UBS

UBS Europe SE

Disclosure Report acc. to Regulation (EU) No. 575/2013 (CRR) as of 31 December 2018

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1. General disclosure principles

The publication of the current Disclosure Report as of the reporting date of 31 December 2018 is performed according to the regulatory requirements of the Basel III Policies of the CRR (Capital Requirements Regulation (EU) No. 575/2013), Art. 431 to Art. 455 and CRD IV (Capital Requirements Directive IV/EU Directive 2013/36/EU) taking effect on 1 January 2014. The report is based on the statutory basis applicable on the reporting date.

The regulations concerning the regulatory disclosure are included in Part 8 of the CRR as well as in Section 26a of the BA (German Banking Act - KWG). Furthermore, the transitional provisions concerning the disclosure of equity capital as well as on the disclosure of relevant implementation and regulatory standards included in Part 10 of the CRR must be taken into account.

The available report provides a comprehensive view on the current risk profile and the risk management of UBS Europe SE.

UBS Europe SE prepares the Disclosure Report in its function as a superordinate institution of the regulatory scope of consolidation. Concerning the qualitative data, UBS Europe SE exercises its right to refer to other disclosure media if the information included there is already disclosed within the framework of other disclosure obligations.

Since the numbers on the level of the regulatory scope of consolidation do not deviate significantly from those on the single-institution level, the presentation of numbers on group level in accordance with the principle of materiality specified in Art. 432 para. 1 of the CRR is not taken into consideration. The presentation of the regulatory equity capital acc. to Art. 437 of the CRR para. 5 is provided on a single-institution as well as also a group level. Legally protected or confidential information is not the subject of disclosure.

The figures in this report refer to the effective date of 31 December 2018.

The Disclosure Report is prepared annually acc. to Art. 433 of the CRR in conjunction with the BaFin circular 05/2015 (BA).

By way of a cross-border merger, all businesses and business areas of UBS Limited, London, were transferred to UBS Europe SE with effect from 1 March 2019. The aim here is to ensure that UBS continues to provide full and reliable investment banking services to customers and business partners within the EU even after the UK has left the EU. With the increase in the balance sheet total as a result of the merger, the Bank fulfils one of the ECB's criteria for classification as a significant institution (balance sheet total over EUR 30 bn). As a consequence, UBS ESE, having been regulated by Bafin to date, will be subject to the direct supervision of the ECB as of 1 March 2019 according to the letter of 31 January 2019.

As a result, UBS Europe SE will publish a disclosure report in accordance with Part 8 of the CRR in conjunction with EBA/GL/2016/11 on a quarterly basis as of the effective date of 31 March 2019.

2. Additional data according to Section 26a of the BA

The legal and organisational structure as well as the principles of proper group management according to Section 26a para. 1 sentences 1 and 3 of the BA are presented in the Appendix and the management report of UBS Europe SE.

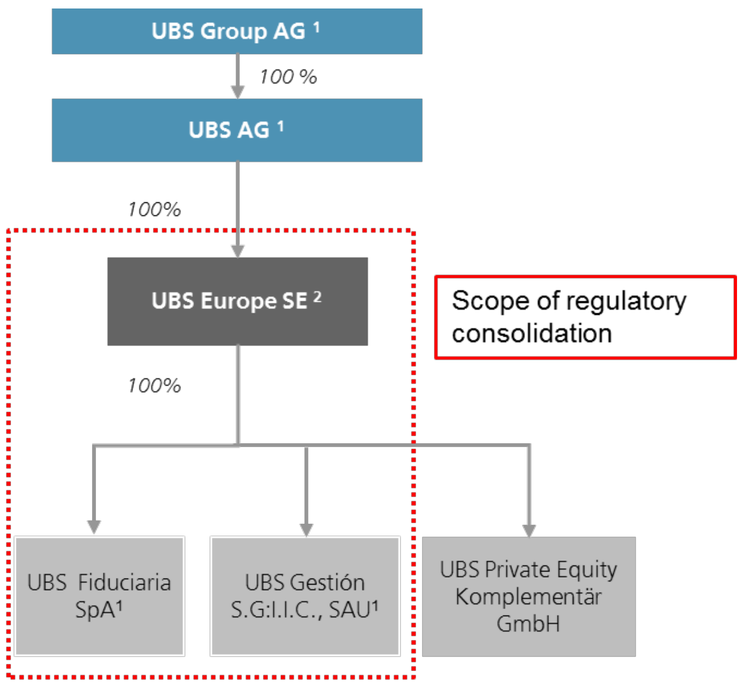
The additional disclosure obligations concerning the disclosure of institutions according to Section 26a para. 1 sentences 1 and 2 of the BA are included in the Annex "Other disclosures according to Section 26a para. 1 sentences 2 and 4 of the BA concerning the financial year 2018 (Sections 89 and 90 of the Directive 2013/36/EU)" regarding the annual financial statements 2018.

3. Regulatory consolidation (Art. 436 of the CRR)

The regulatory scope of consolidation is defined according to Section 10a of the BA (new version of 12 June 2015) in conjunction with Art. 11, Art. 18 et seq. and Art. 436 of the CRR.

On the effective date, i.e. 31 December 2018, a regulatory consolidated group emerges for the UBS Europe SE, including the Italian subsidiary UBS Fiduciaria SpA as well as the Spanish subsidiary UBS Gestion S.G.I.I.C., SAU.
Since the relevant limits according to Art. 19 para. 1 of the CRR are not exceeded, the German UBS Private Equity Komplementär GmbH is not included in the regulatory scope of consolidation.

As of 31 December 2018, the regulatory scope of consolidation is as follows:



1 Not established in Germany
2 Foreign branches included – Luxembourg, Austria, Sweden, Denmark, Italy, Spain and the Netherlands

UBS Europe SE does not make use of Art. 7 and Art. 9 of the CRR. Legal or considerable actual obstacles for the immediate transfer of own funds or the repayment of liabilities within the group do not exist and are not foreseeable.

UBS Europe SE as the superordinate credit institution prepares all reports required resulting from the regulations of the CRR both for the institution and on the consolidated level.

In the consolidated reports all relevant companies of the regulatory consolidated entity are included by means of full consolidation.

4. Risk management (Art. 435 of the CRR)

4.1 Risk management objectives and policies

The risk management and controlling approach of UBS Europe SE is both of a qualitative and a quantitative nature. The specific selection of qualitative or quantitative measures depends on the type of the respective risk and the question whether this is controlled as part of the daily business (operational level) or on a strategic level. Whereas for the operational risk guidelines and process descriptions (qualitative) are used, the primary risks of the bank are limited by quantitative, operational limits.

The overlapping standards and rules of the internal risk management and controlling approach, including the qualitative and quantitative limits, are defined within the framework of the Risk Appetite Statements of UBS Europe SE.

