held centrally. In aggregate, UBS allocated USD 7 billion of additional attributed equity to the business divisions. The remaining attributed equity retained in Corporate Center primarily relates to deferred tax assets, dividend accruals and the Non-core and Legacy Portfolio. Prior periods have been restated.

For the full year 2018, the combined effect from the changes in equity attribution and the aforementioned changes in cost and resource allocation to the business divisions led to a 3–7 percentage point reduction in their respective return on attributed equity.

#### Changes in Corporate Center segment reporting

Beginning with the First Quarter 2019 Report and in compliance with IFRS 8, *Operating Segments*, UBS provides results for total Corporate Center only and does not separately report Corporate Center – Services, Group ALM and Non-core and Legacy Portfolio. Furthermore, UBS operationally combined Group Treasury with Group ALM and calls this combined function Group Treasury. Commentary on the performance of this function is included in the Corporate Center management discussion and analysis in UBS's quarterly and annual reporting, with total revenue information for this function presented under *Net treasury income* as a separate line item. Prior-period information has been restated. In addition, UBS provides in separate line items information on net operating income and operating expenses after allocations related to Non-core and Legacy Portfolio. "

**The paragraph in the section headed "VII. Trend Information" (starting on page 30 of the Registration Document) is completely replaced by the following text:**

"As indicated in the UBS Group First Quarter 2019 Report, the overall pace of growth has decreased as a result of a synchronized global slowdown. Economic growth and markets are expected to continue to recover and stabilize at different speeds across regions and asset classes. UBS is likely to benefit from this environment as a result of its regional and business diversification. Higher invested assets are expected to lead to an increase in recurring revenues in Global Wealth Management and Asset Management, compared with the first quarter of 2019. Further momentum would require a sustained improvement in market activity and client sentiment across our businesses. UBS will continue to execute its strategy with discipline, focusing on balancing efficiency and investments for

growth, to deliver on its capital return objectives and to create sustainable long-term value for UBS shareholders.

Refer to "Our environment" and "Risk factors" in the "Our strategy, business model and environment" section of the Annual Report 2018 for more information."

**The following sections within the section headed "VIII. Administrative, Management and Supervisory Bodies of UBS AG" (starting on page 30 of the Registration Document) are completely replaced by the following text:**

"UBS AG complies with all relevant Swiss legal and regulatory corporate governance requirements. As a foreign private issuer with debt securities listed on the NYSE, UBS AG also complies with the relevant NYSE corporate governance standards applicable to foreign private issuers.

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. The Board of Directors ("BoD") exercises the ultimate supervision over management, whereas the Executive Board ("EB"), headed by the President of the Executive Board ("President of the EB"), has executive management responsibility. The functions of Chairman of the BoD and President of the EB are assigned to two different people, ensuring a separation of power. This structure establishes checks and balances and preserves the institutional independence of the BoD from the day-to-day management of UBS AG, for which responsibility is delegated to the EB under the leadership of the President of the EB. No member of one board may simultaneously be a member of the other.

Supervision and control of the EB remain with the BoD. The authorities and responsibilities of the two bodies are governed by the Articles of Association and the Organization Regulations of UBS AG with their annexes.

### Board of Directors

The BoD consists of at least five and no more than twelve members. All the members of the BoD are elected individually by the Annual General Meeting of Shareholders ("**AGM**") for a term of office of one year, which expires after the completion of the next AGM. Shareholders also elect the Chairman upon proposal of the BoD.

The BoD meets as often as business requires, and at least six times a year.

### Members of the Board of Directors

Member and business address	Title	Term of office	Current principal positions outside UBS AG
Axel A. Weber  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chairman	2020	Chairman of the Board of Directors of UBS Group AG; board member of the Swiss Bankers Association; Trustees Board member of Avenir Suisse; Advisory Board member of the "Beirat Zukunft Finanzplatz"; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Advisory Panel, Monetary Authority of Singapore; member of the Group of Thirty, Washington, D.C.; Chairman of the Board of Trustees of DIW Berlin; Advisory Board member of the Department of Economics, University of Zurich; member of the Trilateral Commission.
David Sidwell  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Independent Vice Chairman	2020	Senior Independent Director and Independent Vice Chairman of the Board of Directors of UBS Group AG; Senior Advisor at Oliver Wyman, New York; board member of Chubb Limited; board member of GAVI Alliance; Chairman of the Board of Village Care, New York.
Jeremy Anderson UBS AG, Bahnhofstrasse	Member	2020	Member of the Board of Directors of UBS Group AG; trustee of the UK's Productivity Leadership Group; trustee of Kingham Hill Trust; trustee of St. Helen Bishopsgate.

45, CH-8001 Zurich			
William C. Dudley UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; senior research scholar at the Griswold Center for Economic Policy Studies at Princeton University; member of the Group of Thirty; member of the Council on Foreign Relations.
Reto Francioni  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; professor at the University of Basel; board member of Coca-Cola HBC AG (Senior Independent Non-Executive Director); Chairman of the board of Swiss International Air Lines AG; board member of Francioni AG; board member of MedTech Innovation Partners AG.
Fred Hu  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; non-executive chairman of the board of Yum China Holdings; board member of ICBC; board member of Hong Kong Exchanges and Clearing Ltd.; founder and chairman of Primavera Capital Group; board member of China Asset Management; board member of Minsheng Financial Leasing Co.; trustee of the China Medical Board; Governor of the Chinese International School; co-chairman of the Nature Conservancy's Asia Pacific Council; director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd.; Global Advisory Board member of the Council on Foreign Relations.
Julie G. Richardson UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; board member of The Hartford Financial Services Group, Inc. (chairman of the audit committee); Board member of Yext (chairman of the audit committee); board member of Vereit, Inc. (chairman of the compensation committee).
Isabelle Romy  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; partner and board member at Froriep Legal AG; professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; Vice Chairman of the Sanction Commission of SIX Swiss Exchange; member of the Fundraising Committee of the Swiss National Committee for UNICEF; Supervisory Board member of the CAS program Financial Regulation of the University of Bern and University of Geneva.
Robert W. Scully UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; board member of Chubb Limited; board member of Zoetis Inc.; board member of KKR & Co Inc.; board member of Teach For All.
Beatrice Weder di Mauro UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; Research Professor and Distinguished Fellow at INSEAD in Singapore; Supervisory Board member of Robert Bosch GmbH; board member of Bombardier Inc.; member of the ETH Zurich Foundation Board of Trustees.
Dieter Wemmer UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; board member of Ørsted A/S; member of the Berlin Center of Corporate Governance; senior advisor Texas Pacific Group.
Jeanette Wong  UBS AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; board member of Essilor International and EssilorLuxottica; board member of Jurong Town Corporation; board member of PSA International; board member of FFMC Holdings Pte. Ltd.; board member of Fullerton Fund Management Company Ltd.; member of the NUS Business School Management Advisory Board; member of the Global Advisory Board, Asia, for the University of Chicago Booth School of Business; member of the Securities Industry Council.

## Organizational principles and structure

Following each AGM, the BoD meets to appoint one or more Vice Chairmen, BoD committee members, and their respective Chairpersons. At the same meeting, the BoD appoints a Company Secretary, who acts as secretary to the BoD and its committees.

The BoD committees comprise the Audit Committee, the Compensation Committee and the Risk Committee. The BoD may set up other committees, including so-called ad hoc committees, if it deems such other committees appropriate or necessary.

### **Audit Committee**

The Audit Committee ("**AC**") consists of five BoD members, all of whom were determined by the BoD to be fully independent. As a group, members of the Audit Committee must have the necessary qualifications and skills to perform all of their duties and together must possess financial literacy and experience in banking and risk management.

The AC itself does not perform audits, but monitors the work of the external auditors who in turn are responsible for auditing UBS AG's consolidated and standalone annual financial statements and for reviewing the quarterly financial statements.

The function of the AC is to serve as an independent and objective body with oversight of: (i) UBS AG's accounting policies, financial reporting and disclosure controls and procedures, (ii) the quality, adequacy and scope of external audit, (iii) UBS AG's compliance with financial reporting requirements, (iv) the executives' approach to internal controls with respect to the production and integrity of the financial statements and disclosure of the financial performance, and (v) the performance of Internal Audit in conjunction with the Chairman of the BoD.

Together with the external auditors and Internal Audit, the AC in particular reviews the annual financial statements of UBS AG and, where applicable, the quarterly financial statements as well as the consolidated annual and quarterly financial statements and consolidated annual report of UBS AG, as proposed by management, in order to recommend their approval to the BoD or propose any adjustments the AC considers appropriate.

Periodically, and at least annually, the AC assesses the qualifications, expertise, effectiveness, independence and performance of the external auditors and their lead audit partner, in order to support the BoD in reaching a decision in relation to the appointment or dismissal of the external auditors and to the rotation of the lead audit partner. The BoD then submits these proposals to the shareholders for approval at the AGM.

The members of the AC are Jeremy Anderson (Chairperson), Isabelle Romy, Beatrice Weder di Mauro, Dieter Wemmer and Jeanette Wong.

### **Executive Board ("EB")**

Under the leadership of the President of the EB, the EB has executive management responsibility for UBS AG and its business. All EB members (with the exception of the President of the EB) are proposed by the President of the EB. The appointments are made by the BoD.

### **Members of the Executive Board**

<b>Member and business address</b>	<b>Function</b>	<b>Current principal positions outside UBS AG</b>
Sergio P. Ermotti  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President of the Executive Board	Member of the Group Executive Board and Group Chief Executive Officer of UBS Group AG; board member of UBS Switzerland AG; Chairman of the UBS Optimus Foundation board; Chairman of the Fondazione Ermotti, Lugano; Chairman and President of the board of the Swiss-American Chamber of Commerce; board member of the Global Apprenticeship Network; member of the Institut International D'Etudes Bancaires, member of the Saïd Business School Global Leadership Council, University of Oxford.
Martin Blessing  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	co-President Global Wealth Management	Member of the Group Executive Board and co-President Global Wealth Management of UBS Group AG; member of the Executive Board of Baden-Baden Entrepreneur Talks.
Christian Bluhm	Chief Risk Officer	Member of the Group Executive Board and Group Chief Risk

UBS AG, Bahnhofstrasse 45, CH-8001 Zurich		Officer of UBS Group AG; board member of UBS Switzerland AG; chairman of the Foundation Board – International Financial Risk Institute.
Markus U. Diethelm  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	General Counsel	Member of the Group Executive Board and Group General Counsel of UBS Group AG; chairman of the Swiss-American Chamber of Commerce's legal committee; Chairman of the Swiss Advisory Council of the American Swiss Foundation; member of the Foundation Council of the UBS International Center of Economics in Society; member of the Professional Ethics Commission of the Association of Swiss Corporate Lawyers; member of the Supervisory Board of the Fonds de Dotation LUMA / Arles.
Kirt Gardner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Financial Officer	Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; board member of UBS Business Solutions AG.
Robert Karofsky UBS AG, 1285 Avenue Of The Americas, New York, NY 10019, USA	Co-President Investment Bank	Member of the Group Executive Board and co-President Investment Bank of UBS Group AG; president and board member of UBS Securities LLC; trustee of the UBS Americas Inc. Political Action Committee.
Sabine Keller-Busse  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Operating Officer	Member of the Group Executive Board and Group Chief Operating Officer of UBS Group AG; board member of UBS Business Solutions AG; vice-chairman of the Board of Directors of SIX Group (Chairman of the nomination & compensation committee); Foundation Board member of the UBS Pension Fund; Foundation Board member of the University Hospital Zurich.
Edmund Koh  UBS AG, One Raffles Quay North Tower, Singapore 048583	President UBS Asia Pacific	Member of the Group Executive Board of UBS Group AG and President UBS Asia Pacific; member of the Wealth Management Institute at Nanyang Technological University Singapore; member of the Ministry of Finance's Committee on the Future Economy Sub-Committees; member of the Board of Next50 Limited; trustee of the Cultural Matching Fund; member of the Board of Medico Suites (S) Pte Ltd; member of the Board of Medico Republic (S) Pte Ltd.
Ulrich Körner  UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President Asset Management and President UBS Europe, Middle East and Africa	Member of the Group Executive Board, President Asset Management and President UBS Europe, Middle East and Africa at UBS Group AG; member of the Supervisory Board of UBS Europe SE; Chairman of the Foundation Board of the UBS Pension Fund; member of the UBS Optimus Foundation Board; Vice President of the board of Lyceum Alpinum Zuoz; member of the Financial Service Chapter Board of the Swiss-American Chamber of Commerce; Advisory Board member of the Department of Banking and Finance at the University of Zurich; member of the business advisory council of the Laureus Foundation Switzerland.
Tom Naratil  UBS AG, 1285 Avenue Of The Americas, New York, NY 10019 USA	co-President Global Wealth Management and President UBS Americas	Member of the Group Executive Board and co-President Global Wealth Management and President UBS Americas of UBS Group AG; CEO and board member of UBS Americas Holding LLC; board member of the American Swiss Foundation; member of the Board of Consultants for the College of Nursing at Villanova University.
Piero Novelli UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Co-President Investment Bank	Member of the Group Executive Board and co-President Investment Bank at UBS Group AG.
Markus Ronner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Head of Group Chief Compliance, Regulatory and Governance Officer	Member of the Group Executive Board and Head of Group Chief Compliance, Regulatory and Governance Officer at UBS Group AG.

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**In the section headed "X. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses" (starting on page 35 of the Registration Document) the section headed "Historical Financial Information" (page 35 of the Registration Document) is completely replaced by the following text:**

#### **"1. Historical Financial Information**

Detailed information about UBS AG consolidated and UBS AG assets and liabilities, financial position and profits and losses for financial year 2018 is available in the section "UBS AG consolidated financial statements" of the Annual Report 2018 and in the UBS AG's standalone financial statements for the year ended 31 December 2018 (the "Standalone Financial Statements 2018"), respectively; and for financial year 2017 it is available in the "Consolidated financial statements" section of the UBS Group AG and UBS AG annual report 2017, published on 9 March 2018 ("Annual Report 2017") and in the UBS AG's standalone financial statements for the year ended 31 December 2017 (the "Standalone Financial Statements 2017"). The consolidated and standalone financial accounts are closed on 31 December of each year.

With respect to the financial year 2018, reference is made to:

- (i) the following parts of the Annual Report 2018: the UBS AG consolidated financial statements, in particular to the Income statement on pages 591 - 593, the Balance sheet on pages 594, the Statement of changes in equity on pages 595-599, the Statement of cash flows on pages 600-601 and the Notes to the consolidated financial statements on pages 602-789; and
- (ii) the following parts of the Standalone Financial Statements 2018: the Income statement on pages 876-879, the Balance sheet on pages 877-878, the Statement of appropriation of total profit / (loss) carried forward on page 880, and the Notes to the UBS AG standalone financial statements on pages 881-904.

With respect to the financial year 2017, reference is made to:

- (i) the following parts of the Annual Report 2017: the UBS AG consolidated financial statements, in particular to the Income statement on page C-127, the Balance sheet on page C-128, the Statement of changes in equity on pages C-131-C-134, the Statement of cash flows on pages C-136-C-137 and the Notes to the consolidated financial statements on pages C-138-C-279; and
- (ii) the following parts of the Standalone Financial Statements 2017: the Income statement on page D-2, the Balance sheet on pages D-3-D-4, the Statement of appropriation of retained earnings and proposed dividend distribution on page D-5, and the Notes to the UBS AG standalone financial statements on pages D-6-D-23.

The annual financial reports form an essential part of UBS AG's reporting. They include the audited consolidated financial statements of UBS AG, prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. The annual reports also include discussions and analysis of the consolidated financial and business results of UBS, its business divisions and the Corporate Center. In addition, UBS AG prepares and publishes standalone financial statements in accordance with Swiss GAAP, as well as certain additional disclosures required under US Securities and Exchange Commission regulations. "

**In the section headed "X. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses" (starting on page 35 of the Registration Document) the section headed " Interim Financial Information " (page 36 of the Registration Document) is completely replaced by the following text:**

"Reference is also made to the UBS Group AG first quarter 2019 report published on 25 April 2019 ("UBS Group First Quarter 2019 Report"), and the UBS AG first quarter 2019 report published on 30 April 2019 ("UBS AG First Quarter 2019 Report"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG

consolidated and UBS AG consolidated, respectively, as of and for the period ended 31 March 2019. The interim consolidated financial statements are not audited."

**The section headed "XI. Litigation, Regulatory and Similar Matters" (starting on page 36 et seq., of the Registration Document) is completely replaced by the following:**

**"XI. Litigation, Regulatory and Similar Matters**

UBS operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this section may refer to UBS AG and / or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant. Developments relating to a matter that occur after the relevant reporting period, but prior to the issuance of financial statements, which affect management's assessment of the provision for such matter (because, for example, the developments provide evidence of conditions that existed at the end of the reporting period), are adjusting events after the reporting period under IAS 10 and must be recognized in the financial statements for the reporting period.

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

In the case of certain matters below, UBS states that it has established a provision, and for the other matters, it makes no such statement. When UBS makes this statement and it expects disclosure of the amount of a provision to prejudice seriously its position with other parties in the matter because it would reveal what UBS believes to be the probable and reliably estimable outflow, UBS does not disclose that amount. In some cases UBS is subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which UBS does not state whether it has established a provision, either (a) it has not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard; or (b) it has established a provision but expects disclosure of that fact to prejudice seriously its position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which UBS has established provisions, UBS is able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which it is able to estimate expected timing is immaterial relative to its current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in "Note 15a Provisions" of the UBS AG's interim consolidated financial statements included in the UBS AG First Quarter 2019 Report. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although it therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the non-prosecution agreement described in item 5 of this section, which UBS entered into with the US Department of Justice ("DOJ"), Criminal Division, Fraud Section in connection with UBS's submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate ("LIBOR"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and is subject to probation through January 2020. A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS. The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining UBS's capital requirements. Information concerning UBS's capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the UBS Group First Quarter 2019 Report.

Provisions for litigation, regulatory and similar matters by business division and in Corporate Center<sup>1</sup>

<i>USD million</i>	<b>Global Wealth Manage- ment</b>	<b>Personal &amp; Corporate Banking</b>	<b>Asset Manage- ment</b>	<b>Invest- ment Bank</b>	<b>Corporate Center</b>	<b>UBS</b>
<b>Balance as of 31 December 2018</b>	1,003	117	0	269	1,438	2,827
Increase in provisions recognized in the income statement	14	0	0	2	0	<b>16</b>
Release of provisions recognized in the income statement	(13)	0	0	(2)	(2)	<b>(17)</b>
Provisions used in conformity with designated purpose	(49)	(1)	0	(66)	(18)	<b>(134)</b>
Foreign currency translation / unwind of discount	(12)	(2)	0	(2)	1	<b>(15)</b>
<b>Balance as of 31 March 2019</b>	<b>943</b>	<b>114</b>	<b>0</b>	<b>201</b>	<b>1,419</b>	<b>2,677</b>

<sup>1</sup> Provisions, if any, for the matters described in this section are recorded in Global Wealth Management (item 3 and item 4) and Corporate Center (item 2). Provisions, if any, for the matters described in items 1 and 6 of this section are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this section in item 5 are allocated between the Investment Bank and Corporate Center.

#### 1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that the implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration ("FTA") to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data

from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests.

The Swiss Federal Administrative Court ruled in 2016 that, in the administrative assistance proceedings related to a French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. On 30 July 2018, the Swiss Federal Administrative Court granted UBS's appeal by holding the French administrative assistance request inadmissible. The FTA filed a final appeal with the Swiss Federal Supreme Court.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France for alleged complicity in having illicitly solicited clients on French territory, regarding the laundering of proceeds of tax fraud, and banking and financial solicitation by unauthorized persons. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("caution") of EUR 1.1 billion and UBS (France) S.A. to post bail of EUR 40 million, which was reduced on appeal to EUR 10 million.

A trial in the court of first instance took place from 8 October 2018 until 15 November 2018. On 20 February 2019, the court announced a verdict finding UBS AG guilty of illicitly soliciting clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS France S.A. guilty of aiding and abetting unlawful solicitation and laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7 billion on UBS AG and UBS France S.A. and awarded EUR 800 million of civil damages to the French state. UBS has appealed the decision. Under French law, the judgment is suspended while the appeal is pending. The Court of Appeal will retry the case de novo as to both the law and the facts, and the fines and penalties can be greater than or less than those imposed by the court of first instance. A subsequent appeal to the Cour de Cassation, France's highest court, is possible with respect to questions of law.

UBS believes that based on both the law and the facts the judgment of the court of first instance should be reversed. UBS believes it followed its obligations under Swiss and French law as well as the European Savings Tax Directive. Even assuming liability, which it contests, UBS believes the penalties and damage amounts awarded greatly exceed the amounts that could be supported by the law and the facts. In particular, UBS believes the court incorrectly based the penalty on the total regularized assets rather than on any unpaid taxes on those assets for which a fraud has been characterized, and further incorrectly awarded damages based on costs that were not proven by the civil party. Notwithstanding that UBS believes it should be acquitted, its balance sheet at 31 March 2019 reflected provisions with respect to this matter in an amount of USD 516 million. The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty. The provision reflected on UBS's balance sheet at 31 March 2019 reflects its best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it is under formal investigation ("inculpé") regarding the laundering of proceeds of tax fraud, of banking and financial solicitation by unauthorized persons, and of serious tax fraud. In 2018, tax authorities and a prosecutor's office in Italy asserted that UBS is potentially liable for taxes and penalties as a result of its activities in Italy from 2012 to 2017.

UBS has, and reportedly numerous other financial institutions have, received inquiries from authorities concerning accounts relating to the Fédération Internationale de Football Association (FIFA) and other constituent soccer associations and related persons and entities. UBS is cooperating with authorities in these inquiries.

UBS's balance sheet at 31 March 2019 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

## 2. Claims related to sales of residential mortgage-backed securities and mortgages

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities ("**RMBS**") and was a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. ("**UBS RESI**"), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007, UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued.

UBS RESI also sold pools of loans acquired from originators to third-party purchasers. These whole loan sales during the period 2004 through 2007 totalled approximately USD 19 billion in original principal balance.

UBS was not a significant originator of US residential loans. A branch of UBS originated approximately USD 1.5 billion in US residential mortgage loans during the period in which it was active from 2006 to 2008 and securitized less than half of these loans.

Lawsuits related to contractual representations and warranties concerning mortgages and RMBS: When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses. In 2012, certain RMBS trusts filed an action in the US District Court for the Southern District of New York seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations issued and underwritten by UBS with an original principal balance of approximately USD 2 billion. In July 2018, UBS and the trustee entered into an agreement under which UBS will pay USD 850 million to resolve this matter. A significant portion of this amount will be borne by other parties that indemnified UBS. The settlement remains subject to court approval and proceedings to determine how the settlement funds will be distributed to RMBS holders. After giving effect to this settlement, UBS considers claims relating to substantially all loan repurchase demands to be resolved and believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

Mortgage-related regulatory matters: Since 2014, the US Attorney's Office for the Eastern District of New York has sought information from UBS pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("**FIRREA**"), related to UBS's RMBS business from 2005 through 2007. On 8 November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under FIRREA related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint on 6 February 2019.

UBS's balance sheet at 31 March 2019 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

## 3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC ("**BMIS**") investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS.

These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totalling approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS ("**BMIS Trustee**").

A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125 million of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. The BMIS Trustee appealed. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims and remanded the case to the bankruptcy court for further proceedings. The defendants, including UBS, filed a petition for rehearing in March 2019.

#### 4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds ("funds") that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico ("**UBS PR**") have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of USD 2.9 billion, of which claims with aggregate claimed damages of USD 1.9 billion have been resolved through settlements, arbitration or withdrawal of the claim. The claims have been filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and / or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied and a request for permission to appeal that ruling was denied by the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management and the co-manager of certain of the funds, seeking damages for investor losses in the funds during the period from May 2008 through May 2014. Following denial of the plaintiffs' motion for class certification, the case was dismissed in October 2018.

In 2014 and 2015, UBS entered into settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority in relation to their examinations of UBS's operations. In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico ("System") against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff, but ordered that plaintiffs must file an amended complaint. In 2017, the court denied defendants' motion to dismiss the amended complaint.

Beginning in 2015, and continuing through 2017, certain agencies and public corporations of the Commonwealth of Puerto Rico ("Commonwealth") defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge. These events, further defaults or any further legislative action to create a legal means of restructuring Commonwealth obligations or to impose additional oversight on the Commonwealth's finances, or any restructuring of the Commonwealth's obligations, may increase the number of claims against UBS concerning Puerto Rico securities, as well as potential damages sought.

UBS's balance sheet at 31 March 2019 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

#### 5. Foreign exchange, LIBOR and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. In 2014 and 2015, UBS reached settlements with the UK Financial Conduct Authority ("FCA") and the US Commodity Futures Trading Commission ("CFTC") in connection with their foreign exchange investigations, FINMA issued an order concluding its formal proceedings relating to UBS's foreign exchange and precious metals businesses, and the Board of Governors of the Federal Reserve System (Federal Reserve Board) and the Connecticut Department of Banking issued a Cease and Desist Order and assessed monetary penalties against UBS AG. In 2015, the DOJ's Criminal Division terminated the 2012 non-prosecution agreement with UBS AG related to UBS's submissions of benchmark interest rates, and UBS AG pleaded guilty to one count of wire fraud, paid a fine and is subject to probation through January 2020. UBS has ongoing obligations to cooperate with these authorities and to undertake certain remediation measures. UBS has also been granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Investigations relating to foreign exchange matters by certain authorities remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141 million and provide cooperation to the settlement classes. Certain class members have excluded themselves from that settlement and have filed individual actions in US and English courts against UBS and other banks, alleging violations of US and European competition laws and unjust enrichment.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of persons and businesses in the US who directly purchased foreign currency from the defendants and alleged co-conspirators for their own end use. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants' motions to dismiss the amended complaint.

In 2017, two putative class actions were filed in federal court in New York against UBS and numerous other banks on behalf of persons and entities who had indirectly purchased foreign exchange instruments from a defendant or co-conspirator in the US, and a consolidated complaint was filed in June 2017. In March 2018, the court dismissed the consolidated complaint. In October 2018, the court granted plaintiffs' motion seeking leave to file an amended complaint.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, FINMA, various state attorneys general in the US and competition authorities in various jurisdictions have conducted or are continuing to conduct investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. In 2012, UBS reached settlements relating to benchmark interest rates with the UK Financial Services Authority, the CFTC and the Criminal Division of the DOJ, and FINMA issued an order in its proceedings with respect to UBS relating to benchmark interest rates. In addition, UBS entered into settlements with the European Commission and with the Swiss Competition Commission ("WEKO") regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives. UBS has ongoing obligations to cooperate with the authorities with whom UBS has reached resolutions and to undertake certain remediation measures with respect to benchmark interest rate submissions. In December 2018, UBS entered into a settlement agreement with the New York and other state attorneys general under which it will pay USD 68 million to resolve claims by the attorneys general related to LIBOR. UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and WEKO, in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are a number of other actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. The complaints allege manipulation, through various means, of certain benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, USD and SGD SIBOR and SOR and Australian BBSW, and seek unspecified compensatory and other damages under varying legal theories.

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims. Although the Second Circuit vacated the district court's judgment dismissing antitrust claims, the district court again dismissed antitrust claims against UBS in 2016. Certain plaintiffs have appealed that decision to the Second Circuit. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims. UBS entered into an agreement in 2016 with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement has received preliminary court approval and remains subject to final approval. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust and unjust enrichment claims.

Other benchmark class actions in the US: In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including a federal antitrust claim, for lack of standing. In 2015, this court dismissed the plaintiffs' federal racketeering claims on the same basis and affirmed its previous dismissal of the plaintiffs' antitrust claims against UBS. In 2017, this court also dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds, as did the court in the CHF LIBOR action. Also in 2017, the courts in the EURIBOR lawsuit dismissed the cases as to UBS and certain other foreign defendants for lack of personal jurisdiction. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs in the CHF LIBOR and SIBOR / SOR actions have filed amended complaints following the dismissals, which UBS and other defendants have moved to dismiss. In November 2018, the court in the BBSW lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Following that dismissal, plaintiffs in the BBSW action moved in January 2019 to file an amended complaint seeking to re-name UBS and certain other banks as defendants. UBS and other defendants



also moved to dismiss the GBP LIBOR action in December 2016, but that motion was denied as to UBS in December 2018. UBS moved for reconsideration of that decision in January 2019.

Government bonds: Putative class actions have been filed since 2015 in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. A consolidated complaint was filed in 2017 in the US District Court for the Southern District of New York alleging that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction and in the secondary market and asserting claims under the antitrust laws and for unjust enrichment. Defendants' motions to dismiss the consolidated complaint are pending.

UBS and reportedly other banks are responding to investigations and requests for information from various authorities regarding US Treasury securities and other government bond trading practices. As a result of its review to date, UBS has taken appropriate action.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, UBS's balance sheet at 31 March 2019 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

#### 6. Swiss retrocessions

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver.

FINMA has issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among other things, the existence of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

UBS's balance sheet at 31 March 2019 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

The specific litigation, regulatory and other matters described above under items (1) to (6) include all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects as described in the "Note 15 Provisions and contingent liabilities" to the UBS AG's interim consolidated financial statements included in the UBS AG First Quarter 2019 Report. The proceedings indicated below are matters that have recently been considered material, but are not currently considered material, by UBS. Besides the proceedings described above and below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) that may have, or have had in the recent past, significant effects on UBS AG Group's and/or UBS AG's financial position or profitability and are or have been pending during the last twelve months until the date of this document.

ERISA class action: A putative class action has been filed in federal court in New York against UBS and other banks on behalf of participants, beneficiaries and named fiduciaries of plans qualified under the Employee Retirement Income Security Act of 1974 ("ERISA") for whom a defendant bank provided foreign exchange transactional services or authorized or permitted the execution of any foreign currency exchange transactional services involving such plan's assets. The complaint asserts claims under ERISA. In July 2018, the Second Circuit affirmed the dismissal of the case with prejudice.

ISDAFIX class action: In 2017, UBS agreed to pay USD 14 million to resolve putative class actions filed in federal court in New York and New Jersey against UBS and other financial institutions on behalf of parties who entered into interest rate derivative transactions linked to ISDAFIX. The final settlement was approved in June 2018.

Precious metals civil litigation: Putative class actions were filed against UBS and other banks in federal court in New York and other jurisdictions on behalf of putative classes of persons who had bought or sold physical precious metals and various precious metal products and derivatives. The complaints in these lawsuits asserted claims under the antitrust laws and the Commodity Exchange Act, and other claims. In July 2018, the court in New York granted UBS's motions to dismiss amended complaints in the putative class actions relating to gold and silver. In 2017, the court granted UBS's motion to dismiss the platinum and palladium action. Plaintiffs in the platinum and palladium action subsequently filed an amended complaint that did not allege claims against UBS.

Hong Kong initial public offerings ("IPOs"): The Hong Kong Securities and Futures Commission ("SFC") has been conducting investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. The SFC has previously indicated that it intended to take enforcement action against UBS and certain employees in relation to certain of these offerings. In March 2018, the SFC issued a decision notice in relation to one of the offerings under investigation. On 13 March 2019, UBS Securities Hong Kong Limited and UBS AG entered into a settlement agreement with the SFC resolving all of the SFC's pending investigations related to sponsorship of IPOs by UBS. The agreement provides for a fine of HKD 375 million (USD 48 million) and the suspension of UBS Securities Hong Kong Limited's ability to act as a sponsor for Hong Kong-listed IPOs for one year"

**In the section headed "XII. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects" (page 45 of the Registration Document) is completely replaced as follows:**

"There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 March 2019, which is the end of the last financial period for which financial information has been published.

There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 March 2019."

**In the section headed "XIV. Documents on Display" (starting on page 45 of the Registration Document) is replaced as follows:**

"

- The annual report of UBS Group AG and UBS AG as of 31 December 2018, comprising the introductory section, as well as the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Consolidated financial statements (including the "Statutory auditor's report on the audit of the consolidated financial statements" and the "Report of Independent Registered Public Accounting Firm"), (6) Standalone financial statements, (7) Significant regulated subsidiary and sub-group information, (8) Additional regulatory information, and the Appendix;

- The UBS AG standalone financial statements and regulatory information for the year ended 31 December 2018 (including the "Report of the statutory auditor on the financial statements");
- The annual report of UBS Group AG and UBS AG as of 31 December 2017, comprising the introductory section, as well as the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Consolidated financial statements (including the "Statutory auditor's report on the audit of the consolidated financial statements" and the "Report of Independent Registered Public Accounting Firm"), (6) Standalone financial statements, (7) Significant regulated subsidiary and sub-group information, (8) Additional regulatory information, and the Appendix;
- The UBS AG standalone financial statements and regulatory information for the year ended 31 December 2017 (including the "Report of the statutory auditor on the financial statements");
- The UBS Group First Quarter 2019 Report and the UBS AG First Quarter 2019 Report; and
- The Articles of Association of UBS AG,

shall be maintained in printed format, for free distribution, at the offices of UBS AG for a period of twelve months after the publication of this document. In addition, the annual and quarterly reports, as well as quarterly result materials of UBS Group AG and UBS AG are published on UBS's website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address. The Articles of Association of UBS AG are also available on UBS's Corporate Governance website, at [www.ubs.com/governance](http://www.ubs.com/governance)."

**The UBS Group First Quarter 2019 Report contained in this supplement is added as Appendix 14 to the Registration Document.**

**The UBS AG First Quarter 2019 Report contained in this supplement is added as Appendix 15 to the Registration Document.**

## **2) Summary English Language**

- (I)** in relation to the Base Prospectus dated 14 June 2018 for the issuance of Fixed Income Securities  
in the section  
"Summary of the Base Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"
- (II)** in relation to the Base Prospectus dated 27 June 2018 of UBS AG for the offer of Warrants and other leveraged Securities  
in the section  
"Summary of the Base Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"
- (III)** in relation to the Base Prospectus dated 5 July 2018 for the offer of Securities  
in the section  
"Summary of the Base Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"
- (IV)** in relation to the prospectus comprising the Summary and Securities Note dated 17 September 2018 for the issuance of Portfolio Certificates linked to the Leading Global Trends Portfolio (ISIN CH0410019324)  
in the section  
"Summary of the Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"
- (V)** in relation to the prospectus comprising the Summary and Securities Note dated 20 September 2018 for the issuance of Strategy Certificates on GelfarthSelect Strategy (ISIN CH0326223960)  
in the section  
"Summary of the Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"
- (VI)** in relation to the Base Prospectus dated 10 October 2018 for the issuance of Fixed Income Securities  
in the section  
"Summary of the Base Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"
- (VII)** in relation to the prospectus comprising the Summary and Securities Note dated 30 October 2018 for the issuance of Portfolio Certificates linked to the Smart Health Care Portfolio (ISIN DE000US8MAR5)  
in the section  
"Summary of the Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"
- (VIII)** in relation to the Base Prospectus dated 27 March 2019 for the issuance of Fixed Income Securities  
in the section  
"Summary of the Base Prospectus (in the English Language)" in the section headed  
"Section B – Issuer"

- (IX) in relation to the Base Prospectus dated 30 April 2019 for the offer of Securities in the section "Summary of the Base Prospectus (in the English Language)" in the section headed "Section B – Issuer"
- (X) in relation to the prospectus comprising the Summary and Securities Note dated 6 May 2019 for the issuance of Open End Certificates linked to the UBS Global Quality Dividend Payers Total Return (EUR) Index (ISIN DE000UBS0QD1) in the section "Summary of the Prospectus (in the English Language)" in the section headed "Section B – Issuer"
- (XI) in relation to the prospectus comprising the Summary and Securities Note dated 8 May 2019 for the issuance of Portfolio Certificates linked to the PTAM Navigator Portfolio (ISIN CH0441698849) in the section "Summary of the Prospectus (in the English Language)" in the section headed "Section B – Issuer"

**the Elements B.4b, B.5, B.12 are completely replaced as follows:**

<b>B.4b</b>	A description of any known trends affecting the issuer or the industries in which it operates.	Trend Information  As indicated in the UBS Group First Quarter 2019 Report, the overall pace of growth has decreased as a result of a synchronized global slowdown. Economic growth and markets are expected to continue to recover and stabilize at different speeds across regions and asset classes. UBS is likely to benefit from this environment as a result of its regional and business diversification. Higher invested assets are expected to lead to an increase in recurring revenues in Global Wealth Management and Asset Management, compared with the first quarter of 2019. Further momentum would require a sustained improvement in market activity and client sentiment across our businesses. UBS will continue to execute its strategy with discipline, focusing on balancing efficiency and investments for growth, to deliver on its capital return objectives and to create sustainable long-term value for UBS shareholders.
<b>B.5</b>	Description of the group and the issuer's position within the group	UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. UBS operates as a group with four business divisions and a Corporate Center.  In 2014, UBS began adapting its legal entity structure to improve the resolvability of the Group in response to too big to fail requirements in Switzerland and recovery and resolution regulation in other countries in which the Group operates. In December 2014, UBS Group AG became the holding company of the Group.  In 2015, UBS AG transferred its personal & corporate banking and wealth management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary

		<p>of UBS AG in Switzerland. In 2016, UBS Americas Holding LLC was designated as the intermediate holding company for UBS's US subsidiaries and UBS merged its wealth management subsidiaries in various European countries into UBS Europe SE, UBS's German-headquartered European subsidiary. Additionally, UBS transferred the majority of Asset Management's operating subsidiaries to UBS Asset Management AG.</p> <p>UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG, was established in 2015 and acts as the Group service company. In 2017, UBS's shared services functions in Switzerland and the UK were transferred from UBS AG to UBS Business Solutions AG. UBS also completed the transfer of shared services functions in the US to its US service company, UBS Business Solutions US LLC, a wholly owned subsidiary of UBS Americas Holding LLC.</p> <p>In March 2019, UBS Limited, UBS's UK headquartered subsidiary, was merged into UBS Europe SE prior to the UK's scheduled departure from the EU. Former clients and other counterparties of UBS Limited who can be serviced by UBS AG's London Branch were migrated to UBS AG's London Branch prior to the merger.</p> <p>UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments. Such changes may include further consolidation of operating subsidiaries in the EU and adjustments to the booking entity or location of products and services.</p>
<p><b>B.12</b></p>	<p>Selected historical key financial information.</p>	<p>UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2018, 2017 and 2016 from the Annual Report 2018, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2018 and comparative figures for the years ended 31 December 2017 and 2016. The selected consolidated financial information included in the table below for the quarter ended 31 March 2019 and 31 March 2018 was derived from the UBS AG First Quarter 2019 Report, which contains the UBS AG interim consolidated financial statements (unaudited), as well as additional unaudited consolidated financial information, for the quarter ended 31 March 2019 and comparative figures for the quarter ended 31 March 2018.</p> <p>The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and are stated in US dollars. Effective from 1 October 2018, the functional currency of UBS Group AG and UBS AG's Head Office in Switzerland changed from Swiss francs to US dollars and that of UBS AG's London Branch from British pounds to US dollars, in compliance with the requirements of International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates. The presentation currency of UBS AG's consolidated financial statements has changed from Swiss francs to US dollars to align with the functional currency changes of significant Group entities. Prior periods have been restated for this presentation currency change. Assets, liabilities and total equity were translated to US dollars at closing exchange rates prevailing</p>

		on the respective balance sheet dates, and income and expenses were translated at the respective average rates prevailing for the relevant periods.				
		Information for the years ended 31 December 2018, 2017 and 2016 which is indicated as being unaudited in the table below was included in the Annual Report 2018, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements.				
		As of or for the quarter ended		As of or for the year ended		
<i>USD million, except where indicated</i>		31.3.19	31.3.18	31.12.18	31.12.17	31.12.16
		<i>unaudited</i>		<i>audited, except where indicated</i>		
<b>Results</b>						
Operating income		7,343	8,301	30,642	30,044	28,831
Operating expenses		5,890	6,404	25,184	24,969	24,643
Operating profit / (loss) before tax		1,454	1,897	5,458	5,076	4,188
Net profit / (loss) attributable to shareholders		1,069	1,412	4,107	758	3,351
<b>Profitability and growth</b>						
Return on equity (%) <sup>1</sup>		8.1	10.7	7.9*	1.4*	6.0*
Return on tangible equity (%) <sup>2</sup>		9.3	12.3	9.1*	1.6*	6.9*
Return on common equity tier 1 capital (%) <sup>3</sup>		12.3	16.3	11.9*	2.3*	10.2*
Return on risk-weighted assets, gross (%) <sup>4</sup>		11.1	13.1	12.0*	12.8*	13.1*
Return on leverage ratio denominator, gross (%) <sup>5</sup>		3.2	3.6	3.4*	3.4*	3.2*
Cost / income ratio (%) <sup>6</sup>		80.0	76.9	81.9*	82.7*	85.4*
Net profit growth (%) <sup>7</sup>		(24.3)	16.4	441.9*	(77.4)*	(48.5)*
<b>Resources</b>						
Total assets		956,737	965,224	958,055	940,020	919,236
Equity attributable to shareholders		53,216	53,185	52,256	51,987	52,957
Common equity tier 1 capital <sup>8,9</sup>		34,933	35,060	34,608	34,100*	31,879*
Risk-weighted assets <sup>8</sup>		266,581	266,202	262,840*	242,725*	219,330*
Common equity tier 1 capital ratio (%) <sup>8</sup>		13.1	13.2	13.2*	14.0*	14.5*
Going concern capital ratio (%) <sup>8</sup>		17.0	15.9	16.1*	15.6*	16.3*
Total loss-absorbing capacity ratio (%) <sup>8</sup>		32.2	30.7	31.3*	31.4*	29.6*
Leverage ratio denominator <sup>8</sup>		911,410	926,914	904,458*	910,133*	855,718*
Common equity tier 1 leverage ratio (%) <sup>8</sup>		3.83	3.78	3.83*	3.75*	3.73*
Going concern leverage ratio (%) <sup>8</sup>		5.0	4.6	4.7*	4.2*	4.2*
Total loss-absorbing capacity leverage ratio (%) <sup>8</sup>		9.4	8.8	9.1*	8.4*	7.6*
<b>Other</b>						
Invested assets (USD billion) <sup>10</sup>		3,318	3,309	3,101	3,262	2,761
Personnel (full-time equivalents)		47,773	46,433	47,643*	46,009*	56,208*
* unaudited						

<sup>1</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. This measure provides information on the profitability of the business in relation to equity.

<sup>2</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. The definition of the numerator for return on tangible equity has been revised to align with numerators for return on equity and return on CET1 capital; i.e., it is no longer adjusted for amortization and impairment of goodwill and intangible assets. Prior periods have been restated. This measure provides information on the profitability of the business in relation to tangible equity.

<sup>3</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average common equity tier 1 capital. This measure provides information on the profitability of the business in relation to common equity tier 1 capital.

<sup>4</sup> Calculated as operating income before credit loss expense or recovery (annualized as applicable) / average risk-weighted assets. This measure provides information on the revenues of the business in relation to risk-weighted assets.

<sup>5</sup> Calculated as operating income before credit loss expense or recovery (annualized as applicable) / average leverage ratio denominator. This measure provides information on the revenues of the business in relation to leverage ratio denominator.

<sup>6</sup> Calculated as operating expenses / operating income before credit loss expense or recovery. This measure provides information on the efficiency of the business by comparing operating expenses with gross income.

<sup>7</sup> Calculated as change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. This measure provides information on profit growth in comparison with the prior-year period.

<sup>8</sup> Based on the Swiss systemically relevant bank framework as of 1 January 2020.

<sup>9</sup> The information as published in Swiss francs in the Annual Report 2017 for the period ended on 31 December 2017 (CHF 33,240 million) and in the UBS Group AG and UBS AG annual report 2016 for the period ended on 31 December 2016 (CHF 32,447 million) was audited.

<sup>10</sup> Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking.

	Material adverse change statement.	There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2018.
	Significant changes in the financial and trading position	There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 March 2019, which is the end of the last financial period for which financial information has been published.



### **3) Summary German Language**

- (I)** in relation to the Base Prospectus dated 14 June 2018 for the issuance of Fixed Income Securities  
in the section  
"Summary of the Base Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"
- (II)** in relation to the Base Prospectus dated 27 June 2018 of UBS AG for the offer of Warrants and other leveraged Securities  
in the section  
"Summary of the Base Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"
- (III)** in relation to the Base Prospectus dated 5 July 2018 for the offer of Securities  
in the section  
"Summary of the Base Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"
- (IV)** in relation to the prospectus comprising the Summary and Securities Note dated 17 September 2018 for the issuance of Portfolio Certificates linked to the Leading Global Trends Portfolio (ISIN CH0410019324)  
in the section  
"Summary of the Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"
- (V)** in relation to the prospectus comprising the Summary and Securities Note dated 20 September 2018 for the issuance of Strategy Certificates on Gelfarth Select Strategy (ISIN CH0326223960)  
in the section  
"Summary of the Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"
- (VI)** in relation to the Base Prospectus dated 10 October 2018 for the issuance of Fixed Income Securities  
in the section  
"Summary of the Base Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"
- (VII)** in relation to the prospectus comprising the Summary and Securities Note dated 30 October 2018 for the issuance of Portfolio Certificates linked to the Smart Health Care Portfolio (ISIN DE000US8MAR5)  
in the section  
"Summary of the Prospectus (in the German Language)" in the section headed  
"Abschnitt B – Emittentin"
- (VIII)** in relation to the Base Prospectus dated 27 March 2019 for the issuance of Fixed Income Securities  
in the section  
"Summary of the Base Prospectus (in the German Language)" in the section headed  
"Section B – Issuer"

- (IX) in relation to the Base Prospectus dated 30 April 2019 for the offer of Securities in the section "Summary of the Base Prospectus (in the German Language)" in the section headed "Section B – Issuer"
- (X) in relation to the prospectus comprising the Summary and Securities Note dated 6 May 2019 for the issuance of Open End Certificates linked to the UBS Global Quality Dividend Payers Total Return (EUR) Index (ISIN DE000UBSOQD1) in the section "Summary of the Prospectus (in the German Language)" in the section headed "Section B – Issuer"
- (XI) in relation to the prospectus comprising the Summary and Securities Note dated 8 May 2019 for the issuance of Portfolio Certificates linked to the PTAM Navigator Portfolio (ISIN CH0441698849) in the section "Summary of the Prospectus (in the German Language)" in the section headed "Section B – Issuer"

**the Elements B.4b, B.5, B.12 are completely replaced as follows:**

<b>B.4b</b>	Alle bereits bekannten Trends, die sich auf die Emittentin und die Branchen, in denen sie tätig ist, auswirken.	Trend Informationen  Wie in dem Quartalsbericht für das erste Quartal 2019 der UBS angegeben, hat infolge der synchronisierten Abkühlung der Weltwirtschaft sich das allgemeine Wachstum verlangsamt. Die Weltwirtschaft und die Märkte dürften sich jedoch weiter erholen und stabilisieren, wenn auch unterschiedlich rasch je nach Region und Anlageklasse. Aufgrund von diversifizierten Regionen- und Geschäftsmix dürfte UBS von diesem Umfeld profitieren. Im Global Wealth Management und Asset Management werden die höheren verwalteten Vermögen voraussichtlich zu einem Anstieg der wiederkehrenden Erträge gegenüber dem ersten Quartal 2019 führen. Für mehr Dynamik wäre eine nachhaltige Verbesserung der Marktaktivität und der Kundenstimmung in allen Unternehmensbereichen erforderlich. Die Strategie wird weiterhin diszipliniert umsetzen. Dabei wird UBS auf ein gesundes Verhältnis von Effizienz und Wachstumsinvestitionen fokussieren, um die Ziele bei der Kapitalrückführung zu erreichen und für die Aktionäre nachhaltigen, langfristigen Wert zu schaffen.
<b>B.5</b>	Beschreibung der Gruppe und der Stellung der Emittentin innerhalb dieser Gruppe	UBS AG ist eine Schweizer Bank und die Muttergesellschaft der UBS AG Gruppe. Die UBS Group AG ist die Holding-Gesellschaft der UBS Gruppe und zu 100% Eigentümerin der UBS AG. Die UBS Gruppe ist als Gruppe mit vier Unternehmensbereichen und einem Corporate Center tätig.  Im Jahr 2014 hat UBS damit begonnen die Anpassung der rechtlichen Struktur vorzunehmen, um die Abwicklungsfähigkeit des Konzerns als Reaktion auf too-big-to-fail (TBTF) Anforderungen in der Schweiz, sowie die Sanierungs- und Abwicklungsregulierungen in den anderen Ländern, in denen der Konzern tätig ist, zu verbessern. Im Dezember 2014 wurde die UBS Group AG die Holding-Gesellschaft des Konzerns.  Im Jahr 2015 übertrug die UBS AG den Unternehmensbereich

		<p>Personal &amp; Corporate Banking sowie das in der Schweiz gebuchte Geschäft des Unternehmensbereichs Wealth Management von der UBS AG auf die neu gegründete, im Bankwesen tätige, schweizer Tochtergesellschaft UBS Switzerland AG. Im Jahr 2016 wurde die UBS Americas Holding LLC als Zwischenholding für die US-amerikanischen Tochtergesellschaften von UBS bestimmt, und UBS fusionierte ihre Wealth Management-Tochtergesellschaften in verschiedenen europäischen Ländern zur UBS Europe SE, der europäischen Bank der UBS mit Hauptsitz in Deutschland. Zudem hat UBS die Mehrheit der operativen Tochtergesellschaften von Asset Management auf die UBS Asset Management AG übertragen.</p> <p>Die UBS Business Solutions AG, eine Tochtergesellschaft der UBS Group AG, wurde 2015 gegründet und fungiert als Dienstleistungsunternehmen des Konzerns. Im Jahr 2017 wurden die Shared-Services-Funktionen von UBS in der Schweiz und in Grossbritannien von der UBS AG auf die UBS Business Solutions AG übertragen. Zudem hat UBS die Übertragung von Shared-Services-Funktionen in den USA auf ihre US-amerikanische Servicegesellschaft UBS Business Solutions US LLC, eine hundertprozentige Tochtergesellschaft der UBS Americas Holding LLC, übertragen.</p> <p>Im März 2019 wurde die UBS Limited, die britische Tochtergesellschaft von UBS mit Sitz in Grossbritannien, mit der UBS Europe SE fusioniert, vor dem planmäßigen Austritt Grossbritanniens aus der EU. Ehemalige Kunden und andere Gegenparteien der UBS Limited, die von der Londoner Niederlassung der UBS AG betreut werden können, wurden vor der Fusion in die Londoner Niederlassung der UBS AG migriert.</p> <p>Als Reaktion auf regulatorische Anforderungen und andere externe Entwicklungen erwägt UBS weitere Änderungen in der rechtlichen Struktur des Konzerns. Solche Änderungen können eine weitere Konsolidierung der operativen Tochtergesellschaften in der EU sowie Anpassungen der Buchungseinheit oder des Standorts von Produkten und Dienstleistungen beinhalten.</p>
<b>B.12</b>	Ausgewählte wesentliche historische Finanzinformationen	<p>Die unten aufgeführten ausgewählten konsolidierten Finanzinformationen für die Geschäftsjahre endend am 31. Dezember 2018, 2017 und 2016 stammen aus dem Geschäftsbericht 2018, welcher den geprüften konsolidierten Jahresabschluss der UBS AG sowie weitere ungeprüfte konsolidierte Finanzinformationen für das Jahr mit Stand 31. Dezember 2018 und vergleichbare Zahlen für die Jahre mit Stand 31. Dezember 2017 und 2016 enthält. Die ausgewählten konsolidierten Finanzinformationen in der folgenden Tabelle für die am 31. März 2019 und am 31. März 2018 endenden Quartale stammen aus dem ersten Quartalsbericht 2019, welcher die ungeprüfte konsolidierte Zwischenfinanzinformation der UBS AG enthält, sowie weitere ungeprüfte konsolidierte Finanzinformationen für das am 31. März 2019 endende Quartal und Vergleichszahlen für das am 31. März 2018 abgeschlossene Quartal.</p> <p>Die konsolidierten Abschlüsse in Übereinstimmung mit den International Financial Reporting Standards ("IFRS") des International Accounting Standards Board ("IASB") erstellt und in US-Dollar angegeben. Mit Wirkung zum 1. Oktober 2018</p>

		<p>wurde die funktionale Währung der UBS Group AG und des Hauptsitzes der UBS AG in der Schweiz von Schweizer Franken auf US-Dollar und die der Niederlassung London der UBS AG von britischen Pfund auf US-Dollar umgestellt, in Übereinstimmung mit den Anforderungen des International Accounting Standard (IAS) 21, "The Effects of Changes in Foreign Exchange Rates". Die Berichtswährung der konsolidierten Finanzinformationen der UBS AG, wurde ebenfalls von Schweizer Franken auf US-Dollar umgestellt, um den Änderungen der funktionalen Währung wesentlicher Konzerngesellschaften Rechnung zu tragen. Vorperioden wurden für diese Berichtswährung angepasst. Vermögenswerte, Verbindlichkeiten und Eigenkapital wurden zu Schlusskursen an den jeweiligen Bilanzstichtagen in US-Dollar umgerechnet. Erträge und Aufwendungen wurden zu den jeweiligen Durchschnittskursen der relevanten Zeiträume umgerechnet.</p> <p>Die Informationen für die Geschäftsjahre endend am 31. Dezember 2018, 2017 und 2016, die in der nachstehenden Tabelle mit „ungeprüft“ gekennzeichnet sind, wurden in den Geschäftsbericht 2018 aufgenommen, wurden jedoch nicht geprüft, da die entsprechenden Angaben nach IFRS nicht erforderlich sind und daher nicht Bestandteil des geprüften Abschlusses sind.</p>				
		Für das Quartal endend am oder per		Für das Geschäftsjahr endend am oder per		
	<i>Mio. USD, Ausnahmen sind angegeben</i>	31.3.19	31.12.18	31.12.18	31.12.17	31.12.16
		<i>ungeprüft</i>		<i>Geprüft, Ausnahmen sind angegeben</i>		
<b>Ergebnisse</b>						
	Geschäftsertrag	7.343	8.301	30.642	30.044	28.831
	Geschäftsaufwand	5.890	6.404	25.184	24.969	24.643
	Ergebnis vor Steuern	1.454	1.897	5.458	5.076	4.188
	Den Aktionären zurechenbares Ergebnis	1.069	1.412	4.107	758	3.351
<b>Profitabilität und Wachstum</b>						
	Rendite auf Eigenkapital (%) <sup>1</sup>	8,1	10,7	7,9*	1,4*	6,0*
	Eigenkapitalrendite abzüglich Goodwill und anderer immaterieller Vermögenswerte (%) <sup>2</sup>	9,3	12,3	9,1*	1,6*	6,9*
	Rendite auf Hartes Kernkapital (CET1) (%) <sup>3</sup>	12,3	16,3	11,9*	2,3*	10,2*
	Rendite auf risikogewichteten Aktiven brutto (%) <sup>4</sup>	11,1	13,1	12,0*	12,8*	13,1*
	Rendite auf den Leverage Ratio Denominator brutto (%) <sup>5</sup>	3,2	3,6	3,4*	3,4*	3,2*
	Verhältnis von Geschäftsaufwand / Geschäftsertrag (%) <sup>6</sup>	80,0	76,9	81,9*	82,7*	85,4*
	Wachstum des Ergebnisses (%) <sup>7</sup>	(24,3)	16,4	441,9*	(77,4)*	(48,5)*
<b>Resourcen</b>						
	Total Aktiven	956.737	965.224	958.055	940.020	919.236
	Den Aktionären zurechenbares Eigenkapital	53.216	53.185	52.256	51.987	52.957
	Hartes Kernkapital (CET1) <sup>8,9</sup>	34.933	35.060	34.608	34.100*	31.879*
	Risikogewichtige Aktiven <sup>8</sup>	266.581	266.202	262.840*	242.725*	219.330*

Harte Kernkapitalquote (CET1) (%) <sup>8</sup>	13,1	13,2	13,2*	14,0*	14,5*
Going Concern Kapitalquote (%) <sup>8</sup>	17,0	15,9	16,1*	15,6*	16,3*
Total Verlustabsorptionsfähigkeit Ratio (%) <sup>8</sup>	32,2	30,7	31,3*	31,4*	29,6*
Leverage Ratio Denominator <sup>8</sup>	911.410	926.914	904.458*	910.133*	855.718*
Harte Kernkapitalquote (CET1) Leverage Ratio (%) <sup>8</sup>	3,83	3,78	3,83*	3,75*	3,73*
Going Concern Leverage ratio (%) <sup>8</sup>	5,0	4,6	4,7*	4,2*	4,2*
Total Verlustabsorptionsfähigkeit Leverage Ratio (%) <sup>8</sup>	9,4	8,8	9,1*	8,4*	7,6*
<b>Andere</b>					
Verwaltete Vermögen (in Mrd. USD) <sup>10</sup>	3.318	3.309	3.101	3.262	2.761
Personal (auf Vollzeitbasis)	47.773	46.433	47.643*	46.009*	56.208*
<p>*ungeprüft</p> <p><sup>1</sup>Den Aktionären zurechenbares berechnetes Konzernergebnis (ggf. annualisiert) / Den Aktionären zurechenbares durchschnittliches Eigenkapital. Diese Maßnahme gibt Auskunft über die Rentabilität des Geschäfts im Verhältnis zum Eigenkapital.</p> <p><sup>2</sup>Den Aktionären zurechenbares berechnetes Konzernergebnis vor Abschreibungen und Wertminderung auf Goodwill und immaterielle Vermögenswerte (gegebenenfalls annualisiert) / Das den Aktionären zurechenbare durchschnittliche Eigenkapital abzüglich durchschnittlichen Goodwillwerts und der immateriellen Vermögenswerte der UBS AG. Die Definition des Zählers für die Eigenkapitalrendite wurde überarbeitet, um den Zählern für die Eigenkapitalrendite und die CET1-Kapitalrendite zu entsprechen. Das heißt, es wird nicht mehr um Abschreibungen und Wertminderungen von Firmenwerten und immateriellen Vermögenswerten bereinigt. Vorperioden wurden angepasst. Diese Kennzahl liefert Informationen zu der Rentabilität des Geschäfts in Bezug auf die materiellen Vermögenswerte.</p> <p><sup>3</sup>Den Aktionären zurechenbares berechnetes Konzernergebnis (annualisiert wenn anwendbar) / durchschnittliches Hartes Kernkapital (CET1). Diese Maßnahme liefert Informationen über die Rentabilität des Unternehmens in Bezug auf das Harte Kernkapital (CET1).</p> <p><sup>4</sup>Berechneter Geschäftsertrag vor Wertberichtigungen für Kreditrisiken oder Kreditrückforderung (annualisiert wenn anwendbar) / durchschnittliche risikogewichteten Aktiven. Diese Kennzahl liefert Informationen zu den Einnahmen des Geschäfts in Bezug auf die risikogewichteten Aktiven.</p> <p><sup>5</sup>Berechneter Geschäftsertrag vor Wertberichtigungen für Kreditrisiken oder Kreditrückforderung (annualisiert wenn anwendbar) / durchschnittlicher Leverage Ratio Denominators. Diese Kennzahl liefert Informationen zu den Einnahmen des Geschäfts in Bezug auf den Leverage Ratio Denominators.</p> <p><sup>6</sup>Berechneter Geschäftsaufwand / Geschäftsertrag vor Wertberichtigungen für Kreditrisiken oder Kreditrückforderung. Diese Kennzahl liefert Informationen über die Effizienz des Geschäfts indem der Geschäftsaufwand mit dem Geschäftsertrag verglichen wird.</p> <p><sup>7</sup>Berechnete Veränderung des aktuellen den Aktionären zurechenbaren Konzernergebnisses aus fortzuführenden Geschäftsbereichen in der laufenden Periode im Vergleich zur Referenzperiode / Das den Aktionären zurechenbare Konzernergebnis aus fortzuführenden Geschäftsbereichen in der Referenzperiode. Diese Kennzahl liefert Informationen über das Ergebniswachstum im Vergleich zu früheren Jahresperioden.</p> <p><sup>8</sup>Basiert auf den Regeln für Schweizer systemrelevante Banken (SRB) ab dem 1. Januar 2020.</p> <p><sup>9</sup>Die im Geschäftsbericht 2017 in Schweizer Franken veröffentlichten Informationen für die am 31. Dezember 2017 endende Periode (CHF 33.240 Millionen) und der Geschäftsbericht 2016 der UBS Group AG und der UBS AG für die am 31. Dezember 2016 endende Periode (CHF 32.447 Millionen) wurden geprüft.</p> <p><sup>10</sup>Enthält Vermögen unter der Verwaltung von Global Wealth Management, Asset Management und Personal &amp; Corporate Banking.</p>					
	Erklärung hinsichtlich wesentlicher Verschlechterung.	Seit dem 31. Dezember 2018 sind keine wesentlichen nachteiligen Veränderungen in den Aussichten der UBS AG oder der UBS AG Gruppe eingetreten.			
	Wesentliche Veränderungen in der Finanzlage oder der Handelsposition.	Seit dem 31. März 2019, welches das Enddatum des letzten Finanzzeitraums ist, für welchen ein Zwischenabschluss veröffentlicht wurde, sind keine wesentlichen Veränderungen der Finanzlage oder der Handelsposition der UBS AG bzw. UBS AG Gruppe eingetreten.			

#### 4) Risk Factors

- (I) in relation to the Base Prospectus dated 27 June 2018 for the offer of Warrants and other leveraged Securities
- (II) in relation to the Base Prospectus dated 5 July 2018 for the offer of Securities
- (III) in relation to the prospectus comprising the Summary and Securities Note dated 17 September 2018 for the issuance of Portfolio Certificates linked to the Leading Global Trends Portfolio (ISIN CH0410019324)
- (IV) in relation to the prospectus comprising the Summary and Securities Note dated 20 September 2018 for the issuance of Strategy Certificates on Gelfarth Select Strategy (ISIN CH0326223960)
- (V) in relation to the prospectus comprising the Summary and Securities Note dated 30 October 2018 for the issuance of Portfolio Certificates linked to the Smart Health Care Portfolio (ISIN DE000US8MAR5)
- (VI) in relation to the Base Prospectus dated 27 March 2019 for the offer of Fixed Income Securities
- (VII) in relation to the Base Prospectus dated 30 April 2019 for the offer of Securities
- (VIII) in relation to the prospectus comprising the Summary and Securities Note dated 6 May 2019 for the issuance of Open End Certificates linked to the UBS Global Quality Dividend Payers Total Return (EUR) Index (ISIN DE000UBS0QD1)
- (IX) in relation to the prospectus comprising the Summary and Securities Note dated 8 May 2019 for the issuance of Portfolio Certificates linked to the PTAM Navigator Portfolio (ISIN CH0441698849)

**in the section headed "Risk Factors" (in the English language) in the section headed "Security specific Risks", the risk factor headed "UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Conditions of the Securities do not contain any restrictions on the Issuer's or UBS ability to restructure its business"**

**is completely replaced as follows:**

"UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Conditions of the Securities do not contain any restrictions on the Issuer's or UBS's ability to restructure its business.

In 2014, UBS began adapting its legal entity structure to improve the resolvability of the Group in response to too big to fail requirements in Switzerland and recovery and resolution regulation in other countries in which the Group operates. In December 2014, UBS Group AG became the holding company of the Group.

In 2015, UBS AG transferred its personal & corporate banking and wealth management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. In 2016, UBS Americas Holding LLC was designated as the intermediate holding company for UBS's US subsidiaries and UBS merged its wealth management subsidiaries in various European countries into UBS Europe SE, UBS's German-headquartered European subsidiary. Additionally, UBS transferred the majority of Asset Management's operating subsidiaries to UBS Asset Management AG.

UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG, was established in 2015 and acts as the Group service company. In 2017, UBS's shared services functions in

Switzerland and the UK were transferred from UBS AG to UBS Business Solutions AG. UBS also completed the transfer of shared services functions in the US to its US service company, UBS Business Solutions US LLC, a wholly owned subsidiary of UBS Americas Holding LLC.

In March 2019, UBS Limited, UBS's UK headquartered subsidiary, was merged into UBS Europe SE prior to the UK's scheduled departure from the EU. Former clients and other counterparties of UBS Limited who can be serviced by UBS AG's London Branch were migrated to UBS AG's London Branch prior to the merger.

UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments. Such changes may include further consolidation of operating subsidiaries in the EU and adjustments to the booking entity or location of products and services.

