

UBS Group AG  
Form 6-K  
April 25, 2019

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16 UNDER**  
**THE SECURITIES EXCHANGE ACT OF 1934**

**Date: April 25, 2019**

**UBS Group AG**

**Commission File Number: 1-36764**

**UBS AG**

**Commission File Number: 1-15060**

(Registrants' Name)

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(Address of principal executive offices)

Indicate by check mark whether the registrants file or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ x

Form 40-F ☐ o

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This Form 6-K consists of the First Quarter 2019 Report of UBS Group AG, which appears immediately following this page.

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Our financial results

First quarter 2019 report

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## Corporate calendar UBS Group AG

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Annual General Meeting 2019:  
Publication of the second quarter 2019 report:  
Publication of the third quarter 2019 report:  
Publication of the fourth quarter 2019 report:

### Corporate calendar UBS AG\*

Publication of the first quarter 2019 report:

Thursday, 2 May 2019  
Tuesday, 23 July 2019  
Tuesday, 22 October 2019  
Tuesday, 21 January 2020

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)

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## **Imprint**

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## First quarter 2019 report

## Our key figures

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

1 Refer to "Note 9 Earnings per share (EPS) and shares outstanding" in the "Consolidated financial statements" section of this report for more information. 2 Refer to the "Performance targets and measurement" section of our Annual Report 2018 for more information on our

performance targets. 3 Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. 4 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. 5 Calculated as net profit attributable to shareholders (annualized as applicable) / average common equity tier 1 capital. 6 Calculated as operating income before credit loss expense or recovery (annualized as applicable) / average risk-weighted assets and average leverage ratio denominator, respectively. 7 Calculated as operating expenses / operating income before credit loss expense or recovery. 8 Calculated as adjusted operating expenses / adjusted operating income before credit loss expense or recovery. 9 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. 10 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. 11 Refer to the “Balance sheet, liquidity and funding management” section of this report for more information. 12 Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. 13 Refer to “UBS shares” in the “Capital management” section of this report for more information. 14 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. 15 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**

**Return on equity** This measure provides information on the profitability of the business in relation to equity.

**Return on tangible equity** This measure provides information on the profitability of the business in relation to tangible equity.

**Return on common equity tier 1 capital** This measure provides information on the profitability of the business in relation to common equity tier 1 capital.

**Return on risk-weighted assets, gross** This measure provides information on the revenues of the business in relation to risk-weighted assets.

**Return on leverage ratio denominator, gross** This measure provides information on the revenues of the business in relation to leverage ratio denominator.

**Cost / income ratio** This measure provides information on the efficiency of the business by comparing operating expenses with gross income.

**Adjusted cost / income ratio**

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.

**Net profit growth**

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,”<br>consolidated subsidiaries<br>“Group,” “the Group,” “we,” “us” and “our” | UBS Group AG and its         |
| “UBS AG consolidated”<br>consolidated subsidiaries                                                                          | UBS AG and its               |
| “UBS Group AG” and “UBS Group AG standalone”<br>standalone basis                                                            | UBS Group AG on a            |
| “UBS AG” and “UBS AG standalone”<br>standalone basis                                                                        | UBS AG on a                  |
| “UBS Switzerland AG” and “UBS Switzerland AG standalone”<br>standalone basis                                                | UBS Switzerland AG on a      |
| “UBS Europe SE consolidated”<br>and its consolidated subsidiaries                                                           | UBS Europe SE                |
| “UBS Americas Holding LLC” and<br>Holding LLC and its<br>“UBS Americas Holding LLC consolidated”<br>subsidiaries            | UBS Americas<br>consolidated |

Recent developments

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.

## Recent developments

### 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**

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

## Group performance

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

|                                                                                          | For the quarter ended 31.3.19 |            |            |            |                               | UBS          |
|------------------------------------------------------------------------------------------|-------------------------------|------------|------------|------------|-------------------------------|--------------|
|                                                                                          | Personal & Asset              |            | Investment |            | Corporate Center <sup>3</sup> |              |
| <i>USD million</i>                                                                       | Global Wealth Management      | Banking    | Management | 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:</i>                                                                         |                               |            |            |            |                               |              |
| <i>personnel-related restructuring expenses<sup>4</sup></i>                              | 0                             | 0          | 2          | 1          | 14                            | 17           |
| <i>of which:</i>                                                                         |                               |            |            |            |                               |              |
| <i>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  
Personal & Asset

|                                                                         | Global Wealth Management | Banking | Management | Investment Bank | Corporate Center <sup>3</sup> | UBS   |
|-------------------------------------------------------------------------|--------------------------|---------|------------|-----------------|-------------------------------|-------|
| <i>USD million</i>                                                      |                          |         |            |                 |                               |       |
| 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:</i>                          |            |            |            |             |              |            |
| <i>remeasurement loss</i>                 |            |            |            |             | (270)        | (270)      |
| <i>related to UBS</i>                     |            |            |            |             |              |            |
| <i>Securities China<sup>7</sup></i>       |            |            |            |             |              |            |
| Operating income<br>(adjusted)            | 4,028      | 919        | 468        | 1,521       | (154)        | 6,782      |
| Operating expenses as<br>reported         | 3,802      | 634        | 362        | 1,598       | 95           | 6,492      |
| <i>of which:</i>                          |            |            |            |             |              |            |
| <i>personnel-related</i>                  | 17         | 1          | 5          | 1           | 70           | 95         |
| <i>restructuring expenses<sup>4</sup></i> |            |            |            |             |              |            |
| <i>of which:</i>                          |            |            |            |             |              |            |
| <i>non-personnel-related</i>              | 0          | 0          | 3          | 3           | 87           | 93         |
| <i>restructuring expenses<sup>4</sup></i> |            |            |            |             |              |            |
| <i>of which: restructuring</i>            |            |            |            |             |              |            |
| <i>expenses allocated</i>                 | 59         | 17         | 13         | 69          | (157)        | 0          |
| <i>from Corporate Center<sup>4</sup></i>  |            |            |            |             |              |            |
| Operating expenses<br>(adjusted)          | 3,726      | 616        | 342        | 1,526       | 95           | 6,304      |
| <i>of which: net expenses</i>             |            |            |            |             |              |            |
| <i>for litigation, regulatory</i>         | 505        | 41         | 0          | (6)         | (8)          | 533        |
| <i>and similar matters<sup>5</sup></i>    |            |            |            |             |              |            |
| <b>Operating profit /</b>                 |            |            |            |             |              |            |
| <b>(loss) before tax as</b>               |            |            |            |             |              |            |
| <b>reported</b>                           | <b>327</b> | <b>644</b> | <b>106</b> | <b>(78)</b> | <b>(518)</b> | <b>481</b> |
| <b>Operating profit /</b>                 |            |            |            |             |              |            |
| <b>(loss) before tax</b>                  | <b>302</b> | <b>303</b> | <b>126</b> | <b>(5)</b>  | <b>(248)</b> | <b>478</b> |
| <b>(adjusted)</b>                         |            |            |            |             |              |            |

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

|                                                                                          | For the quarter ended 31.3.18 |            |            |                 |                                          |              |
|------------------------------------------------------------------------------------------|-------------------------------|------------|------------|-----------------|------------------------------------------|--------------|
|                                                                                          | Personal & Asset              |            | Management |                 | Investment Corporate Center <sup>3</sup> |              |
| <i>USD million</i>                                                                       | Global Wealth Management      | Banking    | Management | 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>                    | 3                             | 1          | 1          | 12              | 50                                       | 68           |
| <i>of which: non-personnel-related restructuring expenses<sup>4</sup></i>                | 10                            | 0          | 3          | 2               | 53                                       | 68           |
| <i>of which: restructuring expenses allocated from Corporate Center<sup>4</sup></i>      | 50                            | 9          | 7          | 34              | (99)                                     | 0            |
| <i>of which: gain related to changes to the Swiss pension plan<sup>8</sup></i>           | (66)                          | (38)       | (10)       | (5)             | (122)                                    | (241)        |
| 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> | 32                            | 0          | 0          | (2)             | (41)                                     | (11)         |
| <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> |

1 Adjusted results are non-GAAP financial measures as defined by SEC regulations.

2 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. 3 Corporate Center operating expenses presented in this table are after service allocations to business divisions. 4 Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives. 5 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). 6 Related to Worldline acquisition of SIX Payment Services. 7 Related to the increase of stake in and consolidation of UBS Securities China. 8 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.

## Group performance

### **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**

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

1 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.

2 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.

3 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. 4 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.



## Group performance

### 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

| <i>USD million</i>           | 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**

| <i>USD million</i> | For the quarter ended |          |         | % change from |      |
|--------------------|-----------------------|----------|---------|---------------|------|
|                    | <b>31.3.19</b>        | 31.12.18 | 31.3.18 | 4Q18          | 1Q18 |

**Operating expenses as reported**

|                                                                 |              |       |       |      |      |
|-----------------------------------------------------------------|--------------|-------|-------|------|------|
| Personnel expenses                                              | <b>4,043</b> | 3,839 | 4,254 | 5    | (5)  |
| General and administrative expenses                             | <b>1,187</b> | 2,293 | 1,510 | (48) | (21) |
| Depreciation and impairment of property, equipment and software | <b>427</b>   | 343   | 288   | 24   | 48   |
| Amortization and impairment of intangible assets                | <b>16</b>    | 17    | 16    | (8)  | (5)  |
| <b>Total operating expenses as reported</b>                     | <b>5,672</b> | 6,492 | 6,069 | (13) | (7)  |

**Adjusting items**

|                                                                                |           |     |       |  |  |
|--------------------------------------------------------------------------------|-----------|-----|-------|--|--|
| Personnel expenses                                                             | <b>17</b> | 95  | (174) |  |  |
| <i>of which: restructuring expenses<sup>1</sup></i>                            | <b>17</b> | 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>                               | <b>10</b> | 72  | 68    |  |  |
| Depreciation and impairment of property, equipment and software <sup>1</sup>   | <b>4</b>  | 21  | 0     |  |  |
| <b>Total adjusting items</b>                                                   | <b>31</b> | 188 | (106) |  |  |

**Operating expenses (adjusted)<sup>3</sup>**

|                                                                              |              |       |       |      |      |
|------------------------------------------------------------------------------|--------------|-------|-------|------|------|
| Personnel expenses                                                           | <b>4,026</b> | 3,744 | 4,428 | 8    | (9)  |
| <i>of which: salaries and variable compensation</i>                          | <b>2,410</b> | 2,100 | 2,687 | 15   | (10) |
| <i>of which: financial advisor variable compensation<sup>4</sup></i>         | <b>960</b>   | 999   | 1,032 | (4)  | (7)  |
| <i>of which: other personnel expenses<sup>5</sup></i>                        | <b>655</b>   | 645   | 709   | 2    | (8)  |
| General and administrative expenses                                          | <b>1,177</b> | 2,221 | 1,442 | (47) | (18) |
| <i>of which: net expenses for litigation, regulatory and similar matters</i> | <b>(8)</b>   | 533   | (11)  |      | (27) |
| <i>of which: other general and administrative expenses</i>                   | <b>1,185</b> | 1,688 | 1,453 | (30) | (18) |
| Depreciation and impairment of property, equipment and software              | <b>422</b>   | 322   | 288   | 31   | 47   |
| Amortization and impairment of intangible assets                             | <b>16</b>    | 17    | 16    | (8)  | (5)  |
|                                                                              | <b>5,641</b> | 6,304 | 6,174 | (11) | (9)  |



**Total operating expenses  
(adjusted)**

1 Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives. 2 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. 3 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 4 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. 5 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.

## Group performance

### 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**

## Group performance

### 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**

*USD million, except where indicated*

As of or for the quarter ended  
**31.3.19**      31.12.18      31.3.18

**Net profit**

|                                                  |              |     |       |
|--------------------------------------------------|--------------|-----|-------|
| Net profit / (loss) attributable to shareholders | <b>1,141</b> | 315 | 1,566 |
|--------------------------------------------------|--------------|-----|-------|

**Equity**

|                                              |               |        |        |
|----------------------------------------------|---------------|--------|--------|
| Equity attributable to shareholders          | <b>53,667</b> | 52,928 | 53,662 |
| Less: goodwill and intangible assets         | <b>6,621</b>  | 6,647  | 6,540  |
| Tangible equity attributable to shareholders | <b>47,046</b> | 46,281 | 47,122 |
| Less: other CET1 deductions                  | <b>12,388</b> | 12,162 | 12,348 |
| Common equity tier 1 capital                 | <b>34,658</b> | 34,119 | 34,774 |

**Return on equity**

|                                                         |             |     |      |
|---------------------------------------------------------|-------------|-----|------|
| Return on equity (%) <sup>1</sup>                       | <b>8.6</b>  | 2.4 | 11.8 |
| Return on tangible equity (%) <sup>2</sup>              | <b>9.8</b>  | 2.7 | 13.5 |
| Return on common equity tier 1 capital (%) <sup>3</sup> | <b>13.3</b> | 3.7 | 18.3 |

1 Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. 2 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. 3 Calculated as net profit attributable to shareholders (annualized as applicable) / average common equity tier 1 capital.

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

|                                               | For the quarter ended |          |         |
|-----------------------------------------------|-----------------------|----------|---------|
| <i>USD billion</i>                            | <b>31.3.19</b>        | 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> | <b>(2.3)</b>          | (4.9)    | 27.8    |
| <i>of which: money market flows</i>           | <b>2.3</b>            | 2.8      | 5.5     |

1 Net new money excludes interest and dividend income. 2 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**

|                                               |                | As of    |         | % change from |         |
|-----------------------------------------------|----------------|----------|---------|---------------|---------|
| <i>USD billion</i>                            | <b>31.3.19</b> | 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> | <b>726</b>     | 686      | 737     | 6             | (2)     |
| <i>of which: money market funds</i>           | <b>98</b>      | 95       | 93      | 3             | 5       |

1 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.







UBS business  
divisions  
and Corporate  
Center

Management report

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Global Wealth Management

Global Wealth Management

**Global Wealth 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 |

**Results**

|                                                                           |              |              |              |             |             |
|---------------------------------------------------------------------------|--------------|--------------|--------------|-------------|-------------|
| 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>                           | <b>938</b>   | <b>1,050</b> | <b>981</b>   | <b>(11)</b> | <b>(4)</b>  |
| 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> |

**Adjusted results<sup>7</sup>**

|                                                                                     |              |              |              |             |            |
|-------------------------------------------------------------------------------------|--------------|--------------|--------------|-------------|------------|
| <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>                         |              | 101          |              |             |            |
| <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>               | <b>0</b>     | 17           | 3            |             |            |
| <i>of which: non-personnel-related restructuring expenses<sup>8</sup></i>           | <b>0</b>     | 0            | 10           |             |            |
| <i>of which: restructuring expenses allocated from Corporate Center<sup>8</sup></i> | <b>10</b>    | 59           | 50           |             |            |
|                                                                                     |              |              | (66)         |             |            |

*of which: gain related to changes to  
the Swiss pension plan*

|                                                                               |              |       |       |      |      |
|-------------------------------------------------------------------------------|--------------|-------|-------|------|------|
| <b>Total operating expenses<br/>(adjusted)</b>                                | <b>3,130</b> | 3,726 | 3,310 | (16) | (5)  |
| <b>Business division operating profit /<br/>(loss) before tax as reported</b> | <b>863</b>   | 327   | 1,102 | 164  | (22) |
| <b>Business division operating profit /<br/>(loss) before tax (adjusted)</b>  | <b>873</b>   | 302   | 1,099 | 189  | (21) |

**Performance measures<sup>9</sup>**

|                           |               |        |      |
|---------------------------|---------------|--------|------|
| Pre-tax profit growth (%) | <b>(21.7)</b> | (52.9) | 31.3 |
| Cost / income ratio (%)   | <b>78.4</b>   | 91.8   | 75.1 |
| Net new money growth (%)  | <b>3.9</b>    | (1.3)  | 3.3  |

**Adjusted performance measures<sup>7,9</sup>**

|                           |               |        |      |
|---------------------------|---------------|--------|------|
| Pre-tax profit growth (%) | <b>(20.5)</b> | (66.1) | 15.7 |
| Cost / income ratio (%)   | <b>78.2</b>   | 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 |      |
|--------------------------------------------------------|--------------------------------|----------|---------|---------------|------|
|                                                        | <b>31.3.19</b>                 | 31.12.18 | 31.3.18 | 4Q18          | 1Q18 |
| <b>Additional information</b>                          |                                |          |         |               |      |
| Recurring income <sup>10</sup>                         | <b>3,227</b>                   | 3,402    | 3,440   | (5)           | (6)  |
| Recurring income as a percentage of income (%)         | <b>80.6</b>                    | 82.2     | 78.1    |               |      |
| Average attributed equity (USD billion) <sup>11</sup>  | <b>16.4</b>                    | 16.3     | 16.3    | 0             | 1    |
| Return on attributed equity (%) <sup>11</sup>          | <b>21.1</b>                    | 8.0      | 27.1    |               |      |
| Risk-weighted assets (USD billion) <sup>11</sup>       | <b>76.9</b>                    | 74.3     | 76.8    | 4             | 0    |
| Leverage ratio denominator (USD billion) <sup>11</sup> | <b>325.9</b>                   | 315.8    | 307.5   | 3             | 6    |
| Goodwill and intangible assets (USD billion)           | <b>5.1</b>                     | 5.2      | 5.1     | 0             | 1    |
| Net new money (USD billion)                            | <b>22.3</b>                    | (7.9)    | 20.0    |               |      |
| Invested assets (USD billion)                          | <b>2,432</b>                   | 2,260    | 2,415   | 8             | 1    |
| Net margin on invested assets (bps) <sup>12</sup>      | <b>15</b>                      | 6        | 18      | 164           | (20) |
| Gross margin on invested assets (bps)                  | <b>68</b>                      | 71       | 73      | (3)           | (7)  |
| Client assets (USD billion)                            | <b>2,709</b>                   | 2,519    | 2,676   | 8             | 1    |
| Loans, gross (USD billion) <sup>13</sup>               | <b>174.3</b>                   | 174.7    | 180.1   | 0             | (3)  |
| Due to customers (USD billion) <sup>13</sup>           | <b>274.8</b>                   | 271.8    | 277.0   | 1             | (1)  |
| Recruitment loans to financial advisors <sup>4</sup>   | <b>2,264</b>                   | 2,296    | 2,490   | (1)           | (9)  |
| Other loans to financial advisors <sup>4</sup>         | <b>894</b>                     | 994      | 999     | (10)          | (10) |
| Personnel (full-time equivalents)                      | <b>23,443</b>                  | 23,618   | 23,383  | (1)           | 0    |
| Advisors (full-time equivalents)                       | <b>10,573</b>                  | 10,677   | 10,654  | (1)           | (1)  |

1 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. 2 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. 3 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. 4 Relates to licensed professionals with the ability to provide investment advice to clients in the Americas. 5 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. 6 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. 7 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 8 Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives. 9 Refer to the “Performance targets and measurement” section of our Annual Report 2018 for the definitions of our performance measures. 10 Recurring income consists of net interest income and recurring net fee income. 11 Refer to the “Capital management” section of this report for more information. 12 Calculated as operating profit before tax (annualized as applicable) / average invested assets. 13 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>

As of or for the quarter ended 31.03.19

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

1 Refer to the “Performance targets and measurement” section of our Annual Report 2018 for the definitions of our performance measures. 2 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. 3 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. 4 Represents advisors who exclusively serve ultra high net worth clients in a globally managed unit.