A strategically-quantitative perspective of the bank's risk activities provide the Internal Capital Adequacy Assessment Process (ICAAP), which is used as a control element across the overall bank level over a period under review of one year.

The ICAAP concept defines, which methodical approach is underlying the ICAAP, how the Bank quantifies its significant risks and how it is ensured that these are sufficiently covered by the resources (calculation of the risk-bearing capacity).

Here, the primary controlling approach of UBS Europe SE is the "Going Concern" approach, including a basic as well as a stress scenario. A complementary "Gone Concern" approach completes the ICAAP concept.

The following overview presents the important internal risk reports of UBS Europe SE:

Report	Author	Recipient	Contents
Monthly risk & capital report	Risk Control, Compliance & Operational Risk Control, Business Risk Organisation, Finance, Credit Risk Control, Market & Treasury Risk Control, Regulatory Affairs, Legal	RCC, Management Board, Supervisory Board	Overview of risk categories, key figures and assessments, details regarding critical areas, details regarding capital and liquidity risks, credit risk report, treasury risk control report, report about operational risks, incl. compliance and legal risks, utilisation of the restructuring indicators
Quarterly risk report	Risk Control (Lead), Compliance & Operational Risk Control, Business Risk Organisation, Finance, Credit Risk Control, Market & Treasury Risk Control, Regulatory Affairs, Legal, other expert functions	RCC, Management Board, Supervisory Board	Risk report acc. to MaRisk. Evaluation of all risk categories incl. risk profile / risk-bearing capacity, audit results, compliance risks and legal cases.
Annual outsourcing report	Outsourcing officer	RCC, Management Board, Supervisory Board	Details regarding the outsourcing activities, the accompanying risk assessments and the critical areas
Review of the risk-bearing capacity (quarterly)	Risk Control	ALCO, Management Board, Supervisory Board	Review and verification of the risk-bearing capacity
Capital plan (annual)	Treasury ALM	Management Board	Capital plan according to MaRisk, taking into account the regulatory and internal capital requirements
Annual compliance report	Compliance & Operational Risk Control	Management Board, Supervisory Board	Comprehensive Reporting of the Compliance department according to BT 1.2.2 MaComp
Risk analysis money laundering, financing of terrorism & other criminal offences	Compliance & Operational Risk Control	Management Board	Identification of the significant legal regulations and specifications, which may put the securities of the institution at risk if case of non-compliance

In connection with the necessary separation of functions, the departments "Risk Control", "Compliance & Operational Risk Control“, "Legal", "Credit Risk Control", "Market & Treasury Risk Control“ as well as "Finance“ present significant elements of the risk-oriented organisational structure. Audits and ongoing reporting integrated into the workflow organisation facilitate the detection of the development of the individual risk positions and the initiation of measures in due time. Comprehensive risk-oriented codes of practice within the framework of the workflows limit possible risks to an acceptable level.

All business processes subject to a particular risk, are checked regularly by Internal Audit. It reports directly to the Management Board, is not bound to instructions and able to perform tasks independent of the operational business. The function of the Internal Audit is a revolving and risk-weighted audit plan covering all significant business processes of UBS Europe SE. The requirements of the Federal Financial Supervisory Authority (BaFin - Bundesanstalt for Finanzdienstleistungsaufsicht) on the structuring of the Internal Audit acc. to AT 4.4.3 of the MaRisk are met.

4.2 Management regulations

In addition to their management function at UBS Europe SE, the members of the Management Board perform the following management and supervisory roles.

Number of management and supervisory roles held by the members of the Management Board in addition to their mandate as a member of the Management Board of the UBS Europe SE acc. to Art. 435 para. 2a of the CRR as of 31 December 2018:

Member of the Management Board	*Number of management functions*	*Number of supervisory roles*
Thomas Rodermann	*2*	*0*
Dr Andreas Przewloka	*3*	*1*
Birgit Dietl-Benzin	*0*	*1*
Stefan Winter	*2*	*0*
Georgia Paphiti	*0*	*0*
René Mottas (retired from the company as of 6 October 2018)	*n/a*	*n/a*
Fabio Innocenzi (retired from the company as of 25 September 2018)	*n/a*	*n/a*

The members of the Management Board are always selected by the Supervisory Board of UBS Europe SE in conformity with the risk and business policy of the institution taking into account the requirements on the professional competence of the member of the Management Board according to Section 25c of the BA. The diversity strategy in the selection of the members of the Management Board as well as associated goals and targets are presented in the management report of the UBS Europe SE as of 31 December 2018.

Within the Supervisory Board of UBS Europe SE, a separate risk committee was formed. This committee addresses the specific concerns of the risk management in the entire committee. In 2018, five committee meetings took place.

5. Regulatory capital (Art. 437 of the CRR)

5.1 Structure of own funds

In addition to the fully paid-in share capital and the reserves, the regulatory capital of UBS Europe SE attributable to the common equity (CET1) according to Art. 26 CRR in conjunction with Art. 28 CRR consists of the special items for general banking risks according to Section 340g of the German Commercial Code (HGB). In June 2018, the Bank issued a subordinated promissory note in the amount of EUR 290 million, which meets the requirements of Art. 52 CRR. In addition to the common equity, the Bank therefore reports

Additional Tier 1 capital in its own funds for the first time. As in the previous year, no Tier 2 capital is reported.

The following table shows the own funds structure of UBS Europe SE as of 31 December 2018, and is presented according to Appendix IV of the Commission Implementing Regulation (EU) No. 1423/2013 (in TEUR):

OWN FUNDS DISCLOSURE TEMPLATE	*(A) AMOUNT AT DISCLOSURE DATE*	*(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE*
COMMON EQUITY TIER 1 (CET1): INSTRUMENTS AND RESERVES		
Capital instruments and the related share premium accounts	446,001	26(1),27,28, 29, EBA list according to Art. 26 para. 3
Accumulated other income (and other reserves)	582,833	26(1)
Funds for general banking risk	4	26(1)(f)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**1,028,838**	Sum from rows 1 to 5a
Intangible assets (reduced by the respective tax debts) (negative amount)	-142,696	36 (1) (b), 37, 472 (4)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-142,696**	
Common Equity Tier 1 (CET1)	**886,142**	
Additional Tier 1 (AT1)		
Capital instruments and the related share premium accounts	290,000	51.52
Additional Tier 1 (AT1) capital before regulatory adjustments	**290,000**	
Additional Tier 1 (AT1)	**290,000**	
Tier 1 capital (T1 = CET1 + AT1)	**1,176,142**	
Total capital (TC = T1 + T2)	**1,176,142**	
Total risk-weighted assets	**5,294,969**	
Equity capital ratios and capital buffers:		
Common Equity Tier 1 ratio (as a percentage of total risk exposure amount)	16.74	92 (2) (a), 465
Tier 1 ratio (as a percentage of total risk exposure amount)	22.21	92 (2) (b), 465
Total capital (as a percentage of total risk exposure amount)	22.21	92 (2) (c)
Institution-specific capital buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical capital buffer, plus systemic risk buffer, plus systemically important institution buffer (G-SRI or A-SRI) requirements, expressed as a percentage of the total risk exposure amount)	6.53	CRD 128, 129, 130
of which: capital conservation buffer	1.875	
of which: countercyclical capital buffer	0.15	
Common Equity Tier 1 (CET1) available to meet buffers (as a percentage of total risk exposure amount)	12.24	CRD 128

Only lines applicable to UBS Europe SE were shown. Amounts subject to the treatment prior to the CRR do not consist at UBS Europe SE.