The Conditions of the Securities contain no restrictions on change of control events or structural changes, such as consolidations or mergers or demergers of the Issuer or the sale, assignment, spin-off, contribution, distribution, transfer or other disposal of all or any portion of the Issuer's or its subsidiaries' properties or assets in connection with the announced changes to its legal structure or otherwise and no event of default, requirement to repurchase the Securities or other event will be triggered under the Conditions of the Securities as a result of such changes. There can be no assurance that such changes, should they occur, would not adversely affect the credit rating of the Issuer and/or increase the likelihood of the occurrence of an event of default. Such changes, should they occur, may adversely affect the Issuer's ability to redeem or pay interest on the Securities and/or lead to circumstances in which the Issuer may elect to cancel such interest (if applicable). "

- (I) in relation to the Base Prospectus dated 27 June 2018 for the offer of Warrants and other leveraged Securities
- (II) in relation to the Base Prospectus dated 5 July 2018 for the offer of Securities
- (III) in relation to the Base Prospectus dated 27 March 2019 for the offer of Fixed Income Securities
- (IV) in relation to the Base Prospectus dated 30 April 2019 for the offer of Securities

**in the section headed "Risk Factors" (in the German language) in the section headed "Wertpapierspezifische Risikohinweise", the risk factor headed "Angesichts regulatorischer Entwicklungen und Anforderungen hat die UBS ihre Absicht bestimmte strukturelle Änderungen vorzunehmen bekannt gemacht und die Bedingungen der Wertpapiere enthalten keine Beschränkungen der Fähigkeit der Emittentin oder von UBS, ihr Geschäft neu zu strukturieren" is completely replaces as follows:**

"Angesichts regulatorischer Entwicklungen und Anforderungen hat die UBS ihre Absicht bestimmte strukturelle Änderungen vorzunehmen bekannt gemacht und die Bedingungen der Wertpapiere enthalten keine Beschränkungen der Fähigkeit der Emittentin oder von UBS, ihr Geschäft neu zu strukturieren.

Im Jahr 2014 hat UBS damit begonnen die Anpassung der rechtlichen Struktur vorzunehmen, um die Abwicklungsfähigkeit des Konzerns als Reaktion auf too-big-to-fail (TBTF) Anforderungen in der Schweiz, sowie die Sanierungs- und Abwicklungsregulierungen in den anderen Ländern, in denen der Konzern tätig ist, zu verbessern. Im Dezember 2014 wurde die UBS Group AG die Holding-Gesellschaft des Konzerns.

Im Jahr 2015 übertrug die UBS AG den Unternehmensbereich Personal & Corporate Banking sowie das in der Schweiz gebuchte Geschäft des Unternehmensbereichs Wealth Management von der UBS AG auf die neu gegründete, im Bankwesen tätige, schweizer Tochtergesellschaft UBS Switzerland AG. Im Jahr 2016 wurde die UBS Americas Holding LLC als Zwischenholding für die US-amerikanischen Tochtergesellschaften von UBS bestimmt, und UBS fusionierte ihre Wealth Management-Tochtergesellschaften in verschiedenen europäischen Ländern zur UBS Europe SE, der europäischen Bank der UBS mit Hauptsitz in Deutschland. Zudem hat UBS die Mehrheit der operativen Tochtergesellschaften von Asset Management auf die UBS Asset Management AG übertragen.

Die UBS Business Solutions AG, eine Tochtergesellschaft der UBS Group AG, wurde 2015 gegründet und fungiert als Dienstleistungsunternehmen des Konzerns. Im Jahr 2017 wurden die Shared-Services-Funktionen von UBS in der Schweiz und in Grossbritannien von der UBS AG auf die UBS Business Solutions AG übertragen. Zudem hat UBS die Übertragung von Shared-Services-Funktionen in den USA auf ihre US-amerikanische Servicegesellschaft UBS Business Solutions US LLC, eine hundertprozentige Tochtergesellschaft der UBS Americas Holding LLC, übertragen.

Im März 2019 wurde die UBS Limited, die britische Tochtergesellschaft von UBS mit Sitz in Grossbritannien, mit der UBS Europe SE fusioniert, vor dem planmäßigen Austritt Großbritanniens aus der EU. Ehemalige Kunden und andere Gegenparteien der UBS Limited, die von der Londoner Niederlassung der UBS AG betreut werden können, wurden vor der Fusion in die Londoner Niederlassung der UBS AG migriert.

Als Reaktion auf regulatorische Anforderungen und andere externe Entwicklungen erwägt UBS weitere Änderungen in der rechtlichen Struktur des Konzerns. Solche Änderungen können eine weitere Konsolidierung der operativen Tochtergesellschaften in der EU sowie Anpassungen der Buchungseinheit oder des Standorts von Produkten und Dienstleistungen beinhalten.



Die Bedingungen der Wertpapiere enthalten keine Beschränkungen zu Kontrollwechseln oder strukturellen Änderungen, wie gesellschaftsrechtliche Konsolidierung oder Verschmelzung oder Abspaltung der Emittentin oder Verkauf, Abtretung, Ausgliederung, Beteiligung, Ausschüttung, Übertragung oder Veräußerung von Teilen oder der Gesamtheit des Eigentums oder der Vermögenswerte der Emittentin oder eines mit ihr verbundenen Unternehmens im Zusammenhang mit angekündigten Änderungen ihrer rechtlichen Struktur oder Ähnlichem und aufgrund solcher Änderungen wird kein Kündigungsgrund, kein Erfordernis zum Rückkauf der Wertpapiere oder kein sonstiges Ereignis unter den Bedingungen der Wertpapiere ausgelöst. Es kann keine Gewähr dafür übernommen werden, dass solche Änderungen, sollten sie eintreten, das Rating der Emittentin nicht nachteilig beeinträchtigen und/oder die Wahrscheinlichkeit des Eintritts eine Nichterfüllung ihrer Verpflichtungen erhöhen. Es kann keine Gewähr dafür übernommen werden, dass solche Änderungen, sollten sie eintreten, das Rating der Emittentin nicht nachteilig beeinträchtigen und/oder ihre Fähigkeiten ihren Verpflichtungen unter den Wertpapieren nachzukommen, beeinflussen. Solche Änderungen, sollten sie eintreten, könnten die Fähigkeit der Emittentin zur Rückzahlung bzw. zur Zinszahlung auf die Wertpapiere negativ beeinflussen und/oder zu Umständen führen, in denen sich die Emittent entschliessen könnte Zinszahlung zu streichen (falls anwendbar)."

**5) Information in the Base Prospectuses and Prospectuses regarding the date of recent supplements to the Registration Document**

**(I)** in relation to the Base Prospectus dated 14 June 2018 for the issue of Fixed Income Securities

(a) On page 64 in the section headed "A. Risk Factors Relating to the Issuer" the second paragraph shall be replaced as follows:

**"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "III. Risk Factors" in the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019, and as supplemented by Supplement No. 3 dated 5 June 2019 (and as further supplemented from time to time), as incorporated by reference into this Base Prospectus."**

(b) On page 231 in the section headed "Incorporation by Reference" the first row of the table shall be replaced by the following:

<b>Document</b>	<b>Referred to in</b>	<b>Information</b>	<b>Place of Publication</b>
Registration Document dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019, and as supplemented by Supplement No. 3 dated 5 June 2019 (the "Registration Document")	- Risk Factors relating to the Issuer, page 64  - Description of UBS AG, page 230	- II. Statutory Auditors to Appendix 1 - Annual Report 2016 as at 31 December 2016 (pages 6 (including) to F-1 (excluding))	<a href="http://keyinvest-de.ubs.com/basisprospekte">http://keyinvest-de.ubs.com/basisprospekte</a>

**(II)** in relation to the Base Prospectus dated 27 June 2018 for the offer of Warrants and other leveraged Securities

(a) On page 90 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

**"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019, and as**

**supplemented by Supplement No. 3 dated 5 June 2019 which is incorporated by reference into this Base Prospectus."**

- (b) On page 560 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019, is incorporated by reference into, and forms part of this Base Prospectus."

- (c) On page 563 in the section headed "7. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"

- (d) On page 564 in the section headed "8. Availability of the Base Prospectus and other Documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"

**(III)** in relation to the Base Prospectus dated 5 July 2018 for the offer of Securities

- (a) On page 203 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

**"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 which is incorporated by reference into this Base Prospectus."**

- (b) On page 907 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, and as supplemented by Supplement No. 2 dated 15 April 2019, as supplemented by Supplement No. 3 dated 5 June 2019 is incorporated by reference into, and forms part of this Base Prospectus."

- (c) On page 910 in the section headed "7. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"

- (d) On page 912 in the section headed "8. Availability of the Base Prospectus and other Documents" the second bullet point shall be replaced as follows:
- "(b) a copy of the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"
- (IV) in relation to the prospectus comprising the Summary and Securities Note dated 17 September 2018 for the issuance of Portfolio Certificates linked to the Leading Global Trends Portfolio (ISIN CH0410019324)
- (a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:
- "This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."
- (b) On page 116 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:
- "This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."
- (c) On page 116 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:
- "(b) a copy of the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"
- (V) in relation to the prospectus comprising the Summary and Securities Note dated 20 September 2018 for the issuance of Strategy Certificates on Gelfarth Select Strategy (ISIN CH0326223960)
- (a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:
- "This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated

5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

- (b) On page 117 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 1 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

- (c) On page 118 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:

"(b) a copy of the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"

- (VI) in relation to the Base Prospectus dated 10 October 2018 for the issuance of Fixed Income Securities

- (a) On page 66 in the section headed "A. Risk Factors Relating to the Issuer" the second paragraph shall be replaced as follows:

**"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "III. Risk Factors" in the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (and as further supplemented from time to time), as incorporated by reference into this Base Prospectus."**

- (b) On page 233 in the section headed "Incorporation by Reference" the first row of the table shall be replaced by the following:

Document	Referred to in	Information	Place of Publication
Registration Document dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by	- Risk Factors relating to the Issuer, page 64  - Description of UBS AG, page 230	- II. Statutory Auditors to Appendix 3 - Annual Report 2017 as at 31 December 2017 (pages 6 (including) to E-1 (excluding))	<a href="http://keyinvest-de.ubs.com/basisprospekte">http://keyinvest-de.ubs.com/basisprospekte</a>

Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (the " <b>Registration Document</b> ")			
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(VII) in relation to the prospectus comprising the Summary and Securities Note dated 30 October 2018 for the issuance of Portfolio Certificates linked to the Smart Health Care Portfolio (ISIN DE000US8MAR5)

(a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(b) On page 118 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(c) On page 118 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:

"(b) a copy of the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"

**(VIII)** in relation to the Base Prospectus dated 27 March 2019 for the offer of Fixed Income Securities

(a) On page 92 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

**"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 which is incorporated by reference into this Base Prospectus."**

(b) On page 405 in the section headed "J. Description of the Issuer" the first subparagraph shall be replaced as follows:

"A description of UBS AG is set out in the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 is incorporated by reference into, and forms part of this Base Prospectus."

(c) On page 408 in the section headed "7. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:

"(1) the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"

(d) On page 408 in the section headed "8. Availability of the Base Prospectus and other Documents" the second bullet point shall be replaced as follows:

"(b) a copy of the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"

**(IX)** in relation to the Base Prospectus dated 30 April 2019 for the issuance of Securities

(a) On page 170 in the section headed "I. Issuer specific Risks" the second paragraph shall be replaced as follows:

**"In order to assess the risks related to the Issuer of the Securities, potential investors should consider the risk factors described in the section "Risk Factors" in the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019, which is incorporated by reference into this Base Prospectus."**

- (b) On page 758 in the section headed "K. Description of the Issuer" the first subparagraph shall be replaced as follows:
- "A description of UBS AG is set out in the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 is incorporated by reference into, and forms part of this Base Prospectus."
- (c) On page 761 in the section headed "7. Documents and Information incorporated by Reference" the first bullet point shall be replaced as follows:
- "(1) the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"
- (d) On page 762 in the section headed "8. Availability of the Base Prospectus and other documents" the second bullet point shall be replaced as follows:
- "(b) a copy of the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"
- (X)** in relation to the prospectus comprising the Summary and Securities Note dated 6 May 2019 for the issuance of Open End Certificates linked to the UBS Global Quality Dividend Payers Total Return (EUR) Index (ISIN DE000UBS0QD1)
- (a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:
- "This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."
- (b) On page 87 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:
- "This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."
- (c) On page 88 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:



"(b) a copy of the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"

**(XI)** in relation to the prospectus comprising the Summary and Securities Note dated 8 May 2019 for the issuance of Portfolio Certificates linked to the PTAM Navigator Portfolio (ISIN CH0441698849)

(a) On page 1 the first sentence in the first paragraph below the securities identification number shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(b) On page 114 in the section headed "H. General Information" the wording in the subsection headed "1. Form of Document" shall be replaced by the following wording:

"This document comprises a securities note (the "**Securities Note**") and a summary (the "**Summary**") and, together with the registration document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019 (the "**Registration Document**"), constitutes a prospectus (the "**Prospectus**") according to Art. 5 (3) of the Prospectus Directive (Directive 2003/71/EC, as amended), as implemented by the relevant provisions of the EU member states, in connection with Regulation 809/2004 of the European Commission, as amended."

(c) On page 114 in the section headed "6. Availability of the Prospectus and other documents" the second bullet point shall be replaced by the following wording:

"(b) a copy of the Registration Document of UBS AG dated 27 November 2018, as supplemented by Supplement No. 1 dated 5 March 2019, as supplemented by Supplement No. 2 dated 15 April 2019 and as supplemented by Supplement No. 3 dated 5 June 2019;"

## ADDRESS LIST

### ISSUER

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Switzerland

#### **Executive Office of UBS AG, Jersey Branch**

UBS AG, Jersey Branch  
24 Union Street  
St. Helier JE2 3RF  
Jersey  
Channel Islands

#### **Executive Office of UBS AG, London Branch**

UBS AG, London Branch  
5 Broadgate  
London EC2M 2QS  
United Kingdom

## Availability of Documents

The Registration Document dated 27 November 2018,  
the Base Prospectus dated 14 June 2018 for the issuance of Fixed Income Securities,  
the Base Prospectus dated 27 June 2018 for the offer of Warrants and other leveraged Securities,  
the Base Prospectus dated 5 July 2018 for the offer of Securities,  
the Prospectus comprising the Summary and Securities Note dated 17 September 2018 for the issuance of Portfolio Certificates linked to the Leading Global Trends Portfolio (ISIN CH0410019324),  
the Prospectus comprising the Summary and Securities Note dated dated 20 September 2018 for the issuance of Strategy Certificates on Gelfarth Select Strategy (ISIN CH0326223960),  
the Base Prospectus dated 10 October 2018 for the issuance of Fixed Income Securities,  
the Prospectus comprising the Summary and Securities Note dated 30 October 2018 for the issuance of Portfolio Certificates linked to the Smart Health Care Portfolio (ISIN DE000US8MAR5),  
the Base Prospectus dated 27 March 2019 for the issuance of Fixed Income Securities,  
the Base Prospectus dated 30 April 2019 for the offer of Securities,  
the Prospectus comprising the Summary and Securities Note dated 6 May 2019 for the issuance of Open End Certificates linked to the UBS Global Quality Dividend Payers Total Return (EUR) Index (ISIN DE000UBSQD1),  
the Prospectus comprising the Summary and Securities Note dated 8 May 2019 for the issuance of Portfolio Certificates linked to the PTAM Navigator Portfolio (ISIN CH0441698849),  
and all supplements thereto, shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document and are published on the website <http://keyinvest-de.ubs.com/basisprospekte> or any successor address notified by the Issuer to the Securityholders for this purpose by way of publication on <http://keyinvest-de.ubs.com/bekanntmachungen>.

In addition, the annual and quarterly financial reports of UBS AG and UBS Group AG are published on UBS's website, at [www.ubs.com/investors](http://www.ubs.com/investors) or any successor address notified by the Issuer to the Securityholders for this purpose by way of publication on <http://keyinvest-de.ubs.com/bekanntmachungen>.

**The First Quarter 2019 Report of UBS Group AG**



# Our financial results

First quarter 2019 report

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## Corporate calendar UBS Group AG

Annual General Meeting 2019:	Thursday, 2 May 2019
Publication of the second quarter 2019 report:	Tuesday, 23 July 2019
Publication of the third quarter 2019 report:	Tuesday, 22 October 2019
Publication of the fourth quarter 2019 report:	Tuesday, 21 January 2020

## Corporate calendar UBS AG\*

Publication of the first quarter 2019 report: Tuesday, 30 April 2019

\*Publication dates of further quarterly and annual reports and results will be made available as part of the corporate calendar of UBS AG at [www.ubs.com/investors](http://www.ubs.com/investors)

## Contacts

### Switchboards

For all general inquiries  
[www.ubs.com/contact](http://www.ubs.com/contact)

Zurich +41-44-234 1111  
London +44-207-567 8000  
New York +1-212-821 3000  
Hong Kong +852-2971 8888  
Singapore +65-6495 8000

### Investor Relations

UBS's Investor Relations team supports institutional, professional and retail investors from our offices in Zurich, New York and Krakow.

UBS Group AG, Investor Relations  
P.O. Box, CH-8098 Zurich, Switzerland

[www.ubs.com/investors](http://www.ubs.com/investors)

Zurich +41-44-234 4100  
New York +1-212-882 5734

### Media Relations

UBS's Media Relations team supports global media and journalists from offices in Zurich, London, New York and Hong Kong.

[www.ubs.com/media](http://www.ubs.com/media)

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[mediarelations-ny@ubs.com](mailto:mediarelations-ny@ubs.com)

Hong Kong +852-2971 8200  
[sh-mediarelations-ap@ubs.com](mailto:sh-mediarelations-ap@ubs.com)

### Office of the Group Company Secretary

The Group Company Secretary receives inquiries on compensation and related issues addressed to members of the Board of Directors.

UBS Group AG, Office of the Group Company Secretary  
P.O. Box, CH-8098 Zurich, Switzerland

[sh-company-secretary@ubs.com](mailto:sh-company-secretary@ubs.com)

+41-44-235 6652

### Shareholder Services

UBS's Shareholder Services team, a unit of the Group Company Secretary office, is responsible for the registration of UBS Group AG registered shares.

UBS Group AG, Shareholder Services  
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# Our key figures

USD million, except where indicated	As of or for the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Group results</b>			
Operating income	7,218	6,972	8,168
Operating expenses	5,672	6,492	6,069
Operating profit / (loss) before tax	1,546	481	2,100
Net profit / (loss) attributable to shareholders	1,141	315	1,566
Diluted earnings per share (USD) <sup>1</sup>	0.30	0.08	0.41
<b>Profitability and growth<sup>2</sup></b>			
Return on equity (%) <sup>3</sup>	8.6	2.4	11.8
Return on tangible equity (%) <sup>4</sup>	9.8	2.7	13.5
Return on common equity tier 1 capital (%) <sup>5</sup>	13.3	3.7	18.3
Return on risk-weighted assets, gross (%) <sup>6</sup>	10.9	10.8	12.9
Return on leverage ratio denominator, gross (%) <sup>6</sup>	3.2	3.1	3.6
Cost / income ratio (%) <sup>7</sup>	78.4	92.4	74.1
Adjusted cost / income ratio (%) <sup>8</sup>	77.9	92.2	75.3
Net profit growth (%) <sup>9</sup>	(27.1)		25.1
<b>Resources</b>			
Total assets	956,579	958,489	964,260
Equity attributable to shareholders	53,667	52,928	53,662
Common equity tier 1 capital <sup>10</sup>	34,658	34,119	34,774
Risk-weighted assets <sup>10</sup>	267,556	263,747	266,169
Common equity tier 1 capital ratio (%) <sup>10</sup>	13.0	12.9	13.1
Going concern capital ratio (%) <sup>10</sup>	18.5	17.5	17.3
Total loss-absorbing capacity ratio (%) <sup>10</sup>	32.7	31.7	31.2
Leverage ratio denominator <sup>10</sup>	910,993	904,598	925,651
Common equity tier 1 leverage ratio (%) <sup>10</sup>	3.80	3.77	3.76
Going concern leverage ratio (%) <sup>10</sup>	5.4	5.1	5.0
Total loss-absorbing capacity leverage ratio (%) <sup>10</sup>	9.6	9.3	9.0
Liquidity coverage ratio (%) <sup>11</sup>	153	136	136
<b>Other</b>			
Invested assets (USD billion) <sup>12</sup>	3,318	3,101	3,309
Personnel (full-time equivalents)	67,481	66,888	62,537
Market capitalization <sup>13,14</sup>	45,009	45,907	66,261
Total book value per share (USD) <sup>13</sup>	14.45	14.35	14.27
Total book value per share (CHF) <sup>13,15</sup>	14.39	14.11	13.60
Tangible book value per share (USD) <sup>13</sup>	12.67	12.55	12.53
Tangible book value per share (CHF) <sup>13,15</sup>	12.62	12.33	11.94

<sup>1</sup> Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Consolidated financial statements" section of this report for more information. <sup>2</sup> Refer to the "Performance targets and measurement" section of our Annual Report 2018 for more information on our performance targets. <sup>3</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. <sup>4</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. The definition of the numerator for return on tangible equity has been revised to align with numerators for return on equity and return on CET1 capital; i.e., we no longer adjust for amortization and impairment of goodwill and intangible assets. Prior periods have been restated. <sup>5</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average common equity tier 1 capital. <sup>6</sup> Calculated as operating income before credit loss expense or recovery (annualized as applicable) / average risk-weighted assets and average leverage ratio denominator, respectively. <sup>7</sup> Calculated as operating expenses / operating income before credit loss expense or recovery. <sup>8</sup> Calculated as adjusted operating expenses / adjusted operating income before credit loss expense or recovery. <sup>9</sup> Calculated as change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. <sup>10</sup> Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital management" section of this report for more information. <sup>11</sup> Refer to the "Balance sheet, liquidity and funding management" section of this report for more information. <sup>12</sup> Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. <sup>13</sup> Refer to "UBS shares" in the "Capital management" section of this report for more information. <sup>14</sup> Beginning with our Annual Report 2018, the calculation of market capitalization has been amended to reflect total shares outstanding multiplied by the share price at the end of the period. The calculation was previously based on total shares issued multiplied by the share price at the end of the period. Market capitalization has been reduced by USD 2.1 billion as of 31 December 2018 and by USD 1.7 billion as of 31 March 2018 as a result. <sup>15</sup> Total book value per share and tangible book value per share in Swiss francs are calculated based on a translation of equity under our US dollar presentation currency. As a consequence of the restatement to a US dollar presentation currency, amounts may differ from those originally published in our quarterly and annual reports.

## Performance measures: reasons for use

<b>Return on equity</b>	This measure provides information on the profitability of the business in relation to equity.
<b>Return on tangible equity</b>	This measure provides information on the profitability of the business in relation to tangible equity.
<b>Return on common equity tier 1 capital</b>	This measure provides information on the profitability of the business in relation to common equity tier 1 capital.
<b>Return on risk-weighted assets, gross</b>	This measure provides information on the revenues of the business in relation to risk-weighted assets.
<b>Return on leverage ratio denominator, gross</b>	This measure provides information on the revenues of the business in relation to leverage ratio denominator.
<b>Cost / income ratio</b>	This measure provides information on the efficiency of the business by comparing operating expenses with gross income.
<b>Adjusted cost / income ratio</b>	This measure provides information on the efficiency of the business by comparing operating expenses with gross income, while excluding items that management believes are not representative of the underlying performance of the businesses.
<b>Net profit growth</b>	This measure provides information on profit growth in comparison with the prior-year period.



# UBS Group

## Management report

### Changes to our presentation currency

Effective from 1 October 2018, the presentation currency of UBS Group AG's consolidated financial statements has changed from Swiss francs to US dollars. Comparative information in this report for periods prior to the fourth quarter of 2018 has been restated. Assets, liabilities and total equity were translated to US dollars at closing exchange rates prevailing on the respective balance sheet dates, and income and expenses were translated at the respective average rates prevailing for the relevant periods.

### Terms used in this report, unless the context requires otherwise

"UBS," "UBS Group," "UBS Group AG consolidated," "Group," "the Group," "we," "us" and "our"	UBS Group AG and its consolidated subsidiaries
"UBS AG consolidated"	UBS AG and its consolidated subsidiaries
"UBS Group AG" and "UBS Group AG standalone"	UBS Group AG on a standalone basis
"UBS AG" and "UBS AG standalone"	UBS AG on a standalone basis
"UBS Switzerland AG" and "UBS Switzerland AG standalone"	UBS Switzerland AG on a standalone basis
"UBS Europe SE consolidated"	UBS Europe SE and its consolidated subsidiaries
"UBS Americas Holding LLC" and "UBS Americas Holding LLC consolidated"	UBS Americas Holding LLC and its consolidated subsidiaries

# Recent developments

## Regulatory and legal developments

### Revised gone concern capital requirements in Switzerland

In April 2019, the Swiss Federal Department of Finance issued a revised Capital Adequacy Ordinance for consultation. Among other items, the proposal introduces gone concern capital requirements for Swiss-based legal entities of global systemically important banks. Under the proposal, UBS AG would be subject to a gone concern capital requirement on its third-party exposure on a standalone basis, as well as to an additional gone concern capital buffer requirement on its consolidated exposure. UBS Switzerland AG would continue to be required to maintain gone concern capital. These gone concern requirements would become effective on 1 January 2020 and the buffer would be phased in in full between 1 January 2021 and 1 January 2024.

The proposal also caps the maximum gone concern rebate relevant for UBS Group AG consolidated and UBS AG at 1.25% of total exposure, compared with a maximum rebate level of 2.0% under the current regime.

Finally, the eligibility of bail-in bonds with a remaining maturity between one and two years would increase, from 50% under the current regime to 100% effective 1 January 2020; however, their share in total gone concern capital would be capped at 20%.

Based on our initial assessment, we would expect that when fully phased in on 1 January 2024, UBS would be required to maintain a gone concern leverage ratio of around 100 basis points higher than otherwise needed to meet the Group requirements.

→ **Refer to the “Capital management” section of our Annual Report 2018 for information on the current capital requirements**

### UK withdrawal from the EU

The previously announced combined UK business transfer and cross-border merger of UBS Limited into UBS Europe SE became legally effective on 1 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 cross-border merger of UBS Limited into UBS Europe SE resulted in a combined balance sheet of EUR 57 billion. Following the merger, UBS Europe SE is subject to direct supervision by the European Central Bank and is considered a significant regulated subsidiary. Effective from the first quarter of 2019, we include financial and regulatory information of UBS Europe SE in our quarterly and annual Group reporting.

- **Refer to the “Significant regulated subsidiary and sub-group information” section of this report for the financial and regulatory key figures for UBS Europe SE consolidated**
- **Refer to the 31 March 2019 Pillar 3 report under “Pillar 3 disclosures” at [www.ubs.com/investors](http://www.ubs.com/investors) for more information on the regulatory capital components and capital ratios, as well as the leverage ratio of UBS Europe SE consolidated**

The UK’s Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) have opened registration for the Temporary Permissions Regime (TPR). This regime will allow firms and funds domiciled in the European Economic Area (EEA) that currently are passported into the UK to continue operating within the scope of their existing permissions for a limited period after the UK’s withdrawal. UBS has provided TPR notifications for UBS subsidiaries in the EEA that currently passport into the UK, in order to ensure the continuity of UK regulatory permissions in the event of a no-deal scenario.

In addition, the European Securities and Markets Authority (ESMA) has taken measures to mitigate potential disruptions in a no-deal scenario. It agreed to recognize the three UK-authorized central counterparties (CCPs): LCH Limited, ICE Clear Europe Ltd and LME Clear Limited. This will allow them to continue to provide clearing services in the EU for a limited period in a no-deal scenario and will avoid the need to migrate UBS Europe SE’s current derivatives exposures from a UK CCP to an EU CCP ahead of the exit date. ESMA has also announced a recognition decision for the UK-authorized Central Securities Depository – Euroclear UK & Ireland Limited – for a limited period. This will make possible the continued use of the Euroclear UK & Ireland securities depository to settle Irish securities for as long as they are recognized by ESMA.

These ESMA decisions will be effective from 31 October 2019 unless there is a change in circumstances.

### Tailoring of regulation for foreign banks in the US

In April 2019, the US Federal banking agencies released two proposals that would tailor how certain capital and liquidity requirements and enhanced prudential standards (EPS) apply to foreign banking organizations (FBO) with significant US operations. Under the proposal, FBOs with USD 100 billion or more, over USD 250 billion and over USD 700 billion or more in combined US assets and their US intermediate holding companies (IHC) would be assigned to categories based on their size in total assets and scores for four other risk-based indicators: non-bank assets, a weighted measure of short-term wholesale funding, off-balance sheet exposure and cross-jurisdictional activity. The category determined based on calculations at the organizational level of an FBO's intermediate holding company (IHC), would determine capital requirements and capital-related EPS applicable to the FBO's IHC and, in some cases, a US depository institution subsidiary. The category, determined based on calculations at the organizational level of an FBO's combined US operations (CUSO), would determine liquidity requirements, liquidity-related EPS and other EPS applicable to the FBO's CUSO, IHC or certain US depository institution subsidiaries. The Federal Reserve Board has estimated that we would be a category III firm. In this category, among other things, UBS Americas Holding LLC would continue to be subject to annual assessments of its capital plan through the Comprehensive Capital Analysis and Review (CCAR) process, the supplementary leverage ratio, the newly applicable liquidity coverage ratio requirements and the proposed net stable funding ratio requirements.

We are evaluating the proposal's implications.

### Other developments

#### IFRS 16, Leases

We have adopted IFRS 16, *Leases*, effective 1 January 2019, fundamentally changing how we account for operating leases when acting as a lessee. Upon adoption, assets and liabilities increased by USD 3.5 billion, with a corresponding increase in risk-weighted assets (RWA) and leverage ratio denominator (LRD).

In the income statement, the adoption of the new standard has resulted in increases in *Depreciation and impairment of property, equipment and software* and *Interest expense*, which have been partly offset by a decrease in *General and administrative expenses*. In the first quarter of 2019, this resulted in a net decrease in operating profit or loss of USD 12 million. For the full year 2019, IFRS 16 is expected to result in a total net decrease in operating profit or loss of approximately USD 60 million, with this effect reversing over the tenor of the leases.

As permitted by IFRS 16, we elected not to restate prior-period information.

→ **Refer to "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information on the adoption of IFRS 16**

#### Presentation of dividend income and expense from financial instruments measured at fair value through profit or loss

Effective from 1 January 2019, we refined the presentation of dividend income and expense, reclassifying dividends from financial instruments measured at fair value through profit or loss from *Net interest income* to *Other net income from financial instruments measured at fair value through profit or loss* (prior to 1 January 2019: *Other net income from fair value changes on financial instruments*), in order to align the presentation of dividends with other associated fair value changes. There is no effect on *Total operating income* or *Net profit/(loss)*. The change reduces the significant volatility in *Net interest income* that previously arose on a quarterly basis.

Prior periods have been restated for this presentation change. For the financial year 2018, this resulted in a decrease of USD 976 million in *Net interest income* and a corresponding increase in *Other net income from financial instruments measured at fair value through profit or loss*.

→ **Refer to "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information**

#### Changes in Corporate Center cost and resource allocation to business divisions

In order to further align Group and divisional performance, we have adjusted our methodology for the allocation of Corporate Center funding costs and expenses to the business divisions. At the same time, we updated our funds transfer pricing framework to better reflect the sources and usage of funding. All of these changes were effective as of 1 January 2019. Prior periods have been restated.

Together, for the full year 2018, these changes reduced the business divisions' operating results and thereby increased their adjusted cost / income ratios by approximately 1–2 percentage points, while Corporate Center's 2018 operating loss before tax decreased by USD 0.7 billion.

In Corporate Center, we retain funding costs for deferred tax assets, costs relating to our legal entity transformation program and other costs not attributable to, or representative of the performance of, the business divisions.

Alongside the updates to cost allocations and to our funds transfer pricing framework, we increased the allocation of balance sheet resources from Corporate Center to the business divisions. For 2018, the restatement resulted in USD 26 billion of additional RWA and USD 93 billion of additional LRD allocated from Corporate Center to the business divisions.

The additional USD 3.5 billion RWA and LRD that resulted from the adoption of IFRS 16, *Leases*, have been fully allocated to the business divisions.

### Changes in equity attribution

The aforementioned changes in resource allocation from Corporate Center to the business divisions are reflected in the equity attribution to the business divisions. Furthermore, we have updated our equity attribution framework, revising the capital ratio for RWA from 11% to 12.5% and incrementally allocating to business divisions USD 2 billion of attributed equity that is related to certain common equity tier 1 (CET1) deduction items previously held centrally. In aggregate, we allocated USD 7 billion of additional attributed equity to the business divisions. The remaining attributed equity retained in Corporate Center primarily relates to deferred tax assets, dividend accruals and the Non-core and Legacy Portfolio. Prior periods have been restated.

For the full year 2018, the combined effect from the changes in equity attribution and the aforementioned changes in cost and resource allocation to the business divisions led to a 3–7 percentage point reduction in their respective return on attributed equity.

→ **Refer to “Equity attribution and return on attributed equity” in the “Capital management” section of this report for more information on the equity attributed to the business divisions**

### Changes in Corporate Center segment reporting

Beginning with this report and in compliance with IFRS 8, *Operating Segments*, we provide results for total Corporate Center only and do not separately report Corporate Center – Services, Group ALM and Non-core and Legacy Portfolio. Furthermore, we operationally combined Group Treasury with Group ALM and call this combined function Group Treasury. Commentary on the performance of this function is included in the Corporate Center management discussion and analysis in our quarterly and annual reporting, with total revenue information for this function presented under *Net treasury income* as a separate line item. Prior-period information has been restated. In addition, we provide in separate line items information on net operating income and operating expenses after allocations related to Non-core and Legacy Portfolio.

→ **Refer to the “Note 1 Basis of accounting” in the “Consolidated financial statements” section of this report for more information**

# Group performance

## Income statement

USD million	For the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
Net interest income	1,123	1,226	1,435	(8)	(22)
Other net income from financial instruments measured at fair value through profit or loss	1,935	1,297	1,973	49	(2)
Credit loss (expense) / recovery	(20)	(53)	(26)	(62)	(22)
Fee and commission income	4,541	4,700	5,178	(3)	(12)
Fee and commission expense	(409)	(439)	(433)	(7)	(6)
Net fee and commission income	4,132	4,261	4,744	(3)	(13)
Other income	49	241	42	(80)	15
Total operating income	7,218	6,972	8,168	4	(12)
Personnel expenses	4,043	3,839	4,254	5	(5)
General and administrative expenses	1,187	2,293	1,510	(48)	(21)
Depreciation and impairment of property, equipment and software	427	343	288	24	48
Amortization and impairment of intangible assets	16	17	16	(8)	(5)
Total operating expenses	5,672	6,492	6,069	(13)	(7)
Operating profit / (loss) before tax	1,546	481	2,100	222	(26)
Tax expense / (benefit)	407	165	533	146	(24)
Net profit / (loss)	1,139	315	1,567	261	(27)
Net profit / (loss) attributable to non-controlling interests	(2)	1	2		
<b>Net profit / (loss) attributable to shareholders</b>	<b>1,141</b>	<b>315</b>	<b>1,566</b>	<b>263</b>	<b>(27)</b>
<b>Comprehensive income</b>					
Total comprehensive income	1,039	1,208	1,854	(14)	(44)
Total comprehensive income attributable to non-controlling interests	2	2	3	0	(33)
<b>Total comprehensive income attributable to shareholders</b>	<b>1,037</b>	<b>1,207</b>	<b>1,850</b>	<b>(14)</b>	<b>(44)</b>

**Performance of our business divisions and Corporate Center – reported and adjusted<sup>1,2</sup>**

	For the quarter ended 31.3.19					
<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center <sup>3</sup>	UBS
Operating income as reported	4,003	957	446	1,765	47	7,218
Operating income (adjusted)	4,003	957	446	1,765	47	7,218
Operating expenses as reported	3,140	570	343	1,558	62	5,672
<i>of which: personnel-related restructuring expenses<sup>4</sup></i>	0	0	2	1	14	17
<i>of which: non-personnel-related restructuring expenses<sup>4</sup></i>	0	0	2	2	10	14
<i>of which: restructuring expenses allocated from Corporate Center<sup>4</sup></i>	10	4	2	11	(27)	0
Operating expenses (adjusted)	3,130	567	337	1,544	63	5,641
<i>of which: net expenses for litigation, regulatory and similar matters<sup>5</sup></i>	0	0	0	(1)	(8)	(8)
<b>Operating profit / (loss) before tax as reported</b>	<b>863</b>	<b>387</b>	<b>103</b>	<b>207</b>	<b>(15)</b>	<b>1,546</b>
<b>Operating profit / (loss) before tax (adjusted)</b>	<b>873</b>	<b>391</b>	<b>109</b>	<b>221</b>	<b>(17)</b>	<b>1,577</b>
	For the quarter ended 31.12.18					
<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center <sup>3</sup>	UBS
Operating income as reported	4,129	1,278	468	1,521	(423)	6,972
<i>of which: gains related to investments in associates<sup>6</sup></i>	101	359				460
<i>of which: remeasurement loss related to UBS Securities China<sup>7</sup></i>					(270)	(270)
Operating income (adjusted)	4,028	919	468	1,521	(154)	6,782
Operating expenses as reported	3,802	634	362	1,598	95	6,492
<i>of which: personnel-related restructuring expenses<sup>4</sup></i>	17	1	5	1	70	95
<i>of which: non-personnel-related restructuring expenses<sup>4</sup></i>	0	0	3	3	87	93
<i>of which: restructuring expenses allocated from Corporate Center<sup>4</sup></i>	59	17	13	69	(157)	0
Operating expenses (adjusted)	3,726	616	342	1,526	95	6,304
<i>of which: net expenses for litigation, regulatory and similar matters<sup>5</sup></i>	505	41	0	(6)	(8)	533
<b>Operating profit / (loss) before tax as reported</b>	<b>327</b>	<b>644</b>	<b>106</b>	<b>(78)</b>	<b>(518)</b>	<b>481</b>
<b>Operating profit / (loss) before tax (adjusted)</b>	<b>302</b>	<b>303</b>	<b>126</b>	<b>(5)</b>	<b>(248)</b>	<b>478</b>

## Performance of our business divisions and Corporate Center – reported and adjusted (continued)<sup>1,2</sup>

For the quarter ended 31.3.18

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Manage- ment	Investment Bank	Corporate Center <sup>3</sup>	UBS
Operating income as reported	4,409	981	466	2,415	(101)	8,168
Operating income (adjusted)	4,409	981	466	2,415	(101)	8,168
Operating expenses as reported	3,306	573	360	1,838	(9)	6,069
<i>of which: personnel-related restructuring expenses<sup>4</sup></i>	<i>3</i>	<i>1</i>	<i>1</i>	<i>12</i>	<i>50</i>	<i>68</i>
<i>of which: non-personnel-related restructuring expenses<sup>4</sup></i>	<i>10</i>	<i>0</i>	<i>3</i>	<i>2</i>	<i>53</i>	<i>68</i>
<i>of which: restructuring expenses allocated from Corporate Center<sup>4</sup></i>	<i>50</i>	<i>9</i>	<i>7</i>	<i>34</i>	<i>(99)</i>	<i>0</i>
<i>of which: gain related to changes to the Swiss pension plan<sup>8</sup></i>	<i>(66)</i>	<i>(38)</i>	<i>(10)</i>	<i>(5)</i>	<i>(122)</i>	<i>(241)</i>
Operating expenses (adjusted)	3,310	600	359	1,796	109	6,174
<i>of which: net expenses for litigation, regulatory and similar matters<sup>5</sup></i>	<i>32</i>	<i>0</i>	<i>0</i>	<i>(2)</i>	<i>(41)</i>	<i>(11)</i>
<b>Operating profit / (loss) before tax as reported</b>	<b>1,102</b>	<b>408</b>	<b>105</b>	<b>576</b>	<b>(92)</b>	<b>2,100</b>
<b>Operating profit / (loss) before tax (adjusted)</b>	<b>1,099</b>	<b>380</b>	<b>107</b>	<b>619</b>	<b>(211)</b>	<b>1,994</b>

<sup>1</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>2</sup> Comparative figures in this table have been restated for the changes in Corporate Center cost and resource allocation to the business divisions and the changes in the equity attribution framework. Refer to the "Recent developments" section and "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information. Comparatives may additionally differ due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>3</sup> Corporate Center operating expenses presented in this table are after service allocations to business divisions. <sup>4</sup> Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives. <sup>5</sup> Reflects the net increase in / (release of) provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to "Note 16 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report for more information. Also includes recoveries from third parties (first quarter of 2019: USD 7 million; fourth quarter of 2018: USD 1 million; first quarter of 2018: USD 17 million). <sup>6</sup> Related to Worldline acquisition of SIX Payment Services. <sup>7</sup> Related to the increase of stake in and consolidation of UBS Securities China. <sup>8</sup> Changes to the Pension Fund of UBS in Switzerland in the first quarter of 2018 resulted in a reduction in the pension obligation recognized by UBS. As a consequence, a pre-tax gain of USD 241 million was recognized in the income statement in the first quarter of 2018, with no overall effect on total equity. Refer to "Note 5 Personnel expenses" in the "Consolidated financial statements" section of the first quarter 2018 report for more information.

### Results: 1Q19 vs 1Q18

Profit before tax decreased by USD 554 million or 26% to USD 1,546 million, reflecting a decrease in operating income, partly offset by lower operating expenses. Operating income decreased by USD 950 million or 12% to USD 7,218 million mainly reflecting USD 612 million lower net fee and commission income and a USD 350 million decrease in net interest income and other net income from financial instruments measured at fair value through profit or loss. Operating expenses decreased by USD 397 million or 7% to USD 5,672 million, primarily due to a USD 323 million decrease in general and administrative expenses and a USD 211 million decrease in personnel expenses, partly offset by a USD 139 million increase in depreciation, amortization and impairment of property, equipment and software.

In addition to reporting our results in accordance with International Financial Reporting Standards (IFRS), we report adjusted results that exclude items that management believes are not representative of the underlying performance of our businesses. Such adjusted results are non-GAAP financial measures as defined by US Securities and Exchange Commission (SEC) regulations. These adjustments include restructuring expenses related to our CHF 2.1 billion cost reduction program

completed at the end of 2017 (referred to as our “legacy cost programs” in this report). For the full year 2019, we expect residual restructuring expenses in connection with such legacy cost programs, as well as expenses relating to new restructuring initiatives to be approximately USD 0.2 billion.

For the purpose of determining adjusted results for the first quarter of 2019, we excluded USD 31 million of these net restructuring expenses. For the first quarter of 2018, we excluded a gain related to changes to our Swiss pension plan of USD 241 million and net restructuring expenses of USD 135 million.

On this adjusted basis, profit before tax for the first quarter of 2019 decreased by USD 417 million or 21% to USD 1,577 million, driven by a USD 950 million, or 12%, decrease in operating income, partly offset by a USD 533 million, or 9%, decrease in operating expenses.

### Operating income: 1Q19 vs 1Q18

Total operating income decreased by USD 950 million or 12% to USD 7,218 million, mainly reflecting USD 612 million lower net fee and commission income and a USD 350 million decrease in net interest income and other net income from financial instruments measured at fair value through profit or loss.



## Net interest income and other net income from financial instruments measured at fair value through profit or loss

USD million	For the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	785	902	998	(13)	(21)
Net interest income from financial instruments measured at fair value through profit or loss <sup>1</sup>	339	324	437	5	(22)
Other net income from financial instruments measured at fair value through profit or loss <sup>1</sup>	1,935	1,297	1,973	49	(2)
<b>Total</b>	<b>3,058</b>	<b>2,523</b>	<b>3,408</b>	<b>21</b>	<b>(10)</b>
Global Wealth Management <sup>2</sup>	1,261	1,246	1,317	1	(4)
<i>of which: net interest income</i>	1,009	1,028	1,021	(2)	(1)
<i>of which: transaction-based income from foreign exchange and other intermediary activity<sup>3</sup></i>	252	218	296	16	(15)
Personal & Corporate Banking <sup>2</sup>	609	615	623	(1)	(2)
<i>of which: net interest income</i>	493	517	516	(5)	(4)
<i>of which: transaction-based income from foreign exchange and other intermediary activity<sup>3</sup></i>	116	98	107	18	8
Asset Management <sup>2</sup>	1	(15)	(7)		
Investment Bank <sup>2,4</sup>	1,094	793	1,522	38	(28)
<i>Corporate Client Solutions</i>	164	172	417	(5)	(61)
<i>Investor Client Services</i>	930	621	1,104	50	(16)
Corporate Center <sup>2</sup>	94	(116)	(46)		

<sup>1</sup> Effective as of 1 January 2019, UBS refined the presentation of dividend income and expense by reclassifying dividends from Net interest income from financial instruments measured at fair value through profit or loss to Other net income from financial instruments measured at fair value through profit or loss. Prior-period information was restated accordingly and the total effect to the Group was as follows: For the quarters ended 31 December 2018 and 31 March 2018, respectively USD 250 million and USD 412 million net dividend income was reclassified. Refer to the "Recent developments" section and "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information. <sup>2</sup> Comparative figures have been restated for changes in Corporate Center cost allocations to the business divisions. Refer to the "Recent developments" section and "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information. <sup>3</sup> Mainly includes spread-related income in connection with client-driven transactions, foreign currency translation effects and income and expenses from precious metals, which are included in the income statement line Other net income from financial instruments measured at fair value through profit or loss. The amounts reported on this line are one component of Transaction-based income in the management discussion and analysis of Global Wealth Management and Personal & Corporate Banking in the "Global Wealth Management" and "Personal & Corporate Banking" sections of this report. <sup>4</sup> Investment Bank information is provided at the business line level rather than by financial statement reporting line in order to reflect the underlying business activities, which is consistent with the structure of the management discussion and analysis in the "Investment Bank" section of this report.

### Net interest income and other net income from financial instruments measured at fair value through profit or loss

Total combined net interest income and other net income from financial instruments measured at fair value through profit or loss decreased by USD 350 million to USD 3,058 million. This was mainly driven by a USD 311 million decrease in net interest income, mainly in our Equities and Corporate Client Solutions businesses in the Investment Bank and in Corporate Center, with the latter reflecting higher funding costs relating to Corporate Center balance sheet assets, most of which were allocated to the business divisions.

#### Global Wealth Management

In Global Wealth Management, net interest income decreased by USD 12 million to USD 1,009 million, mainly reflecting lower loan volumes, mostly caused by currency effects, as well as reductions in net income from structural risk management activities and banking book interest income. This was partly offset by higher investment of equity income.

Transaction-based income from foreign exchange and other intermediary activity decreased by USD 44 million to USD 252 million, mainly due to lower client activity across all regions.

#### Personal & Corporate Banking

In Personal & Corporate Banking, net interest income decreased by USD 23 million to USD 493 million, reflecting foreign currency effects and higher funding costs for total loss-absorbing capacity, partly offset by an increase in deposit and loan revenues.

Transaction-based income from foreign exchange and other intermediary activity increased by USD 9 million to USD 116 million, mainly driven by higher client activity in derivatives.

#### Investment Bank

In the Investment Bank, net interest income and other net income from financial instruments measured at fair value through profit or loss decreased by USD 428 million to USD 1,094 million. This was driven by a USD 253 million decrease in Corporate Client Solutions, mainly reflecting lower revenues from private transactions in Equity Capital Markets. Additionally, a USD 211 million decrease in Investor Client Services – Equities was driven by lower client activity in Derivatives, as well as reduced net interest income in Financing Services, reflecting lower Prime Brokerage and Equity Finance revenues as a result of lower client balances and activity levels. These effects were partly offset by an increase of USD 37 million in Investor Client Services – Foreign Exchange, Rates and Credit.

### Corporate Center

In Corporate Center, net interest income and other net income from fair value changes on financial instruments increased by USD 140 million to USD 94 million. Net treasury income increased by USD 255 million, reflecting net income from centralized Group Treasury risk management services, revenues from accounting asymmetries, mark-to-market effects from certain internal funding transactions and income related to hedge accounting ineffectiveness. This was partly offset by a decrease in other Corporate Center revenues, driven mainly by higher funding costs relating to Corporate Center balance sheet assets, most of which were allocated to the business divisions through the line "Services (to) / from business divisions." These costs included USD 32 million of additional interest expense related to lease liabilities recognized as a result of the adoption of IFRS 16, *Leases*, effective from 1 January 2019. The adoption of IFRS 16 has also resulted in a decrease in rental expense of USD 136 million, and an increase in depreciation expense of USD 118 million in the first quarter of 2019.

- Refer to "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information on the adoption of IFRS 16
- Refer to "Note 3 Net interest income" in the "Consolidated financial statements" section of this report for more information on net interest income

### Net fee and commission income

Net fee and commission income was USD 4,132 million compared with USD 4,744 million.

Net brokerage fees decreased by USD 189 million to USD 748 million, mainly in Global Wealth Management, driven by lower client activity across all regions.

Portfolio management and related services decreased by USD 145 million to USD 1,804 million, mainly in Global Wealth Management, primarily driven by a decline in average invested assets as a result of the lower market levels in the fourth quarter of 2018 and margin compression, mainly reflecting shifts into lower margin products, partly offset by an increase in mandate penetration.

Investment fund fees decreased by USD 102 million to USD 1,177 million, mainly in Global Wealth Management, Asset Management and Personal & Corporate Banking, primarily driven by a decline in average invested assets as a result of the lower market levels in the fourth quarter of 2018 and lower sales volumes, as well as continued pressure on margins in Asset Management.

M&A and corporate finance fees decreased by USD 89 million to USD 117 million, primarily reflecting lower revenues from merger and acquisition transactions against a global fee pool decline of 6% and a decrease in revenues from private transactions.

Underwriting fees decreased by USD 84 million to USD 155 million, mainly in our Corporate Client Solutions business in the Investment Bank, driven by lower revenues from public offerings, where the global fee pool decreased 21%.

- Refer to "Note 4 Net fee and commission income" in the "Consolidated financial statements" section of this report for more information

### Other income

Other income was broadly unchanged at USD 49 million compared with USD 42 million.

- Refer to "Note 5 Other income" in the "Consolidated financial statements" section of this report for more information

### Credit loss (expense) / recovery

USD million	For the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
Global Wealth Management	1	(12)	3		(78)
Personal & Corporate Banking	2	(17)	(14)		
Investment Bank	(22)	(18)	(16)	25	43
Corporate Center	0	(7)	0	(94)	231
<b>Total</b>	<b>(20)</b>	<b>(53)</b>	<b>(26)</b>	<b>(62)</b>	<b>(22)</b>

### Credit loss expense / recovery

Total net credit loss expenses were USD 20 million in the first quarter of 2019, mainly in the Investment Bank, reflecting losses of USD 15 million from credit-impaired (stage 3) positions and USD 5 million in expected credit losses from stage 1 and 2 positions.

- Refer to "Note 10 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information on credit loss expense / recovery

## Operating expenses

USD million	For the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
<b>Operating expenses as reported</b>					
Personnel expenses	4,043	3,839	4,254	5	(5)
General and administrative expenses	1,187	2,293	1,510	(48)	(21)
Depreciation and impairment of property, equipment and software	427	343	288	24	48
Amortization and impairment of intangible assets	16	17	16	(8)	(5)
<b>Total operating expenses as reported</b>	<b>5,672</b>	<b>6,492</b>	<b>6,069</b>	<b>(13)</b>	<b>(7)</b>
<b>Adjusting items</b>					
Personnel expenses	17	95	(174)		
<i>of which: restructuring expenses<sup>1</sup></i>	17	95	68		
<i>of which: gain related to changes to the Swiss pension plan<sup>2</sup></i>			(241)		
General and administrative expenses <sup>1</sup>	10	72	68		
Depreciation and impairment of property, equipment and software <sup>1</sup>	4	21	0		
<b>Total adjusting items</b>	<b>31</b>	<b>188</b>	<b>(106)</b>		
<b>Operating expenses (adjusted)<sup>3</sup></b>					
Personnel expenses	4,026	3,744	4,428	8	(9)
<i>of which: salaries and variable compensation</i>	2,410	2,100	2,687	15	(10)
<i>of which: financial advisor variable compensation<sup>4</sup></i>	960	999	1,032	(4)	(7)
<i>of which: other personnel expenses<sup>5</sup></i>	655	645	709	2	(8)
General and administrative expenses	1,177	2,221	1,442	(47)	(18)
<i>of which: net expenses for litigation, regulatory and similar matters</i>	(8)	533	(11)		(27)
<i>of which: other general and administrative expenses</i>	1,185	1,688	1,453	(30)	(18)
Depreciation and impairment of property, equipment and software	422	322	288	31	47
Amortization and impairment of intangible assets	16	17	16	(8)	(5)
<b>Total operating expenses (adjusted)</b>	<b>5,641</b>	<b>6,304</b>	<b>6,174</b>	<b>(11)</b>	<b>(9)</b>

<sup>1</sup> Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives. <sup>2</sup> Changes to the Pension Fund of UBS in Switzerland in the first quarter of 2018 resulted in a reduction in the pension obligation recognized by UBS. As a consequence, a pre-tax gain of USD 241 million was recognized in the income statement in the first quarter of 2018, with no overall effect on total equity. Refer to "Note 5 Personnel expenses" in the "Consolidated financial statements" section of the first quarter 2018 report for more information. <sup>3</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>4</sup> Financial advisor variable compensation consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, new assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. <sup>5</sup> Consists of expenses related to contractors, social security, pension and other post-employment benefit plans and other personnel expenses. Refer to "Note 6 Personnel expenses" in the "Consolidated financial statements" section of this report for more information.

### Operating expenses: 1Q19 vs 1Q18

Total operating expenses decreased by USD 397 million or 7% to USD 5,672 million. Adjusted total operating expenses decreased by USD 533 million or 9% to USD 5,641 million. These exclude net restructuring expenses related to legacy cost programs and new restructuring initiatives of USD 31 million, compared with USD 135 million in the prior year, and a gain related to changes to our Swiss pension plan of USD 241 million in the first quarter of 2018.

#### Personnel expenses

Personnel expenses decreased by USD 211 million to USD 4,043 million on a reported basis, primarily due to lower variable compensation and a decrease in net restructuring expenses, partly offset by higher pension costs when compared with the first quarter of 2018, which included a gain of USD 241 million related to changes to our Swiss pension plan.

On an adjusted basis, personnel expenses decreased by USD 402 million to USD 4,026 million, primarily due to the aforementioned decrease in variable compensation.

→ Refer to “**Note 6 Personnel expenses**” in the “**Consolidated financial statements**” section of this report for more information

#### General and administrative expenses

General and administrative expenses decreased by USD 323 million to USD 1,187 million, mainly driven by lower expenses related to outsourcing and professional fees. Additionally, rent expenses have decreased by USD 136 million following the adoption of IFRS 16, *Leases*. This decrease is more than offset by an increase of USD 118 million in depreciation expense and an increase of USD 32 million in interest expense relating to lease liabilities, also as a result of the adoption of IFRS 16.

On an adjusted basis, general and administrative expenses decreased by USD 265 million to USD 1,177 million, largely due to the aforementioned decreases in outsourcing and professional fees, as well as the decrease in rent expenses.

We believe that the industry continues to operate in an environment in which expenses associated with litigation, regulatory and similar matters will remain elevated for the foreseeable future and we continue to be exposed to a number of significant claims and regulatory matters. The outcome of many of these matters, the timing of a resolution, and the potential effects of resolutions on our future business, financial results or financial condition are extremely difficult to predict.

→ Refer to “**Note 1 Basis of accounting**” in the “**Consolidated financial statements**” section of this report for more information on the adoption of IFRS 16

→ Refer to “**Note 7 General and administrative expenses**” in the “**Consolidated financial statements**” section of this report for more information

→ Refer to “**Note 16 Provisions and contingent liabilities**” in the “**Consolidated financial statements**” section of this report and to the “**Regulatory and legal developments**” and “**Risk factors**” sections of our **Annual Report 2018** for more information on litigation, regulatory and similar matters

### Depreciation, amortization and impairment

Depreciation, amortization and impairment of property, equipment and software increased by USD 138 million to USD 442 million, mainly resulting from USD 118 million higher depreciation expenses following the adoption of IFRS 16 in the first quarter of 2019.

On an adjusted basis, depreciation, amortization and impairment of property, equipment and software increased by USD 134 million to USD 438 million, primarily due to the aforementioned effect of the adoption of IFRS 16.

→ Refer to “**Note 1 Basis of accounting**” in the “**Consolidated financial statements**” section of this report for more information on the adoption of IFRS 16

### Tax: 1Q19 vs 1Q18

We recognized income tax expenses of USD 407 million for the first quarter of 2019, compared with USD 533 million for the first quarter of 2018.

Current tax expenses were USD 170 million, compared with USD 215 million, and related to taxable profits of UBS Switzerland AG and other entities.

Deferred tax expenses were USD 237 million, compared with USD 318 million. These include expenses of USD 218 million relating to profits for the current quarter, which primarily reflect the amortization of deferred tax assets (DTAs) previously recognized in relation to tax losses carried forward and deductible temporary differences to reflect their offset against profits for the quarter, including the amortization of US tax loss DTAs at the level of UBS Americas Inc. In addition, deferred tax expenses in the first quarter of 2019 included a net expense of USD 19 million, mainly relating to a decrease in temporary difference DTAs of USD 29 million as the expected value of future tax deductions for deferred compensation awards decreased. This deferred tax expense was partially offset by a tax loss DTA increase of USD 10 million for locations affected by our UK business transfer activity during the quarter.

For 2019, we expect a full-year tax rate of approximately 25%, excluding the effect of remeasurements of DTAs in the year.

→ Refer to “**Note 8 Income taxes**” in the “**Consolidated financial statements**” section of this report for more information

## Total comprehensive income attributable to shareholders: 1Q19 vs 1Q18

Total comprehensive income attributable to shareholders was USD 1,037 million compared with USD 1,850 million. Net profit attributable to shareholders was USD 1,141 million compared with USD 1,566 million and other comprehensive income (OCI) attributable to shareholders, net of tax, was negative USD 104 million compared with positive USD 285 million.

In the first quarter of 2019, OCI related to own credit on financial liabilities designated at fair value was negative USD 318 million compared with positive USD 178 million and mainly reflected a tightening of credit spreads in the first quarter of 2019.

Defined benefit plan OCI was negative USD 179 million compared with negative USD 107 million. We recorded net pre-tax OCI losses of USD 153 million related to our non-Swiss pension plans, mainly driven by the UK defined benefit plans, which recorded OCI losses of USD 144 million. This reflected OCI losses of USD 316 million from the remeasurement of the defined benefit obligation, partly offset by OCI gains of USD 172 million due to a positive return on plan assets. Net pre-tax OCI losses related to the Swiss pension plans amounted to USD 10 million.

Foreign currency translation OCI was negative USD 128 million in the first quarter of 2019, mainly resulting from the weakening of the Swiss franc and the euro against the US dollar. OCI related to foreign currency translation in the same quarter of last year was positive USD 758 million.

OCI related to cash flow hedges was positive USD 459 million in the first quarter of 2019, mainly reflecting an increase in unrealized gains on US dollar hedging derivatives resulting from decreases in the relevant US dollar long-term interest rates. In the first quarter of 2018, OCI related to cash flow hedges was negative USD 488 million.

OCI associated with financial assets measured at fair value was positive USD 62 million compared with negative USD 57 million and mainly reflected net unrealized gains following decreases in the relevant US dollar long-term interest rates in the first quarter of 2019.

- Refer to “Statement of comprehensive income” in the “Consolidated financial statements” section of this report for more information
- Refer to “Note 29 Pension and other post-employment benefit plans” in the “Consolidated financial statements” section of our Annual Report 2018 for more information on other comprehensive income related to defined benefit plans

## Sensitivity to interest rate movements

As of 31 March 2019, we estimate that a parallel shift in yield curves by +100 basis points could lead to a combined increase in annual net interest income of approximately USD 0.6 billion in Global Wealth Management and Personal & Corporate Banking. Of this increase, approximately USD 0.3 billion and USD 0.2 billion would result from changes in US dollar and euro interest rates, respectively.

The immediate effect on shareholders' equity of such a shift in yield curves would be a decrease of approximately USD 2.3 billion recognized in OCI, of which approximately USD 1.7 billion would result from changes in US dollar interest rates. The immediate effect on regulatory capital would be immaterial, as OCI from cash flow hedges is not recognized in capital and the effect from debt instruments measured at fair value through OCI would be offset by a positive effect from pension fund assets and liabilities.

The aforementioned estimates are based on a hypothetical scenario of an immediate increase in interest rates, equal across all currencies and relative to implied forward rates applied to our banking book and financial assets measured at fair value through OCI. These estimates further assume no change to balance sheet size and structure, constant foreign exchange rates and no specific management action.

## Key figures and personnel

### Return on common equity tier 1 (CET1) capital: 1Q19 vs 1Q18

The annualized return on CET1 capital (RoCET1) was 13.3% compared with 18.3%, reflecting a decrease in net profit / (loss) attributable to shareholders of USD 0.4 billion and a USD 0.1 billion decrease in CET1 capital.

### Adjusted cost / income ratio: 1Q19 vs 1Q18

The adjusted cost / income ratio was 77.9% compared with 75.3%.

### Risk-weighted assets: 1Q19 vs 4Q18

During the first quarter of 2019, risk-weighted assets (RWA) increased by USD 3.8 billion to USD 267.6 billion. USD 3.8 billion higher RWA from methodology and policy changes, including an increase of USD 3.5 billion from the adoption of IFRS 16, as well as increased RWA of USD 3.9 billion from model updates and USD 0.9 billion higher RWA from regulatory add-ons were partly offset by USD 3.8 billion lower RWA from asset size and other movements and currency effects of USD 0.9 billion. The increase in RWA from model updates was mainly due to an increase of USD 2.8 billion in operational risk RWA, as model inputs in the advanced measurement approach model were updated during the quarter to reflect developments related to litigation on the cross-border matter.

- Refer to the “Capital management” section of this report for more information

**Common equity tier 1 capital ratio: 1Q19 vs 4Q18**

Our CET1 capital ratio increased 0.1 percentage points to 13.0%, reflecting a USD 0.5 billion increase in CET1 capital, partly offset by a USD 3.8 billion increase in RWA.

→ Refer to the “Capital management” section of this report for more information

**Leverage ratio denominator: 1Q19 vs 4Q18**

During the first quarter of 2019, the leverage ratio denominator (LRD) increased by USD 6 billion to USD 911 billion. This increase was driven by asset size and other movements of USD 8 billion, as well as policy changes of USD 4 billion related to the adoption of IFRS 16, Leases, partly offset by a decrease in currency effects of USD 5 billion.

→ Refer to the “Capital management” section of this report for more information

**Common equity tier 1 leverage ratio: 1Q19 vs 4Q18**

Our CET1 leverage ratio increased from 3.77% to 3.80% in the first quarter of 2019, reflecting the aforementioned increase in CET1 capital, partly offset by a USD 6 billion increase in the LRD.

→ Refer to the “Capital management” section of this report for more information

**Going concern leverage ratio: 1Q19 vs 4Q18**

Our going concern leverage ratio increased from 5.1% to 5.4%, reflecting a USD 3.2 billion increase in going concern capital, partly offset by a USD 6 billion increase in the LRD.

→ Refer to the “Capital management” section of this report for more information

**Net new money and invested assets**

Management’s discussion and analysis of net new money and invested assets is provided in the “UBS business divisions and Corporate Center” section of this report.

**Personnel: 1Q19 vs 4Q18**

We employed 67,481 personnel (full-time equivalents) as of 31 March 2019, a net increase of 593 compared with 31 December 2018. Corporate Center personnel increased by 639, primarily due to higher staffing levels related to continued insourcing of certain activities from third-party vendors to our Business Solutions Centers, mainly in Group Technology. At the same time, we have seen a decrease of 1,256 in external staff.

**Return on equity**

	As of or for the quarter ended		
<i>USD million, except where indicated</i>	31.3.19	31.12.18	31.3.18
<b>Net profit</b>			
Net profit / (loss) attributable to shareholders	1,141	315	1,566
<b>Equity</b>			
Equity attributable to shareholders	53,667	52,928	53,662
Less: goodwill and intangible assets	6,621	6,647	6,540
Tangible equity attributable to shareholders	47,046	46,281	47,122
Less: other CET1 deductions	12,388	12,162	12,348
Common equity tier 1 capital	34,658	34,119	34,774
<b>Return on equity</b>			
Return on equity (%) <sup>1</sup>	8.6	2.4	11.8
Return on tangible equity (%) <sup>2</sup>	9.8	2.7	13.5
Return on common equity tier 1 capital (%) <sup>3</sup>	13.3	3.7	18.3

<sup>1</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. <sup>2</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. The definition of the numerator for return on tangible equity has been revised to align with numerators for return on equity and return on CET1 capital, i.e., we no longer adjust for amortization and impairment of goodwill and intangible assets. Prior periods have been restated. <sup>3</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average common equity tier 1 capital.

## Net new money<sup>1</sup>

USD billion	For the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Global Wealth Management</b>	<b>22.3</b>	(7.9)	20.0
<b>Asset Management<sup>2</sup></b>	<b>0.1</b>	(2.1)	33.3
<i>of which: excluding money market flows</i>	<i>(2.3)</i>	<i>(4.9)</i>	<i>27.8</i>
<i>of which: money market flows</i>	<i>2.3</i>	<i>2.8</i>	<i>5.5</i>

<sup>1</sup> Net new money excludes interest and dividend income. <sup>2</sup> Effective 1 January 2019, certain assets have been reclassified between asset classes to better reflect their underlying nature, with prior-period information restated. The adjustments have no effect on total net new money. This change resulted in a reclassification from net new money excluding money market flows to net new money from money market flows of USD 0.4 billion for 31 March 2018.

## Invested assets

USD billion	31.3.19	As of		% change from	
		31.12.18	31.3.18	31.12.18	31.3.18
<b>Global Wealth Management</b>	<b>2,432</b>	2,260	2,415	8	1
<b>Asset Management<sup>1</sup></b>	<b>824</b>	781	831	5	(1)
<i>of which: excluding money market funds</i>	<i>726</i>	<i>686</i>	<i>737</i>	<i>6</i>	<i>(2)</i>
<i>of which: money market funds</i>	<i>98</i>	<i>95</i>	<i>93</i>	<i>3</i>	<i>5</i>

<sup>1</sup> Effective 1 January 2019, certain assets have been reclassified between asset classes to better reflect their underlying nature, with prior-period information restated. The adjustments have no effect on total invested assets. This change resulted in a reclassification from invested assets excluding money market funds to invested assets from money market funds of USD 10 billion and USD 11 billion for 31 December 2018 and 31 March 2018, respectively.