Global Wealth Management

**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 &amp; Corporate Banking

**Personal & Corporate Banking – in Swiss francs**

|  | As of or for the quarter ended |          |         | % change from |      |
|--|--------------------------------|----------|---------|---------------|------|
|  | 31.3.19                        | 31.12.18 | 31.3.18 | 4Q18          | 1Q18 |

CHF million, except where indicated

**Results**

|                                                                    |            |              |            |             |          |
|--------------------------------------------------------------------|------------|--------------|------------|-------------|----------|
| 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>                    | <b>319</b> | 360          | 331        | (11)        | (4)      |
| 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> |

**Adjusted results<sup>4</sup>**

|                                                                                     |            |              |            |             |          |
|-------------------------------------------------------------------------------------|------------|--------------|------------|-------------|----------|
| <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>                         |            | 359          |            |             |          |
| <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>               | <b>0</b>   | 1            | 1          |             |          |
| <i>of which: non-personnel-related restructuring expenses<sup>5</sup></i>           | <b>0</b>   | 0            | 0          |             |          |
| <i>of which: restructuring expenses allocated from Corporate Center<sup>5</sup></i> | <b>4</b>   | 17           | 9          |             |          |
| <i>of which: gain related to changes to the Swiss pension plan</i>                  |            |              | (35)       |             |          |
| <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> |

**Performance measures<sup>6</sup>**

|                           |      |      |      |  |  |
|---------------------------|------|------|------|--|--|
| 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  |  |  |

**Adjusted performance measures<sup>4,6</sup>**

|                           |             |        |       |
|---------------------------|-------------|--------|-------|
| Pre-tax profit growth (%) | <b>8.5</b>  | (23.1) | (9.8) |
| Cost / income ratio (%)   | <b>59.3</b> | 65.8   | 60.4  |

## Personal &amp; Corporate Banking

**Personal & Corporate Banking – in Swiss francs (continued)**As of or for the quarter  
ended

CHF million, except where indicated

**31.3.19** 31.12.18 31.3.18**Additional information**

|                                                                                          |              |       |       |
|------------------------------------------------------------------------------------------|--------------|-------|-------|
| Average attributed equity (CHF billion) <sup>7</sup>                                     | <b>8.3</b>   | 8.1   | 7.5   |
| Return on attributed equity (%) <sup>7</sup>                                             | <b>18.5</b>  | 31.8  | 20.3  |
| Risk-weighted assets (CHF billion) <sup>7</sup>                                          | <b>64.0</b>  | 62.8  | 56.5  |
| Leverage ratio denominator (CHF billion) <sup>7</sup>                                    | <b>210.7</b> | 210.2 | 205.6 |
| Business volume for personal banking (CHF billion)                                       | <b>159</b>   | 156   | 156   |
| Net new business volume for personal banking (CHF billion)                               | <b>3.2</b>   | 0.9   | 2.4   |
| Net new business volume growth for personal banking (%) <sup>8</sup>                     | <b>8.2</b>   | 2.2   | 6.3   |
| Client assets (CHF billion) <sup>9</sup>                                                 | <b>674</b>   | 638   | 652   |
| Loans, gross (CHF billion)                                                               | <b>131.5</b> | 131.0 | 130.8 |
| Due to customers (CHF billion)                                                           | <b>143.5</b> | 141.7 | 137.6 |
| 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 Comparative figures in this table have been restated for the changes in Corporate Center cost and allocation to the business divisions and the changes in the equity attribution framework. Refer to the “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. 2 Recurring net fee income consists of fees for services 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. 3 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 income from financial instruments measured at fair value through profit or loss. 4 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 5 Reflects restructuring expenses related to cost programs. 6 Refer to the “Performance targets and measurement” section of our Annual Report for definitions of our performance measures. 7 Refer to the “Capital management” section of this report for information. 8 Calculated as net new business volume for the period (annualized as applicable) / business volume at the beginning of the period. 9 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. 10 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***USD million, except where indicated*

|                                                                               | As of or for the quarter ended | 31.12.18 | 31.3.18 | % change from |      |
|-------------------------------------------------------------------------------|--------------------------------|----------|---------|---------------|------|
|                                                                               | 31.3.19                        |          |         | 4Q18          | 1Q18 |
| USD million, except where indicated                                           |                                |          |         |               |      |
| Results                                                                       |                                |          |         |               |      |
| 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)    |               |      |
| Total operating income                                                        | 957                            | 1,278    | 981     | (25)          | (2)  |
| 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)  |
| of which: services from Corporate Center                                      | 320                            | 361      | 351     | (11)          | (9)  |
| Depreciation and impairment of property, equipment and software               | 3                              | 4        | 3       | (30)          | (7)  |
| Amortization and impairment of intangible assets                              | 0                              | 0        | 0       |               |      |
| Total operating expenses                                                      | 570                            | 634      | 573     | (10)          | 0    |
| Business division operating profit / (loss) before tax                        | 387                            | 644      | 408     | (40)          | (5)  |
| Adjusted results <sup>4</sup>                                                 |                                |          |         |               |      |
| Total operating income as reported                                            | 957                            | 1,278    | 981     | (25)          | (2)  |
| of which: gains related to investments in associates                          |                                | 359      |         |               |      |
| Total operating income (adjusted)                                             | 957                            | 919      | 981     | 4             | (2)  |
| Total operating expenses as reported                                          | 570                            | 634      | 573     | (10)          | 0    |
| of which: personnel-related restructuring expenses <sup>5</sup>               | 0                              | 1        | 1       |               |      |
| of which: non-personnel-related restructuring expenses <sup>5</sup>           | 0                              | 0        | 0       |               |      |
| of which: restructuring expenses allocated from Corporate Center <sup>5</sup> | 4                              | 17       | 9       |               |      |
| of which: gain related to changes to the Swiss pension plan                   |                                |          | (38)    |               |      |
| Total operating expenses (adjusted)                                           | 567                            | 616      | 600     | (8)           | (6)  |
| Business division operating profit / (loss) before tax as reported            | 387                            | 644      | 408     | (40)          | (5)  |
| Business division operating profit / (loss) before tax (adjusted)             | 391                            | 303      | 380     | 29            | 3    |
| Performance measures <sup>6</sup>                                             |                                |          |         |               |      |
| 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     |               |      |

**Adjusted performance measures<sup>4,6</sup>**

|                           |             |        |       |
|---------------------------|-------------|--------|-------|
| Pre-tax profit growth (%) | <b>2.7</b>  | (24.0) | (4.5) |
| Cost / income ratio (%)   | <b>59.3</b> | 65.8   | 60.4  |

## Personal &amp; Corporate Banking

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

| <i>USD million, except where<br/>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    |

1 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. 2 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. 3 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. 4 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 5 Reflects restructuring expenses related to legacy cost programs. 6 Refer to the “Performance targets and measurement” section of our Annual Report 2018 for the definitions of our performance measures. 7 Refer to the “Capital management” section of this report for more information. 8 Calculated as net new business volume for the period (annualized as applicable) / business volume at the beginning of the period. 9 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.

10 Refer to the “Risk management and control” section of this report for more information on (credit-)impaired exposures.

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## Asset Management

**Asset Management<sup>1</sup>**

|  | As of or for the quarter ended |          |         | % change from |      |
|--|--------------------------------|----------|---------|---------------|------|
|  | 31.3.19                        | 31.12.18 | 31.3.18 | 4Q18          | 1Q18 |

USD million, except where indicated

**Results**

|                                                                    |            |     |     |      |      |
|--------------------------------------------------------------------|------------|-----|-----|------|------|
| 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> | 468 | 466 | (5)  | (4)  |
| 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>                    | <b>128</b> | 150 | 143 | (15) | (10) |
| 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> | 362 | 360 | (5)  | (5)  |
| <b>Business division operating profit / (loss) before tax</b>      | <b>103</b> | 106 | 105 | (2)  | (2)  |

**Adjusted results<sup>3</sup>**

|                                                                                     |            |     |      |      |     |
|-------------------------------------------------------------------------------------|------------|-----|------|------|-----|
| <b>Total operating income as reported</b>                                           | <b>446</b> | 468 | 466  | (5)  | (4) |
| <b>Total operating income (adjusted)</b>                                            | <b>446</b> | 468 | 466  | (5)  | (4) |
| <b>Total operating expenses as reported</b>                                         | <b>343</b> | 362 | 360  | (5)  | (5) |
| <i>of which: personnel-related restructuring expenses<sup>4</sup></i>               | <b>2</b>   | 5   | 1    |      |     |
| <i>of which: non-personnel-related restructuring expenses<sup>4</sup></i>           | <b>2</b>   | 3   | 3    |      |     |
| <i>of which: restructuring expenses allocated from Corporate Center<sup>4</sup></i> | <b>2</b>   | 13  | 7    |      |     |
| <i>of which: gain related to changes to the Swiss pension plan</i>                  |            |     | (10) |      |     |
| <b>Total operating expenses (adjusted)</b>                                          | <b>337</b> | 342 | 359  | (1)  | (6) |
| <b>Business division operating profit / (loss) before tax as reported</b>           | <b>103</b> | 106 | 105  | (2)  | (2) |
| <b>Business division operating profit / (loss) before tax (adjusted)</b>            | <b>109</b> | 126 | 107  | (14) | 2   |

**Performance measures<sup>5</sup>**

|                                                                    |       |        |      |  |  |
|--------------------------------------------------------------------|-------|--------|------|--|--|
| 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 |  |  |

**Adjusted performance measures<sup>3,5</sup>**

|                                        |      |      |      |  |  |
|----------------------------------------|------|------|------|--|--|
| Pre-tax profit growth (%) <sup>7</sup> | 2.1  | 14.4 | 0.5  |  |  |
| Cost / income ratio (%)                | 75.5 | 73.0 | 77.1 |  |  |

**Information by business line / asset class****Net new money (USD billion)<sup>6</sup>**

|                                                        |              |       |       |
|--------------------------------------------------------|--------------|-------|-------|
| Equities                                               | <b>6.0</b>   | (6.4) | 16.6  |
| Fixed Income                                           | <b>(5.5)</b> | 6.7   | 3.9   |
| <i>of which: money market</i>                          | <b>2.3</b>   | 2.8   | 5.5   |
| Multi-asset & Solutions                                | <b>(1.0)</b> | (1.3) | 13.0  |
| Hedge Fund Businesses                                  | <b>(0.1)</b> | (0.4) | (0.8) |
| Real Estate & Private Markets                          | <b>0.7</b>   | (0.8) | 0.6   |
| <b>Total net new money</b>                             | <b>0.1</b>   | (2.1) | 33.3  |
| <i>of which: net new money excluding money markets</i> | <b>(2.3)</b> | (4.9) | 27.8  |

## Asset Management

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

*USD million, except where indicated*

|  | As of or for the quarter ended |          |         | % change from |      |
|--|--------------------------------|----------|---------|---------------|------|
|  | <b>31.3.19</b>                 | 31.12.18 | 31.3.18 | 4Q18          | 1Q18 |

**Invested assets (USD billion)**<sup>6</sup>

|                                     |            |     |     |     |     |
|-------------------------------------|------------|-----|-----|-----|-----|
| Equities                            | <b>310</b> | 272 | 312 | 14  | (1) |
| Fixed Income                        | <b>250</b> | 253 | 252 | (1) | (1) |
| <i>of which: money market</i>       | <b>98</b>  | 95  | 93  | 3   | 5   |
| Multi-asset & Solutions             | <b>138</b> | 132 | 143 | 5   | (3) |
| Hedge Fund Businesses               | <b>43</b>  | 42  | 43  | 1   | 0   |
| Real Estate & Private Markets       | <b>82</b>  | 82  | 79  | 1   | 4   |
| <b>Total invested assets</b>        | <b>824</b> | 781 | 831 | 5   | (1) |
| <i>of which: passive strategies</i> | <b>327</b> | 298 | 320 | 10  | 2   |

**Information by region****Invested assets (USD billion)**

|                                |            |     |     |    |      |
|--------------------------------|------------|-----|-----|----|------|
| Americas                       | <b>196</b> | 192 | 188 | 2  | 4    |
| Asia Pacific                   | <b>149</b> | 141 | 166 | 6  | (11) |
| Europe, Middle East and Africa | <b>209</b> | 189 | 204 | 11 | 3    |
| Switzerland                    | <b>270</b> | 259 | 272 | 4  | (1)  |
| <b>Total invested assets</b>   | <b>824</b> | 781 | 831 | 5  | (1)  |

**Information by channel****Invested assets (USD billion)**

|                                    |            |     |     |   |     |
|------------------------------------|------------|-----|-----|---|-----|
| Third-party institutional          | <b>509</b> | 484 | 526 | 5 | (3) |
| Third-party wholesale              | <b>84</b>  | 78  | 85  | 8 | (1) |
| UBS's wealth management businesses | <b>230</b> | 219 | 220 | 5 | 5   |
| <b>Total invested assets</b>       | <b>824</b> | 781 | 831 | 5 | (1) |

**Additional information**

|                                                       |              |       |       |     |     |
|-------------------------------------------------------|--------------|-------|-------|-----|-----|
| Average attributed equity (USD billion) <sup>8</sup>  | <b>1.8</b>   | 1.8   | 1.8   | 0   | (2) |
| Return on attributed equity (%) <sup>8</sup>          | <b>23.0</b>  | 23.7  | 22.9  |     |     |
| Risk-weighted assets (USD billion) <sup>8</sup>       | <b>4.8</b>   | 4.3   | 4.5   | 11  | 6   |
| Leverage ratio denominator (USD billion) <sup>8</sup> | <b>5.1</b>   | 5.0   | 5.0   | 1   | 1   |
| Goodwill and intangible assets (USD billion)          | <b>1.3</b>   | 1.4   | 1.4   | 0   | (3) |
| Net margin on invested assets (bps) <sup>9</sup>      | <b>5</b>     | 5     | 5     | (2) | 0   |
| Gross margin on invested assets (bps)                 | <b>22</b>    | 23    | 23    | (4) | (3) |
| Personnel (full-time equivalents)                     | <b>2,287</b> | 2,301 | 2,361 | (1) | (3) |

1 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. 2 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. 3 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 4 Reflects restructuring expenses related to legacy cost programs as well as expenses for new restructuring initiatives. 5 Refer to the “Performance targets and measurement” section of our Annual Report 2018 for the definitions of our performance measures. 6 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. 7 Excluding the effect of business exits. 8 Refer to the “Capital management” section of this report for more information. 9 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

**Investment Bank<sup>1</sup>**

|  | As of or for the quarter ended |          |         | % change from |      |
|--|--------------------------------|----------|---------|---------------|------|
|  | 31.3.19                        | 31.12.18 | 31.3.18 | 4Q18          | 1Q18 |

*USD million, except where indicated***Results****Corporate Client Solutions**

|                        |     |     |     |      |      |
|------------------------|-----|-----|-----|------|------|
| Advisory               | 451 | 460 | 875 | (2)  | (48) |
| Equity Capital Markets | 109 | 115 | 197 | (5)  | (45) |
| Debt Capital Markets   | 126 | 122 | 312 | 4    | (60) |
| Financing Solutions    | 154 | 160 | 262 | (4)  | (41) |
| Risk Management        | 57  | 53  | 72  | 7    | (21) |
|                        | 5   | 11  | 31  | (56) | (84) |

**Investor Client Services**

|                                    |       |       |       |    |      |
|------------------------------------|-------|-------|-------|----|------|
| Equities                           | 1,337 | 1,078 | 1,556 | 24 | (14) |
| Foreign Exchange, Rates and Credit | 883   | 776   | 1,138 | 14 | (22) |
| Income                             | 454   | 302   | 417   | 50 | 9    |
| Credit loss (expense) / recovery   | 1,788 | 1,539 | 2,430 | 16 | (26) |
|                                    | (22)  | (18)  | (16)  | 25 | 43   |