Intangible assets acc. to Art. 36 para. 1b of the CRR are deducted. Additional deducible items are not available.

On the consolidated level, the CET1 increases by TEUR 8,533 to TEUR 454,534. This is the share capital of UBS Gestion S.G.I.I.C., SAU in the amount of TEUR 8,333 as well as TEUR 200 of the UBS Fiduciaria SpA.

As of 31 December 2018, the own funds structure of the UBS Europe SE Group can be described as follows (in TEUR):

OWN FUNDS DISCLOSURE TEMPLATE	*(A) AMOUNT AT DISCLOSURE DATE*	*(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE*
COMMON EQUITY TIER 1 (CET1): INSTRUMENTS AND RESERVES		
Capital instruments and the related share premium accounts	454,534	26(1),27,28, 29, EBA list according to Art. 26 para. 3
Accumulated other results (and other reserves)	575,490	26(1)
Funds for general banking risk	4	26(1)(f)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**1,030,028**	Sum from rows 1 to 5a
Intangible assets (reduced by the respective tax debts) (negative amount)	-143,038	36 (1) (b), 37, 472 (4)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-143,038**	
Common Equity Tier 1 (CET1)	**886,990**	
Additional Tier 1 (AT1)		
Capital instruments and the related share premium accounts	290,000	51.52
Additional Tier 1 (AT1) capital before regulatory adjustments	**290,000**	
Additional Tier 1 (AT1)	**290,000**	
Tier 1 capital (T1 = CET1 + AT1)	**1,176,990**	
Total capital (TC = T1 + T2)	**1,176,990**	
Total risk-weighted assets	**5,328,162**	
Equity capital ratios and capital buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.65	92 (2) (a), 465
Tier 1 ratio (as a percentage of total risk exposure amount)	22.09	92 (2) (b), 465
Total capital (as a percentage of total risk exposure amount)	22.09	92 (2) (c)

OWN FUNDS DISCLOSURE TEMPLATE	*(A) AMOUNT AT DISCLOSURE DATE*	*(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE*
Institution-specific capital buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical capital buffer, plus systemic risk buffer, plus systemically important institution buffer (G-SRI or A-SRI) requirements, expressed as a percentage of the total risk exposure amount)	6.53	CRD 128, 129, 130
of which: capital conservation buffer	1.875	
of which: countercyclical capital buffer	0.15	
Common Equity Tier 1 (CET1) available to meet buffers (as a percentage of total risk exposure amount)	11.76	CRD 128

5.2 Description of the main features

UBS Europe SE's own funds consist of common equity (CET1) and additional core capital (AT1). The main features of the CET1 and AT1 capital instruments issued are set out below.

As of 31 December 2018, the share capital amounts to EUR 446,001,000.00, and 446,001,000 in equities are divided into a nominal sum of EUR 1.00 each.

No.	*Main features of the own funds instruments*	*CET1*	*AT1*
1	Issuer	UBS Europe SE	UBS Europe SE
2	Unique identifier (e.g. CUSIP, ISIN or internal identifier)	-	-
3	Governing law(s) of the instrument	German	German
	Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1 (CET1)	Additional Tier 1 (AT1)
5	Post-transitional CRR rules	Common Equity Tier 1 (CET1)	Additional Tier 1 (AT1)
6	Attributable to solo/group/solo and group level	Solo level	Solo level
7	Instrument type (types to be specified by each jurisdiction)	Share	Subordinated loans
8	Amount recognised in regulatory capital (currency in millions, status of the last reporting date)	446	290
9	Nominal amount of instrument	446	290
9a	Issue price	446	290
9b	Redemption price	n/a	n/a
10	Accounting classification	Equity	Subordinated liabilities
11	Original date of issuance	01/12/2016	11/06/2018
12	Perpetual or dated	indefinite	indefinite
13	Original maturity date	n/a	No maturity
14	Issuer call subject to prior supervisory approval	No	Yes
15	Option call date, contingent call dates and redemption amount	n/a	11 June 2023 or earlier in the event of a tax or regulatory event at the nominal value
16	Subsequent call dates, if applicable	n/a	n/a

No.	*Main features of the own funds instruments*	*CET1*	*AT1*
	Coupons / dividends		
17	Fixed or floating dividend/coupon	n/a	Variable
18	Coupon rate and any related index	n/a	3m LIBOR plus 466 bps
19	Existence of a "dividend stopper"	n/a	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	Fully discretionary
21	Existence of step up or other incentive to redeem	n/a	no
22	Non-cumulative or cumulative	n/a	Non-cumulative
23	Convertible or non-convertible	n/a	Non-convertible
24	If convertible, conversion trigger(s)	n/a	n/a
25	If convertible, fully or partially	n/a	n/a
26	If convertible, conversion rate	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a
30	Depreciation feature	n/a	Yes
31	In case of depreciation: Triggering of depreciation	n/a	CET1 quota falls below 5.125%
32	In case of depreciation: full or partial	n/a	Full
33	In case of depreciation: permanent or temporary	n/a	Permanent
34	In case of a temporary depreciation: Description of the mechanism	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a	n/a
36	Non-compliant transitioned features	n/a	No
37	If yes, specify non-compliant features	n/a	n/a

5.3 Reconciliation of regulatory capital and balance sheet equity

According to Art. 437 para. 1 lit. a) of the CRR in conjunction with Art. 2 of the Commission Implementing Regulation (EU) No. 1423/2013, a full reconciliation of regulatory own funds and balance sheet equity is required.

Offsetting and reconciliation for UBS Europe SE is presented below (in TEUR):

	31/12/2018
Share capital	446,001
Capital reserve / retained earnings	582,833
Net profit / Net loss	68,100
Funds for general banking risk	4
On-balance sheet capital	**1,096,938**
Net profit provided for dividend distribution acc. to Art. 36 para. 1 lit a) of the CRR	-68,100
Intangible assets acc. to Art. 36 para. 1 lit. b) of the CRR	-142,696
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-210,795**
Common Equity Tier 1 (CET1)	**886,143**
Additional Tier 1 (AT1)	**290,000**
Own funds - total	**1,176,142**

As a result, the Bank generated an annual net profit of EUR 68.1 million. Taking into account the appropriation of profits, this results in equity capital amounting to EUR 1,176.1 million.