## Outlook

The overall pace of growth has decreased as a result of a synchronized global slowdown. Economic growth and markets are expected to continue to recover and stabilize at different speeds across regions and asset classes.

We are likely to benefit from this environment as a result of our regional and business diversification. Higher invested assets are expected to lead to an increase in recurring revenues in

Global Wealth Management and Asset Management, compared with the first quarter of 2019. Further momentum would require a sustained improvement in market activity and client sentiment across our businesses.

We will continue to execute our strategy with discipline, focusing on balancing efficiency and investments for growth, to deliver on our capital return objectives and to create sustainable long-term value for our shareholders.

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# UBS business divisions and Corporate Center

Management report

# Global Wealth Management

## Global Wealth Management<sup>1</sup>

<i>USD million, except where indicated</i>	As of or for the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
<b>Results</b>					
Net interest income	1,009	1,028	1,021	(2)	(1)
Recurring net fee income <sup>2</sup>	2,218	2,374	2,419	(7)	(8)
Transaction-based income <sup>3</sup>	765	627	953	22	(20)
Other income	11	112	11	(90)	(1)
Income	4,003	4,141	4,405	(3)	(9)
Credit loss (expense) / recovery	1	(12)	3		(78)
<b>Total operating income</b>	<b>4,003</b>	<b>4,129</b>	<b>4,409</b>	<b>(3)</b>	<b>(9)</b>
Personnel expenses	1,900	1,882	1,973	1	(4)
Salaries and other personnel costs	940	883	941	7	0
Financial advisor variable compensation <sup>4,5</sup>	816	857	878	(5)	(7)
Compensation commitments with recruited financial advisors <sup>4,6</sup>	144	142	155	2	(7)
General and administrative expenses	249	816	304	(69)	(18)
Services (to) / from Corporate Center and other business divisions	975	1,088	1,015	(10)	(4)
<i>of which: services from Corporate Center</i>	<i>938</i>	<i>1,050</i>	<i>981</i>	<i>(11)</i>	<i>(4)</i>
Depreciation and impairment of property, equipment and software	1	2	1	(18)	62
Amortization and impairment of intangible assets	14	14	13	(6)	3
<b>Total operating expenses</b>	<b>3,140</b>	<b>3,802</b>	<b>3,306</b>	<b>(17)</b>	<b>(5)</b>
<b>Business division operating profit / (loss) before tax</b>	<b>863</b>	<b>327</b>	<b>1,102</b>	<b>164</b>	<b>(22)</b>
<b>Adjusted results<sup>7</sup></b>					
<b>Total operating income as reported</b>	<b>4,003</b>	<b>4,129</b>	<b>4,409</b>	<b>(3)</b>	<b>(9)</b>
<i>of which: gains related to investments in associates</i>		<i>101</i>			
<b>Total operating income (adjusted)</b>	<b>4,003</b>	<b>4,028</b>	<b>4,409</b>	<b>(1)</b>	<b>(9)</b>
<b>Total operating expenses as reported</b>	<b>3,140</b>	<b>3,802</b>	<b>3,306</b>	<b>(17)</b>	<b>(5)</b>
<i>of which: personnel-related restructuring expenses<sup>8</sup></i>	<i>0</i>	<i>17</i>	<i>3</i>		
<i>of which: non-personnel-related restructuring expenses<sup>8</sup></i>	<i>0</i>	<i>0</i>	<i>10</i>		
<i>of which: restructuring expenses allocated from Corporate Center<sup>8</sup></i>	<i>10</i>	<i>59</i>	<i>50</i>		
<i>of which: gain related to changes to the Swiss pension plan</i>			<i>(66)</i>		
<b>Total operating expenses (adjusted)</b>	<b>3,130</b>	<b>3,726</b>	<b>3,310</b>	<b>(16)</b>	<b>(5)</b>
<b>Business division operating profit / (loss) before tax as reported</b>	<b>863</b>	<b>327</b>	<b>1,102</b>	<b>164</b>	<b>(22)</b>
<b>Business division operating profit / (loss) before tax (adjusted)</b>	<b>873</b>	<b>302</b>	<b>1,099</b>	<b>189</b>	<b>(21)</b>
<b>Performance measures<sup>9</sup></b>					
Pre-tax profit growth (%)	(21.7)	(52.9)	31.3		
Cost / income ratio (%)	78.4	91.8	75.1		
Net new money growth (%)	3.9	(1.3)	3.3		
<b>Adjusted performance measures<sup>7,9</sup></b>					
Pre-tax profit growth (%)	(20.5)	(66.1)	15.7		
Cost / income ratio (%)	78.2	92.2	75.1		

## Global Wealth Management (continued)<sup>1</sup>

<i>USD million, except where indicated</i>	As of or for the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
<b>Additional information</b>					
Recurring income <sup>10</sup>	3,227	3,402	3,440	(5)	(6)
Recurring income as a percentage of income (%)	80.6	82.2	78.1		
Average attributed equity (USD billion) <sup>11</sup>	16.4	16.3	16.3	0	1
Return on attributed equity (%) <sup>11</sup>	21.1	8.0	27.1		
Risk-weighted assets (USD billion) <sup>11</sup>	76.9	74.3	76.8	4	0
Leverage ratio denominator (USD billion) <sup>11</sup>	325.9	315.8	307.5	3	6
Goodwill and intangible assets (USD billion)	5.1	5.2	5.1	0	1
Net new money (USD billion)	22.3	(7.9)	20.0		
Invested assets (USD billion)	2,432	2,260	2,415	8	1
Net margin on invested assets (bps) <sup>12</sup>	15	6	18	164	(20)
Gross margin on invested assets (bps)	68	71	73	(3)	(7)
Client assets (USD billion)	2,709	2,519	2,676	8	1
Loans, gross (USD billion) <sup>13</sup>	174.3	174.7	180.1	0	(3)
Due to customers (USD billion) <sup>13</sup>	274.8	271.8	277.0	1	(1)
Recruitment loans to financial advisors <sup>4</sup>	2,264	2,296	2,490	(1)	(9)
Other loans to financial advisors <sup>4</sup>	894	994	999	(10)	(10)
Personnel (full-time equivalents)	23,443	23,618	23,383	(1)	0
Advisors (full-time equivalents)	10,573	10,677	10,654	(1)	(1)

<sup>1</sup> Comparative figures in this table have been restated for the changes in Corporate Center cost and resource allocation to the business divisions and the changes in the equity attribution framework. Refer to the "Recent developments" section and "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information. Comparatives may additionally differ due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Recurring net fee income consists of fees for services provided on an ongoing basis such as portfolio management fees, asset-based investment fund fees, custody fees and account-keeping fees, which are generated on client assets. <sup>3</sup> Transaction-based income consists of the non-recurring portion of net fee and commission income, mainly consisting of brokerage and transaction-based investment fund fees as well as credit card fees and fees for payment transactions, together with Other net income from financial instruments measured at fair value through profit or loss. <sup>4</sup> Relates to licensed professionals with the ability to provide investment advice to clients in the Americas. <sup>5</sup> Financial advisor variable compensation consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, new assets and other variables. <sup>6</sup> Compensation commitments with recruited financial advisors represent expenses related to compensation commitments granted to financial advisors at the time of recruitment that are subject to vesting requirements. <sup>7</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>8</sup> Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives. <sup>9</sup> Refer to the "Performance targets and measurement" section of our Annual Report 2018 for the definitions of our performance measures. <sup>10</sup> Recurring income consists of net interest income and recurring net fee income. <sup>11</sup> Refer to the "Capital management" section of this report for more information. <sup>12</sup> Calculated as operating profit before tax (annualized as applicable) / average invested assets. <sup>13</sup> Loans and Due to customers in this table include customer brokerage receivables and payables, respectively, which with the adoption of IFRS 9 effective 1 January 2018 have been reclassified to a separate reporting line on the balance sheet.

## Regional breakdown of performance measures<sup>1</sup>

<i>As of or for the quarter ended 31.03.19</i> <i>USD billion, except where indicated</i>	Americas	EMEA	Asia Pacific	Switzerland	Total of regions <sup>2</sup>	<i>of which: ultra high net worth (UHNW)</i>
Net new money	(0.1)	2.9	16.3	3.2	22.2	20.5
Net new money growth (%)	0.0	2.3	18.2	6.4	3.9	7.3
Invested assets	1,298	514	405	212	2,429	1,236
Loans, gross	59.2 <sup>3</sup>	37.2	42.5	34.8	173.7	
Advisors (full-time equivalents)	6,790	1,797	1,136	741	10,463	1,100 <sup>4</sup>

<sup>1</sup> Refer to the "Performance targets and measurement" section of our Annual Report 2018 for the definitions of our performance measures. <sup>2</sup> Excluding minor functions with 110 advisors, USD 4 billion of invested assets, USD 0.6 billion of loans and USD 0.1 billion of net new money inflows in the first quarter of 2019. <sup>3</sup> Loans include customer brokerage receivables, which with the adoption of IFRS 9 effective 1 January 2018 have been reclassified to a separate reporting line on the balance sheet. <sup>4</sup> Represents advisors who exclusively serve ultra high net worth clients in a globally managed unit.

### Results: 1Q19 vs 1Q18

Profit before tax decreased by USD 239 million, or 22%, to USD 863 million. Excluding a credit of USD 66 million related to changes to our Swiss pension plan in the first quarter of 2018 and restructuring expenses, adjusted profit before tax decreased by USD 226 million, or 21%, to USD 873 million, reflecting lower operating income, partly offset by lower operating expenses.

#### Operating income

Total operating income decreased by USD 406 million, or 9%, to USD 4,003 million, mainly driven by lower recurring net fee income and transaction-based income.

Net interest income decreased by USD 12 million to USD 1,009 million, mainly reflecting lower loan volumes, mostly caused by currency effects, as well as reductions in net income from structural risk management activities and banking book interest income. This was partly offset by higher investment of equity income.

Recurring net fee income decreased by USD 201 million to USD 2,218 million, primarily driven by a decline in average invested assets as a result of the lower market levels in the fourth quarter of 2018. Margin compression also contributed to the decrease, mainly reflecting shifts into lower-margin products, although this was partly offset by an increase in mandate penetration.

Transaction-based income decreased by USD 188 million to USD 765 million, mainly due to lower client activity in all regions, most notably in Asia Pacific and, to a lesser extent, the Americas.

Other income was unchanged at USD 11 million.

#### Operating expenses

Total operating expenses decreased by USD 166 million, or 5%, to USD 3,140 million and adjusted operating expenses decreased by USD 180 million, or 5%, to USD 3,130 million.

Personnel expenses decreased by USD 73 million. Excluding the aforementioned credit related to changes to our Swiss pension plan in the first quarter of 2018 and personnel-related restructuring expenses, adjusted personnel expenses decreased by USD 135 million to USD 1,901 million. This decrease was mainly due to lower variable compensation.

General and administrative expenses decreased by USD 55 million and adjusted general and administrative expenses decreased by USD 45 million to USD 249 million, predominantly driven by lower expenses for provisions for litigation matters.

Net expenses for services from Corporate Center and other business divisions decreased by USD 40 million to USD 975 million, while adjusted net expenses for services remained stable at USD 965 million.

### Net new money: 1Q19 vs 1Q18

Net new money was USD 22.3 billion, including a small number of large inflows, compared with USD 20.0 billion; an annualized net new money growth rate of 3.9% compared with 3.3%. Net new money was notably strong in Asia Pacific, with USD 16.3 billion. Net new money from ultra high net worth clients was USD 20.5 billion.

### Invested assets: 1Q19 vs 4Q18

Invested assets increased by USD 172 billion to USD 2,432 billion, driven by a positive market performance of USD 160 billion and net new money inflows of USD 22 billion, slightly offset by currency effects of USD 7 billion and reclassifications of USD 3 billion from invested assets to client assets, mainly related to regulatory change. Mandate penetration increased to 33.9% from 33.6%.

# Personal & Corporate Banking

## Personal & Corporate Banking – in Swiss francs<sup>1</sup>

CHF million, except where indicated	As of or for the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
<b>Results</b>					
Net interest income	491	515	487	(5)	1
Recurring net fee income <sup>2</sup>	155	157	154	(1)	1
Transaction-based income <sup>3</sup>	282	247	281	14	1
Other income	23	373	17	(94)	37
Income	952	1,292	938	(26)	1
Credit loss (expense) / recovery	2	(17)	(13)		
<b>Total operating income</b>	<b>954</b>	<b>1,275</b>	<b>925</b>	<b>(25)</b>	<b>3</b>
Personnel expenses	218	185	178	18	23
General and administrative expenses	52	109	59	(52)	(11)
Services (to) / from Corporate Center and other business divisions	295	334	301	(12)	(2)
<i>of which: services from Corporate Center</i>	<i>319</i>	<i>360</i>	<i>331</i>	<i>(11)</i>	<i>(4)</i>
Depreciation and impairment of property, equipment and software	3	4	3	(30)	(1)
Amortization and impairment of intangible assets	0	0	0		
<b>Total operating expenses</b>	<b>568</b>	<b>632</b>	<b>541</b>	<b>(10)</b>	<b>5</b>
<b>Business division operating profit / (loss) before tax</b>	<b>385</b>	<b>643</b>	<b>384</b>	<b>(40)</b>	<b>0</b>
<b>Adjusted results<sup>4</sup></b>					
<b>Total operating income as reported</b>	<b>954</b>	<b>1,275</b>	<b>925</b>	<b>(25)</b>	<b>3</b>
<i>of which: gains related to investments in associates</i>		<i>359</i>			
<b>Total operating income (adjusted)</b>	<b>954</b>	<b>916</b>	<b>925</b>	<b>4</b>	<b>3</b>
<b>Total operating expenses as reported</b>	<b>568</b>	<b>632</b>	<b>541</b>	<b>(10)</b>	<b>5</b>
<i>of which: personnel-related restructuring expenses<sup>5</sup></i>	<i>0</i>	<i>1</i>	<i>1</i>		
<i>of which: non-personnel-related restructuring expenses<sup>5</sup></i>	<i>0</i>	<i>0</i>	<i>0</i>		
<i>of which: restructuring expenses allocated from Corporate Center<sup>5</sup></i>	<i>4</i>	<i>17</i>	<i>9</i>		
<i>of which: gain related to changes to the Swiss pension plan</i>			<i>(35)</i>		
<b>Total operating expenses (adjusted)</b>	<b>564</b>	<b>614</b>	<b>566</b>	<b>(8)</b>	<b>0</b>
<b>Business division operating profit / (loss) before tax as reported</b>	<b>385</b>	<b>643</b>	<b>384</b>	<b>(40)</b>	<b>0</b>
<b>Business division operating profit / (loss) before tax (adjusted)</b>	<b>389</b>	<b>303</b>	<b>359</b>	<b>29</b>	<b>8</b>
<b>Performance measures<sup>6</sup></b>					
Pre-tax profit growth (%)	0.3	79.9	1.5		
Cost / income ratio (%)	59.7	48.9	57.7		
Net interest margin (bps)	150	157	148		
<b>Adjusted performance measures<sup>4,6</sup></b>					
Pre-tax profit growth (%)	8.5	(23.1)	(9.8)		
Cost / income ratio (%)	59.3	65.8	60.4		

**Personal & Corporate Banking – in Swiss francs (continued)<sup>1</sup>**

CHF million, except where indicated	As of or for the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
<b>Additional information</b>					
Average attributed equity (CHF billion) <sup>7</sup>	8.3	8.1	7.5	3	10
Return on attributed equity (%) <sup>7</sup>	18.5	31.8	20.3		
Risk-weighted assets (CHF billion) <sup>7</sup>	64.0	62.8	56.5	2	13
Leverage ratio denominator (CHF billion) <sup>7</sup>	210.7	210.2	205.6	0	2
Business volume for personal banking (CHF billion)	159	156	156	2	2
Net new business volume for personal banking (CHF billion)	3.2	0.9	2.4		
Net new business volume growth for personal banking (%) <sup>8</sup>	8.2	2.2	6.3		
Client assets (CHF billion) <sup>9</sup>	674	638	652	6	3
Loans, gross (CHF billion)	131.5	131.0	130.8	0	1
Due to customers (CHF billion)	143.5	141.7	137.6	1	4
Secured loan portfolio as a percentage of total loan portfolio, gross (%)	91.9	92.0	92.2		
Impaired loan portfolio as a percentage of total loan portfolio, gross (%) <sup>10</sup>	1.2	1.3	1.2		
Personnel (full-time equivalents)	5,220	5,183	5,160	1	1

<sup>1</sup> Comparative figures in this table have been restated for the changes in Corporate Center cost and resource allocation to the business divisions and the changes in the equity attribution framework. Refer to the "Recent developments" section and "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information. Comparatives may additionally differ due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Recurring net fee income consists of fees for services provided on an ongoing basis such as portfolio management fees, asset-based investment fund fees, custody fees and account-keeping fees, which are generated on client assets. <sup>3</sup> Transaction-based income comprises the non-recurring portion of net fee and commission income, mainly consisting of brokerage and transaction-based investment fund fees as well as credit card fees and fees for payment transactions, together with Other net income from financial instruments measured at fair value through profit or loss. <sup>4</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>5</sup> Reflects restructuring expenses related to legacy cost programs. <sup>6</sup> Refer to the "Performance targets and measurement" section of our Annual Report 2018 for the definitions of our performance measures. <sup>7</sup> Refer to the "Capital management" section of this report for more information. <sup>8</sup> Calculated as net new business volume for the period (annualized as applicable) / business volume at the beginning of the period. <sup>9</sup> Client assets are comprised of invested assets and other assets held purely for transactional purposes or custody only. We do not measure net new money for Personal & Corporate Banking. <sup>10</sup> Refer to the "Risk management and control" section of this report for more information on (credit-)impaired exposures.

**Results: 1Q19 vs 1Q18**

Profit before tax increased by CHF 1 million to CHF 385 million. Excluding a credit of CHF 35 million related to changes to our Swiss pension plan in the first quarter of 2018 and restructuring expenses, adjusted profit before tax increased by CHF 30 million, or 8%, to CHF 389 million, predominantly reflecting higher operating income.

**Operating income**

Total operating income increased by 3% to CHF 954 million from CHF 925 million, mainly reflecting a net credit loss recovery of CHF 2 million compared with credit loss expenses of CHF 13 million in the first quarter of 2018, as well as higher other income and net interest income.

Net interest income increased by CHF 4 million to CHF 491 million as a result of higher deposit and loan revenues, partly offset by higher funding costs for total loss-absorbing capacity.

Recurring net fee income was CHF 155 million compared with CHF 154 million in the first quarter of 2018.

Transaction-based income increased by CHF 1 million to CHF 282 million. Higher fees in the Corporate Clients business were partly offset by lower fees received from Global Wealth Management, reflecting decreased referral volumes.

Other income increased by CHF 6 million to CHF 23 million, primarily due to the sale of an investment in an associate.

Net credit loss recovery was CHF 2 million, compared with losses of CHF 13 million in the first quarter of 2018, as small stage 3 expected credit losses, primarily in the Corporate Clients area, were more than offset by a release of CHF 4 million of stage 1 and 2 expected credit losses.

**Operating expenses**

Total operating expenses increased by CHF 27 million, or 5%, to CHF 568 million. Excluding a credit of CHF 35 million related to changes to our Swiss pension plan in the first quarter of 2018 and a reduction in restructuring expenses, adjusted operating expenses decreased by CHF 2 million to CHF 564 million.

Personnel expenses increased by CHF 40 million to CHF 218 million. Excluding the aforementioned credit of CHF 35 million related to changes to our Swiss pension plan in the first quarter of 2018 and personnel-related restructuring expenses, adjusted personnel expenses increased by CHF 7 million to CHF 218 million, reflecting higher salaries and variable compensation. General and administrative expenses decreased by CHF 7 million to CHF 52 million, mainly reflecting lower marketing and consulting costs.

Net expenses for services from Corporate Center and other business divisions decreased by CHF 6 million to CHF 295 million. On an adjusted basis, net expenses for services from Corporate Center and other business divisions decreased by CHF 2 million to CHF 291 million. This reflected lower expenses for Group Operations as well as strategic and regulatory initiatives, partly offset by higher expenses from Group Technology.

## Personal & Corporate Banking – in US dollars<sup>1</sup>

<i>USD million, except where indicated</i>	As of or for the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
<b>Results</b>					
Net interest income	493	517	516	(5)	(4)
Recurring net fee income <sup>2</sup>	156	157	163	(1)	(4)
Transaction-based income <sup>3</sup>	283	247	298	15	(5)
Other income	23	373	18	(94)	30
Income	955	1,295	994	(26)	(4)
Credit loss (expense) / recovery	2	(17)	(14)		
<b>Total operating income</b>	<b>957</b>	<b>1,278</b>	<b>981</b>	<b>(25)</b>	<b>(2)</b>
Personnel expenses	219	185	188	18	17
General and administrative expenses	52	110	62	(52)	(16)
Services (to) / from Corporate Center and other business divisions	296	335	320	(12)	(7)
<i>of which: services from Corporate Center</i>	<i>320</i>	<i>361</i>	<i>351</i>	<i>(11)</i>	<i>(9)</i>
Depreciation and impairment of property, equipment and software	3	4	3	(30)	(7)
Amortization and impairment of intangible assets	0	0	0		
<b>Total operating expenses</b>	<b>570</b>	<b>634</b>	<b>573</b>	<b>(10)</b>	<b>0</b>
<b>Business division operating profit / (loss) before tax</b>	<b>387</b>	<b>644</b>	<b>408</b>	<b>(40)</b>	<b>(5)</b>
<b>Adjusted results<sup>4</sup></b>					
<b>Total operating income as reported</b>	<b>957</b>	<b>1,278</b>	<b>981</b>	<b>(25)</b>	<b>(2)</b>
<i>of which: gains related to investments in associates</i>		<i>359</i>			
<b>Total operating income (adjusted)</b>	<b>957</b>	<b>919</b>	<b>981</b>	<b>4</b>	<b>(2)</b>
<b>Total operating expenses as reported</b>	<b>570</b>	<b>634</b>	<b>573</b>	<b>(10)</b>	<b>0</b>
<i>of which: personnel-related restructuring expenses<sup>5</sup></i>	<i>0</i>	<i>1</i>	<i>1</i>		
<i>of which: non-personnel-related restructuring expenses<sup>5</sup></i>	<i>0</i>	<i>0</i>	<i>0</i>		
<i>of which: restructuring expenses allocated from Corporate Center<sup>5</sup></i>	<i>4</i>	<i>17</i>	<i>9</i>		
<i>of which: gain related to changes to the Swiss pension plan</i>			<i>(38)</i>		
<b>Total operating expenses (adjusted)</b>	<b>567</b>	<b>616</b>	<b>600</b>	<b>(8)</b>	<b>(6)</b>
<b>Business division operating profit / (loss) before tax as reported</b>	<b>387</b>	<b>644</b>	<b>408</b>	<b>(40)</b>	<b>(5)</b>
<b>Business division operating profit / (loss) before tax (adjusted)</b>	<b>391</b>	<b>303</b>	<b>380</b>	<b>29</b>	<b>3</b>
<b>Performance measures<sup>6</sup></b>					
Pre-tax profit growth (%)	(5.2)	77.6	7.6		
Cost / income ratio (%)	59.7	49.0	57.6		
Net interest margin (bps)	149	155	152		
<b>Adjusted performance measures<sup>4,6</sup></b>					
Pre-tax profit growth (%)	2.7	(24.0)	(4.5)		
Cost / income ratio (%)	59.3	65.8	60.4		

**Personal & Corporate Banking – in US dollars (continued)<sup>1</sup>**

<i>USD million, except where indicated</i>	As of or for the quarter ended			% change from	
	<b>31.3.19</b>	31.12.18	31.3.18	4Q18	1Q18
<b>Additional information</b>					
Average attributed equity (USD billion) <sup>7</sup>	<b>8.3</b>	8.1	8.0	3	5
Return on attributed equity (%) <sup>7</sup>	<b>18.5</b>	31.8	20.4		
Risk-weighted assets (USD billion) <sup>7</sup>	<b>64.3</b>	63.9	59.3	1	8
Leverage ratio denominator (USD billion) <sup>7</sup>	<b>211.6</b>	213.7	215.7	(1)	(2)
Business volume for personal banking (USD billion)	<b>160</b>	158	163	1	(2)
Net new business volume for personal banking (USD billion)	<b>3.2</b>	0.9	2.6		
Net new business volume growth for personal banking (%) <sup>8</sup>	<b>8.0</b>	2.1	6.5		
Client assets (USD billion) <sup>9</sup>	<b>677</b>	648	684	4	(1)
Loans, gross (USD billion)	<b>132.0</b>	133.3	137.2	(1)	(4)
Due to customers (USD billion)	<b>144.1</b>	144.1	144.3	0	0
Secured loan portfolio as a percentage of total loan portfolio, gross (%)	<b>91.9</b>	92.0	92.2		
Impaired loan portfolio as a percentage of total loan portfolio, gross (%) <sup>10</sup>	<b>1.2</b>	1.3	1.2		
Personnel (full-time equivalents)	<b>5,220</b>	5,183	5,160	1	1

<sup>1</sup> Comparative figures in this table have been restated for the changes in Corporate Center cost and resource allocation to the business divisions and the changes in the equity attribution framework. Refer to the "Recent developments" section and "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information. Comparatives may additionally differ due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Recurring net fee income consists of fees for services provided on an ongoing basis such as portfolio management fees, asset-based investment fund fees, custody fees and account-keeping fees, which are generated on client assets. <sup>3</sup> Transaction-based income comprises the non-recurring portion of net fee and commission income, mainly consisting of brokerage and transaction-based investment fund fees as well as credit card fees and fees for payment transactions, together with Other net income from financial instruments measured at fair value through profit or loss. <sup>4</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>5</sup> Reflects restructuring expenses related to legacy cost programs. <sup>6</sup> Refer to the "Performance targets and measurement" section of our Annual Report 2018 for the definitions of our performance measures. <sup>7</sup> Refer to the "Capital management" section of this report for more information. <sup>8</sup> Calculated as net new business volume for the period (annualized as applicable) / business volume at the beginning of the period. <sup>9</sup> Client assets are comprised of invested assets and other assets held purely for transactional purposes or custody only. We do not measure net new money for Personal & Corporate Banking. <sup>10</sup> Refer to the "Risk management and control" section of this report for more information on (credit-)impaired exposures.



# Asset Management

## Asset Management<sup>1</sup>

USD million, except where indicated	As of or for the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
<b>Results</b>					
Net management fees <sup>2</sup>	419	440	451	(5)	(7)
Performance fees	27	28	15	(4)	79
<b>Total operating income</b>	<b>446</b>	<b>468</b>	<b>466</b>	<b>(5)</b>	<b>(4)</b>
Personnel expenses	178	166	177	7	1
General and administrative expenses	48	57	52	(16)	(8)
Services (to) / from Corporate Center and other business divisions	117	139	131	(16)	(11)
<i>of which: services from Corporate Center</i>	<i>128</i>	<i>150</i>	<i>143</i>	<i>(15)</i>	<i>(10)</i>
Depreciation and impairment of property, equipment and software	0	0	0		
Amortization and impairment of intangible assets	0	0	0		
<b>Total operating expenses</b>	<b>343</b>	<b>362</b>	<b>360</b>	<b>(5)</b>	<b>(5)</b>
<b>Business division operating profit / (loss) before tax</b>	<b>103</b>	<b>106</b>	<b>105</b>	<b>(2)</b>	<b>(2)</b>
<b>Adjusted results<sup>3</sup></b>					
<b>Total operating income as reported</b>	<b>446</b>	<b>468</b>	<b>466</b>	<b>(5)</b>	<b>(4)</b>
<b>Total operating income (adjusted)</b>	<b>446</b>	<b>468</b>	<b>466</b>	<b>(5)</b>	<b>(4)</b>
<b>Total operating expenses as reported</b>	<b>343</b>	<b>362</b>	<b>360</b>	<b>(5)</b>	<b>(5)</b>
<i>of which: personnel-related restructuring expenses<sup>4</sup></i>	<i>2</i>	<i>5</i>	<i>1</i>		
<i>of which: non-personnel-related restructuring expenses<sup>4</sup></i>	<i>2</i>	<i>3</i>	<i>3</i>		
<i>of which: restructuring expenses allocated from Corporate Center<sup>4</sup></i>	<i>2</i>	<i>13</i>	<i>7</i>		
<i>of which: gain related to changes to the Swiss pension plan</i>			<i>(10)</i>		
<b>Total operating expenses (adjusted)</b>	<b>337</b>	<b>342</b>	<b>359</b>	<b>(1)</b>	<b>(6)</b>
<b>Business division operating profit / (loss) before tax as reported</b>	<b>103</b>	<b>106</b>	<b>105</b>	<b>(2)</b>	<b>(2)</b>
<b>Business division operating profit / (loss) before tax (adjusted)</b>	<b>109</b>	<b>126</b>	<b>107</b>	<b>(14)</b>	<b>2</b>
<b>Performance measures<sup>5</sup></b>					
Pre-tax profit growth (%)	(1.8)	(54.5)	12.1		
Cost / income ratio (%)	76.8	77.4	77.4		
Net new money growth excluding money market flows (%) <sup>6</sup>	(1.3)	(2.7)	15.7		
<b>Adjusted performance measures<sup>3,5</sup></b>					
Pre-tax profit growth (%) <sup>7</sup>	2.1	14.4	0.5		
Cost / income ratio (%)	75.5	73.0	77.1		
<b>Information by business line / asset class</b>					
<b>Net new money (USD billion)<sup>6</sup></b>					
Equities	6.0	(6.4)	16.6		
Fixed Income	(5.5)	6.7	3.9		
<i>of which: money market</i>	<i>2.3</i>	<i>2.8</i>	<i>5.5</i>		
Multi-asset & Solutions	(1.0)	(1.3)	13.0		
Hedge Fund Businesses	(0.1)	(0.4)	(0.8)		
Real Estate & Private Markets	0.7	(0.8)	0.6		
<b>Total net new money</b>	<b>0.1</b>	<b>(2.1)</b>	<b>33.3</b>		
<i>of which: net new money excluding money markets</i>	<i>(2.3)</i>	<i>(4.9)</i>	<i>27.8</i>		

Asset Management (continued)<sup>1</sup>

USD million, except where indicated	As of or for the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
<b>Invested assets (USD billion)<sup>6</sup></b>					
Equities	310	272	312	14	(1)
Fixed Income	250	253	252	(1)	(1)
<i>of which: money market</i>	98	95	93	3	5
Multi-asset & Solutions	138	132	143	5	(3)
Hedge Fund Businesses	43	42	43	1	0
Real Estate & Private Markets	82	82	79	1	4
<b>Total invested assets</b>	<b>824</b>	<b>781</b>	<b>831</b>	<b>5</b>	<b>(1)</b>
<i>of which: passive strategies</i>	327	298	320	10	2
<b>Information by region</b>					
<b>Invested assets (USD billion)</b>					
Americas	196	192	188	2	4
Asia Pacific	149	141	166	6	(11)
Europe, Middle East and Africa	209	189	204	11	3
Switzerland	270	259	272	4	(1)
<b>Total invested assets</b>	<b>824</b>	<b>781</b>	<b>831</b>	<b>5</b>	<b>(1)</b>
<b>Information by channel</b>					
<b>Invested assets (USD billion)</b>					
Third-party institutional	509	484	526	5	(3)
Third-party wholesale	84	78	85	8	(1)
UBS's wealth management businesses	230	219	220	5	5
<b>Total invested assets</b>	<b>824</b>	<b>781</b>	<b>831</b>	<b>5</b>	<b>(1)</b>
<b>Additional information</b>					
Average attributed equity (USD billion) <sup>8</sup>	1.8	1.8	1.8	0	(2)
Return on attributed equity (%) <sup>9</sup>	23.0	23.7	22.9		
Risk-weighted assets (USD billion) <sup>8</sup>	4.8	4.3	4.5	11	6
Leverage ratio denominator (USD billion) <sup>8</sup>	5.1	5.0	5.0	1	1
Goodwill and intangible assets (USD billion)	1.3	1.4	1.4	0	(3)
Net margin on invested assets (bps) <sup>9</sup>	5	5	5	(2)	0
Gross margin on invested assets (bps)	22	23	23	(4)	(3)
Personnel (full-time equivalents)	2,287	2,301	2,361	(1)	(3)

<sup>1</sup> Comparative figures in this table have been restated for the changes in Corporate Center cost and resource allocation to the business divisions and the changes in the equity attribution framework. Refer to the "Recent developments" section and "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information. Comparatives may additionally differ due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Net management fees include transaction fees, fund administration revenues (including net interest and trading income from lending activities and foreign exchange hedging as part of the fund services offering), gains or losses from seed money and co-investments, funding costs, and other items that are not performance fees. <sup>3</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>4</sup> Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives. <sup>5</sup> Refer to the "Performance targets and measurement" section of our Annual Report 2018 for the definitions of our performance measures. <sup>6</sup> Effective 1 January 2019, certain assets have been reclassified between asset classes to better reflect their underlying nature, with prior-period information restated. The adjustments have no effect on total net new money and total invested assets. This primarily resulted in the following effects for invested assets: for the quarter ended 31 December 2018, USD 13 billion was reclassified from Equities to Multi-asset & Solutions and USD 10 billion was reclassified within Fixed Income to money market instruments. The change had a corresponding effect on the composition of net new money for the respective periods resulting in an immaterial effect on net new money growth excluding money market flows. <sup>7</sup> Excluding the effect of business exits. <sup>8</sup> Refer to the "Capital management" section of this report for more information. <sup>9</sup> Calculated as operating profit before tax (annualized as applicable) / average invested assets.

## Results: 1Q19 vs 1Q18

Profit before tax decreased by USD 2 million, or 2%, to USD 103 million. Excluding a credit of USD 10 million related to changes to our Swiss pension plan in the first quarter of 2018 and restructuring expenses, adjusted profit before tax increased by USD 2 million, or 2%, to USD 109 million, reflecting reduced operating expenses, largely offset by lower operating income.

### Operating income

Total operating income decreased by USD 20 million, or 4%, to USD 446 million. Net management fees decreased by USD 32 million to USD 419 million, driven by lower average invested assets as a result of the lower market levels in the fourth quarter of 2018, and continued pressure on margins.

Performance fees increased by USD 12 million to USD 27 million, mainly driven by an increase in performance fees in Equities.

We expect to see a continuation of the trend of clients moving invested assets into lower-margin passive products, which is expected to have a dampening effect on margins.

### Operating expenses

Total operating expenses decreased by USD 17 million, or 5%, to USD 343 million, and adjusted operating expenses decreased by USD 22 million, or 6%, to USD 337 million.

Personnel expenses remained stable at USD 178 million. Excluding the aforementioned credit related to changes to our Swiss pension plan in the first quarter of 2018 and personnel-related restructuring expenses, adjusted personnel expenses decreased by USD 9 million to USD 176 million, primarily driven by reduced salaries and lower expenses for variable compensation.

General and administrative expenses decreased by USD 4 million to USD 48 million, and on an adjusted basis by USD 3 million to USD 46 million. This reduction in adjusted general and

administrative expenses was mainly due to lower expenses for tax-related provisions, reduced marketing costs and lower expenses for travel and entertainment.

Net expenses for services to / from Corporate Center and other business divisions decreased by USD 14 million to USD 117 million, and on an adjusted basis by USD 9 million to USD 115 million, reflecting lower expenses from Group Operations, variable compensation, and strategic and regulatory initiatives, partly offset by higher expenses from Group Technology.

## Net new money: 1Q19 vs 1Q18

Net new money was USD 0.1 billion compared with net inflows of USD 33.3 billion. Excluding money market flows, net new money was negative USD 2.3 billion compared with net inflows of USD 27.8 billion, an annualized net new money growth rate of negative 1.3% compared with positive 15.7%. The first quarter of 2018 included two large inflows from institutional clients totaling USD 22.5 billion.

## Invested assets: 1Q19 vs 4Q18

Invested assets increased by USD 43 billion to USD 824 billion, reflecting positive market performance of USD 48 billion, partly offset by currency effects of USD 4 billion, resulting primarily from the strengthening of the US dollar against the euro and the Swiss franc.

Following an internal asset reporting methodology review, we have adjusted our asset classification, effective as of 1 January 2019, in order to better reflect the underlying nature of respective assets. The adjustments had no effect on total net new money and total invested assets. Prior-period information was restated, primarily resulting for 2018 in a 12% increase in fixed income money market instruments, a 10% increase in Multi-asset & Solutions and a 5% decrease in Equities.

# Investment Bank

## Investment Bank<sup>1</sup>

<i>USD million, except where indicated</i>	As of or for the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
<b>Results</b>					
<b>Corporate Client Solutions</b>	<b>451</b>	460	875	(2)	(48)
Advisory	109	115	197	(5)	(45)
Equity Capital Markets	126	122	312	4	(60)
Debt Capital Markets	154	160	262	(4)	(41)
Financing Solutions	57	53	72	7	(21)
Risk Management	5	11	31	(56)	(84)
<b>Investor Client Services</b>	<b>1,337</b>	1,078	1,556	24	(14)
Equities	883	776	1,138	14	(22)
Foreign Exchange, Rates and Credit	454	302	417	50	9
Income	1,788	1,539	2,430	16	(26)
Credit loss (expense) / recovery	(22)	(18)	(16)	25	43
<b>Total operating income</b>	<b>1,765</b>	1,521	2,415	16	(27)
Personnel expenses	705	537	952	31	(26)
General and administrative expenses	141	253	152	(44)	(7)
Services (to) / from Corporate Center and other business divisions	708	805	730	(12)	(3)
<i>of which: services from Corporate Center</i>	722	820	738	(12)	(2)
Depreciation and impairment of property, equipment and software	2	2	2	1	1
Amortization and impairment of intangible assets	2	2	3	1	(16)
<b>Total operating expenses</b>	<b>1,558</b>	1,598	1,838	(3)	(15)
<b>Business division operating profit / (loss) before tax</b>	<b>207</b>	(78)	576		(64)
<b>Adjusted results<sup>2</sup></b>					
<b>Total operating income as reported</b>	<b>1,765</b>	1,521	2,415	16	(27)
<b>Total operating income (adjusted)</b>	<b>1,765</b>	1,521	2,415	16	(27)
<b>Total operating expenses as reported</b>	<b>1,558</b>	1,598	1,838	(3)	(15)
<i>of which: personnel-related restructuring expenses<sup>3</sup></i>	1	1	12		
<i>of which: non-personnel-related restructuring expenses<sup>3</sup></i>	2	3	2		
<i>of which: restructuring expenses allocated from Corporate Center<sup>3</sup></i>	11	69	34		
<i>of which: gain related to changes to the Swiss pension plan</i>			(5)		
<b>Total operating expenses (adjusted)</b>	<b>1,544</b>	1,526	1,796	1	(14)
<b>Business division operating profit / (loss) before tax as reported</b>	<b>207</b>	(78)	576		(64)
<b>Business division operating profit / (loss) before tax (adjusted)</b>	<b>221</b>	(5)	619		(64)
<b>Performance measures<sup>4</sup></b>					
Return on attributed equity (%) <sup>5</sup>	6.8	(2.5)	17.6		
Cost / income ratio (%)	87.1	103.9	75.6		
<b>Adjusted performance measures<sup>2,4</sup></b>					
Return on attributed equity (%) <sup>5</sup>	7.2	(0.2)	18.9		
Cost / income ratio (%)	86.4	99.1	73.9		

## Investment Bank (continued)<sup>1</sup>

	As of or for the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
<i>USD million, except where indicated</i>					
<b>Additional information</b>					
Pre-tax profit growth (%)	(64.0)		33.8		
Adjusted pre-tax profit growth (%)	(64.3)		21.7		
Average attributed equity (USD billion) <sup>5</sup>	12.3	12.7	13.1	(3)	(6)
Risk-weighted assets (USD billion) <sup>5</sup>	92.6	93.2	95.8	(1)	(3)
Return on risk-weighted assets, gross (%) <sup>6</sup>	7.7	6.8	11.0		
Leverage ratio denominator (USD billion) <sup>5</sup>	288.4	283.4	313.5	2	(8)
Return on leverage ratio denominator, gross (%) <sup>6</sup>	2.5	2.1	3.1		
Goodwill and intangible assets (USD billion)	0.1	0.1	0.1	1	100
Compensation ratio (%)	39.4	34.9	39.2		
Average VaR (1-day, 95% confidence, 5 years of historical data)	10	10	16	1	(39)
Impaired loan portfolio as a percentage of total loan portfolio, gross (%) <sup>7</sup>	1.5	1.5	1.0		
Personnel (full-time equivalents)	5,311	5,205	4,867	2	9

<sup>1</sup> Comparative figures in this table have been restated for the changes in Corporate Center cost and resource allocation to the business divisions and the changes in the equity attribution framework. Refer to the "Recent developments" section and "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information. Comparatives may additionally differ due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>3</sup> Reflects restructuring expenses related to legacy cost programs. <sup>4</sup> Refer to the "Performance targets and measurement" section of our Annual Report 2018 for the definitions of our performance measures. <sup>5</sup> Refer to the "Capital management" section of this report for more information. <sup>6</sup> Based on total RWA and LRD. <sup>7</sup> Refer to the "Risk management and control" section of this report for more information on (credit-)impaired loan exposures.

### Results: 1Q19 vs 1Q18

Profit before tax decreased by USD 369 million, or 64%, to USD 207 million. Excluding restructuring expenses and a credit related to changes to our Swiss pension plan in the first quarter of 2018, adjusted profit before tax decreased by USD 398 million, or 64%, to USD 221 million. This was driven mainly by lower operating income in Corporate Client Solutions and Equities, partly offset by lower operating expenses and higher Foreign Exchange, Rates and Credit revenues.

#### Operating income

Total operating income decreased by USD 650 million, or 27%, to USD 1,765 million, driven by a decrease in Corporate Client Solutions and Equities revenues, partly offset by higher Foreign Exchange, Rates and Credit revenues.

#### Corporate Client Solutions

Corporate Client Solutions revenues decreased by USD 424 million, or 48%, to USD 451 million. This mainly reflected lower revenues in Equity Capital Markets, Debt Capital Markets and Advisory, the result of significantly lower levels of market activity and significantly reduced private transaction revenues, particularly in Equity Capital Markets, compared with a strong first quarter of 2018.

Advisory revenues decreased to USD 109 million from USD 197 million, due to lower revenues from merger and acquisition transactions, where the global fee pool declined 6%, as well as from private transactions. The reduction in merger and acquisition revenues was partly a result of participating in fewer large deals.

Equity Capital Markets revenues decreased by USD 186 million to USD 126 million, compared with a strong first quarter of 2018, mainly due to reduced revenues from private transactions. Revenues from public offerings were also lower, with the global fee pool decreasing 42%.

Debt Capital Markets revenues decreased to USD 154 million from USD 262 million, primarily reflecting lower leveraged finance revenues, where the fee pool decreased 21%.

Financing Solutions revenues decreased to USD 57 million from USD 72 million, reflecting lower client activity across most products.

Risk Management revenues decreased by USD 26 million to USD 5 million, mainly as the first quarter 2018 included gains related to a portfolio of loans, almost all of which have been subsequently sold.

### **Investor Client Services**

Investor Client Services revenues decreased by USD 219 million, or 14%, to USD 1,337 million, reflecting a decrease in Equities revenues, partly offset by higher Foreign Exchange, Rates and Credit revenues.

### **Equities**

Equities revenues decreased by USD 255 million, or 22%, to USD 883 million, reflecting reduced client activity amid challenging market conditions and lower market volatility, as well as a strong first quarter of 2018.

Cash revenues decreased to USD 302 million from USD 346 million, mainly due to lower client activity levels.

Derivatives revenues decreased to USD 258 million from USD 362 million, reflecting a strong first quarter of 2018 and reduced client activity.

Financing Services revenues decreased to USD 338 million from USD 434 million, driven by lower prime brokerage and equity finance revenues as a result of lower client balances and activity levels.

### **Foreign Exchange, Rates and Credit**

Foreign Exchange, Rates and Credit revenues increased by USD 37 million, or 9%, to USD 454 million, driven by higher Rates and Credit revenues. Foreign Exchange revenues decreased, reflecting lower volatility and client activity levels. Rates and Credit revenues increased across most regions, reflecting higher revenues across most products.

### **Operating expenses**

Total operating expenses decreased by USD 280 million, or 15%, to USD 1,558 million and adjusted operating expenses decreased by USD 252 million, or 14%, to USD 1,544 million.

Personnel expenses decreased by USD 247 million to USD 705 million and adjusted personnel expenses decreased by USD 242 million to USD 704 million, mainly due to lower variable compensation and salaries.

General and administrative expenses decreased by USD 11 million to USD 141 million, and on an adjusted basis by USD 10 million to USD 139 million, mainly due to the reclassification of certain administration costs to personnel expenses following the consolidation of UBS Securities China, as well as lower expenses for communication and market data services.

Net expenses for services from Corporate Center and other business divisions decreased to USD 708 million from USD 730 million. Excluding a reduction in restructuring expenses, adjusted net expenses remained stable at USD 697 million.

### **Risk-weighted assets and leverage ratio denominator: 1Q19 vs 4Q18**

#### **Risk-weighted assets**

Total risk-weighted assets (RWA) were stable at USD 93 billion. A decrease in market risk RWA, reflecting lower average regulatory and stressed value-at-risk (VaR) levels following reduced market volatility in the quarter, was offset by a credit risk RWA increase from asset size and other movements.

→ **Refer to the “Capital management” section of this report for more information**

#### **Leverage ratio denominator**

The leverage ratio denominator (LRD) increased by USD 5 billion to USD 288 billion, mainly due to higher trading portfolio assets in Equities, reflecting market-driven effects.

→ **Refer to the “Capital management” and “Balance sheet, liquidity and funding management” sections of this report for more information**

# Corporate Center

## Corporate Center<sup>1</sup>

USD million, except where indicated	As of or for the quarter ended			% change from	
	31.3.19	31.12.18	31.3.18	4Q18	1Q18
<b>Results</b>					
<b>Total operating income</b>	<b>47</b>	(423)	(101)		
<i>of which: net treasury income</i>	<b>124</b>	(59)	(131)		
<i>of which: Non-core and Legacy Portfolio</i>	<b>47</b>	(26)	50		(6)
Personnel expenses	<b>1,040</b>	1,069	965	(3)	8
General and administrative expenses	<b>697</b>	1,058	940	(34)	(26)
Depreciation and impairment of property, equipment and software	<b>420</b>	334	281	26	49
Amortization and impairment of intangible assets	<b>0</b>	0	0		
<b>Total operating expenses before allocations to / from BDs</b>	<b>2,157</b>	2,461	2,186	(12)	(1)
Services (to) / from business divisions	<b>(2,095)</b>	(2,367)	(2,195)	(11)	(5)
<i>of which: services to Global Wealth Management</i>	<b>(938)</b>	(1,050)	(981)	(11)	(4)
<i>of which: services to Personal &amp; Corporate Banking</i>	<b>(320)</b>	(361)	(351)	(11)	(9)
<i>of which: services to Asset Management</i>	<b>(128)</b>	(150)	(143)	(15)	(10)
<i>of which: services to Investment Bank</i>	<b>(722)</b>	(820)	(738)	(12)	(2)
<b>Total operating expenses</b>	<b>62</b>	95	(9)	(35)	
<i>of which: Non-core and Legacy Portfolio</i>	<b>43</b>	65	56	(33)	(23)
<b>Operating profit / (loss) before tax</b>	<b>(15)</b>	(518)	(92)	(97)	(84)
<b>Adjusted results<sup>2</sup></b>					
<b>Total operating income as reported</b>	<b>47</b>	(423)	(101)		
<i>of which: remeasurement loss related to UBS Securities China</i>		(270)			
<b>Total operating income (adjusted)</b>	<b>47</b>	(154)	(101)		
<b>Total operating expenses as reported</b>	<b>62</b>	95	(9)	(35)	
<i>of which: personnel-related restructuring expenses<sup>3</sup></i>	<b>14</b>	70	50		
<i>of which: non-personnel-related restructuring expenses<sup>3</sup></i>	<b>10</b>	87	53		
<i>of which: restructuring expenses allocated from Corporate Center<sup>3</sup></i>	<b>(27)</b>	(157)	(99)		
<i>of which: gain related to changes to the Swiss pension plan</i>			(122)		
<b>Total operating expenses (adjusted)</b>	<b>63</b>	95	109	(33)	(42)
<b>Operating profit / (loss) before tax as reported</b>	<b>(15)</b>	(518)	(92)	(97)	(84)
<b>Operating profit / (loss) before tax (adjusted)</b>	<b>(17)</b>	(248)	(211)	(93)	(92)
<b>Additional information</b>					
Average attributed equity (USD billion) <sup>4</sup>	<b>14.5</b>	13.6	13.9	6	5
Risk-weighted assets (USD billion) <sup>4</sup>	<b>29.0</b>	28.1	29.7	3	(2)
Leverage ratio denominator (USD billion) <sup>4</sup>	<b>79.9</b>	86.5	84.0	(8)	(5)
Personnel (full-time equivalents)	<b>31,220</b>	30,581	26,766	2	17

<sup>1</sup> Comparative figures in this table have been restated for the changes in Corporate Center cost and resource allocation to the business divisions and the changes in the equity attribution framework. Refer to the "Recent developments" section and "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information. Comparatives may additionally differ due to adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. <sup>2</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations. <sup>3</sup> Reflects restructuring expenses related to legacy cost programs. <sup>4</sup> Refer to the "Capital management" section of this report for more information.

## Results: 1Q19 vs 1Q18

Corporate Center recorded a loss before tax of USD 15 million compared with a loss of USD 92 million in the prior-year quarter, and an adjusted loss before tax of USD 17 million compared with a loss of USD 211 million.

### Operating income

Operating income was positive USD 47 million compared with negative USD 101 million. An increase in net treasury income of USD 255 million was partly offset by slightly lower net income from Non-core and Legacy Portfolio and a decrease in other Corporate Center revenues, driven mainly by higher funding costs relating to Corporate Center balance sheet assets, most of which were allocated to the business divisions through the line "Services (to) / from business divisions." These costs included additional interest expenses related to right-of-use assets as a result of the adoption of IFRS 16, *Leases*, effective from 1 January 2019.

→ Refer to "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information about the adoption of IFRS 16

### Net treasury income

The net treasury income result was positive USD 124 million in the first quarter of 2019 compared with negative USD 131 million.

This included negative revenues of USD 19 million relating to centralized Group Treasury risk management services (previously called total risk management net income after allocations), compared with negative revenues of USD 89 million.

Revenues from accounting asymmetries related to economic hedges and the mark-to-market effects from certain internal funding transactions were positive USD 80 million compared with positive USD 5 million.

Income related to hedge accounting ineffectiveness was positive USD 60 million compared with negative USD 55 million. The prior-year quarter was negatively affected by increases in the London Interbank Offered Rate (LIBOR) rates and overnight index swap (OIS) rates and a widening of the spread between the rates. The first quarter of 2019 was positively affected by decreases in rates and a tightening of the spread.

### Operating income from Non-core and Legacy Portfolio

The operating income from Non-core and Legacy Portfolio was USD 47 million compared with USD 50 million. The first quarter of 2019 included valuation gains on financial assets measured at fair value through profit or loss and gains related to the unwinding of certain transactions.

### Operating expenses

#### Operating expenses before service allocations to / from business divisions

Before service allocations to business divisions, total operating expenses decreased by USD 29 million to USD 2,157 million, for reasons including favorable currency effects and lower

restructuring costs. The first quarter of 2018 included a credit of USD 122 million related to changes to our Swiss pension plan. Adjusted operating expenses before allocations decreased by USD 73 million, or 3%, to USD 2,132 million.

Personnel expenses increased by USD 75 million to USD 1,040 million, mainly due to the credit of USD 122 million in the first quarter of 2018 related to changes to our Swiss pension plan, partly offset by lower restructuring costs. On an adjusted basis, personnel expenses decreased by USD 11 million or 1%, to USD 1,026 million, mainly driven by lower variable compensation and favorable currency movements, partly offset by continued insourcing of certain activities and staff from third-party vendors to our Business Solutions Centers.

General and administrative expenses decreased by USD 243 million to USD 697 million and on an adjusted basis decreased by USD 196 million to USD 691 million. This was mainly due to the adoption of IFRS 16 resulting in lower rental costs, a reduction in outsourcing costs following the aforementioned insourcing of certain activities and staff, and lower professional fees, as well as favorable currency movements.

Depreciation expenses increased to USD 420 million from USD 281 million, primarily reflecting higher depreciation charges related to right-of-use assets resulting from the adoption of IFRS 16 and increased amortization expenses for internally generated capitalized software.

#### Services to / from business divisions

Corporate Center allocated net expenses of USD 2,095 million to the business divisions, compared with USD 2,195 million. Adjusted allocated net expenses for services to business divisions were USD 2,069 million compared with USD 2,096 million, mainly reflecting the aforementioned movements in operating expenses before allocations, partly offset by the allocation of certain funding costs, including additional interest expenses relating to the adoption of IFRS 16.

#### Operating expenses after service allocations to / from business divisions

Corporate Center retains costs mainly related to our legal entity transformation program and other costs not attributable to, or representative of the performance of, the business divisions. Total operating expenses remaining in Corporate Center after allocations were USD 62 million compared with negative USD 9 million, which included the aforementioned credit related to changes to our Swiss pension plan, and USD 63 million on an adjusted basis compared with USD 109 million, mainly related to the allocation of the funding costs recorded under operating income.

### Personnel: 1Q19 vs 4Q18

As of 31 March 2019, Corporate Center employed 31,220 personnel (full-time equivalents), a net increase of 639 compared with 31 December 2018. The increase was primarily due to the continued insourcing of certain activities from third-party vendors to our Business Solutions Centers, mainly in Group Technology. At the same time, we have seen a decrease of 1,256 in external staff.



# Risk, treasury and capital management

Management report

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# Risk management and control

This section provides information on key developments during the reporting period and should be read in conjunction with the “Risk management and control” section of our Annual Report 2018.

## Credit risk

Total net credit loss expenses were USD 20 million in the first quarter of 2019, mainly in the Investment Bank, reflecting losses of USD 15 million from credit-impaired (stage 3) positions and USD 5 million in expected credit losses from stage 1 and 2 positions.

Overall credit risk exposures were broadly unchanged during the first quarter of 2019.

We continue to manage our Swiss lending portfolios prudently and remain watchful for any signs of deterioration that could affect our counterparties.

Within the Investment Bank, our leveraged loan underwriting business’s overall ability to distribute risk remained robust. Loan underwriting exposures are held for trading, with fair values reflecting the market conditions at the end of the quarter.

## Market risk

We continued to manage market risks at generally low levels of management value-at-risk (VaR). Average management VaR (1-day, 95% confidence level) remained unchanged, at USD 11 million, compared with the fourth quarter of 2018. Average regulatory VaR and stressed VaR decreased in the first quarter. This decrease was driven by the Investment Bank’s Equities business due to a reduction in market volatility, a decrease in client activity and an overall reduction in credit exposure in the Foreign Exchange, Rates and Credit business.

There were no Group VaR negative backtesting exceptions in the first quarter of 2019, and the total number of negative backtesting exceptions within the most recent 250-business-day window remained at 2. The FINMA VaR multiplier for market risk RWA was unchanged compared with the prior quarter, at 3.

As of 31 March 2019, the interest rate sensitivity of our banking book to a +1 basis point parallel shift in yield curves was positive USD 1.1 million, compared with positive USD 1.0 million as of 31 December 2018.

→ **Refer to “Interest rate risk in the banking book” in the “Market risk” section of our Annual Report 2018 for more information on the management of interest rate risk in the banking book**

The interest rate sensitivity to a +1 basis point parallel shift in yield curves of the positions in the banking book that are valued through OCI was negative USD 26 million as of 31 March 2019. This OCI sensitivity was predominantly attributable to cash flow hedges denominated in US dollars and, to a lesser extent, in euros and Swiss francs. The OCI associated with cash flow hedges is not recognized for the purpose of calculating regulatory capital.

→ **Refer to “Sensitivity to interest rate movements” in the “Group performance” section of this report for more information on the effect of increases in interest rates on equity, capital and net interest income**

## Country risk

We remain watchful of developments in Europe and political shifts in a number of countries. Our direct exposure to peripheral European countries is limited, although we have significant country risk exposure to major European economies, including the UK, Germany and France. The UK's process of exiting the EU, as well as Italy's deficit and tensions between Italy and the EU are still areas of concern.

→ **Refer to the "Recent developments" section of this report for more information on the UK's withdrawal from the EU**

We are closely monitoring the growing risks stemming from ongoing US trade policy shifts, and their potential effect on key markets, economies and countries.

We also continue to closely monitor our direct exposure to China. In addition, a number of emerging markets are facing economic, political and market pressures. Our exposure to emerging market countries is well diversified.

→ **Refer to the "Risk management and control" section of our Annual Report 2018 for more information**

## Operational risk

Operational resilience, conduct and culture, and financial crime continue to be the pervasive consequential risk themes challenging both UBS and the financial industry.

Operational resilience remains a key focus for the firm as we continually enhance our ability to respond to disruptions and maintain effective day-to-day business activities. Cybersecurity and data protection are critical elements of operational resilience, and our cybersecurity objectives are set in line with prevailing international standards, while our data protection standards are intended to align with applicable data protection regulations and standards. We are investing in preemptive and detective measures to defend against evolving and highly sophisticated cyberattacks, to achieve our objectives and meet applicable standards. Our investment priorities focus on increasing readiness to detect and respond to cyber threats and data loss, employee training and behaviors, and application and infrastructure security (including vulnerability management).

Financial crime (including money laundering, terrorist financing, sanctions violations, fraud, bribery and corruption) continues to present a risk, as technological innovation and geopolitical developments increase the complexity of doing business and heightened regulatory attention persists. An effective financial crime prevention program remains essential for the firm. Money laundering and financial fraud techniques are becoming increasingly sophisticated, while geopolitical volatility makes the sanctions landscape more complex. We continue to invest heavily in our detection capabilities and core systems as part of our financial crime prevention program, with a focus on improving these to meet regulatory expectations, including to address the requirements of the May 2018 cease and desist order issued by the Office of the Comptroller of the Currency relating to our US branch know-your-customer and AML programs.

Management of conduct risk is an integral part of our operational risk framework. In managing conduct risk, we are focusing on embedding the framework, enhancing management information and maintaining the momentum of improving culture. Conduct-related management information is reviewed at the business and regional governance level, providing metrics on employee conduct, clients and markets. Furthermore, we continue to pursue behavioral initiatives, such as the "Principles of Good Supervision," and provide mandatory compliance and risk training.

We maintain our focus on regulatory reporting, updating our regulatory process management framework and enhancing our regulatory developments tracking, as well as continuing to enhance our operational risk framework (ORF) assessment processes, including legal entity reporting, to meet evolving regulatory expectations.

## Key risk metrics

### Banking and traded products exposure in our business divisions and Corporate Center

	31.3.19					
<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center	Group
<b>Banking products<sup>1</sup></b>						
Gross exposure (IFRS 9)	243,592	184,219	3,016	54,513	28,959	514,299
<i>of which: loans and advances to customers (on-balance sheet)</i>	169,600	132,020	0	9,593	8,171	319,383
<i>of which: guarantees and loan commitments (off-balance sheet)</i>	6,060	19,718	0	19,245	331	45,353
<b>Traded products<sup>2,3</sup></b>						
Gross exposure	9,038	953	0	33,850		43,840
<i>of which: over-the-counter derivatives</i>	5,979	866	0	9,324		16,169
<i>of which: securities financing transactions</i>	190	0	0	17,943		18,133
<i>of which: exchange-traded derivatives</i>	2,868	86	0	6,584		9,539
<b>Other credit lines, gross<sup>4</sup></b>	7,422	23,513	0	2,305	139	33,379
Total credit-impaired exposure, gross (stage 3) <sup>1</sup>	583	1,848	0	127	433	2,991
Total allowances and provisions for expected credit losses (stages 1 to 3)	216	677	0	132	27	1,052
<i>of which: stage 1</i>	57	78	0	45	2	182
<i>of which: stage 2</i>	35	138	0	5	0	179
<i>of which: stage 3 (allowances and provisions for credit-impaired exposures)</i>	123	461	0	82	25	691

	31.12.18					
<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center	Group
<b>Banking products<sup>1</sup></b>						
Gross exposure (IFRS 9)	239,835	186,802	2,751	59,980	28,357	517,725
<i>of which: loans and advances to customers (on-balance sheet)</i>	170,413	133,253	7	9,090	8,362	321,125
<i>of which: guarantees and loan commitments (off-balance sheet)</i>	6,111	20,609	0	22,290	348	49,358
<b>Traded products<sup>2,3</sup></b>						
Gross exposure	10,606	873	0	30,771		42,250
<i>of which: over-the-counter derivatives</i>	5,960	762	0	9,441		16,163
<i>of which: securities financing transactions</i>	153	0	0	16,004		16,157
<i>of which: exchange-traded derivatives</i>	4,494	111	0	5,325		9,930
<b>Other credit lines, gross<sup>4</sup></b>	10,345	22,994	0	3,202	94	36,634
Total credit-impaired exposure, gross (stage 3) <sup>1</sup>	625	1,974	0	140	415	3,154
Total allowances and provisions for expected credit losses (stages 1 to 3)	223	697	0	108	26	1,054
<i>of which: stage 1</i>	62	78	0	34	3	176
<i>of which: stage 2</i>	34	146	0	3	0	183
<i>of which: stage 3 (allowances and provisions for credit-impaired exposures)</i>	127	474	0	71	23	695

<sup>1</sup> IFRS 9 gross exposure including other financial assets at amortized cost, but excluding cash, receivables from securities financing transactions, cash collateral receivables on derivative instruments, financial assets at FVOCI, irrevocable committed prolongation of existing loans and unconditionally revocable committed credit lines and forward starting reverse repurchase and securities borrowing agreements. <sup>2</sup> Internal management view of credit risk, which differs in certain respects from IFRS. <sup>3</sup> As counterparty risk for traded products is managed at counterparty level, no further split between exposures in the Investment Bank and Corporate Center is provided. <sup>4</sup> Unconditionally revocable committed credit lines.

**Global Wealth Management and Personal & Corporate Banking loans and advances to customers, gross**

	Global Wealth Management		Personal & Corporate Banking	
<i>USD million</i>	31.3.19	31.12.18	31.3.19	31.12.18
Secured by residential property	51,774	51,251	95,984	96,841
Secured by commercial / industrial property	2,297	2,233	16,805	16,887
Secured by cash	14,191	15,529	1,424	1,467
Secured by securities	91,142	90,946	1,751	1,647
Secured by guarantees and other collateral	9,388	9,469	5,411	5,754
Unsecured loans and advances to customers	807	986	10,645	10,657
<b>Total loans and advances to customers, gross</b>	<b>169,600</b>	<b>170,413</b>	<b>132,020</b>	<b>133,253</b>
<b>Allowances</b>	<b>(101)</b>	<b>(102)</b>	<b>(564)</b>	<b>(594)</b>
<b>Total loans and advances to customers, net of allowances</b>	<b>169,500</b>	<b>170,312</b>	<b>131,455</b>	<b>132,659</b>

**Management value-at-risk (1-day, 95% confidence, 5 years of historical data) of our business divisions and Corporate Center by general market risk type<sup>1</sup>**

<i>USD million</i>	Min.	Max.	Period end	Average	Equity	Average by risk type			
						Interest rates	Credit spreads	Foreign exchange	Commodities
Global Wealth Management	1	1	1	1	0	1	1	0	0
Personal & Corporate Banking	0	0	0	0	0	0	0	0	0
Asset Management	0	0	0	0	0	0	0	0	0
Investment Bank	7	13	13	10	6	7	4	3	2
Corporate Center	4	6	5	5	1	4	2	1	0
Diversification effect <sup>2,3</sup>			(4)	(4)	(1)	(4)	(2)	(1)	0
<b>Total as of 31.3.19</b>	<b>7</b>	<b>15</b>	<b>15</b>	<b>11</b>	<b>6</b>	<b>8</b>	<b>4</b>	<b>4</b>	<b>2</b>
Total as of 31.12.18	7	15	12	11	7	7	6	3	2

<sup>1</sup> Statistics at individual levels may not be summed to deduce the corresponding aggregate figures. The minima and maxima for each level may occur on different days, and likewise, the VaR for each business line or risk type, being driven by the extreme loss tail of the corresponding distribution of simulated profits and losses for that business line or risk type, may well be driven by different days in the historical time series, rendering invalid the simple summation of figures to arrive at the aggregate total. <sup>2</sup> Difference between the sum of the standalone VaR for the business divisions and Corporate Center and the VaR for the Group as a whole. <sup>3</sup> As the minimum and maximum occur on different days for different business divisions and Corporate Center, it is not meaningful to calculate a portfolio diversification effect.