**Total operating income**

|                                                                    |       |       |       |      |      |
|--------------------------------------------------------------------|-------|-------|-------|------|------|
| Personnel expenses                                                 | 1,765 | 1,521 | 2,415 | 16   | (27) |
| General and administrative expenses                                | 705   | 537   | 952   | 31   | (26) |
| Services (to) / from Corporate Center and other business divisions | 141   | 253   | 152   | (44) | (7)  |
| <i>of which: services from Corporate Center</i>                    | 708   | 805   | 730   | (12) | (3)  |
|                                                                    | 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> | 1,558 | 1,598 | 1,838 | (3) | (15) |
|---------------------------------|-------|-------|-------|-----|------|

|                                                               |     |      |     |  |      |
|---------------------------------------------------------------|-----|------|-----|--|------|
| <b>Business division operating profit / (loss) before tax</b> | 207 | (78) | 576 |  | (64) |
|---------------------------------------------------------------|-----|------|-----|--|------|

**Adjusted results<sup>2</sup>**

|                                           |       |       |       |    |      |
|-------------------------------------------|-------|-------|-------|----|------|
| <b>Total operating income as reported</b> | 1,765 | 1,521 | 2,415 | 16 | (27) |
|-------------------------------------------|-------|-------|-------|----|------|

|                                          |       |       |       |    |      |
|------------------------------------------|-------|-------|-------|----|------|
| <b>Total operating income (adjusted)</b> | 1,765 | 1,521 | 2,415 | 16 | (27) |
|------------------------------------------|-------|-------|-------|----|------|

|                                             |       |       |       |     |      |
|---------------------------------------------|-------|-------|-------|-----|------|
| <b>Total operating expenses as reported</b> | 1,558 | 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> | 1,544 | 1,526 | 1,796 | 1 | (14) |
|--------------------------------------------|-------|-------|-------|---|------|

|                                                                           |     |      |     |  |      |
|---------------------------------------------------------------------------|-----|------|-----|--|------|
| <b>Business division operating profit / (loss) before tax as reported</b> | 207 | (78) | 576 |  | (64) |
|---------------------------------------------------------------------------|-----|------|-----|--|------|

|                                                                          |     |     |     |  |      |
|--------------------------------------------------------------------------|-----|-----|-----|--|------|
| <b>Business division operating profit / (loss) before tax (adjusted)</b> | 221 | (5) | 619 |  | (64) |
|--------------------------------------------------------------------------|-----|-----|-----|--|------|



**Performance measures<sup>4</sup>**

|                                              |             |       |      |
|----------------------------------------------|-------------|-------|------|
| Return on attributed equity (%) <sup>5</sup> | <b>6.8</b>  | (2.5) | 17.6 |
| Cost / income ratio (%)                      | <b>87.1</b> | 103.9 | 75.6 |

**Adjusted performance measures<sup>2,4</sup>**

|                                              |             |       |      |
|----------------------------------------------|-------------|-------|------|
| Return on attributed equity (%) <sup>5</sup> | <b>7.2</b>  | (0.2) | 18.9 |
| Cost / income ratio (%)                      | <b>86.4</b> | 99.1  | 73.9 |

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

*USD million, except where indicated*

|  | As of or for the quarter ended |          |         | % change from |      |
|--|--------------------------------|----------|---------|---------------|------|
|  | <b>31.3.19</b>                 | 31.12.18 | 31.3.18 | 4Q18          | 1Q18 |

**Additional information**

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

1 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. 2 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 3 Reflects restructuring expenses related to legacy cost programs. 4 Refer to the "Performance targets and measurement" section of our Annual Report 2018 for the definitions of our performance measures. 5 Refer to the "Capital management" section of this report for more information. 6 Based on total RWA and LRD. 7 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.

## Investment Bank

### *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>**

| <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>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) |

**Additional information**

|                                                       |               |        |        |     |     |
|-------------------------------------------------------|---------------|--------|--------|-----|-----|
| 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  |

1 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. 2 Adjusted results are non-GAAP financial measures as defined by SEC regulations. 3 Reflects restructuring expenses related to legacy cost programs. 4 Refer to the "Capital management" section of this report for more information.

## Corporate Center

### 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**

## Risk management and control

### 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**

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

credit losses

(stages 1 to 3)

*of which: stage 1***57**      **78**      **0**      **45**      **2**      **182***of which: stage 2***35**      **138**      **0**      **5**      **0**      **179***of which: stage 3**(allowances and**provisions for**credit-impaired**exposures)***123**      **461**      **0**      **82**      **25**      **691**

31.12.18

Personal &amp;

Corporate

Asset

Investment

Corporate

Global Wealth  
Management

Banking

Management

Bank

Center

Group

*USD million***Banking****products<sup>1</sup>**

Gross exposure

(IFRS 9)

239,835      186,802      2,751      59,980      28,357      517,725

*of which: loans  
and advances to  
customers*

170,413      133,253      7      9,090      8,362      321,125

*(on-balance  
sheet)**of which:**guarantees and  
loan*

6,111      20,609      0      22,290      348      49,358

*commitments  
(off-balance  
sheet)***Traded  
products<sup>2, 3</sup>**

Gross exposure

10,606      873      0      30,771           42,250

*of which:**over-the-counter  
derivatives*

5,960      762      0      9,441           16,163

*of which:**securities*

153      0      0      16,004           16,157

*financing**transactions**of which:**exchange-traded  
derivatives*

4,494      111      0      5,325           9,930

**Other credit****lines, gross<sup>4</sup>**

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 |
| of which: stage 1                                                           | 62  | 78  | 0 | 34  | 3  | 176   |
| of which: stage 2                                                           | 34  | 146 | 0 | 3   | 0  | 183   |
| of which: stage 3 (allowances and provisions for credit-impaired exposures) | 127 | 474 | 0 | 71  | 23 | 695   |

1 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. 2 Internal management view of credit risk, which differs in certain respects from IFRS. 3 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. 4 Unconditionally revocable committed credit lines.

## Risk management and control

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

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

**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>**

|                                       |          |           |            |            |            | Average by risk type |            |            |             |
|---------------------------------------|----------|-----------|------------|------------|------------|----------------------|------------|------------|-------------|
|                                       | Period   |           | end        | Average    | Equity     | Interest             | Credit     | Foreign    |             |
| <i>USD million</i>                    | Min.     | Max.      |            |            |            | rates                | spread     | exchange   | Commodities |
| Global Wealth Management              | <b>1</b> | <b>1</b>  | <b>1</b>   | <b>1</b>   | <b>0</b>   | <b>1</b>             | <b>1</b>   | <b>0</b>   | <b>0</b>    |
| Personal & Corporate Banking          | <b>0</b> | <b>0</b>  | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>             | <b>0</b>   | <b>0</b>   | <b>0</b>    |
| Asset Management                      | <b>0</b> | <b>0</b>  | <b>0</b>   | <b>0</b>   | <b>0</b>   | <b>0</b>             | <b>0</b>   | <b>0</b>   | <b>0</b>    |
| Investment Bank                       | <b>7</b> | <b>13</b> | <b>13</b>  | <b>10</b>  | <b>6</b>   | <b>7</b>             | <b>4</b>   | <b>3</b>   | <b>2</b>    |
| Corporate Center                      | <b>4</b> | <b>6</b>  | <b>5</b>   | <b>5</b>   | <b>1</b>   | <b>4</b>             | <b>2</b>   | <b>1</b>   | <b>0</b>    |
| Diversification effect <sup>2,3</sup> |          |           | <b>(4)</b> | <b>(4)</b> | <b>(1)</b> | <b>(4)</b>           | <b>(2)</b> | <b>(1)</b> | <b>0</b>    |
| <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           |

1 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. 2 Difference between the sum of the standalone VaR for the business divisions and Corporate Center and the VaR for the Group as a whole. 3 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> | <b>-200 bps</b> | <b>-100 bps</b> | <b>+1 bp</b> | <b>+100 bps</b> | <b>+200 bps</b> |
|--------------------|-----------------|-----------------|--------------|-----------------|-----------------|
| 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)          |

**Total effect on fair value of  
interest rate-sensitive  
banking book positions as of  
31.3.19**

|                |                |            |              |                |
|----------------|----------------|------------|--------------|----------------|
| <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 |
|---------|---------|-----|------|------|

1 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<br/>million</i> | <b>31.3.19</b>                                     |               |                            |               |                                | <b>31.12.18</b> |              |               |              |
|------------------------|----------------------------------------------------|---------------|----------------------------|---------------|--------------------------------|-----------------|--------------|---------------|--------------|
|                        | <b>Banking<br/>products,<br/>gross<sup>1</sup></b> |               | <b>Traded<br/>products</b> |               | <b>Trading<br/>inventory</b>   | <b>Total</b>    |              | <b>Total</b>  |              |
|                        | <b>Before</b>                                      | <b>Net of</b> | <b>Before</b>              | <b>Net of</b> | <b>Net long<br/>per issuer</b> | <b>Net of</b>   |              | <b>Net of</b> |              |
|                        | <b>hedged</b>                                      | <b>hedged</b> | <b>hedged</b>              | <b>hedged</b> |                                | <b>hedged</b>   |              | <b>hedged</b> |              |
| 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> |

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

Slovakia and Slovenia.

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Balance sheet, liquidity and funding management

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

1 Consists of loans and advances to banks and customers. 2 Consists of financial assets at fair value held for trading. 3 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

USD billion, except where indicated

**Average 1Q19<sup>1</sup>** Average 4Q18<sup>1</sup>

#### High-quality liquid assets<sup>2</sup>

|                                                     |            |     |
|-----------------------------------------------------|------------|-----|
| Cash balances <sup>3</sup>                          | <b>115</b> | 96  |
| Securities (on- and off-balance sheet)              | <b>71</b>  | 78  |
| <b>Total high-quality liquid assets<sup>4</sup></b> | <b>186</b> | 173 |

#### Cash outflows<sup>5</sup>

|                                                            |            |     |
|------------------------------------------------------------|------------|-----|
| Retail deposits and deposits from small business customers | <b>27</b>  | 26  |
| Unsecured wholesale funding                                | <b>103</b> | 102 |
| Secured wholesale funding                                  | <b>73</b>  | 76  |
| Other cash outflows                                        | <b>42</b>  | 42  |
| <b>Total cash outflows</b>                                 | <b>246</b> | 246 |

#### Cash inflows<sup>5</sup>

|                                         |            |     |
|-----------------------------------------|------------|-----|
| Secured lending                         | <b>84</b>  | 79  |
| Inflows from fully performing exposures | <b>29</b>  | 29  |
| Other cash inflows                      | <b>11</b>  | 10  |
| <b>Total cash inflows</b>               | <b>124</b> | 119 |

### Liquidity coverage ratio

|                                     |            |     |
|-------------------------------------|------------|-----|
| High-quality liquid assets          | <b>186</b> | 173 |
| Net cash outflows                   | <b>122</b> | 127 |
| <b>Liquidity coverage ratio (%)</b> | <b>153</b> | 136 |

1 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. 2 Calculated after the application of haircuts. 3 Includes cash and balances at central banks and other eligible balances as prescribed by FINMA. 4 Calculated in accordance with FINMA requirements. 5 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**

## Balance sheet, liquidity and funding management

## 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

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

1 Consists of short-term debt issued measured at amortized cost and amounts due to banks.

2 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.

3 Consists of financial liabilities at fair value held for trading.

4 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.

5 Excludes defined benefit plans and own credit that are recorded directly in Retained earnings.

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

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

1 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. 2 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**

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

**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 | 31.12.18     | All currencies | 31.12.18     | USD                                          | 31.12.18    | CHF         | 31.12.18    | EUR         | 31.12.18    |
| Short-term borrowings               | 41.1           | 50.0         | 5.8            | 7.2          | 3.0                                          | 4.0         | 0.4         | 0.5         | 1.5         | 1.1         |
| of which:                           | 9.1            | 11.0         | 1.3            | 1.6          | 0.3                                          | 0.5         | 0.4         | 0.4         | 0.2         | 0.2         |
| of which:                           | 32.0           | 39.0         | 4.5            | 5.6          | 2.7                                          | 3.5         | 0.0         | 0.0         | 1.3         | 1.3         |
| Short-term debt issued <sup>1</sup> |                |              |                |              |                                              |             |             |             |             |             |
| Securities financing                | 5.2            | 10.3         | 0.7            | 1.5          | 0.6                                          | 1.2         | 0.0         | 0.0         | 0.0         | 0.0         |
| transactions                        |                |              |                |              |                                              |             |             |             |             |             |
| Cash collateral                     |                |              |                |              |                                              |             |             |             |             |             |
| payables on                         |                |              |                |              |                                              |             |             |             |             |             |
| derivative                          |                |              |                |              |                                              |             |             |             |             |             |
| instruments                         | 30.3           | 28.9         | 4.3            | 4.1          | 2.0                                          | 1.9         | 0.1         | 0.1         | 1.5         | 1.5         |
| Customer deposits                   | 425.9          | 419.8        | 60.4           | 60.2         | 20.4                                         | 20.5        | 26.2        | 26.0        | 8.1         | 8.1         |
| of which:                           |                |              |                |              |                                              |             |             |             |             |             |
| demand deposits                     | 179.9          | 181.9        | 25.5           | 26.1         | 5.7                                          | 5.8         | 9.9         | 9.9         | 6.5         | 6.5         |
| of which:                           |                |              |                |              |                                              |             |             |             |             |             |
| retail savings /                    | 162.2          | 165.8        | 23.0           | 23.8         | 6.9                                          | 7.8         | 15.3        | 15.2        | 0.8         | 0.8         |
| deposits                            |                |              |                |              |                                              |             |             |             |             |             |
| of which:                           |                |              |                |              |                                              |             |             |             |             |             |
| time deposits                       | 61.7           | 53.6         | 8.8            | 7.7          | 5.9                                          | 4.9         | 0.8         | 0.8         | 0.1         | 0.1         |
| of which:                           |                |              |                |              |                                              |             |             |             |             |             |
| fiduciary deposits                  | 22.2           | 18.6         | 3.1            | 2.7          | 1.9                                          | 2.0         | 0.2         | 0.1         | 0.8         | 0.8         |
| 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         | 5.2         |
| Brokerage payables                  | 39.3           | 38.4         | 5.6            | 5.5          | 3.9                                          | 3.8         | 0.1         | 0.1         | 0.5         | 0.5         |
| <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>16.9</b> |

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





## Capital management

### 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<br>USD million,<br>except where<br>indicated                                                                                                                                                                                                 | Swiss SRB, including transitional arrangements |               |             |          |                    |               |             |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------|-------------|----------|--------------------|---------------|-------------|--|
|                                                                                                                                                                                                                                                            | RWA                                            |               |             |          | LRD                |               |             |  |
|                                                                                                                                                                                                                                                            | Requirement<br>(%)                             | Actual<br>(%) | Requirement | Eligible | Requirement<br>(%) | Actual<br>(%) | Requirement |  |
| Common equity<br>tier 1 capital<br>Maximum<br>high-trigger<br>loss-absorbing<br>additional                                                                                                                                                                 | 9.99                                           | 12.95         | 26,730      | 34,658   | 3.20               | 3.80          | 29,152      |  |
| tier 1 capital <sup>2,3</sup><br>of which:<br>high-trigger<br>loss-absorbing<br>additional tier 1<br>capital<br>of which:<br>low-trigger<br>loss-absorbing<br>additional tier 1<br>capital<br>of which:<br>low-trigger<br>loss-absorbing<br>tier 2 capital | 3.90                                           | 7.77          | 10,435      | 20,790   | 1.30               | 2.28          | 11,843      |  |
|                                                                                                                                                                                                                                                            |                                                | 4.63          |             | 12,397   |                    | 1.36          |             |  |
|                                                                                                                                                                                                                                                            |                                                | 0.89          |             | 2,381    |                    | 0.26          |             |  |
|                                                                                                                                                                                                                                                            |                                                | 2.25          |             | 6,012    |                    | 0.66          |             |  |
|                                                                                                                                                                                                                                                            | 13.89 <sup>4</sup>                             | 20.72         | 37,165      | 55,448   | 4.50 <sup>5</sup>  | 6.09          | 40,995      |  |

**Total going concern capital**

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

**Total gone concern loss-absorbing capacity**

**9.74 11.97 26,071 32,020 3.36 3.51 30,609**

**Total loss-absorbing capacity**

**23.63 32.69 63,236 87,468 7.86 9.60 71,604**

**Swiss SRB as of 1.1.20**

As of 31.3.19  
*USD million, except where indicated*

**RWA****LRD**

**Requirement Actual Requirement Eligible Requirement Actual Requirement**  
**(%) (%) (%) (%) (%) (%) (%)**

Common equity tier 1 capital

10.31 12.95 27,586 34,658 3.50 3.80 31,885

Maximum high-trigger loss-absorbing additional

4.30 5.52 11,505 14,778 1.50 1.62 13,665

tier 1 capital<sup>2</sup>  
*of which:*  
*high-trigger loss-absorbing additional tier 1 capital*  
*of which:*  
*low-trigger loss-absorbing additional tier 1 capital*

4.63 12,397 1.36

0.89 2,381 0.26

**Total going concern capital**

**14.61<sup>7</sup> 18.48 39,091 49,436 5.00<sup>8</sup> 5.43 45,550**

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

|                                                   |              |              |               |               |             |             |               |
|---------------------------------------------------|--------------|--------------|---------------|---------------|-------------|-------------|---------------|
| <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>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> |

1 This table includes a rebate equal to 40% of the maximum rebate on the gone concern requirement 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 rule usage of low-trigger tier 2 capital instruments to fulfill gone concern requirements. 2 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, if their first call date is after 31 December 2019. As of their first call date, these instruments are eligible to meet gone concern requirements. 3 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 gone concern requirements until the earlier of (i) their maturity or first call date or (ii) 31 December 2019, 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 subject to amortization until one year before maturity, with a haircut of 50% applied in the last year of eligibility. 4 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%. 5 Consists of a minimum leverage ratio requirement of 3% and a buffer capital requirement of 1.5%. 6 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. 7 Consists of a minimum capital requirement of 6.61%, including the effect of countercyclical buffers of 0.31% and applicable add-ons of 1.44%. 8 Consists of a minimum leverage ratio requirement of 3% and a buffer capital requirement of 2%, including applicable add-ons of 0.5%. 9 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.