6. Capital requirements (Art. 438 of the CRR)

6.1 Capital requirements

The equity base of UBS Europe SE is based on the minimum requirements according to the banking supervisory authority as well as on internal risk management requirements. The risks of UBS Europe SE are controlled according to a risk-bearing capacity concept. The approach is presented and explained in section 20.

The capital requirements for the credit risk are calculated applying the standardised approach to credit risk according to Part 3 Title II Chapter 2 of the CRR. In order to determine the capital requirements for the operational risk, UBS Europe SE applies the basic indicator approach according to Art. 315 of the CRR; the capital requirements for market risks are determined by means of standard processes according to Part 3 Title IV Chapters 2 to 4 of the CRR.

The following table provides an overview of the regulatory capital requirements, broken down by risk positions of UBS Europe SE as of 31 December 2018:

Category	*Total risk exposure amount in TEUR*
Exposure class (standardised approach)	3,807,285
Central governments / central banks	
Regional governments or local authorities	
Public sector entities	8,787
Institutions	128,010
Corporates	3,407,265
Retail	
Secured by mortgages on immovable property	
Exposures in default	7,862
Covered bonds	
Claims on institutions and corporates with a short-term credit rating	
Collective investments undertakings (CIU)	
Equity positions	10,652
Other items	244,708
Market price risk (standardised approach)	58,505
of which: Foreign exchange	58,156
of which: commodities	349
Operational risk	1,261,982
Total risk exposure amount for credit valuation adjustment (CVA)	167,197
Total risk exposure amount	**5,294,969**

6.2 Capital ratios

The capital ratios as of 31 December 2018, resulting from the following overview:

Ratio	*Percent*
Total capital ratio:	22.21
Tier 1 capital ratio (T1):	22.21
Common Equity Tier 1 ratio (CET1):	16.74

At any time during the year under review, the regulatory-relevant total capital ratio exceeded the minimum requirement of 8% according to Art. 92 para. 1 of the CRR. The Management Board must be informed regularly about the equity capital utilisation of the institutions.

7. Counterparty credit risk (Art. 439 of the CRR)

Regulations regarding the collateralisation and for the creation of credit reserves

With regard to the presentation concerning the collateralisation within the group, we refer to Section 19 "Credit risk mitigation techniques". For customer derivatives, an economically complete collateralisation is ensured.

Capital allocation / Allocation of loan limits to counterparties

UBS Europe SE does not provide for any separate capital allocation as well as limitation of default risks towards counterparties with derivative items. Both are effected within the framework of the uniformly applicable limitation process for counterparty risks. The methods of the regulatory as well as internal control of large credits apply as well.

Correlation of market price and counterparty risks

Counterparty risks are recorded as part of the counterparty risks separated from the market price risks. This also applies to counterparty risks resulting from derivative businesses.

Increase of safety margins in case of rating downgrades

UBS Europe SE has external ratings for the first time as of 31 December 2018, which are published on the UBS Europe SE website. There are currently no individual contracts that could result in the provision or an increase of a safety margin as a result of a downgrade of the external rating of UBS Europe SE.

Derivative counterparty risk positions

The counterparty risk of the derivatives is shown in the credit equivalent amount, which is determined by the positive replacement values plus the add-ons. The credit equivalent amount is calculated according to the regulatory market assessment method acc. to Art. 274 of the CRR.

As of the effective date 31 December 2018, the credit equivalent amount is TEUR 1,601,610.

The credit equivalent amount is determined without taking into account existing netting agreements.

Hedging transactions with credit derivatives treated as guarantees, which are therefore entered on a regulatory basis as off-balance sheet items into the equity backing, were not part of the UBS Europe SE portfolio as of the effective date of 31 December 2018. As of the afore-mentioned date of disclosure there were also no trading book positions existing in credit derivatives.

Quantitative data on derivatives with counterparty risk as of 31 December 2018 (in TEUR):

	Positive replacement values prior to netting and collateral
Interest rate related contracts	12,412
Foreign exchange related contracts	136,386
Equity / Index related contracts	167,285
Credit derivatives	-
Commodity-based contracts	-
Other contracts	-
Total	**316,083**

The replacement values of the customer derivatives are economically completely safe.

8. Countercyclical capital buffer (Art. 440 of the CRR)

The countercyclical capital buffer (CCB) as an instrument of the macroprudential regulation describes a mark-up on the CET1 of credit institutions.

In case of a positive economic credit development, the supervision can determine a capital buffer, which it may release again later. Thus, the banks build up a reserves cushion in economically favourable times to be used in times, which when the overall economy is less favourable, in order to compensate financial losses. The countercyclical capital buffer serves to strengthen the resistance of the banking sector with regard to systematic risks resulting from the credit cycle, and thus counteract a possible recession.

For the provision of the countercyclical capital buffer the loan/GDP gap is decisive. It shows the extent to which loans increase faster in the contemporarily compared to the economic performance of the inland. Combined with other indicators, they form the so-called buffer reference value and thus reflect an image of the overall economy of a nation as accurately as possible. Here, for the application of the countercyclical capital buffer, only the credit development of the private non-financial sector is relevant.

In Germany, the Federal Financial Supervisory Authority (BaFin) is responsible for the determination and publication of the domestic capital buffer ratio on a quarterly basis. The specific buffer ratio must be applied to the material risk exposures held by national and international banks in Germany. Usually it amounts to a value between 0 and 2.5 % and may vary in 0.25 % increments or a multiple thereof. If needed, also an countercyclical capital buffer ratio can be determined exceeding 2.5 %.

In addition, each credit institution calculates an institution-specific capital buffer ratio to be applied with regard to the individual dependencies within the national and international credit business. The institution-specific capital buffer corresponds to the weighted average of the national and all international buffer ratios for those nations to which the bank shows significant risk positions. According to the shares of the equity capital requirement for material risk positions in the country concerned it is weighted with regard to the total of the equity capital requirement for all significant risk positions. Thus, the determined capital buffer ratio refers to the total of all risk-weighted assets (Risk Weighted Assets) of the credit institution. It must be backed with common equity.

The following table presents the geographic distribution of the existing risk positions as well as the amount of the institution-specific countercyclical capital buffers of UBS Europe SE. The disclosure is effected acc. to the Delegated Regulation (EU) 2015/1555 of 28 May 2015.