## Interest rate sensitivity – banking book<sup>1</sup>

<i>USD million</i>	-200 bps	-100 bps	+1 bp	+100 bps	+200 bps
CHF	(6.8)	(6.8)	1.6	158.0	315.4
EUR	(113.2)	(114.9)	(0.3)	(26.9)	(51.8)
GBP	(37.0)	(43.9)	0.1	12.7	23.7
USD	(281.1)	(105.0)	(0.3)	(143.2)	(400.7)
Other	15.7	6.9	(0.1)	(7.4)	(13.8)
<b>Total effect on fair value of interest rate-sensitive banking book positions as of 31.3.19</b>	<b>(422.4)</b>	<b>(263.8)</b>	<b>1.1</b>	<b>(6.9)</b>	<b>(127.2)</b>
Total effect on fair value of interest rate-sensitive banking book positions as of 31.12.18	(611.1)	(298.5)	1.0	33.4	13.6

<sup>1</sup> In the prevailing negative interest rate environment for the Swiss franc in particular, and to a lesser extent for the euro, interest rates for Global Wealth Management (excluding Americas) and Personal & Corporate Banking client transactions are generally floored at non-negative levels. Accordingly, for the purposes of this disclosure table, downward moves of 100 / 200 basis points are floored to ensure that the resulting shocked interest rates do not turn negative. The flooring results in non-linear sensitivity behavior.

## Exposures to eurozone countries rated lower than AAA / Aaa by at least one major rating agency

<i>USD million</i>	31.3.19					31.12.18			
	Banking products, gross <sup>1</sup>		Traded products		Trading inventory	Total		Total	
	Before hedges	Net of hedges	Before hedges	Net of hedges	Net long per issuer	Net of hedges	Net of hedges	Net of hedges	Net of hedges
Austria	81	79	93	30	195	369	305	379	298
Belgium	362	358	110	110	46	518	514	425	420
Finland	13	13	112	112	90	215	215	310	310
France	459	457	1,104	1,012	1,473	3,036	2,941	3,475	3,381
Greece	8	3	0	0	3	12	6	6	4
Ireland <sup>2</sup>	246	239	40	40	635	921	914	1,100	1,093
Italy	730	637	278	249	172	1,181	1,058	1,181	1,041
Portugal	26	26	22	21	3	52	50	27	27
Spain	396	395	39	39	245	680	678	635	633
Other <sup>3</sup>	281	260	3	3	33	317	296	307	290
<b>Total</b>	<b>2,604</b>	<b>2,466</b>	<b>1,802</b>	<b>1,617</b>	<b>2,895</b>	<b>7,300</b>	<b>6,978</b>	<b>7,845</b>	<b>7,497</b>

<sup>1</sup> Before deduction of IFRS 9 ECL allowances and provisions. <sup>2</sup> The majority of the Ireland exposure relates to funds and foreign bank subsidiaries. <sup>3</sup> Represents aggregate exposures to Andorra, Cyprus, Estonia, Latvia, Lithuania, Malta, Monaco, Montenegro, San Marino, Slovakia and Slovenia.

# Balance sheet, liquidity and funding management

## Strategy, objectives and governance

This section provides balance sheet, liquidity and funding management information and should be read in conjunction with the "Treasury management" section of our Annual Report 2018, which provides more information about the Group's strategy, objectives and governance for liquidity and funding management.

Balances disclosed in this section represent quarter-end positions, unless indicated otherwise. Intra-quarter balances fluctuate in the ordinary course of business and may differ from quarter-end positions.

## Assets and liquidity management

### Balance sheet assets (31 March 2019 vs 31 December 2018)

As of 31 March 2019, balance sheet assets totaled USD 957 billion, a decrease of USD 2 billion from 31 December 2018. Total assets excluding derivatives and cash collateral receivables on derivative instruments increased by USD 12 billion to USD 820 billion, mainly driven by increases in trading portfolio assets, non-financial assets and financial assets for unit-linked investment contracts, and securities financing transactions at amortized cost, partly offset by a decrease in other financial assets measured at amortized cost and fair value.

Derivatives and cash collateral receivables on derivative instruments decreased by USD 13 billion, primarily in the Investment Bank, reflecting lower embedded spreads on new trades compared to those rolling off in our Equities and Foreign Exchange, Rates and Credit businesses. Other financial assets measured at

amortized cost and fair value decreased by USD 4 billion, mainly relating to a reduction in receivables for securities financing transactions measured at fair value, as well as transfers into cash within our high-quality liquid assets (HQLA) portfolio. Lending assets decreased by USD 2 billion, driven by Global Wealth Management and Personal & Corporate Banking, mainly reflecting currency effects.

These decreases were partly offset by a USD 5 billion increase in trading portfolio assets, primarily in the Investment Bank, mainly reflecting increases in economic hedges of long-term debt issued measured at fair value in our Equities business and higher client activity in fixed income products in our Foreign Exchange, Rates and Credit business. Non-financial assets and financial assets for unit-linked investment contracts increased by USD 5 billion, driven in part by the recognition of USD 3.4 billion of right-of-use assets with the adoption of IFRS 16, as well as by a USD 2.5 billion increase in assets held to hedge unit-linked investment contracts, reflecting fair value changes. Receivables from securities financing transactions held at amortized cost increased by USD 5 billion, mainly relating to increased client activity in our Equities business. Cash and balances at central banks increased by USD 2 billion, primarily driven by an increase in deposits and reduced funding consumption by the business divisions.

- Refer to "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information on the adoption of IFRS 16
- Refer to the "Consolidated financial statements" section of this report for more information

## Assets

	As of		% change from
<i>USD billion</i>	31.3.19	31.12.18	31.12.18
Cash and balances at central banks	110.6	108.4	2
Lending <sup>1</sup>	335.6	337.2	0
Securities financing transactions at amortized cost	100.2	95.3	5
Trading portfolio <sup>2</sup>	109.6	104.4	5
Derivatives and cash collateral receivables on derivative instruments	136.3	149.8	(9)
Brokerage receivables	16.3	16.8	(3)
Other financial assets at AC / FV <sup>3</sup>	86.9	90.5	(4)
Non-financial assets and financial assets for unit-linked investment contracts	61.0	56.1	9
<b>Total assets</b>	<b>956.6</b>	<b>958.5</b>	<b>0</b>

<sup>1</sup> Consists of loans and advances to banks and customers. <sup>2</sup> Consists of financial assets at fair value held for trading. <sup>3</sup> Consists of financial assets at fair value not held for trading, financial assets measured at fair value through other comprehensive income and other financial assets measured at amortized cost, but excludes financial assets for unit-linked investment contracts and cash collateral receivables on derivative instruments.



## Liquidity coverage ratio

In the first quarter of 2019, the UBS Group liquidity coverage ratio (LCR) increased by 17 percentage points to 153%, remaining above the 110% Group LCR minimum communicated by the Swiss Financial Market Supervisory Authority (FINMA). The LCR increase was primarily driven by additional HQLA relating to higher average cash balances, reflecting higher deposit volumes and reduced funding consumption by the

business divisions, as well as lower net cash outflows, mainly from secured financing transactions, driven by additional inflows from excess cash investments and lower outflows from client activity.

→ Refer to the “Treasury management” section of our Annual Report 2018 for more information on liquidity management and the liquidity coverage ratio

## Liquidity coverage ratio

<i>USD billion, except where indicated</i>	Average 1Q19 <sup>1</sup>	Average 4Q18 <sup>1</sup>
<b>High-quality liquid assets<sup>2</sup></b>		
Cash balances <sup>3</sup>	115	96
Securities (on- and off-balance sheet)	71	78
<b>Total high-quality liquid assets<sup>4</sup></b>	<b>186</b>	173
<b>Cash outflows<sup>5</sup></b>		
Retail deposits and deposits from small business customers	27	26
Unsecured wholesale funding	103	102
Secured wholesale funding	73	76
Other cash outflows	42	42
<b>Total cash outflows</b>	<b>246</b>	246
<b>Cash inflows<sup>5</sup></b>		
Secured lending	84	79
Inflows from fully performing exposures	29	29
Other cash inflows	11	10
<b>Total cash inflows</b>	<b>124</b>	119
<b>Liquidity coverage ratio</b>		
High-quality liquid assets	186	173
Net cash outflows	122	127
<b>Liquidity coverage ratio (%)</b>	<b>153</b>	136

<sup>1</sup> Calculated based on an average of 63 data points in the first quarter of 2019 and 64 data points in the fourth quarter of 2018. <sup>2</sup> Calculated after the application of haircuts. <sup>3</sup> Includes cash and balances at central banks and other eligible balances as prescribed by FINMA. <sup>4</sup> Calculated in accordance with FINMA requirements. <sup>5</sup> Calculated after the application of inflow and outflow rates.

## Liabilities and funding management

### Liabilities (31 March 2019 vs 31 December 2018)

Total liabilities decreased by USD 3 billion to USD 903 billion as of 31 March 2019. Total liabilities excluding derivatives and cash collateral increased to USD 762 billion as of 31 March 2019 from USD 751 billion as of 31 December 2018.

Derivatives and cash collateral payables on derivative instruments decreased by USD 14 billion, in line with the aforementioned decrease in derivative financial assets and cash collateral receivables. Short-term borrowings decreased by USD 9 billion, mainly reflecting net maturities and redemptions of commercial paper and certificates of deposit. Securities financing transactions at amortized cost decreased by USD 5 billion, mainly reflecting reduced funding needs in asset-sourcing and firm-financing activities.

Long-term debt issued increased by USD 13 billion, primarily related to a USD 10 billion increase in debt issued designated at fair value in the Investment Bank, driven by client activity and mark-to-market effects. Long-term debt issued measured at

amortized cost increased by USD 3 billion, reflecting the issuance of a USD 2.5 billion US dollar-denominated high-trigger loss-absorbing additional tier 1 capital instrument and USD 0.4 billion-equivalent Swiss franc-denominated senior unsecured debt that contributes to our total loss-absorbing capacity (TLAC). Customer deposits increased by USD 6 billion, predominantly in Global Wealth Management. Trading portfolio liabilities increased by USD 5 billion, driven by both increased client activity and mark-to-market effects in the Investment Bank.

Other financial liabilities at amortized cost and fair value were stable at USD 19 billion. Upon adoption of IFRS 16, an increase in lease liabilities of USD 4 billion was recognized. This effect was largely offset by a decrease in payables for securities financing transactions measured at fair value.

The “Funding by product and currency” table in this section provides more information on our funding sources.

→ Refer to “Bondholder information” at [www.ubs.com/investors](http://www.ubs.com/investors) for more information on capital and senior debt instruments

→ Refer to the “Consolidated financial statements” section of this report for more information

## Equity

Equity attributable to shareholders increased to USD 53,667 million as of 31 March 2019 from USD 52,928 million as of 31 December 2018.

Total comprehensive income attributable to shareholders was USD 1,037 million, reflecting net profit of USD 1,141 million and negative other comprehensive income (OCI) of USD 104 million. OCI included negative OCI related to own credit of USD 318 million, negative defined benefit plan OCI of USD 179 million and negative foreign currency translation OCI of USD 128 million. These effects were partly offset by positive cash flow hedge OCI of USD 459 million and positive OCI related to debt instruments measured at fair value of USD 62 million.

Share premium decreased by USD 708 million, mainly due to the delivery of treasury shares under share-based compensation plans.

Net treasury share activity increased equity attributable to shareholders by USD 421 million, reflecting the aforementioned delivery of treasury shares, partly offset by the purchase of shares from the market in order to hedge future share delivery

obligations related to employee share-based compensation awards.

The effect of adopting IFRIC 23, *Uncertainty over Income Tax Treatments*, decreased equity attributable to shareholders by USD 11 million.

We expect that the payment of the proposed CHF 0.70 dividend per share, which is subject to approval by the Annual General Meeting of Shareholders on 2 May 2019, will reduce equity attributable to shareholders by approximately USD 2.6 billion in the second quarter of 2019, subject to the CHF / USD exchange rate on 2 May 2019.

- Refer to the “Consolidated financial statements” and “Group performance” sections of this report for more information
- Refer to “Note 1 Basis of accounting” in the “Consolidated financial statements” section of this report for more information on the adoption of IFRIC 23
- Refer to the “UBS Group AG standalone financial statements” section of our Annual Report 2018 for more information on the proposed dividend for the financial year 2018

## Liabilities and equity

<i>USD billion</i>	As of		% change from
	31.3.19	31.12.18	31.12.18
Short-term borrowings <sup>1</sup>	41.1	50.0	(18)
Securities financing transactions at amortized cost	5.2	10.3	(49)
Customer deposits	425.9	419.8	1
Long-term debt issued <sup>2</sup>	163.0	150.3	8
Trading portfolio <sup>3</sup>	34.3	28.9	18
Derivatives and cash collateral payables on derivative instruments	141.1	154.6	(9)
Brokerage payables	39.3	38.4	2
Other financial liabilities at AC / FV <sup>4</sup>	18.5	18.8	(2)
Non-financial liabilities and amounts due under unit-linked investment contracts	34.2	34.2	0
<b>Total liabilities</b>	<b>902.7</b>	<b>905.4</b>	<b>0</b>
Share capital	0.3	0.3	0
Share premium	20.1	20.8	(3)
Treasury shares	(2.2)	(2.6)	(16)
Retained earnings	31.1	30.4	2
Other comprehensive income <sup>5</sup>	4.3	3.9	10
<b>Total equity attributable to shareholders</b>	<b>53.7</b>	<b>52.9</b>	<b>1</b>
Equity attributable to non-controlling interests	0.2	0.2	(1)
<b>Total equity</b>	<b>53.8</b>	<b>53.1</b>	<b>1</b>
<b>Total liabilities and equity</b>	<b>956.6</b>	<b>958.5</b>	<b>0</b>

<sup>1</sup> Consists of short-term debt issued measured at amortized cost and amounts due to banks. <sup>2</sup> Consists of long-term debt issued measured at amortized cost and debt issued designated at fair value. The classification of debt issued into short-term and long-term does not consider any early redemption features. <sup>3</sup> Consists of financial liabilities at fair value held for trading. <sup>4</sup> Consists of other financial liabilities measured at amortized cost and other financial liabilities designated at fair value, but excludes amounts due under unit-linked investment contracts. <sup>5</sup> Excludes defined benefit plans and own credit that are recorded directly in Retained earnings.

## Off-balance sheet<sup>1</sup>

USD billion	As of		% change from 31.12.18
	31.3.19	31.12.18	
Total guarantees <sup>2</sup>	16.5	17.0	(3)
Loan commitments <sup>2</sup>	33.6	34.1	(1)
Forward starting reverse repurchase agreements	31.3	9.0	248
Forward starting repurchase agreements	16.0	8.3	93

<sup>1</sup> The information provided in this table is aligned with the scope disclosed in "Note 17 Guarantees, commitments and forward starting transactions" in the "Consolidated financial statements" section of this report. <sup>2</sup> Total guarantees and Loan commitments are shown net of sub-participations.

### Off-balance sheet (31 March 2019 vs 31 December 2018)

Forward starting reverse repurchase agreements and forward starting repurchase agreements increased by USD 22 billion and USD 8 billion, respectively, primarily in Corporate Center,

reflecting higher market activity on the back of a seasonally low year-end period in 2018. Guarantees and Loan commitments each decreased by USD 0.5 billion, primarily in Personal & Corporate Banking.

## Pro forma net stable funding ratio

USD billion, except where indicated	31.3.19	31.12.18
Available stable funding	474	469
Required stable funding	432	426
<b>Pro forma net stable funding ratio (%)</b>	<b>110</b>	<b>110</b>

### Net stable funding ratio

As of 31 March 2019, our estimated pro forma net stable funding ratio (NSFR) was 110%, unchanged from 31 December 2018, primarily reflecting a USD 5 billion increase in available stable funding, mainly driven by an increase in deposits and debt issuances, offset by a USD 6 billion increase in required stable funding, mainly due to an increase in trading assets and loans.

The calculation of our pro forma NSFR includes estimates of the effect of the Basel Committee on Banking Supervision rules and will be refined when NSFR rule-making is completed in Switzerland and as regulatory interpretations evolve and new models and associated systems are enhanced.

→ Refer to the "Treasury management" section of our Annual Report 2018 for more information on the net stable funding ratio

## Funding by product and currency

	USD billion				As a percentage of total funding sources (%)							
	All currencies		All currencies		USD		CHF		EUR		Other	
	31.3.19	31.12.18	31.3.19	31.12.18	31.3.19	31.12.18	31.3.19	31.12.18	31.3.19	31.12.18	31.3.19	31.12.18
Short-term borrowings	41.1	50.0	5.8	7.2	3.0	4.0	0.4	0.5	1.5	1.7	0.9	1.0
of which: due to banks	9.1	11.0	1.3	1.6	0.3	0.5	0.4	0.4	0.2	0.2	0.4	0.4
of which: short-term debt issued <sup>1</sup>	32.0	39.0	4.5	5.6	2.7	3.5	0.0	0.0	1.3	1.4	0.5	0.7
Securities financing transactions	5.2	10.3	0.7	1.5	0.6	1.2	0.0	0.0	0.0	0.0	0.1	0.3
Cash collateral payables on derivative instruments	30.3	28.9	4.3	4.1	2.0	1.9	0.1	0.1	1.5	1.3	0.8	0.8
Customer deposits	425.9	419.8	60.4	60.2	20.4	20.5	26.2	26.0	8.1	8.0	5.7	5.7
of which: demand deposits	179.9	181.9	25.5	26.1	5.7	5.8	9.9	9.9	6.5	6.7	3.5	3.6
of which: retail savings / deposits	162.2	165.8	23.0	23.8	6.9	7.8	15.3	15.2	0.8	0.8	0.0	0.0
of which: time deposits	61.7	53.6	8.8	7.7	5.9	4.9	0.8	0.8	0.1	0.1	2.0	1.9
of which: fiduciary deposits	22.2	18.6	3.1	2.7	1.9	2.0	0.2	0.1	0.8	0.4	0.2	0.2
Long-term debt issued <sup>2</sup>	163.0	150.3	23.1	21.5	13.3	6.8	2.1	1.4	5.2	4.3	2.5	9.1
Brokerage payables	39.3	38.4	5.6	5.5	3.9	3.8	0.1	0.1	0.5	0.4	1.1	1.2
<b>Total</b>	<b>704.9</b>	<b>697.7</b>	<b>100.0</b>	<b>100.0</b>	<b>43.1</b>	<b>38.2</b>	<b>28.9</b>	<b>28.0</b>	<b>16.9</b>	<b>15.7</b>	<b>11.1</b>	<b>18.1</b>

<sup>1</sup> Short-term debt issued is comprised of certificates of deposit, commercial paper, acceptances and promissory notes, and other money market paper. <sup>2</sup> Long-term debt issued also includes debt with a remaining time to maturity of less than one year.

# Capital management

This section provides information on key developments during the reporting period and should be read in conjunction with the “Capital management” section of our Annual Report 2018, which provides more information about our strategy, objectives and governance for capital management. Disclosures in this section are provided for UBS Group AG on a consolidated basis and focus on information in accordance with the Basel III framework, as applicable to Swiss systemically relevant banks (SRBs).

Information in accordance with the Basel Committee on Banking Supervision framework for UBS Group AG consolidated together with capital and other regulatory information for UBS AG consolidated and standalone, UBS Switzerland AG standalone, UBS Europe SE consolidated and UBS Americas Holding LLC consolidated is provided in our 31 March 2019 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups, which is available under “Pillar 3 disclosures” at [www.ubs.com/investors](http://www.ubs.com/investors).

Capital and other regulatory information for UBS AG consolidated is provided in the UBS AG first quarter 2019 report, which will be available as of 30 April 2019 under “Quarterly reporting” at [www.ubs.com/investors](http://www.ubs.com/investors).

## Swiss SRB requirements and information

Information on the Swiss SRB capital framework and on Swiss SRB going and gone concern requirements that are being phased in until the end of 2019 is provided in the “Capital management” section of our Annual Report 2018, which is available under “Annual reporting” at [www.ubs.com/investors](http://www.ubs.com/investors). These requirements are also applicable to UBS AG consolidated and UBS Switzerland AG standalone. UBS AG is subject to going concern requirements on a standalone basis, for which details are provided in the 31 December 2018 Pillar 3 report – UBS

Group and significant regulated subsidiaries and sub-groups, which is available under “Pillar 3 disclosures” at [www.ubs.com/investors](http://www.ubs.com/investors), and in our 31 March 2019 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups, which is available under “Pillar 3 disclosures” at [www.ubs.com/investors](http://www.ubs.com/investors).

The table below provides the risk-weighted assets (RWA)- and leverage ratio denominator (LRD)-based requirements and information as of 31 March 2019.

### Swiss SRB going and gone concern requirements and information<sup>1</sup>

As of 31.3.19 <i>USD million, except where indicated</i>	Swiss SRB, including transitional arrangements							
	RWA				LRD			
	Requirement (%)	Actual (%)	Requirement	Eligible	Requirement (%)	Actual (%)	Requirement	Eligible
Common equity tier 1 capital	9.99	12.95	26,730	34,658	3.20	3.80	29,152	34,658
Maximum high-trigger loss-absorbing additional tier 1 capital <sup>2,3</sup>	3.90	7.77	10,435	20,790	1.30	2.28	11,843	20,790
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>		4.63		12,397		1.36		12,397
<i>of which: low-trigger loss-absorbing additional tier 1 capital</i>		0.89		2,381		0.26		2,381
<i>of which: low-trigger loss-absorbing tier 2 capital</i>		2.25		6,012		0.66		6,012
<b>Total going concern capital</b>	<b>13.89<sup>4</sup></b>	<b>20.72</b>	<b>37,165</b>	<b>55,448</b>	<b>4.50<sup>5</sup></b>	<b>6.09</b>	<b>40,995</b>	<b>55,448</b>
Base gone concern loss-absorbing capacity, including applicable add-ons and rebate	9.74 <sup>6</sup>	11.97	26,071	32,020	3.36 <sup>6</sup>	3.51	30,609	32,020
<b>Total gone concern loss-absorbing capacity</b>	<b>9.74</b>	<b>11.97</b>	<b>26,071</b>	<b>32,020</b>	<b>3.36</b>	<b>3.51</b>	<b>30,609</b>	<b>32,020</b>
<b>Total loss-absorbing capacity</b>	<b>23.63</b>	<b>32.69</b>	<b>63,236</b>	<b>87,468</b>	<b>7.86</b>	<b>9.60</b>	<b>71,604</b>	<b>87,468</b>

As of 31.3.19 <i>USD million, except where indicated</i>	Swiss SRB as of 1.1.20							
	RWA				LRD			
	Requirement (%)	Actual (%)	Requirement	Eligible	Requirement (%)	Actual (%)	Requirement	Eligible
Common equity tier 1 capital	10.31	12.95	27,586	34,658	3.50	3.80	31,885	34,658
Maximum high-trigger loss-absorbing additional tier 1 capital <sup>2</sup>	4.30	5.52	11,505	14,778	1.50	1.62	13,665	14,778
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>		4.63		12,397		1.36		12,397
<i>of which: low-trigger loss-absorbing additional tier 1 capital</i>		0.89		2,381		0.26		2,381
<b>Total going concern capital</b>	<b>14.61<sup>7</sup></b>	<b>18.48</b>	<b>39,091</b>	<b>49,436</b>	<b>5.00<sup>8</sup></b>	<b>5.43</b>	<b>45,550</b>	<b>49,436</b>
Base gone concern loss-absorbing capacity, including applicable add-ons and rebate/reduction	10.74 <sup>9</sup>	14.21	28,742	38,032	3.83 <sup>9</sup>	4.17	34,865	38,032
<b>Total gone concern loss-absorbing capacity</b>	<b>10.74</b>	<b>14.21</b>	<b>28,742</b>	<b>38,032</b>	<b>3.83</b>	<b>4.17</b>	<b>34,865</b>	<b>38,032</b>
<b>Total loss-absorbing capacity</b>	<b>25.35</b>	<b>32.69</b>	<b>67,834</b>	<b>87,468</b>	<b>8.83</b>	<b>9.60</b>	<b>80,415</b>	<b>87,468</b>

<sup>1</sup> This table includes a rebate equal to 40% of the maximum rebate on the gone concern requirements, which was granted by FINMA and will be phased in until 1 January 2020, plus an additional reduction of 1.27% for the RWA requirement and 0.37% for the LRD requirement, respectively under Swiss SRB as of 1.1.20 rules, for the usage of low-trigger tier 2 capital instruments to fulfill gone concern requirements.  
<sup>2</sup> Includes outstanding low-trigger loss-absorbing additional tier 1 (AT1) capital instruments, which are available under the transitional rules of the Swiss SRB framework to meet the going concern requirements until their first call date, even if the first call date is after 31 December 2019. As of their first call date, these instruments are eligible to meet the gone concern requirements.  
<sup>3</sup> Includes outstanding high- and low-trigger loss-absorbing tier 2 capital instruments, which are available under the transitional rules of the Swiss SRB framework to meet the going concern requirements until the earlier of (i) their maturity or first call date or (ii) 31 December 2019, and to meet gone concern requirements thereafter. Outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity, with the amortized portion qualifying as gone concern loss-absorbing capacity. Instruments available to meet gone concern requirements are eligible until one year before maturity, with a haircut of 50% applied in the last year of eligibility.  
<sup>4</sup> Consists of a minimum capital requirement of 8% and a buffer capital requirement of 5.89%, including the effect of countercyclical buffers of 0.31%.  
<sup>5</sup> Consists of a minimum leverage ratio requirement of 3% and a buffer leverage ratio requirement of 1.5%.  
<sup>6</sup> Includes applicable add-ons of 1.08% for RWA and 0.38% for LRD and applicable rebate of 1.86% for RWA and 0.64% for LRD.  
<sup>7</sup> Consists of a minimum capital requirement of 8% and a buffer capital requirement of 6.61%, including the effect of countercyclical buffers of 0.31% and applicable add-ons of 1.44%.  
<sup>8</sup> Consists of a minimum leverage ratio requirement of 3% and a buffer leverage ratio requirement of 2%, including applicable add-ons of 0.5%.  
<sup>9</sup> Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD and applicable rebate/reduction of 3.56% for RWA and 1.17% for LRD.

## Total loss-absorbing capacity

The table below provides Swiss SRB going and gone concern information based on transitional arrangements and based on the final rules, which will be effective as of 1 January 2020. The remaining differences between the columns "Swiss SRB, including transitional arrangements" and "Swiss SRB as of 1.1.20" are fully related to the eligibility of instruments as

required by the too big to fail provisions in the Swiss Capital Adequacy Ordinance applicable to Swiss SRBs, which are described in the "Swiss SRB total loss-absorbing capacity framework" in the "Capital management" section of our Annual Report 2018.

### Swiss SRB going and gone concern information

<i>USD million, except where indicated</i>	<b>Swiss SRB, including transitional arrangements</b>	31.12.18	<b>Swiss SRB as of 1.1.20</b>	31.12.18
<b>Going concern capital</b>				
<b>Common equity tier 1 capital</b>	<b>34,658</b>	34,119	<b>34,658</b>	34,119
High-trigger loss-absorbing additional tier 1 capital	12,397	9,790	12,397	9,790
Low-trigger loss-absorbing additional tier 1 capital	2,381	2,369	2,381	2,369
<b>Total loss-absorbing additional tier 1 capital</b>	<b>14,778</b>	12,160	<b>14,778</b>	12,160
<b>Total tier 1 capital</b>	<b>49,436</b>	46,279	<b>49,436</b>	46,279
Low-trigger loss-absorbing tier 2 capital <sup>1</sup>	6,012	6,008	6,012	6,008
<b>Total tier 2 capital</b>	<b>6,012</b>	6,008	<b>6,012</b>	6,008
<b>Total going concern capital</b>	<b>55,448</b>	52,287	<b>49,436</b>	46,279
<b>Gone concern loss-absorbing capacity<sup>2</sup></b>				
Low-trigger loss-absorbing tier 2 capital <sup>1</sup>	781	771	6,793	6,779
Non-Basel III-compliant tier 2 capital <sup>3</sup>	690	693	690	693
<b>Total tier 2 capital</b>	<b>1,471</b>	1,464	<b>7,483</b>	7,471
<b>TLAC-eligible senior unsecured debt</b>	<b>30,548</b>	29,988	<b>30,548</b>	29,988
<b>Total gone concern loss-absorbing capacity</b>	<b>32,020</b>	31,452	<b>38,032</b>	37,460
<b>Total loss-absorbing capacity</b>				
<b>Total loss-absorbing capacity</b>	<b>87,468</b>	83,738	<b>87,468</b>	83,738
<b>Risk-weighted assets / leverage ratio denominator</b>				
Risk-weighted assets	267,556	263,747	267,556	263,747
Leverage ratio denominator	910,993	904,598	910,993	904,598
<b>Capital and loss-absorbing capacity ratios (%)</b>				
Going concern capital ratio	20.7	19.8	18.5	17.5
<i>of which: common equity tier 1 capital ratio</i>	<i>13.0</i>	<i>12.9</i>	<i>13.0</i>	<i>12.9</i>
Gone concern loss-absorbing capacity ratio	12.0	11.9	14.2	14.2
<b>Total loss-absorbing capacity ratio</b>	<b>32.7</b>	31.7	<b>32.7</b>	31.7
<b>Leverage ratios (%)</b>				
Going concern leverage ratio	6.1	5.8	5.4	5.1
<i>of which: common equity tier 1 leverage ratio</i>	<i>3.80</i>	<i>3.77</i>	<i>3.80</i>	<i>3.77</i>
Gone concern leverage ratio	3.5	3.5	4.2	4.1
<b>Total loss-absorbing capacity leverage ratio</b>	<b>9.6</b>	9.3	<b>9.6</b>	9.3

<sup>1</sup> Under the transitional rules of the Swiss SRB framework, outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity, with the amortized portion qualifying as gone concern loss-absorbing capacity. <sup>2</sup> Instruments available to meet gone concern requirements are eligible until one year before maturity, with a haircut of 50% applied in the last year of eligibility. <sup>3</sup> Non-Basel III-compliant tier 2 capital instruments qualify as gone concern instruments.

## Total loss-absorbing capacity and movement under Swiss SRB rules applicable as of 1 January 2020

### Going concern capital and movement

As of 31 March 2019, our common equity tier 1 (CET1) capital increased by USD 0.5 billion to USD 34.7 billion, mainly as a result of higher operating profit before tax, partly offset by accruals for capital returns to shareholders. Our loss-absorbing additional tier 1 (AT1) capital increased by USD 2.6 billion to USD 14.8 billion as of 31 March 2019, following the issuance of a US dollar-denominated high-trigger additional tier 1 capital instrument.

→ Refer to “UBS shares” in this section for more information on the share repurchase program

### Gone concern loss-absorbing capacity and movement

Our total gone concern loss-absorbing capacity increased by USD 0.6 billion to USD 38.0 billion, primarily due to the issuance of USD 0.4 billion equivalent of total loss-absorbing capacity (TLAC)-eligible senior unsecured debt instruments denominated in Swiss francs.

→ Refer to “Bondholder information” at [www.ubs.com/investors](http://www.ubs.com/investors) for more information on the eligibility of capital and senior unsecured debt instruments and on key features and terms and conditions of capital instruments

## Loss-absorbing capacity and leverage ratios

Our CET1 capital ratio increased 0.1 percentage points to 13.0%, reflecting a USD 0.5 billion increase in CET1 capital, partly offset by a USD 3.8 billion increase in RWA.

Our CET1 leverage ratio increased from 3.77% to 3.80% in the first quarter of 2019, reflecting the aforementioned increase in CET1 capital, partly offset by a USD 6 billion increase in the leverage ratio denominator (LRD).

Our gone concern loss-absorbing capacity ratio remained at 14.2% as increased loss absorbing capacity was offset mainly by the aforementioned increase in RWA. Our gone concern leverage ratio increased 0.1 percentage points to 4.2%, mainly resulting from the aforementioned increase in TLAC-eligible senior unsecured debt instruments.

## Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital

<i>USD million</i>	31.3.19	31.12.18
<b>Total IFRS equity</b>	<b>53,840</b>	53,103
Equity attributable to non-controlling interests	(173)	(176)
Deferred tax assets recognized for tax loss carry-forwards	(6,308)	(6,107)
Deferred tax assets on temporary differences, excess over threshold	(344)	(586)
Goodwill, net of tax <sup>1</sup>	(6,298)	(6,514)
Intangible assets, net of tax	(236)	(251)
Compensation-related components (not recognized in net profit)	(1,359)	(1,652)
Expected losses on advanced internal ratings-based portfolio less provisions	(379)	(368)
Unrealized (gains) / losses from cash flow hedges, net of tax	(564)	(109)
Unrealized own credit related to financial liabilities designated at fair value, net of tax, and replacement values	(51)	(397)
Prudential valuation adjustments	(104)	(120)
Accruals for proposed dividends to shareholders for 2018	(2,648)	(2,648)
Other <sup>2</sup>	(717)	(56)
<b>Total common equity tier 1 capital</b>	<b>34,658</b>	34,119

<sup>1</sup> Includes goodwill related to significant investments in financial institutions of USD 175 million (31 December 2018: USD 176 million) presented on the balance sheet line “Investments in associates.” <sup>2</sup> Includes accruals for dividends to shareholders for the current year and other items.

## Swiss SRB total loss-absorbing capacity movement

<i>USD million</i>	Swiss SRB, including transitional arrangements	Swiss SRB as of 1.1.20
<b>Going concern capital</b>		
<b>Common equity tier 1 capital as of 31.12.18</b>	<b>34,119</b>	<b>34,119</b>
Operating profit before tax	1,546	1,546
Current tax (expense) / benefit	(170)	(170)
Foreign currency translation effects	(102)	(102)
Defined benefit plans	(165)	(165)
Other	(570)	(570)
<b>Common equity tier 1 capital as of 31.3.19</b>	<b>34,658</b>	<b>34,658</b>
<b>Loss-absorbing additional tier 1 capital as of 31.12.18</b>	<b>12,160</b>	<b>12,160</b>
Issuance of high-trigger loss-absorbing additional tier 1 capital	2,534	2,534
Foreign currency translation and other effects	84	84
<b>Loss-absorbing additional tier 1 capital as of 31.3.19</b>	<b>14,778</b>	<b>14,778</b>
<b>Tier 2 capital as of 31.12.18</b>	<b>6,008</b>	
Foreign currency translation and other effects	4	
<b>Tier 2 capital as of 31.3.19</b>	<b>6,012</b>	
<b>Total going concern capital as of 31.12.18</b>	<b>52,287</b>	<b>46,279</b>
<b>Total going concern capital as of 31.3.19</b>	<b>55,448</b>	<b>49,436</b>
<b>Gone concern loss-absorbing capacity</b>		
<b>Tier 2 capital as of 31.12.18</b>	<b>1,464</b>	<b>7,471</b>
Foreign currency translation and other effects	8	12
<b>Tier 2 capital as of 31.3.19</b>	<b>1,471</b>	<b>7,483</b>
<b>TLAC-eligible senior unsecured debt as of 31.12.18</b>	<b>29,988</b>	<b>29,988</b>
Issuance of TLAC-eligible senior unsecured debt instruments	407	407
Foreign currency translation and other effects	154	154
<b>TLAC-eligible senior unsecured debt as of 31.3.19</b>	<b>30,548</b>	<b>30,548</b>
<b>Total gone concern loss-absorbing capacity as of 31.12.18</b>	<b>31,452</b>	<b>37,460</b>
<b>Total gone concern loss-absorbing capacity as of 31.3.19</b>	<b>32,020</b>	<b>38,032</b>
<b>Total loss-absorbing capacity</b>		
<b>Total loss-absorbing capacity as of 31.12.18</b>	<b>83,738</b>	<b>83,738</b>
<b>Total loss-absorbing capacity as of 31.3.19</b>	<b>87,468</b>	<b>87,468</b>



## Additional information

### Sensitivity to currency movements

#### *Risk-weighted assets*

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our RWA by USD 11 billion and our CET1 capital by USD 1.2 billion as of 31 March 2019 (31 December 2018: USD 11 billion and USD 1.2 billion, respectively) and reduced our CET1 capital ratio by 9 basis points (31 December 2018: 9 basis points). Conversely, we estimate that a 10% appreciation of the US dollar against other currencies would have reduced our RWA by USD 10 billion and our CET1 capital by USD 1.1 billion (31 December 2018: USD 10 billion and USD 1.1 billion, respectively) and increased our CET1 capital ratio by 9 basis points (31 December 2018: 9 basis points).

#### *Leverage ratio denominator*

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our LRD by USD 58 billion (31 December 2018: USD 57 billion) and reduced our Swiss SRB going concern leverage ratio by 18 basis points (31 December 2018: 15 basis points). Conversely, we estimate that a 10% appreciation of the US dollar against other currencies would have reduced our LRD by USD 52 billion (31 December 2018: USD 51 billion) and increased our Swiss SRB going concern leverage ratio by 18 basis points (31 December 2018: 16 basis points).

The aforementioned sensitivities do not consider foreign currency translation effects related to defined benefit plans other than those related to the currency translation of the net equity of foreign operations.

→ Refer to **“Active management of sensitivity to currency movements”** in the **“Capital management”** section of our **Annual Report 2018** for more information

#### Estimated effect on capital from litigation, regulatory and similar matters subject to provisions and contingent liabilities

We have estimated the loss in capital that we could incur as a result of the risks associated with the matters described in “Note 16 Provisions and contingent liabilities” in the “Consolidated financial statements” section of this report. We have used for this purpose the advanced measurement approach (AMA) methodology that we use when determining the capital requirements associated with operational risks, based on a 99.9% confidence level over a 12-month horizon. The methodology takes into consideration UBS and industry experience for the AMA operational risk categories to which those matters correspond, as well as the external environment affecting risks of these types, in isolation from other areas. On this standalone basis, we estimate the loss in capital that we could incur over a 12-month period as a result of our risks associated with these operational risk categories at USD 4.6 billion as of 31 March 2019. This estimate is not related to and does not take into account any provisions recognized for any of these matters and does not constitute a subjective assessment of our actual exposure in any of these matters.

- Refer to **“Operational risk”** in the **“Risk management and control”** section of our **Annual Report 2018** for more information
- Refer to **“Note 16 Provisions and contingent liabilities”** in the **“Consolidated financial statements”** section of this report for more information

## Risk-weighted assets

During the first quarter of 2019, risk-weighted assets (RWA) increased by USD 3.8 billion to USD 267.6 billion, reflecting increases from model updates of USD 3.9 billion, methodology and policy changes of USD 3.8 billion and regulatory add-ons of USD 0.9 billion, partly offset by asset size and other movements of USD 3.8 billion and currency effects of USD 0.9 billion.

### Movement in risk-weighted assets by key driver

<i>USD billion</i>	RWA as of 31.12.18	Currency effects	Methodology and policy changes	Model updates / changes	Regulatory add-ons	Asset size and other <sup>1</sup>	RWA as of 31.3.19
Credit and counterparty credit risk <sup>2</sup>	147.9	(0.9)	0.3	0.4	0.6	4.3	152.7
Non-counterparty-related risk	18.3	(0.1)	3.5			(0.2)	21.5
Market risk	20.0			0.7	0.3	(8.0)	13.0
Operational risk	77.6			2.8			80.3
<b>Total</b>	<b>263.7</b>	<b>(0.9)</b>	<b>3.8</b>	<b>3.9</b>	<b>0.9</b>	<b>(3.8)</b>	<b>267.6</b>

<sup>1</sup> Includes the Pillar 3 categories "Asset size," "Credit quality of counterparties," "Acquisitions and disposals" and "Other." Refer to the 31 March 2019 Pillar 3 report under "Pillar 3 disclosures" at [www.ubs.com/investors](http://www.ubs.com/investors) for more information. <sup>2</sup> Includes settlement risk, credit valuation adjustments, equity exposures in the banking book and securitization exposures in the banking book.

### Credit and counterparty credit risk

Credit and counterparty credit risk RWA increased by USD 4.8 billion to USD 152.7 billion as of 31 March 2019.

The RWA increase from asset size and other movements of USD 4.3 billion was mainly driven by a USD 4.3 billion increase in the Investment Bank, primarily reflecting increases in traded loans and exposures in real estate financing within the Corporate Client Solutions business, as well as an increase in derivative exposures within the Foreign Exchange, Rates and Credit business.

A regulatory add-on of USD 0.6 billion was agreed with FINMA in the first quarter for certain portfolios awaiting the development of a formalized rating tool, resulting in an increase of USD 0.5 billion in Corporate Center, and USD 0.1 billion in the Investment Bank. In addition, RWA increased by USD 0.4 billion as a result of model updates, predominantly the continued phasing-in of RWA increases related to probability of default (PD) and loss given default (LGD) changes from the implementation of revised models for Swiss residential mortgages, affecting Personal & Corporate Banking and Global Wealth Management.

A further increase from methodology and policy changes of USD 0.3 billion was related to the removal of the expert rating approach applied for exposures with no approved rating methodology.

We anticipate that methodology changes and model updates, including the continued phase-in of RWA increases related to PD and LGD factors on Swiss mortgages, will increase credit and counterparty credit risk RWA by around USD 1.5 billion for the remainder of 2019, of which approximately USD 0.5 billion is expected in the second quarter of 2019. The extent and timing of RWA changes may vary as methodology changes and model updates are completed and receive regulatory approval, and as regulatory multipliers are adjusted. In addition, changes in the

composition of the relevant portfolios and other factors will affect our RWA.

→ Refer to "Credit risk models" in the "Risk management and control" section of our Annual Report 2018 for more information

### Non-counterparty credit risk

Non-counterparty credit risk RWA increased by USD 3.2 billion to USD 21.5 billion as of 31 March 2019, primarily driven by an increase of USD 3.5 billion from the adoption of IFRS 16, Leases.

→ Refer to "Note 1 Basis of accounting" in the "Consolidated financial statements" section of this report for more information on IFRS 16

### Market risk

Market risk RWA decreased by USD 7.0 billion in the first quarter of 2019, driven by asset size and other movements resulting from lower average regulatory value-at-risk (VaR), stressed VaR and incremental risk charge (IRC) levels observed in the Investment Bank. This decrease was driven by the Equities business due to a reduction in market volatility as well as a decrease in client activity along with an overall reduction in credit exposure in the FRC business. This was partly offset by an increase of USD 0.7 billion, primarily related to the ongoing parameter update of the VaR model and VaR model changes as well as an increase from regulatory add-ons of USD 0.3 billion, reflecting updates from the monthly risks-not-in-VaR assessment.

→ Refer to the "Risk management and control" section of this report and the 31 March 2019 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups, which is available under "Pillar 3 disclosures" at [www.ubs.com/investors](http://www.ubs.com/investors), for more information on market risk developments

## Operational risk

Operational risk RWA increased by USD 2.8 billion to USD 80.3 billion as of 31 March 2019, as model inputs in the advanced measurement approach (AMA) model were updated during the quarter to reflect developments related to litigation on the cross-border matter.

- Refer to “Operational risk” in the “Risk management and control” section of our Annual Report 2018 for more information on the advanced measurement approach model
- Refer to “Note 16 Provisions and contingent liabilities” in the “Consolidated financial statements” section of this report for more information on the French litigation matter

### Risk-weighted assets by business division and Corporate Center

<i>USD billion</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center	Total RWA
			<b>31.3.19</b>			
Credit and counterparty credit risk <sup>1</sup>	32.6	54.2	2.0	55.5	8.5	152.7
Non-counterparty-related risk <sup>2</sup>	6.3	2.1	0.7	3.3	9.1	21.5
Market risk	0.8	0.0	0.0	10.5	1.7	13.0
Operational risk	37.2	8.0	2.1	23.3	9.7	80.3
<b>Total</b>	<b>76.9</b>	<b>64.3</b>	<b>4.8</b>	<b>92.6</b>	<b>29.0</b>	<b>267.6</b>
			<b>31.12.18</b>			
Credit and counterparty credit risk <sup>1</sup>	32.5	54.7	1.8	51.3	7.7	147.9
Non-counterparty-related risk <sup>2</sup>	4.5	1.5	0.6	2.5	9.2	18.3
Market risk	1.3	0.0	0.0	16.8	1.9	20.0
Operational risk	36.0	7.7	2.0	22.5	9.4	77.6
<b>Total</b>	<b>74.3</b>	<b>63.9</b>	<b>4.3</b>	<b>93.2</b>	<b>28.1</b>	<b>263.7</b>
			<b>31.3.19 vs 31.12.18</b>			
Credit and counterparty credit risk <sup>1</sup>	0.1	(0.4)	0.2	4.1	0.8	4.8
Non-counterparty-related risk <sup>2</sup>	1.7	0.6	0.2	0.8	(0.1)	3.2
Market risk	(0.5)	0.0	0.0	(6.3)	(0.2)	(7.0)
Operational risk	1.3	0.3	0.1	0.8	0.3	2.8
<b>Total</b>	<b>2.6</b>	<b>0.4</b>	<b>0.5</b>	<b>(0.6)</b>	<b>0.9</b>	<b>3.8</b>

<sup>1</sup> Includes settlement risk, credit valuation adjustments, equity exposures in the banking book and securitization exposures in the banking book. <sup>2</sup> Non-counterparty-related risk includes deferred tax assets recognized for temporary differences (31 March 2019: USD 8.7 billion; 31 December 2018: USD 8.8 billion), property, equipment and software (31 March 2019: USD 12.6 billion; 31 December 2018: USD 9.3 billion) and other items (31 March 2019: USD 0.2 billion; 31 December 2018: USD 0.2 billion).

## Leverage ratio denominator

During the first quarter of 2019, the leverage ratio denominator (LRD) increased by USD 6 billion to USD 911 billion. This increase was driven by asset size and other movements of USD 8 billion as well as policy changes of USD 4 billion, partly offset by a decrease in currency effects of USD 5 billion.

### Movement in leverage ratio denominator by key driver

<i>USD billion</i>	LRD as of 31.12.18	Currency effects	Policy changes	Asset size and other	LRD as of 31.03.19
On-balance sheet exposures (excluding derivative exposures and SFTs) <sup>1</sup>	663.1	(3.9)	3.5	8.4	671.1
Derivative exposures	95.4	(0.3)		0.0	95.0
Securities financing transactions	130.9	(0.3)		1.5	132.1
Off-balance sheet items	29.0	(0.2)		(2.6)	26.3
Deduction items	(13.8)	0.0		0.3	(13.6)
<b>Total</b>	<b>904.6</b>	<b>(4.7)</b>	<b>3.5</b>	<b>7.6</b>	<b>911.0</b>

<sup>1</sup> Excludes positive replacement values, cash collateral receivables on derivative instruments, cash collateral on securities borrowed, reverse repurchase agreements, margin loans and prime brokerage receivables related to securities financing transactions, which are presented separately under Derivative exposures and Securities financing transactions in this table.

The LRD movements described below exclude currency effects.

On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs)) increased by USD 12 billion due to higher trading portfolio assets resulting from increases in economic hedges of long-term debt issued measured at fair value and higher cash and cash equivalents, positive market-driven effects on certain financial assets measured at fair value, as well as an increase of USD 3.5 billion from the adoption of IFRS 16, *Leases*.

Off-balance sheet items decreased by USD 3 billion, mainly due to client-driven activity and treating certain derivative loan commitments from the first quarter 2019 as derivative exposures to align with the accounting presentation.

SFTs increased by USD 1 billion, due to asset size and other movements, primarily resulting from USD 5 billion increase in receivables from securities financing transactions held at amortized cost, mainly relating to increased client activity. This increase was partly offset by a decrease of USD 3 billion in other financial assets at fair value not held for trading as a result of trade unwinds and reinvestment of cash and cash equivalents in the Corporate Center.

→ **Refer to the “Balance sheet, liquidity and funding management” section of this report for more information on balance sheet movements**

## Leverage ratio denominator by business division and Corporate Center

<i>USD billion</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center	Total
			31.3.19			
Total IFRS assets	322.3	199.0	31.0	295.3	109.0	956.6
Difference in scope of consolidation <sup>1</sup>	(0.2)	0.0	(24.6)	(0.4)	0.1	(25.1)
Less: derivative exposures and SFTs <sup>2</sup>	(42.1)	(18.7)	(0.9)	(137.9)	(60.7)	(260.4)
<b>On-balance sheet exposures</b>	<b>280.0</b>	<b>180.3</b>	<b>5.5</b>	<b>157.0</b>	<b>48.3</b>	<b>671.1</b>
Derivative exposures	7.5	1.4	0.0	76.8	9.3	95.0
Securities financing transactions	38.9	17.7	0.9	46.7	27.9	132.1
Off-balance sheet items	4.7	12.5	0.0	8.2	0.8	26.3
Items deducted from Swiss SRB tier 1 capital	(5.2)	(0.3)	(1.4)	(0.3)	(6.4)	(13.6)
<b>Total</b>	<b>325.9</b>	<b>211.6</b>	<b>5.1</b>	<b>288.4</b>	<b>79.9</b>	<b>911.0</b>
			31.12.18			
Total IFRS assets	313.7	200.7	28.1	302.1	113.7	958.4
Difference in scope of consolidation <sup>1</sup>	(0.2)	0.0	(21.7)	(0.4)	0.0	(22.3)
Less: derivative exposures and SFTs <sup>2</sup>	(41.6)	(18.9)	(1.0)	(148.1)	(63.4)	(273.0)
<b>On-balance sheet exposures</b>	<b>272.0</b>	<b>181.8</b>	<b>5.4</b>	<b>153.6</b>	<b>50.3</b>	<b>663.1</b>
Derivative exposures	8.6	1.2	0.0	75.2	10.3	95.4
Securities financing transactions	35.5	18.1	1.0	44.3	32.0	130.9
Off-balance sheet items	5.0	13.0	0.0	10.6	0.5	29.0
Items deducted from Swiss SRB tier 1 capital	(5.3)	(0.3)	(1.4)	(0.2)	(6.7)	(13.8)
<b>Total</b>	<b>315.8</b>	<b>213.7</b>	<b>5.0</b>	<b>283.4</b>	<b>86.5</b>	<b>904.6</b>
			31.3.19 vs 31.12.18			
Total IFRS assets	8.6	(1.7)	2.9	(6.9)	(4.7)	(1.8)
Difference in scope of consolidation <sup>1</sup>	0.0	0.0	(2.8)	0.0	0.0	(2.8)
Less: derivative exposures and SFTs <sup>2</sup>	(0.6)	0.2	0.1	10.2	2.6	12.6
<b>On-balance sheet exposures</b>	<b>8.0</b>	<b>(1.5)</b>	<b>0.1</b>	<b>3.4</b>	<b>(2.0)</b>	<b>8.0</b>
Derivative exposures	(1.0)	0.2	0.0	1.5	(1.0)	(0.3)
Securities financing transactions	3.4	(0.4)	(0.1)	2.4	(4.1)	1.2
Off-balance sheet items	(0.3)	(0.4)	0.0	(2.3)	0.3	(2.7)
Items deducted from Swiss SRB tier 1 capital	0.0	0.0	0.0	0.0	0.2	0.2
<b>Total</b>	<b>10.1</b>	<b>(2.1)</b>	<b>0.1</b>	<b>5.0</b>	<b>(6.6)</b>	<b>6.4</b>

<sup>1</sup> Represents the difference between the IFRS and the regulatory scope of consolidation, which is the applicable scope for the LRD calculation. <sup>2</sup> Consists of derivative financial instruments, cash collateral receivables on derivative instruments, receivables from securities financing transactions, and margin loans as well as prime brokerage receivables and financial assets at fair value not held for trading, both related to securities financing transactions, in accordance with the regulatory scope of consolidation, which are presented separately under Derivative exposures and Securities financing transactions.

## Equity attribution and return on attributed equity

As of 1 January 2019, we have updated our equity attribution framework. Specifically, we have revised the capital ratio for risk-weighted assets (RWA) from 11% to 12.5% and incrementally allocated to business divisions USD 2 billion of attributed equity that is related to certain common equity tier 1 (CET1) deduction items, previously held centrally.

In aggregate we allocated USD 7 billion of additional attributed equity to the business divisions. Prior periods have been restated to reflect this change.

→ Refer to the “Recent developments” section of this report for more information on the equity attribution framework

Under our equity attribution framework, tangible equity is attributed based on a weighting of 50% each for average RWA and average leverage ratio denominator (LRD), which both include resource allocations from Corporate Center to the business divisions. Average RWA and LRD are converted to their CET1 capital equivalents based on capital ratios of 12.5% and 3.75%, respectively. If the attributed tangible equity calculated under the weighted-driver approach is less than the CET1 capital equivalent of risk-based capital (RBC) for any business division, the CET1 capital equivalent of RBC is used as a floor for that business division.

Furthermore, we allocate to business divisions attributed equity that is related to certain CET1 deduction items, such as compensation-related components and the expected loss on advanced internal ratings-based portfolio less general provisions.

In addition to tangible equity, we allocate equity to our businesses to support goodwill and intangible assets.

We attribute all remaining Basel III capital deduction items to Corporate Center Group items. These deduction items include deferred tax assets (DTAs) recognized for tax loss carry-forwards and DTAs on temporary differences in excess of the threshold, which together constituted the largest component of Corporate Center Group items, dividend accruals and unrealized gains from cash flow hedges.

→ Refer to the “Capital management” section of our Annual Report 2018 for more information on the equity attribution framework

### Attributed equity

USD billion	For the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Average attributed equity</b>			
Global Wealth Management	16.4	16.3	16.3
Personal & Corporate Banking	8.3	8.1	8.0
Asset Management	1.8	1.8	1.8
Investment Bank	12.3	12.7	13.1
Corporate Center	14.5	13.6	13.9
<i>of which: deferred tax assets<sup>1</sup></i>	7.3	7.1	7.4
<i>of which: dividend accruals and others</i>	4.1	3.7	3.4
<i>of which: related to retained RWA and LRD<sup>2</sup></i>	3.1	2.9	3.1
<b>Average equity attributed to business divisions and Corporate Center</b>	<b>53.3</b>	<b>52.5</b>	<b>53.1</b>

<sup>1</sup> Includes average attributed equity related to the Basel III capital deduction items for deferred tax assets (deferred tax assets recognized for tax loss carry-forwards and deferred tax assets on temporary differences, excess over threshold) as well as retained RWA and LRD related to deferred tax assets. <sup>2</sup> Excludes average attributed equity related to retained RWA and LRD related to deferred tax assets.

## Return on attributed equity

In %	For the quarter ended		
	31.3.19	31.12.18	31.3.18

### Return on (attributed) equity<sup>1</sup>

#### Reported

Global Wealth Management	21.1	8.0	27.1
Personal & Corporate Banking	18.5	31.8	20.4
Asset Management	23.0	23.7	22.9
Investment Bank	6.8	(2.5)	17.6
<b>UBS Group</b>	<b>8.6</b>	<b>2.4</b>	<b>11.8</b>

#### Adjusted<sup>2</sup>

Global Wealth Management	21.3	7.4	27.0
Personal & Corporate Banking	18.7	15.0	19.1
Asset Management	24.3	28.2	23.2
Investment Bank	7.2	(0.2)	18.9
<b>UBS Group</b>	<b>8.7</b>	<b>2.4</b>	<b>11.2</b>

<sup>1</sup> Return on attributed equity shown for the business divisions. Return on equity attributable to shareholders shown for the UBS Group. Return on attributed equity for Corporate Center is not shown, as it is not meaningful. <sup>2</sup> Adjusted results are non-GAAP financial measures as defined by SEC regulations.

## UBS shares

UBS Group AG shares are listed on the SIX Swiss Exchange (SIX). They are also listed on the New York Stock Exchange (NYSE) as global registered shares. Each share has a par value of CHF 0.10 per share.

Shares issued increased by 3 million shares in the first quarter of 2019 due to the issuance of shares out of conditional share capital upon exercise of employee share options.

Treasury shares, which are primarily held to hedge our share delivery obligations related to employee share-based compensation and participation plans, totaled 146 million shares as of 31 March 2019.

Treasury shares held decreased by 21 million shares in the first quarter of 2019, mainly due to the delivery of treasury shares under share-based compensation plans, partly offset by the purchase of shares from the market in order to hedge future share delivery obligations related to employee share-based compensation awards.

### UBS Group AG share information

	As of or for the quarter ended			% change from
	31.3.19	31.12.18	31.3.18	31.12.18
Shares issued	3,858,959,179	3,855,634,749	3,854,297,125	0
Treasury shares	145,878,663	166,467,802	93,077,090	(12)
Shares outstanding	3,713,080,516	3,689,166,947	3,761,220,035	1
Basic earnings per share (USD) <sup>1</sup>	0.31	0.08	0.42	288
Diluted earnings per share (USD) <sup>1</sup>	0.30	0.08	0.41	275
Basic earnings per share (CHF) <sup>2</sup>	0.31	0.09	0.39	244
Diluted earnings per share (CHF) <sup>2</sup>	0.30	0.09	0.38	233
Equity attributable to shareholders (USD million)	53,667	52,928	53,662	1
Less: goodwill and intangible assets (USD million)	6,621	6,647	6,540	0
Tangible equity attributable to shareholders (USD million)	47,046	46,281	47,122	2
Total book value per share (USD)	14.45	14.35	14.27	1
Tangible book value per share (USD)	12.67	12.55	12.53	1
Share price (USD) <sup>3</sup>	12.12	12.44	17.62	(3)
Market capitalization (USD million) <sup>4</sup>	45,009	45,907	66,261	(2)

<sup>1</sup> Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Consolidated financial statements" section of this report for more information. <sup>2</sup> Basic and diluted earnings per share in Swiss francs are calculated based on a translation of net profit / (loss) under our US dollar presentation currency. As a consequence of the restatement to a US dollar presentation currency, amounts may differ from those originally published in our quarterly and annual reports. <sup>3</sup> Represents the share price as listed on the SIX Swiss Exchange, translated to US dollars using the closing exchange rate as of the respective date. <sup>4</sup> Beginning with our Annual Report 2018, the calculation of market capitalization has been amended to reflect total shares outstanding multiplied by the share price at the end of the period. The calculation was previously based on total shares issued multiplied by the share price at the end of the period. Market capitalization has been reduced by USD 2.1 billion as of 31 December 2018 and by USD 1.7 billion as of 31 March 2018 as a result.

### Ticker symbols UBS Group AG

Trading exchange	SIX / NYSE	Bloomberg	Reuters
SIX Swiss Exchange	UBSG	UBSG SW	UBSG.S
New York Stock Exchange	UBS	UBS UN	UBS.N

### Security identification codes

ISIN	CH0244767585
Valoren	24 476 758
CUSIP	CINS H42097 10 7



# Consolidated financial statements

Unaudited

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# UBS Group AG interim consolidated financial statements (unaudited)

## Income statement

USD million	Note	For the quarter ended		
		31.3.19	31.12.18	31.3.18
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	3	2,669	2,683	2,386
Interest expense from financial instruments measured at amortized cost	3	(1,885)	(1,781)	(1,388)
Interest income from financial instruments measured at fair value through profit or loss	3	1,345	1,337	1,113
Interest expense from financial instruments measured at fair value through profit or loss	3	(1,006)	(1,013)	(677)
Net interest income	3	1,123	1,226	1,435
Other net income from financial instruments measured at fair value through profit or loss		1,935	1,297	1,973
Credit loss (expense) / recovery	10	(20)	(53)	(26)
Fee and commission income	4	4,541	4,700	5,178
Fee and commission expense	4	(409)	(439)	(433)
Net fee and commission income	4	4,132	4,261	4,744
Other income	5	49	241	42
<b>Total operating income</b>		<b>7,218</b>	<b>6,972</b>	<b>8,168</b>
Personnel expenses	6	4,043	3,839	4,254
General and administrative expenses	7	1,187	2,293	1,510
Depreciation and impairment of property, equipment and software		427	343	288
Amortization and impairment of intangible assets		16	17	16
<b>Total operating expenses</b>		<b>5,672</b>	<b>6,492</b>	<b>6,069</b>
Operating profit / (loss) before tax		1,546	481	2,100
Tax expense / (benefit)	8	407	165	533
Net profit / (loss)		1,139	315	1,567
Net profit / (loss) attributable to non-controlling interests		(2)	1	2
<b>Net profit / (loss) attributable to shareholders</b>		<b>1,141</b>	<b>315</b>	<b>1,566</b>

## Earnings per share (USD)

Basic	9	0.31	0.08	0.42
Diluted	9	0.30	0.08	0.41

**Statement of comprehensive income**

	For the quarter ended		
<i>USD million</i>	31.3.19	31.12.18	31.3.18
<b>Comprehensive income attributable to shareholders</b>			
<b>Net profit / (loss)</b>	<b>1,141</b>	315	1,566
<b>Other comprehensive income that may be reclassified to the income statement</b>			
<b>Foreign currency translation</b>			
Foreign currency translation movements related to net assets of foreign operations, before tax	(157)	(120)	652
Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax	26	21	106
Foreign currency translation differences on foreign operations reclassified to the income statement	1	(8)	0
Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement	0	2	0
Income tax relating to foreign currency translations, including the impact of net investment hedges	1	0	0
Subtotal foreign currency translation, net of tax	(128)	(105)	758
<b>Financial assets measured at fair value through other comprehensive income</b>			
Net unrealized gains / (losses), before tax	81	68	(80)
Impairment charges reclassified to the income statement from equity	0	0	0
Realized gains reclassified to the income statement from equity	(1)	0	0
Realized losses reclassified to the income statement from equity	0	0	0
Income tax relating to net unrealized gains / (losses)	(17)	(23)	24
Subtotal financial assets measured at fair value through other comprehensive income, net of tax	62	44	(57)
<b>Cash flow hedges of interest rate risk</b>			
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	588	816	(476)
Net (gains) / losses reclassified to the income statement from equity	(21)	(43)	(134)
Income tax relating to cash flow hedges	(107)	(157)	122
Subtotal cash flow hedges, net of tax	459	616	(488)
<b>Total other comprehensive income that may be reclassified to the income statement, net of tax</b>	<b>393</b>	556	214
<b>Other comprehensive income that will not be reclassified to the income statement</b>			
<b>Defined benefit plans</b>			
Gains / (losses) on defined benefit plans, before tax	(163)	(252)	(154)
Income tax relating to defined benefit plans	(16)	221	47
Subtotal defined benefit plans, net of tax	(179)	(31)	(107)
<b>Own credit on financial liabilities designated at fair value</b>			
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	(326)	376	180
Income tax relating to own credit on financial liabilities designated at fair value	8	(8)	(2)
Subtotal own credit on financial liabilities designated at fair value, net of tax	(318)	368	178
<b>Total other comprehensive income that will not be reclassified to the income statement, net of tax</b>	<b>(497)</b>	336	71
<b>Total other comprehensive income</b>	<b>(104)</b>	892	285
<b>Total comprehensive income attributable to shareholders</b>	<b>1,037</b>	1,207	1,850

## Statement of comprehensive income (continued)

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Comprehensive income attributable to non-controlling interests</b>			
Net profit / (loss)	(2)	1	2
<b>Other comprehensive income that will not be reclassified to the income statement</b>			
Foreign currency translation movements, before tax	4	1	2
Income tax relating to foreign currency translation movements	0	0	0
Subtotal foreign currency translation, net of tax	4	1	2
<b>Total other comprehensive income that will not be reclassified to the income statement, net of tax</b>	<b>4</b>	<b>1</b>	<b>2</b>
<b>Total comprehensive income attributable to non-controlling interests</b>	<b>2</b>	<b>2</b>	<b>3</b>
<b>Total comprehensive income</b>			
Net profit / (loss)	1,139	315	1,567
Other comprehensive income	(100)	893	286
<i>of which: other comprehensive income that may be reclassified to the income statement</i>	<i>393</i>	<i>556</i>	<i>214</i>
<i>of which: other comprehensive income that will not be reclassified to the income statement</i>	<i>(493)</i>	<i>337</i>	<i>73</i>
<b>Total comprehensive income</b>	<b>1,039</b>	<b>1,208</b>	<b>1,854</b>

**Balance sheet**

<i>USD million</i>	Note	<b>31.3.19</b>	31.12.18
<b>Assets</b>			
Cash and balances at central banks		<b>110,618</b>	108,370
Loans and advances to banks		<b>17,013</b>	16,868
Receivables from securities financing transactions		<b>100,222</b>	95,349
Cash collateral receivables on derivative instruments	12	<b>25,164</b>	23,602
Loans and advances to customers	10	<b>318,623</b>	320,352
Other financial assets measured at amortized cost	13	<b>22,433</b>	22,563
<b>Total financial assets measured at amortized cost</b>		<b>594,074</b>	587,104
Financial assets at fair value held for trading	11	<b>109,586</b>	104,370
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>		<b>33,828</b>	32,121
Derivative financial instruments	11, 12	<b>111,160</b>	126,210
Brokerage receivables	11	<b>16,275</b>	16,840
Financial assets at fair value not held for trading	11	<b>81,267</b>	82,690
<b>Total financial assets measured at fair value through profit or loss</b>		<b>318,288</b>	330,110
<b>Financial assets measured at fair value through other comprehensive income</b>	11	<b>7,168</b>	6,667
Investments in associates		<b>1,095</b>	1,099
Property, equipment and software		<b>12,612</b>	9,348
Goodwill and intangible assets		<b>6,621</b>	6,647
Deferred tax assets		<b>9,828</b>	10,105
Other non-financial assets	13	<b>6,893</b>	7,410
<b>Total assets</b>		<b>956,579</b>	958,489

**Balance sheet (continued)**

<i>USD million</i>	Note	31.3.19	31.12.18
<b>Liabilities</b>			
Amounts due to banks		9,083	10,962
Payables from securities financing transactions		5,246	10,296
Cash collateral payables on derivative instruments	12	30,319	28,906
Customer deposits		425,943	419,838
Debt issued measured at amortized cost	15	128,105	132,271
Other financial liabilities measured at amortized cost	13	10,416	6,885
<b>Total financial liabilities measured at amortized cost</b>		<b>609,111</b>	<b>609,158</b>
Financial liabilities at fair value held for trading	11	34,259	28,943
Derivative financial instruments	11, 12	110,807	125,723
Brokerage payables designated at fair value	11	39,326	38,420
Debt issued designated at fair value	11, 14	66,919	57,031
Other financial liabilities designated at fair value	11, 13	32,394	33,594
<b>Total financial liabilities measured at fair value through profit or loss</b>		<b>283,705</b>	<b>283,711</b>
Provisions	16	3,197	3,494
Other non-financial liabilities	13	6,726	9,022
<b>Total liabilities</b>		<b>902,739</b>	<b>905,386</b>
<b>Equity</b>			
Share capital		338	338
Share premium		20,135	20,843
Treasury shares		(2,210)	(2,631)
Retained earnings		31,085	30,448
Other comprehensive income recognized directly in equity, net of tax		4,320	3,930
<b>Equity attributable to shareholders</b>		<b>53,667</b>	<b>52,928</b>
Equity attributable to non-controlling interests		173	176
<b>Total equity</b>		<b>53,840</b>	<b>53,103</b>
<b>Total liabilities and equity</b>		<b>956,579</b>	<b>958,489</b>

**Statement of changes in equity**

<i>USD million</i>	Share capital	Share premium	Treasury shares	Retained earnings
<b>Balance as of 1 January 2018</b>	<b>338</b>	<b>23,598</b>	<b>(2,210)</b>	<b>25,389</b>
Issuance of share capital	0			
Acquisition of treasury shares			(379)	
Delivery of treasury shares under share-based compensation plans		(945)	999	
Other disposal of treasury shares			13	
Premium on shares issued and warrants exercised		10		
Share-based compensation expensed in the income statement		219		
Tax (expense) / benefit		3		
Dividends				
Translation effects recognized directly in retained earnings				(22)
New consolidations / (deconsolidations) and other increases / (decreases)		14		
Total comprehensive income for the period				1,637
<i>of which: net profit / (loss)</i>				<i>1,566</i>
<i>of which: other comprehensive income (OCI) that may be reclassified to the income statement, net of tax</i>				
<i>of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans</i>				<i>(107)</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>				<i>178</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation</i>				
<b>Balance as of 31 March 2018</b>	<b>338</b>	<b>22,897</b>	<b>(1,577)</b>	<b>27,004</b>
<b>Balance as of 1 January 2019 before the adoption of IFRIC 23</b>	<b>338</b>	<b>20,843</b>	<b>(2,631)</b>	<b>30,448</b>
Effect of adoption of IFRIC 23				(11)
<b>Balance as of 1 January 2019 after the adoption of IFRIC 23</b>	<b>338</b>	<b>20,843</b>	<b>(2,631)</b>	<b>30,437</b>
Issuance of share capital	0			
Acquisition of treasury shares			(466)	
Delivery of treasury shares under share-based compensation plans		(841)	871	
Other disposal of treasury shares		(1)	16	
Premium on shares issued and warrants exercised		28		
Share-based compensation expensed in the income statement		167		
Tax (expense) / benefit		5		
Dividends				
Equity classified as obligation to purchase own shares		(60)		
Translation effects recognized directly in retained earnings				4
New consolidations / (deconsolidations) and other increases / (decreases)		(6)		
Total comprehensive income for the period				644
<i>of which: net profit / (loss)</i>				<i>1,141</i>
<i>of which: other comprehensive income (OCI) that may be reclassified to the income statement, net of tax</i>				
<i>of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans</i>				<i>(179)</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>				<i>(318)</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation</i>				
<b>Balance as of 31 March 2019</b>	<b>338</b>	<b>20,135</b>	<b>(2,210)</b>	<b>31,085</b>

<sup>1</sup> Excludes defined benefit plans and own credit that are recorded directly in Retained earnings.