## Capital management

## 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

|                                                         | Swiss SRB, including |          | Swiss SRB as of |          |
|---------------------------------------------------------|----------------------|----------|-----------------|----------|
|                                                         | transitional         |          | 1.1.20          |          |
|                                                         | arrangements         |          |                 |          |
| <i>USD million, except where indicated</i>              | <b>31.3.19</b>       | 31.12.18 | <b>31.3.19</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   | <b>12,397</b>        | 9,790    | <b>12,397</b>   | 9,790    |
| Low-trigger loss-absorbing additional tier 1 capital    | <b>2,381</b>         | 2,369    | <b>2,381</b>    | 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>  | <b>6,012</b>         | 6,008    |                 |          |
| <b>Total tier 2 capital</b>                             | <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>  | <b>781</b>           | 771      | <b>6,793</b>    | 6,779    |
| Non-Basel III-compliant tier 2 capital <sup>3</sup>     | <b>690</b>           | 693      | <b>690</b>      | 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   |

**Total loss-absorbing capacity****Total loss-absorbing capacity**

|               |        |               |        |
|---------------|--------|---------------|--------|
| <b>87,468</b> | 83,738 | <b>87,468</b> | 83,738 |
|---------------|--------|---------------|--------|

**Risk-weighted assets / leverage ratio denominator**

|                            |                |         |                |         |
|----------------------------|----------------|---------|----------------|---------|
| Risk-weighted assets       | <b>267,556</b> | 263,747 | <b>267,556</b> | 263,747 |
| Leverage ratio denominator | <b>910,993</b> | 904,598 | <b>910,993</b> | 904,598 |

**Capital and loss-absorbing capacity ratios (%)**

|                                                     |             |      |             |      |
|-----------------------------------------------------|-------------|------|-------------|------|
| Going concern capital ratio                         | <b>20.7</b> | 19.8 | <b>18.5</b> | 17.5 |
| <i>of which: common equity tier 1 capital ratio</i> | <b>13.0</b> | 12.9 | <b>13.0</b> | 12.9 |
| Gone concern loss-absorbing capacity ratio          | <b>12.0</b> | 11.9 | <b>14.2</b> | 14.2 |
| Total loss-absorbing capacity ratio                 | <b>32.7</b> | 31.7 | <b>32.7</b> | 31.7 |

**Leverage ratios (%)**

|                                                      |             |      |             |      |
|------------------------------------------------------|-------------|------|-------------|------|
| Going concern leverage ratio                         | <b>6.1</b>  | 5.8  | <b>5.4</b>  | 5.1  |
| <i>of which: common equity tier 1 leverage ratio</i> | <b>3.80</b> | 3.77 | <b>3.80</b> | 3.77 |
| Gone concern leverage ratio                          | <b>3.5</b>  | 3.5  | <b>4.2</b>  | 4.1  |
| Total loss-absorbing capacity leverage ratio         | <b>9.6</b>  | 9.3  | <b>9.6</b>  | 9.3  |

1 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. 2 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. 3 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

USD million

**Total IFRS equity**

**31.3.19**

**53,840**

31.12.18

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> | <b>34,119</b> |

1 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." 2 Includes accruals for dividends to shareholders for the current year and other items.



## Capital management

**Swiss SRB total loss-absorbing capacity movement**

| <i>USD million</i>                                                | <b>Swiss SRB, including</b> | <b>Swiss SRB as of</b> |
|-------------------------------------------------------------------|-----------------------------|------------------------|
|                                                                   | <b>transitional</b>         | <b>1.1.20</b>          |
|                                                                   | <b>arrangements</b>         |                        |
| <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**

## Capital management

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

1 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. 2 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

| USD billion                                      | Personal & Asset         |             |                              |                  |             | Total RWA    |
|--------------------------------------------------|--------------------------|-------------|------------------------------|------------------|-------------|--------------|
|                                                  | Global Wealth Management | Banking     | Management & Investment Bank | Corporate Center |             |              |
|                                                  |                          |             | 31.3.19                      |                  |             |              |
| 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> |
|                                                  |                          |             | 31.12.18                     |                  |             |              |
| 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> |
|                                                  |                          |             | 31.3.19 vs 31.12.18          |                  |             |              |
| 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> |

1 Includes settlement risk, credit valuation adjustments, equity exposures in the banking book and securitization exposures in the banking book. 2 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).



## Capital management

## 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**

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

|                                                   | <b>Personal<br/>&amp;<br/>Global<br/>Wealth Management</b> |                | <b>Corporate<br/>Banking Management<br/>31.3.19</b> |              | <b>Asset Investment<br/>Bank<br/>Corporate Center</b> |  | <b>Total</b> |
|---------------------------------------------------|------------------------------------------------------------|----------------|-----------------------------------------------------|--------------|-------------------------------------------------------|--|--------------|
| <i>USD billion</i>                                | <b>Management</b>                                          | <b>Banking</b> | <b>Management</b>                                   | <b>Bank</b>  | <b>Center</b>                                         |  |              |
| 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         |
|                                                   | (5.3)                                                      | (0.3)          | (1.4)                                               | (0.2)        | (6.7)                                                 |  | (13.8)       |

Items deducted  
from Swiss SRB  
tier 1 capital

|                                                         |              |              |                     |              |              |              |
|---------------------------------------------------------|--------------|--------------|---------------------|--------------|--------------|--------------|
| <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<br>scope of<br>consolidation <sup>1</sup> | 0.0          | 0.0          | (2.8)               | 0.0          | 0.0          | (2.8)        |
| Less: derivative<br>exposures and<br>SFTs <sup>2</sup>  | (0.6)        | 0.2          | 0.1                 | 10.2         | 2.6          | 12.6         |
| <b>On-balance<br/>sheet<br/>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<br>exposures                                 | (1.0)        | 0.2          | 0.0                 | 1.5          | (1.0)        | (0.3)        |
| Securities<br>financing<br>transactions                 | 3.4          | (0.4)        | (0.1)               | 2.4          | (4.1)        | 1.2          |
| Off-balance sheet<br>items                              | (0.3)        | (0.4)        | 0.0                 | (2.3)        | 0.3          | (2.7)        |
| Items deducted<br>from Swiss SRB<br>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>   |

1 Represents the difference between the IFRS and the regulatory scope of consolidation, which is the applicable scope for the LRD calculation. 2 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.

## Capital management

### 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 |         |
| <b>31.3.19</b> | 31.12.18              | 31.3.18 |

**Average attributed equity**

|                                                              |             |      |      |
|--------------------------------------------------------------|-------------|------|------|
| Global Wealth Management                                     | <b>16.4</b> | 16.3 | 16.3 |
| Personal & Corporate Banking                                 | <b>8.3</b>  | 8.1  | 8.0  |
| Asset Management                                             | <b>1.8</b>  | 1.8  | 1.8  |
| Investment Bank                                              | <b>12.3</b> | 12.7 | 13.1 |
| Corporate Center                                             | <b>14.5</b> | 13.6 | 13.9 |
| <i>of which: deferred tax assets<sup>1</sup></i>             | <b>7.3</b>  | 7.1  | 7.4  |
| <i>of which: dividend accruals and others</i>                | <b>4.1</b>  | 3.7  | 3.4  |
| <i>of which: related to retained RWA and LRD<sup>2</sup></i> | <b>3.1</b>  | 2.9  | 3.1  |

**Average equity attributed to business divisions and Corporate Center**

|             |      |      |
|-------------|------|------|
| <b>53.3</b> | 52.5 | 53.1 |
|-------------|------|------|

1 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. 2 Excludes average attributed equity related to retained RWA and LRD related to deferred tax assets.

**Return on attributed equity**

|             | For the quarter ended |          |         |
|-------------|-----------------------|----------|---------|
| <i>In %</i> | <b>31.3.19</b>        | 31.12.18 | 31.3.18 |

**Return on (attributed) equity<sup>1</sup>****Reported**

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

**Adjusted<sup>2</sup>**

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

1 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. 2 Adjusted results are non-GAAP financial measures as defined by SEC regulations.

## Capital management

## 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<br>from |
|----------------------------------------------------|--------------------------------|---------------|---------------|------------------|
|                                                    | 31.3.19                        | 31.12.18      | 31.3.18       | 31.12.18         |
| Shares issued                                      | <b>3,858,959,179</b>           | 3,855,634,749 | 3,854,297,125 | 0                |
| Treasury shares                                    | <b>145,878,663</b>             | 166,467,802   | 93,077,090    | (12)             |
| Shares outstanding                                 | <b>3,713,080,516</b>           | 3,689,166,947 | 3,761,220,035 | 1                |
| Basic earnings per share (USD) <sup>1</sup>        | <b>0.31</b>                    | 0.08          | 0.42          | 288              |
| Diluted earnings per share (USD) <sup>1</sup>      | <b>0.30</b>                    | 0.08          | 0.41          | 275              |
| Basic earnings per share (CHF) <sup>2</sup>        | <b>0.31</b>                    | 0.09          | 0.39          | 244              |
| Diluted earnings per share (CHF) <sup>2</sup>      | <b>0.30</b>                    | 0.09          | 0.38          | 233              |
| Equity attributable to shareholders (USD million)  | <b>53,667</b>                  | 52,928        | 53,662        | 1                |
| Less: goodwill and intangible assets (USD million) | <b>6,621</b>                   | 6,647         | 6,540         | 0                |
| Tangible equity attributable to shareholders (USD) | <b>47,046</b>                  | 46,281        | 47,122        | 2                |



million)

|                                                  |               |        |        |     |
|--------------------------------------------------|---------------|--------|--------|-----|
| Total book value per share (USD)                 | <b>14.45</b>  | 14.35  | 14.27  | 1   |
| Tangible book value per share (USD)              | <b>12.67</b>  | 12.55  | 12.53  | 1   |
| Share price (USD) <sup>3</sup>                   | <b>12.12</b>  | 12.44  | 17.62  | (3) |
| Market capitalization (USD million) <sup>4</sup> | <b>45,009</b> | 45,907 | 66,261 | (2) |

1 Refer to “Note 9 Earnings per share (EPS) and shares outstanding” in the “Consolidated financial statements” section of this report for more information. 2 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. 3 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.

4 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    | <b>CH0244767585</b>     |
| Valoren | <b>24 476 758</b>       |
| CUSIP   | <b>CINS H42097 10 7</b> |
| 58      |                         |

Consolidated financial statements

Unaudited

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**UBS AG interim consolidated financial information (unaudited)**

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## UBS Group AG interim consolidated financial statements (unaudited)

**Income statement**

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

**Earnings per share (USD)**

|         |   |             |      |      |
|---------|---|-------------|------|------|
| Basic   | 9 | <b>0.31</b> | 0.08 | 0.42 |
| Diluted | 9 | <b>0.30</b> | 0.08 | 0.41 |

UBS Group AG interim consolidated financial statements (unaudited)

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

**Statement of comprehensive income  
(continued)**

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

## UBS Group AG interim consolidated financial statements (unaudited)

**Balance sheet**

USD million

|                                                                                               | Note   | 31.3.19        | 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)***USD million*

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

## UBS Group AG interim consolidated financial statements (unaudited)

**Statement of changes in equity**

|                                                                                                                       | Share      | Share         | Treasury       | Retained      |
|-----------------------------------------------------------------------------------------------------------------------|------------|---------------|----------------|---------------|
| <i>USD million</i>                                                                                                    | capital    | premium       | shares         | 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>                                                                                  |            |               |                | 1,566         |
| <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>        |            |               |                | (107)         |
| <i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>                   |            |               |                | 178           |
| <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                                                                                        |            | (841)         | (466)          |               |
|                                                                                                                       |            |               | 871            |               |

|                                                                                                                       |            |               |                |               |
|-----------------------------------------------------------------------------------------------------------------------|------------|---------------|----------------|---------------|
| Delivery of treasury shares under share-based compensation plans                                                      |            |               |                |               |
| 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>                                                                                  |            |               |                | 1,141         |
| <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>        |            |               |                | (179)         |
| <i>of which: OCI that will not be reclassified to the income statement, net of tax – own credit</i>                   |            |               |                | (318)         |
| <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> |
| 1 Excludes defined benefit plans and own credit that are recorded directly in Retained earnings.                      |            |               |                |               |

|                         |                                |                         |                  |                    |            |               |
|-------------------------|--------------------------------|-------------------------|------------------|--------------------|------------|---------------|
| Other comprehensive     |                                |                         |                  |                    |            |               |
|                         | <i>of which:</i>               |                         |                  |                    |            |               |
| income recognized       |                                | <i>financial assets</i> |                  | Total equity       |            |               |
|                         | <i>of which:</i>               |                         | <i>of which:</i> | attributable       |            |               |
| directly in equity,     | <i>foreign</i>                 | <i>measured</i>         |                  | to Non-controlling |            |               |
| net of tax <sup>1</sup> | <i>currency at fair value</i>  | <i>cash flow</i>        |                  | shareholders       | interests  | Total equity  |
| <b>4,764</b>            | <i>translation through OCI</i> | <i>hedges</i>           |                  |                    |            |               |
|                         | 4,466                          | (61)                    | 360              | <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>            | 5,224                          | (115)                   | (108)            | <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)                | 0          | (7)           |
| <b>393</b>              | <b>(128)</b>                   | <b>62</b>               | <b>459</b>       | <b>1,037</b>       | <b>2</b>   | <b>1,039</b>  |
|                         |                                |                         |                  | 1,141              | (2)        | 1,139         |
| <b>393</b>              | <b>(128)</b>                   | <b>62</b>               | <b>459</b>       | <b>393</b>         |            | <b>393</b>    |
|                         |                                |                         |                  | (179)              |            | (179)         |
|                         |                                |                         |                  | (318)              |            | (318)         |

|              |              |             |            |                           |                        |                           |
|--------------|--------------|-------------|------------|---------------------------|------------------------|---------------------------|
| <b>4,320</b> | <b>3,796</b> | <b>(40)</b> | <b>564</b> | <b>53,667<sup>0</sup></b> | <b>173<sup>4</sup></b> | <b>53,840<sup>4</sup></b> |
|--------------|--------------|-------------|------------|---------------------------|------------------------|---------------------------|

## UBS Group AG interim consolidated financial statements (unaudited)

**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>                                                           | <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)  |
| Net movements in treasury shares and own equity derivative activity          | <b>(399)</b>    | (337)    |
| Issuance of long-term debt, including debt issued designated at fair value   | <b>17,641</b>   | 20,394   |
| Repayment of long-term debt, including debt issued designated at fair value  | <b>(10,263)</b> | (10,541) |
| Net changes in non-controlling interests and preferred notes                 | <b>(4)</b>      | 17       |
| <b>Net cash flow from / (used in) financing activities</b>                   | <b>116</b>      | 4,884    |
| <b>Total cash flow</b>                                                       |                 |          |
| <b>Cash and cash equivalents at the beginning of the period</b>              | <b>126,079</b>  | 104,834  |
| Net cash flow from / (used in) operating, investing and financing activities | <b>3,979</b>    | 6,531    |
| Effects of exchange rate differences on cash and cash equivalents            | <b>(1,289)</b>  | 2,110    |
| <b>Cash and cash equivalents at the end of the period<sup>2</sup></b>        | <b>128,769</b>  | 113,476  |
| <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>15,971</b>   | 12,831   |
| <i>of which: money market paper<sup>3</sup></i>                              | <b>2,285</b>    | 3,385    |

**Additional information**

Net cash flow from / (used in) operating activities includes:

|                                                                                                |              |       |
|------------------------------------------------------------------------------------------------|--------------|-------|
| Interest received in cash                                                                      | <b>1,334</b> | 1,693 |
| Interest paid in cash                                                                          | <b>2,343</b> | 1,419 |
| Dividends on equity investments, investment funds and associates received in cash <sup>4</sup> | <b>1,238</b> | 571   |

1 Includes dividends received from associates. 2 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. 3 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. 4 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)

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

## **Note 1 Basis of accounting**

### **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**

*USD million*

|                                                                              |              |
|------------------------------------------------------------------------------|--------------|
| <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      | <b>(18)</b>  |
| Excluded service components                                                  | <b>(296)</b> |
| Reassessment of lease term for extension or termination options              | <b>403</b>   |
| <b>Total undiscounted lease payments</b>                                     | <b>4,777</b> |
| Discounted at a weighted average incremental borrowing rate of 3.07%         | <b>(744)</b> |
| <b>IFRS 16 transition adjustment</b>                                         | <b>4,033</b> |
| Finance lease liabilities as of 31 December 2018                             | <b>24</b>    |
| <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**

*USD million*

|                                                                                                                                | <b>Carrying amount</b> |
|--------------------------------------------------------------------------------------------------------------------------------|------------------------|
| <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                                                                                                  | <b>4,033</b>           |
| Other non-financial assets (prepaid rent)                                                                                      | <b>19</b>              |

|                                                                                                            |              |
|------------------------------------------------------------------------------------------------------------|--------------|
| 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> |

1 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.