The geographic distribution of the credit risk positions significant for the calculation of the countercyclical capital buffer is as follows:

	Exposure value – standardised approach in TEUR	*Own funds requirements*	*Country-related CCB rate*	*Institution-specific CCB rate*
(AD) Principality of Andorra	1,952	156	-	0.000000
(AE) United Arab Emirates	10,698	856	-	0.000000

	Exposure value – standardised approach in TEUR	*Own funds requirements*	*Country-related CCB rate*	*Institution-specific CCB rate*
(AG) Antigua and Barbuda	252	20	-	0.000000
(AI) Anguilla	-	-	-	0.000000
(AR) Argentine Republic	4,027	483	-	0.000000
(AT) Republic of Austria	106,663	8,533	-	0.000000
(AU) Australia	2,634	211	-	0.000000
(BB) Barbados	1,010	121	-	0.000000
(BE) Kingdom of Belgium	10,055	804	-	0.000000
(BG) Bulgaria	21	2	-	0.000000
(BH) State of Bahrain	-		-	0.000000
(BM) Bermuda	78	6	-	0.000000
(BO) Republic of Bolivia	399	32	-	0.000000
(BR) Federative Republic of Brazil	7,104	568	-	0.000000
(BS) Commonwealth of the Bahamas	48,043	3,843	-	0.000000
(BW) Republic of Botswana	-	-	-	0.000000
(BZ) Belize	-	-	-	0.000000
(CA) Canada	714	57	-	0.000000
(CH) Swiss Confederation	38,500	3,080	-	0.000000
(CL) Republic of Chile	1,168	93	-	0.000000
(CN) People's Republic of China	15,895	1,272	-	0.000000
(CO) Republic of Columbia	498	40	-	0.000000
(CR) Republic of Costa Rica	1,945	156	-	0.000000
(CW) Netherlands Antilles	2,875	230	-	0.000000
(CY) Republic of Cyprus	2,369	190	-	0.000000
(CZ) Czech Republic	350	28	0.01	0.000001
(DE) Federal Republic of Germany	302,442	24,195	-	0.000000
(DK) Kingdom of Denmark	64,382	5,151	-	0.000000
(DO) Dominican Republic	-	-	-	0.000000
(EC) Republic of Ecuador	303	36	-	0.000000
(EE) Republic of Estonia	172	14	-	0.000000
(EG) Arab Republic of Egypt	-	-	-	0.000000
(ES) Kingdom of Spain	605,997	48,480	-	0.000000
(ET) Ethiopia	-	-	-	0.000000
(FI) Republic of Finland	11,510	921	-	0.000000
(FR) French Republic	68,380	5,470	-	0.000000
(GB) Great Britain and Northern Ireland	208,111	16,649	0.01	0.0006
(GG) Guernsey	1,008	81	-	0.000000

	Exposure value – standardised approach in TEUR	*Own funds requirements*	*Country-related CCB rate*	*Institution-specific CCB rate*
(GI) Gibraltar	9,333	747	-	0.000000
(GR) Hellenic Republic	86	7	-	0.000000
(GT) Republic of Guatemala	2,115	169	-	0.000000
(HK) Hong Kong	64,218	5,137	0.0188	0.0003
(HN) Republic of Honduras	-	-	-	0.000000
(HT) Republic of Haiti	-	-	-	0.000000
(HU) Republic of Hungary	-	-	-	0.000000
(ID) Republic of Indonesia	3,280	262	-	0.000000
(IE) Ireland	115	9	-	0.000000
(IL) State of Israel	-	-	-	0.000000
(IM) Isle of Man	29,058	3,487	-	0.000000
(IQ) Republic of Iraq	-	-	-	0.000000
(IS) Republic of Iceland	258	21	0.0125	0.000001
(IT) Italian Republic	874,300	69,944	-	0.000000
(JE) Jersey	5,643	451	-	0.000000
(KE) Republic of Kenya	113	9	-	0.000000
(KN) Saint Kitts and Nevis	6,700	536	-	0.000000
(KR) Korea, Republic of	22	2	-	0.000000
(KW) State of Kuwait	69	5	-	0.000000
(KY) Cayman Islands	5,367	429	-	0.000000
(LB) Lebanese Republic	4,826	386	-	0.000000
(LI) Principality of Liechtenstein	10,789	863	-	0.000000
(LU) Grand Duchy of Luxembourg	364,402	29,152	-	0.000000
(MA) Kingdom of Morocco	-	-	-	0.000000
(MH) Republic of the Marshall Islands	-	-	-	0.000000
(ML) Republic of Mali	-	-	-	0.000000
(MT) Republic of Malta	21,699	1,736	-	0.000000
(MU) Republic of Mauritius	-	-	-	0.000000
(MX) United Mexican States	24,008	1,921	-	0.000000
(MY) Malaysia	213	17	-	0.000000
(NA) Republic of Namibia	-	-	-	0.000000
(NL) Kingdom of Netherlands	90,610	5,958	-	0.000000
(NO) Kingdom of Norway	54,531	4,363	0.02	0.0003
(NZ) New Zealand	5,076	406	-	0.000000
(PA) Republic of Panama	20,438	1,635	-	0.000000
(PE) Republic of Peru	2	-	-	0.000000

	Exposure value – standardised approach in TEUR	*Own funds requirements*	*Country-related CCB rate*	*Institution-specific CCB rate*
(PL) Republic of Poland	22,998	1,840	-	0.000000
(PT) Portuguese Republic	19,086	1,527	-	0.000000
(PY) Republic of Paraguay	10,833	867	-	0.000000
(QA) State of Quatar	851	68	-	0.000000
(RO) Romania	-	-	-	0.000000
(RU) Russian Federation	1,229	98	-	0.000000
(SA) Kingdom of Saudi Arabia	2,606	208	-	0.000000
(SC) Republic of Seychelles	168	20	-	0.000000
(SE) Kingdom of Sweden	58,883	4,711	0.020	0.0003
(SG) Republic of Singapore	10,008	801	-	0.000000
(SK) Slovak Republic	335	27	0.0125	0.000001
(SV) Republic of El Salvador	-	-	-	0.000000
(TH) Kingdom of Thailand	2,183	175	-	0.000000
(TR) Republic of Turkey	3,629	290	-	0.000000
(TT) Republic of Trinidad and Tobago	180	14	-	0.000000
(TW) Taiwan, Province of China	-	-	-	0.000000
(UA) Ukraine	1,500	120	-	0.000000
(US) United States of America	34,711	2,777	-	0.000000
(UY) Eastern Republic of Uruguay	267	21	-	0.000000
(VE) Republic of Venezuela	1,080	130	-	0.000000
(VG) Virgin Islands (British)	152,151	12,172	-	0.000000
(ZA) Republic of South Africa	509	41	-	0.000000
(ZW) Republic of Zimbabwe	-	-	-	0.000000
(x28) Other	246,380	19,577	-	0.000000
Total	**3,686,596**	**294,929**	**0.1038**	**0.0015**

The amount of the institution-specific countercyclical capital buffers presents itself as follows (in TEUR):

	31/12/2018
TOTAL RISK EXPOSURE AMOUNT	5,294,969
Institution-specific CCB rate	0.1509%
Institution-specific CCB rate requirement	7,992
Transitional provisions for institution-specific CCB rate	0.1509%
Institution-specific CCB rate requirement after transitional adjustments	7,992

As of 31 December 2018, the institution-specific CCB ratio is 0.1509%. The own funds requirements via the institution-specific capital buffer amount to TEUR 7,992.