Other comprehensive income recognized directly in equity, net of tax <sup>1</sup>	<i>of which: foreign currency translation</i>	<i>of which: financial assets measured at fair value through OCI</i>	<i>of which: cash flow hedges</i>	Total equity attributable to shareholders	Non-controlling interests	Total equity
<b>4,764</b>	<b>4,466</b>	<b>(61)</b>	<b>360</b>	<b>51,879</b>	<b>59</b>	<b>51,938</b>
				0		0
				(379)		(379)
				54		54
				13		13
				10		10
				219		219
				3		3
				0	(4)	(4)
22		3	20	0		0
				14	8	21
214	758	(57)	(488)	1,850	3	1,854
				1,566	2	1,567
214	758	(57)	(488)	214		214
				(107)		(107)
				178		178
				0	2	2
<b>5,000</b>	<b>5,224</b>	<b>(115)</b>	<b>(108)</b>	<b>53,662</b>	<b>65</b>	<b>53,727</b>
<b>3,930</b>	<b>3,924</b>	<b>(103)</b>	<b>109</b>	<b>52,928</b>	<b>176</b>	<b>53,103</b>
				(11)		(11)
<b>3,930</b>	<b>3,924</b>	<b>(103)</b>	<b>109</b>	<b>52,917</b>	<b>176</b>	<b>53,092</b>
				0		0
				(466)		(466)
				30		30
				16		16
				28		28
				167		167
				5		5
				0	(4)	(4)
				(60)		(60)
(4)			(4)	0		0
				(6)		(7)
393	(128)	62	459	1,037	2	1,039
				1,141	(2)	1,139
393	(128)	62	459	393		393
				(179)		(179)
				(318)		(318)
				0	4	4
<b>4,320</b>	<b>3,796</b>	<b>(40)</b>	<b>564</b>	<b>53,667</b>	<b>173</b>	<b>53,840</b>

**Statement of cash flows**

	Year-to-date	
<i>USD million</i>	<b>31.3.19</b>	31.3.18
<b>Cash flow from / (used in) operating activities</b>		
Net profit / (loss)	<b>1,139</b>	1,567
<b>Non-cash items included in net profit and other adjustments:</b>		
Depreciation and impairment of property, equipment and software	<b>427</b>	288
Amortization and impairment of intangible assets	<b>16</b>	16
Credit loss expense / (recovery)	<b>20</b>	26
Share of net profits of associates / joint ventures and impairment of associates	<b>(15)</b>	(16)
Deferred tax expense / (benefit)	<b>237</b>	318
Net loss / (gain) from investing activities	<b>(73)</b>	157
Net loss / (gain) from financing activities	<b>4,273</b>	(3,911)
Other net adjustments	<b>173</b>	(565)
<b>Net change in operating assets and liabilities:</b>		
Loans and advances to banks / amounts due to banks	<b>(1,696)</b>	1,785
Securities financing transactions	<b>(9,997)</b>	5,254
Cash collateral on derivative instruments	<b>(133)</b>	(1,866)
Loans and advances to customers	<b>(855)</b>	(7,142)
Customer deposits	<b>9,793</b>	(3,757)
Financial assets and liabilities at fair value held for trading and derivative financial instruments	<b>1,652</b>	15,540
Brokerage receivables and payables	<b>1,473</b>	4,015
Financial assets at fair value not held for trading, other financial assets and liabilities	<b>(1,031)</b>	(6,580)
Provisions, other non-financial assets and liabilities	<b>(1,188)</b>	(1,682)
Income taxes paid, net of refunds	<b>(219)</b>	(148)
<b>Net cash flow from / (used in) operating activities</b>	<b>3,995</b>	3,300
<b>Cash flow from / (used in) investing activities</b>		
Purchase of subsidiaries, associates and intangible assets	<b>(1)</b>	(6)
Disposal of subsidiaries, associates and intangible assets <sup>1</sup>	<b>27</b>	30
Purchase of property, equipment and software	<b>(367)</b>	(384)
Disposal of property, equipment and software	<b>2</b>	28
Purchase of financial assets measured at fair value through other comprehensive income	<b>(1,033)</b>	(450)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	<b>610</b>	253
Net (purchase) / redemption of debt securities measured at amortized cost	<b>629</b>	(1,124)
<b>Net cash flow from / (used in) investing activities</b>	<b>(132)</b>	(1,652)

Table continues on the next page.

## Statement of cash flows (continued)

Table continued from previous page.

	Year-to-date	
<i>USD million</i>	31.3.19	31.3.18
<b>Cash flow from / (used in) financing activities</b>		
Net short-term debt issued / (repaid)	(6,858)	(4,650)
Net movements in treasury shares and own equity derivative activity	(399)	(337)
Issuance of long-term debt, including debt issued designated at fair value	17,641	20,394
Repayment of long-term debt, including debt issued designated at fair value	(10,263)	(10,541)
Net changes in non-controlling interests and preferred notes	(4)	17
<b>Net cash flow from / (used in) financing activities</b>	<b>116</b>	<b>4,884</b>
<b>Total cash flow</b>		
<b>Cash and cash equivalents at the beginning of the period</b>	<b>126,079</b>	<b>104,834</b>
Net cash flow from / (used in) operating, investing and financing activities	3,979	6,531
Effects of exchange rate differences on cash and cash equivalents	(1,289)	2,110
<b>Cash and cash equivalents at the end of the period<sup>2</sup></b>	<b>128,769</b>	<b>113,476</b>
<i>of which: cash and balances at central banks</i>	<i>110,514</i>	<i>97,260</i>
<i>of which: loans and advances to banks</i>	<i>15,971</i>	<i>12,831</i>
<i>of which: money market paper<sup>3</sup></i>	<i>2,285</i>	<i>3,385</i>
<b>Additional information</b>		
Net cash flow from / (used in) operating activities includes:		
Interest received in cash	1,334	1,693
Interest paid in cash	2,343	1,419
Dividends on equity investments, investment funds and associates received in cash <sup>4</sup>	1,238	571

<sup>1</sup> Includes dividends received from associates. <sup>2</sup> USD 4,678 million and USD 3,596 million of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 31 March 2019 and 31 March 2018, respectively. Refer to "Note 26 Restricted and transferred financial assets" in the "Consolidated financial statements" section in the Annual Report 2018 for more information. <sup>3</sup> Money market paper is included in the balance sheet under Financial assets at fair value held for trading, Financial assets measured at fair value through other comprehensive income, Financial assets at fair value not held for trading and Other financial assets measured at amortized cost. <sup>4</sup> Includes dividends received from associates reported within Net cash flow from / (used in) investing activities.

# Notes to the UBS Group AG interim consolidated financial statements (unaudited)

## Note 1 Basis of accounting

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### Basis of preparation

The consolidated financial statements (the financial statements) of UBS Group AG and its subsidiaries (together "UBS" or "the Group") are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and are presented in US dollars (USD), which is also the functional currency of UBS Group AG, UBS AG's Head Office, UBS AG's London Branch and UBS's US-based operations. These interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*.

In preparing these interim financial statements, the same accounting policies and methods of computation have been applied as in the UBS Group AG consolidated annual financial statements for the period ended 31 December 2018, except for the changes described in this note. These interim financial statements are unaudited and should be read in conjunction with UBS Group AG's audited consolidated financial statements included in the Annual Report 2018. In the opinion of management, all necessary adjustments were made for a fair presentation of the Group's financial position, results of operations and cash flows.

Preparation of these interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities. These estimates and assumptions are based on the best available information. Actual results in the future could differ from such estimates and such differences may be material to the financial statements. Revisions to estimates, based on regular reviews, are recognized in the period in which they occur. For more information on areas of estimation uncertainty that are considered to require critical judgment, refer to "Note 1a Significant accounting policies" in the "Consolidated financial statements" section of the Annual Report 2018.

### Adoption of IFRS 16, *Leases*

#### Application and transition effect

Effective from 1 January 2019, UBS adopted IFRS 16, *Leases*, which replaced IAS 17, *Leases*, and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a single lessee accounting model and fundamentally changes how UBS accounts for operating leases when acting as a lessee, with a requirement to record a right-of-use asset and lease liability on the balance sheet. UBS is a lessee in a number of leases, primarily of real estate, including offices, retail branches and sales offices, with a smaller number of IT hardware leases. As permitted by the transitional provisions of IFRS 16, UBS elected to apply the modified retrospective approach and has not restated comparative figures. Overall, adoption of IFRS 16 resulted in a USD 3.5 billion increase in both total assets and total liabilities in UBS's consolidated financial statements. There was no effect on equity.

→ Refer to the table below for more information

UBS applied the following practical expedients that are permitted on transition to IFRS 16 where UBS is the lessee in a lease previously classified as an operating lease:

- to not reassess whether or not a contract contained a lease;
- to rely on previous assessments of whether such contracts were considered onerous;
- to rely on previous sale-and-leaseback assessments;
- adjust lease terms with the benefit of hindsight with respect to whether extension or termination options are reasonably certain of being exercised;
- to discount lease liabilities using the Group's incremental borrowing rate in each currency as at 1 January 2019;
- to initially measure the right-of-use asset at an amount equal to the lease liability for leases previously classified as operating leases, adjusted for existing lease balances such as rent prepayments, rent accruals, lease incentives and onerous lease provisions, but excluding initial direct costs; and
- to not apply IFRS 16 to leases whose remaining term will end within 12 months from the transition date.

## Note 1 Basis of accounting (continued)

The measurement of leases previously classified as finance leases, where UBS acts as lessee, has not changed on transition to IFRS 16. Similarly UBS has made no adjustments where UBS acts as lessor, in either a finance or operating lease, of physical assets it owns. Where UBS acts as an intermediate lessor, i.e., enters into a head lease and subleases the asset to a third party, the sublease has been classified as either a finance or operating lease based

primarily on whether the sublease term consumes the majority of the remaining useful life of the right-of-use asset arising from the head lease as at the transition date.

The following table reconciles the obligations in respect of operating leases as at 31 December 2018 to the opening lease liabilities recognized on 1 January 2019:

### Reconciliation between operating lease commitments disclosed under IAS 17 and lease liabilities recognized under IFRS 16

<i>USD million</i>	
<b>Total undiscounted operating lease commitments as of 31 December 2018</b>	<b>4,688</b>
Leases with a remaining term of less than one year as of 1 January 2019	(18)
Excluded service components	(296)
Reassessment of lease term for extension or termination options	403
<b>Total undiscounted lease payments</b>	<b>4,777</b>
Discounted at a weighted average incremental borrowing rate of 3.07%	(744)
<b>IFRS 16 transition adjustment</b>	<b>4,033</b>
Finance lease liabilities as of 31 December 2018	24
<b>Carrying amount of total lease liabilities as of 1 January 2019</b>	<b>4,057</b>

The following table provides details on the determination of right-of-use assets on transition:

### Determination of right-of-use assets on transition

<i>USD million</i>	<i>Carrying amount</i>
<b>Other financial assets measured at amortized cost (finance lease assets recognized under IAS 17 as of 31 December 2018)</b>	<b>24</b>
IFRS 16 transition adjustment	4,033
Other non-financial assets (prepaid rent)	19
Other non-financial liabilities (lease incentives)	(204)
Other financial liabilities at amortized cost (rent accruals)	(185)
Provisions (onerous lease provisions)	(132)
Other financial assets at amortized cost (finance lease receivables from subleases as intermediate lessor)	(176)
<b>Property, equipment and software (total right-of-use assets as of 1 January 2019)<sup>1</sup></b>	<b>3,378</b>

<sup>1</sup> Upon adoption of IFRS 16 on 1 January 2019, total liabilities for the Group increased by USD 3,512 million, representing USD 4,033 million in newly recognized lease liabilities, less USD 521 million liabilities from lease incentives, rent accruals and onerous lease provisions which were reclassified and presented as part of the right-of-use assets carrying amount. Total assets for the Group increased by USD 3,512 million, representing USD 3,336 million in right-of-use assets and USD 176 million in additional finance lease receivables from subleases.

Lease liabilities are presented within *Other financial liabilities measured at amortized cost* and right-of-use assets within *Property, equipment and software*. Finance lease receivables are included within *Other financial assets measured at amortized cost*. Due to the practical expedients taken on transition, there was no effect on equity.

During the first quarter of 2019, the weighted average lease term was approximately 9 years and the depreciation charge for right-of-use assets presented within *Depreciation and impairment of property, equipment and software* was USD 118

million. The interest charge on lease liabilities presented within *Interest expense from financial instruments measured at amortized cost* was USD 32 million and other rental expenses (including non-lease components paid to landlords) presented within *General and administrative expenses* were USD 16 million during the first quarter of 2019. This compares with a total rental expense presented in *General and administrative expenses* of USD 152 million and USD 141 million for the quarters ended 31 March 2018 and 31 December 2018, respectively.

**Note 1 Basis of accounting (continued)****Update to significant accounting policy – Leasing (disclosed in Note 1a item 15 Leasing in the financial statements 2018)**

UBS predominantly enters into lease contracts, or contracts that include lease components, as a lessee of real estate, including offices, retail branches and sales offices, with a small number of IT hardware leases. UBS identifies non-lease components of a contract and accounts for them separately from lease components.

When UBS is lessee in a lease arrangement, UBS recognizes a lease liability and corresponding right-of-use (RoU) asset at the commencement of the lease term when UBS acquires control of the physical use of the asset. Lease liabilities are presented within *Other financial liabilities measured at amortized cost* and RoU assets within *Property, equipment and software*. The lease liability is measured based on the present value of the lease payments over the lease term, discounted using UBS's unsecured borrowing rate given the rate implicit in a lease is generally not observable to the lessee. Interest expense on the lease liability is presented within *Interest expense from financial instruments measured at amortized cost*. The RoU asset is recorded at an amount equal to the lease liability but is adjusted for rent prepayments, initial direct costs, any costs to refurbish the leased asset or lease incentives received. The RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within *Depreciation and impairment of property, equipment and software*.

Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or termination option that the Group considers reasonably certain to be exercised, the expected rental payments or costs of termination are included within the lease payments used to generate the lease liability. UBS does not typically enter into leases with purchase options or residual value guarantees.

Where UBS acts as lessor or sublessor under a finance lease, a receivable is recognized in *Other financial assets measured at amortized cost* at an amount equal to the present value of the aggregate of the lease payments plus any unguaranteed residual value that UBS expects to recover at the end of the lease term. Initial direct costs are also included in the initial measurement of the lease receivable. Lease payments received during the lease term are allocated as repayments of the outstanding receivable. Interest income reflects a constant periodic rate of return on UBS's net investment using the interest rate implicit in the lease (or, for subleases, the rate for the head lease). UBS reviews the

estimated unguaranteed residual value annually, and if the estimated residual value to be realized is less than the amount assumed at lease inception, a loss is recognized for the expected shortfall. Where UBS acts as a lessor or sublessor in an operating lease of owned real estate, UBS recognizes the operating lease income on a straight-line basis over the lease term.

Lease receivables are subject to impairment requirements as set out in point g. in "Note 1a item 3 Financial instruments." Expected credit losses (ECL) on lease receivables are determined following the general impairment model within IFRS 9, *Financial Instruments*, without utilizing the simplified approach of always measuring impairment at the amount of lifetime ECL.

**Other changes to accounting policies****Changes in Corporate Center cost allocations and equity attribution to business divisions**

In order to further align Group and divisional performance, UBS adjusted the methodology for the allocation of Corporate Center – Group Asset and Liability Management (Group ALM) and Corporate Center – Services funding costs and expenses to the business divisions. At the same time, UBS updated its funds transfer pricing framework to better reflect the sources and usage of funding. All of these changes are effective as of 1 January 2019 and prior-period segment information has been restated. Together, these changes have decreased the business divisions' operating results and thereby increased their adjusted cost / income ratios by 1–2 percentage points, with an offsetting effect of USD 0.7 billion in Corporate Center's operating profit / (loss) before tax.

Corporate Center has retained funding costs for deferred tax assets, costs relating to UBS's legal entity transformation program and other costs not attributable to, or representative of the performance of, the business divisions.

Alongside the update to allocations and UBS's funds transfer pricing framework, the Group has increased the allocation of balance sheet resources from Corporate Center to the business divisions, resulting in USD 223 billion of assets allocated from Corporate Center to the business divisions in restated 2018 numbers, predominantly from high-quality liquid assets and certain other assets centrally managed on behalf of the business divisions. Upon adoption of IFRS 16, *Leases*, as of 1 January 2019, UBS additionally allocated approximately USD 3.5 billion of newly recognized right-of-use assets and finance lease receivables to the business divisions.

→ Refer to "Note 2 Segment reporting" for more information

## Note 1 Basis of accounting (continued)

### Changes to Corporate Center segment reporting

As announced in the Annual Report 2018, there has been a substantial reduction in the size and resource consumption of the Non-core and Legacy Portfolio. In addition, following the aforementioned changes to UBS's methodology for allocating funding costs and expenses from Corporate Center – Services and Corporate Center – Group Asset and Liability Management (Group ALM) to the business divisions, the operating loss retained in Corporate Center – Services and Corporate Center – Group ALM has been significantly reduced. As a consequence and in compliance with IFRS 8, *Operating Segments*, beginning with the first quarter 2019 report, UBS provides results for total Corporate Center only and does not separately report Corporate Center – Services, Group ALM and Non-core and Legacy Portfolio. Furthermore, UBS has operationally combined Group Treasury with Group ALM and calls this combined unit Group Treasury. Prior-period information has been restated.

→ Refer to "Note 2 Segment reporting" for more information

### Presentation of dividend income and expense from financial instruments measured at fair value through profit or loss

Effective from the first quarter of 2019, UBS refined the presentation of dividend income and expense. This resulted in a reclassification of dividends from *Interest income (expense) from financial instruments measured at fair value through profit or loss* into *Other net income from financial instruments measured at fair value through profit or loss* (prior to 1 January 2019: *Other net income from fair value changes on financial instruments*). The change aligns the presentation of dividends with related fair value changes from the equity instruments and economic hedges removing volatility that has historically arisen within both *Net interest income* and *Other net income from fair value changes on financial instruments*. There is no effect on *Total operating income* or *Net profit / (loss)*. Prior periods have been restated for this presentational change and the effect on the respective reporting lines is outlined in the table below.

### Changes to the presentation of dividend income and expense from financial instruments measured at fair value through profit or loss

USD million	For the quarter ended				Year-to-date
	31.3.18	30.6.18	30.9.18	31.12.18	31.12.18
Interest income from financial instruments measured at fair value through profit or loss	(572)	(636)	(699)	(401)	(2,308)
Interest expense from financial instruments measured at fair value through profit or loss	160	846	175	151	1,331
<b>Net interest income</b>	<b>(412)</b>	<b>210</b>	<b>(524)</b>	<b>(250)</b>	<b>(976)</b>
<b>Other net income from financial instruments measured at fair value through profit or loss</b>	<b>412</b>	<b>(210)</b>	<b>524</b>	<b>250</b>	<b>976</b>

### IFRIC 23, Uncertainty over Income Tax Treatments

Effective 1 January 2019, UBS adopted IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* (IFRIC 23), which addresses how uncertain tax positions should be accounted for under IFRS. IFRIC 23 requires that, where acceptance of the tax treatment by the relevant tax authority is considered probable, it should be assumed as an accounting recognition matter that treatment of the item will ultimately be accepted. Therefore, no tax provision would be required in such cases. However, if acceptance of the tax treatment is not considered probable, the entity is required to reflect that uncertainty using an expected value (i.e., a probability-weighted approach) or the single most likely amount.

Upon adoption of IFRIC 23, on 1 January 2019 UBS recognized a net tax expense of USD 11 million in retained earnings.

### Amendments to IAS 19, Employee Benefits

Effective 1 January 2019, UBS adopted amendments to IAS 19, *Employee Benefits*, which address the accounting when a plan

amendment, curtailment or settlement occurs during the reporting period. The amendments require entities to use the updated actuarial assumption to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments are effective prospectively for plan amendments, curtailments or settlements that occur on or after 1 January 2019. Adoption on 1 January 2019 had no effect on the Group's financial statements.

### Annual Improvements to IFRS Standards 2015–2017 Cycle

Effective 1 January 2019, UBS adopted *Annual Improvements to IFRS Standards 2015–2017 Cycle*, which resulted in amendments to IFRS 3, *Business Combinations*, IFRS 11, *Joint Arrangements*, IAS 12, *Income Taxes*, and IAS 23, *Borrowing Costs*. Adoption of these amendments on 1 January 2019 had no material effect on the Group's financial statements.

## Note 2 Segment reporting

### Overview and changes in Corporate Center segment reporting

UBS's businesses are organized globally into four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank, all of which are supported by Corporate Center. The four business divisions qualify as reportable segments for the purpose of segment reporting and, together with Corporate Center, reflect the management structure of the Group.

→ Refer to "Note 1a Significant accounting policies item 2" and "Note 2 Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2018 for more information on the Group's reporting segments

As outlined in Note 1, beginning with the first quarter 2019 report, UBS provides results for total Corporate Center only and does not separately report Corporate Center – Services, Group Asset and Liability Management and Non-core and Legacy Portfolio.

→ Refer to Note 1 for more information

### Changes in Corporate Center cost and resource allocation to business divisions

In order to further align Group and divisional performance, UBS has adjusted its methodology for the allocation of Corporate Center funding costs and expenses to the business divisions. At the same time, it has updated its funds transfer pricing framework to better reflect the sources and usage of funding. Prior-period information for the first quarter of 2018 has been restated, resulting in a decrease in *Operating profit / (loss) before tax* for Global Wealth Management of USD 97 million, for Personal & Corporate Banking of USD 37 million, for Asset Management of USD 8 million and for the Investment Bank of USD 51 million, with a corresponding increase in Corporate Center of USD 193 million.

Additionally, UBS has increased the allocation of balance sheet resources from Corporate Center to the business divisions. Prior-period information for the fourth quarter of 2018 has been restated, resulting in an increase of *Total assets* in Global Wealth Management of USD 114 billion, in Personal & Corporate Banking of USD 62 billion, in Asset Management of USD 4 billion and in the Investment Bank of USD 44 billion, with a corresponding decrease of assets in Corporate Center of USD 223 million.

These changes had no effect on the reported results or financial position of the Group.

→ Refer to Note 1 for more information

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center	UBS
<b>For the quarter ended 31 March 2019<sup>1</sup></b>						
Net interest income	1,009	493	(7)	(188)	(184)	1,123
Non-interest income	2,994	462	453	1,976	231	6,115
Income	4,003	955	446	1,788	47	7,239
Credit loss (expense) / recovery	1	2	0	(22)	0	(20)
Total operating income	4,003	957	446	1,765	47	7,218
Personnel expenses	1,900	219	178	705	1,040	4,043
General and administrative expenses	249	52	48	141	697	1,187
Services (to) / from CC and other BDs	975	296	117	708	(2,095)	0
<i>of which: services from Corporate Center</i>	<i>938</i>	<i>320</i>	<i>128</i>	<i>722</i>	<i>(2,108)</i>	<i>0</i>
Depreciation and impairment of property, equipment and software	1	3	0	2	420	427
Amortization and impairment of intangible assets	14	0	0	2	0	16
Total operating expenses	3,140	570	343	1,558	62	5,672
<b>Operating profit / (loss) before tax</b>	<b>863</b>	<b>387</b>	<b>103</b>	<b>207</b>	<b>(15)</b>	<b>1,546</b>
Tax expense / (benefit)						407
<b>Net profit / (loss)</b>						<b>1,139</b>
<b>As of 31 March 2019</b>						
<b>Total assets</b>	<b>322,330</b>	<b>198,967</b>	<b>31,033</b>	<b>295,257</b>	<b>108,993</b>	<b>956,579</b>



## Note 2 Segment reporting (continued)

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center	UBS
<b>For the quarter ended 31 March 2018<sup>1</sup></b>						
Net interest income <sup>2</sup>	1,021	516	(7)	10	(106)	1,435
Non-interest income <sup>2</sup>	3,384	478	472	2,420	5	6,760
Income	4,405	994	466	2,430	(101)	8,194
Credit loss (expense) / recovery	3	(14)	0	(16)	0	(26)
Total operating income	4,409	981	466	2,415	(101)	8,168
Personnel expenses	1,973	188	177	952	965	4,254
General and administrative expenses	304	62	52	152	940	1,510
Services (to) / from CC and other BDs	1,015	320	131	730	(2,195)	0
<i>of which: services from Corporate Center</i>	<i>981</i>	<i>351</i>	<i>143</i>	<i>738</i>	<i>(2,213)</i>	<i>0</i>
Depreciation and impairment of property, equipment and software	1	3	0	2	281	288
Amortization and impairment of intangible assets	13	0	0	3	0	16
Total operating expenses	3,306	573	360	1,838	(9)	6,069
<b>Operating profit / (loss) before tax</b>	<b>1,102</b>	<b>408</b>	<b>105</b>	<b>576</b>	<b>(92)</b>	<b>2,100</b>
Tax expense / (benefit)						533
<b>Net profit / (loss)</b>						<b>1,567</b>
<b>As of 31 December 2018</b>						
<b>Total assets</b>	<b>313,737</b>	<b>200,703</b>	<b>28,140</b>	<b>302,253</b>	<b>113,656</b>	<b>958,489</b>

<sup>1</sup> Comparative figures in this table have been restated for the changes in Corporate Center cost and resource allocation to the business divisions and the changes in the equity attribution framework. Refer to further discussion in this note and in Note 1. <sup>2</sup> Effective from the first quarter of 2019, UBS refined the presentation of dividend income and expense, reclassifying dividends from financial instruments measured at fair value through profit or loss from Net interest income to Non-interest income. Prior-period information was restated accordingly, with virtually all of the effect on the Group arising from the Investment Bank. Refer to Note 1 for more information.

**Note 3 Net interest income<sup>1</sup>**

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income</b>			
Interest income from loans and deposits <sup>2</sup>	2,024	2,047	1,867
Interest income from securities financing transactions <sup>3</sup>	498	468	305
Interest income from other financial instruments measured at amortized cost	96	90	31
Interest income from debt instruments measured at fair value through other comprehensive income	26	30	38
Interest income from derivative instruments designated as cash flow hedges	26	49	145
<b>Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income</b>	<b>2,669</b>	<b>2,683</b>	<b>2,386</b>
Interest expense on loans and deposits <sup>4</sup>	666	626	377
Interest expense on securities financing transactions <sup>5</sup>	288	282	253
Interest expense on debt issued	899	873	757
Interest expense on lease liabilities <sup>6</sup>	32		
<b>Total interest expense from financial instruments measured at amortized cost</b>	<b>1,885</b>	<b>1,781</b>	<b>1,388</b>
<b>Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income</b>	<b>785</b>	<b>902</b>	<b>998</b>
<b>Net interest income from financial instruments measured at fair value through profit or loss</b>			
Net interest income from financial instruments at fair value held for trading	434	358	279
Net interest income from brokerage balances	77	104	179
Interest income from financial instruments at fair value not held for trading	522	540	351
Other interest income	46	49	73
Interest expense on financial instruments designated at fair value	(740)	(727)	(444)
<b>Total net interest income from financial instruments measured at fair value through profit or loss</b>	<b>339</b>	<b>324</b>	<b>437</b>
<b>Total net interest income</b>	<b>1,123</b>	<b>1,226</b>	<b>1,435</b>

<sup>1</sup> Effective from the first quarter of 2019, UBS refined the presentation of dividend income and expense, reclassifying dividends from Interest income (expense) from financial instruments measured at fair value through profit or loss into Other net income from financial instruments measured at fair value through profit or loss. Prior-period information was restated accordingly. Refer to Note 1 for more information.  
<sup>2</sup> Consists of interest income from cash and balances at central banks, loans and advances to banks, and negative interest on amounts due to banks and customer deposits. <sup>3</sup> Includes interest income on receivables from securities financing transactions and negative interest, including fees, on payables from securities financing transactions. <sup>4</sup> Consists of interest expense on amounts due to banks and customer deposits, and negative interest on cash and balances at central banks, loans and advances to banks. <sup>5</sup> Includes interest expense on payables from securities financing transactions and negative interest, including fees, on receivables from securities financing transactions. <sup>6</sup> Relates to lease liabilities recognized upon adoption of IFRS 16 on 1 January 2019. Refer to Note 1 for more information.

**Note 4 Net fee and commission income**

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
Underwriting fees	155	177	239
<i>of which: equity underwriting fees</i>	48	118	127
<i>of which: debt underwriting fees</i>	107	59	112
M&A and corporate finance fees	117	122	206
Brokerage fees	828	822	1,026
Investment fund fees	1,177	1,228	1,279
Portfolio management and related services	1,804	1,937	1,949
Other	459	414	480
<b>Total fee and commission income<sup>1</sup></b>	<b>4,541</b>	<b>4,700</b>	<b>5,178</b>
<i>of which: recurring</i>	2,998	3,219	3,257
<i>of which: transaction-based</i>	1,516	1,448	1,903
<i>of which: performance-based</i>	27	33	18
Brokerage fees paid	79	88	90
Other	329	352	344
<b>Total fee and commission expense</b>	<b>409</b>	<b>439</b>	<b>433</b>
<b>Net fee and commission income</b>	<b>4,132</b>	<b>4,261</b>	<b>4,744</b>
<i>of which: net brokerage fees</i>	748	735	937

<sup>1</sup> Reflects third-party fee and commission income for the first quarter of 2019 of USD 2,817 million for Global Wealth Management (fourth quarter of 2018: USD 2,897 million; first quarter of 2018: USD 3,204 million), USD 324 million for Personal & Corporate Banking (fourth quarter of 2018: USD 321 million; first quarter of 2018: USD 342 million), USD 619 million for Asset Management (fourth quarter of 2018: USD 657 million; first quarter of 2018: USD 646 million), USD 758 million for the Investment Bank (fourth quarter of 2018: USD 802 million; first quarter of 2018: USD 953 million) and USD 22 million for Corporate Center (fourth quarter of 2018: USD 24 million; first quarter of 2018: USD 33 million).

## Note 5 Other income

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Associates, joint ventures and subsidiaries</b>			
Net gains / (losses) from acquisitions and disposals of subsidiaries <sup>1</sup>	1	(310)	0
Net gains / (losses) from disposals of investments in associates	4	46	0
Share of net profits of associates and joint ventures	15	481	16
<b>Total</b>	<b>19</b>	<b>217</b>	<b>16</b>
<b>Financial assets measured at fair value through other comprehensive income</b>			
Dividend income	1	0	0
Net gains / (losses) from disposals	1	0	0
<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>
Income from properties <sup>2</sup>	7	6	6
Net gains / (losses) from disposals of properties held for sale	0	9	0
Other	21	9	20
<b>Total other income</b>	<b>49</b>	<b>241</b>	<b>42</b>

<sup>1</sup> Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to disposed foreign subsidiaries and branches. <sup>2</sup> Includes rent received from third parties.

## Note 6 Personnel expenses

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
Salaries and variable compensation	2,420	2,184	2,742
Financial advisor variable compensation <sup>1</sup>	960	999	1,032
Contractors	96	119	123
Social security	213	163	243
Pension and other post-employment benefit plans	224	172	(35) <sup>2</sup>
Other personnel expenses	128	203	150
<b>Total personnel expenses</b>	<b>4,043</b>	<b>3,839</b>	<b>4,254</b>

<sup>1</sup> Financial advisor variable compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. <sup>2</sup> Changes to the Pension Fund of UBS in Switzerland in the first quarter of 2018 resulted in a reduction in the pension obligation recognized by UBS. As a consequence, a pre-tax gain of USD 241 million was recognized in the income statement in the first quarter of 2018, with no overall effect on total equity. Refer to "Note 5 Personnel expenses" in the "Consolidated financial statements" section of the first quarter 2018 report for more information.

## Note 7 General and administrative expenses

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
Occupancy	97	228	233
Rent and maintenance of IT and other equipment	185	187	159
Communication and market data services	156	163	161
Administration	123	256	144
<i>of which: UK and German bank levy</i>	<i>15</i>	<i>87</i>	<i>0</i>
Marketing and public relations	65	114	85
Travel and entertainment	90	113	98
Professional fees	176	294	245
Outsourcing of IT and other services	271	368	361
Litigation, regulatory and similar matters <sup>1</sup>	(8)	533	(11)
Other	32	37	36
<b>Total general and administrative expenses</b>	<b>1,187</b>	<b>2,293</b>	<b>1,510</b>

<sup>1</sup> Reflects the net increase / (release) in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 16 for more information. Also includes recoveries from third parties (first quarter of 2019: USD 7 million; fourth quarter of 2018: USD 1 million; first quarter of 2018: USD 17 million).

**Note 8 Income taxes**

The Group recognized income tax expenses of USD 407 million for the first quarter of 2019, compared with USD 533 million for the first quarter of 2018.

Current tax expenses were USD 170 million, compared with USD 215 million, and related to taxable profits of UBS Switzerland AG and other entities.

Deferred tax expenses were USD 237 million, compared with USD 318 million. These include expenses of USD 218 million relating to profits for the current quarter, which primarily reflect the amortization of deferred tax assets (DTAs) previously recognized in relation to tax losses carried forward and

deductible temporary differences to reflect their offset against profits for the quarter, including the amortization of US tax loss DTAs at the level of UBS Americas Inc. In addition, deferred tax expenses in the first quarter of 2019 included a net expense of USD 19 million, mainly relating to a decrease in temporary difference DTAs of USD 29 million, as the expected value of future tax deductions for deferred compensation awards decreased. This deferred tax expense was partially offset by a tax loss DTA increase of USD 10 million for locations affected by our UK business transfer activity during the quarter.

**Note 9 Earnings per share (EPS) and shares outstanding**

	As of or for the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Basic earnings (USD million)</b>			
Net profit / (loss) attributable to shareholders	1,141	315	1,566
<b>Diluted earnings (USD million)</b>			
Net profit / (loss) attributable to shareholders	1,141	315	1,566
Less: (profit) / loss on own equity derivative contracts	0	0	(1)
Net profit / (loss) attributable to shareholders for diluted EPS	1,141	315	1,565
<b>Weighted average shares outstanding</b>			
Weighted average shares outstanding for basic EPS <sup>1</sup>	3,694,398,974	3,712,860,295	3,728,701,542
Effect of dilutive potential shares resulting from notional shares, in-the-money options and warrants outstanding	106,745,967	107,685,855	128,521,488
Weighted average shares outstanding for diluted EPS	3,801,144,941	3,820,546,150	3,857,223,030
<b>Earnings per share (USD)</b>			
Basic	0.31	0.08	0.42
Diluted	0.30	0.08	0.41
<b>Shares outstanding</b>			
Shares issued	3,858,959,179	3,855,634,749	3,854,297,125
Treasury shares	145,878,663	166,467,802	93,077,090
Shares outstanding	3,713,080,516	3,689,166,947	3,761,220,035

<sup>1</sup> The weighted average shares outstanding for basic EPS are calculated by taking the number of shares at the beginning of the period, adjusted by the number of shares acquired or issued during the period, multiplied by a time-weighted factor for the period outstanding. As a result, balances are affected by the timing of acquisitions and issuances during the period.

The table below outlines the potential shares that could dilute basic earnings per share in the future, but were not dilutive for the periods presented.

<i>Number of shares</i>	31.3.19	31.12.18	31.3.18
<b>Potentially dilutive instruments</b>			
Employee share-based compensation awards	3,516,195	3,605,198	7,283,110
Other equity derivative contracts	22,528,782	15,501,021	7,757,622
<b>Total</b>	<b>26,044,977</b>	<b>19,106,219</b>	<b>15,040,732</b>

## Note 10 Expected credit loss measurement

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### a) Expected credit losses in the period

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Total net credit loss expenses were USD 20 million in the first quarter of 2019, reflecting expenses of USD 5 million in expected credit losses (ECL) from stage 1 and 2 positions and losses of USD 15 million from credit-impaired (stage 3) positions.

A USD 5 million increase in stage 1 and 2 ECL during the period was primarily the result of updates to macroeconomic and market data in the Investment Bank portfolio, partly offset by recoveries in Global Wealth Management and Personal & Corporate Banking, reflecting improvements in collateral and credit scores.

Stage 3 losses of USD 15 million were recognized, predominantly in the Investment Bank, as well as across a number of defaulted positions in Global Wealth Management and Personal & Corporate Banking.

There have not been any material changes to the models used to calculate ECL and to determine stage allocation in the quarter.

UBS uses four different economic scenarios in the ECL calculation: an upside, a baseline, a mild downside and a severe downside scenario. The scenario narratives and weights were reviewed and remain unchanged from those applied as of 31 December 2018. Macroeconomic data and market data was updated across all scenarios, as well as the baseline scenario shocks, as of 31 March 2019.

→ **Refer to “Note 1a Significant accounting policies item g” and “Note 23 Expected credit loss measurement” in the “Consolidated financial statements” section of the Annual Report 2018 for more information**

### b) ECL-relevant balance sheet and off-balance sheet positions including ECL allowances and provisions

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The tables on the following pages provide information on financial instruments and certain non-financial instruments that are subject to ECL. For amortized cost instruments, the net carrying value represents the maximum exposure to credit risk, taking into account the allowance for credit losses. Financial assets measured at fair value through other comprehensive income (FVOCI) are also subject to ECL; however, unlike amortized cost instruments, the allowance does not reduce the

carrying value of these financial assets. The carrying value of financial assets measured at FVOCI represents the maximum exposure to credit risk.

In addition to on-balance sheet financial assets, certain off-balance sheet and other credit lines are also subject to ECL. The maximum exposure to credit risk for off-balance sheet financial instruments is calculated based on notional amounts.

**Note 10 Expected credit loss measurement (continued)**

USD million	31.3.19							
	Carrying amount <sup>1</sup>				ECL allowance			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
<b>Financial instruments measured at amortized cost</b>								
Cash and balances at central banks	110,618	110,618	0	0	0	0	0	0
Loans and advances to banks	17,013	16,963	50	0	(5)	(2)	0	(3)
Receivables from securities financing transactions	100,222	100,222	0	0	(2)	(2)	0	0
Cash collateral receivables on derivative instruments	25,164	25,164	0	0	0	0	0	0
Loans and advances to customers	318,623	297,539	19,465	1,619	(760)	(74)	(142)	(545)
<i>of which: Private clients with mortgages</i>	126,412	116,432	9,217	763	(129)	(16)	(77)	(36)
<i>of which: Real estate financing</i>	36,670	28,945	7,687	39	(61)	(5)	(38)	(18)
<i>of which: Large corporate clients</i>	12,070	11,525	468	77	(109)	(12)	(5)	(91)
<i>of which: SME clients</i>	9,775	8,163	996	616	(262)	(14)	(8)	(240)
<i>of which: Lombard</i>	110,142	110,117	0	24	(20)	(3)	0	(17)
<i>of which: Credit cards</i>	1,446	1,136	294	16	(31)	(7)	(13)	(11)
<i>of which: Commodity trade finance</i>	2,867	2,427	422	19	(81)	(4)	0	(76)
Other financial assets measured at amortized cost	22,433	21,650	292	491	(150)	(40)	(6)	(104)
<i>of which: Loans to financial advisors</i>	3,158	2,942	107	109	(108)	(31)	(3)	(74)
<b>Total financial assets measured at amortized cost</b>	<b>594,074</b>	<b>572,157</b>	<b>19,807</b>	<b>2,110</b>	<b>(917)</b>	<b>(118)</b>	<b>(148)</b>	<b>(651)</b>
Financial assets measured at fair value through other comprehensive income	7,168	7,168	0	0	0	0	0	0
<b>Total on-balance sheet financial assets in scope of ECL requirements</b>	<b>601,242</b>	<b>579,325</b>	<b>19,807</b>	<b>2,110</b>	<b>(917)</b>	<b>(118)</b>	<b>(148)</b>	<b>(651)</b>
		Total exposure				ECL provision		
<b>Off-balance sheet (in scope of ECL)</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
Guarantees	17,434	16,713	506	215	(48)	(6)	(2)	(40)
<i>of which: Large corporate clients</i>	3,505	3,247	118	140	(7)	(1)	(1)	(5)
<i>of which: SME clients</i>	1,205	948	188	69	(30)	0	0	(29)
<i>of which: Financial intermediaries and hedge funds</i>	6,995	6,959	36	0	(3)	(3)	0	0
<i>of which: Lombard</i>	666	666	0	0	0	0	0	0
<i>of which: Commodity trade finance</i>	1,936	1,774	156	6	(1)	(1)	0	0
Irrevocable loan commitments	27,919	27,321	583	15	(44)	(36)	(8)	0
<i>of which: Large corporate clients</i>	19,051	18,660	389	1	(38)	(32)	(7)	0
Forward starting reverse repurchase and securities borrowing agreements	2,058	2,058	0	0	0	0	0	0
Committed unconditionally revocable credit lines	33,379	31,895	1,392	92	(39)	(19)	(20)	0
<i>of which: Real estate financing</i>	2,636	2,239	397	0	(19)	(3)	(17)	0
<i>of which: Large corporate clients</i>	4,124	4,055	52	16	(1)	(1)	0	0
<i>of which: SME clients</i>	4,331	4,006	264	62	(7)	(6)	(1)	0
<i>of which: Lombard</i>	4,537	4,537	0	0	0	0	0	0
<i>of which: Credit cards</i>	7,587	7,281	306	0	(6)	(4)	(2)	0
<i>of which: Commodity trade finance</i>	4,154	3,823	321	10	(2)	(2)	0	0
Irrevocable committed prolongation of existing loans	3,450	3,393	52	5	(4)	(2)	(2)	0
<b>Total off-balance sheet financial instruments and other credit lines</b>	<b>84,241</b>	<b>81,381</b>	<b>2,533</b>	<b>328</b>	<b>(134)</b>	<b>(64)</b>	<b>(31)</b>	<b>(40)</b>
<b>Total allowances and provisions</b>					<b>(1,052)</b>	<b>(182)</b>	<b>(179)</b>	<b>(691)</b>

<sup>1</sup> The carrying value of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

## Note 10 Expected credit loss measurement (continued)

USD million	31.12.18							
	Carrying amount <sup>1</sup>				ECL allowance			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
<b>Financial instruments measured at amortized cost</b>								
Cash and balances at central banks	108,370	108,370	0	0	0	0	0	0
Loans and advances to banks	16,868	16,666	202	0	(7)	(4)	(1)	(3)
Receivables from securities financing transactions	95,349	95,349	0	0	(2)	(2)	0	0
Cash collateral receivables on derivative instruments	23,602	23,602	0	0	0	0	0	0
Loans and advances to customers	320,352	298,248	20,357	1,748	(772)	(69)	(155)	(549)
<i>of which: Private clients with mortgages</i>	126,335	115,679	9,859	796	(138)	(16)	(83)	(39)
<i>of which: Real estate financing</i>	36,474	28,578	7,858	38	(59)	(3)	(40)	(16)
<i>of which: Large corporate clients</i>	11,390	10,845	457	88	(95)	(9)	(4)	(82)
<i>of which: SME clients</i>	9,924	8,029	1,263	632	(281)	(13)	(12)	(256)
<i>of which: Lombard</i>	111,722	111,707	0	14	(21)	(4)	0	(17)
<i>of which: Credit cards</i>	1,529	1,216	297	16	(30)	(6)	(13)	(11)
<i>of which: Commodity trade finance</i>	3,260	2,798	445	16	(86)	(5)	(3)	(78)
Other financial assets measured at amortized cost	22,563	21,862	223	478	(155)	(43)	(4)	(109)
<i>of which: Loans to financial advisors</i>	3,291	3,104	62	125	(113)	(34)	(2)	(77)
<b>Total financial assets measured at amortized cost</b>	<b>587,104</b>	<b>564,096</b>	<b>20,782</b>	<b>2,226</b>	<b>(937)</b>	<b>(117)</b>	<b>(159)</b>	<b>(660)</b>
Financial assets measured at fair value through other comprehensive income	6,667	6,667	0	0	0	0	0	0
<b>Total on-balance sheet financial assets in scope of ECL requirements</b>	<b>593,770</b>	<b>570,763</b>	<b>20,782</b>	<b>2,226</b>	<b>(937)</b>	<b>(117)</b>	<b>(159)</b>	<b>(660)</b>
		Total exposure				ECL provision		
<b>Off-balance sheet (in scope of ECL)</b>	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	18,146	17,321	611	215	(43)	(7)	(2)	(34)
<i>of which: Large corporate clients</i>	3,862	3,599	136	127	(8)	(1)	(1)	(6)
<i>of which: SME clients</i>	1,298	1,057	164	77	(26)	0	0	(25)
<i>of which: Financial intermediaries and hedge funds</i>	7,193	7,125	67	0	(4)	(3)	0	0
<i>of which: Lombard</i>	834	834	0	0	0	0	0	0
<i>of which: Commodity trade finance</i>	2,097	1,851	236	11	(1)	(1)	0	0
Irrevocable loan commitments	31,212	30,590	568	53	(37)	(32)	(5)	0
<i>of which: Large corporate clients</i>	22,019	21,492	519	7	(31)	(26)	(4)	0
Forward starting reverse repurchase and securities borrowing agreements	937	937	0	0	0	0	0	0
Committed unconditionally revocable credit lines	36,634	35,121	1,420	93	(36)	(19)	(16)	0
<i>of which: Real estate financing</i>	2,562	2,150	401	11	(17)	(4)	(12)	0
<i>of which: Large corporate clients</i>	4,260	4,152	91	17	(2)	(1)	0	0
<i>of which: SME clients</i>	4,505	4,163	285	57	(7)	(6)	(1)	0
<i>of which: Lombard</i>	7,402	7,402	0	0	0	(1)	0	0
<i>of which: Credit cards</i>	7,343	7,035	309	0	(6)	(4)	(2)	0
<i>of which: Commodity trade finance</i>	3,467	3,209	254	4	(2)	(2)	0	0
Irrevocable committed prolongation of existing loans	3,339	2,861	456	22	(1)	(1)	0	0
<b>Total off-balance sheet financial instruments and other credit lines</b>	<b>90,268</b>	<b>86,830</b>	<b>3,055</b>	<b>383</b>	<b>(116)</b>	<b>(59)</b>	<b>(23)</b>	<b>(34)</b>
<b>Total allowances and provisions</b>					<b>(1,054)</b>	<b>(176)</b>	<b>(183)</b>	<b>(695)</b>

<sup>1</sup> The carrying value of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

## Note 11 Fair value measurement

This Note provides fair value measurement information for both financial and non-financial instruments and should be read in conjunction with “Note 24 Fair value measurement” in the “Consolidated financial statements” section of the Annual Report 2018, which provides more information on valuation

principles, valuation governance, fair value hierarchy classification, valuation adjustments, valuation techniques and inputs, sensitivity of fair value measurements and methods applied to calculate fair values for financial instruments not measured at fair value.

### a) Fair value hierarchy

The fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value is summarized in the table below.

#### Determination of fair values from quoted market prices or valuation techniques<sup>1</sup>

USD million	31.3.19				31.12.18			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value on a recurring basis</b>								
Financial assets at fair value held for trading	94,777	12,490	2,319	109,586	88,452	13,956	1,962	104,370
<i>of which:</i>								
Government bills / bonds	11,866	1,671	0	13,537	9,554	1,607	0	11,161
Corporate and municipal bonds	483	6,130	417	7,030	558	5,559	651	6,768
Loans	0	1,701	1,451	3,152	0	2,886	680	3,566
Investment fund units	7,308	1,445	247	9,000	6,074	3,200	442	9,716
Asset-backed securities	1	313	138	451	0	248	144	392
Equity instruments	75,119	1,231	54	76,404	72,266	455	46	72,768
Derivative financial instruments	715	109,052	1,394	111,160	753	124,033	1,424	126,210
<i>of which:</i>								
Interest rate contracts	0	39,708	431	40,139	0	36,658	418	37,076
Credit derivative contracts	0	1,617	529	2,146	0	1,444	476	1,920
Foreign exchange contracts	346	43,915	22	44,283	311	53,148	30	53,489
Equity / index contracts	7	22,523	406	22,937	3	30,905	496	31,404
Commodity contracts	0	1,185	0	1,185	0	1,768	2	1,769
Brokerage receivables	0	16,275	0	16,275	0	16,840	0	16,840
Financial assets at fair value not held for trading	36,799	40,733	3,735	81,267	35,458	42,819	4,413	82,690
<i>of which:</i>								
Government bills / bonds	16,729	4,270	0	20,998	17,687	4,806	0	22,493
Corporate and municipal bonds	779	15,534	0	16,313	781	16,455	0	17,236
Financial assets for unit-linked investment contracts	19,049	4,914	0	23,963	16,694	4,751	0	21,446
Loans	0	8,547	1,084	9,631	0	6,380	1,752	8,132
Securities financing transactions	0	6,927	25	6,952	0	9,899	39	9,937
Auction rate securities	0	0	1,636	1,636	0	0	1,664	1,664
Investment fund units	168	447	113	728	173	428	109	710
Equity instruments	75	60	542	677	123	62	517	702
Other	0	35	335	370	0	38	331	369
<b>Financial assets measured at fair value through other comprehensive income on a recurring basis</b>								
Financial assets measured at fair value through other comprehensive income	2,219	4,949	0	7,168	2,319	4,347	0	6,667
<i>of which:</i>								
Government bills / bonds	2,173	13	0	2,186	2,171	69	0	2,239
Corporate and municipal bonds	47	456	0	503	149	348	0	497
Asset-backed securities	0	4,480	0	4,480	0	3,931	0	3,931
<b>Non-financial assets measured at fair value on a recurring basis</b>								
Precious metals and other physical commodities	3,816	0	0	3,816	4,298	0	0	4,298
<b>Non-financial assets measured at fair value on a non-recurring basis</b>								
Other non-financial assets <sup>2</sup>	0	57	1	58	0	82	0	82
<b>Total assets measured at fair value</b>	<b>138,326</b>	<b>183,555</b>	<b>7,448</b>	<b>329,329</b>	<b>131,280</b>	<b>202,077</b>	<b>7,800</b>	<b>341,156</b>



## Note 11 Fair value measurement (continued)

### Determination of fair values from quoted market prices or valuation techniques (continued)<sup>1</sup>

USD million	31.3.19				31.12.18			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at fair value on a recurring basis</b>								
Financial liabilities at fair value held for trading	28,642	5,519	98	34,259	24,406	4,468	69	28,943
<i>of which:</i>								
<i>Government bills / bonds</i>	3,944	464	0	4,408	2,423	416	0	2,839
<i>Corporate and municipal bonds</i>	64	3,986	63	4,113	126	3,377	27	3,530
<i>Investment fund units</i>	480	436	0	916	551	137	0	689
<i>Equity instruments</i>	24,154	627	35	24,816	21,306	537	42	21,886
Derivative financial instruments	758	107,903	2,146	110,807	580	122,933	2,210	125,723
<i>of which:</i>								
<i>Interest rate contracts</i>	6	35,203	211	35,419	7	32,511	226	32,743
<i>Credit derivative contracts</i>	0	2,628	579	3,207	0	2,203	519	2,722
<i>Foreign exchange contracts</i>	315	44,363	84	44,762	322	52,964	86	53,372
<i>Equity / index contracts</i>	6	24,662	1,270	25,939	1	33,669	1,371	35,041
<i>Commodity contracts</i>	0	988	1	989	0	1,487	0	1,487
<b>Financial liabilities designated at fair value on a recurring basis</b>								
Brokerage payables designated at fair value	0	39,326	0	39,326	0	38,420	0	38,420
Debt issued designated at fair value	0	54,543	12,376	66,919	0	46,074	10,957	57,031
Other financial liabilities designated at fair value	0	31,716	678	32,394	0	32,569	1,025	33,594
<i>of which:</i>								
<i>Amounts due under unit-linked investment contracts</i>	0	24,317	0	24,317	0	21,679	0	21,679
<i>Securities financing transactions</i>	0	6,190	0	6,190	0	9,461	0	9,461
<i>Over-the-counter debt instruments</i>	0	1,205	676	1,882	0	1,427	1,023	2,450
<b>Total liabilities measured at fair value</b>	<b>29,400</b>	<b>239,007</b>	<b>15,298</b>	<b>283,705</b>	<b>24,986</b>	<b>244,465</b>	<b>14,260</b>	<b>283,711</b>

<sup>1</sup> Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for the periods presented. <sup>2</sup> Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell.

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which the instrument is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – valuation techniques for which all significant inputs are, or are based on, observable market data; or
- Level 3 – valuation techniques for which significant inputs are not based on observable market data.

**Note 11 Fair value measurement (continued)****b) Valuation adjustments****Deferred day-1 profit or loss reserves**

The table below summarizes the changes in deferred day-1 profit or loss reserves during the relevant period.

Deferred day-1 profit or loss is generally released into *Other net income from financial instruments measured at fair value through profit or loss* when pricing of equivalent products or the underlying parameters become observable or when the transaction is closed out.

In the first quarter of 2019, a deferred day-1 profit or loss reserve release of USD 126 million was recognized in the income statement, mainly related to loans which are reported within *Financial assets at fair value not held for trading* on the balance sheet, following an increase in observability.

**Deferred day-1 profit or loss reserves**

<i>USD million</i>	For the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Reserve balance at the beginning of the period</b>	<b>255</b>	250	338
Profit / (loss) deferred on new transactions	<b>33</b>	48	197
(Profit) / loss recognized in the income statement	<b>(126)</b>	(41)	(56)
Foreign currency translation	<b>(1)</b>	(2)	1
<b>Reserve balance at the end of the period</b>	<b>161</b>	255	479

**c) Transfers between Level 1 and Level 2**

The amounts disclosed in this section reflect transfers between Level 1 and Level 2 for instruments that were held for the entire reporting period.

Assets totaling approximately USD 1.8 billion, which were mainly comprised of investment fund units presented in the line *Financial assets at fair value held for trading* on the balance sheet, were transferred from Level 2 to Level 1 during the first

quarter of 2019, generally due to increased levels of trading activity observed within the market for these instruments. Liabilities transferred from Level 2 to Level 1 during the first quarter of 2019 were not material. Assets and liabilities transferred from Level 1 to Level 2 during the first quarter of 2019 were also not material.

## Note 11 Fair value measurement (continued)

### d) Level 3 instruments: valuation techniques and inputs

The table below presents material Level 3 assets and liabilities together with the valuation techniques used to measure fair value, the significant inputs used in the valuation technique that are considered unobservable and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level input used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance sheet date. Furthermore, the ranges and weighted averages of unobservable inputs may differ

across other financial institutions due to the diversity of the products in each firm's inventory.

The significant unobservable inputs disclosed in the table below are consistent with those included in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2018. A description of the potential effect that a change in each unobservable input in isolation may have on a fair value measurement, including information to facilitate an understanding of factors that give rise to the input ranges shown, is also provided in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2018.

#### Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

	Fair value				Valuation technique(s)	Significant unobservable input(s) <sup>1</sup>	Range of inputs						
	Assets		Liabilities				31.3.19			31.12.18			unit <sup>1</sup>
USD billion	31.3.19	31.12.18	31.3.19	31.12.18		low	high	weighted average <sup>2</sup>	low	high	weighted average <sup>2</sup>		
<b>Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading</b>													
Corporate and municipal bonds	0.4	0.7	0.1	0.0	Relative value to market comparable	Bond price equivalent	0	134	92	0	134	89	points
Traded loans, loans designated at fair value, loan commitments and guarantees	2.8	2.7	0.0	0.0	Relative value to market comparable	Loan price equivalent	0	101	99	0	100	99	points
					Discounted expected cash flows	Credit spread	301	700		301	513		basis points
					Market comparable and securitization model	Discount margin	1	14	2	1	14	2	%
Auction rate securities	1.6	1.7	0.0	0.0	Relative value to market comparable	Bond price equivalent	79	99	89	79	99	89	points
Investment fund units <sup>3</sup>	0.4	0.6	0.0	0.0	Relative value to market comparable	Net asset value							
Equity instruments <sup>3</sup>	0.6	0.6	0.0	0.0	Relative value to market comparable	Price							
Debt issued designated at fair value <sup>4</sup>			12.4	11.0									
Other financial liabilities designated at fair value <sup>4</sup>			0.7	1.0									
<b>Derivative financial instruments</b>													
Interest rate contracts	0.4	0.4	0.2	0.2	Option model	Volatility of interest rates	46	69		50	81		basis points
					Discounted expected cash flows	Credit spreads	4	574		4	545		basis points
						Bond price equivalent	3	99		3	99		points
Equity / index contracts	0.4	0.5	1.3	1.4	Option model	Equity dividend yields	0	9		0	12		%
						Volatility of equity stocks, equity and other indices	0	109		4	93		%
						Equity-to-FX correlation	(45)	64		(39)	67		%
						Equity-to-equity correlation	(50)	98		(50)	97		%

<sup>1</sup> The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). <sup>2</sup> Weighted averages are provided for non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to derivative contracts as this would not be meaningful. <sup>3</sup> The range of inputs is not disclosed as there is a dispersion of values given the diverse nature of the investments. <sup>4</sup> Valuation techniques, significant unobservable inputs and the respective input ranges for Debt issued designated at fair value and Other financial liabilities designated at fair value, which mainly include over-the-counter debt instruments, are the same as the equivalent derivative or structured financing instruments presented elsewhere in this table.

**Note 11 Fair value measurement (continued)****e) Level 3 instruments: sensitivity to changes in unobservable input assumptions**

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, and the estimated effect thereof.

The table shown presents the favorable and unfavorable effects for each class of financial assets and liabilities for which the potential change in fair value is considered significant. The sensitivity of fair value measurements for debt issued designated at fair value and over-the-counter debt instruments designated at fair value is reported with the equivalent derivative or structured financing instrument within the table below.

The sensitivity data shown below presents an estimation of valuation uncertainty based on reasonably possible alternative values for Level 3 inputs at the balance sheet date and does not represent the estimated effect of stress scenarios. Typically, these financial assets and liabilities are sensitive to a combination of inputs from Levels 1–3. Although well-defined interdependencies may exist between Levels 1–2 and Level 3 parameters (e.g., between interest rates, which are generally Level 1 or Level 2, and prepayments, which are generally Level 3), these have not been incorporated in the table. Furthermore, direct interrelationships between the Level 3 parameters are not a significant element of the valuation uncertainty.

**Sensitivity of fair value measurements to changes in unobservable input assumptions**

<i>USD million</i>	31.3.19		31.12.18	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Traded loans, loans designated at fair value, loan commitments and guarantees	92	(20)	99	(44)
Securities financing transactions	32	(18)	17	(11)
Auction rate securities	80	(80)	81	(81)
Asset-backed securities	32	(28)	27	(23)
Equity instruments	176	(77)	155	(94)
Interest rate derivative contracts, net	6	(26)	8	(39)
Credit derivative contracts, net	32	(37)	33	(37)
Foreign exchange derivative contracts, net	11	(6)	10	(5)
Equity / index derivative contracts, net	188	(217)	213	(225)
Other	17	(17)	19	(19)
<b>Total</b>	<b>667</b>	<b>(527)</b>	<b>661</b>	<b>(578)</b>

## Note 11 Fair value measurement (continued)

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### f) Level 3 instruments: movements during the period

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#### Significant changes in Level 3 instruments

The table on the following pages presents additional information about Level 3 assets and liabilities measured at fair value on a recurring basis. Level 3 assets and liabilities may be hedged with instruments classified as Level 1 or Level 2 in the fair value hierarchy and, as a result, realized and unrealized gains and losses included in the table may not include the effect of related hedging activity. Furthermore, the realized and unrealized gains and losses presented within the table are not limited solely to those arising from Level 3 inputs, as valuations are generally derived from both observable and unobservable parameters.

Upon adoption of IFRS 9 on 1 January 2018, certain financial assets and liabilities were newly classified as measured at fair

value through profit or loss and designated as Level 3 in the fair value hierarchy. Certain assets were also reclassified from *Financial assets measured at fair value through other comprehensive income* to *Financial assets at fair value not held for trading*. Refer to "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2018 for more information.

In the first quarter of 2019, loans reported within *Financial assets at fair value not held for trading* on the balance sheet, were transferred from Level 3 to Level 2 in the fair value hierarchy, reflecting increased observability.