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

**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.

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

## **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<br>Wealth<br>Management | Personal &<br>Corporate<br>Banking | Asset<br>Management | Investment<br>Bank | Corporate<br>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<br>Wealth<br>Management | Personal &<br>Corporate<br>Banking | Asset<br>Management | Investment<br>Bank | Corporate<br>Center | UBS          |
|-----------------------------------------------------------------------------|--------------------------------|------------------------------------|---------------------|--------------------|---------------------|--------------|
| <b>For the<br/>quarter ended<br/>31 March<br/>2018<sup>1</sup></b>          |                                |                                    |                     |                    |                     |              |
| Net interest<br>income <sup>2</sup>                                         | 1,021                          | 516                                | (7)                 | 10                 | (106)               | 1,435        |
| Non-interest<br>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<br>(expense) /<br>recovery                                      | 3                              | (14)                               | 0                   | (16)               | 0                   | (26)         |
| Total operating<br>income                                                   | 4,409                          | 981                                | 466                 | 2,415              | (101)               | 8,168        |
| Personnel<br>expenses                                                       | 1,973                          | 188                                | 177                 | 952                | 965                 | 4,254        |
| General and<br>administrative<br>expenses                                   | 304                            | 62                                 | 52                  | 152                | 940                 | 1,510        |
| Services (to) /<br>from CC and<br>other BDs                                 | 1,015                          | 320                                | 131                 | 730                | (2,195)             | 0            |
| <i>of which:<br/>services from<br/>Corporate<br/>Center</i>                 | <i>981</i>                     | <i>351</i>                         | <i>143</i>          | <i>738</i>         | <i>(2,213)</i>      | <i>0</i>     |
| Depreciation<br>and impairment<br>of property,<br>equipment and<br>software | 1                              | 3                                  | 0                   | 2                  | 281                 | 288          |
| Amortization<br>and impairment<br>of intangible<br>assets                   | 13                             | 0                                  | 0                   | 3                  | 0                   | 16           |
| Total operating<br>expenses                                                 | 3,306                          | 573                                | 360                 | 1,838              | (9)                 | 6,069        |
| <b>Operating<br/>profit / (loss)<br/>before tax</b>                         | <b>1,102</b>                   | <b>408</b>                         | <b>105</b>          | <b>576</b>         | <b>(92)</b>         | <b>2,100</b> |

533

149

Tax expense /  
(benefit)

**Net profit /  
(loss)**

**1,567**

**As of 31  
December  
2018**

**Total assets                    313,737    200,703                    28,140    302,253    113,656    958,489**

1 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. 2 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.

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

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

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

**fair value through profit or loss**

|                                  |              |       |       |
|----------------------------------|--------------|-------|-------|
| <b>Total net interest income</b> | <b>1,123</b> | 1,226 | 1,435 |
|----------------------------------|--------------|-------|-------|

1 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. 2 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. 3 Includes interest income on receivables from securities financing transactions and negative interest, including fees, on payables from securities financing transactions. 4 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. 5 Includes interest expense on payables from securities financing transactions and negative interest, including fees, on receivables from securities financing transactions. 6 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**

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

1 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**

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

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

**Note 6 Personnel expenses**

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

1 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. 2 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

| <i>USD million</i>                                      | 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>                | 15                    | 87           | 0            |
| 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> |

1 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).

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

## 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 | <b>106,745,967</b>   | 107,685,855   | 128,521,488   |
| Weighted average shares outstanding for diluted EPS                                                               | <b>3,801,144,941</b> | 3,820,546,150 | 3,857,223,030 |

**Earnings per share (USD)**

|         |             |      |      |
|---------|-------------|------|------|
| Basic   | <b>0.31</b> | 0.08 | 0.42 |
| Diluted | <b>0.30</b> | 0.08 | 0.41 |

**Shares outstanding**

|                    |                      |               |               |
|--------------------|----------------------|---------------|---------------|
| Shares issued      | <b>3,858,959,179</b> | 3,855,634,749 | 3,854,297,125 |
| Treasury shares    | <b>145,878,663</b>   | 166,467,802   | 93,077,090    |
| Shares outstanding | <b>3,713,080,516</b> | 3,689,166,947 | 3,761,220,035 |

1 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> | <b>31.3.19</b> | 31.12.18 | 31.3.18 |
|-------------------------|----------------|----------|---------|

**Potentially dilutive instruments**

|                                          |                   |            |            |
|------------------------------------------|-------------------|------------|------------|
| Employee share-based compensation awards | <b>3,516,195</b>  | 3,605,198  | 7,283,110  |
| Other equity derivative contracts        | <b>22,528,782</b> | 15,501,021 | 7,757,622  |
| <b>Total</b>                             | <b>26,044,977</b> | 19,106,219 | 15,040,732 |

## **Note 10 Expected credit loss measurement**

### **a) Expected credit losses in the period**

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**

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.



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

**Note 10 Expected credit loss measurement (continued)**

USD million

31.3.19

| <b>Financial instruments measured at amortized cost</b>  | <b>Carrying amount<sup>1</sup></b> |                |                |                | <b>ECL allowance</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> |
| 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>   |
| <b>Financial assets measured at fair</b>                 | <b>7,168</b>                       | <b>7,168</b>   | <b>0</b>       | <b>0</b>       | <b>0</b>             | <b>0</b>       | <b>0</b>       | <b>0</b>       |



value through  
other  
comprehensive  
income  
Total on-balance  
sheet financial  
assets in scope of  
ECL requirements

601,242 579,325 19,807 2,110 (917) (118) (148) (651)

| Off-balance sheet<br>(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)    |
| of which: Large corporate clients                                       | 3,505          | 3,247   | 118     | 140     | (7)           | (1)     | (1)     | (5)     |
| of which: SME clients                                                   | 1,205          | 948     | 188     | 69      | (30)          | 0       | 0       | (29)    |
| of which: Financial intermediaries and hedge funds                      | 6,995          | 6,959   | 36      | 0       | (3)           | (3)     | 0       | 0       |
| of which: Lombard                                                       | 666            | 666     | 0       | 0       | 0             | 0       | 0       | 0       |
| of which: Commodity trade finance                                       | 1,936          | 1,774   | 156     | 6       | (1)           | (1)     | 0       | 0       |
| Irrevocable loan commitments                                            | 27,919         | 27,321  | 583     | 15      | (44)          | (36)    | (8)     | 0       |
| of which: Large corporate clients                                       | 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       |
| of which: Real estate financing                                         | 2,636          | 2,239   | 397     | 0       | (19)          | (3)     | (17)    | 0       |
| of which: Large corporate clients                                       | 4,124          | 4,055   | 52      | 16      | (1)           | (1)     | 0       | 0       |
| of which: SME clients                                                   | 4,331          | 4,006   | 264     | 62      | (7)           | (6)     | (1)     | 0       |
| of which: Lombard                                                       | 4,537          | 4,537   | 0       | 0       | 0             | 0       | 0       | 0       |
| of which: Credit cards                                                  | 7,587          | 7,281   | 306     | 0       | (6)           | (4)     | (2)     | 0       |
| of which: Commodity trade finance                                       | 4,154          | 3,823   | 321     | 10      | (2)           | (2)     | 0       | 0       |
| Irrevocable committed                                                   | 3,450          | 3,393   | 52      | 5       | (4)           | (2)     | (2)     | 0       |

prolongation of  
existing loans

**Total off-balance  
sheet financial  
instruments and  
other credit lines**

**84,241 81,381 2,533 328 (134) (64) (31) (40)**

**Total allowances  
and provisions**

**(1,052) (182) (179) (691)**

1 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

**Financial instruments measured at amortized cost**

|                                                          | Total          | Stage 1        | Stage 2       | Stage 3      | Total        | Stage 1      | Stage 2      | Stage 3      |
|----------------------------------------------------------|----------------|----------------|---------------|--------------|--------------|--------------|--------------|--------------|
| 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> |
| <b>Financial assets measured at fair</b>                 | <b>6,667</b>   | <b>6,667</b>   | <b>0</b>      | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     |

**value through  
other  
comprehensive  
income  
Total on-balance  
sheet financial  
assets in scope of  
ECL requirements**

**593,770 570,763 20,782 2,226 (937) (117) (159) (660)**

| <b>Off-balance sheet<br/>(in scope of ECL)</b>                          | Total exposure |         |         |         | ECL provision |         |         |         |
|-------------------------------------------------------------------------|----------------|---------|---------|---------|---------------|---------|---------|---------|
|                                                                         | 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                                                   | 3,339          | 2,861   | 456     | 22      | (1)           | (1)     | 0       | 0       |

prolongation of  
existing loans

**Total off-balance  
sheet financial  
instruments and  
other credit lines**

**90,268    86,830    3,055    383    (116)    (59)    (23)    (34)**

**Total allowances  
and provisions**

**(1,054)    (176)    (183)    (695)**

1 The carrying value of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

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

**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>**

|                                                                     | 31.3.19       |                |              |                | 31.12.18 |         |         |         |
|---------------------------------------------------------------------|---------------|----------------|--------------|----------------|----------|---------|---------|---------|
| USD million                                                         | 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                     | <b>94,777</b> | <b>12,490</b>  | <b>2,319</b> | <b>109,586</b> | 88,452   | 13,956  | 1,962   | 104,370 |
| of which:                                                           |               |                |              |                |          |         |         |         |
| Government bills / bonds                                            | <b>11,866</b> | <b>1,671</b>   | <b>0</b>     | <b>13,537</b>  | 9,554    | 1,607   | 0       | 11,161  |
| Corporate and municipal bonds                                       | <b>483</b>    | <b>6,130</b>   | <b>417</b>   | <b>7,030</b>   | 558      | 5,559   | 651     | 6,768   |
| Loans                                                               | <b>0</b>      | <b>1,701</b>   | <b>1,451</b> | <b>3,152</b>   | 0        | 2,886   | 680     | 3,566   |
| Investment fund units                                               | <b>7,308</b>  | <b>1,445</b>   | <b>247</b>   | <b>9,000</b>   | 6,074    | 3,200   | 442     | 9,716   |
| Asset-backed securities                                             | <b>1</b>      | <b>313</b>     | <b>138</b>   | <b>451</b>     | 0        | 248     | 144     | 392     |
| Equity instruments                                                  | <b>75,119</b> | <b>1,231</b>   | <b>54</b>    | <b>76,404</b>  | 72,266   | 455     | 46      | 72,768  |
| <b>Derivative financial instruments</b>                             | <b>715</b>    | <b>109,052</b> | <b>1,394</b> | <b>111,160</b> | 753      | 124,033 | 1,424   | 126,210 |
| of which:                                                           |               |                |              |                |          |         |         |         |
| Interest rate contracts                                             | <b>0</b>      | <b>39,708</b>  | <b>431</b>   | <b>40,139</b>  | 0        | 36,658  | 418     | 37,076  |
|                                                                     | <b>0</b>      | <b>1,617</b>   | <b>529</b>   | <b>2,146</b>   | 0        | 1,444   | 476     | 1,920   |

|                                                               |               |               |              |               |        |        |       |        |
|---------------------------------------------------------------|---------------|---------------|--------------|---------------|--------|--------|-------|--------|
| <i>Credit derivative contracts</i>                            |               |               |              |               |        |        |       |        |
| <i>Foreign exchange contracts</i>                             | <b>346</b>    | <b>43,915</b> | <b>22</b>    | <b>44,283</b> | 311    | 53,148 | 30    | 53,489 |
| <i>Equity / index contracts</i>                               | <b>7</b>      | <b>22,523</b> | <b>406</b>   | <b>22,937</b> | 3      | 30,905 | 496   | 31,404 |
| <i>Commodity contracts</i>                                    | <b>0</b>      | <b>1,185</b>  | <b>0</b>     | <b>1,185</b>  | 0      | 1,768  | 2     | 1,769  |
| Brokerage receivables                                         | <b>0</b>      | <b>16,275</b> | <b>0</b>     | <b>16,275</b> | 0      | 16,840 | 0     | 16,840 |
| Financial assets at fair value not held for trading of which: | <b>36,799</b> | <b>40,733</b> | <b>3,735</b> | <b>81,267</b> | 35,458 | 42,819 | 4,413 | 82,690 |
| <i>Government bills / bonds</i>                               | <b>16,729</b> | <b>4,270</b>  | <b>0</b>     | <b>20,998</b> | 17,687 | 4,806  | 0     | 22,493 |
| <i>Corporate and municipal bonds</i>                          | <b>779</b>    | <b>15,534</b> | <b>0</b>     | <b>16,313</b> | 781    | 16,455 | 0     | 17,236 |
| <i>Financial assets for unit-linked investment contracts</i>  | <b>19,049</b> | <b>4,914</b>  | <b>0</b>     | <b>23,963</b> | 16,694 | 4,751  | 0     | 21,446 |
| <i>Loans</i>                                                  | <b>0</b>      | <b>8,547</b>  | <b>1,084</b> | <b>9,631</b>  | 0      | 6,380  | 1,752 | 8,132  |
| <i>Securities financing transactions</i>                      | <b>0</b>      | <b>6,927</b>  | <b>25</b>    | <b>6,952</b>  | 0      | 9,899  | 39    | 9,937  |
| <i>Auction rate securities</i>                                | <b>0</b>      | <b>0</b>      | <b>1,636</b> | <b>1,636</b>  | 0      | 0      | 1,664 | 1,664  |
| <i>Investment fund units</i>                                  | <b>168</b>    | <b>447</b>    | <b>113</b>   | <b>728</b>    | 173    | 428    | 109   | 710    |
| <i>Equity instruments</i>                                     | <b>75</b>     | <b>60</b>     | <b>542</b>   | <b>677</b>    | 123    | 62     | 517   | 702    |
| <i>Other</i>                                                  | <b>0</b>      | <b>35</b>     | <b>335</b>   | <b>370</b>    | 0      | 38     | 331   | 369    |

**Financial assets measured at fair value through other comprehensive income on a recurring basis**

|                                                                                      |              |              |          |              |       |       |   |       |
|--------------------------------------------------------------------------------------|--------------|--------------|----------|--------------|-------|-------|---|-------|
| Financial assets measured at fair value through other comprehensive income of which: | <b>2,219</b> | <b>4,949</b> | <b>0</b> | <b>7,168</b> | 2,319 | 4,347 | 0 | 6,667 |
| <i>Government bills / bonds</i>                                                      | <b>2,173</b> | <b>13</b>    | <b>0</b> | <b>2,186</b> | 2,171 | 69    | 0 | 2,239 |
|                                                                                      | <b>47</b>    | <b>456</b>   | <b>0</b> | <b>503</b>   | 149   | 348   | 0 | 497   |

Corporate and  
municipal bonds  
Asset-backed  
securities

|   |       |   |       |   |       |   |       |
|---|-------|---|-------|---|-------|---|-------|
| 0 | 4,480 | 0 | 4,480 | 0 | 3,931 | 0 | 3,931 |
|---|-------|---|-------|---|-------|---|-------|

**Non-financial assets measured at fair value on a recurring basis**

Precious metals  
and other  
physical  
commodities

|       |   |   |       |       |   |   |       |
|-------|---|---|-------|-------|---|---|-------|
| 3,816 | 0 | 0 | 3,816 | 4,298 | 0 | 0 | 4,298 |
|-------|---|---|-------|-------|---|---|-------|

**Non-financial assets measured at fair value on a non-recurring basis**

Other  
non-financial  
assets<sup>2</sup>

|   |    |   |    |   |    |   |    |
|---|----|---|----|---|----|---|----|
| 0 | 57 | 1 | 58 | 0 | 82 | 0 | 82 |
|---|----|---|----|---|----|---|----|

**Total assets  
measured at  
fair value**

|         |         |       |         |         |         |       |         |
|---------|---------|-------|---------|---------|---------|-------|---------|
| 138,326 | 183,555 | 7,448 | 329,329 | 131,280 | 202,077 | 7,800 | 341,156 |
|---------|---------|-------|---------|---------|---------|-------|---------|



**Note 11 Fair value measurement (continued)****Determination of fair values from quoted market prices or valuation techniques (continued)<sup>1</sup>**

| <i>USD million</i> | <b>31.3.19</b> |                |                |              |         | <b>31.12.18</b> |         |       |  |
|--------------------|----------------|----------------|----------------|--------------|---------|-----------------|---------|-------|--|
|                    | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> | Level 1 | Level 2         | Level 3 | Total |  |

**Financial liabilities measured at fair value on a recurring basis**

|                                                      |               |              |           |               |        |       |    |        |
|------------------------------------------------------|---------------|--------------|-----------|---------------|--------|-------|----|--------|
| Financial liabilities at fair value held for trading | <b>28,642</b> | <b>5,519</b> | <b>98</b> | <b>34,259</b> | 24,406 | 4,468 | 69 | 28,943 |
| <i>of which:</i>                                     |               |              |           |               |        |       |    |        |
| Government bills / bonds                             | <b>3,944</b>  | <b>464</b>   | <b>0</b>  | <b>4,408</b>  | 2,423  | 416   | 0  | 2,839  |
| Corporate and municipal bonds                        | <b>64</b>     | <b>3,986</b> | <b>63</b> | <b>4,113</b>  | 126    | 3,377 | 27 | 3,530  |
| Investment fund units                                | <b>480</b>    | <b>436</b>   | <b>0</b>  | <b>916</b>    | 551    | 137   | 0  | 689    |
| Equity instruments                                   | <b>24,154</b> | <b>627</b>   | <b>35</b> | <b>24,816</b> | 21,306 | 537   | 42 | 21,886 |

|                                  |            |                |              |                |     |         |       |         |
|----------------------------------|------------|----------------|--------------|----------------|-----|---------|-------|---------|
| Derivative financial instruments | <b>758</b> | <b>107,903</b> | <b>2,146</b> | <b>110,807</b> | 580 | 122,933 | 2,210 | 125,723 |
| <i>of which:</i>                 |            |                |              |                |     |         |       |         |
| Interest rate contracts          | <b>6</b>   | <b>35,203</b>  | <b>211</b>   | <b>35,419</b>  | 7   | 32,511  | 226   | 32,743  |
| Credit derivative contracts      | <b>0</b>   | <b>2,628</b>   | <b>579</b>   | <b>3,207</b>   | 0   | 2,203   | 519   | 2,722   |
| Foreign exchange contracts       | <b>315</b> | <b>44,363</b>  | <b>84</b>    | <b>44,762</b>  | 322 | 52,964  | 86    | 53,372  |
| Equity / index contracts         | <b>6</b>   | <b>24,662</b>  | <b>1,270</b> | <b>25,939</b>  | 1   | 33,669  | 1,371 | 35,041  |
| Commodity contracts              | <b>0</b>   | <b>988</b>     | <b>1</b>     | <b>989</b>     | 0   | 1,487   | 0     | 1,487   |

**Financial liabilities designated at fair value on a recurring basis**

|                                             |          |               |          |               |   |        |   |        |
|---------------------------------------------|----------|---------------|----------|---------------|---|--------|---|--------|
| Brokerage payables designated at fair value | <b>0</b> | <b>39,326</b> | <b>0</b> | <b>39,326</b> | 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> | 24,986 | 244,465 | 14,260 | 283,711 |

1 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. 2 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.