9. Credit risk adjustments (Art. 442 of the CRR)

9.1 Definition of “past-due" and “defaulted" risk exposures for the purposes of accounting

By definition, a borrower is past-due from the day on which he exceeds his availment of the externally agreed limit or an expected interest payment and redemption is not furnished. By definition only the amount is past-due, exceeding the externally agreed limit.

Loans are classified as "defaulted" if their repayment is uncertain taking into account the respective collateralisation. Credit relations, for which the risk provisions are provided are lead as defaulted loans.

The risk exposures according to the specifications according to Art. 442 lit. g) and h) of the CRR are presented under 9.4 to 9.7.

9.2 Description of the approaches and methods of specific and general credit risk adjustments

For loans classified as defaulted, the so-called "close-out” process is initiated, i.e. if the borrower does not provide additional security or reduces the credit risk otherwise, the securities provided as a security will be sold after a respective notice period and the avails are used immediately for the repayment of the loan of the loan. For loans, for which there is still an unsecured availment of the loan after the implementation of the close-out process, an internal overdraft/application process is initiated to create a risk provision subject to a respective risk assessment of the responsible Credit Officer.

The untaxed general allowances are created on the non-specific valuation allowance and not by claims covered by “ring-fencing" or recourse claims to customers covering latent credit risks.

UBS Europe SE calculates the general allowance per branch/account-holding branch office. In 2018, general allowances were created for the branches/account-holding branch offices in Germany and Spain. In the remaining branches/account-holding branch offices there were no bad debts within the observation period of 5 years.

For the calculation of general allowances regarding claims to customers, the division took place according to significant products per branch/account-holding branch office. For this, two significant product categories were defined: Current account and other loans. Here, the calculation is presented as follows (in TEUR):

Country	*Product*	*Avg. risky credit volume*	*Material bad debt*	*Default ratio (%)*	*Risky credit volume*	*General value adjustment*
Germany	Current account	58,313	0	0	38,322	0
	Other loans	1,139,312	473	0.04148	1,090,788	452
Spain	Current account	9,297	0	0	9,167	0
	Other loans	909,996	493	0.05419	902,589	484

9.3 Explanations

UBS Europe SE applies the standardised approach to credit risk (KSA) to the calculation of the credit volumes. The greatest credit risk to be reported on a regulatory basis exists with the UBS Group.

The following overview shows the total amount of claims according to various classification criteria as of the effective date of 31 December 2018. This is always shown with the gross exposure (prior to credit risk mitigation techniques).

9.4 Credit volume according to risk exposure class

As of the effective date, the credit risk of UBS Europe SE is distributed on the individual risk exposure classes as follows:

Risk exposure class	*Total gross exposure in TEUR*	*Average total amount of the risk exposure within the reporting period in TEUR*
Central governments or central banks	12,150,600	9,208,937
Regional governments or local authorities	117,173	98,536
Public sector entities	322,360	325,871
International organisations	0	0
Multilateral development banks	299,449	260,979
Institutions	2,168,955	2,653,925
Corporates	11,345,275	8,738,203
Exposures in default	7,862	7,685
Equity positions	10,638	10,392
Other exposures	246,380	212,456

9.5 Credit risk according to remaining terms

As of the effective date, the credit risk is broken into remaining terms as follows:

Credit risk according to remaining terms	*less than 1 year*	*1 year to 5 years*	*more than 5 years to unlimited*	*Total*
Central governments or central banks	12,138,346	12,254	0	**12,150,600**
Regional governments or local authorities	17,306	99,867	0	**117,173**
Public sector entities	228,752	65,069	28,539	**322,360**
Multilateral development banks	122,186	177,263	0	**299,449**
Institutions	2,005,248	111,294	52,412	**2,168,955**
Corporates	8,962,532	563,601	1,819,142	**11,345,275**
Exposures in default	0	0	7,862	**7,862**
Equity positions	0	0	10,638	**10,638**
Other exposures	246,380	0	0	**246,380**

9.6 Credit risk according to geographical main regions

The division of the credit risk on the individual geographical regions results from the following overview:

Credit risk according to geographical main regions	*Europe*	*Africa*	*America*	*Asia*	*Others*	*Total*
Central governments or central banks	12,106,692	0	43,908	0	72,150	**12,150,600**
Regional governments or local authorities	117,173					**117,173**
Public sector entities	321,410	0	950	0	0	**322,360**
Multilateral development banks	0	0	0	0	299,449	**299,449**
Institutions	2,168,955	0	0	0	0	**2,168,955**
Corporates	10,110,210	18,491	907,901	298,565	10,109	**11,345,275**
Exposures in default	2,022	0	5,840	0	0	**7,696**
Equity positions	10,638	0	0	0	0	**10,638**
Other exposures	0	0	0	0	246,380	**246,380**

9.7 Credit risk according to major industries

The break-down of the credit risk according to major industries is shown in the following overview:

Credit risk according to major industries	*Banks*	*Public authorities*	*Individuals and corporates*	*not allocated to any industry*	*Total*
Central governments or central banks	11,755,168	395,432	0	0	**12,150,600**
Regional governments or local authorities	0	117,173			**117,173**
Public sector entities	238,292	0	84,068	0	**322,360**
Multilateral development banks	299,449	0	0	0	**299,449**
Institutions	2,168,955	0	0	0	**2,168,955**
Corporates	0	0	11,345,275	0	**11,345,275**
Exposures in default	0	0	7,862	0	**7,862**
Equity positions	0	0	10,638	0	**10,638**
Other exposures	0	0	0	246,380	**246,380**

9.8 Development of risk provision

As of 31 December 2018, the risk provision of the bank is presented as follows:

	01/01/2018	*Utilization*	*Reversal*	*Increase*	*31/12/2018*
	TEUR	*TEUR*	*TEUR*	*TEUR*	*TEUR*
Specific allowances for credit risk					
Sum Specific allowances for credit risk	7,696	0	22	0	7,674
General allowances for credit risk					
on exposures	881	0	0	60	942
Sum General allowances for credit risk	881	0	0	60	942
Total risk provision	**8,577**	**0**	**22**	**60**	**8,616**

9.9 Counterparty risk: Disclosure requirements for exposures (Art. 444 of the CRR)

The evaluation of the credit standing in the standardised approach, are exclusively based on external credit ratings of the rating agencies Moody’s and Standard & Poor's.