## Note 11 Fair value measurement (continued)

## Movements of Level 3 instruments

USD billion	Balance as of 31 December 2017	Reclassifications and remeasurements upon adoption of IFRS 9	Balance as of 1 January 2018	Total gains / (losses) included in comprehensive income		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 31 March 2018
				Net gains / (losses) included in income <sup>1</sup>	of which: related to Level 3 instruments held at the end of the reporting period								
<b>Financial assets at fair value held for trading</b>	<b>2.0</b>	<b>0.4</b>	<b>2.4</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>0.5</b>	<b>(1.5)</b>	<b>0.5</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>0.1</b>	<b>2.0</b>
<i>of which:</i>													
<i>Corporate and municipal bonds</i>	0.6		0.6	0.0	0.0	0.1	(0.5)	0.0	0.0	0.1	0.0	0.0	0.2
<i>Loans</i>	0.5	0.4	0.9	(0.1)	0.0	0.1	(0.8)	0.5	0.0	0.0	0.0	0.0	0.6
<i>Investment fund units</i>	0.6		0.6	(0.2)	(0.2)	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.7
<i>Other</i>	0.4		0.4	0.1	0.1	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	0.4
<b>Financial assets at fair value not held for trading</b>	<b>1.5</b>	<b>3.0</b>	<b>4.4</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>0.9</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.3</b>	<b>4.9</b>
<i>of which:</i>													
<i>Loans</i>	0.8	0.6	1.4	(0.3)	(0.3)	0.8	(0.2)	0.0	0.0	0.1	0.0	0.2	2.0
<i>Auction rate securities</i>		1.9	1.9	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	0.1	1.8
<i>Equity instruments</i>		0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
<i>Other</i>	0.7	0.1	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	0.7
<b>Financial assets measured at fair value through other comprehensive income</b>	<b>0.5</b>	<b>(0.5)</b>											
<b>Derivative financial instruments – assets</b>	<b>1.6</b>		<b>1.6</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>1.4</b>
<i>of which:</i>													
<i>Interest rate contracts</i>	0.1		0.1	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0
<i>Credit derivative contracts</i>	0.6		0.6	(0.1)	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.5
<i>Equity / index contracts</i>	0.7		0.7	0.0	(0.1)	0.0	0.0	0.2	(0.2)	0.0	0.0	0.0	0.6
<i>Other</i>	0.2		0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
<b>Derivative financial instruments – liabilities</b>	<b>2.9</b>	<b>0.0</b>	<b>2.9</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>(0.6)</b>	<b>0.2</b>	<b>(0.1)</b>	<b>0.2</b>	<b>2.8</b>
<i>of which:</i>													
<i>Credit derivative contracts</i>	0.6		0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7
<i>Equity / index contracts</i>	2.0		2.0	(0.3)	(0.3)	0.0	0.0	0.4	(0.4)	0.1	(0.1)	0.2	1.8
<i>Other</i>	0.3	0.0	0.3	0.1	0.1	0.0	0.0	0.0	(0.2)	0.1	0.0	0.0	0.3
<b>Debt issued designated at fair value</b>	<b>11.2</b>		<b>11.2</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>2.7</b>	<b>(1.6)</b>	<b>0.4</b>	<b>(0.6)</b>	<b>0.7</b>	<b>12.4</b>
<b>Other financial liabilities designated at fair value</b>	<b>2.0</b>		<b>2.0</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>(0.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>1.4</b>

<sup>1</sup> Net gains / (losses) included in comprehensive income are comprised of Net interest income, Other net income from financial instruments measured at fair value through profit or loss and Other income. <sup>2</sup> Total Level 3 assets as of 31 March 2019 were USD 7.4 billion (31 December 2018: USD 7.8 billion). Total Level 3 liabilities as of 31 March 2019 were USD 15.3 billion (31 December 2018: USD 14.3 billion).

## Note 11 Fair value measurement (continued)

Balance as of 31 December 2018	Net gains / (losses) included in income <sup>1</sup>	Total gains / (losses) included in comprehensive income		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 31 March 2019 <sup>2</sup>
		of which: related to Level 3 instruments held at the end of the reporting period									
2.0	(0.1)	0.0		0.4	(1.5)	1.6	0.0	0.2	(0.2)	0.0	2.3
0.7	0.0	0.0		0.2	(0.4)	0.0	0.0	0.0	(0.1)	0.0	0.4
0.7	(0.1)	0.0		0.1	(0.9)	1.6	0.0	0.0	0.0	0.0	1.5
0.4	0.0	0.0		0.0	(0.2)	0.0	0.0	0.1	(0.1)	0.0	0.2
0.2	0.0	0.0		0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	0.2
4.4	0.1	0.2		0.5	(0.4)	0.0	0.0	0.0	(0.9)	0.0	3.7
1.8	0.1	0.1		0.4	(0.3)	0.0	0.0	0.0	(0.9)	0.0	1.1
1.7	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6
0.5	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
0.5	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
1.4	(0.1)	(0.1)		0.0	0.0	0.5	(0.4)	0.1	(0.1)	0.0	1.4
0.4	0.0	0.0		0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.4
0.5	0.0	0.0		0.0	0.0	0.2	(0.1)	0.0	0.0	0.0	0.5
0.5	(0.1)	(0.1)		0.0	0.0	0.2	(0.2)	0.0	(0.1)	0.0	0.4
0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2	0.1	0.1		0.0	0.0	0.4	(0.4)	0.1	(0.2)	0.0	2.1
0.5	0.0	0.0		0.0	0.0	0.1	(0.1)	0.0	0.0	0.0	0.6
1.4	0.1	0.1		0.0	0.0	0.2	(0.3)	0.0	(0.2)	0.0	1.3
0.3	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
11.0	0.5	0.4		0.0	0.0	2.8	(1.2)	0.3	(1.0)	0.0	12.4
1.0	0.1	0.1		0.0	0.0	0.1	(0.5)	0.0	0.0	0.0	0.7

**Note 11 Fair value measurement (continued)**

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

Assets transferred into and out of Level 3 in the first quarter of 2019 totaled USD 0.3 billion and USD 1.1 billion, respectively. Transfers into Level 3 were primarily comprised of investment fund units reflecting decreased observability of the relevant net asset value inputs. Transfers out of Level 3 were

primarily comprised of loans due to increased observability of the relevant valuation inputs.

Liabilities transferred into and out of Level 3 in the first quarter of 2019 totaled USD 0.4 billion and USD 1.1 billion, respectively. Transfers into and out of Level 3 were primarily comprised of equity-linked issued debt instruments (presented within *Debt issued designated at fair value*) due to decreased or increased observability, respectively, of the embedded derivative inputs.

**g) Financial instruments not measured at fair value**

The table below reflects the estimated fair values of financial instruments not measured at fair value.

**Financial instruments not measured at fair value**

USD billion	31.3.19		31.12.18	
	Carrying value	Fair value	Carrying value	Fair value
<b>Assets</b>				
Cash and balances at central banks	110.6	110.6	108.4	108.4
Loans and advances to banks	17.0	17.0	16.9	16.9
Receivables from securities financing transactions	100.2	100.2	95.3	95.4
Cash collateral receivables on derivative instruments	25.2	25.2	23.6	23.6
Loans and advances to customers	318.6	320.7	320.4	320.9
Other financial assets measured at amortized cost	22.4	22.4	22.6	22.4
<b>Liabilities</b>				
Amounts due to banks	9.1	9.1	11.0	11.0
Payables from securities financing transactions	5.2	5.2	10.3	10.3
Cash collateral payables on derivative instruments	30.3	30.3	28.9	28.9
Customer deposits	425.9	426.0	419.8	419.9
Debt issued measured at amortized cost	128.1	130.4	132.3	135.0
Other financial liabilities measured at amortized cost	10.4	10.4	6.9	6.9

The fair values included in the table above have been calculated for disclosure purposes only. The fair value valuation techniques and assumptions relate only to the fair value of UBS's financial instruments not measured at fair value. Other institutions may

use different methods and assumptions for their fair value estimation, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another.



## Note 12 Derivative instruments

### a) Derivative instruments

<i>As of 31.3.19, USD billion</i>	Derivative financial assets	Notional values related to derivative financial assets <sup>3</sup>	Derivative financial liabilities	Notional values related to derivative financial liabilities <sup>3</sup>	Other notional values <sup>4</sup>
<b>Derivative financial instruments<sup>1,2</sup></b>					
Interest rate contracts	40.1	1,114	35.4	1,115	11,049
Credit derivative contracts	2.1	74	3.2	78	0
Foreign exchange contracts	44.3	2,892	44.8	2,752	1
Equity / index contracts	22.9	430	25.9	527	122
Commodity contracts	1.2	50	1.0	40	8
Unsettled purchases of non-derivative financial instruments <sup>5</sup>	0.2	29	0.2	17	
Unsettled sales of non-derivative financial instruments <sup>5</sup>	0.2	27	0.3	22	
<b>Total derivative financial instruments, based on IFRS netting<sup>6</sup></b>	<b>111.2</b>	<b>4,617</b>	<b>110.8</b>	<b>4,550</b>	<b>11,180</b>
Further netting potential not recognized on the balance sheet <sup>7</sup>	(100.9)		(97.5)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(81.4)</i>		<i>(81.4)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(19.5)</i>		<i>(16.0)</i>		
<b>Total derivative financial instruments, after consideration of further netting potential</b>	<b>10.2</b>		<b>13.3</b>		

*As of 31.12.18, USD billion*

<b>Derivative financial instruments<sup>1,2</sup></b>					
Interest rate contracts	37.1	1,051	32.7	1,021	10,779
Credit derivative contracts	1.9	74	2.7	78	0
Foreign exchange contracts	53.5	2,626	53.4	2,517	0
Equity / index contracts	31.4	409	35.0	489	106
Commodity contracts	1.8	46	1.5	39	9
Unsettled purchases of non-derivative financial instruments <sup>5</sup>	0.2	17	0.1	6	
Unsettled sales of non-derivative financial instruments <sup>5</sup>	0.4	15	0.2	13	
<b>Total derivative financial instruments, based on IFRS netting<sup>6</sup></b>	<b>126.2</b>	<b>4,239</b>	<b>125.7</b>	<b>4,163</b>	<b>10,894</b>
Further netting potential not recognized on the balance sheet <sup>7</sup>	(114.8)		(111.7)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(90.8)</i>		<i>(90.8)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(24.0)</i>		<i>(20.9)</i>		
<b>Total derivative financial instruments, after consideration of further netting potential</b>	<b>11.4</b>		<b>14.0</b>		

<sup>1</sup> Derivative financial liabilities as of 31 March 2019 include USD 18 million related to derivative loan commitments (31 December 2018: USD 17 million). No notional amounts related to these commitments are included in this table, but they are disclosed in Note 17 under Loan commitments. <sup>2</sup> Includes certain forward starting repurchase and reverse repurchase agreements that are classified as measured at fair value through profit or loss and are recognized within derivative instruments. The fair value of these derivative instruments was not material as of 31 March 2019 or 31 December 2018. No notional amounts related to these instruments are included in this table, but they are disclosed within Note 17 under Forward starting transactions. <sup>3</sup> In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional values of the netted derivative financial instruments are still presented on a gross basis. <sup>4</sup> Other notional values relate to derivatives that are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for all periods presented. <sup>5</sup> Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. <sup>6</sup> Financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. <sup>7</sup> Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 25 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2018 for more information.

**Note 12 Derivative instruments (continued)****b) Cash collateral on derivative instruments**

<i>USD billion</i>	<b>Receivables 31.3.19</b>	<b>Payables 31.3.19</b>	Receivables 31.12.18	Payables 31.12.18
Cash collateral on derivative instruments, based on IFRS netting <sup>1</sup>	25.2	30.3	23.6	28.9
Further netting potential not recognized on the balance sheet <sup>2</sup>	(14.1)	(15.0)	(14.5)	(15.4)
<i>of which: netting of recognized financial liabilities / assets</i>	(12.2)	(13.7)	(13.5)	(14.2)
<i>of which: netting with collateral received / pledged</i>	(1.9)	(1.4)	(1.0)	(1.2)
<b>Cash collateral on derivative instruments, after consideration of further netting potential</b>	<b>11.1</b>	<b>15.3</b>	9.1	13.5

<sup>1</sup> Financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. <sup>2</sup> Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 25 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2018 for more information.

**Note 13 Other assets and liabilities****a) Other financial assets measured at amortized cost**

<i>USD million</i>	<b>31.3.19</b>	31.12.18
Debt securities	12,938	13,562
<i>of which: government bills / bonds</i>	8,094	8,778
Loans to financial advisors <sup>1</sup>	3,158	3,291
Fee- and commission-related receivables	1,824	1,643
Finance lease receivables <sup>2</sup>	1,224	1,091
Settlement and clearing accounts	707	1,050
Accrued interest income	729	694
Other	1,855	1,233
<b>Total other financial assets measured at amortized cost</b>	<b>22,433</b>	22,563

<sup>1</sup> Related to financial advisors in the US and Canada. <sup>2</sup> Upon adoption of IFRS 16 on 1 January 2019, Finance lease receivables increased by USD 176 million. Refer to Note 1 for more information.

**b) Other non-financial assets**

<i>USD million</i>	<b>31.3.19</b>	31.12.18
Precious metals and other physical commodities	3,816	4,298
Bail deposit <sup>1</sup>	1,286	1,312
Prepaid expenses	1,026	990
Net defined benefit pension and post-employment assets	3	0
VAT and other tax receivables	280	334
Properties and other non-current assets held for sale	58	82
Other	425	395
<b>Total other non-financial assets</b>	<b>6,893</b>	7,410

<sup>1</sup> Refer to item 1 in Note 16b for more information.

## Note 13 Other assets and liabilities (continued)

### c) Other financial liabilities measured at amortized cost

<i>USD million</i>	31.3.19	31.12.18
Other accrued expenses	1,909	2,192
Accrued interest expenses	1,300	1,544
Settlement and clearing accounts	1,164	1,486
Lease liabilities <sup>1</sup>	3,968	
Other	2,075	1,663
<b>Total other financial liabilities measured at amortized cost</b>	<b>10,416</b>	<b>6,885</b>

<sup>1</sup> Relates to lease liabilities of USD 4,057 million recognized upon adoption of IFRS 16 on 1 January 2019. Refer to Note 1 for more information.

### d) Other financial liabilities designated at fair value

<i>USD million</i>	31.3.19	31.12.18
Amounts due under unit-linked investment contracts	24,317	21,679
Securities financing transactions	6,190	9,461
Over-the-counter debt instruments	1,882	2,450
<i>of which: life-to-date own credit (gain) / loss</i>	<i>(27)</i>	<i>(51)</i>
Other	5	5
<b>Total other financial liabilities designated at fair value</b>	<b>32,394</b>	<b>33,594</b>

### e) Other non-financial liabilities

<i>USD million</i>	31.3.19	31.12.18
Compensation-related liabilities	4,947	7,278
<i>of which: accrued expenses</i>	<i>1,027</i>	<i>2,696</i>
<i>of which: Deferred Contingent Capital Plan</i>	<i>1,538</i>	<i>1,983</i>
<i>of which: other deferred compensation plans</i>	<i>1,472</i>	<i>1,823</i>
<i>of which: net defined benefit pension and post-employment liabilities</i>	<i>910</i>	<i>775</i>
Current and deferred tax liabilities	1,013	1,002
VAT and other tax payables	491	431
Deferred income	171	215
Other	103	98
<b>Total other non-financial liabilities</b>	<b>6,726</b>	<b>9,022</b>

**Note 14 Debt issued designated at fair value**

<i>USD million</i>	<b>31.3.19</b>	31.12.18
<b>Issued debt instruments</b>		
Equity-linked <sup>1</sup>	<b>41,033</b>	34,392
Rates-linked	<b>14,430</b>	12,073
Credit-linked	<b>3,389</b>	3,282
Fixed-rate	<b>5,681</b>	5,099
Other	<b>2,386</b>	2,185
<b>Total debt issued designated at fair value</b>	<b>66,919</b>	57,031
<i>of which: life-to-date own credit (gain) / loss</i>	<b>33</b>	(270)

<sup>1</sup> Includes investment fund unit-linked instruments issued.

**Note 15 Debt issued measured at amortized cost**

<i>USD million</i>	<b>31.3.19</b>	31.12.18
Certificates of deposit	<b>6,869</b>	7,980
Commercial paper	<b>21,711</b>	27,514
Other short-term debt	<b>3,453</b>	3,531
<b>Short-term debt<sup>1</sup></b>	<b>32,033</b>	39,025
Senior unsecured debt that contributes to total loss-absorbing capacity (TLAC)	<b>30,548</b>	29,988
Senior unsecured debt other than TLAC	<b>32,850</b>	33,018
Covered bonds	<b>3,815</b>	3,947
Subordinated debt	<b>20,299</b>	17,665
<i>of which: high-trigger loss-absorbing additional tier 1 capital instruments</i>	<b>10,396</b>	7,785
<i>of which: low-trigger loss-absorbing additional tier 1 capital instruments</i>	<b>2,381</b>	2,369
<i>of which: low-trigger loss-absorbing tier 2 capital instruments</i>	<b>6,821</b>	6,808
<i>of which: non-Basel III-compliant tier 2 capital instruments</i>	<b>700</b>	703
Debt issued through the Swiss central mortgage institutions	<b>8,505</b>	8,569
Other long-term debt	<b>55</b>	58
<b>Long-term debt<sup>2</sup></b>	<b>96,072</b>	93,246
<b>Total debt issued measured at amortized cost<sup>3</sup></b>	<b>128,105</b>	132,271

<sup>1</sup> Debt with an original maturity of less than one year. <sup>2</sup> Debt with original maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. <sup>3</sup> Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

## Note 16 Provisions and contingent liabilities

### a) Provisions

The table below presents an overview of total provisions recognized under both IAS 37 and IFRS 9.

<i>USD million</i>	<b>31.3.19</b>	31.12.18
Provisions recognized under IAS 37	<b>3,063</b>	3,377
Provisions for off-balance sheet financial instruments	<b>91</b>	79
Provisions for other credit lines	<b>43</b>	37
<b>Total provisions</b>	<b>3,197</b>	3,494

The following table presents additional information for provisions recognized under IAS 37.

<i>USD million</i>	Operational risks <sup>2</sup>	Litigation, regulatory and similar matters <sup>3</sup>	Restructuring	Real estate	Employee benefits <sup>6</sup>	Other	Total
<b>Balance as of 31 December 2018</b>	46	2,827	224	131	70	78	3,377
Adjustment from adoption of IFRS 16 <sup>1</sup>	0	0	(103)	(29)	0	0	(132)
<b>Balance as of 1 January 2019</b>	46	2,827	121	102	70	78	3,245
Increase in provisions recognized in the income statement	4	16	6	0	1	2	<b>29</b>
Release of provisions recognized in the income statement	0	(17)	(5)	0	(2)	0	<b>(24)</b>
Provisions used in conformity with designated purpose	(4)	(134)	(23)	(4)	0	(6)	<b>(171)</b>
Foreign currency translation / unwind of discount	(2)	(15)	0	(1)	0	(1)	<b>(18)</b>
<b>Balance as of 31 March 2019</b>	<b>45</b>	<b>2,677</b>	<b>101<sup>4</sup></b>	<b>98<sup>5</sup></b>	<b>69</b>	<b>73</b>	<b>3,063</b>

<sup>1</sup> Refer to Note 1 for more information. <sup>2</sup> Comprises provisions for losses resulting from security risks and transaction processing risks. <sup>3</sup> Comprises provisions for losses resulting from legal, liability and compliance risks. <sup>4</sup> Primarily consists of personnel-related restructuring provisions of USD 31 million as of 31 March 2019 (31 December 2018: USD 50 million) and provisions for onerous contracts of USD 64 million as of 31 March 2019 (31 December 2018: USD 170 million). <sup>5</sup> Consists of reinstatement costs for leasehold improvements of USD 88 million as of 31 March 2019 (31 December 2018: USD 89 million) and provisions for onerous contracts of USD 10 million as of 31 March 2019 (31 December 2018: USD 42 million). <sup>6</sup> Includes provisions for sabbatical and anniversary awards.

Restructuring provisions primarily relate to onerous contracts and severance payments. Onerous contracts for property are recognized when UBS is committed to pay for non-lease components, such as utilities, when a property is vacated or not fully recovered from subtenants. Severance-related provisions are used within a short time period, usually within six months, but potential changes in amount may be triggered when natural

staff attrition reduces the number of people affected by a restructuring event and therefore the estimated costs.

Information on provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 16b. There are no material contingent liabilities associated with the other classes of provisions.

### b) Litigation, regulatory and similar matters

The Group operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this Note may refer to UBS Group AG and / or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where the Group may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which the Group believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. The Group makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that the Group has a present legal or

constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against the Group, but are nevertheless expected to be, based on the Group's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant. Developments relating to a matter that occur after the relevant reporting period, but prior to the issuance of financial statements, which affect management's assessment of the provision for such matter (because, for example, the developments provide evidence of conditions that existed at the end of the reporting period), are adjusting events after the reporting period under IAS 10 and must be recognized in the financial statements for the reporting period.

**Note 16 Provisions and contingent liabilities (continued)**

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

In the case of certain matters below, we state that we have established a provision, and for the other matters, we make no such statement. When we make this statement and we expect disclosure of the amount of a provision to prejudice seriously our position with other parties in the matter because it would reveal what UBS believes to be the probable and reliably estimable outflow, we do not disclose that amount. In some cases we are subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which we do not state whether we have established a provision, either (a) we have not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard; or (b) we have established a provision but expect disclosure of that fact to prejudice seriously our position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which we have established provisions, we are able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which we are able to estimate expected timing is immaterial relative to our current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in Note 16a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require us to provide speculative legal assessments as to claims

and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although we therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, we believe that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the non-prosecution agreement described in item 5 of this Note, which we entered into with the US Department of Justice (DOJ), Criminal Division, Fraud Section in connection with our submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate (LIBOR), was terminated by the DOJ based on its determination that we had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and is subject to probation through January 2020.

A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require us to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations, and may permit financial market utilities to limit, suspend or terminate our participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining our capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of this report.

**Provisions for litigation, regulatory and similar matters by business division and in Corporate Center<sup>1</sup>**

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center	UBS
<b>Balance as of 31 December 2018</b>	1,003	117	0	269	1,438	2,827
Increase in provisions recognized in the income statement	14	0	0	2	0	16
Release of provisions recognized in the income statement	(13)	0	0	(2)	(2)	(17)
Provisions used in conformity with designated purpose	(49)	(1)	0	(66)	(18)	(134)
Foreign currency translation / unwind of discount	(12)	(2)	0	(2)	1	(15)
<b>Balance as of 31 March 2019</b>	<b>943</b>	<b>114</b>	<b>0</b>	<b>201</b>	<b>1,419</b>	<b>2,677</b>

<sup>1</sup> Provisions, if any, for the matters described in this disclosure are recorded in Global Wealth Management (item 3 and item 4) and Corporate Center (item 2). Provisions, if any, for the matters described in items 1 and 6 of this disclosure are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this disclosure in item 5 are allocated between the Investment Bank and Corporate Center.

## Note 16 Provisions and contingent liabilities (continued)

### 1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that the implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration (FTA) to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests.

The Swiss Federal Administrative Court ruled in 2016 that, in the administrative assistance proceedings related to a French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. On 30 July 2018, the Swiss Federal Administrative Court granted UBS's appeal by holding the French administrative assistance request inadmissible. The FTA filed a final appeal with the Swiss Federal Supreme Court.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France for alleged complicity in having illicitly solicited clients on French territory, regarding the laundering of proceeds of tax fraud, and banking and financial solicitation by unauthorized persons. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("caution") of EUR 1.1 billion and UBS (France) S.A. to post bail of EUR 40 million, which was reduced on appeal to EUR 10 million.

A trial in the court of first instance took place from 8 October 2018 until 15 November 2018. On 20 February 2019, the court announced a verdict finding UBS AG guilty of illicitly soliciting clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS France S.A. guilty of aiding and abetting unlawful solicitation and laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7 billion on UBS AG and UBS France S.A. and awarded EUR 800 million of civil damages to the French state. UBS has appealed the decision. Under French law, the judgment is

suspended while the appeal is pending. The Court of Appeal will retry the case de novo as to both the law and the facts, and the fines and penalties can be greater than or less than those imposed by the court of first instance. A subsequent appeal to the Cour de Cassation, France's highest court, is possible with respect to questions of law.

UBS believes that based on both the law and the facts the judgment of the court of first instance should be reversed. UBS believes it followed its obligations under Swiss and French law as well as the European Savings Tax Directive. Even assuming liability, which it contests, UBS believes the penalties and damage amounts awarded greatly exceed the amounts that could be supported by the law and the facts. In particular, UBS believes the court incorrectly based the penalty on the total regularized assets rather than on any unpaid taxes on those assets for which a fraud has been characterized and further incorrectly awarded damages based on costs that were not proven by the civil party. Notwithstanding that UBS believes it should be acquitted, our balance sheet at 31 March 2019 reflected provisions with respect to this matter in an amount of USD 516 million. The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty. The provision reflected on our balance sheet at 31 March 2019 reflects our best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it is under formal investigation ("inculpé") regarding the laundering of proceeds of tax fraud, of banking and financial solicitation by unauthorized persons, and of serious tax fraud. In 2018, tax authorities and a prosecutor's office in Italy asserted that UBS is potentially liable for taxes and penalties as a result of its activities in Italy from 2012 to 2017.

UBS has, and reportedly numerous other financial institutions have, received inquiries from authorities concerning accounts relating to the Fédération Internationale de Football Association (FIFA) and other constituent soccer associations and related persons and entities. UBS is cooperating with authorities in these inquiries.

Our balance sheet at 31 March 2019 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

## Note 16 Provisions and contingent liabilities (continued)

### 2. Claims related to sales of residential mortgage-backed securities and mortgages

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities (RMBS) and was a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. (UBS RESI), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007, UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued.

UBS RESI also sold pools of loans acquired from originators to third-party purchasers. These whole loan sales during the period 2004 through 2007 totaled approximately USD 19 billion in original principal balance.

UBS was not a significant originator of US residential loans. A branch of UBS originated approximately USD 1.5 billion in US residential mortgage loans during the period in which it was active from 2006 to 2008 and securitized less than half of these loans.

*Lawsuits related to contractual representations and warranties concerning mortgages and RMBS:* When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses. In 2012, certain RMBS trusts filed an action in the US District Court for the Southern District of New York seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations issued and underwritten by UBS with an original principal balance of approximately USD 2 billion. In July 2018, UBS and the trustee entered into an agreement under which UBS will pay USD 850 million to resolve this matter. A significant portion of this amount will be borne by other parties that indemnified UBS. The settlement remains subject to court approval and proceedings to determine how the settlement funds will be distributed to RMBS holders. After giving effect to this settlement, UBS considers claims relating to substantially all loan repurchase demands to be resolved and believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

*Mortgage-related regulatory matters:* Since 2014, the US Attorney's Office for the Eastern District of New York has sought information from UBS pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), related to UBS's RMBS business from 2005 through 2007. On 8 November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under FIRREA related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint on 6 February 2019.

Our balance sheet at 31 March 2019 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

### 3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totaling approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS (BMIS Trustee).



## Note 16 Provisions and contingent liabilities (continued)

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A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125 million of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. The BMIS Trustee appealed. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims and remanded the case to the bankruptcy court for further proceedings. The defendants, including UBS, filed a petition for rehearing in March 2019.

### 4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of USD 2.9 billion, of which claims with aggregate claimed damages of USD 1.9 billion have been resolved through settlements, arbitration or withdrawal of the claim. The claims have been filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and / or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied and a request for permission to appeal that ruling was denied by the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management and the co-manager of

certain of the funds, seeking damages for investor losses in the funds during the period from May 2008 through May 2014. Following denial of the plaintiffs' motion for class certification, the case was dismissed in October 2018.

In 2014 and 2015, UBS entered into settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority in relation to their examinations of UBS's operations.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff, but ordered that plaintiffs must file an amended complaint. In 2017, the court denied defendants' motion to dismiss the amended complaint.

Beginning in 2015, and continuing through 2017, certain agencies and public corporations of the Commonwealth of Puerto Rico (Commonwealth) defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge. These events, further defaults or any further legislative action to create a legal means of restructuring Commonwealth obligations or to impose additional oversight on the Commonwealth's finances, or any restructuring of the Commonwealth's obligations, may increase the number of claims against UBS concerning Puerto Rico securities, as well as potential damages sought.

Our balance sheet at 31 March 2019 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that we have recognized.

## Note 16 Provisions and contingent liabilities (continued)

### 5. Foreign exchange, LIBOR and benchmark rates, and other trading practices

*Foreign exchange-related regulatory matters:* Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. In 2014 and 2015, UBS reached settlements with the UK Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission (CFTC) in connection with their foreign exchange investigations, FINMA issued an order concluding its formal proceedings relating to UBS's foreign exchange and precious metals businesses, and the Board of Governors of the Federal Reserve System (Federal Reserve Board) and the Connecticut Department of Banking issued a Cease and Desist Order and assessed monetary penalties against UBS AG. In 2015, the DOJ's Criminal Division terminated the 2012 non-prosecution agreement with UBS AG related to UBS's submissions of benchmark interest rates, and UBS AG pleaded guilty to one count of wire fraud, paid a fine and is subject to probation through January 2020. UBS has ongoing obligations to cooperate with these authorities and to undertake certain remediation measures. UBS has also been granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Investigations relating to foreign exchange matters by certain authorities remain ongoing notwithstanding these resolutions.

*Foreign exchange-related civil litigation:* Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141 million and provide cooperation to the settlement classes. Certain class members have excluded themselves from that settlement and have filed individual actions in US and English courts against UBS and other banks, alleging violations of US and European competition laws and unjust enrichment.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of persons and businesses in the US who directly purchased foreign

currency from the defendants and alleged co-conspirators for their own end use. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants' motions to dismiss the amended complaint.

In 2017, two putative class actions were filed in federal court in New York against UBS and numerous other banks on behalf of persons and entities who had indirectly purchased foreign exchange instruments from a defendant or co-conspirator in the US, and a consolidated complaint was filed in June 2017. In March 2018, the court dismissed the consolidated complaint. In October 2018, the court granted plaintiffs' motion seeking leave to file an amended complaint.

*LIBOR and other benchmark-related regulatory matters:* Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, FINMA, various state attorneys general in the US and competition authorities in various jurisdictions have conducted or are continuing to conduct investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. In 2012, UBS reached settlements relating to benchmark interest rates with the UK Financial Services Authority, the CFTC and the Criminal Division of the DOJ, and FINMA issued an order in its proceedings with respect to UBS relating to benchmark interest rates. In addition, UBS entered into settlements with the European Commission and with the Swiss Competition Commission (WEKO) regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives. UBS has ongoing obligations to cooperate with the authorities with whom we have reached resolutions and to undertake certain remediation measures with respect to benchmark interest rate submissions. In December 2018, UBS entered into a settlement agreement with the New York and other state attorneys general under which it will pay USD 68 million to resolve claims by the attorneys general related to LIBOR. UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and WEKO, in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

## Note 16 Provisions and contingent liabilities (continued)

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*LIBOR and other benchmark-related civil litigation:* A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are a number of other actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. The complaints allege manipulation, through various means, of certain benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, USD and SGD SIBOR and SOR and Australian BBSW, and seek unspecified compensatory and other damages under varying legal theories.

*USD LIBOR class and individual actions in the US:* In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims. Although the Second Circuit vacated the district court's judgment dismissing antitrust claims, the district court again dismissed antitrust claims against UBS in 2016. Certain plaintiffs have appealed that decision to the Second Circuit. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims. UBS entered into an agreement in 2016 with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement has received preliminary court approval and remains subject to final approval. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust and unjust enrichment claims.

*Other benchmark class actions in the US:* In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including a federal antitrust claim, for lack of standing. In 2015, this court dismissed the plaintiffs' federal racketeering claims on the same basis and affirmed its previous

dismissal of the plaintiffs' antitrust claims against UBS. In 2017, this court also dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds, as did the court in the CHF LIBOR action. Also in 2017, the courts in the EURIBOR lawsuit dismissed the cases as to UBS and certain other foreign defendants for lack of personal jurisdiction. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs in the CHF LIBOR and SIBOR / SOR actions have filed amended complaints following the dismissals, which UBS and other defendants have moved to dismiss. In November 2018, the court in the BBSW lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Following that dismissal, plaintiffs in the BBSW action moved in January 2019 to file an amended complaint seeking to re-name UBS and certain other banks as defendants. UBS and other defendants also moved to dismiss the GBP LIBOR action in December 2016, but that motion was denied as to UBS in December 2018. UBS moved for reconsideration of that decision in January 2019.

*Government bonds:* Putative class actions have been filed since 2015 in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. A consolidated complaint was filed in 2017 in the US District Court for the Southern District of New York alleging that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction and in the secondary market and asserting claims under the antitrust laws and for unjust enrichment. Defendants' motions to dismiss the consolidated complaint are pending.

UBS and reportedly other banks are responding to investigations and requests for information from various authorities regarding US Treasury securities and other government bond trading practices. As a result of its review to date, UBS has taken appropriate action.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 31 March 2019 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

**Note 16 Provisions and contingent liabilities (continued)****6. Swiss retrocessions**

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver.

FINMA has issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among other things, the existence

of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

Our balance sheet at 31 March 2019 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

**Note 17 Guarantees, commitments and forward starting transactions**

The table below presents the maximum irrevocable amount of guarantees, commitments and forward starting transactions.

USD million	31.3.19				31.12.18			
	Gross		Sub-participations	Net	Gross		Sub-participations	Net
	Measured at fair value	Not measured at fair value			Measured at fair value	Not measured at fair value		
<b>Total guarantees</b>	<b>1,840</b>	<b>17,434</b>	<b>(2,760)</b>	<b>16,514</b>	1,639	18,146	(2,803)	16,982
<b>Loan commitments</b>	<b>6,401</b>	<b>27,919</b>	<b>(690)</b>	<b>33,630</b>	3,535	31,212	(647)	34,099
<b>Forward starting transactions<sup>1</sup></b>								
Reverse repurchase agreements	29,284	2,038			8,117	925		
Securities borrowing agreements		20				12		
Repurchase agreements	15,321	629			7,926	400		

<sup>1</sup> Cash to be paid in the future by either UBS or the counterparty.

**Note 18 Currency translation rates**

The following table shows the rates of the main currencies used to translate the financial information of UBS's operations with a functional currency other than the US dollar into US dollars.

	Closing exchange rate			Average rate <sup>1</sup>		
	As of			For the quarter ended		
	31.3.19	31.12.18	31.3.18	31.3.19	31.12.18	31.3.18
1 CHF	1.00	1.02	1.05	1.00	1.00	1.06
1 EUR	1.12	1.15	1.23	1.14	1.14	1.23
1 GBP	1.30	1.28	1.40	1.31	1.28	1.40
100 JPY	0.90	0.91	0.94	0.91	0.89	0.93

<sup>1</sup> Monthly income statement items of operations with a functional currency other than the US dollar are translated with month-end rates into US dollars. Disclosed average rates for a quarter represent an average of three month-end rates, weighted according to the income and expense volumes of all operations of the Group with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for the Group.

# UBS AG interim consolidated financial information (unaudited)

This section contains a comparison of selected financial and capital information between UBS Group AG consolidated and UBS AG consolidated. Refer to the UBS AG first quarter 2019 report, which will be available as of 30 April 2019 under "Quarterly reporting" at [www.ubs.com/investors](http://www.ubs.com/investors), for the interim consolidated financial statements of UBS AG.

## Comparison between UBS Group AG consolidated and UBS AG consolidated

The accounting policies applied under International Financial Reporting Standards (IFRS) to both UBS Group AG and UBS AG consolidated financial statements are identical. However, there are certain scope and presentation differences as noted below:

- Assets, liabilities, operating income, operating expenses and operating profit before tax relating to UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG, are reflected in the consolidated financial statements of UBS Group AG but not of UBS AG. UBS AG's assets, liabilities, operating income and operating expenses related to transactions with UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG and other shared services subsidiaries, are not subject to elimination in the UBS AG consolidated financial statements, but are eliminated in the UBS Group AG consolidated financial statements. UBS Business Solutions AG and other shared services subsidiaries of UBS Group AG charge other legal entities within the UBS AG consolidation scope for services provided, including a markup on costs incurred.
- UBS Group AG consolidated equity was USD 0.5 billion higher compared to the equity of UBS AG consolidated as of 31 March 2019, mainly driven by higher dividends paid by UBS AG to UBS Group AG compared with the dividend distributions of UBS Group AG, as well as higher retained earnings in the UBS Group AG consolidated financial statements, largely related to the aforementioned markup charged by shared services subsidiaries of UBS Group AG to other legal entities in the UBS AG scope of consolidation. UBS Group AG is also the grantor of the majority of the compensation plans of the Group and recognizes share premium for equity-settled awards granted, largely offset by the treasury shares held to hedge the related share delivery obligation and those acquired as part of our share repurchase program. These effects were partly offset by additional share premium recognized at the UBS AG consolidated level related to the establishment of UBS Group AG and UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG.
- Going concern capital of UBS AG consolidated was USD 4.1 billion lower than going concern capital of UBS Group AG consolidated as of 31 March 2019, reflecting additional tier 1 (AT1) capital of USD 4.3 billion partly offset by higher common equity tier 1 (CET1) capital of USD 0.3 billion.
- CET1 capital of UBS AG consolidated was USD 0.3 billion higher than that of UBS Group AG consolidated as of 31 March 2019. The main drivers are differences in equity, in deductions for compensation-related regulatory capital components and in dividend accruals.
- Going concern loss-absorbing AT1 capital of UBS AG consolidated was USD 4.3 billion lower than that of UBS Group AG consolidated as of 31 March 2019, reflecting Deferred Contingent Capital Plan awards and AT1 capital notes. These AT1 capital notes were issued by UBS Group Funding (Switzerland) AG, a direct subsidiary of UBS Group AG, after the implementation of the new Swiss SRB framework, and only qualify as gone concern loss-absorbing capacity at the UBS AG consolidated level.

**Comparison UBS Group AG consolidated versus UBS AG consolidated**

	As of or for the quarter ended 31.3.19			As of or for the quarter ended 31.12.18		
	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)
<i>USD million, except where indicated</i>						
<b>Income statement</b>						
Operating income	7,218	7,343	(125)	6,972	7,083	(111)
Operating expenses	5,672	5,890	(217)	6,492	6,667	(176)
Operating profit / (loss) before tax	1,546	1,454	92	481	416	65
<i>of which: Global Wealth Management</i>	863	848	16	327	316	11
<i>of which: Personal &amp; Corporate Banking</i>	387	386	1	644	645	(1)
<i>of which: Asset Management</i>	103	103	0	106	105	1
<i>of which: Investment Bank</i>	207	187	20	(78)	(79)	1
<i>of which: Corporate Center</i>	(15)	(71)	56	(518)	(571)	53
Net profit / (loss)	1,139	1,067	72	315	273	42
<i>of which: net profit / (loss) attributable to shareholders</i>	1,141	1,069	72	315	272	42
<i>of which: net profit / (loss) attributable to non-controlling interests</i>	(2)	(2)	0	1	1	0
<b>Statement of comprehensive income</b>						
Other comprehensive income	(100)	(90)	(10)	893	895	(2)
<i>of which: attributable to shareholders</i>	(104)	(94)	(10)	892	894	(2)
<i>of which: attributable to non-controlling interests</i>	4	4	0	1	1	0
Total comprehensive income	1,039	977	62	1,208	1,168	41
<i>of which: attributable to shareholders</i>	1,037	974	62	1,207	1,166	41
<i>of which: attributable to non-controlling interests</i>	2	2	0	2	2	0
<b>Balance sheet</b>						
Total assets	956,579	956,737	(158)	958,489	958,055	434
Total liabilities	902,739	903,348	(609)	905,386	905,624	(238)
Total equity	53,840	53,389	451	53,103	52,432	671
<i>of which: equity attributable to shareholders</i>	53,667	53,216	451	52,928	52,256	671
<i>of which: equity attributable to non-controlling interests</i>	173	173	0	176	176	0
<b>Capital information</b>						
Common equity tier 1 capital	34,658	34,933	(275)	34,119	34,608	(489)
Going concern capital	49,436	45,368	4,068	46,279	42,413	3,865
Risk-weighted assets	267,556	266,581	976	263,747	262,840	907
Common equity tier 1 capital ratio (%)	13.0	13.1	(0.2)	12.9	13.2	(0.2)
Going concern capital ratio (%)	18.5	17.0	1.5	17.5	16.1	1.4
Total loss-absorbing capacity ratio (%)	32.7	32.2	0.5	31.7	31.3	0.5
Leverage ratio denominator	910,993	911,410	(417)	904,598	904,458	140
Common equity tier 1 leverage ratio (%)	3.80	3.83	(0.03)	3.77	3.83	(0.05)
Going concern leverage ratio (%)	5.4	5.0	0.4	5.1	4.7	0.4
Total loss-absorbing capacity leverage ratio (%)	9.6	9.4	0.2	9.3	9.1	0.2

# Significant regulated subsidiary and sub-group information

Unaudited

# Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups

	UBS AG (standalone) <i>USD million, except where indicated</i>		UBS Switzerland AG (standalone) <i>CHF million, except where indicated</i>		UBS Europe SE (consolidated) <i>EUR million, except where indicated</i>		UBS Americas Holding LLC (consolidated) <i>USD million, except where indicated</i>	
As of or for the quarter ended	31.3.19	31.12.18	31.3.19	31.12.18	31.3.19 <sup>1</sup>	31.3.19	31.12.18 <sup>2</sup>	
<b>Financial information<sup>3,4,5</sup></b>								
<b>Income statement</b>								
Total operating income	2,237	1,912	2,060	2,039	193	2,933	3,124	
Total operating expenses	2,200	3,173	1,600	1,637	186	2,626	2,799	
Operating profit / (loss) before tax	37	(1,260)	460	402	7	307	325	
Net profit / (loss)	55	(435)	360	298	11	225	2,385	
<b>Balance sheet</b>								
Total assets	498,426	480,238	295,806	293,034	56,687	140,376	142,761	
Total liabilities	447,264	429,130	281,612	279,200	51,972	112,662	115,340	
Total equity	51,162	51,107	14,194	13,834	4,715	27,714	27,421	
<b>Capital<sup>6,7</sup></b>								
Common equity tier 1 capital	49,024	49,411	10,463	10,225	3,568	12,028	11,746	
Additional tier 1 capital	10,435	7,805	4,248	4,243	290	2,141	2,141	
Tier 1 capital	59,460	57,217	14,712	14,468	3,858	14,170	13,887	
Total going concern capital	65,472	63,225	14,712	14,468				
Tier 2 capital						713	714	
Total gone concern loss-absorbing capacity			10,945	10,932				
Total capital					3,858	14,882	14,601	
Total loss-absorbing capacity			25,657	25,400				
<b>Risk-weighted assets and leverage ratio denominator<sup>6,7</sup></b>								
Risk-weighted assets	300,734	292,888	96,067	95,646	14,432	55,313	54,063	
Leverage ratio denominator	617,329	601,013	310,545	306,487	51,060	124,981	122,829	
<b>Capital and leverage ratios (%)<sup>6,7</sup></b>								
Common equity tier 1 capital ratio	16.3	16.9	10.9	10.7	24.7	21.7	21.7	
Tier 1 capital ratio					26.7	25.6	25.7	
Going concern capital ratio	21.8	21.6	15.3	15.1				
Total capital ratio					26.7	26.9	27.0	
Total loss-absorbing capacity ratio			26.7	26.6				
Leverage ratio <sup>8</sup>	10.6	10.5			7.6	11.3	11.3	
Total loss-absorbing capacity leverage ratio			8.3	8.3				
<b>Liquidity<sup>7,9,10</sup></b>								
High-quality liquid assets (billion)	87	76	71	67	15			
Net cash outflows (billion)	51	55	52	53	7			
Liquidity coverage ratio (%) <sup>11,12</sup>	169	139	137	128	214			
<b>Other</b>								
Joint and several liability between UBS AG and UBS Switzerland AG (billion) <sup>13</sup>			26	26				

<sup>1</sup> As a result of the cross-border merger of UBS Limited into UBS Europe SE effective 1 March 2019, UBS Europe SE has become a significant regulated subsidiary of UBS Group AG. The size, scope and business model of the merged entity is now materially different. Comparatives for December 2018 have not been provided in the table because data produced on the same basis is not available. For more information on the cross-border merger of UBS Limited into UBS Europe SE, refer to the "Recent developments" section of this report. <sup>2</sup> Figures as of or for the quarter ended 31 December 2018 have been adjusted for consistency with the full-year audited financial statements and / or local regulatory reporting, which were finalized after the publication of the UBS Group AG Annual Report 2018 and the 31 December 2018 Pillar 3 report on 15 March 2019. <sup>3</sup> UBS AG and UBS Switzerland AG financial information is prepared in accordance with Swiss GAAP (FINMA Circular 2015/1 and Banking Ordinance), but does not represent interim financial statements under Swiss GAAP. <sup>4</sup> UBS Europe SE financial information is prepared in accordance with International Financial Reporting Standards (IFRS), but does not represent interim financial statements under IFRS. <sup>5</sup> UBS Americas Holding LLC financial information is prepared in accordance with accounting principles generally accepted in the US (US GAAP), but does not represent interim financial statements under US GAAP. <sup>6</sup> For UBS AG and UBS Switzerland AG, based on applicable transitional arrangements for Swiss systemically relevant banks (SRBs). For UBS Europe SE, based on applicable EU Basel III rules. <sup>7</sup> Refer to the 31 March 2019 Pillar 3 report under "Pillar 3 disclosures" at [www.ubs.com/investors](http://www.ubs.com/investors) for more information. <sup>8</sup> For UBS AG, on the basis of going concern capital. On the basis of tier 1 capital for UBS Europe SE and UBS Americas Holding LLC. <sup>9</sup> There was no local disclosure requirement for UBS Americas Holding LLC as of 31 March 2019 and 31 December 2018. <sup>10</sup> For UBS Europe SE, 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. <sup>11</sup> UBS AG is required to maintain a minimum liquidity coverage ratio of 105% as communicated by FINMA. <sup>12</sup> UBS Switzerland AG, as a Swiss SRB, is required to maintain a minimum liquidity coverage ratio of 100%. <sup>13</sup> Refer to the "Capital management" section of our Annual Report 2018 for more information on the joint and several liability. Under certain circumstances, the Swiss Banking Act and FINMA's Banking Insolvency Ordinance authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.



UBS Group AG is a holding company and conducts substantially all of its operations through UBS AG and its subsidiaries. UBS Group AG and UBS AG have contributed a significant portion of their respective capital and provide substantial liquidity to subsidiaries. Many of these subsidiaries are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements. The tables in this section summarize the regulatory capital components and capital ratios of our significant regulated subsidiaries and sub-groups determined under the regulatory framework of each subsidiary's or sub-group's home jurisdiction.

Supervisory authorities generally have discretion to impose higher requirements or to otherwise limit the activities of subsidiaries. Supervisory authorities also may require entities to

measure capital and leverage ratios on a stressed basis and may limit the ability of the entity to engage in new activities or take capital actions based on the results of those tests.

Standalone regulatory information for UBS AG and UBS Switzerland AG as well as consolidated regulatory information for UBS Europe SE and UBS Americas Holding LLC is provided in the 31 March 2019 Pillar 3 report, which is available under "Pillar 3 disclosures" at [www.ubs.com/investors](http://www.ubs.com/investors).

Selected financial and regulatory information for UBS AG consolidated is included in the key figures table below. Refer also to the UBS AG first quarter 2019 report, which will be available as of 30 April 2019 under "Quarterly reporting" at [www.ubs.com/investors](http://www.ubs.com/investors).

### UBS AG consolidated key figures

USD million, except where indicated	As of or for the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Results</b>			
Operating income	7,343	7,083	8,301
Operating expenses	5,890	6,667	6,404
Operating profit / (loss) before tax	1,454	416	1,897
Net profit / (loss) attributable to shareholders	1,069	272	1,412
<b>Profitability and growth<sup>1</sup></b>			
Return on equity (%) <sup>2</sup>	8.1	2.1	10.7
Return on tangible equity (%) <sup>3</sup>	9.3	2.4	12.3
Return on common equity tier 1 capital (%) <sup>4</sup>	12.3	3.1	16.3
Return on risk-weighted assets, gross (%) <sup>5</sup>	11.1	11.0	13.1
Return on leverage ratio denominator, gross (%) <sup>5</sup>	3.2	3.1	3.6
Cost / income ratio (%) <sup>6</sup>	80.0	93.4	76.9
Net profit growth (%) <sup>7</sup>	(24.3)		16.4
<b>Resources</b>			
Total assets	956,737	958,055	965,224
Equity attributable to shareholders	53,216	52,256	53,185
Common equity tier 1 capital <sup>8</sup>	34,933	34,608	35,060
Risk-weighted assets <sup>8</sup>	266,581	262,840	266,202
Common equity tier 1 capital ratio (%) <sup>8</sup>	13.1	13.2	13.2
Going concern capital ratio (%) <sup>8</sup>	17.0	16.1	15.9
Total loss-absorbing capacity ratio (%) <sup>8</sup>	32.2	31.3	30.7
Leverage ratio denominator <sup>8</sup>	911,410	904,458	926,914
Common equity tier 1 leverage ratio (%) <sup>8</sup>	3.83	3.83	3.78
Going concern leverage ratio (%) <sup>8</sup>	5.0	4.7	4.6
Total loss-absorbing capacity leverage ratio (%) <sup>8</sup>	9.4	9.1	8.8
<b>Other</b>			
Invested assets (USD billion) <sup>9</sup>	3,318	3,101	3,309
Personnel (full-time equivalents) <sup>10</sup>	47,773	47,643	46,433

<sup>1</sup> Refer to the "Performance targets and measurement" section of our Annual Report 2018 for more information on our performance targets. <sup>2</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders (annualized as applicable). <sup>3</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. The definition of the numerator for return on tangible equity has been revised to align with numerators for return on equity and return on CET1 capital; i.e., we no longer adjust for amortization and impairment of goodwill and intangible assets. Prior periods have been restated. <sup>4</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average common equity tier 1 capital. <sup>5</sup> Calculated as operating income before credit loss expense or recovery (annualized as applicable) / average risk-weighted assets and average leverage ratio denominator, respectively. <sup>6</sup> Calculated as operating expenses / operating income before credit loss expense or recovery. <sup>7</sup> Calculated as change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. <sup>8</sup> Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital management" section of this report for more information. <sup>9</sup> Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. <sup>10</sup> As of 31 March 2019, the breakdown of personnel by business division and Corporate Center was: Global Wealth Management: 23,397; Personal & Corporate Banking: 5,133; Asset Management: 2,250; Investment Bank: 5,008; Corporate Center: 11,986.

## Abbreviations frequently used in our financial reports

<b>A</b>		CDR	constant default rate	<b>E</b>	
ABS	asset-backed security	CDS	credit default swap	EAD	exposure at default
AEI	automatic exchange of information	CEA	Commodity Exchange Act	EBA	European Banking Authority
AGM	annual general meeting of shareholders	CECL	current expected credit loss	EC	European Commission
A-IRB	advanced internal ratings-based	CEM	current exposure method	ECB	European Central Bank
AI	artificial intelligence	CEO	Chief Executive Officer	ECL	expected credit loss(es)
AIV	alternative investment vehicle	CET1	common equity tier 1	EIR	effective interest rate
ALCO	Asset and Liability Management Committee	CFO	Chief Financial Officer	EL	expected loss
AMA	advanced measurement approach	CFTC	US Commodity Futures Trading Commission	EMEA	Europe, Middle East and Africa
AML	anti-money laundering	CHF	Swiss franc	EOP	Equity Ownership Plan
AoA	Articles of Association of UBS Group AG	CIC	Corporate Institutional Clients	EPE	expected positive exposure
ASF	available stable funding	CIO	Chief Investment Office	EPS	earnings per share
ASFA	advanced supervisory formula approach	CLN	credit-linked note	ERISA	Employee Retirement Income Security Act of 1974
AT1	additional tier 1	CLO	collateralized loan obligation	ESG	environmental, social and governance
AuM	assets under management	CLS	continuous linked settlement	ESMA	European Securities and Markets Authority
<b>B</b>		CMBS	commercial mortgage-backed security	ESR	environmental and social risk
BCBS	Basel Committee on Banking Supervision	C&ORC	Compliance & Operational Risk Control	ETD	exchange-traded derivative
BD	business division	CRD IV	EU Capital Requirements Directive of 2013	ETF	exchange-traded fund
BEAT	base erosion and anti-abuse tax	CSO	Client Strategy Office	EU	European Union
BIS	Bank for International Settlements	CVA	credit valuation adjustment	EUR	euro
BoD	Board of Directors	<b>D</b>		EURIBOR	Euro Interbank Offered Rate
BSC	Business Solutions Center	DBO	defined benefit obligation	<b>F</b>	
BVG	Swiss occupational pension plan	DCCP	Deferred Contingent Capital Plan	FCA	UK Financial Conduct Authority
<b>C</b>		DJSI	Dow Jones Sustainability Indices	FCT	foreign currency translation
CAO	Capital Adequacy Ordinance	DOJ	US Department of Justice	FINMA	Swiss Financial Market Supervisory Authority
CC	Corporate Center	DOL	US Department of Labor	FINRA	US Financial Industry Regulatory Authority
CCAR	Comprehensive Capital Analysis and Review	D-SIB	domestic systemically important bank	FMIA	Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading
CCB	countercyclical buffer	DTA	deferred tax asset		
CCF	credit conversion factor	DVA	debit valuation adjustment		
CCP	central counterparty				
CCR	counterparty credit risk				
CCRC	Corporate Culture and Responsibility Committee				
CDO	collateralized debt obligation				

## Abbreviations frequently used in our financial reports (continued)

FRA	forward rate agreement	IFRS	International Financial Reporting Standards	<b>O</b>	
FSB	Financial Stability Board			OCA	own credit adjustment
FTA	Swiss Federal Tax Administration	IHC	intermediate holding companies	OCI	other comprehensive income
FTD	first to default	IMA	internal models approach	OECD	Organisation for Economic Co-operation and Development
FTP	funds transfer pricing	IMM	internal model method		
FVA	funding valuation adjustment	IPS	Investment Platforms and Solutions	OIS	overnight index swap
FVOCI	fair value through other comprehensive income	IRB	internal ratings-based	OTC	over-the-counter
FVTPL	fair value through profit or loss	IRC	incremental risk charge	<b>P</b>	
FX	foreign exchange	ISDA	International Swaps and Derivatives Association	PD	probability of default
<b>G</b>		<b>K</b>		PFE	potential future exposure
GAAP	generally accepted accounting principles	KRT	Key Risk Taker	PIT	point in time
GBP	British pound	<b>L</b>		P&L	profit or loss
GEB	Group Executive Board	LAC	loss-absorbing capacity	POCI	purchased or originated credit-impaired
GFA	Group Franchise Awards	LAS	liquidity-adjusted stress	PRA	UK Prudential Regulation Authority
GHG	greenhouse gas	LCR	liquidity coverage ratio	PRV	positive replacement value
GIA	Group Internal Audit	LGD	loss given default	<b>Q</b>	
GIIPS	Greece, Italy, Ireland, Portugal and Spain	LIBOR	London Interbank Offered Rate	QRRE	qualifying revolving retail exposures
GMD	Group Managing Director	LLC	limited liability company	<b>R</b>	
GRI	Global Reporting Initiative	LRD	leverage ratio denominator	RBA	Role-based allowances
Group ALM	Group Asset and Liability Management	LTV	loan-to-value	RBC	risk-based capital
G-SIB	global systemically important bank	<b>M</b>		RLN	reference-linked note
<b>H</b>		MiFID II	Markets in Financial Instruments Directive II	RMBS	residential mortgage-backed securities
HQLA	high-quality liquid assets	MiFIR	Markets in Financial Instruments associated Regulation	RniV	risks not in VaR
HR	human resources			RoAE	return on attributed equity
<b>I</b>		MRT	Material Risk Taker	RoCET1	return on CET1
IAA	internal assessment approach	MTN	medium-term note	RoE	return on equity
IAS	International Accounting Standards	<b>N</b>		RoTE	return on tangible equity
IASB	International Accounting Standards Board	NAV	net asset value	RV	replacement value
IBOR	interbank offered rates	NII	net interest income	RW	risk weight
IFRIC	International Financial Reporting Interpretations Committee	NRV	negative replacement value	RWA	risk-weighted assets
		NSFR	net stable funding ratio		
		NYSE	New York Stock Exchange		

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 Abbreviations frequently used in our financial reports (continued)

<b>S</b>			<b>T</b>		
SA	standardized approach	SI	sustainable investing	TBTF	too big to fail
SA-CCR	standardized approach for counterparty credit risk	SICR	significant increase in credit risk	TCJA	US Tax Cuts and Jobs Act
SAR	stock appreciation right	SIX	SIX Swiss Exchange	TLAC	total loss-absorbing capacity
SBC	Swiss Bank Corporation	SMA	standardized measurement approach	TRS	total return swap
SCCL	single-counterparty credit limit			TTC	through the cycle
SDGs	Sustainable Development Goals	SME	small and medium-sized enterprises	<b>U</b>	
SE	structured entity	SMF	Senior Management Function	UoM	units of measure
SEC	US Securities and Exchange Commission	SNB	Swiss National Bank	USD	US dollar
SEEOP	Senior Executive Equity Ownership Plan	SPPI	solely payments of principal and interest	US IHC	US intermediate holding company
SFTs	securities financing transactions	SRB	systemically relevant bank	<b>V</b>	
		SRM	specific risk measure	VaR	value-at-risk
		SVaR	stressed value-at-risk		

This is a general list of the abbreviations frequently used in our financial reporting. Not all of the listed abbreviations may appear in this particular report.

# Information sources

## Reporting publications

**Annual publications:** *Annual Report (SAP no. 80531)*: Published in English, this single-volume report provides descriptions of: our Group strategy and performance; the strategy and performance of the business divisions and Corporate Center; risk, treasury and capital management; corporate governance, corporate responsibility and our compensation framework, including information on compensation for the Board of Directors and the Group Executive Board members; and financial information, including the financial statements. *Auszug aus dem Geschäftsbericht (SAP no. 80531)*: This publication provides the translation into German of selected sections of the Annual Report. *Annual Review (SAP no. 80530)*: This booklet contains key information on our strategy and performance, with a focus on corporate responsibility at UBS. It is published in English, German, French and Italian. *Compensation Report (SAP no. 82307)*: The report discusses our compensation framework and provides information on compensation for the Board of Directors and the Group Executive Board members. It is available in English and German.

**Quarterly publications:** The quarterly financial report provides an update on our strategy and performance for the respective quarter. It is available in English.

**How to order publications:** The annual and quarterly publications are available in PDF at [www.ubs.com/investors](http://www.ubs.com/investors) in the "UBS Group AG and UBS AG consolidated financial information" section, and printed copies can be requested from UBS free of charge. For annual publications refer to [www.ubs.com/investors](http://www.ubs.com/investors) in the "Investor services" section, which can be accessed via the link on the left-hand side of the screen. Alternatively, they can be ordered by quoting the SAP number and the language preference, where applicable, from UBS AG, F4UK-AUL, P.O. Box, CH-8098 Zurich, Switzerland.

## Other information

**Website:** The "Investor Relations" website at [www.ubs.com/investors](http://www.ubs.com/investors) provides the following information on UBS: news releases; financial information, including results-related filings with the US Securities and Exchange Commission; information for shareholders, including UBS share price charts as well as data and dividend information, and for bondholders; the UBS corporate calendar; and presentations by management for investors and financial analysts. Information on the internet is available in English, with some information also available in German.

**Results presentations:** Our quarterly results presentations are webcast live. A playback of most presentations is downloadable at [www.ubs.com/presentations](http://www.ubs.com/presentations).

**Messaging service:** Email alerts to news about UBS can be subscribed to under "UBS news alert" at [www.ubs.com/investors](http://www.ubs.com/investors). Messages are sent in English, German, French or Italian, with an option to select theme preferences for such alerts.

**Form 20-F and other submissions to the US Securities and Exchange Commission:** We file periodic reports and submit other information about UBS to the US Securities and Exchange Commission (SEC). Principal among these filings is the annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934. The filing of Form 20-F is structured as a wrap-around document. Most sections of the filing can be satisfied by referring to the combined UBS Group AG and UBS AG annual report. However, there is a small amount of additional information in Form 20-F that is not presented elsewhere and is particularly targeted at readers in the US. Readers are encouraged to refer to this additional disclosure. Any document that we file with the SEC is available on the SEC's website [www.sec.gov](http://www.sec.gov). Refer to [www.ubs.com/investors](http://www.ubs.com/investors) for more information.

**Cautionary Statement Regarding Forward-Looking Statements** | This report contains statements that constitute "forward-looking statements," including but not limited to management's outlook for UBS's financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development. While these forward-looking statements represent UBS's judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations. These factors include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), including to counteract regulatory-driven increases, liquidity coverage ratio and other financial resources, and the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (ii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions, developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions on the financial position or creditworthiness of UBS's clients and counterparties as well as on client sentiment and levels of activity; (iii) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS's business activities; (v) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments, and the extent to which such changes will have the intended effects; (vi) UBS's ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (vii) the uncertainty arising from the timing and nature of the UK exit from the EU; (viii) changes in UBS's competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS's ability to compete in certain lines of business; (ix) changes in the standards of conduct applicable to our businesses that may result from new regulation or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (x) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA as well as the amount of capital available for return to shareholders; (xi) the effects on UBS's cross-border banking business of tax or regulatory developments and of possible changes in UBS's policies and practices relating to this business; (xii) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xiii) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xiv) UBS's ability to implement new technologies and business methods, including digital services and technologies and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xv) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xvi) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks, and systems failures; (xvii) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS's operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xviii) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS's ability to maintain its stated capital return objective; and (xix) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS's Annual Report on Form 20-F for the year ended 31 December 2018. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

**Rounding** | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages, percent changes, and adjusted results are calculated on the basis of unrounded figures. Information on absolute changes between reporting periods, which is provided in text and that can be derived from figures displayed in the tables, is calculated on a rounded basis.

**Tables** | Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Percentage changes are presented as a mathematical calculation of the change between periods.

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**The First Quarter 2019 Report of UBS AG**



# UBS AG

First quarter 2019 report

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## Corporate calendar UBS AG

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Publication of the second quarter 2019 report: Friday, 26 July 2019

Publication dates of further quarterly and annual reports and results will be made available as part of the corporate calendar of UBS AG at [www.ubs.com/investors](http://www.ubs.com/investors)

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## Imprint

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3 Introduction

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# UBS AG consolidated key figures

## UBS AG consolidated key figures

USD million, except where indicated	As of or for the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Results</b>			
Operating income	7,343	7,083	8,301
Operating expenses	5,890	6,667	6,404
Operating profit / (loss) before tax	1,454	416	1,897
Net profit / (loss) attributable to shareholders	1,069	272	1,412
<b>Profitability and growth<sup>1</sup></b>			
Return on equity (%) <sup>2</sup>	8.1	2.1	10.7
Return on tangible equity (%) <sup>3</sup>	9.3	2.4	12.3
Return on common equity tier 1 capital (%) <sup>4</sup>	12.3	3.1	16.3
Return on risk-weighted assets, gross (%) <sup>5</sup>	11.1	11.0	13.1
Return on leverage ratio denominator, gross (%) <sup>5</sup>	3.2	3.1	3.6
Cost / income ratio (%) <sup>6</sup>	80.0	93.4	76.9
Net profit growth (%) <sup>7</sup>	(24.3)		16.4
<b>Resources</b>			
Total assets	956,737	958,055	965,224
Equity attributable to shareholders	53,216	52,256	53,185
Common equity tier 1 capital <sup>8</sup>	34,933	34,608	35,060
Risk-weighted assets <sup>9</sup>	266,581	262,840	266,202
Common equity tier 1 capital ratio (%) <sup>8</sup>	13.1	13.2	13.2
Going concern capital ratio (%) <sup>8</sup>	17.0	16.1	15.9
Total loss-absorbing capacity ratio (%) <sup>8</sup>	32.2	31.3	30.7
Leverage ratio denominator <sup>8</sup>	911,410	904,458	926,914
Common equity tier 1 leverage ratio (%) <sup>8</sup>	3.83	3.83	3.78
Going concern leverage ratio (%) <sup>8</sup>	5.0	4.7	4.6
Total loss-absorbing capacity leverage ratio (%) <sup>8</sup>	9.4	9.1	8.8
<b>Other</b>			
Invested assets (USD billion) <sup>9</sup>	3,318	3,101	3,309
Personnel (full-time equivalents) <sup>10</sup>	47,773	47,643	46,433

<sup>1</sup> Refer to the "Performance targets and measurement" section of our Annual Report 2018 for more information on our performance targets. <sup>2</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. <sup>3</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. The definition of the numerator for return on tangible equity has been revised to align with numerators for return on equity and return on CET1 capital; i.e., we no longer adjust for amortization and impairment of goodwill and intangible assets. Prior periods have been restated. <sup>4</sup> Calculated as net profit attributable to shareholders (annualized as applicable) / average common equity tier 1 capital. <sup>5</sup> Calculated as operating income before credit loss expense or recovery (annualized as applicable) / average risk-weighted assets and average leverage ratio denominator, respectively. <sup>6</sup> Calculated as operating expenses / operating income before credit loss expense or recovery. <sup>7</sup> Calculated as change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. <sup>8</sup> Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital management" section of the UBS Group first quarter 2019 report for more information. <sup>9</sup> Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. <sup>10</sup> As of 31 March 2019, the breakdown of personnel by business division and Corporate Center was: Global Wealth Management: 23,397; Personal & Corporate Banking: 5,133; Asset Management: 2,250; Investment Bank: 5,008; Corporate Center: 11,986.

### Changes to our presentation currency

Effective from 1 October 2018, the presentation currency of UBS AG's consolidated financial statements has changed from Swiss francs to US dollars. Comparative information in this report for periods prior to the fourth quarter of 2018 has been restated. Assets, liabilities and total equity were translated to US dollars at closing exchange rates prevailing on the respective balance sheet dates, and income and expenses were translated at the respective average rates prevailing for the relevant periods.

# Introduction

## Structure of this report

UBS Group AG is the holding company for the UBS Group and the parent company of UBS AG. 100% of the issued shares of UBS AG are held by UBS Group AG. Financial information for UBS AG consolidated does not differ materially from that for UBS Group AG consolidated.