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

**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**

|                                                       | For the quarter ended |          |         |
|-------------------------------------------------------|-----------------------|----------|---------|
| USD million                                           | 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**

|                                                                                                           | <b>Fair value</b> |                    |                |                    | <b>Valuation technique(s)</b>                                         | <b>Significant unobservable input(s)<sup>1</sup></b> | <b>31.3.19 weighted average</b> |             |
|-----------------------------------------------------------------------------------------------------------|-------------------|--------------------|----------------|--------------------|-----------------------------------------------------------------------|------------------------------------------------------|---------------------------------|-------------|
|                                                                                                           | <b>Assets</b>     | <b>Liabilities</b> | <b>Assets</b>  | <b>Liabilities</b> |                                                                       |                                                      | <b>low</b>                      | <b>high</b> |
| <i>USD billion</i>                                                                                        | <b>31.3.19</b>    | 31.12.18           | <b>31.3.19</b> | 31.12.18           |                                                                       |                                                      |                                 |             |
| <b>Financial assets and liabilities at fair value held for trading and Financial assets at fair value</b> |                   |                    |                |                    |                                                                       |                                                      |                                 |             |
| <i>Corporate and municipal bonds</i>                                                                      | <b>0.4</b>        | 0.7                | <b>0.1</b>     | 0.0                | Relative value to market comparable                                   | Bond price equivalent                                | <b>0</b>                        | <b>134</b>  |
| <i>Traded loans, loans designated at fair value, loan commitments and guarantees</i>                      | <b>2.8</b>        | 2.7                | <b>0.0</b>     | 0.0                | Relative value to market comparable<br>Discounted expected cash flows | Loan price equivalent<br>Credit spread               | <b>0</b>                        | <b>101</b>  |
|                                                                                                           |                   |                    |                |                    |                                                                       |                                                      | <b>301</b>                      | <b>700</b>  |
|                                                                                                           |                   |                    |                |                    |                                                                       |                                                      | <b>1</b>                        | <b>14</b>   |

|                                                                                             |            |     |             |      | Market<br>comparable<br>and<br>securitization<br>model<br>Relative value<br>to market<br>comparable<br>Relative value<br>to market<br>comparable | Discount<br>margin<br><br>Bond price<br>equivalent<br><br>Net asset value<br><br>Price                                                                        |                                                    |                                                  |
|---------------------------------------------------------------------------------------------|------------|-----|-------------|------|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------------------------------------------------|
| <i>Auction rate<br/>securities</i>                                                          | <b>1.6</b> | 1.7 | <b>0.0</b>  | 0.0  |                                                                                                                                                  |                                                                                                                                                               | <b>79</b>                                          | <b>99</b>                                        |
| <i>Investment<br/>fund units<sup>3</sup></i>                                                | <b>0.4</b> | 0.6 | <b>0.0</b>  | 0.0  |                                                                                                                                                  |                                                                                                                                                               |                                                    |                                                  |
| <i>Equity<br/>instruments<sup>3</sup></i>                                                   | <b>0.6</b> | 0.6 | <b>0.0</b>  | 0.0  |                                                                                                                                                  |                                                                                                                                                               |                                                    |                                                  |
| <b>Debt issued<br/>designated<br/>at fair<br/>value<sup>4</sup></b>                         |            |     | <b>12.4</b> | 11.0 |                                                                                                                                                  |                                                                                                                                                               |                                                    |                                                  |
| <b>Other<br/>financial<br/>liabilities<br/>designated<br/>at fair<br/>value<sup>4</sup></b> |            |     | <b>0.7</b>  | 1.0  |                                                                                                                                                  |                                                                                                                                                               |                                                    |                                                  |
| <b>Derivative financial instruments</b>                                                     |            |     |             |      |                                                                                                                                                  |                                                                                                                                                               |                                                    |                                                  |
| <i>Interest rate<br/>contracts</i>                                                          | <b>0.4</b> | 0.4 | <b>0.2</b>  | 0.2  | Option model                                                                                                                                     | Volatility of<br>interest rates                                                                                                                               | <b>46</b>                                          | <b>69</b>                                        |
| <i>Credit<br/>derivative<br/>contracts</i>                                                  | <b>0.5</b> | 0.5 | <b>0.6</b>  | 0.5  | Discounted<br>expected cash<br>flows                                                                                                             | Credit spreads<br>Bond price<br>equivalent                                                                                                                    | <b>4</b><br><b>3</b>                               | <b>574</b><br><b>99</b>                          |
| <i>Equity / index<br/>contracts</i>                                                         | <b>0.4</b> | 0.5 | <b>1.3</b>  | 1.4  | Option model                                                                                                                                     | Equity dividend<br>yields<br>Volatility of<br>equity stocks,<br>equity and<br>other indices<br>Equity-to-FX<br>correlation<br>Equity-to-equity<br>correlation | <b>0</b><br><b>0</b><br><b>(45)</b><br><b>(50)</b> | <b>9</b><br><b>109</b><br><b>64</b><br><b>98</b> |

1 The ranges of significant unobservable inputs are represented in points, percentages and basis points (e.g., 100 points would be 100% of par). 2 Weighted averages are provided for non-derivative financial instruments calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for derivative contracts as this would not be meaningful. 3 The range of inputs is not disclosed for equity investments given the diverse nature of the investments. 4 Valuation techniques, significant unobservable inputs and ranges for Debt issued designated at fair value and Other financial liabilities designated at fair value, over-the-counter debt instruments, are the same as the equivalent derivative or structured financing instruments in this table.



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

**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**

|                                                                               | <b>31.3.19</b>   |                    | <b>31.12.18</b>  |                    |
|-------------------------------------------------------------------------------|------------------|--------------------|------------------|--------------------|
|                                                                               | <b>Favorable</b> | <b>Unfavorable</b> | <b>Favorable</b> | <b>Unfavorable</b> |
| <i>USD million</i>                                                            | <b>changes</b>   | <b>changes</b>     | <b>changes</b>   | <b>changes</b>     |
| Traded loans, loans designated at fair value, loan commitments and guarantees | <b>92</b>        | <b>(20)</b>        | 99               | (44)               |
| Securities financing transactions                                             | <b>32</b>        | <b>(18)</b>        | 17               | (11)               |
| Auction rate securities                                                       | <b>80</b>        | <b>(80)</b>        | 81               | (81)               |
| Asset-backed securities                                                       | <b>32</b>        | <b>(28)</b>        | 27               | (23)               |
| Equity instruments                                                            | <b>176</b>       | <b>(77)</b>        | 155              | (94)               |
| Interest rate derivative contracts, net                                       | <b>6</b>         | <b>(26)</b>        | 8                | (39)               |
| Credit derivative contracts, net                                              | <b>32</b>        | <b>(37)</b>        | 33               | (37)               |



|                                            |            |              |     |       |
|--------------------------------------------|------------|--------------|-----|-------|
| Foreign exchange derivative contracts, net | <b>11</b>  | <b>(6)</b>   | 10  | (5)   |
| Equity / index derivative contracts, net   | <b>188</b> | <b>(217)</b> | 213 | (225) |
| Other                                      | <b>17</b>  | <b>(17)</b>  | 19  | (19)  |
| <b>Total</b>                               | <b>667</b> | <b>(527)</b> | 661 | (578) |

## Note 11 Fair value measurement (continued)

### 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.

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

**Note 11 Fair value measurement (continued)****Movements of Level 3 instruments**

|                                                                                                           |                                                   |                                                                                        |                                                 | Total gains / (losses)<br>included in<br>comprehensive<br>income    | of which:<br>related to<br>Level 3<br>instruments<br>held at the<br>end of the<br>reporting<br>period | Purchases  | Sales        |
|-----------------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|------------|--------------|
| <i>USD billion</i>                                                                                        | <b>Balance<br/>as of<br/>31 December<br/>2017</b> | <b>Reclassifi-cations<br/>and remeasure-<br/>ments upon<br/>adoption of<br/>IFRS 9</b> | <b>Balance<br/>as of<br/>1 January<br/>2018</b> | Net<br>gains /<br>(losses)<br>included<br>in<br>income <sup>1</sup> |                                                                                                       |            |              |
| <b>Financial<br/>assets at fair<br/>value held for<br/>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> |
| <i>of which:</i>                                                                                          |                                                   |                                                                                        |                                                 |                                                                     |                                                                                                       |            |              |
| <i>Corporate and<br/>municipal bonds</i>                                                                  | 0.6                                               |                                                                                        | 0.6                                             | 0.0                                                                 | 0.0                                                                                                   | 0.1        | (0.5)        |
| <i>Loans</i>                                                                                              | 0.5                                               | 0.4                                                                                    | 0.9                                             | (0.1)                                                               | 0.0                                                                                                   | 0.1        | (0.8)        |
| <i>Investment fund<br/>units</i>                                                                          | 0.6                                               |                                                                                        | 0.6                                             | (0.2)                                                               | (0.2)                                                                                                 | 0.1        | 0.0          |
| <i>Other</i>                                                                                              | 0.4                                               |                                                                                        | 0.4                                             | 0.1                                                                 | 0.1                                                                                                   | 0.1        | (0.1)        |
| <b>Financial<br/>assets at fair<br/>value not held<br/>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> |
| <i>of which:</i>                                                                                          |                                                   |                                                                                        |                                                 |                                                                     |                                                                                                       |            |              |
| <i>Loans</i>                                                                                              | 0.8                                               | 0.6                                                                                    | 1.4                                             | (0.3)                                                               | (0.3)                                                                                                 | 0.8        | (0.2)        |
| <i>Auction rate<br/>securities</i>                                                                        |                                                   | 1.9                                                                                    | 1.9                                             | 0.0                                                                 | 0.0                                                                                                   | 0.0        | (0.2)        |
| <i>Equity<br/>instruments</i>                                                                             |                                                   | 0.4                                                                                    | 0.4                                             | 0.0                                                                 | 0.0                                                                                                   | 0.0        | 0.0          |
| <i>Other</i>                                                                                              | 0.7                                               | 0.1                                                                                    | 0.8                                             | 0.0                                                                 | 0.0                                                                                                   | 0.0        | 0.0          |
| <b>Financial<br/>assets<br/>measured at<br/>fair value<br/>through other<br/>comprehensive<br/>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> |
| <i>of which:</i>                                            |             |            |             |              |              |            |            |
| Interest rate contracts                                     | 0.1         |            | 0.1         | 0.0          | 0.0          | 0.0        | 0.0        |
| Credit derivative contracts                                 | 0.6         |            | 0.6         | (0.1)        | 0.0          | 0.0        | 0.0        |
| Equity / index contracts                                    | 0.7         |            | 0.7         | 0.0          | (0.1)        | 0.0        | 0.0        |
| Other                                                       | 0.2         |            | 0.2         | 0.0          | 0.0          | 0.0        | 0.0        |
| <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> |
| <i>of which:</i>                                            |             |            |             |              |              |            |            |
| Credit derivative contracts                                 | 0.6         |            | 0.6         | 0.0          | 0.0          | 0.0        | 0.0        |
| Equity / index contracts                                    | 2.0         |            | 2.0         | (0.3)        | (0.3)        | 0.0        | 0.0        |
| Other                                                       | 0.3         | 0.0        | 0.3         | 0.1          | 0.1          | 0.0        | 0.0        |
| <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>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> |

1 Net gains / (losses) included in comprehensive income are comprised of Net interest income, Other through profit or loss and Other income. 2 Total Level 3 assets as of 31 March 2019 were USD 7.4 billion and liabilities as of 31 March 2019 were USD 15.3 billion (31 December 2018: USD 14.3 billion).

**Note 11 Fair value measurement (continued)**

| <b>Balance<br/>as of<br/>31<br/>December<br/>2018</b> | Total gains / (losses)<br>included in<br>comprehensive<br>income    |              | of which:<br>related to<br>Level 3<br>instruments<br>held at the<br>end of the<br>reporting<br>period |              |            |              | Transfers<br>into |              | Transfers<br>out of | Foreign<br>current |
|-------------------------------------------------------|---------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------------|--------------|------------|--------------|-------------------|--------------|---------------------|--------------------|
|                                                       | Net<br>gains /<br>(losses)<br>included<br>in<br>income <sup>1</sup> |              | Purchases                                                                                             | Sales        | Issuances  | Settlements  | Level 3           | Level 3      | translati           |                    |
| <b>2.0</b>                                            | <b>(0.1)</b>                                                        | <b>0.0</b>   | <b>0.4</b>                                                                                            | <b>(1.5)</b> | <b>1.6</b> | <b>0.0</b>   | <b>0.2</b>        | <b>(0.2)</b> | <b>0.0</b>          | <b>0.0</b>         |
| 0.7                                                   | 0.0                                                                 | 0.0          | 0.2                                                                                                   | (0.4)        | 0.0        | 0.0          | 0.0               | (0.1)        | 0.0                 | 0.0                |
| 0.7                                                   | (0.1)                                                               | 0.0          | 0.1                                                                                                   | (0.9)        | 1.6        | 0.0          | 0.0               | 0.0          | 0.0                 | 0.0                |
| 0.4                                                   | 0.0                                                                 | 0.0          | 0.0                                                                                                   | (0.2)        | 0.0        | 0.0          | 0.1               | (0.1)        | 0.0                 | 0.0                |
| 0.2                                                   | 0.0                                                                 | 0.0          | 0.1                                                                                                   | (0.1)        | 0.0        | 0.0          | 0.0               | 0.0          | 0.0                 | 0.0                |
| <b>4.4</b>                                            | <b>0.1</b>                                                          | <b>0.2</b>   | <b>0.5</b>                                                                                            | <b>(0.4)</b> | <b>0.0</b> | <b>0.0</b>   | <b>0.0</b>        | <b>(0.9)</b> | <b>0.0</b>          | <b>0.0</b>         |
| 1.8                                                   | 0.1                                                                 | 0.1          | 0.4                                                                                                   | (0.3)        | 0.0        | 0.0          | 0.0               | (0.9)        | 0.0                 | 0.0                |
| 1.7                                                   | 0.0                                                                 | 0.0          | 0.0                                                                                                   | 0.0          | 0.0        | 0.0          | 0.0               | 0.0          | 0.0                 | 0.0                |
| 0.5                                                   | 0.0                                                                 | 0.0          | 0.0                                                                                                   | 0.0          | 0.0        | 0.0          | 0.0               | 0.0          | 0.0                 | 0.0                |
| 0.5                                                   | 0.0                                                                 | 0.0          | 0.0                                                                                                   | 0.0          | 0.0        | 0.0          | 0.0               | 0.0          | 0.0                 | 0.0                |
| <b>1.4</b>                                            | <b>(0.1)</b>                                                        | <b>(0.1)</b> | <b>0.0</b>                                                                                            | <b>0.0</b>   | <b>0.5</b> | <b>(0.4)</b> | <b>0.1</b>        | <b>(0.1)</b> | <b>0.0</b>          | <b>0.0</b>         |
| 0.4                                                   | 0.0                                                                 | 0.0          | 0.0                                                                                                   | 0.0          | 0.1        | 0.0          | 0.0               | 0.0          | 0.0                 | 0.0                |
| 0.5                                                   | 0.0                                                                 | 0.0          | 0.0                                                                                                   | 0.0          | 0.2        | (0.1)        | 0.0               | 0.0          | 0.0                 | 0.0                |
| 0.5                                                   | (0.1)                                                               | (0.1)        | 0.0                                                                                                   | 0.0          | 0.2        | (0.2)        | 0.0               | (0.1)        | 0.0                 | 0.0                |
| 0.0                                                   | 0.0                                                                 | 0.0          | 0.0                                                                                                   | 0.0          | 0.0        | 0.0          | 0.0               | 0.0          | 0.0                 | 0.0                |
| <b>2.2</b>                                            | <b>0.1</b>                                                          | <b>0.1</b>   | <b>0.0</b>                                                                                            | <b>0.0</b>   | <b>0.4</b> | <b>(0.4)</b> | <b>0.1</b>        | <b>(0.2)</b> | <b>0.0</b>          | <b>0.0</b>         |
| 0.5                                                   | 0.0                                                                 | 0.0          | 0.0                                                                                                   | 0.0          | 0.1        | (0.1)        | 0.0               | 0.0          | 0.0                 | 0.0                |
| 1.4                                                   | 0.1                                                                 | 0.1          | 0.0                                                                                                   | 0.0          | 0.2        | (0.3)        | 0.0               | (0.2)        | 0.0                 | 0.0                |
| 0.3                                                   | 0.0                                                                 | 0.0          | 0.0                                                                                                   | 0.0          | 0.0        | 0.0          | 0.0               | 0.0          | 0.0                 | 0.0                |
| <b>11.0</b>                                           | <b>0.5</b>                                                          | <b>0.4</b>   | <b>0.0</b>                                                                                            | <b>0.0</b>   | <b>2.8</b> | <b>(1.2)</b> | <b>0.3</b>        | <b>(1.0)</b> | <b>0.0</b>          | <b>0.0</b>         |

|            |            |            |            |            |            |              |            |            |           |
|------------|------------|------------|------------|------------|------------|--------------|------------|------------|-----------|
| <b>1.0</b> | <b>0.1</b> | <b>0.1</b> | <b>0.0</b> | <b>0.0</b> | <b>0.1</b> | <b>(0.5)</b> | <b>0.0</b> | <b>0.0</b> | <b>0.</b> |
|------------|------------|------------|------------|------------|------------|--------------|------------|------------|-----------|

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

**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      |
|                                                       | 128.1          | 130.4      | 132.3          | 135.0      |

|                                                           |             |             |     |     |
|-----------------------------------------------------------|-------------|-------------|-----|-----|
| Debt issued measured at<br>amortized cost                 |             |             |     |     |
| Other financial liabilities<br>measured at amortized cost | <b>10.4</b> | <b>10.4</b> | 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**

|                                                                                                 |                                   | Notional<br>values                                           |                                        | Notional<br>values                                                |                                          |
|-------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------|------------------------------------------|
|                                                                                                 | Derivative<br>financial<br>assets | related to<br>derivative<br>financial<br>assets <sup>3</sup> | Derivative<br>financial<br>liabilities | related to<br>derivative<br>financial<br>liabilities <sup>3</sup> | Other<br>notional<br>values <sup>4</sup> |
| <i>As of 31.3.19, USD billion</i>                                                               |                                   |                                                              |                                        |                                                                   |                                          |
| <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>                | 111.2                             | 4,617                                                        | 110.8                                  | 4,550                                                             | 11,180                                   |
| 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>                           | (81.4)                            |                                                              | (81.4)                                 |                                                                   |                                          |
| <i>of which: netting with collateral received / pledged</i>                                     | (19.5)                            |                                                              | (16.0)                                 |                                                                   |                                          |
| <b>Total derivative financial instruments, after consideration of further netting potential</b> | 10.2                              |                                                              | 13.3                                   |                                                                   |                                          |

*As of 31.12.18, USD billion*

**Derivative financial instruments<sup>1,2</sup>**

|                                                                          |      |       |      |       |        |
|--------------------------------------------------------------------------|------|-------|------|-------|--------|
| 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    |        |

**Total derivative financial instruments, based on IFRS netting<sup>6</sup>**

|                                                                            |         |       |         |       |        |
|----------------------------------------------------------------------------|---------|-------|---------|-------|--------|
|                                                                            | 126.2   | 4,239 | 125.7   | 4,163 | 10,894 |
| 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>      | (90.8)  |       | (90.8)  |       |        |
| <i>of which: netting with collateral received / pledged</i>                | (24.0)  |       | (20.9)  |       |        |

**Total derivative financial instruments, after consideration of further netting potential**

|      |      |
|------|------|
| 11.4 | 14.0 |
|------|------|

1 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. 2 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. 3 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. 4 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. 5 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. 6 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. 7 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.