The credit ratings are always used for all risk exposure classes, for which the risk weight must be determined depending on the credit standing.

The following table presents the total of the exposure values as of the effective date of 31 December 2018 before and after the application of credit risk mitigation techniques, which were assigned to the standardised approach to credit risk according to Art. 197 of the CRR and to a certain credit risk on the basis of credit ratings:

Risk weight	*Exposure value before credit risk mitigation*	*Exposure value after credit risk mitigation*
in %	in TEUR	in TEUR
0	12,943,278	12,943,278
2	0	0
4	0	0
10	0	0
20	1,803,320	628,257
35	0	0
50	312,661	32,960
70	0	0
75	0	0
100	11,494,897	7,228,319
150	114,526	95,089
250	9	9
370	0	0

Risk weight	*Exposure value before credit risk mitigation*	*Exposure value after credit risk mitigation*
in %	in TEUR	in TEUR
1250	0	0
Others	0	0
Total	**26,668,691**	**20,927,910**

10. Asset encumbrance (Art. 443 of the CRR)

The encumbrance of assets according to Art. 443 of the CRR was determined in conformity with the Commission Implementing Regulation (EU) 2016/79.

Encumbered assets are always on-balance sheet and off-balance sheet assets, which can be used as collateral for secured refinancing operations and other secured liabilities and which are not at UBS Europe SE's unrestricted disposal.

As security, UBS Europe SE deposits securities and loans at the Bundesbank, in order to be able to participate in liquidity facilities. The security is always and only to be pledged or considered encumbered in the amount of the current draw. Excess security is determined by the haircut specified by the central bank. Furthermore, there are no additional requirements on excess security. These are based on the General Terms and Conditions of the Bundesbank or the collateralisation contract with the FED. Intragroup transactions cannot be deposited as security. Since UBS Europe SE has not taken part in the open market tenders or marginal lending facilities of the Bundesbank as of the effective date, the papers are considered "unencumbered".

Encumbered assets are not part of the UBS Europe SE's portfolio as of 31 December 2018.

The following tables provide an overview of the level of the encumbrance on the assets as of 31 December 2018, and are based on the disclosure specifications of encumbered and unencumbered assets, included in the EBA Guidelines (EBA/MB/2014/03).

Unencumbered assets:

Assets in TEUR	*Carrying amount of non-encumbered assets*	*Fair value of non-encumbered assets*
Assets of the reporting institution	**24,732,199**	**0**
Equity instruments	11,415	11,415
Debt securities	1,143,675	1,142,607
Other assets	23,577,109	0

Collateral received:

Collateral received in TEUR	*Fair value of encumbered collateral received or own debt securities issued*	*Fair value of collateral received or own debt securities issued available for encumbrance*
Collateral received by the reporting institution	**0**	**108,694,098**
Equity instruments	0	28,496,296
Debt securities	0	80,197,802
Other assets	0	0

As of 31 December 2018, there are no sources of encumbrance since no secured refinancing exists.

11. Liquidity Coverage Ratio

With the Delegated Regulation (EU) 2015/61 of the Commission of 10 October 2014 in conjunction with the regulations of the CRR, the EU Commission specified the rules for the liquidity coverage ratio (LCR), which are binding since October 2015.

Since the effective date of 31 December 2017, the EBA Guidelines concerning the disclosure of the liquidity coverage ratio (EBA/MB/2017/01) have been applied.

The following figure presents the unweighted and weighted average values of the highly-liquid securities as well as the cash outflows and cash inflows, on which the LCR is based.

The unweighted values are the market values of the liquid securities or cash outflows and inflows from liabilities and claims according to the Delegated Regulation (EU) 2015/61.

The items of the weighted values relevant for the determination of the LCR, result from the afore-mentioned unweighted items after the application of the allowances on the liquid securities, as well as the cash outflows and inflows according to the categorisation of the Delegated Regulation (EU) 2015/61.

The presented values are calculated as the average of the ending values for the last twelve month related to the end of the quarter to be published.

	31/03/2018	**30/06/2018**	**30/09/2018**	**31/12/2018**
Liquidity buffer (in million €)	11,779	11,258	11,109	11,830
Total net cash outflows (in million €)	8,088	7,904	7,590	7,915
Liquidity coverage ratio (in %)	145.64	143.05	146.37	150.27

12. Market risk (Art. 445 of the CRR)

For the regulatory reporting, for the existing risks the standard process is used according to Part 3 Title IV Chapters 2 to 4 of the CRR.

At UBS Europe SE, market risks exist within the framework of foreign currency risks as well as commodities risks. These risks are taken into account within the framework of the capital requirements in the COREP report.

Market risks in the trading book existed in none of the area interest-change, equity and raw-material price risk, since all businesses are allocated to the banking book.

The capital requirements from market price risks are presented in section 6.1.

13. Operational Risks (Art. 446 of the CRR)

For the calculation of the operational risk the bank uses the basic indicator approach according to Art. 315 and Art. 316 of the CRR.

The capital requirements from operational risks are presented in section 6.1.

14. Equity positions in the banking book (Art. 447 of the CRR)

As of 31 December 2018, the equity positions in the banking book are presented as follows:

Equity instruments	*Book value (in TEUR)*	*Fair or market value*
Equity positions in credit institutions	0	0
- thereof listed	0	0
- thereof diversified, not exchange-traded	0	0
- thereof others	0	0
Equity positions in associated companies	0	0
- thereof listed	0	0
- thereof diversified, not exchange-traded	0	0
- thereof others	0	0
Other equity positions	10,638	0
- thereof listed	0	0
- thereof diversified, not exchange-traded	0	0
- thereof others	10,638	0

The financial assets shown under the item “equity positions“ are evaluated at book value based on the specifications according to the commercial law. Then the approach is effected first with the acquisition costs. With an expected constant decline in value, a respective write-off would be performed. A reliable determination of the respective fair values is impossible, since these companies are exclusively non-listed companies.

As of 31 December 2018, the equity position value amounted to TEUR 10,638. Here, the largest position is the equity position value in UBS Gestion S.G.I.I.C., SAU in the amount of TEUR 9,704.

15. Disclosure of interest rate risk in the banking book (Art. 448 of the CRR)

The Bank calculates, on a quarterly basis, the impact of a sudden and unexpected change in interest rates on the present value of the institution in accordance with Section 25a, para. 2 of the German Banking Act (KWG). For this, interest rate shocks of +200 basis points and -200 basis points are applied in accordance with the specifications of BaFin (circular 11/2011). The interest rate shocks are applied across all currencies. This also includes interest rate risks arising from pension liabilities.

The following presents the results in euro equivalent of the interest rate shocks as of 31 December 2018. Interest rate risks in other currencies are relatively insignificant and are therefore not shown separately.