This report includes risk and capital management information for UBS AG consolidated and the interim consolidated financial statements for the quarter ended 31 March 2019. Regulatory information for UBS AG standalone is provided in the 31 March 2019 Pillar 3 report, which is available under "Pillar 3 disclosures" at [www.ubs.com/investors](http://www.ubs.com/investors).

→ **Refer to the UBS Group first quarter 2019 report under "Quarterly reporting" at [www.ubs.com/investors](http://www.ubs.com/investors) for more information**

## Comparison between UBS Group AG consolidated and UBS AG consolidated

The table on the following page contains a comparison of selected financial and capital information between UBS Group AG consolidated and UBS AG consolidated.

The accounting policies applied under International Financial Reporting Standards (IFRS) to both UBS Group AG and UBS AG consolidated financial statements are identical. However, there are certain scope and presentation differences as noted below:

– Assets, liabilities, operating income, operating expenses and operating profit before tax relating to UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG, are reflected in the consolidated financial statements of UBS Group AG but not of UBS AG. UBS AG's assets, liabilities, operating income and operating expenses related to transactions with UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG and other shared services subsidiaries, are not subject to elimination in the UBS AG consolidated financial statements, but are eliminated in the UBS Group AG consolidated financial statements. UBS Business Solutions AG and other shared services subsidiaries of UBS Group AG charge other legal entities within the Group for services provided, including a markup on costs incurred.

- UBS Group AG consolidated equity was USD 0.5 billion higher compared to the equity of UBS AG consolidated as of 31 March 2019, mainly driven by higher dividends paid by UBS AG to UBS Group AG compared with the dividend distributions of UBS Group AG, as well as higher retained earnings in the UBS Group AG consolidated financial statements, largely related to the aforementioned markup charged by shared services subsidiaries of UBS Group AG to other legal entities in the UBS AG scope of consolidation. UBS Group AG is also the grantor of the majority of the compensation plans of the Group and recognizes share premium for equity-settled awards granted, largely offset by the treasury shares held to hedge the related share delivery obligation and those acquired as part of our share repurchase program. These effects were partly offset by additional share premium recognized at the UBS AG consolidated level related to the establishment of UBS Group AG and UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG.
- Going concern capital of UBS AG consolidated was USD 4.1 billion lower than going concern capital of UBS Group AG consolidated as of 31 March 2019, reflecting USD 4.3 billion less additional tier 1 (AT1) capital, partly offset by USD 0.3 billion higher common equity tier 1 (CET1) capital.
- CET1 capital of UBS AG consolidated was USD 0.3 billion higher than that of UBS Group AG consolidated as of 31 March 2019. The main drivers are differences in equity, in deductions for compensation-related regulatory capital components and in dividend accruals.
- Going concern loss-absorbing AT1 capital of UBS AG consolidated was USD 4.3 billion lower than that of UBS Group AG consolidated as of 31 March 2019, reflecting Deferred Contingent Capital Plan awards and AT1 capital notes. These AT1 capital notes were issued by UBS Group Funding (Switzerland) AG, a direct subsidiary of UBS Group AG, after the implementation of the new Swiss SRB framework, and only qualify as going concern loss-absorbing capacity at the UBS AG consolidated level.
  - **Refer to "Holding company and significant regulated subsidiaries and sub-groups" at [www.ubs.com/investors](http://www.ubs.com/investors) for an illustration of the consolidation scope differences between UBS AG and UBS Group AG**
  - **Refer to the "Capital management" section of this report for more information on differences in the loss-absorbing capacity between UBS Group AG consolidated and UBS AG consolidated**

**Comparison UBS Group AG consolidated versus UBS AG consolidated**

<i>USD million, except where indicated</i>	As of or for the quarter ended 31.3.19			As of or for the quarter ended 31.12.18		
	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)
<b>Income statement</b>						
Operating income	7,218	7,343	(125)	6,972	7,083	(111)
Operating expenses	5,672	5,890	(217)	6,492	6,667	(176)
Operating profit / (loss) before tax	1,546	1,454	92	481	416	65
<i>of which: Global Wealth Management</i>	863	848	16	327	316	11
<i>of which: Personal &amp; Corporate Banking</i>	387	386	1	644	645	(1)
<i>of which: Asset Management</i>	103	103	0	106	105	1
<i>of which: Investment Bank</i>	207	187	20	(78)	(79)	1
<i>of which: Corporate Center</i>	(15)	(71)	56	(518)	(571)	53
Net profit / (loss)	1,139	1,067	72	315	273	42
<i>of which: net profit / (loss) attributable to shareholders</i>	1,141	1,069	72	315	272	42
<i>of which: net profit / (loss) attributable to non-controlling interests</i>	(2)	(2)	0	1	1	0
<b>Statement of comprehensive income</b>						
Other comprehensive income	(100)	(90)	(10)	893	895	(2)
<i>of which: attributable to shareholders</i>	(104)	(94)	(10)	892	894	(2)
<i>of which: attributable to non-controlling interests</i>	4	4	0	1	1	0
Total comprehensive income	1,039	977	62	1,208	1,168	41
<i>of which: attributable to shareholders</i>	1,037	974	62	1,207	1,166	41
<i>of which: attributable to non-controlling interests</i>	2	2	0	2	2	0
<b>Balance sheet</b>						
Total assets	956,579	956,737	(158)	958,489	958,055	434
Total liabilities	902,739	903,348	(609)	905,386	905,624	(238)
Total equity	53,840	53,389	451	53,103	52,432	671
<i>of which: equity attributable to shareholders</i>	53,667	53,216	451	52,928	52,256	671
<i>of which: equity attributable to non-controlling interests</i>	173	173	0	176	176	0
<b>Capital information</b>						
Common equity tier 1 capital	34,658	34,933	(275)	34,119	34,608	(489)
Going concern capital	49,436	45,368	4,068	46,279	42,413	3,865
Risk-weighted assets	267,556	266,581	976	263,747	262,840	907
Common equity tier 1 capital ratio (%)	13.0	13.1	(0.2)	12.9	13.2	(0.2)
Going concern capital ratio (%)	18.5	17.0	1.5	17.5	16.1	1.4
Total loss-absorbing capacity ratio (%)	32.7	32.2	0.5	31.7	31.3	0.5
Leverage ratio denominator	910,993	911,410	(417)	904,598	904,458	140
Common equity tier 1 leverage ratio (%)	3.80	3.83	(0.03)	3.77	3.83	(0.05)
Going concern leverage ratio (%)	5.4	5.0	0.4	5.1	4.7	0.4
Total loss-absorbing capacity leverage ratio (%)	9.6	9.4	0.2	9.3	9.1	0.2

# Risk and capital management

Management report



# Risk management and control

## **UBS AG consolidated risk profile**

The risk profile of UBS AG consolidated does not differ materially from that of UBS Group AG consolidated and risk information provided in the UBS Group first quarter 2019 report is equally applicable to UBS AG consolidated.

The credit risk profile of UBS AG consolidated differs from that of UBS Group AG consolidated primarily in relation to

receivables of UBS AG and UBS Switzerland AG from UBS Group AG. As a result of these receivables, total banking products exposure of UBS AG consolidated as of 31 March 2019 was USD 1.7 billion, or 0.3%, higher than the exposure of UBS Group, compared with USD 1.8 billion or 0.3% as of 31 December 2018.

→ **Refer to the “Risk management and control” section of the UBS Group first quarter 2019 report for more information**

# Capital management

## Going and gone concern requirements and information

UBS AG is considered a systemically relevant bank (SRB) under Swiss banking law and, on a consolidated basis, both UBS Group AG and UBS AG are required to comply with regulations based on the Basel III framework as applicable for Swiss SRBs.

The Swiss SRB framework and requirements applicable to UBS AG consolidated are consistent with those applicable to UBS Group AG consolidated and are described in the "Capital management" section of our Annual Report 2018, available under "Annual reporting" at [www.ubs.com/investors](http://www.ubs.com/investors).

UBS AG is subject to going concern requirements on a standalone basis. Capital and other regulatory information for UBS AG standalone and consolidated is provided in the 31 March 2019 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups, which is available under "Pillar 3 disclosures" at [www.ubs.com/investors](http://www.ubs.com/investors).

The table below provides the risk-weighted assets (RWA)- and leverage ratio denominator (LRD)-based requirements and information as of 31 March 2019 for UBS AG consolidated.

## Swiss SRB going and gone concern requirements and information<sup>1</sup>

As of 31.3.19	Swiss SRB, including transitional arrangements				Swiss SRB as of 1.1.20			
<i>USD million, except where indicated</i>	RWA		LRD		RWA		LRD	
	in %		in %		in %		in %	
<b>Required loss-absorbing capacity</b>								
<b>Common equity tier 1 capital</b>	9.99	26,630	3.20	29,165	10.31	27,483	3.50	31,899
<i>of which: minimum capital</i>	4.90	13,062	1.70	15,494	4.50	11,996	1.50	13,671
<i>of which: buffer capital</i>	4.78	12,743	1.50	13,671	5.50	14,662	2.00	18,228
<i>of which: countercyclical buffer<sup>2</sup></i>	0.31	825			0.31	825		
<b>Maximum additional tier 1 capital</b>	3.90	10,397	1.30	11,848	4.30	11,463	1.50	13,671
<i>of which: high-trigger loss-absorbing additional tier 1 minimum capital</i>	3.10	8,264	1.30	11,848	3.50	9,330	1.50	13,671
<i>of which: high-trigger loss-absorbing additional tier 1 buffer capital</i>	0.80	2,133			0.80	2,133		
<b>Total going concern capital</b>	13.89 <sup>3</sup>	37,026	4.50	41,013	14.61 <sup>4</sup>	38,946	5.00 <sup>4</sup>	45,570
Base gone concern loss-absorbing capacity, including applicable add-ons and rebate/reduction	9.74 <sup>5</sup>	25,976	3.36 <sup>5</sup>	30,623	10.74 <sup>6</sup>	28,637	3.83 <sup>6</sup>	34,881
<b>Total gone concern loss-absorbing capacity</b>	9.74	25,976	3.36	30,623	10.74	28,637	3.83	34,881
<b>Total loss-absorbing capacity</b>	23.63	63,002	7.86	71,637	25.35	67,583	8.83	80,452
<b>Eligible loss-absorbing capacity</b>								
<b>Common equity tier 1 capital</b>	13.10	34,933	3.83	34,933	13.10	34,933	3.83	34,933
<b>High-trigger loss-absorbing additional tier 1 capital<sup>7</sup></b>	6.17	16,447	1.80	16,447	3.91	10,435	1.14	10,435
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>	3.91	10,435	1.14	10,435	3.91	10,435	1.14	10,435
<i>of which: low-trigger loss-absorbing tier 2 capital</i>	2.26	6,012	0.66	6,012				
<b>Total going concern capital</b>	19.27	51,380	5.64	51,380	17.02	45,368	4.98	45,368
<b>Gone concern loss-absorbing capacity</b>	12.90	34,400	3.77	34,400	15.16	40,412	4.43	40,412
<i>of which: TLAC-eligible debt</i>	11.46	30,548	3.35	30,548	11.46	30,548	3.35	30,548
<b>Total gone concern loss-absorbing capacity</b>	12.90	34,400	3.77	34,400	15.16	40,412	4.43	40,412
<b>Total loss-absorbing capacity</b>	32.18	85,780	9.41	85,780	32.18	85,780	9.41	85,780
<b>Risk-weighted assets / leverage ratio denominator</b>								
Risk-weighted assets		266,581				266,581		
Leverage ratio denominator				911,410				911,410

<sup>1</sup> This table includes a rebate equal to 40% of the maximum rebate on the gone concern requirements, which was granted by FINMA and will be phased in until 1 January 2020 plus an additional reduction of 1.27% for the RWA requirement and 0.37% for the LRD requirement, respectively under Swiss SRB as of 1.1.20 rules, for the usage of low-trigger tier 2 capital instruments to fulfill gone concern requirements.

<sup>2</sup> Going concern capital ratio requirements include countercyclical buffer requirements of 0.31%. <sup>3</sup> Includes applicable add-ons of 0.72% for risk-weighted assets (RWA). <sup>4</sup> Includes applicable add-ons of 1.44% for risk-weighted assets (RWA) and 0.5% for leverage ratio denominator (LRD). <sup>5</sup> Includes applicable add-ons of 1.08% for RWA and 0.38% for LRD and applicable rebate of 1.86% for RWA and 0.64% for LRD. <sup>6</sup> Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD and applicable rebate/reduction of 3.56% for RWA and 1.17% for LRD. <sup>7</sup> Includes outstanding low-trigger loss-absorbing tier 2 capital instruments, which are available under the transitional rules of the Swiss SRB framework to meet the going concern requirements until the earlier of (i) their maturity or first call date or (ii) 31 December 2019, and to meet gone concern requirements thereafter. Outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity, with the amortized portion qualifying as gone concern loss-absorbing capacity. Instruments available to meet gone concern requirements are eligible until one year before maturity, with a haircut of 50% applied in the last year of eligibility.

## Swiss SRB going and gone concern information

	Swiss SRB, including transitional arrangements		Swiss SRB as of 1.1.20	
<i>USD million, except where indicated</i>	31.3.19	31.12.18	31.3.19	31.12.18
<b>Going concern capital</b>				
<b>Common equity tier 1 capital</b>	<b>34,933</b>	34,608	<b>34,933</b>	34,608
High-trigger loss-absorbing additional tier 1 capital	10,435	7,805	10,435	7,805
<b>Total loss-absorbing additional tier 1 capital</b>	<b>10,435</b>	7,805	<b>10,435</b>	7,805
<b>Total tier 1 capital</b>	<b>45,368</b>	42,413	<b>45,368</b>	42,413
Low-trigger loss-absorbing tier 2 capital <sup>1</sup>	6,012	6,008		
<b>Total tier 2 capital</b>	<b>6,012</b>	6,008		
<b>Total going concern capital</b>	<b>51,380</b>	48,421	<b>45,368</b>	42,413
<b>Gone concern loss-absorbing capacity<sup>2</sup></b>				
Low-trigger loss-absorbing additional tier 1 capital <sup>3</sup>	2,380	2,378	2,380	2,378
<b>Total tier 1 capital</b>	<b>2,380</b>	2,378	<b>2,380</b>	2,378
Low-trigger loss-absorbing tier 2 capital <sup>1</sup>	781	771	6,793	6,779
Non-Basel III-compliant tier 2 capital <sup>4</sup>	690	693	690	693
<b>Total tier 2 capital</b>	<b>1,471</b>	1,464	<b>7,483</b>	7,471
<b>TLAC-eligible debt</b>	<b>30,548</b>	29,988	<b>30,548</b>	29,988
<b>Total gone concern loss-absorbing capacity</b>	<b>34,400</b>	33,830	<b>40,412</b>	39,837
<b>Total loss-absorbing capacity</b>				
<b>Total loss-absorbing capacity</b>	<b>85,780</b>	82,251	<b>85,780</b>	82,251
<b>Risk-weighted assets / leverage ratio denominator</b>				
Risk-weighted assets	266,581	262,840	266,581	262,840
Leverage ratio denominator	911,410	904,458	911,410	904,458
<b>Capital and loss-absorbing capacity ratios (%)</b>				
Going concern capital ratio	19.3	18.4	17.0	16.1
<i>of which: common equity tier 1 capital ratio</i>	<i>13.1</i>	<i>13.2</i>	<i>13.1</i>	<i>13.2</i>
Gone concern loss-absorbing capacity ratio	12.9	12.9	15.2	15.2
Total loss-absorbing capacity ratio	32.2	31.3	32.2	31.3
<b>Leverage ratios (%)</b>				
Going concern leverage ratio	5.6	5.4	5.0	4.7
<i>of which: common equity tier 1 leverage ratio</i>	<i>3.83</i>	<i>3.83</i>	<i>3.83</i>	<i>3.83</i>
Gone concern leverage ratio	3.8	3.7	4.4	4.4
Total loss-absorbing capacity leverage ratio	9.4	9.1	9.4	9.1

<sup>1</sup> Under the transitional rules of the Swiss SRB framework, outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity, with the amortized portion qualifying as gone concern loss-absorbing capacity. <sup>2</sup> Instruments available to meet gone concern requirements are eligible until one year before maturity, with a haircut of 50% applied in the last year of eligibility. <sup>3</sup> The relevant capital instruments were issued after the new Swiss SRB framework had been implemented and therefore qualify as gone concern loss-absorbing capacity. <sup>4</sup> Non-Basel III-compliant tier 2 capital instruments qualify as gone concern instruments.

## UBS Group AG vs UBS AG consolidated loss-absorbing capacity and leverage ratio information

### Swiss SRB going and gone concern information (UBS Group AG vs UBS AG consolidated)

As of 31.3.19	Swiss SRB, including transitional arrangements			Swiss SRB as of 1.1.20		
<i>USD million, except where indicated</i>	UBS Group AG (consolidated)	UBS AG (consolidated)	Differences	UBS Group AG (consolidated)	UBS AG (consolidated)	Differences
<b>Going concern capital</b>						
<b>Common equity tier 1 capital</b>	34,658	34,933	(275)	34,658	34,933	(275)
High-trigger loss-absorbing additional tier 1 capital	12,397	10,435	1,962	12,397	10,435	1,962
Low-trigger loss-absorbing additional tier 1 capital	2,381		2,381	2,381		2,381
<b>Total loss-absorbing additional tier 1 capital</b>	14,778	10,435	4,343	14,778	10,435	4,343
<b>Total tier 1 capital</b>	49,436	45,368	4,068	49,436	45,368	4,068
Low-trigger loss-absorbing tier 2 capital <sup>1</sup>	6,012	6,012	0			
<b>Total tier 2 capital</b>	6,012	6,012	0			
<b>Total going concern capital</b>	55,448	51,380	4,068	49,436	45,368	4,068
<b>Gone concern loss-absorbing capacity<sup>2</sup></b>						
Low-trigger loss-absorbing additional tier 1 capital		2,380 <sup>3</sup>	(2,380)		2,380 <sup>3</sup>	(2,380)
<b>Total tier 1 capital</b>		2,380	(2,380)		2,380	(2,380)
Low-trigger loss-absorbing tier 2 capital <sup>1</sup>	781	781	0	6,793	6,793	0
Non-Basel III-compliant tier 2 capital	690	690	0	690	690	0
<b>Total tier 2 capital</b>	1,471	1,471	0	7,483	7,483	0
<b>TLAC-eligible debt</b>	30,548	30,548	0	30,548	30,548	0
<b>Total gone concern loss-absorbing capacity</b>	32,020	34,400	(2,380)	38,032	40,412	(2,380)
<b>Total loss-absorbing capacity</b>						
<b>Total loss-absorbing capacity</b>	87,468	85,780	1,688	87,468	85,780	1,688
<b>Risk-weighted assets / leverage ratio denominator</b>						
Risk-weighted assets	267,556	266,581	976	267,556	266,581	976
Leverage ratio denominator	910,993	911,410	(417)	910,993	911,410	(417)
<b>Capital and loss-absorbing capacity ratios (%)</b>						
Going concern capital ratio	20.7	19.3	1.5	18.5	17.0	1.5
<i>of which: common equity tier 1 capital ratio</i>	<i>13.0</i>	<i>13.1</i>	<i>(0.2)</i>	<i>13.0</i>	<i>13.1</i>	<i>(0.2)</i>
Gone concern loss-absorbing capacity ratio	12.0	12.9	(0.9)	14.2	15.2	(0.9)
<b>Total loss-absorbing capacity ratio</b>	<b>32.7</b>	<b>32.2</b>	<b>0.5</b>	<b>32.7</b>	<b>32.2</b>	<b>0.5</b>
<b>Leverage ratios (%)</b>						
Going concern leverage ratio	6.1	5.6	0.4	5.4	5.0	0.4
<i>of which: common equity tier 1 leverage ratio</i>	<i>3.80</i>	<i>3.83</i>	<i>(0.03)</i>	<i>3.80</i>	<i>3.83</i>	<i>(0.03)</i>
Gone concern leverage ratio	3.5	3.8	(0.3)	4.2	4.4	(0.3)
<b>Total loss-absorbing capacity leverage ratio</b>	<b>9.6</b>	<b>9.4</b>	<b>0.2</b>	<b>9.6</b>	<b>9.4</b>	<b>0.2</b>

<sup>1</sup> Under the transitional rules of the Swiss SRB framework, outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity, with the amortized portion qualifying as gone concern loss-absorbing capacity. <sup>2</sup> Instruments available to meet gone concern requirements are eligible until one year before maturity, with a haircut of 50% applied in the last year of eligibility. <sup>3</sup> The relevant capital instruments were issued after the new Swiss SRB framework had been implemented and therefore qualify as gone concern loss-absorbing capacity.

**Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital (UBS Group AG vs UBS AG consolidated)**

As of 31.3.19

<i>USD million</i>	UBS Group AG (consolidated)	UBS AG (consolidated)	Differences
<b>Total IFRS equity</b>	53,840	53,389	451
Equity attributable to preferred noteholders and non-controlling interests	(173)	(173)	0
Deferred tax assets recognized for tax loss carry-forwards	(6,308)	(6,308)	0
Deferred tax assets on temporary differences, excess over threshold	(344)	(292)	(51)
Goodwill, net of tax	(6,298)	(6,298)	0
Intangible assets, net of tax	(236)	(236)	0
Compensation-related components (not recognized in net profit)	(1,359)		(1,359)
Expected losses on advanced internal ratings-based portfolio less provisions	(379)	(379)	0
Unrealized (gains) / losses from cash flow hedges, net of tax	(564)	(564)	0
Unrealized own credit related to financial liabilities designated at fair value, net of tax, and replacement values	(51)	(51)	0
Prudential valuation adjustments	(104)	(104)	0
Accruals for proposed dividends to shareholders for 2018	(2,648)	(3,250)	602
Other <sup>1</sup>	(717)	(799)	83
<b>Total common equity tier 1 capital</b>	<b>34,658</b>	<b>34,933</b>	<b>(275)</b>

<sup>1</sup> Includes accruals for dividends to shareholders for the current year and other items.**Total loss-absorbing capacity and leverage ratio information under Swiss SRB rules applicable as of 1 January 2020**

Going concern capital of UBS AG consolidated was USD 4.1 billion lower than going concern capital of UBS Group AG consolidated as of 31 March 2019, primarily reflecting additional tier 1 (AT1) capital of USD 4.3 billion, partly offset by higher common equity tier 1 (CET1) capital of USD 0.3 billion. The gone concern loss-absorbing capacity was USD 2.4 billion higher, due to low-trigger loss-absorbing AT1 capital.

CET1 capital of UBS AG consolidated was USD 0.3 billion higher than that of UBS Group AG consolidated, primarily due to the deductions for compensation-related regulatory capital components that are only reflected at the level of UBS Group AG consolidated. This effect was largely offset by lower equity of UBS AG consolidated, as well as a higher dividend accrual at the UBS AG level.

Going concern loss-absorbing AT1 capital of UBS AG consolidated was USD 4.3 billion lower than that of UBS Group AG consolidated and relates to AT1 capital notes issued by UBS Group Funding (Switzerland) AG, a direct subsidiary of UBS Group AG, as well as Deferred Contingent Capital Plan awards granted to eligible employees for the performance years 2014 to 2018.

The difference of USD 2.4 billion in gone concern low-trigger AT1 capital relates to capital instruments that were issued by UBS AG after the new Swiss SRB framework had been implemented and are therefore not recognized within going

concern capital but qualify as gone concern loss-absorbing capacity. Issuances of low-trigger AT1 capital from UBS Group AG were all made prior to implementation of the new Swiss SRB framework and therefore qualify as going concern capital.

Differences in capital between UBS Group AG consolidated and UBS AG consolidated related to employee compensation plans will reverse to the extent underlying services are performed by employees of, and are consequently charged to, UBS AG and its subsidiaries. Such reversal generally occurs over the service period of the employee compensation plans.

The leverage ratio framework for UBS AG consolidated is consistent with that of UBS Group AG consolidated. As of 31 March 2019, the going concern leverage ratio of UBS AG consolidated was 0.4 percentage points lower than that of UBS Group AG consolidated, mainly as the going concern capital of UBS AG consolidated was USD 4.1 billion lower.

- Refer to the “Capital management” section of the UBS Group first quarter 2019 report under “Quarterly reporting” at [www.ubs.com/investors](http://www.ubs.com/investors) for information on the developments of loss-absorbing capacity, risk-weighted assets and leverage ratio denominator for UBS Group AG consolidated
- Refer to the “Introduction” section of this report for more information on the differences in equity between UBS AG consolidated and UBS Group AG

# Consolidated financial statements

Unaudited

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# UBS AG interim consolidated financial statements (unaudited)

## Income statement

<i>USD million</i>	Note	For the quarter ended		
		31.3.19	31.12.18	31.3.18
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	3	2,674	2,691	2,389
Interest expense from financial instruments measured at amortized cost	3	(1,912)	(1,810)	(1,409)
Interest income from financial instruments measured at fair value through profit or loss	3	1,346	1,338	1,114
Interest expense from financial instruments measured at fair value through profit or loss	3	(1,006)	(1,013)	(677)
Net interest income	3	1,101	1,207	1,417
Other net income from financial instruments measured at fair value through profit or loss		1,936	1,294	1,973
Credit loss (expense) / recovery	9	(20)	(53)	(26)
Fee and commission income	4	4,566	4,709	5,197
Fee and commission expense	4	(409)	(439)	(433)
Net fee and commission income	4	4,157	4,270	4,764
Other income	5	169	365	174
Total operating income		7,343	7,083	8,301
Personnel expenses	6	3,468	3,262	3,771
General and administrative expenses	7	2,026	3,094	2,371
Depreciation and impairment of property, equipment and software		379	293	246
Amortization and impairment of intangible assets		16	17	16
Total operating expenses		5,890	6,667	6,404
Operating profit / (loss) before tax		1,454	416	1,897
Tax expense / (benefit)	8	387	143	484
Net profit / (loss)		1,067	273	1,413
Net profit / (loss) attributable to non-controlling interests		(2)	1	2
<b>Net profit / (loss) attributable to shareholders</b>		<b>1,069</b>	<b>272</b>	<b>1,412</b>



**Statement of comprehensive income**

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Comprehensive income attributable to shareholders</b>			
<b>Net profit / (loss)</b>	<b>1,069</b>	272	1,412
<b>Other comprehensive income that may be reclassified to the income statement</b>			
<b>Foreign currency translation</b>			
Foreign currency translation movements related to net assets of foreign operations, before tax	(151)	(129)	643
Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax	26	21	106
Foreign currency translation differences on foreign operations reclassified to the income statement	1	(7)	0
Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement	0	2	0
Income tax relating to foreign currency translations, including the impact of net investment hedges	1	0	0
Subtotal foreign currency translation, net of tax	(122)	(112)	749
<b>Financial assets measured at fair value through other comprehensive income</b>			
Net unrealized gains / (losses), before tax	81	68	(80)
Impairment charges reclassified to the income statement from equity	0	0	0
Realized gains reclassified to the income statement from equity	(1)	0	0
Realized losses reclassified to the income statement from equity	0	0	0
Income tax relating to net unrealized gains / (losses)	(17)	(23)	24
Subtotal financial assets measured at fair value through other comprehensive income, net of tax	62	44	(57)
<b>Cash flow hedges of interest rate risk</b>			
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	588	816	(476)
Net (gains) / losses reclassified to the income statement from equity	(21)	(43)	(134)
Income tax relating to cash flow hedges	(107)	(157)	122
Subtotal cash flow hedges, net of tax	459	616	(488)
<b>Total other comprehensive income that may be reclassified to the income statement, net of tax</b>	<b>399</b>	548	205
<b>Other comprehensive income that will not be reclassified to the income statement</b>			
<b>Defined benefit plans</b>			
Gains / (losses) on defined benefit plans, before tax	(160)	(240)	(36)
Income tax relating to defined benefit plans	(16)	218	22
Subtotal defined benefit plans, net of tax	(176)	(22)	(14)
<b>Own credit on financial liabilities designated at fair value</b>			
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	(326)	376	180
Income tax relating to own credit on financial liabilities designated at fair value	8	(8)	(2)
Subtotal own credit on financial liabilities designated at fair value, net of tax	(318)	368	178
<b>Total other comprehensive income that will not be reclassified to the income statement, net of tax</b>	<b>(494)</b>	346	164
<b>Total other comprehensive income</b>	<b>(94)</b>	894	369
<b>Total comprehensive income attributable to shareholders</b>	<b>974</b>	1,166	1,781

## Statement of comprehensive income (continued)

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Comprehensive income attributable to non-controlling interests</b>			
Net profit / (loss)	(2)	1	2
<b>Other comprehensive income that will not be reclassified to the income statement</b>			
Foreign currency translation movements, before tax	4	1	2
Income tax relating to foreign currency translation movements	0	0	0
Subtotal foreign currency translation, net of tax	4	1	2
<b>Total other comprehensive income that will not be reclassified to the income statement, net of tax</b>	<b>4</b>	<b>1</b>	<b>2</b>
<b>Total comprehensive income attributable to non-controlling interests</b>	<b>2</b>	<b>2</b>	<b>3</b>
<b>Total comprehensive income</b>			
Net profit / (loss)	1,067	273	1,413
Other comprehensive income	(90)	895	371
<i>of which: other comprehensive income that may be reclassified to the income statement</i>	<i>399</i>	<i>548</i>	<i>205</i>
<i>of which: other comprehensive income that will not be reclassified to the income statement</i>	<i>(489)</i>	<i>347</i>	<i>166</i>
<b>Total comprehensive income</b>	<b>977</b>	<b>1,168</b>	<b>1,784</b>

**Balance sheet**

<i>USD million</i>	Note	<b>31.3.19</b>	31.12.18
<b>Assets</b>			
Cash and balances at central banks		<b>110,618</b>	108,370
Loans and advances to banks		<b>16,777</b>	16,642
Receivables from securities financing transactions		<b>100,222</b>	95,349
Cash collateral receivables on derivative instruments	11	<b>25,164</b>	23,603
Loans and advances to customers	9	<b>320,466</b>	321,482
Other financial assets measured at amortized cost	12	<b>22,495</b>	22,637
<b>Total financial assets measured at amortized cost</b>		<b>595,744</b>	588,084
Financial assets at fair value held for trading	10	<b>109,683</b>	104,513
<i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i>		<b>33,828</b>	32,121
Derivative financial instruments	10, 11	<b>111,161</b>	126,212
Brokerage receivables	10	<b>16,275</b>	16,840
Financial assets at fair value not held for trading	10	<b>80,973</b>	82,387
<b>Total financial assets measured at fair value through profit or loss</b>		<b>318,092</b>	329,953
<b>Financial assets measured at fair value through other comprehensive income</b>	10	<b>7,168</b>	6,667
Investments in associates		<b>1,095</b>	1,099
Property, equipment and software		<b>11,642</b>	8,479
Goodwill and intangible assets		<b>6,621</b>	6,647
Deferred tax assets		<b>9,799</b>	10,066
Other non-financial assets	12	<b>6,577</b>	7,062
<b>Total assets</b>		<b>956,737</b>	958,055

**Balance sheet (continued)**

<i>USD million</i>	Note	31.3.19	31.12.18
<b>Liabilities</b>			
Amounts due to banks		9,083	10,962
Payables from securities financing transactions		5,246	10,296
Cash collateral payables on derivative instruments	11	30,319	28,906
Customer deposits		428,129	421,986
Funding from UBS Group AG and its subsidiaries		44,354	41,202
Debt issued measured at amortized cost	14	83,894	91,245
Other financial liabilities measured at amortized cost	12	10,770	7,576
<b>Total financial liabilities measured at amortized cost</b>		<b>611,795</b>	<b>612,174</b>
Financial liabilities at fair value held for trading	10	34,259	28,949
Derivative financial instruments	10, 11	110,809	125,723
Brokerage payables designated at fair value	10	39,326	38,420
Debt issued designated at fair value	10, 13	66,919	57,031
Other financial liabilities designated at fair value	10, 12	32,394	33,594
<b>Total financial liabilities measured at fair value through profit or loss</b>		<b>283,706</b>	<b>283,717</b>
Provisions	15	3,165	3,457
Other non-financial liabilities	12	4,682	6,275
<b>Total liabilities</b>		<b>903,348</b>	<b>905,624</b>
<b>Equity</b>			
Share capital		338	338
Share premium		24,651	24,655
Retained earnings		23,886	23,317
Other comprehensive income recognized directly in equity, net of tax		4,341	3,946
<b>Equity attributable to shareholders</b>		<b>53,216</b>	<b>52,256</b>
Equity attributable to non-controlling interests		173	176
<b>Total equity</b>		<b>53,389</b>	<b>52,432</b>
<b>Total liabilities and equity</b>		<b>956,737</b>	<b>958,055</b>

**Statement of changes in equity**

<i>USD million</i>	Share capital	Share premium	Retained earnings
<b>Balance as of 1 January 2018</b>	<b>338</b>	<b>24,633</b>	<b>21,646</b>
Issuance of share capital			
Premium on shares issued and warrants exercised		19	
Tax (expense) / benefit			
Dividends			
Translation effects recognized directly in retained earnings			(22)
New consolidations / (deconsolidations) and other increases / (decreases)		14	
Total comprehensive income for the period			1,576
<i>of which: net profit / (loss)</i>			<i>1,412</i>
<i>of which: other comprehensive income (OCI) that may be reclassified to the income statement, net of tax</i>			
<i>of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans</i>			<i>(14)</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>			<i>178</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation</i>			
<b>Balance as of 31 March 2018</b>	<b>338</b>	<b>24,666</b>	<b>23,200</b>
<b>Balance as of 1 January 2019 before the adoption of IFRIC 23</b>	<b>338</b>	<b>24,655</b>	<b>23,317</b>
Effect of adoption of IFRIC 23			(11)
<b>Balance as of 1 January 2019 after the adoption of IFRIC 23</b>	<b>338</b>	<b>24,655</b>	<b>23,306</b>
Issuance of share capital			
Premium on shares issued and warrants exercised			
Tax (expense) / benefit		2	
Dividends			
Translation effects recognized directly in retained earnings			4
New consolidations / (deconsolidations) and other increases / (decreases)		(6)	
Total comprehensive income for the period			575
<i>of which: net profit / (loss)</i>			<i>1,069</i>
<i>of which: other comprehensive income (OCI) that may be reclassified to the income statement, net of tax</i>			
<i>of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans</i>			<i>(176)</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>			<i>(318)</i>
<i>of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation</i>			
<b>Balance as of 31 March 2019</b>	<b>338</b>	<b>24,651</b>	<b>23,886</b>

<sup>1</sup> Excludes defined benefit plans and own credit that are recorded directly in Retained earnings.

<i>Other comprehensive income recognized directly in equity, net of tax<sup>1</sup></i>	<i>foreign currency translation</i>	<i>of which: financial assets measured at fair value through OCI</i>	<i>of which: cash flow hedges</i>	Total equity attributable to shareholders	Non-controlling interests	Total equity
4,754	4,455	(61)	360	51,370	59	51,429
				0		0
				19		19
				0		0
				0	(4)	(4)
22		3	20	0		0
				14	8	22
205	749	(57)	(488)	1,781	3	1,784
				1,412	2	1,413
205	749	(57)	(488)	205		205
				(14)		(14)
				178		178
				0	2	2
4,981	5,205	(115)	(108)	53,185	65	53,250
3,946	3,940	(103)	109	52,256	176	52,432
				(11)		(11)
3,946	3,940	(103)	109	52,245	176	52,421
				0		0
				0		0
				2		2
				0	(4)	(4)
(4)			(4)	0		0
				(6)	0	(7)
399	(122)	62	459	974	2	977
				1,069	(2)	1,067
399	(122)	62	459	399		399
				(176)		(176)
				(318)		(318)
				0	4	4
4,341	3,818	(40)	564	53,216	173	53,389

**Statement of cash flows**

	Year-to-date	
<i>USD million</i>	<b>31.3.19</b>	31.3.18
<b>Cash flow from / (used in) operating activities</b>		
Net profit / (loss)	1,067	1,413
<b>Non-cash items included in net profit and other adjustments:</b>		
Depreciation and impairment of property, equipment and software	379	246
Amortization and impairment of intangible assets	16	16
Credit loss expense / (recovery)	20	26
Share of net profits of associates / joint ventures and impairment of associates	(15)	(16)
Deferred tax expense / (benefit)	228	288
Net loss / (gain) from investing activities	(73)	157
Net loss / (gain) from financing activities	4,272	(3,911)
Other net adjustments	178	(604)
<b>Net change in operating assets and liabilities:</b>		
Loans and advances to banks / amounts due to banks	(1,696)	1,785
Securities financing transactions	(9,997)	5,254
Cash collateral on derivative instruments	(131)	(1,866)
Loans and advances to customers	(1,570)	(7,194)
Customer deposits	9,797	(3,959)
Financial assets and liabilities at fair value held for trading and derivative financial instruments	1,697	15,394
Brokerage receivables and payables	1,473	4,015
Financial assets at fair value not held for trading, other financial assets and liabilities	(1,266)	(7,005)
Provisions, other non-financial assets and liabilities	(639)	(986)
Income taxes paid, net of refunds	(204)	(141)
<b>Net cash flow from / (used in) operating activities</b>	<b>3,535</b>	<b>2,913</b>
<b>Cash flow from / (used in) investing activities</b>		
Purchase of subsidiaries, associates and intangible assets	(1)	(6)
Disposal of subsidiaries, associates and intangible assets <sup>1</sup>	27	30
Purchase of property, equipment and software	(314)	(344)
Disposal of property, equipment and software	2	28
Purchase of financial assets measured at fair value through other comprehensive income	(1,033)	(450)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	610	253
Net (purchase) / redemption of debt securities measured at amortized cost	629	(1,124)
<b>Net cash flow from / (used in) investing activities</b>	<b>(79)</b>	<b>(1,613)</b>

Table continues on the next page.

## Statement of cash flows (continued)

Table continued from previous page.

	Year-to-date	
<i>USD million</i>	<b>31.3.19</b>	31.3.18
<b>Cash flow from / (used in) financing activities</b>		
Net short-term debt issued / (repaid)	<b>(6,858)</b>	(4,650)
Issuance of long-term debt, including debt issued designated at fair value	<b>14,704</b>	18,458
Repayment of long-term debt, including debt issued designated at fair value	<b>(10,263)</b>	(10,541)
Funding from UBS Group AG and its subsidiaries	<b>2,938</b>	1,936
Net changes in non-controlling interests	<b>(4)</b>	17
<b>Net cash flow from / (used in) financing activities</b>	<b>515</b>	5,221
<b>Total cash flow</b>		
<b>Cash and cash equivalents at the beginning of the period</b>	<b>125,853</b>	104,787
Net cash flow from / (used in) operating, investing and financing activities	<b>3,972</b>	6,521
Effects of exchange rate differences on cash and cash equivalents	<b>(1,292)</b>	2,111
<b>Cash and cash equivalents at the end of the period<sup>2</sup></b>	<b>128,534</b>	113,419
<i>of which: cash and balances at central banks</i>	<b>110,514</b>	97,260
<i>of which: loans and advances to banks</i>	<b>15,735</b>	12,774
<i>of which: money market paper<sup>3</sup></i>	<b>2,285</b>	3,385
<b>Additional information</b>		
Net cash flow from / (used in) operating activities includes:		
Interest received in cash	<b>1,342</b>	1,696
Interest paid in cash	<b>2,301</b>	1,440
Dividends on equity investments, investment funds and associates received in cash <sup>4</sup>	<b>1,238</b>	571

<sup>1</sup> Includes dividends received from associates. <sup>2</sup> USD 4,678 million and USD 3,596 million of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 31 March 2019 and 31 March 2018, respectively. Refer to "Note 26 Restricted and transferred financial assets" in the "Consolidated financial statements" section in the Annual Report 2018 for more information. <sup>3</sup> Money market paper is included in the balance sheet under Financial assets at fair value held for trading, Financial assets measured at fair value through other comprehensive income, Financial assets at fair value not held for trading and Other financial assets measured at amortized cost. <sup>4</sup> Includes dividends received from associates reported within Net cash flow from / (used in) investing activities.



# Notes to the UBS AG interim consolidated financial statements (unaudited)

## Note 1 Basis of accounting

### Basis of preparation

The consolidated financial statements (the financial statements) of UBS AG and its subsidiaries (together "UBS AG") are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and are presented in US dollars (USD), which is also the functional currency of UBS AG, UBS AG's Head Office, UBS AG's London Branch and UBS AG's US-based operations. These interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*.

In preparing these interim financial statements, the same accounting policies and methods of computation have been applied as in the UBS AG consolidated annual financial statements for the period ended 31 December 2018, except for the changes described in this note. These interim financial statements are unaudited and should be read in conjunction with UBS AG's audited consolidated financial statements included in the Annual Report 2018. In the opinion of management, all necessary adjustments were made for a fair presentation of UBS AG's financial position, results of operations and cash flows.

Preparation of these interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities. These estimates and assumptions are based on the best available information. Actual results in the future could differ from such estimates and such differences may be material to the financial statements. Revisions to estimates, based on regular reviews, are recognized in the period in which they occur. For more information on areas of estimation uncertainty that are considered to require critical judgment, refer to "Note 1a Significant accounting policies" in the "Consolidated financial statements" section of the Annual Report 2018.

### Adoption of IFRS 16, Leases

#### Application and transition effect

Effective from 1 January 2019, UBS AG adopted IFRS 16, *Leases*, which replaced IAS 17, *Leases*, and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a single lessee accounting model and fundamentally changes how UBS AG accounts for operating leases when acting as a lessee, with a requirement to record a right-of-use asset and lease liability on the balance sheet. UBS AG is a lessee in a number of leases, primarily of real estate, including offices, retail branches and sales offices, with a smaller number of IT hardware leases. As permitted by the transitional provisions of IFRS 16, UBS AG elected to apply the modified retrospective approach and has not restated comparative figures. Overall, adoption of IFRS 16 resulted in a USD 3.4 billion increase in both total assets and total liabilities in UBS AG's consolidated financial statements. There was no effect on equity.

→ Refer to the table below for more information

UBS AG applied the following practical expedients that are permitted on transition to IFRS 16 where UBS AG is the lessee in a lease previously classified as an operating lease:

- to not reassess whether or not a contract contained a lease;
- to rely on previous assessments of whether such contracts were considered onerous;
- to rely on previous sale-and-leaseback assessments;
- adjust lease terms with the benefit of hindsight with respect to whether extension or termination options are reasonably certain of being exercised;
- to discount lease liabilities using UBS AG's incremental borrowing rate in each currency as at 1 January 2019;
- to initially measure the right-of-use asset at an amount equal to the lease liability for leases previously classified as operating leases, adjusted for existing lease balances such as rent prepayments, rent accruals, lease incentives and onerous lease provisions, but excluding initial direct costs; and
- to not apply IFRS 16 to leases whose remaining term will end within 12 months from the transition date.

## Note 1 Basis of accounting (continued)

The measurement of leases previously classified as finance leases, where UBS AG acts as lessee, has not changed on transition to IFRS 16. Similarly UBS AG has made no adjustments where UBS AG acts as lessor, in either a finance or operating lease, of physical assets it owns. Where UBS AG acts as an intermediate lessor, i.e., enters into a head lease and subleases the asset to a third party, the sublease has been classified as either a

finance or operating lease based primarily on whether the sublease term consumes the majority of the remaining useful life of the right-of-use asset arising from the head lease as at the transition date.

The following table reconciles the obligations in respect of operating leases as at 31 December 2018 to the opening lease liabilities recognized on 1 January 2019:

### Reconciliation between operating lease commitments disclosed under IAS 17 and lease liabilities recognized under IFRS 16

<i>USD million</i>	
<b>Total undiscounted operating lease commitments as of 31 December 2018</b>	<b>4,546</b>
Leases with a remaining term of less than one year as of 1 January 2019	(18)
Excluded service components	(296)
Reassessment of lease term for extension or termination options	424
<b>Total undiscounted lease payments</b>	<b>4,657</b>
Discounted at a weighted average incremental borrowing rate of 3.07%	(720)
<b>IFRS 16 transition adjustment</b>	<b>3,937</b>
Finance lease liabilities as of 31 December 2018	19
<b>Carrying amount of total lease liabilities as of 1 January 2019</b>	<b>3,956</b>

The following table provides details on the determination of right-of-use assets on transition:

### Determination of right-of-use assets on transition

<i>USD million</i>	<i>Carrying amount</i>
<b>Other financial assets measured at amortized cost (finance lease assets recognized under IAS 17 as of 31 December 2018)</b>	<b>19</b>
IFRS 16 transition adjustment	3,937
Other non-financial assets (prepaid rent)	19
Other non-financial liabilities (lease incentives)	(204)
Other financial liabilities at amortized cost (rent accruals)	(180)
Provisions (onerous lease provisions)	(131)
Other financial assets at amortized cost (finance lease receivables from subleases as intermediate lessor)	(176)
<b>Property, equipment and software (total right-of-use assets as of 1 January 2019)<sup>1</sup></b>	<b>3,284</b>

<sup>1</sup> Upon adoption of IFRS 16 on 1 January 2019, total liabilities for UBS AG increased by USD 3,422 million, representing USD 3,937 million in newly recognized lease liabilities, less USD 515 million liabilities from lease incentives, rent accruals and onerous lease provisions which were reclassified and presented as part of the right-of-use assets carrying amount. Total assets for UBS AG increased by USD 3,422 million, representing USD 3,246 million in right-of-use assets and USD 176 million in additional finance lease receivables from subleases.

Lease liabilities are presented within *Other financial liabilities measured at amortized cost* and right-of-use assets within *Property, equipment and software*. Finance lease receivables are included within *Other financial assets measured at amortized cost*. Due to the practical expedients taken on transition there was no effect on equity.

During the first quarter of 2019, the weighted average lease term was approximately 9 years and the depreciation charge for right-of-use assets presented within *Depreciation and impairment of property, equipment and software* was USD 113

million. The interest charge on lease liabilities presented within *Interest expense from financial instruments measured at amortized cost* was USD 30 million and other rental expenses (including non-lease components paid to landlords) presented within *General and administrative expenses* were USD 16 million during the first quarter of 2019. This compares with a total rental expense presented in *General and administrative expenses* of USD 147 million and USD 135 million for the quarters ended 31 March 2018 and 31 December 2018, respectively.

**Note 1 Basis of accounting (continued)****Update to significant accounting policy – Leasing (disclosed in Note 1a, item 15, *Leasing in the financial statements 2018*)**

UBS AG predominantly enters into lease contracts, or contracts that include lease components, as a lessee of real estate, including offices, retail branches and sales offices, with a small number of IT hardware leases. UBS AG identifies non-lease components of a contract and accounts for them separately from lease components.

When UBS AG is lessee in a lease arrangement, UBS AG recognizes a lease liability and corresponding right-of-use (RoU) asset at the commencement of the lease term when UBS AG acquires control of the physical use of the asset. Lease liabilities are presented within *Other financial liabilities measured at amortized cost* and RoU assets within *Property, equipment and software*. The lease liability is measured based on the present value of the lease payments over the lease term, discounted using UBS AG's unsecured borrowing rate given the rate implicit in a lease is generally not observable to the lessee. Interest expense on the lease liability is presented within *Interest expense from financial instruments measured at amortized cost*. The RoU asset is recorded at an amount equal to the lease liability but is adjusted for rent prepayments, initial direct costs, any costs to refurbish the leased asset or lease incentives received. The RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within *Depreciation and impairment of property, equipment and software*.

Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or termination option that UBS AG considers reasonably certain to be exercised, the expected rental payments or costs of termination are included within the lease payments used to generate the lease liability. UBS AG does not typically enter into leases with purchase options or residual value guarantees.

Where UBS AG acts as lessor or sublessor under a finance lease, a receivable is recognized in *Other financial assets measured at amortized cost* at an amount equal to the present value of the aggregate of the lease payments plus any unguaranteed residual value that UBS AG expects to recover at the end of the lease term. Initial direct costs are also included in the initial measurement of the lease receivable. Lease payments received during the lease term are allocated as repayments of the outstanding receivable. Interest income reflects a constant periodic rate of return on UBS AG's net investment using the interest rate implicit in the lease (or for subleases, the rate for the head lease). UBS AG reviews the estimated unguaranteed

residual value annually, and if the estimated residual value to be realized is less than the amount assumed at lease inception, a loss is recognized for the expected shortfall. Where UBS AG acts as a lessor or sublessor in an operating lease of owned real estate, UBS AG recognizes the operating lease income on a straight-line basis over the lease term.

Lease receivables are subject to impairment requirements as set out in point g. in "Note 1a item 3, *Financial instruments*". Expected credit losses (ECL) on lease receivables are determined following the general impairment model within IFRS 9, *Financial Instruments*, without utilizing the simplified approach of always measuring impairment at the amount of lifetime ECL.

**Other changes to accounting policies****Changes in Corporate Center cost allocations and equity attribution to business divisions**

In order to further align UBS AG and divisional performance, UBS AG adjusted the methodology for the allocation of Corporate Center – Group Asset and Liability Management (Group ALM) and Corporate Center – Services funding costs and expenses to the business divisions. At the same time, UBS AG updated its funds transfer pricing framework to better reflect the sources and usage of funding. All of these changes are effective as of 1 January 2019 and prior-period segment information has been restated. Together, these changes have decreased the business divisions' operating results and thereby increased their adjusted cost / income ratios by 1–2 percentage points, with an offsetting effect of USD 0.7 billion in Corporate Center's operating profit / (loss) before tax.

Corporate Center has retained funding costs for deferred tax assets, costs relating to UBS AG's legal entity transformation program and other costs not attributable to or representative of the performance of the business divisions.

Alongside the update to allocations and UBS AG's funds transfer pricing framework, UBS AG has increased the allocation of balance sheet resources from Corporate Center to the business divisions, resulting in USD 223 billion of assets allocated from Corporate Center to the business divisions in restated 2018 numbers, predominantly from high-quality liquid assets and certain other assets centrally managed on behalf of the business divisions.

Upon adoption of IFRS 16, *Leases*, as of 1 January 2019, UBS AG additionally allocated approximately USD 3.4 billion of newly recognized right-of-use assets and finance lease receivables to the business divisions.

→ Refer to "Note 2 Segment reporting" for more information

## Note 1 Basis of accounting (continued)

### Changes to Corporate Center segment reporting

As announced in the Annual Report 2018, there has been a substantial reduction in the size and resource consumption of the Non-core and Legacy Portfolio. In addition, following the aforementioned changes to UBS AG's methodology for allocating funding costs and expenses from Corporate Center – Services and Corporate Center – Group Asset and Liability Management (Group ALM) to the business divisions, the operating loss retained in Corporate Center – Services and Corporate Center – Group ALM has been significantly reduced. As a consequence and in compliance with IFRS 8, *Operating Segments*, beginning with the first quarter 2019 report, UBS AG provides results for total Corporate Center only and does not separately report Corporate Center – Services, Group ALM and Non-core and Legacy Portfolio. Furthermore, UBS AG has operationally combined Group Treasury with Group ALM and calls this combined unit Group Treasury. Prior-period information has been restated.

→ Refer to "Note 2 Segment reporting" for more information

### Presentation of dividend income and expense from financial instruments measured at fair value through profit or loss

Effective from the first quarter of 2019, UBS AG refined the presentation of dividend income and expense. This resulted in a reclassification of dividends from *Interest income (expense) from financial instruments measured at fair value through profit or loss* into *Other net income from financial instruments measured at fair value through profit or loss* (prior to 1 January 2019: *Other net income from fair value changes on financial instruments*). The change aligns the presentation of dividends with related fair value changes from the equity instruments and economic hedges removing volatility that has historically arisen within both *Net interest income* and *Other net income from fair value changes on financial instruments*. There is no effect on *Total operating income* or *Net profit / (loss)*. Prior periods have been restated for this presentational change and the effect on the respective reporting lines is outlined in the table below.

### Changes to the presentation of dividend income and expense from financial instruments measured at fair value through profit or loss

USD million	For the quarter ended				Year-to-date
	31.3.18	30.6.18	30.9.18	31.12.18	31.12.18
Interest income from financial instruments measured at fair value through profit or loss	(572)	(636)	(699)	(401)	(2,308)
Interest expense from financial instruments measured at fair value through profit or loss	160	846	175	151	1,331
<b>Net interest income</b>	<b>(412)</b>	<b>210</b>	<b>(524)</b>	<b>(250)</b>	<b>(976)</b>
<b>Other net income from financial instruments measured at fair value through profit or loss</b>	<b>412</b>	<b>(210)</b>	<b>524</b>	<b>250</b>	<b>976</b>

### IFRIC 23, Uncertainty over Income Tax Treatments

Effective 1 January 2019, UBS AG adopted IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* (IFRIC 23), which addresses how uncertain tax positions should be accounted for under IFRS. IFRIC 23 requires that, where acceptance of the tax treatment by the relevant tax authority is considered probable, it should be assumed as an accounting recognition matter that treatment of the item will ultimately be accepted. Therefore, no tax provision would be required in such cases. However, if acceptance of the tax treatment is not considered probable, the entity is required to reflect that uncertainty using an expected value (i.e., a probability-weighted approach) or the single most likely amount.

Upon adoption of IFRIC 23, on 1 January 2019 UBS AG recognized a net tax expense of USD 11 million in retained earnings.

### Amendments to IAS 19, Employee Benefits

Effective 1 January 2019, UBS AG adopted amendments to IAS 19, *Employee Benefits*, which address the accounting when a

plan amendment, curtailment or settlement occurs during the reporting period. The amendments require entities to use the updated actuarial assumption to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments are effective prospectively for plan amendments, curtailments or settlements that occur on or after 1 January 2019. Adoption on 1 January 2019 had no effect on UBS AG's financial statements.

### Annual Improvements to IFRS Standards 2015–2017 Cycle

Effective 1 January 2019, UBS AG adopted *Annual Improvements to IFRS Standards 2015–2017 Cycle*, which resulted in amendments to IFRS 3, *Business Combinations*, IFRS 11, *Joint Arrangements*, IAS 12, *Income Taxes*, and IAS 23, *Borrowing Costs*. Adoption of these amendments on 1 January 2019 had no material effect on UBS AG's financial statements.

## Note 2 Segment reporting

### Overview and changes in Corporate Center segment reporting

UBS AG's businesses are organized globally into four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank, all of which are supported by Corporate Center. The four business divisions qualify as reportable segments for the purpose of segment reporting and, together with Corporate Center, reflect the management structure of UBS AG.

→ Refer to "Note 1a Significant accounting policies item 2" and "Note 2 Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2018 for more information on UBS AG's reporting segments

As outlined in Note 1, beginning with the first quarter 2019 report, UBS AG provides results for total Corporate Center only and does not separately report Corporate Center – Services, Group Asset and Liability Management and Non-core and Legacy Portfolio.

→ Refer to Note 1 for more information

### Changes in Corporate Center cost and resource allocation to business divisions

In order to further align UBS AG and divisional performance, UBS AG has adjusted its methodology for the allocation of Corporate Center funding costs and expenses to the business divisions. At the same time, it has updated its funds transfer pricing framework to better reflect the sources and usage of funding. Prior-period information for the first quarter of 2018 has been restated, resulting in a decrease in *Operating profit / (loss) before tax* for Global Wealth Management of USD 97 million, for Personal & Corporate Banking of USD 37 million, for Asset Management of USD 8 million and for the Investment Bank of USD 51 million, with a corresponding increase in Corporate Center of USD 193 million.

Additionally, UBS AG has increased the allocation of balance sheet resources from Corporate Center to the business divisions. Prior-period information for the fourth quarter of 2018 has been restated, resulting in an increase of *Total assets* in Global Wealth Management of USD 114 billion, in Personal & Corporate Banking of USD 62 billion, in Asset Management of USD 4 billion and in the Investment Bank of USD 44 billion, with a corresponding decrease of assets in Corporate Center of USD 223 million.

These changes had no effect on the reported results or financial position of UBS AG.

→ Refer to Note 1 for more information

USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center	UBS AG
<b>For the quarter ended 31 March 2019<sup>1</sup></b>						
Net interest income	1,009	494	(7)	(188)	(207)	1,101
Non-interest income	2,994	462	453	1,975	379	6,262
Income	4,003	956	446	1,787	172	7,363
Credit loss (expense) / recovery	1	2	0	(22)	0	(20)
Total operating income	4,004	958	446	1,764	172	7,343
Personnel expenses	1,900	218	178	701	471	3,468
General and administrative expenses	267	55	48	165	1,491	2,026
Services (to) / from CC and other BDs	975	296	116	706	(2,093)	0
<i>of which: services from Corporate Center</i>	<i>938</i>	<i>320</i>	<i>128</i>	<i>720</i>	<i>(2,106)</i>	<i>0</i>
Depreciation and impairment of property, equipment and software	1	3	0	2	373	379
Amortization and impairment of intangible assets	14	0	0	2	0	16
Total operating expenses	3,156	571	343	1,577	242	5,890
<b>Operating profit / (loss) before tax</b>	<b>848</b>	<b>386</b>	<b>103</b>	<b>187</b>	<b>(71)</b>	<b>1,454</b>
Tax expense / (benefit)						387
<b>Net profit / (loss)</b>						<b>1,067</b>
<b>As of 31 March 2019</b>						
<b>Total assets</b>	<b>322,330</b>	<b>199,009</b>	<b>31,033</b>	<b>295,365</b>	<b>109,002</b>	<b>956,737</b>

## Note 2 Segment reporting (continued)

USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center	UBS AG
<b>For the quarter ended 31 March 2018<sup>1</sup></b>						
Net interest income <sup>2</sup>	1,021	516	(7)	10	(123)	1,417
Non-interest income <sup>2</sup>	3,384	478	472	2,420	155	6,910
Income	4,405	994	466	2,430	32	8,327
Credit loss (expense) / recovery	3	(14)	0	(16)	0	(26)
Total operating income	4,409	981	466	2,415	31	8,301
Personnel expenses	1,971	186	177	951	486	3,771
General and administrative expenses	319	64	53	167	1,769	2,371
Services (to) / from CC and other BDs	1,015	319	130	729	(2,192)	0
<i>of which: services from Corporate Center</i>	<i>981</i>	<i>350</i>	<i>142</i>	<i>737</i>	<i>(2,210)</i>	<i>0</i>
Depreciation and impairment of property, equipment and software	1	3	0	2	239	246
Amortization and impairment of intangible assets	13	0	0	3	0	16
Total operating expenses	3,319	572	360	1,851	302	6,404
<b>Operating profit / (loss) before tax</b>	<b>1,090</b>	<b>409</b>	<b>106</b>	<b>564</b>	<b>(271)</b>	<b>1,897</b>
Tax expense / (benefit)						484
<b>Net profit / (loss)</b>						<b>1,413</b>
<b>As of 31 December 2018</b>						
<b>Total assets</b>	<b>313,737</b>	<b>200,767</b>	<b>28,140</b>	<b>302,434</b>	<b>112,977</b>	<b>958,055</b>

<sup>1</sup> Comparative figures in this table have been restated for the changes in Corporate Center cost and resource allocation to the business divisions and the changes in the equity attribution framework. Refer to further discussion in this note and in Note 1. <sup>2</sup> Effective from the first quarter of 2019, UBS AG refined the presentation of dividend income and expense, reclassifying dividends from financial instruments measured at fair value through profit or loss from Net interest income to Non-interest income. Prior-period information was restated accordingly, with virtually all of the effect on UBS AG arising from the Investment Bank. Refer to Note 1 for more information.

## Note 3 Net interest income<sup>1</sup>

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income</b>			
Interest income from loans and deposits <sup>2</sup>	2,028	2,055	1,870
Interest income from securities financing transactions <sup>3</sup>	498	468	305
Interest income from other financial instruments measured at amortized cost	96	90	31
Interest income from debt instruments measured at fair value through other comprehensive income	26	30	38
Interest income from derivative instruments designated as cash flow hedges	26	49	145
<b>Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income</b>	<b>2,674</b>	<b>2,691</b>	<b>2,389</b>
Interest expense on loans and deposits <sup>4</sup>	1,137	1,053	721
Interest expense on securities financing transactions <sup>5</sup>	288	282	253
Interest expense on debt issued	457	475	435
Interest expense on lease liabilities <sup>6</sup>	30		
<b>Total interest expense from financial instruments measured at amortized cost</b>	<b>1,912</b>	<b>1,810</b>	<b>1,409</b>
<b>Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income</b>	<b>762</b>	<b>881</b>	<b>980</b>
<b>Net interest income from financial instruments measured at fair value through profit or loss</b>			
Net interest income from financial instruments at fair value held for trading	434	359	279
Net interest income from brokerage balances	77	104	179
Interest income from financial instruments at fair value not held for trading	522	540	351
Other interest income	46	49	73
Interest expense on financial instruments designated at fair value	(740)	(727)	(444)
<b>Total net interest income from financial instruments measured at fair value through profit or loss</b>	<b>339</b>	<b>325</b>	<b>437</b>
<b>Total net interest income</b>	<b>1,101</b>	<b>1,207</b>	<b>1,417</b>

<sup>1</sup> Effective from the first quarter of 2019, UBS AG refined the presentation of dividend income and expense, reclassifying dividends from Interest income (expense) from financial instruments measured at fair value through profit or loss into Other net income from financial instruments measured at fair value through profit or loss. Prior-period information was restated accordingly. Refer to Note 1 for more information. <sup>2</sup> Consists of interest income from cash and balances at central banks, loans and advances to banks, and negative interest on amounts due to banks and customer deposits. <sup>3</sup> Includes interest income on receivables from securities financing transactions and negative interest, including fees, on payables from securities financing transactions. <sup>4</sup> Consists of interest expense on amounts due to banks and customer deposits, and negative interest on cash and balances at central banks, loans and advances to banks. <sup>5</sup> Includes interest expense on payables from securities financing transactions and negative interest, including fees, on receivables from securities financing transactions. <sup>6</sup> Relates to lease liabilities recognized upon adoption of IFRS 16 on 1 January 2019. Refer to Note 1 for more information.

**Note 4 Net fee and commission income**

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
Underwriting fees	180	184	257
<i>of which: equity underwriting fees</i>	48	118	127
<i>of which: debt underwriting fees</i>	132	66	131
M&A and corporate finance fees	117	122	206
Brokerage fees	828	822	1,026
Investment fund fees	1,177	1,228	1,279
Portfolio management and related services	1,804	1,937	1,949
Other	460	415	481
<b>Total fee and commission income<sup>1</sup></b>	<b>4,566</b>	<b>4,709</b>	<b>5,197</b>
<i>of which: recurring</i>	<i>2,998</i>	<i>3,220</i>	<i>3,257</i>
<i>of which: transaction-based</i>	<i>1,541</i>	<i>1,456</i>	<i>1,922</i>
<i>of which: performance-based</i>	<i>27</i>	<i>33</i>	<i>18</i>
Brokerage fees paid	79	88	90
Other	329	352	344
<b>Total fee and commission expense</b>	<b>409</b>	<b>439</b>	<b>433</b>
<b>Net fee and commission income</b>	<b>4,157</b>	<b>4,270</b>	<b>4,764</b>
<i>of which: net brokerage fees</i>	<i>748</i>	<i>735</i>	<i>937</i>

<sup>1</sup> Reflects third-party fee and commission income for the first quarter of 2019 of USD 2,817 million for Global Wealth Management (fourth quarter of 2018: USD 2,897 million; first quarter of 2018: USD 3,204 million), USD 325 million for Personal & Corporate Banking (fourth quarter of 2018: USD 321 million; first quarter of 2018: USD 342 million), USD 619 million for Asset Management (fourth quarter of 2018: USD 657 million; first quarter of 2018: USD 646 million), USD 783 million for the Investment Bank (fourth quarter of 2018: USD 809 million; first quarter of 2018: USD 972 million) and USD 22 million for Corporate Center (fourth quarter of 2018: USD 26 million; first quarter of 2018: USD 33 million).

**Note 5 Other income**

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
<b>Associates, joint ventures and subsidiaries</b>			
Net gains / (losses) from acquisitions and disposals of subsidiaries <sup>1</sup>	1	(311)	0
Net gains / (losses) from disposals of investments in associates	4	46	0
Share of net profits of associates and joint ventures	15	481	16
<b>Total</b>	<b>19</b>	<b>216</b>	<b>16</b>
<b>Financial assets measured at fair value through other comprehensive income</b>			
Dividend income	1	0	0
Net gains / (losses) from disposals	1	0	0
<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>
Income from properties <sup>2</sup>	7	6	6
Net gains / (losses) from disposals of properties held for sale	0	9	0
Income from shared services provided to UBS Group AG or its subsidiaries	120	129	127
Other	21	6	24
<b>Total other income</b>	<b>169</b>	<b>365</b>	<b>174</b>

<sup>1</sup> Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to disposed foreign subsidiaries and branches. <sup>2</sup> Includes rent received from third parties.

## Note 6 Personnel expenses

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
Salaries and variable compensation	2,027	1,803	2,346
Financial advisor variable compensation <sup>1</sup>	960	999	1,032
Contractors	36	48	43
Social security	170	122	201
Pension and other post-employment benefit plans	170	122	21 <sup>2</sup>
Other personnel expenses	105	168	127
<b>Total personnel expenses</b>	<b>3,468</b>	<b>3,262</b>	<b>3,771</b>

<sup>1</sup> Financial advisor variable compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. <sup>2</sup> Changes to the Pension Fund of UBS in Switzerland in the first quarter of 2018 resulted in a reduction in the pension obligation recognized by UBS. As a consequence, a pre-tax gain of USD 132 million was recognized in the income statement in the first quarter of 2018, with no overall effect on total equity. Refer to "Note 5 Personnel expenses" in the "Consolidated financial statements" section of the first quarter 2018 report for more information.