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

**Note 12 Derivative instruments (continued)****b) Cash collateral on derivative instruments**

|                                                                                                    | <b>Receivables</b> | <b>Payables</b> | Receivables | Payables |
|----------------------------------------------------------------------------------------------------|--------------------|-----------------|-------------|----------|
| <i>USD billion</i>                                                                                 | <b>31.3.19</b>     | <b>31.3.19</b>  | 31.12.18    | 31.12.18 |
| Cash collateral on derivative instruments, based on IFRS netting <sup>1</sup>                      | <b>25.2</b>        | <b>30.3</b>     | 23.6        | 28.9     |
| Further netting potential not recognized on the balance sheet <sup>2</sup>                         | <b>(14.1)</b>      | <b>(15.0)</b>   | (14.5)      | (15.4)   |
| <i>of which: netting of recognized financial liabilities / assets</i>                              | <b>(12.2)</b>      | <b>(13.7)</b>   | (13.5)      | (14.2)   |
| <i>of which: netting with collateral received / pledged</i>                                        | <b>(1.9)</b>       | <b>(1.4)</b>    | (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     |

1 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. 2 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                           | <b>12,938</b>  | 13,562   |
| <i>of which: government bills / bonds</i> | <b>8,094</b>   | 8,778    |
| Loans to financial advisors <sup>1</sup>  | <b>3,158</b>   | 3,291    |
| Fee- and commission-related receivables   | <b>1,824</b>   | 1,643    |
| Finance lease receivables <sup>2</sup>    | <b>1,224</b>   | 1,091    |
| Settlement and clearing accounts          | <b>707</b>     | 1,050    |
| Accrued interest income                   | <b>729</b>     | 694      |

|                                                                |               |        |
|----------------------------------------------------------------|---------------|--------|
| Other                                                          | <b>1,855</b>  | 1,233  |
| <b>Total other financial assets measured at amortized cost</b> | <b>22,433</b> | 22,563 |

1 Related to financial advisors in the US and Canada. 2 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         | <b>3,816</b>   | 4,298    |
| Bail deposit <sup>1</sup>                              | <b>1,286</b>   | 1,312    |
| Prepaid expenses                                       | <b>1,026</b>   | 990      |
| Net defined benefit pension and post-employment assets | <b>3</b>       | 0        |
| VAT and other tax receivables                          | <b>280</b>     | 334      |
| Properties and other non-current assets held for sale  | <b>58</b>      | 82       |
| Other                                                  | <b>425</b>     | 395      |
| <b>Total other non-financial assets</b>                | <b>6,893</b>   | 7,410    |

1 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>                                                  | <b>31.3.19</b> | 31.12.18 |
| Other accrued expenses                                              | <b>1,909</b>   | 2,192    |
| Accrued interest expenses                                           | <b>1,300</b>   | 1,544    |
| Settlement and clearing accounts                                    | <b>1,164</b>   | 1,486    |
| Lease liabilities <sup>1</sup>                                      | <b>3,968</b>   |          |
| Other                                                               | <b>2,075</b>   | 1,663    |
| <b>Total other financial liabilities measured at amortized cost</b> | <b>10,416</b>  | 6,885    |

1 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>                                                | <b>31.3.19</b> | 31.12.18 |
| Amounts due under unit-linked investment contracts                | <b>24,317</b>  | 21,679   |
| Securities financing transactions                                 | <b>6,190</b>   | 9,461    |
| Over-the-counter debt instruments                                 | <b>1,882</b>   | 2,450    |
| <i>of which: life-to-date own credit (gain) / loss</i>            | <b>(27)</b>    | (51)     |
| Other                                                             | <b>5</b>       | 5        |
| <b>Total other financial liabilities designated at fair value</b> | <b>32,394</b>  | 33,594   |

**e) Other non-financial liabilities**

|                                                                              |                |          |
|------------------------------------------------------------------------------|----------------|----------|
| <i>USD million</i>                                                           | <b>31.3.19</b> | 31.12.18 |
| Compensation-related liabilities                                             | <b>4,947</b>   | 7,278    |
| <i>of which: accrued expenses</i>                                            | <b>1,027</b>   | 2,696    |
| <i>of which: Deferred Contingent Capital Plan</i>                            | <b>1,538</b>   | 1,983    |
| <i>of which: other deferred compensation plans</i>                           | <b>1,472</b>   | 1,823    |
| <i>of which: net defined benefit pension and post-employment liabilities</i> | <b>910</b>     | 775      |
| Current and deferred tax liabilities                                         | <b>1,013</b>   | 1,002    |
| VAT and other tax payables                                                   | <b>491</b>     | 431      |
| Deferred income                                                              | <b>171</b>     | 215      |
| Other                                                                        | <b>103</b>     | 98       |
| <b>Total other non-financial liabilities</b>                                 | <b>6,726</b>   | 9,022    |



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

**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)    |

1 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  |

1 Debt with an original maturity of less than one year. 2 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. 3 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>                                        | <b>Operational and similar risks<sup>2</sup></b> | <b>Litigation, regulatory matters<sup>3</sup></b> | <b>Restructuring</b> | <b>Real estate</b> | <b>Employee benefits<sup>6</sup></b> | <b>Other</b> | <b>Total</b> |
|-----------------------------------------------------------|--------------------------------------------------|---------------------------------------------------|----------------------|--------------------|--------------------------------------|--------------|--------------|
| <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                  | (2)                                              | (15)                                              | 0                    | (1)                | 0                                    | (1)          | <b>(18)</b>  |

discount

**Balance as of**

|                      |           |              |                        |                       |           |           |              |
|----------------------|-----------|--------------|------------------------|-----------------------|-----------|-----------|--------------|
| <b>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> |
|----------------------|-----------|--------------|------------------------|-----------------------|-----------|-----------|--------------|

1 Refer to Note 1 for more information. 2 Comprises provisions for losses resulting from security risks and transaction processing risks. 3 Comprises provisions for losses resulting from legal, liability and compliance risks. 4 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). 5 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). 6 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.

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

**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>

|                                                           | Global<br>Wealth |                                    | Asset           |                    |                     |              |
|-----------------------------------------------------------|------------------|------------------------------------|-----------------|--------------------|---------------------|--------------|
|                                                           | Manage-<br>ment  | Personal &<br>Corporate<br>Banking | Manage-<br>ment | Investment<br>Bank | Corporate<br>Center | UBS          |
| <i>USD million</i>                                        |                  |                                    |                 |                    |                     |              |
| <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> |

1 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.



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

## **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)**

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.

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

## **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)**

*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.



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

## 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- | Net | Gross    | Sub- | Net |

|                                                  | participations |               |                |               | participations |        |               |        |
|--------------------------------------------------|----------------|---------------|----------------|---------------|----------------|--------|---------------|--------|
|                                                  | Measured       |               | Not measured   |               | Measured       |        | Not measured  |        |
|                                                  | at fair value  |               | at fair value  |               | at fair value  |        | 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)       | 16,343 |
| <b>Loan commitments</b>                          | <b>6,401</b>   | <b>27,919</b> | <b>(690)</b>   | <b>33,630</b> | 3,535          | 31,212 | (647)         | 34,165 |
| <b>Forward starting transactions<sup>1</sup></b> |                |               |                |               |                |        |               |        |
| Reverse repurchase agreements                    | <b>29,284</b>  | <b>2,038</b>  |                |               | 8,117          | 925    |               |        |
| Securities borrowing agreements                  |                | <b>20</b>     |                |               |                | 12     |               |        |
| Repurchase agreements                            | <b>15,321</b>  | <b>629</b>    |                |               | 7,926          | 400    |               |        |

1 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     |          |          |
|         | 31.12.18              | 31.12.18 | 31.12.18 | 31.12.18                  | 31.12.18 | 31.12.18 |
| 1 CHF   | <b>1.00</b>           | 1.02     | 1.05     | <b>1.00</b>               | 1.00     | 1.06     |
| 1 EUR   | <b>1.12</b>           | 1.15     | 1.23     | <b>1.14</b>               | 1.14     | 1.23     |
| 1 GBP   | <b>1.30</b>           | 1.28     | 1.40     | <b>1.31</b>               | 1.28     | 1.40     |
| 100 JPY | <b>0.90</b>           | 0.91     | 0.94     | <b>0.91</b>               | 0.89     | 0.93     |

1 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.

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

**Comparison UBS Group AG consolidated versus UBS AG consolidated**

USD million, except where indicated

**As of or for the quarter ended 31.3.19**  
**UBS Group AG**      **UBS AG**      **Difference**  
**(consolidated)** **(consolidated)** (absolute)

**As of or for the quarter ended 31.12.18**  
**UBS Group AG**      **UBS AG**      **Difference**  
**(consolidated)** **(consolidated)** (absolute)

**Income statement**

|                                                                         |              |              |       |       |       |       |
|-------------------------------------------------------------------------|--------------|--------------|-------|-------|-------|-------|
| Operating income                                                        | <b>7,218</b> | <b>7,343</b> | (125) | 6,972 | 7,083 | (111) |
| Operating expenses                                                      | <b>5,672</b> | <b>5,890</b> | (217) | 6,492 | 6,667 | (176) |
| Operating profit / (loss) before tax                                    | <b>1,546</b> | <b>1,454</b> | 92    | 481   | 416   | 65    |
| of which: Global Wealth Management                                      | <b>863</b>   | <b>848</b>   | 16    | 327   | 316   | 11    |
| of which: Personal & Corporate Banking                                  | <b>387</b>   | <b>386</b>   | 1     | 644   | 645   | (1)   |
| of which: Asset Management                                              | <b>103</b>   | <b>103</b>   | 0     | 106   | 105   | 1     |
| of which: Investment Bank                                               | <b>207</b>   | <b>187</b>   | 20    | (78)  | (79)  | 1     |
| of which: Corporate Center                                              | <b>(15)</b>  | <b>(71)</b>  | 56    | (518) | (571) | 53    |
| Net profit / (loss)                                                     | <b>1,139</b> | <b>1,067</b> | 72    | 315   | 273   | 42    |
| of which: net profit / (loss) attributable to shareholders              | <b>1,141</b> | <b>1,069</b> | 72    | 315   | 272   | 42    |
| of which: net profit / (loss) attributable to non-controlling interests | <b>(2)</b>   | <b>(2)</b>   | 0     | 1     | 1     | 0     |

**Statement of comprehensive income**

|                                        |              |             |      |     |     |     |
|----------------------------------------|--------------|-------------|------|-----|-----|-----|
| Other comprehensive income             | <b>(100)</b> | <b>(90)</b> | (10) | 893 | 895 | (2) |
| of which: attributable to shareholders | <b>(104)</b> | <b>(94)</b> | (10) | 892 | 894 | (2) |

*of which:*

*attributable to  
non-controlling  
interests*

4

4

0

1

1

Total  
comprehensive  
income

1,039

977

62

1,208

1,168

4

*of which:*

*attributable to  
shareholders*

1,037

974

62

1,207

1,166

4

*of which:*

*attributable to  
non-controlling  
interests*

2

2

0

2

2

### Balance sheet

Total assets

956,579

956,737

(158)

958,489

958,055

43

Total liabilities

902,739

903,348

(609)

905,386

905,624

(238)

Total equity

53,840

53,389

451

53,103

52,432

67

*of which: equity  
attributable to  
shareholders*

53,667

53,216

451

52,928

52,256

67

*of which: equity  
attributable to  
non-controlling  
interests*

173

173

0

176

176

### Capital information

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

3,86

Risk-weighted  
assets

267,556

266,581

976

263,747

262,840

90

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

0.1

Leverage ratio  
denominator

910,993

911,410

(417)

904,598

904,458

14

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

0.1

|                                                           |     |     |     |     |     |    |
|-----------------------------------------------------------|-----|-----|-----|-----|-----|----|
| Total<br>loss-absorbing<br>capacity leverage<br>ratio (%) | 9.6 | 9.4 | 0.2 | 9.3 | 9.1 | 0. |
|-----------------------------------------------------------|-----|-----|-----|-----|-----|----|



Significant regulated subsidiary and sub-group information

Unaudited

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## Significant regulated subsidiary and sub-group information

Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups

|                                | UBS AG                        |          | UBS Switzerland AG            |          | UBS Europe SE                 | UBS Americas Holding LLC      |                       |
|--------------------------------|-------------------------------|----------|-------------------------------|----------|-------------------------------|-------------------------------|-----------------------|
|                                | (standalone)                  |          | (standalone)                  |          | (consolidated)                | (consolidated)                |                       |
|                                | <i>USD million,</i>           |          | <i>CHF million,</i>           |          | <i>EUR million,</i>           | <i>USD million,</i>           |                       |
|                                | <i>except where indicated</i> |          | <i>except where indicated</i> |          | <i>except where indicated</i> | <i>except where indicated</i> |                       |
| As of or for the quarter ended | <b>31.3.19</b>                | 31.12.18 | <b>31.3.19</b>                | 31.12.18 | <b>31.3.19<sup>1</sup></b>    | <b>31.3.19</b>                | 31.12.18 <sup>2</sup> |

**Financial information<sup>3,4,5</sup>**

## Income statement

|                                      |                |         |                |         |               |                |         |
|--------------------------------------|----------------|---------|----------------|---------|---------------|----------------|---------|
| Total operating income               | <b>2,237</b>   | 1,912   | <b>2,060</b>   | 2,039   | <b>193</b>    | <b>2,933</b>   | 3,124   |
| Total operating expenses             | <b>2,200</b>   | 3,173   | <b>1,600</b>   | 1,637   | <b>186</b>    | <b>2,626</b>   | 2,799   |
| Operating profit / (loss) before tax | <b>37</b>      | (1,260) | <b>460</b>     | 402     | <b>7</b>      | <b>307</b>     | 325     |
| Net profit / (loss)                  | <b>55</b>      | (435)   | <b>360</b>     | 298     | <b>11</b>     | <b>225</b>     | 2,385   |
| Balance sheet                        |                |         |                |         |               |                |         |
| Total assets                         | <b>498,426</b> | 480,238 | <b>295,806</b> | 293,034 | <b>56,687</b> | <b>140,376</b> | 142,761 |
| Total liabilities                    | <b>447,264</b> | 429,130 | <b>281,612</b> | 279,200 | <b>51,972</b> | <b>112,662</b> | 115,340 |
| Total equity                         | <b>51,162</b>  | 51,107  | <b>14,194</b>  | 13,834  | <b>4,715</b>  | <b>27,714</b>  | 27,421  |

**Capital<sup>6,7</sup>**

|                                            |               |        |               |        |              |               |        |
|--------------------------------------------|---------------|--------|---------------|--------|--------------|---------------|--------|
| Common equity tier 1 capital               | <b>49,024</b> | 49,411 | <b>10,463</b> | 10,225 | <b>3,568</b> | <b>12,028</b> | 11,746 |
| Additional tier 1 capital                  | <b>10,435</b> | 7,805  | <b>4,248</b>  | 4,243  | <b>290</b>   | <b>2,141</b>  | 2,141  |
| Tier 1 capital                             | <b>59,460</b> | 57,217 | <b>14,712</b> | 14,468 | <b>3,858</b> | <b>14,170</b> | 13,887 |
| Total going concern capital                | <b>65,472</b> | 63,225 | <b>14,712</b> | 14,468 |              |               |        |
| Tier 2 capital                             |               |        |               |        |              | <b>713</b>    | 714    |
| Total gone concern loss-absorbing capacity |               |        | <b>10,945</b> | 10,932 |              |               |        |
| Total capital                              |               |        |               |        | <b>3,858</b> | <b>14,882</b> | 14,601 |
| Total loss-absorbing capacity              |               |        | <b>25,657</b> | 25,400 |              |               |        |