Shock (pos)		**Shock (neg)**	
TEUR	Percentage	TEUR	Percentage
69,439	5.90%	-75,558	-6.42%

The percentage changes shown are relative to the bank's regulatory capital (see Section 5 "Regulatory capital").

16. Risk from securitisation positions (Art. 449 of the CRR)

Neither UBS Europe SE nor any other company of the UBS Europe SE Group is holding securitisation positions in its portfolio or has traded such via its own books.

17. Leverage Ratio (Art. 451 of the CRR)

In order to prevent excessive indebtedness, UBS Europe SE checks regularly the leverage ratio according to the process described in Art. 429 para. 2 and 3.

Determination of the presented results is based on the specifications of the Delegated Regulation (EU) 2016/62 of 10 October 2014, taking effect with its publication on 17 January 2016, in the official gazette.

The disclosure is based on the Commission Implementing Regulation (EU) 2016/200 of 15 February 2016.

As of the effective date of 31 December 2018, leverage ratio is as follows:

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		*Applicable Amount*
1	Total assets as per published financial statements	24,741,900
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429 (13) of Regulation (EU) No. 575/2013)	-40,459
4	Adjustments for derivative financial instruments	1,601,610
5	Adjustment for securities financing transactions (SFTs)	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	467,934
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (14) of Regulation (EU) No. 575/2013)	
7	Other adjustments	-225,714
8	**Leverage ratio total exposure measure**	**26,545,271**

Table LRCom: Leverage ratio common disclosure		*CRR leverage ratio exposures*
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	21,252,016
2	(Asset amounts deducted in determining Tier 1 capital)	-142,695
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**21,109,320**
	Derivatives exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	313,073
5	Add-on amounts for PFE associated with all derivatives transactions (market-to-market method)	1,288,536
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	

Table LRCom: Leverage ratio common disclosure		*CRR leverage ratio exposures*
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivatives exposures (sum of lines 4 to 10)**	**1,601,610**
	Securities financing transaction exposures (SFTs)	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
12a	Gross SFT assets (with no recognition of netting)	
12b	Adjustments for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	3,366,406
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b (4) and 222 of Regulation (EU) No. 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**3,366,406**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	3,800,470
18	(Adjustments for conversion to credit equivalent amounts)	3,332,536
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**467,934**
	Exempted exposures in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)	
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	
EU-19b	Exempted exposures in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)	
	Capital and total exposure measure	
20	**Tier 1 capital (T1)**	**1,176,143**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**26,545,271**
22	**Leverage ratio**	**4.43**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	

Table LRCom: Leverage ratio common disclosure		CRR leverage ratio exposures
EU-24	Amount of derecognised fiduciary assets in accordance with Article 429 (11) of Regulation (EU) No. 575/2013	

Table LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	21,252,016
EU-2	Trading book exposures	
EU-3	Banking book exposures, of which:	21,252,016
EU-4	Covered bonds	
EU-5	Exposures treated as sovereigns	12,150,600
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	710,428
EU-7	Institutions	1,324,038
EU-8	Secured by mortgages of immovable properties	
EU-9	Retail exposures	
EU-10	Corporates	6,802,070
EU-11	Exposures in default	7,862
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	257,018

As of the effective date of 31 December 2018, the leverage ratio of UBS Europe SE was 4.43%.

18. Remuneration report (Art. 450 of the CRR)

With regard to the disclosure obligations acc. to Art. 450 of the CRR, we refer to the remuneration report on the homepage of UBS Europe SE.

19. Credit risk mitigation techniques (Art. 453 of the CRR)

On the one hand, with regard to loan exposures the bank applies credit risk mitigation techniques towards the UBS parent company, UBS AG, Zurich as well as UBS Switzerland AG.
On the other hand, for loans towards borrowers who are not part of the UBS Group, the security provided by the customer for Lombard credits is offset within the framework of Art. 107, Art. 108 of the CRR or for cash security also acc. to Art. 399 of the CRR.
Financial security is taken into account according to the comprehensive method acc. to Art. 223 et seq. of the CRR.

At the year end, the portfolio volume of reverse repo transactions with UBS AG, Zurich was EUR 3.366 billion for the resulting claims and EUR 3.352 billion for the associated received securities (taking into account the regulatory security discount).

Furthermore, the following additional agreements exist serving the risk mitigation:
A collateral agreement (Global Pledge), under which UBS AG, Zurich provided collateral to the bank in securities in the form of equities deposited on a collateral deposit account in the amount of EUR 1.4 billion.
In addition, UBS AG, Zurich and the UBS Switzerland AG concluded one netting agreement each with the bank with regard to on-balance sheet netting. Relating legal opinions are available.

Due to the afore-mentioned credit risk mitigation techniques, the loan exposure is basically secured towards UBS AG, Zurich. As of 31 December 2018, the unsecured part of the exposure is EUR 107 million.

Basically, claims towards credit institutions exist towards the parent company, UBS AG, Zurich. This concentration risk is tightly monitored by the bank.

With regard to the presentation of the risk position values before and after the credit risk mitigation, we refer to section 9.9 of this report.

20. Explanations of the Management Board on the risk profile and risk management process (Art. 435 of the CRR)

Annually, UBS Europe SE performs a risk inventory and determines an overall banking risk profile based on this risk inventory. Based on the business activities of UBS Europe; on the overall banking level, the most significant risks are presented by the operational risks as well as the business / yield risks.

Within the framework of the risk-bearing capacity concept, quarterly as of the respective effective date risk potentials are compared for business/ income, operational, counterparty, market price, refinancing cost and pension risks, including the respective sub categories and the risk coverage potential available.

Conceptionally, a going concern approach has been determined as the preferred management approach. This is broken down in a basic scenario and a stress scenario, of which the basic scenario has been defined as primary control relevant. In addition, the bank determines a gone concern perspective via the risk-bearing capacity, which should especially meet the requirements of the consideration of creditor protection.

The liquidity risks in the form of the insolvency risk within the risk-bearing capacity concept is not taken into account, since this risk cannot be backed up reasonably with equity capital. The following overview shows the utilisation of the individual scenarios of the risk-bearing capacity calculation as of 31 December 2018:

as of 31/12/2018 in million €	Capital limits	Use of capital – Going Concern basic scenario	Use of capital – Going Concern stress scenario	Use of capital - Gone Concern scenario
Risk coverage potential covering column II Risks	**0**	**535**	**535**	**1169**
Business/income risks	200	57	177	204
Operational Risk	150	50	100	217
Counterparty risk	100	58	90	287
Market risk	40	13	20	20
Refinancing cost risk	20	0	18	18
Pension risk	20	0	1	68
Total	**530**	**178**	**405**	**813**
Risk-free capital	**0**	**357**	**130**	**356**

In summary, UBS Europe SE assumes that the implemented methods, models and processes are suited at any time to ensure a risk management system based on the strategy and the overall risk profile.

The Management Board

UBS