## Note 7 General and administrative expenses

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
Occupancy	89	210	217
Rent and maintenance of IT and other equipment	87	91	80
Communication and market data services	131	133	131
Administration	1,269	1,482	1,371
<i>of which: shared services costs charged by UBS Group AG or its subsidiaries</i>	<i>1,136</i>	<i>1,237</i>	<i>1,224</i>
<i>of which: UK and German bank levy</i>	<i>15</i>	<i>87</i>	<i>0</i>
Marketing and public relations	50	81	74
Travel and entertainment	77	97	84
Professional fees	156	252	207
Outsourcing of IT and other services	146	181	187
Litigation, regulatory and similar matters <sup>1</sup>	(8)	533	(11)
Other	29	33	31
<b>Total general and administrative expenses</b>	<b>2,026</b>	<b>3,094</b>	<b>2,371</b>

<sup>1</sup> Reflects the net increase / (release) in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 15 for more information. Also includes recoveries from third parties (first quarter of 2019: USD 7 million; fourth quarter of 2018: USD 1 million; first quarter of 2018: USD 17 million).

## Note 8 Income taxes

UBS AG recognized income tax expenses of USD 387 million for the first quarter of 2019, compared with USD 484 million for the first quarter of 2018.

Current tax expenses were USD 159 million, compared with USD 197 million, and related to taxable profits of UBS Switzerland AG and other entities.

Deferred tax expenses were USD 228 million, compared with USD 287 million. These include expenses of USD 209 million relating to profits for the current quarter, which primarily reflect the amortization of deferred tax assets (DTAs) previously recognized in relation to tax losses carried forward and

deductible temporary differences to reflect their offset against profits for the quarter, including the amortization of US tax loss DTAs at the level of UBS Americas Inc. In addition, deferred tax expenses in the first quarter of 2019 included a net expense of USD 19 million mainly relating to a decrease in temporary difference DTAs of USD 29 million as the expected value of future tax deductions for deferred compensation awards decreased. This deferred tax expense was partially offset by a tax loss DTA increase of USD 10 million for locations affected by our UK business transfer activity during the quarter.



## Note 9 Expected credit loss measurement

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### a) Expected credit losses in the period

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Total net credit loss expenses were USD 20 million in the first quarter of 2019, reflecting expenses of USD 5 million in expected credit losses (ECL) from stage 1 and 2 positions and losses of USD 15 million from credit-impaired (stage 3) positions.

A USD 5 million increase in stage 1 and 2 ECL during the period was primarily the result of updates to macroeconomic and market data in the Investment Bank portfolio, partly offset by recoveries in Global Wealth Management and Personal & Corporate Banking, reflecting improvements in collateral and credit scores.

Stage 3 losses of USD 15 million were recognized, predominantly in the Investment Bank, as well as across a number of defaulted positions in Global Wealth Management and Personal & Corporate Banking.

There have not been any material changes to the models used to calculate ECL and to determine stage allocation in the quarter.

UBS AG uses four different economic scenarios in the ECL calculation: an upside, a baseline, a mild downside and a severe downside scenario. The scenario narratives and weights were reviewed and remain unchanged from those applied as of 31 December 2018. Macroeconomic data and market data was updated across all scenarios, as well as the baseline scenario shocks, as of 31 March 2019.

→ Refer to **"Note 1a Significant accounting policies item g"** and **"Note 23 Expected credit loss measurement"** in the **"Consolidated financial statements"** section of the **Annual Report 2018 for more information**

### b) ECL-relevant balance sheet and off-balance sheet positions including ECL allowances and provisions

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The tables on the following pages provide information on financial instruments and certain non-financial instruments that are subject to ECL. For amortized cost instruments, the net carrying value represents the maximum exposure to credit risk, taking into account the allowance for credit losses. Financial assets measured at fair value through other comprehensive income (FVOCI) are also subject to ECL; however, unlike amortized cost instruments, the allowance does not reduce the

carrying value of these financial assets. The carrying value of financial assets measured at FVOCI represents the maximum exposure to credit risk.

In addition to on-balance sheet financial assets, certain off-balance sheet and other credit lines are also subject to ECL. The maximum exposure to credit risk for off-balance sheet financial instruments is calculated based on notional amounts.

## Note 9 Expected credit loss measurement (continued)

USD million		31.3.19							
Financial instruments measured at amortized cost	Carrying amount <sup>1</sup>				ECL allowance				
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	
Cash and balances at central banks	110,618	110,618	0	0	0	0	0	0	
Loans and advances to banks	16,777	16,727	50	0	(5)	(2)	0	(3)	
Receivables from securities financing transactions	100,222	100,222	0	0	(2)	(2)	0	0	
Cash collateral receivables on derivative instruments	25,164	25,164	0	0	0	0	0	0	
Loans and advances to customers	320,466	299,382	19,465	1,619	(760)	(74)	(142)	(545)	
<i>of which: Private clients with mortgages</i>	126,412	116,432	9,217	763	(129)	(16)	(77)	(36)	
<i>of which: Real estate financing</i>	36,670	28,945	7,687	39	(61)	(5)	(38)	(18)	
<i>of which: Large corporate clients</i>	12,070	11,525	468	77	(109)	(12)	(5)	(91)	
<i>of which: SME clients</i>	9,775	8,163	996	616	(262)	(14)	(8)	(240)	
<i>of which: Lombard</i>	110,142	110,117	0	24	(20)	(3)	0	(17)	
<i>of which: Credit cards</i>	1,446	1,136	294	16	(31)	(7)	(13)	(11)	
<i>of which: Commodity trade finance</i>	2,867	2,427	422	19	(81)	(4)	0	(76)	
Other financial assets measured at amortized cost	22,495	21,712	292	491	(150)	(40)	(6)	(104)	
<i>of which: Loans to financial advisors</i>	3,158	2,942	107	109	(108)	(31)	(3)	(74)	
<b>Total financial assets measured at amortized cost</b>	<b>595,744</b>	<b>573,826</b>	<b>19,807</b>	<b>2,110</b>	<b>(917)</b>	<b>(118)</b>	<b>(148)</b>	<b>(651)</b>	
Financial assets measured at fair value through other comprehensive income	7,168	7,168	0	0	0	0	0	0	
<b>Total on-balance sheet financial assets in scope of ECL requirements</b>	<b>602,912</b>	<b>580,994</b>	<b>19,807</b>	<b>2,110</b>	<b>(917)</b>	<b>(118)</b>	<b>(148)</b>	<b>(651)</b>	

  

Off-balance sheet (in scope of ECL)	Total exposure				ECL provision			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	17,434	16,713	506	215	(48)	(6)	(2)	(40)
<i>of which: Large corporate clients</i>	3,505	3,247	118	140	(7)	(1)	(1)	(5)
<i>of which: SME clients</i>	1,205	948	188	69	(30)	0	0	(29)
<i>of which: Financial intermediaries and hedge funds</i>	6,995	6,959	36	0	(3)	(3)	0	0
<i>of which: Lombard</i>	666	666	0	0	0	0	0	0
<i>of which: Commodity trade finance</i>	1,936	1,774	156	6	(1)	(1)	0	0
Irrevocable loan commitments	27,919	27,321	583	15	(44)	(36)	(8)	0
<i>of which: Large corporate clients</i>	19,051	18,660	389	1	(38)	(32)	(7)	0
Forward starting reverse repurchase and securities borrowing agreements	2,058	2,058	0	0	0	0	0	0
Committed unconditionally revocable credit lines	35,569	34,085	1,392	92	(39)	(19)	(20)	0
<i>of which: Real estate financing</i>	2,636	2,239	397	0	(19)	(3)	(17)	0
<i>of which: Large corporate clients</i>	4,124	4,055	52	16	(1)	(1)	0	0
<i>of which: SME clients</i>	4,331	4,006	264	62	(7)	(6)	(1)	0
<i>of which: Lombard</i>	4,537	4,537	0	0	0	0	0	0
<i>of which: Credit cards</i>	7,587	7,281	306	0	(6)	(4)	(2)	0
<i>of which: Commodity trade finance</i>	4,154	3,823	321	10	(2)	(2)	0	0
Irrevocable committed prolongation of existing loans	3,450	3,393	52	5	(4)	(2)	(2)	0
<b>Total off-balance sheet financial instruments and other credit lines</b>	<b>86,430</b>	<b>83,570</b>	<b>2,533</b>	<b>328</b>	<b>(134)</b>	<b>(64)</b>	<b>(31)</b>	<b>(40)</b>
<b>Total allowances and provisions</b>					<b>(1,052)</b>	<b>(182)</b>	<b>(179)</b>	<b>(691)</b>

<sup>1</sup> The carrying value of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

**Note 9 Expected credit loss measurement (continued)**

USD million	31.12.18							
	Carrying amount <sup>1</sup>				ECL allowance			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
<b>Financial instruments measured at amortized cost</b>								
Cash and balances at central banks	108,370	108,370	0	0	0	0	0	0
Loans and advances to banks	16,642	16,440	202	0	(7)	(4)	(1)	(3)
Receivables from securities financing transactions	95,349	95,349	0	0	(2)	(2)	0	0
Cash collateral receivables on derivative instruments	23,603	23,603	0	0	0	0	0	0
Loans and advances to customers	321,482	299,378	20,357	1,748	(772)	(69)	(155)	(549)
<i>of which: Private clients with mortgages</i>	<i>126,335</i>	<i>115,679</i>	<i>9,859</i>	<i>796</i>	<i>(138)</i>	<i>(16)</i>	<i>(83)</i>	<i>(39)</i>
<i>of which: Real estate financing</i>	<i>36,474</i>	<i>28,578</i>	<i>7,858</i>	<i>38</i>	<i>(59)</i>	<i>(3)</i>	<i>(40)</i>	<i>(16)</i>
<i>of which: Large corporate clients</i>	<i>11,390</i>	<i>10,845</i>	<i>457</i>	<i>88</i>	<i>(95)</i>	<i>(9)</i>	<i>(4)</i>	<i>(82)</i>
<i>of which: SME clients</i>	<i>9,924</i>	<i>8,029</i>	<i>1,263</i>	<i>632</i>	<i>(281)</i>	<i>(13)</i>	<i>(12)</i>	<i>(256)</i>
<i>of which: Lombard</i>	<i>111,722</i>	<i>111,707</i>	<i>0</i>	<i>14</i>	<i>(21)</i>	<i>(4)</i>	<i>0</i>	<i>(17)</i>
<i>of which: Credit cards</i>	<i>1,529</i>	<i>1,216</i>	<i>297</i>	<i>16</i>	<i>(30)</i>	<i>(6)</i>	<i>(13)</i>	<i>(11)</i>
<i>of which: Commodity trade finance</i>	<i>3,260</i>	<i>2,798</i>	<i>445</i>	<i>16</i>	<i>(86)</i>	<i>(5)</i>	<i>(3)</i>	<i>(78)</i>
Other financial assets measured at amortized cost	22,637	21,936	223	478	(155)	(43)	(4)	(109)
<i>of which: Loans to financial advisors</i>	<i>3,291</i>	<i>3,104</i>	<i>62</i>	<i>125</i>	<i>(113)</i>	<i>(34)</i>	<i>(2)</i>	<i>(77)</i>
<b>Total financial assets measured at amortized cost</b>	<b>588,084</b>	<b>565,076</b>	<b>20,782</b>	<b>2,226</b>	<b>(937)</b>	<b>(117)</b>	<b>(159)</b>	<b>(660)</b>
Financial assets measured at fair value through other comprehensive income	6,667	6,667	0	0	0	0	0	0
<b>Total on-balance sheet financial assets in scope of ECL requirements</b>	<b>594,750</b>	<b>571,743</b>	<b>20,782</b>	<b>2,226</b>	<b>(937)</b>	<b>(117)</b>	<b>(159)</b>	<b>(660)</b>
		Total exposure				ECL provision		
<b>Off-balance sheet (in scope of ECL)</b>	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	18,146	17,321	611	215	(43)	(7)	(2)	(34)
<i>of which: Large corporate clients</i>	<i>3,862</i>	<i>3,599</i>	<i>136</i>	<i>127</i>	<i>(8)</i>	<i>(1)</i>	<i>(1)</i>	<i>(6)</i>
<i>of which: SME clients</i>	<i>1,298</i>	<i>1,057</i>	<i>164</i>	<i>77</i>	<i>(26)</i>	<i>0</i>	<i>0</i>	<i>(25)</i>
<i>of which: Financial intermediaries and hedge funds</i>	<i>7,193</i>	<i>7,125</i>	<i>67</i>	<i>0</i>	<i>(4)</i>	<i>(3)</i>	<i>0</i>	<i>0</i>
<i>of which: Lombard</i>	<i>834</i>	<i>834</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>of which: Commodity trade finance</i>	<i>2,097</i>	<i>1,851</i>	<i>236</i>	<i>11</i>	<i>(1)</i>	<i>(1)</i>	<i>0</i>	<i>0</i>
Irrevocable loan commitments	31,212	30,590	568	53	(37)	(32)	(5)	0
<i>of which: Large corporate clients</i>	<i>22,019</i>	<i>21,492</i>	<i>519</i>	<i>7</i>	<i>(31)</i>	<i>(26)</i>	<i>(4)</i>	<i>0</i>
Forward starting reverse repurchase and securities borrowing agreements	937	937	0	0	0	0	0	0
Committed unconditionally revocable credit lines	38,851	37,338	1,420	93	(36)	(19)	(16)	0
<i>of which: Real estate financing</i>	<i>2,562</i>	<i>2,150</i>	<i>401</i>	<i>11</i>	<i>(17)</i>	<i>(4)</i>	<i>(12)</i>	<i>0</i>
<i>of which: Large corporate clients</i>	<i>4,260</i>	<i>4,152</i>	<i>91</i>	<i>17</i>	<i>(2)</i>	<i>(1)</i>	<i>0</i>	<i>0</i>
<i>of which: SME clients</i>	<i>4,505</i>	<i>4,163</i>	<i>285</i>	<i>57</i>	<i>(7)</i>	<i>(6)</i>	<i>(1)</i>	<i>0</i>
<i>of which: Lombard</i>	<i>7,402</i>	<i>7,402</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(1)</i>	<i>0</i>	<i>0</i>
<i>of which: Credit cards</i>	<i>7,343</i>	<i>7,035</i>	<i>309</i>	<i>0</i>	<i>(6)</i>	<i>(4)</i>	<i>(2)</i>	<i>0</i>
<i>of which: Commodity trade finance</i>	<i>3,467</i>	<i>3,209</i>	<i>254</i>	<i>4</i>	<i>(2)</i>	<i>(2)</i>	<i>0</i>	<i>0</i>
Irrevocable committed prolongation of existing loans	3,339	2,861	456	22	(1)	(1)	0	0
<b>Total off-balance sheet financial instruments and other credit lines</b>	<b>92,486</b>	<b>89,048</b>	<b>3,055</b>	<b>383</b>	<b>(116)</b>	<b>(59)</b>	<b>(23)</b>	<b>(34)</b>
<b>Total allowances and provisions</b>					<b>(1,054)</b>	<b>(176)</b>	<b>(183)</b>	<b>(695)</b>

<sup>1</sup> The carrying value of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

## Note 10 Fair value measurement

This Note provides fair value measurement information for both financial and non-financial instruments and should be read in conjunction with "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2018, which provides more information on valuation

principles, valuation governance, fair value hierarchy classification, valuation adjustments, valuation techniques and inputs, sensitivity of fair value measurements and methods applied to calculate fair values for financial instruments not measured at fair value.

### a) Fair value hierarchy

The fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value is summarized in the table below.

#### Determination of fair values from quoted market prices or valuation techniques<sup>1</sup>

USD million	31.3.19				31.12.18			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value on a recurring basis</b>								
Financial assets at fair value held for trading	94,772	12,592	2,319	109,683	88,455	14,096	1,962	104,513
<i>of which:</i>								
Government bills / bonds	11,866	1,671	0	13,537	9,554	1,607	0	11,161
Corporate and municipal bonds	483	6,232	417	7,132	558	5,699	651	6,908
Loans	0	1,701	1,451	3,152	0	2,886	680	3,566
Investment fund units	7,308	1,445	247	9,000	6,074	3,200	442	9,716
Asset-backed securities	1	313	138	451	0	248	144	392
Equity instruments	75,114	1,231	54	76,399	72,270	455	46	72,771
Derivative financial instruments	715	109,052	1,394	111,161	753	124,035	1,424	126,212
<i>of which:</i>								
Interest rate contracts	0	39,708	431	40,139	0	36,658	418	37,076
Credit derivative contracts	0	1,617	529	2,146	0	1,444	476	1,920
Foreign exchange contracts	346	43,916	22	44,284	311	53,151	30	53,492
Equity / index contracts	7	22,523	406	22,937	3	30,905	496	31,404
Commodity contracts	0	1,185	0	1,185	0	1,768	2	1,769
Brokerage receivables	0	16,275	0	16,275	0	16,840	0	16,840
Financial assets at fair value not held for trading	36,799	40,439	3,735	80,973	35,458	42,516	4,413	82,387
<i>of which:</i>								
Government bills / bonds	16,729	4,270	0	20,998	17,687	4,806	0	22,493
Corporate and municipal bonds	779	15,534	0	16,313	781	16,455	0	17,236
Financial assets for unit-linked investment contracts	19,049	4,914	0	23,963	16,694	4,751	0	21,446
Loans	0	8,547	1,084	9,631	0	6,380	1,752	8,132
Securities financing transactions	0	6,927	25	6,952	0	9,899	39	9,937
Auction rate securities	0	0	1,636	1,636	0	0	1,664	1,664
Investment fund units	168	154	113	434	173	125	109	407
Equity instruments	75	60	542	677	123	62	517	702
Other	0	35	335	370	0	38	331	369
<b>Financial assets measured at fair value through other comprehensive income on a recurring basis</b>								
Financial assets measured at fair value through other comprehensive income	2,219	4,949	0	7,168	2,319	4,347	0	6,667
<i>of which:</i>								
Government bills / bonds	2,173	13	0	2,186	2,171	69	0	2,239
Corporate and municipal bonds	47	456	0	503	149	348	0	497
Asset-backed securities	0	4,480	0	4,480	0	3,931	0	3,931
<b>Non-financial assets measured at fair value on a recurring basis</b>								
Precious metals and other physical commodities	3,816	0	0	3,816	4,298	0	0	4,298
<b>Non-financial assets measured at fair value on a non-recurring basis</b>								
Other non-financial assets <sup>2</sup>	0	57	1	58	0	82	0	82
<b>Total assets measured at fair value</b>	<b>138,321</b>	<b>183,365</b>	<b>7,448</b>	<b>329,133</b>	<b>131,283</b>	<b>201,916</b>	<b>7,800</b>	<b>340,999</b>

**Note 10 Fair value measurement (continued)****Determination of fair values from quoted market prices or valuation techniques (continued)<sup>1</sup>**

USD million	31.3.19				31.12.18			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at fair value on a recurring basis</b>								
Financial liabilities at fair value held for trading	28,642	5,519	98	34,259	24,413	4,468	69	28,949
<i>of which:</i>								
Government bills / bonds	3,944	464	0	4,408	2,423	416	0	2,839
Corporate and municipal bonds	64	3,986	63	4,113	126	3,377	27	3,530
Investment fund units	480	436	0	916	551	137	0	689
Equity instruments	24,154	627	35	24,816	21,313	537	42	21,892
Derivative financial instruments	758	107,904	2,146	110,809	580	122,933	2,210	125,723
<i>of which:</i>								
Interest rate contracts	6	35,203	211	35,419	7	32,511	226	32,743
Credit derivative contracts	0	2,628	579	3,207	0	2,203	519	2,722
Foreign exchange contracts	315	44,364	84	44,763	322	52,964	86	53,372
Equity / index contracts	6	24,662	1,270	25,939	1	33,669	1,371	35,041
Commodity contracts	0	988	1	989	0	1,487	0	1,487
<b>Financial liabilities designated at fair value on a recurring basis</b>								
Brokerage payables designated at fair value	0	39,326	0	39,326	0	38,420	0	38,420
Debt issued designated at fair value	0	54,543	12,376	66,919	0	46,074	10,957	57,031
Other financial liabilities designated at fair value	0	31,716	678	32,394	0	32,569	1,025	33,594
<i>of which:</i>								
Amounts due under unit-linked investment contracts	0	24,317	0	24,317	0	21,679	0	21,679
Securities financing transactions	0	6,190	0	6,190	0	9,461	0	9,461
Over-the-counter debt instruments	0	1,205	676	1,882	0	1,427	1,023	2,450
<b>Total liabilities measured at fair value</b>	<b>29,400</b>	<b>239,008</b>	<b>15,298</b>	<b>283,706</b>	<b>24,992</b>	<b>244,465</b>	<b>14,260</b>	<b>283,717</b>

<sup>1</sup> Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for the periods presented. <sup>2</sup> Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell.

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which the instrument is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – valuation techniques for which all significant inputs are, or are based on, observable market data; or
- Level 3 – valuation techniques for which significant inputs are not based on observable market data.

## Note 10 Fair value measurement (continued)

### b) Valuation adjustments

#### Deferred day-1 profit or loss reserves

The table below summarizes the changes in deferred day-1 profit or loss reserves during the relevant period.

Deferred day-1 profit or loss is generally released into *Other net income from financial instruments measured at fair value through profit or loss* when pricing of equivalent products or the underlying parameters become observable or when the transaction is closed out.

In the first quarter of 2019, a deferred day-1 profit or loss reserve release of USD 126 million was recognized in the income statement, mainly related to loans which are reported within *Financial assets at fair value not held for trading* on the balance sheet, following an increase in observability.

#### Deferred day-1 profit or loss reserves

USD million	For the quarter ended		
	31.3.19	31.12.18	31.3.18
Reserve balance at the beginning of the period	255	250	338
Profit / (loss) deferred on new transactions	33	48	197
(Profit) / loss recognized in the income statement	(126)	(41)	(56)
Foreign currency translation	(1)	(2)	1
Reserve balance at the end of the period	161	255	479

### c) Transfers between Level 1 and Level 2

The amounts disclosed in this section reflect transfers between Level 1 and Level 2 for instruments that were held for the entire reporting period.

Assets totaling approximately USD 1.8 billion, which were mainly comprised of investment fund units presented in the line *Financial assets at fair value held for trading* on the balance sheet, were transferred from Level 2 to Level 1 during the first

quarter of 2019, generally due to increased levels of trading activity observed within the market for these instruments. Liabilities transferred from Level 2 to Level 1 during the first quarter of 2019 were not material. Assets and liabilities transferred from Level 1 to Level 2 during the first quarter of 2019 were also not material.

**Note 10 Fair value measurement (continued)****d) Level 3 instruments: valuation techniques and inputs**

The table below presents material Level 3 assets and liabilities together with the valuation techniques used to measure fair value, the significant inputs used in the valuation technique that are considered unobservable and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level input used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance sheet date. Furthermore, the ranges and weighted averages of unobservable inputs may differ

across other financial institutions due to the diversity of the products in each firm's inventory.

The significant unobservable inputs disclosed in the table below are consistent with those included in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2018. A description of the potential effect that a change in each unobservable input in isolation may have on a fair value measurement, including information to facilitate an understanding of factors that give rise to the input ranges shown, is also provided in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2018.

**Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities**

USD billion	Fair value				Valuation technique(s)	Significant unobservable input(s) <sup>1</sup>	Range of inputs						unit <sup>1</sup>
	Assets		Liabilities				31.3.19			31.12.18			
	31.3.19	31.12.18	31.3.19	31.12.18			low	high	weighted average <sup>2</sup>	low	high	weighted average <sup>2</sup>	
<b>Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading</b>													
<i>Corporate and municipal bonds</i>	0.4	0.7	0.1	0.0	Relative value to market comparable	Bond price equivalent	0	134	92	0	134	89	points
<i>Traded loans, loans designated at fair value, loan commitments and guarantees</i>	2.8	2.7	0.0	0.0	Relative value to market comparable	Loan price equivalent	0	101	99	0	100	99	points
					Discounted expected cash flows	Credit spread	301	700		301	513		basis points
					Market comparable and securitization model	Discount margin	1	14	2	1	14	2	%
<i>Auction rate securities</i>	1.6	1.7	0.0	0.0	Relative value to market comparable	Bond price equivalent	79	99	89	79	99	89	points
<i>Investment fund units<sup>3</sup></i>	0.4	0.6	0.0	0.0	Relative value to market comparable	Net asset value							
<i>Equity instruments<sup>3</sup></i>	0.6	0.6	0.0	0.0	Relative value to market comparable	Price							
<b>Debt issued designated at fair value<sup>4</sup></b>			12.4	11.0									
<b>Other financial liabilities designated at fair value<sup>4</sup></b>			0.7	1.0									
<b>Derivative financial instruments</b>													
<i>Interest rate contracts</i>	0.4	0.4	0.2	0.2	Option model	Volatility of interest rates	46	69		50	81		basis points
<i>Credit derivative contracts</i>	0.5	0.5	0.6	0.5	Discounted expected cash flows	Credit spreads	4	574		4	545		basis points
						Bond price equivalent	3	99		3	99		points
<i>Equity / index contracts</i>	0.4	0.5	1.3	1.4	Option model	Equity dividend yields	0	9		0	12		%
						Volatility of equity stocks, equity and other indices	0	109		4	93		%
						Equity-to-FX correlation	(45)	64		(39)	67		%
						Equity-to-equity correlation	(50)	98		(50)	97		%

<sup>1</sup> The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). <sup>2</sup> Weighted averages are provided for non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to derivative contracts as this would not be meaningful. <sup>3</sup> The range of inputs is not disclosed as there is a dispersion of values given the diverse nature of the investments. <sup>4</sup> Valuation techniques, significant unobservable inputs and the respective input ranges for Debt issued designated at fair value and Other financial liabilities designated at fair value, which mainly include over-the-counter debt instruments, are the same as the equivalent derivative or structured financing instruments presented elsewhere in this table.

## Note 10 Fair value measurement (continued)

### e) Level 3 instruments: sensitivity to changes in unobservable input assumptions

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, and the estimated effect thereof.

The table shown presents the favorable and unfavorable effects for each class of financial assets and liabilities for which the potential change in fair value is considered significant. The sensitivity of fair value measurements for debt issued designated at fair value and over-the-counter debt instruments designated at fair value is reported with the equivalent derivative or structured financing instrument within the table below.

The sensitivity data shown below presents an estimation of valuation uncertainty based on reasonably possible alternative values for Level 3 inputs at the balance sheet date and does not represent the estimated effect of stress scenarios. Typically, these financial assets and liabilities are sensitive to a combination of inputs from Levels 1–3. Although well-defined interdependencies may exist between Levels 1–2 and Level 3 parameters (e.g., between interest rates, which are generally Level 1 or Level 2, and prepayments, which are generally Level 3), these have not been incorporated in the table. Furthermore, direct interrelationships between the Level 3 parameters are not a significant element of the valuation uncertainty.

#### Sensitivity of fair value measurements to changes in unobservable input assumptions

USD million	31.3.19		31.12.18	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Traded loans, loans designated at fair value, loan commitments and guarantees	92	(20)	99	(44)
Securities financing transactions	32	(18)	17	(11)
Auction rate securities	80	(80)	81	(81)
Asset-backed securities	32	(28)	27	(23)
Equity instruments	176	(77)	155	(94)
Interest rate derivative contracts, net	6	(26)	8	(39)
Credit derivative contracts, net	32	(37)	33	(37)
Foreign exchange derivative contracts, net	11	(6)	10	(5)
Equity / index derivative contracts, net	188	(217)	213	(225)
Other	17	(17)	19	(19)
<b>Total</b>	<b>667</b>	<b>(527)</b>	<b>661</b>	<b>(578)</b>

### f) Level 3 instruments: movements during the period

#### Significant changes in Level 3 instruments

The table on the following pages presents additional information about Level 3 assets and liabilities measured at fair value on a recurring basis. Level 3 assets and liabilities may be hedged with instruments classified as Level 1 or Level 2 in the fair value hierarchy and, as a result, realized and unrealized gains and losses included in the table may not include the effect of related hedging activity. Furthermore, the realized and unrealized gains and losses presented within the table are not limited solely to those arising from Level 3 inputs, as valuations are generally derived from both observable and unobservable parameters.

Upon adoption of IFRS 9 on 1 January 2018, certain financial assets and liabilities were newly classified as measured at fair

value through profit or loss and designated as Level 3 in the fair value hierarchy. Certain assets were also reclassified from *Financial assets measured at fair value through other comprehensive income* to *Financial assets at fair value not held for trading*. Refer to "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2018 for more information.

In the first quarter of 2019, loans reported within *Financial assets at fair value not held for trading* on the balance sheet, were transferred from Level 3 to Level 2 in the fair value hierarchy, reflecting increased observability.



## Note 10 Fair value measurement (continued)

### Movements of Level 3 instruments

USD billion	Balance as of 31 December 2017	Reclassifications and remeasurements upon adoption of IFRS 9	Balance as of 1 January 2018	Total gains / (losses) included in comprehensive income		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 31 March 2018
				Net gains / (losses) included in income <sup>1</sup>	of which: related to Level 3 instruments held at the end of the reporting period								
<b>Financial assets at fair value held for trading</b>	<b>2.0</b>	<b>0.4</b>	<b>2.4</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>0.5</b>	<b>(1.5)</b>	<b>0.5</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>0.1</b>	<b>2.0</b>
<i>of which:</i>													
<i>Corporate and municipal bonds</i>	0.6		0.6	0.0	0.0	0.1	(0.5)	0.0	0.0	0.1	0.0	0.0	0.2
<i>Loans</i>	0.5	0.4	0.9	(0.1)	0.0	0.1	(0.8)	0.5	0.0	0.0	0.0	0.0	0.6
<i>Investment fund units</i>	0.6		0.6	(0.2)	(0.2)	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.7
<i>Other</i>	0.4		0.4	0.1	0.1	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	0.4
<b>Financial assets at fair value not held for trading</b>	<b>1.5</b>	<b>3.0</b>	<b>4.4</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>0.9</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.3</b>	<b>4.9</b>
<i>of which:</i>													
<i>Loans</i>	0.8	0.6	1.4	(0.3)	(0.3)	0.8	(0.2)	0.0	0.0	0.1	0.0	0.2	2.0
<i>Auction rate securities</i>		1.9	1.9	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	0.1	1.8
<i>Equity instruments</i>		0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
<i>Other</i>	0.7	0.1	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	0.7
<b>Financial assets measured at fair value through other comprehensive income</b>	<b>0.5</b>	<b>(0.5)</b>											
<b>Derivative financial instruments – assets</b>	<b>1.6</b>		<b>1.6</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>1.4</b>
<i>of which:</i>													
<i>Interest rate contracts</i>	0.1		0.1	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0
<i>Credit derivative contracts</i>	0.6		0.6	(0.1)	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.5
<i>Equity / index contracts</i>	0.7		0.7	0.0	(0.1)	0.0	0.0	0.2	(0.2)	0.0	0.0	0.0	0.6
<i>Other</i>	0.2		0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
<b>Derivative financial instruments – liabilities</b>	<b>2.9</b>	<b>0.0</b>	<b>2.9</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>(0.6)</b>	<b>0.2</b>	<b>(0.1)</b>	<b>0.2</b>	<b>2.8</b>
<i>of which:</i>													
<i>Credit derivative contracts</i>	0.6		0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7
<i>Equity / index contracts</i>	2.0		2.0	(0.3)	(0.3)	0.0	0.0	0.4	(0.4)	0.1	(0.1)	0.2	1.8
<i>Other</i>	0.3	0.0	0.3	0.1	0.1	0.0	0.0	0.0	(0.2)	0.1	0.0	0.0	0.3
<b>Debt issued designated at fair value</b>	<b>11.2</b>		<b>11.2</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>2.7</b>	<b>(1.6)</b>	<b>0.4</b>	<b>(0.6)</b>	<b>0.7</b>	<b>12.4</b>
<b>Other financial liabilities designated at fair value</b>	<b>2.0</b>		<b>2.0</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>(0.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>1.4</b>

<sup>1</sup> Net gains / (losses) included in comprehensive income are comprised of Net interest income, Other net income from financial instruments measured at fair value through profit or loss and Other income. <sup>2</sup> Total Level 3 assets as of 31 March 2019 were USD 7.4 billion (31 December 2018: USD 7.8 billion). Total Level 3 liabilities as of 31 March 2019 were USD 15.3 billion (31 December 2018: USD 14.3 billion).

## Note 10 Fair value measurement (continued)

Balance as of 31 December 2018	Net gains / (losses) included in income <sup>1</sup>	Total gains / (losses) included in comprehensive income		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 31 March 2019 <sup>2</sup>
		of which: related to Level 3 instruments held at the end of the reporting period									
2.0	(0.1)	0.0	0.4	(1.5)	1.6	0.0	0.2	(0.2)	0.0	2.3	
0.7	0.0	0.0	0.2	(0.4)	0.0	0.0	0.0	(0.1)	0.0	0.4	
0.7	(0.1)	0.0	0.1	(0.9)	1.6	0.0	0.0	0.0	0.0	1.5	
0.4	0.0	0.0	0.0	(0.2)	0.0	0.0	0.1	(0.1)	0.0	0.2	
0.2	0.0	0.0	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	0.2	
4.4	0.1	0.2	0.5	(0.4)	0.0	0.0	0.0	(0.9)	0.0	3.7	
1.8	0.1	0.1	0.4	(0.3)	0.0	0.0	0.0	(0.9)	0.0	1.1	
1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6	
0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	
0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	
1.4	(0.1)	(0.1)	0.0	0.0	0.5	(0.4)	0.1	(0.1)	0.0	1.4	
0.4	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.4	
0.5	0.0	0.0	0.0	0.0	0.2	(0.1)	0.0	0.0	0.0	0.5	
0.5	(0.1)	(0.1)	0.0	0.0	0.2	(0.2)	0.0	(0.1)	0.0	0.4	
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
2.2	0.1	0.1	0.0	0.0	0.4	(0.4)	0.1	(0.2)	0.0	2.1	
0.5	0.0	0.0	0.0	0.0	0.1	(0.1)	0.0	0.0	0.0	0.6	
1.4	0.1	0.1	0.0	0.0	0.2	(0.3)	0.0	(0.2)	0.0	1.3	
0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	
11.0	0.5	0.4	0.0	0.0	2.8	(1.2)	0.3	(1.0)	0.0	12.4	
1.0	0.1	0.1	0.0	0.0	0.1	(0.5)	0.0	0.0	0.0	0.7	

**Note 10 Fair value measurement (continued)**

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

Assets transferred into and out of Level 3 in the first quarter of 2019 totaled USD 0.3 billion and USD 1.1 billion, respectively. Transfers into Level 3 were primarily comprised of investment fund units reflecting decreased observability of the relevant net asset value inputs. Transfers out of Level 3 were

primarily comprised of loans due to increased observability of the relevant valuation inputs.

Liabilities transferred into and out of Level 3 in the first quarter of 2019 totaled USD 0.4 billion and USD 1.1 billion, respectively. Transfers into and out of Level 3 were primarily comprised of equity-linked issued debt instruments (presented within *Debt issued designated at fair value*) due to decreased or increased observability, respectively, of the embedded derivative inputs.

**g) Financial instruments not measured at fair value**

The table below reflects the estimated fair values of financial instruments not measured at fair value.

**Financial instruments not measured at fair value**

USD billion	31.3.19		31.12.18	
	Carrying value	Fair value	Carrying value	Fair value
<b>Assets</b>				
Cash and balances at central banks	110.6	110.6	108.4	108.4
Loans and advances to banks	16.8	16.8	16.6	16.6
Receivables from securities financing transactions	100.2	100.2	95.3	95.4
Cash collateral receivables on derivative instruments	25.2	25.2	23.6	23.6
Loans and advances to customers	320.5	322.6	321.5	322.0
Other financial assets measured at amortized cost	22.5	22.5	22.6	22.5
<b>Liabilities</b>				
Amounts due to banks	9.1	9.1	11.0	11.0
Payables from securities financing transactions	5.2	5.2	10.3	10.3
Cash collateral payables on derivative instruments	30.3	30.3	28.9	28.9
Customer deposits	428.1	428.2	422.0	422.0
Funding from UBS Group AG and its subsidiaries	44.4	45.1	41.2	41.7
Debt issued measured at amortized cost	83.9	85.4	91.2	93.5
Other financial liabilities measured at amortized cost	10.8	10.8	7.6	7.6

The fair values included in the table above have been calculated for disclosure purposes only. The fair value valuation techniques and assumptions relate only to the fair value of UBS AG's financial instruments not measured at fair value. Other

institutions may use different methods and assumptions for their fair value estimation, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another.

## Note 11 Derivative instruments

### a) Derivative instruments

<i>As of 31.3.19, USD billion</i>	Derivative financial assets	Notional values related to derivative financial assets <sup>3</sup>	Derivative financial liabilities	Notional values related to derivative financial liabilities <sup>3</sup>	Other notional values <sup>4</sup>
<b>Derivative financial instruments<sup>1,2</sup></b>					
Interest rate contracts	40.1	1,114	35.4	1,115	11,049
Credit derivative contracts	2.1	74	3.2	78	0
Foreign exchange contracts	44.3	2,892	44.8	2,752	1
Equity / index contracts	22.9	430	25.9	527	122
Commodity contracts	1.2	50	1.0	40	8
Unsettled purchases of non-derivative financial instruments <sup>5</sup>	0.2	29	0.2	17	
Unsettled sales of non-derivative financial instruments <sup>5</sup>	0.2	27	0.3	22	
<b>Total derivative financial instruments, based on IFRS netting<sup>6</sup></b>	<b>111.2</b>	<b>4,617</b>	<b>110.8</b>	<b>4,550</b>	<b>11,180</b>
Further netting potential not recognized on the balance sheet <sup>7</sup>	(100.9)		(97.5)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(81.4)</i>		<i>(81.4)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(19.5)</i>		<i>(16.0)</i>		
<b>Total derivative financial instruments, after consideration of further netting potential</b>	<b>10.2</b>		<b>13.3</b>		

*As of 31.12.18, USD billion*

<i>As of 31.12.18, USD billion</i>	Derivative financial assets	Notional values related to derivative financial assets <sup>3</sup>	Derivative financial liabilities	Notional values related to derivative financial liabilities <sup>3</sup>	Other notional values <sup>4</sup>
<b>Derivative financial instruments<sup>1,2</sup></b>					
Interest rate contracts	37.1	1,051	32.7	1,021	10,779
Credit derivative contracts	1.9	74	2.7	78	0
Foreign exchange contracts	53.5	2,626	53.4	2,517	0
Equity / index contracts	31.4	409	35.0	489	106
Commodity contracts	1.8	46	1.5	39	9
Unsettled purchases of non-derivative financial instruments <sup>5</sup>	0.2	17	0.1	6	
Unsettled sales of non-derivative financial instruments <sup>5</sup>	0.4	15	0.2	13	
<b>Total derivative financial instruments, based on IFRS netting<sup>6</sup></b>	<b>126.2</b>	<b>4,239</b>	<b>125.7</b>	<b>4,163</b>	<b>10,894</b>
Further netting potential not recognized on the balance sheet <sup>7</sup>	(114.8)		(111.7)		
<i>of which: netting of recognized financial liabilities / assets</i>	<i>(90.8)</i>		<i>(90.8)</i>		
<i>of which: netting with collateral received / pledged</i>	<i>(24.0)</i>		<i>(20.9)</i>		
<b>Total derivative financial instruments, after consideration of further netting potential</b>	<b>11.4</b>		<b>14.0</b>		

<sup>1</sup> Derivative financial liabilities as of 31 March 2019 include USD 18 million related to derivative loan commitments (31 December 2018: USD 17 million). No notional amounts related to these commitments are included in this table, but they are disclosed in Note 16 under Loan commitments. <sup>2</sup> Includes certain forward starting repurchase and reverse repurchase agreements that are classified as measured at fair value through profit or loss and are recognized within derivative instruments. The fair value of these derivative instruments was not material as of 31 March 2019 or 31 December 2018. No notional amounts related to these instruments are included in this table, but they are disclosed within Note 16 under Forward starting transactions. <sup>3</sup> In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional values of the netted derivative financial instruments are still presented on a gross basis. <sup>4</sup> Other notional values relate to derivatives that are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for all periods presented. <sup>5</sup> Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. <sup>6</sup> Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. <sup>7</sup> Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 25 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2018 for more information.

**Note 11 Derivative instruments (continued)****b) Cash collateral on derivative instruments**

<i>USD billion</i>	Receivables 31.3.19	Payables 31.3.19	Receivables 31.12.18	Payables 31.12.18
Cash collateral on derivative instruments, based on IFRS netting <sup>1</sup>	25.2	30.3	23.6	28.9
Further netting potential not recognized on the balance sheet <sup>2</sup>	(14.1)	(15.0)	(14.5)	(15.4)
<i>of which: netting of recognized financial liabilities / assets</i>	(12.2)	(13.7)	(13.5)	(14.2)
<i>of which: netting with collateral received / pledged</i>	(1.9)	(1.4)	(1.0)	(1.2)
<b>Cash collateral on derivative instruments, after consideration of further netting potential</b>	<b>11.1</b>	<b>15.3</b>	<b>9.1</b>	<b>13.5</b>

<sup>1</sup> Financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. <sup>2</sup> Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 25 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2018 for more information.

**Note 12 Other assets and liabilities****a) Other financial assets measured at amortized cost**

<i>USD million</i>	31.3.19	31.12.18
Debt securities	12,938	13,562
<i>of which: government bills / bonds</i>	8,094	8,778
Loans to financial advisors <sup>1</sup>	3,158	3,291
Fee- and commission-related receivables	1,816	1,644
Finance lease receivables <sup>2</sup>	1,224	1,091
Settlement and clearing accounts	702	1,039
Accrued interest income	733	700
Other	1,924	1,310
<b>Total other financial assets measured at amortized cost</b>	<b>22,495</b>	<b>22,637</b>

<sup>1</sup> Related to financial advisors in the US and Canada. <sup>2</sup> Upon adoption of IFRS 16 on 1 January 2019, Finance lease receivables increased by USD 176 million. Refer to Note 1 for more information.

**b) Other non-financial assets**

<i>USD million</i>	31.3.19	31.12.18
Precious metals and other physical commodities	3,816	4,298
Bail deposit <sup>1</sup>	1,286	1,312
Prepaid expenses	769	731
Net defined benefit pension and post-employment assets	3	0
VAT and other tax receivables	232	282
Properties and other non-current assets held for sale	58	82
Other	413	358
<b>Total other non-financial assets</b>	<b>6,577</b>	<b>7,062</b>

<sup>1</sup> Refer to item 1 in Note 15b for more information.

## Note 12 Other assets and liabilities (continued)

### c) Other financial liabilities measured at amortized cost

<i>USD million</i>	31.3.19	31.12.18
Other accrued expenses	1,670	1,911
Accrued interest expenses	1,326	1,501
Settlement and clearing accounts	1,160	1,477
Lease liabilities <sup>1</sup>	3,873	
Other	2,741	2,688
<b>Total other financial liabilities measured at amortized cost</b>	<b>10,770</b>	<b>7,576</b>

<sup>1</sup> Relates to lease liabilities of USD 3,956 million recognized upon adoption of IFRS 16 on 1 January 2019. Refer to Note 1 for more information.

### d) Other financial liabilities designated at fair value

<i>USD million</i>	31.3.19	31.12.18
Amounts due under unit-linked investment contracts	24,317	21,679
Securities financing transactions	6,190	9,461
Over-the-counter debt instruments	1,882	2,450
<i>of which: life-to-date own credit (gain) / loss</i>	<i>(27)</i>	<i>(51)</i>
Other	5	5
<b>Total other financial liabilities designated at fair value</b>	<b>32,394</b>	<b>33,594</b>

### e) Other non-financial liabilities

<i>USD million</i>	31.3.19	31.12.18
Compensation-related liabilities	2,998	4,645
<i>of which: accrued expenses</i>	<i>878</i>	<i>2,400</i>
<i>of which: deferred compensation plans</i>	<i>1,213</i>	<i>1,473</i>
<i>of which: net defined benefit pension and post-employment liabilities</i>	<i>907</i>	<i>773</i>
Current and deferred tax liabilities	953	915
VAT and other tax payables	458	403
Deferred income	170	215
Other	103	98
<b>Total other non-financial liabilities</b>	<b>4,682</b>	<b>6,275</b>

**Note 13 Debt issued designated at fair value**

<i>USD million</i>	<b>31.3.19</b>	31.12.18
<b>Issued debt instruments</b>		
Equity-linked <sup>1</sup>	<b>41,033</b>	34,392
Rates-linked	<b>14,430</b>	12,073
Credit-linked	<b>3,389</b>	3,282
Fixed-rate	<b>5,681</b>	5,099
Other	<b>2,386</b>	2,185
<b>Total debt issued designated at fair value</b>	<b>66,919</b>	57,031
<i>of which: life-to-date own credit (gain) / loss</i>	<b>33</b>	(270)

<sup>1</sup> Includes investment fund unit-linked instruments issued.

**Note 14 Debt issued measured at amortized cost**

<i>USD million</i>	<b>31.3.19</b>	31.12.18
Certificates of deposit	<b>6,869</b>	7,980
Commercial paper	<b>21,711</b>	27,514
Other short-term debt	<b>3,453</b>	3,531
<b>Short-term debt<sup>1</sup></b>	<b>32,033</b>	39,025
Senior unsecured debt	<b>31,964</b>	32,135
Covered bonds	<b>3,815</b>	3,947
Subordinated debt	<b>7,521</b>	7,511
<i>of which: low-trigger loss-absorbing tier 2 capital instruments</i>	<b>6,821</b>	6,808
<i>of which: non-Basel III-compliant tier 2 capital instruments</i>	<b>700</b>	703
Debt issued through the Swiss central mortgage institutions	<b>8,505</b>	8,569
Other long-term debt	<b>55</b>	58
<b>Long-term debt<sup>2</sup></b>	<b>51,861</b>	52,220
<b>Total debt issued measured at amortized cost<sup>3</sup></b>	<b>83,894</b>	91,245

<sup>1</sup> Debt with an original maturity of less than one year. <sup>2</sup> Debt with original maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. <sup>3</sup> Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

## Note 15 Provisions and contingent liabilities

### a) Provisions

The table below presents an overview of total provisions recognized under both IAS 37 and IFRS 9.

<i>USD million</i>	31.3.19	31.12.18
Provisions recognized under IAS 37	3,030	3,341
Provisions for off-balance sheet financial instruments	91	79
Provisions for other credit lines	43	37
<b>Total provisions</b>	<b>3,165</b>	<b>3,457</b>

The following table presents additional information for provisions recognized under IAS 37.

<i>USD million</i>	Operational risks <sup>2</sup>	Litigation, regulatory and similar matters <sup>3</sup>	Restructuring	Real estate	Employee benefits <sup>6</sup>	Other	Total
<b>Balance as of 31 December 2018</b>	45	2,827	215	122	55	77	3,341
Adjustment from adoption of IFRS 16 <sup>1</sup>	0	0	(103)	(28)	0	0	(131)
<b>Balance as of 1 January 2019</b>	45	2,827	112	94	55	77	<b>3,210</b>
Increase in provisions recognized in the income statement	4	16	5	0	1	2	<b>28</b>
Release of provisions recognized in the income statement	0	(17)	(4)	0	(2)	0	<b>(23)</b>
Provisions used in conformity with designated purpose	(4)	(134)	(19)	(4)	0	(6)	<b>(167)</b>
Foreign currency translation / unwind of discount	(2)	(15)	1	(1)	0	(1)	<b>(17)</b>
<b>Balance as of 31 March 2019</b>	<b>43</b>	<b>2,677</b>	<b>95<sup>4</sup></b>	<b>90<sup>5</sup></b>	<b>54</b>	<b>72</b>	<b>3,030</b>

<sup>1</sup> Refer to Note 1 for more information. <sup>2</sup> Comprises provisions for losses resulting from security risks and transaction processing risks. <sup>3</sup> Comprises provisions for losses resulting from legal, liability and compliance risks. <sup>4</sup> Primarily consists of personnel-related restructuring provisions of USD 25 million as of 31 March 2019 (31 December 2018: USD 40 million) and provisions for onerous contracts of USD 64 million as of 31 March 2019 (31 December 2018: USD 170 million). <sup>5</sup> Consists of reinstatement costs for leasehold improvements of USD 81 million as of 31 March 2019 (31 December 2018: USD 83 million) and provisions for onerous contracts of USD 9 million as of 31 March 2019 (31 December 2018: USD 40 million). <sup>6</sup> Includes provisions for sabbatical and anniversary awards.

Restructuring provisions primarily relate to onerous contracts and severance payments. Onerous contracts for property are recognized when UBS AG is committed to pay for non-lease components, such as utilities, when a property is vacated or not fully recovered from subtenants. Severance-related provisions are used within a short time period, usually within six months, but potential changes in amount may be triggered when natural

staff attrition reduces the number of people affected by a restructuring event and therefore the estimated costs.

Information on provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 15b. There are no material contingent liabilities associated with the other classes of provisions.

### b) Litigation, regulatory and similar matters

UBS operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this Note may refer to UBS AG and / or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past

events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant. Developments relating to a matter that occur after the relevant reporting period, but prior to the issuance of financial statements, which affect management's assessment of the provision for such matter (because, for example, the developments provide evidence of conditions that existed at the end of the reporting period), are adjusting events after the reporting period under IAS 10 and must be recognized in the financial statements for the reporting period.



**Note 15 Provisions and contingent liabilities (continued)**

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

In the case of certain matters below, we state that we have established a provision, and for the other matters, we make no such statement. When we make this statement and we expect disclosure of the amount of a provision to prejudice seriously our position with other parties in the matter because it would reveal what UBS believes to be the probable and reliably estimable outflow, we do not disclose that amount. In some cases we are subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which we do not state whether we have established a provision, either (a) we have not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard; or (b) we have established a provision but expect disclosure of that fact to prejudice seriously our position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which we have established provisions, we are able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which we are able to estimate expected timing is immaterial relative to our current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in Note 15a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require us to provide speculative legal assessments as to claims

and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although we therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, we believe that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the non-prosecution agreement described in item 5 of this Note, which we entered into with the US Department of Justice (DOJ), Criminal Division, Fraud Section in connection with our submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate (LIBOR), was terminated by the DOJ based on its determination that we had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and is subject to probation through January 2020.

A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require us to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations, and may permit financial market utilities to limit, suspend or terminate our participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining our capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the UBS Group first quarter 2019 report.

**Provisions for litigation, regulatory and similar matters by business division and in Corporate Center<sup>1</sup>**

<i>USD million</i>	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Corporate Center	UBS
<b>Balance as of 31 December 2018</b>	1,003	117	0	269	1,438	2,827
Increase in provisions recognized in the income statement	14	0	0	2	0	16
Release of provisions recognized in the income statement	(13)	0	0	(2)	(2)	(17)
Provisions used in conformity with designated purpose	(49)	(1)	0	(66)	(18)	(134)
Foreign currency translation / unwind of discount	(12)	(2)	0	(2)	1	(15)
<b>Balance as of 31 March 2019</b>	<b>943</b>	<b>114</b>	<b>0</b>	<b>201</b>	<b>1,419</b>	<b>2,677</b>

<sup>1</sup> Provisions, if any, for the matters described in this disclosure are recorded in Global Wealth Management (item 3 and item 4) and Corporate Center (item 2). Provisions, if any, for the matters described in items 1 and 6 of this disclosure are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this disclosure in item 5 are allocated between the Investment Bank and Corporate Center.

## Note 15 Provisions and contingent liabilities (continued)

### 1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that the implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration (FTA) to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests.

The Swiss Federal Administrative Court ruled in 2016 that, in the administrative assistance proceedings related to a French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. On 30 July 2018, the Swiss Federal Administrative Court granted UBS's appeal by holding the French administrative assistance request inadmissible. The FTA filed a final appeal with the Swiss Federal Supreme Court.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France for alleged complicity in having illicitly solicited clients on French territory, regarding the laundering of proceeds of tax fraud, and banking and financial solicitation by unauthorized persons. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("caution") of EUR 1.1 billion and UBS (France) S.A. to post bail of EUR 40 million, which was reduced on appeal to EUR 10 million.

A trial in the court of first instance took place from 8 October 2018 until 15 November 2018. On 20 February 2019, the court announced a verdict finding UBS AG guilty of illicitly soliciting clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS France S.A. guilty of aiding and abetting unlawful solicitation and laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7 billion on UBS AG and UBS France S.A. and awarded EUR 800 million of civil damages to the French state. UBS has appealed the decision. Under French law, the judgment is

suspended while the appeal is pending. The Court of Appeal will retry the case de novo as to both the law and the facts, and the fines and penalties can be greater than or less than those imposed by the court of first instance. A subsequent appeal to the Cour de Cassation, France's highest court, is possible with respect to questions of law.

UBS believes that based on both the law and the facts the judgment of the court of first instance should be reversed. UBS believes it followed its obligations under Swiss and French law as well as the European Savings Tax Directive. Even assuming liability, which it contests, UBS believes the penalties and damage amounts awarded greatly exceed the amounts that could be supported by the law and the facts. In particular, UBS believes the court incorrectly based the penalty on the total regularized assets rather than on any unpaid taxes on those assets for which a fraud has been characterized and further incorrectly awarded damages based on costs that were not proven by the civil party. Notwithstanding that UBS believes it should be acquitted, our balance sheet at 31 March 2019 reflected provisions with respect to this matter in an amount of USD 516 million. The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty. The provision reflected on our balance sheet at 31 March 2019 reflects our best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it is under formal investigation ("inculpé") regarding the laundering of proceeds of tax fraud, of banking and financial solicitation by unauthorized persons, and of serious tax fraud. In 2018, tax authorities and a prosecutor's office in Italy asserted that UBS is potentially liable for taxes and penalties as a result of its activities in Italy from 2012 to 2017.

UBS has, and reportedly numerous other financial institutions have, received inquiries from authorities concerning accounts relating to the Fédération Internationale de Football Association (FIFA) and other constituent soccer associations and related persons and entities. UBS is cooperating with authorities in these inquiries.

Our balance sheet at 31 March 2019 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

**Note 15 Provisions and contingent liabilities (continued)****2. Claims related to sales of residential mortgage-backed securities and mortgages**

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities (RMBS) and was a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. (UBS RESI), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007, UBS RESI sponsored approximately USD 80 billion in RMBS, based on the original principal balances of the securities issued.

UBS RESI also sold pools of loans acquired from originators to third-party purchasers. These whole loan sales during the period 2004 through 2007 totaled approximately USD 19 billion in original principal balance.

UBS was not a significant originator of US residential loans. A branch of UBS originated approximately USD 1.5 billion in US residential mortgage loans during the period in which it was active from 2006 to 2008 and securitized less than half of these loans.

*Lawsuits related to contractual representations and warranties concerning mortgages and RMBS:* When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses. In 2012, certain RMBS trusts filed an action in the US District Court for the Southern District of New York seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations issued and underwritten by UBS with an original principal balance of approximately USD 2 billion. In July 2018, UBS and the trustee entered into an agreement under which UBS will pay USD 850 million to resolve this matter. A significant portion of this amount will be borne by other parties that indemnified UBS. The settlement remains subject to court approval and proceedings to determine how the settlement funds will be distributed to RMBS holders. After giving effect to this settlement, UBS considers claims relating to substantially all loan repurchase demands to be resolved and believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

*Mortgage-related regulatory matters:* Since 2014, the US Attorney's Office for the Eastern District of New York has sought information from UBS pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), related to UBS's RMBS business from 2005 through 2007. On 8 November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under FIRREA related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint on 6 February 2019.

Our balance sheet at 31 March 2019 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

**3. Madoff**

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totaling approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS (BMIS Trustee).

## Note 15 Provisions and contingent liabilities (continued)

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A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125 million of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. The BMIS Trustee appealed. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims and remanded the case to the bankruptcy court for further proceedings. The defendants, including UBS, filed a petition for rehearing in March 2019.

### 4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of USD 2.9 billion, of which claims with aggregate claimed damages of USD 1.9 billion have been resolved through settlements, arbitration or withdrawal of the claim. The claims have been filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and / or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied and a request for permission to appeal that ruling was denied by the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management and the co-manager of

certain of the funds, seeking damages for investor losses in the funds during the period from May 2008 through May 2014. Following denial of the plaintiffs' motion for class certification, the case was dismissed in October 2018.

In 2014 and 2015, UBS entered into settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority in relation to their examinations of UBS's operations.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff, but ordered that plaintiffs must file an amended complaint. In 2017, the court denied defendants' motion to dismiss the amended complaint.

Beginning in 2015, and continuing through 2017, certain agencies and public corporations of the Commonwealth of Puerto Rico (Commonwealth) defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge. These events, further defaults or any further legislative action to create a legal means of restructuring Commonwealth obligations or to impose additional oversight on the Commonwealth's finances, or any restructuring of the Commonwealth's obligations, may increase the number of claims against UBS concerning Puerto Rico securities, as well as potential damages sought.

Our balance sheet at 31 March 2019 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that we have recognized.

**Note 15 Provisions and contingent liabilities (continued)****5. Foreign exchange, LIBOR and benchmark rates, and other trading practices**

*Foreign exchange-related regulatory matters:* Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. In 2014 and 2015, UBS reached settlements with the UK Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission (CFTC) in connection with their foreign exchange investigations, FINMA issued an order concluding its formal proceedings relating to UBS's foreign exchange and precious metals businesses, and the Board of Governors of the Federal Reserve System (Federal Reserve Board) and the Connecticut Department of Banking issued a Cease and Desist Order and assessed monetary penalties against UBS AG. In 2015, the DOJ's Criminal Division terminated the 2012 non-prosecution agreement with UBS AG related to UBS's submissions of benchmark interest rates, and UBS AG pleaded guilty to one count of wire fraud, paid a fine and is subject to probation through January 2020. UBS has ongoing obligations to cooperate with these authorities and to undertake certain remediation measures. UBS has also been granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Investigations relating to foreign exchange matters by certain authorities remain ongoing notwithstanding these resolutions.

*Foreign exchange-related civil litigation:* Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141 million and provide cooperation to the settlement classes. Certain class members have excluded themselves from that settlement and have filed individual actions in US and English courts against UBS and other banks, alleging violations of US and European competition laws and unjust enrichment.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of persons and businesses in the US who directly purchased foreign

currency from the defendants and alleged co-conspirators for their own end use. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants' motions to dismiss the amended complaint.

In 2017, two putative class actions were filed in federal court in New York against UBS and numerous other banks on behalf of persons and entities who had indirectly purchased foreign exchange instruments from a defendant or co-conspirator in the US, and a consolidated complaint was filed in June 2017. In March 2018, the court dismissed the consolidated complaint. In October 2018, the court granted plaintiffs' motion seeking leave to file an amended complaint.

*LIBOR and other benchmark-related regulatory matters:* Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, FINMA, various state attorneys general in the US and competition authorities in various jurisdictions have conducted or are continuing to conduct investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. In 2012, UBS reached settlements relating to benchmark interest rates with the UK Financial Services Authority, the CFTC and the Criminal Division of the DOJ, and FINMA issued an order in its proceedings with respect to UBS relating to benchmark interest rates. In addition, UBS entered into settlements with the European Commission and with the Swiss Competition Commission (WEKO) regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives. UBS has ongoing obligations to cooperate with the authorities with whom we have reached resolutions and to undertake certain remediation measures with respect to benchmark interest rate submissions. In December 2018, UBS entered into a settlement agreement with the New York and other state attorneys general under which it will pay USD 68 million to resolve claims by the attorneys general related to LIBOR. UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and WEKO, in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

## Note 15 Provisions and contingent liabilities (continued)

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*LIBOR and other benchmark-related civil litigation:* A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are a number of other actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. The complaints allege manipulation, through various means, of certain benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, USD and SGD SIBOR and SOR and Australian BBSW, and seek unspecified compensatory and other damages under varying legal theories.

*USD LIBOR class and individual actions in the US:* In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims. Although the Second Circuit vacated the district court's judgment dismissing antitrust claims, the district court again dismissed antitrust claims against UBS in 2016. Certain plaintiffs have appealed that decision to the Second Circuit. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims. UBS entered into an agreement in 2016 with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement has received preliminary court approval and remains subject to final approval. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust and unjust enrichment claims.

*Other benchmark class actions in the US:* In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including a federal antitrust claim, for lack of standing. In 2015, this court dismissed the plaintiffs' federal racketeering claims on the same basis and affirmed its previous

dismissal of the plaintiffs' antitrust claims against UBS. In 2017, this court also dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds, as did the court in the CHF LIBOR action. Also in 2017, the courts in the EURIBOR lawsuit dismissed the cases as to UBS and certain other foreign defendants for lack of personal jurisdiction. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs in the CHF LIBOR and SIBOR / SOR actions have filed amended complaints following the dismissals, which UBS and other defendants have moved to dismiss. In November 2018, the court in the BBSW lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Following that dismissal, plaintiffs in the BBSW action moved in January 2019 to file an amended complaint seeking to re-name UBS and certain other banks as defendants. UBS and other defendants also moved to dismiss the GBP LIBOR action in December 2016, but that motion was denied as to UBS in December 2018. UBS moved for reconsideration of that decision in January 2019.

*Government bonds:* Putative class actions have been filed since 2015 in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. A consolidated complaint was filed in 2017 in the US District Court for the Southern District of New York alleging that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction and in the secondary market and asserting claims under the antitrust laws and for unjust enrichment. Defendants' motions to dismiss the consolidated complaint are pending.

UBS and reportedly other banks are responding to investigations and requests for information from various authorities regarding US Treasury securities and other government bond trading practices. As a result of its review to date, UBS has taken appropriate action.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 31 March 2019 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

**Note 15 Provisions and contingent liabilities (continued)****6. Swiss retrocessions**

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver.

FINMA has issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among other things, the existence

of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

Our balance sheet at 31 March 2019 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

**Note 16 Guarantees, commitments and forward starting transactions**

The table below presents the maximum irrevocable amount of guarantees, commitments and forward starting transactions.

USD million	31.3.19				31.12.18			
	Gross		Sub-participations	Net	Gross		Sub-participations	Net
	Measured at fair value	Not measured at fair value			Measured at fair value	Not measured at fair value		
<b>Total guarantees</b>	<b>1,840</b>	<b>17,434</b>	<b>(2,760)</b>	<b>16,514</b>	1,639	18,146	(2,803)	16,982
<b>Loan commitments</b>	<b>6,401</b>	<b>27,919</b>	<b>(690)</b>	<b>33,630</b>	3,535	31,212	(647)	34,099
<b>Forward starting transactions<sup>1</sup></b>								
Reverse repurchase agreements	29,284	2,038			8,117	925		
Securities borrowing agreements		20				12		
Repurchase agreements	15,321	629			7,926	400		

<sup>1</sup> Cash to be paid in the future by either UBS or the counterparty.

**Note 17 Currency translation rates**

The following table shows the rates of the main currencies used to translate the financial information of UBS AG's operations with a functional currency other than the US dollar into US dollars.

	Closing exchange rate			Average rate <sup>1</sup>		
	As of			For the quarter ended		
	31.3.19	31.12.18	31.12.18	31.3.19	31.12.18	31.3.18
1 CHF	1.00	1.02	1.05	1.00	1.00	1.06
1 EUR	1.12	1.15	1.23	1.14	1.14	1.23
1 GBP	1.30	1.28	1.40	1.31	1.28	1.40
100 JPY	0.90	0.91	0.94	0.91	0.89	0.93

<sup>1</sup> Monthly income statement items of operations with a functional currency other than the US dollar are translated with month-end rates into US dollars. Disclosed average rates for a quarter represent an average of three month-end rates, weighted according to the income and expense volumes of all operations of UBS AG with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for UBS AG.

**Cautionary Statement Regarding Forward-Looking Statements** | This report contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS’s business and future development. While these forward-looking statements represent UBS’s judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations. These factors include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), including to counteract regulatory-driven increases, liquidity coverage ratio and other financial resources, and the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (ii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions, developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions on the financial position or creditworthiness of UBS’s clients and counterparties as well as on client sentiment and levels of activity; (iii) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across UBS’s affiliated entities or other measures, and the effect these will or would have on UBS’s business activities; (v) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS in response to legal and regulatory requirements, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments, and the extent to which such changes will have the intended effects; (vi) UBS’s ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (vii) the uncertainty arising from the timing and nature of the UK exit from the EU; (viii) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (ix) changes in the standards of conduct applicable to our businesses that may result from new regulation or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (x) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA as well as the amount of capital available for return to shareholders; (xi) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (xii) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xiii) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xiv) UBS’s ability to implement new technologies and business methods, including digital services and technologies and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xv) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xvi) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks, and systems failures; (xvii) restrictions on the ability of UBS AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS’s operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xviii) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS’s ability to maintain its stated capital return objective; and (xix) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2018. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

**Rounding** | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages, percent changes, and adjusted results are calculated on the basis of unrounded figures. Information on absolute changes between reporting periods, which is provided in text and that can be derived from figures displayed in the tables, is calculated on a rounded basis. For prior periods, these values are calculated on the basis of rounded figures displayed in the tables and text.

**Tables** | Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Percentage changes are presented as a mathematical calculation of the change between periods.



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