0

**Risk-weighted assets and**

**leverage ratio denominator<sup>6,7</sup>**

|                            |                |         |                |         |               |                |         |
|----------------------------|----------------|---------|----------------|---------|---------------|----------------|---------|
| Risk-weighted assets       | <b>300,734</b> | 292,888 | <b>96,067</b>  | 95,646  | <b>14,432</b> | <b>55,313</b>  | 54,063  |
| Leverage ratio denominator | <b>617,329</b> | 601,013 | <b>310,545</b> | 306,487 | <b>51,060</b> | <b>124,981</b> | 122,829 |

0

**Capital and leverage ratios (%)<sup>6,7</sup>**

|                                              |             |      |             |      |             |             |      |
|----------------------------------------------|-------------|------|-------------|------|-------------|-------------|------|
| Common equity tier 1 capital ratio           | <b>16.3</b> | 16.9 | <b>10.9</b> | 10.7 | <b>24.7</b> | <b>21.7</b> | 21.7 |
| Tier 1 capital ratio                         |             |      |             |      | <b>26.7</b> | <b>25.6</b> | 25.7 |
| Going concern capital ratio                  | <b>21.8</b> | 21.6 | <b>15.3</b> | 15.1 |             |             |      |
| Total capital ratio                          |             |      |             |      | <b>26.7</b> | <b>26.9</b> | 27.0 |
| Total loss-absorbing capacity ratio          |             |      | <b>26.7</b> | 26.6 |             |             |      |
| Leverage ratio <sup>8</sup>                  | <b>10.6</b> | 10.5 |             |      | <b>7.6</b>  | <b>11.3</b> | 11.3 |
| Total loss-absorbing capacity leverage ratio |             |      | <b>8.3</b>  | 8.3  |             |             |      |

0

**Liquidity<sup>7,9,10</sup>**

|                                               |            |     |            |     |            |  |  |
|-----------------------------------------------|------------|-----|------------|-----|------------|--|--|
| High-quality liquid assets (billion)          | <b>87</b>  | 76  | <b>71</b>  | 67  | <b>15</b>  |  |  |
| Net cash outflows (billion)                   | <b>51</b>  | 55  | <b>52</b>  | 53  | <b>7</b>   |  |  |
| Liquidity coverage ratio (%) <sup>11,12</sup> | <b>169</b> | 139 | <b>137</b> | 128 | <b>214</b> |  |  |

**Other**

Joint and several liability between UBS AG and UBS Switzerland AG (billion)<sup>13</sup>

**26** 26

1 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. 2 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. 3 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. 4 UBS Europe SE financial information is prepared in accordance with International Financial Reporting Standards (IFRS), but does not represent interim financial statements under IFRS.

5 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. 6 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. 7 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. 8 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. 9 There was no local disclosure requirement for UBS Americas Holding LLC as of 31 March 2019 and 31 December 2018. 10 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. 11 UBS AG is required to maintain a minimum liquidity coverage ratio of 105% as communicated by FINMA. 12 UBS Switzerland AG, as a Swiss SRB, is required to maintain a minimum liquidity coverage ratio of 100%. 13 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.

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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

| <i>USD million, except where indicated</i>                   | As of or for the quarter ended |          |         |
|--------------------------------------------------------------|--------------------------------|----------|---------|
|                                                              | <b>31.3.19</b>                 | 31.12.18 | 31.3.18 |
| <b>Results</b>                                               |                                |          |         |
| Operating income                                             | <b>7,343</b>                   | 7,083    | 8,301   |
| Operating expenses                                           | <b>5,890</b>                   | 6,667    | 6,404   |
| Operating profit / (loss) before tax                         | <b>1,454</b>                   | 416      | 1,897   |
| Net profit / (loss) attributable to shareholders             | <b>1,069</b>                   | 272      | 1,412   |
| <b>Profitability and growth<sup>1</sup></b>                  |                                |          |         |
| Return on equity (%) <sup>2</sup>                            | <b>8.1</b>                     | 2.1      | 10.7    |
| Return on tangible equity (%) <sup>3</sup>                   | <b>9.3</b>                     | 2.4      | 12.3    |
| Return on common equity tier 1 capital (%) <sup>4</sup>      | <b>12.3</b>                    | 3.1      | 16.3    |
| Return on risk-weighted assets, gross (%) <sup>5</sup>       | <b>11.1</b>                    | 11.0     | 13.1    |
| Return on leverage ratio denominator, gross (%) <sup>5</sup> | <b>3.2</b>                     | 3.1      | 3.6     |
| Cost / income ratio (%) <sup>6</sup>                         | <b>80.0</b>                    | 93.4     | 76.9    |
| Net profit growth (%) <sup>7</sup>                           | <b>(24.3)</b>                  |          | 16.4    |
| <b>Resources</b>                                             |                                |          |         |
| Total assets                                                 | <b>956,737</b>                 | 958,055  | 965,224 |
| Equity attributable to shareholders                          | <b>53,216</b>                  | 52,256   | 53,185  |
| Common equity tier 1 capital <sup>8</sup>                    | <b>34,933</b>                  | 34,608   | 35,060  |

|                                                               |                |         |         |
|---------------------------------------------------------------|----------------|---------|---------|
| Risk-weighted assets <sup>8</sup>                             | <b>266,581</b> | 262,840 | 266,202 |
| Common equity tier 1 capital ratio (%) <sup>8</sup>           | <b>13.1</b>    | 13.2    | 13.2    |
| Going concern capital ratio (%) <sup>8</sup>                  | <b>17.0</b>    | 16.1    | 15.9    |
| Total loss-absorbing capacity ratio (%) <sup>8</sup>          | <b>32.2</b>    | 31.3    | 30.7    |
| Leverage ratio denominator <sup>8</sup>                       | <b>911,410</b> | 904,458 | 926,914 |
| Common equity tier 1 leverage ratio (%) <sup>8</sup>          | <b>3.83</b>    | 3.83    | 3.78    |
| Going concern leverage ratio (%) <sup>8</sup>                 | <b>5.0</b>     | 4.7     | 4.6     |
| Total loss-absorbing capacity leverage ratio (%) <sup>8</sup> | <b>9.4</b>     | 9.1     | 8.8     |

**Other**

|                                                 |               |        |        |
|-------------------------------------------------|---------------|--------|--------|
| Invested assets (USD billion) <sup>9</sup>      | <b>3,318</b>  | 3,101  | 3,309  |
| Personnel (full-time equivalents) <sup>10</sup> | <b>47,773</b> | 47,643 | 46,433 |

1 Refer to the "Performance targets and measurement" section of our Annual Report 2018 for more information on our performance targets. 2 Calculated as net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. 3 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. 4 Calculated as net profit attributable to shareholders (annualized as applicable) / average common equity tier 1 capital. 5 Calculated as operating income before credit loss expense or recovery (annualized as applicable) / average risk-weighted assets and average leverage ratio denominator, respectively. 6 Calculated as operating expenses / operating income before credit loss expense or recovery. 7 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. 8 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. 9 Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. 10 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.

Appendix  
Abbreviations frequently used in our financial reports

**A**

|                        |                                          |
|------------------------|------------------------------------------|
| ABS                    | asset-backed security                    |
| AEI                    | automatic exchange of information        |
| AGM                    | annual general meeting of shareholders   |
| A-IRB<br>ratings-based | advanced internal<br>ratings-based       |
| AI                     | artificial intelligence                  |
| AIV                    | alternative investment vehicle           |
| ALCO                   | Asset and Liability Management Committee |
| AMA                    | advanced measurement approach            |
| AML                    | anti-money laundering                    |
| AoA                    | Articles of Association of UBS Group AG  |
| ASF                    | available stable funding                 |
| ASFA                   | advanced supervisory formula approach    |
| AT1                    | additional tier 1                        |
| AuM                    | assets under management                  |

**B**

|      |                                           |
|------|-------------------------------------------|
| BCBS | Basel Committee on<br>Banking Supervision |
| BD   | business division                         |
| BEAT | base erosion and anti-abuse tax           |
| BIS  | Bank for International Settlements        |

|                     |                                    |
|---------------------|------------------------------------|
| BoD                 | Board of Directors                 |
| BSC                 | Business Solutions Center          |
| BVG<br>pension plan | Swiss occupational<br>pension plan |

## **C**

|                   |                                                |
|-------------------|------------------------------------------------|
| CAO               | Capital Adequacy Ordinance                     |
| CC                | Corporate Center                               |
| CCAR              | Comprehensive Capital Analysis and Review      |
| CCB               | countercyclical buffer                         |
| CCF               | credit conversion factor                       |
| CCP               | central counterparty                           |
| CCR               | counterparty credit risk                       |
| CCRC              | Corporate Culture and Responsibility Committee |
| CDO<br>obligation | collateralized debt<br>obligation              |
| CDR               | constant default rate                          |
| CDS               | credit default swap                            |
| CEA               | Commodity Exchange Act                         |
| CECL              | current expected credit loss                   |
| CEM               | current exposure method                        |
| CEO               | Chief Executive Officer                        |
| CET1              | common equity tier 1                           |
| CFO               | Chief Financial Officer                        |
| CFTC              | US Commodity Futures Trading Commission        |
| CHF               | Swiss franc                                    |



|        |                                           |
|--------|-------------------------------------------|
| CIC    | Corporate Institutional Clients           |
| CIO    | Chief Investment Office                   |
| CLN    | credit-linked note                        |
| CLO    | collateralized loan obligation            |
| CLS    | continuous linked settlement              |
| CMBS   | commercial mortgage-backed security       |
| C&ORC  | Compliance & Operational Risk Control     |
| CRD IV | EU Capital Requirements Directive of 2013 |
| CSO    | Client Strategy Office                    |
| CVA    | credit valuation adjustment               |

## **D**

|       |                                      |
|-------|--------------------------------------|
| DBO   | defined benefit obligation           |
| DCCP  | Deferred Contingent Capital Plan     |
| DJSI  | Dow Jones Sustainability Indices     |
| DOJ   | US Department of Justice             |
| DOL   | US Department of Labor               |
| D-SIB | domestic systemically important bank |
| DTA   | deferred tax asset                   |
| DVA   | debit valuation adjustment           |

## **E**

|     |                            |
|-----|----------------------------|
| EAD | exposure at default        |
| EBA | European Banking Authority |
| EC  | European Commission        |

|         |                                                 |
|---------|-------------------------------------------------|
| ECB     | European Central Bank                           |
| ECL     | expected credit loss(es)                        |
| EIR     | effective interest rate                         |
| EL      | expected loss                                   |
| EMEA    | Europe, Middle East and Africa                  |
| EOP     | Equity Ownership Plan                           |
| EPE     | expected positive exposure                      |
| EPS     | earnings per share                              |
| ERISA   | Employee Retirement Income Security Act of 1974 |
| ESG     | environmental, social and governance            |
| ESMA    | European Securities and Markets Authority       |
| ESR     | environmental and social risk                   |
| ETD     | exchange-traded derivative                      |
| ETF     | exchange-traded fund                            |
| EU      | European Union                                  |
| EUR     | euro                                            |
| EURIBOR | Euro Interbank Offered Rate                     |

## **F**

|                  |                                                                                                                |
|------------------|----------------------------------------------------------------------------------------------------------------|
| FCA<br>Authority | UK Financial Conduct                                                                                           |
| FCT              | foreign currency translation                                                                                   |
| FINMA            | Swiss Financial Market Supervisory Authority                                                                   |
| FINRA            | US Financial Industry Regulatory Authority                                                                     |
| FMIA             | Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading |



Abbreviations frequently used in our financial reports (continued)

|       |                                               |
|-------|-----------------------------------------------|
| FRA   | forward rate agreement                        |
| FSB   | Financial Stability Board                     |
| FTA   | Swiss Federal Tax Administration              |
| FTD   | first to default                              |
| FTP   | funds transfer pricing                        |
| FVA   | funding valuation adjustment                  |
| FVOCI | fair value through other comprehensive income |
| FVTPL | fair value through profit or loss             |
| FX    | foreign exchange                              |

**G**

|           |                                            |
|-----------|--------------------------------------------|
| GAAP      | generally accepted accounting principles   |
| GBP       | British pound                              |
| GEB       | Group Executive Board                      |
| GFA       | Group Franchise Awards                     |
| GHG       | greenhouse gas                             |
| GIA       | Group Internal Audit                       |
| GIIPS     | Greece, Italy, Ireland, Portugal and Spain |
| GMD       | Group Managing Director                    |
| GRI       | Global Reporting Initiative                |
| Group ALM | Group Asset and Liability Management       |

G-SIB global systemically important bank

## **H**

HQLA high-quality liquid assets

HR human resources

## **I**

IAA internal assessment approach

IAS International Accounting Standards

IASB International Accounting Standards Board

IBOR interbank offered rates

IFRIC International Financial Reporting Interpretations Committee

IFRS International Financial Reporting Standards

IHC intermediate holding companies

IMA internal models approach

IMM internal model method

IPS Investment Platforms and Solutions

IRB internal ratings-based

IRC incremental risk charge

ISDA International Swaps and Derivatives Association

## **K**

KRT Key Risk Taker

## **L**

LAC loss-absorbing capacity

|       |                               |
|-------|-------------------------------|
| LAS   | liquidity-adjusted stress     |
| LCR   | liquidity coverage ratio      |
| LGD   | loss given default            |
| LIBOR | London Interbank Offered Rate |
| LLC   | limited liability company     |
| LRD   | leverage ratio denominator    |
| LTV   | loan-to-value                 |

## **M**

|          |                                                        |
|----------|--------------------------------------------------------|
| MiFID II | Markets in Financial Instruments Directive II          |
| MiFIR    | Markets in Financial Instruments associated Regulation |
| MRT      | Material Risk Taker                                    |
| MTN      | medium-term note                                       |

## **N**

|      |                            |
|------|----------------------------|
| NAV  | net asset value            |
| NII  | net interest income        |
| NRV  | negative replacement value |
| NSFR | net stable funding ratio   |
| NYSE | New York Stock Exchange    |

## **O**

|      |                                                        |
|------|--------------------------------------------------------|
| OCA  | own credit adjustment                                  |
| OCI  | other comprehensive income                             |
| OECD | Organisation for Economic Co-operation and Development |

OIS overnight index swap

OTC over-the-counter

## **P**

PD probability of default

PFE potential future exposure

PIT point in time

P&L profit or loss

POCI purchased or originated credit-impaired

PRA UK Prudential Regulation Authority

PRV positive replacement value

## **Q**

QRRE qualifying revolving retail exposures

## **R**

RBA Role-based allowances

RBC risk-based capital

RLN reference-linked note

RMBS residential mortgage-backed securities

RniV risks not in VaR

RoAE return on attributed equity

RoCET1 return on CET1

RoE return on equity

RoTE return on tangible equity

RV replacement value

RW risk weight

RWA risk-weighted assets



Appendix

Abbreviations frequently used in our financial reports (continued)

**S**

|        |                                                    |
|--------|----------------------------------------------------|
| SA     | standardized approach                              |
| SA-CCR | standardized approach for counterparty credit risk |
| SAR    | stock appreciation right                           |
| SBC    | Swiss Bank Corporation                             |
| SCCL   | single-counterparty credit limit                   |
| SDGs   | Sustainable Development Goals                      |
| SE     | structured entity                                  |
| SEC    | US Securities and Exchange Commission              |
| SEEOP  | Senior Executive Equity Ownership Plan             |
| SFTs   | securities financing transactions                  |
|        |                                                    |
| SI     | sustainable investing                              |
| SICR   | significant increase in credit risk                |
| SIX    | SIX Swiss Exchange                                 |
| SMA    | standardized measurement approach                  |
| SME    | small and medium-sized enterprises                 |
| SMF    | Senior Management Function                         |
| SNB    | Swiss National Bank                                |
| SPPI   | solely payments of principal and interest          |
| SRB    | systemically relevant bank                         |
| SRM    | specific risk measure                              |

SVaR                stressed value-at-risk

**T**

TBTF                too big to fail

TCJA                US Tax Cuts and Jobs Act

TLAC                total loss-absorbing capacity

TRS                 total return swap

TTC                 through the cycle

**U**

UoM                units of measure

USD                 US dollar

US IHC              US intermediate holding company

**V**

VaR                 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.

## Appendix

**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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This Form 6-K is hereby incorporated by reference into (1) each of the registration statements of UBS AG on Form F-3 (Registration Number 333-225551) and of UBS Group AG on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; 333-228653; and 333-230312), and into each prospectus outstanding under any of the foregoing registration statements, (2) any outstanding offering circular or similar document issued or authorized by UBS AG that incorporates by reference any Form 6-K's of UBS AG that are incorporated into its registration statements filed with the SEC, and (3) the base prospectus of Corporate Asset Backed Corporation ("CABCO") dated June 23, 2004 (Registration Number 333-111572), the Form 8-K of CABCO filed and dated June 23, 2004 (SEC File Number 001-13444), and the Prospectus Supplements relating to the CABCO Series 2004-101 Trust dated May 10, 2004 and May 17, 2004 (Registration Number 033-91744 and 033-91744-05).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

UBS Group AG

By: /s/ Sergio Ermotti

Name: Sergio Ermotti

Title: Group Chief Executive Officer

By: /s/ Kirt Gardner

Name: Kirt Gardner

Title: Group Chief Financial Officer

By: /s/ Todd Tuckner

Name: Todd Tuckner

Title: Group Controller and

Chief Accounting Officer

UBS AG

By: /s/ Sergio Ermotti

Name: Sergio Ermotti

Title: President of the Executive Board

By: /s/ Kirt Gardner

Name: Kirt Gardner

Title: Chief Financial Officer

By: /s/ Todd Tuckner

Name: Todd Tuckner

Title: Group Controller and

Chief Accounting Officer

Date: April 25, 2019