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Earnings per share (USD)

Basic

0.31

0.08

0.42

Diluted

0.30

0.08

0.41

Shares outstanding

Shares issued

3,858,959,179

3,855,634,749

3,854,297,125

Treasury shares

145,878,663

166,467,802

93,077,090

Shares outstanding

3,713,080,516

3,689,166,947

3,761,220,035

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>	31.3.19	31.12.18	31.3.18
Potentially dilutive instruments			
Employee share-based compensation awards	3,516,195	3,605,198	7,283,110
Other equity derivative contracts	22,528,782	15,501,021	7,757,622
Total	26,044,977	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

Financial instruments measured at amortized cost	31.3.19 Carrying amount ¹				ECL allowance			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Cash and balances at central banks	110,618	110,618	0	0	0	0	0	0
Loans and advances to banks	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)
Total financial assets measured at amortized cost	594,074	572,157	19,807	2,110	(917)	(118)	(148)	(651)
Financial assets measured at fair	7,168	7,168	0	0	0	0	0	0

**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 (in scope of ECL)	Total exposure				ECL provision			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	17,434	16,713	506	215	(48)	(6)	(2)	(40)
<i>of which: Large corporate clients</i>	3,505	3,247	118	140	(7)	(1)	(1)	(5)
<i>of which: SME clients</i>	1,205	948	188	69	(30)	0	0	(29)
<i>of which: Financial intermediaries and hedge funds</i>	6,995	6,959	36	0	(3)	(3)	0	0
<i>of which: Lombard</i>	666	666	0	0	0	0	0	0
<i>of which: Commodity trade finance</i>	1,936	1,774	156	6	(1)	(1)	0	0
Irrevocable loan commitments	27,919	27,321	583	15	(44)	(36)	(8)	0
<i>of which: Large corporate clients</i>	19,051	18,660	389	1	(38)	(32)	(7)	0
Forward starting reverse repurchase and securities borrowing agreements	2,058	2,058	0	0	0	0	0	0
Committed unconditionally revocable credit lines	33,379	31,895	1,392	92	(39)	(19)	(20)	0
<i>of which: Real estate financing</i>	2,636	2,239	397	0	(19)	(3)	(17)	0
<i>of which: Large corporate clients</i>	4,124	4,055	52	16	(1)	(1)	0	0
<i>of which: SME clients</i>	4,331	4,006	264	62	(7)	(6)	(1)	0
<i>of which: Lombard</i>	4,537	4,537	0	0	0	0	0	0
<i>of which: Credit cards</i>	7,587	7,281	306	0	(6)	(4)	(2)	0
<i>of which: Commodity trade finance</i>	4,154	3,823	321	10	(2)	(2)	0	0
Irrevocable committed	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.

80

Note 10 Expected credit loss measurement (continued)

<i>USD million</i>	31.12.18				ECL allowance			
	Carrying amount ¹				Total	Stage 1	Stage 2	Stage 3
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)
Total financial assets measured at amortized cost	587,104	564,096	20,782	2,226	(937)	(117)	(159)	(660)
Financial assets measured at fair	6,667	6,667	0	0	0	0	0	0

**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)

Off-balance sheet (in scope of ECL)	Total exposure				ECL provision			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Guarantees	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 techniques¹

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

<i>Credit derivative contracts</i>									
<i>Foreign exchange contracts</i>	346	43,915	22	44,283	311	53,148	30	53,489	
<i>Equity / index contracts</i>	7	22,523	406	22,937	3	30,905	496	31,404	
<i>Commodity contracts</i>	0	1,185	0	1,185	0	1,768	2	1,769	
Brokerage receivables	0	16,275	0	16,275	0	16,840	0	16,840	
Financial assets at fair value not held for trading	36,799	40,733	3,735	81,267	35,458	42,819	4,413	82,690	
<i>of which:</i>									
<i>Government bills / bonds</i>	16,729	4,270	0	20,998	17,687	4,806	0	22,493	
<i>Corporate and municipal bonds</i>	779	15,534	0	16,313	781	16,455	0	17,236	
<i>Financial assets for unit-linked investment contracts</i>	19,049	4,914	0	23,963	16,694	4,751	0	21,446	
<i>Loans</i>	0	8,547	1,084	9,631	0	6,380	1,752	8,132	
<i>Securities financing transactions</i>	0	6,927	25	6,952	0	9,899	39	9,937	
<i>Auction rate securities</i>	0	0	1,636	1,636	0	0	1,664	1,664	
<i>Investment fund units</i>	168	447	113	728	173	428	109	710	
<i>Equity instruments</i>	75	60	542	677	123	62	517	702	
<i>Other</i>	0	35	335	370	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	2,219	4,949	0	7,168	2,319	4,347	0	6,667
<i>of which:</i>								
<i>Government bills / bonds</i>	2,173	13	0	2,186	2,171	69	0	2,239
	47	456	0	503	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
assets²

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)¹**

USD million	31.3.19				Level 1	31.12.18			Total
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	

Financial liabilities measured at fair value on a recurring basis

Financial liabilities at fair value held for trading	28,642	5,519	98	34,259	24,406	4,468	69	28,943
<i>of which:</i>								
Government bills / bonds	3,944	464	0	4,408	2,423	416	0	2,839
Corporate and municipal bonds	64	3,986	63	4,113	126	3,377	27	3,530
Investment fund units	480	436	0	916	551	137	0	689
Equity instruments	24,154	627	35	24,816	21,306	537	42	21,886
Derivative financial instruments	758	107,903	2,146	110,807	580	122,933	2,210	125,723
<i>of which:</i>								
Interest rate contracts	6	35,203	211	35,419	7	32,511	226	32,743
Credit derivative contracts	0	2,628	579	3,207	0	2,203	519	2,722
Foreign exchange contracts	315	44,363	84	44,762	322	52,964	86	53,372
Equity / index contracts	6	24,662	1,270	25,939	1	33,669	1,371	35,041
Commodity contracts	0	988	1	989	0	1,487	0	1,487

Financial liabilities designated at fair value on a recurring basis

Brokerage payables designated at fair value	0	39,326	0	39,326	0	38,420	0	38,420
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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
Total liabilities measured at fair value	29,400	239,007	15,298	283,705	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

<i>USD million</i>	For the quarter ended		
	31.3.19	31.12.18	31.3.18
Reserve balance at the beginning of the period	255	250	338
Profit / (loss) deferred on new transactions	33	48	197
(Profit) / loss recognized in the income statement	(126)	(41)	(56)
Foreign currency translation	(1)	(2)	1
Reserve balance at the end of the period	161	255	479

c) Transfers between Level 1 and Level 2

The amounts disclosed in this section reflect transfers between Level 1 and Level 2 for instruments that were held for the entire reporting period.

Assets totaling approximately USD 1.8 billion, which were mainly comprised of investment fund units presented in the line *Financial assets at fair value held for trading* on the balance sheet, were transferred from Level 2 to Level 1 during the first quarter of 2019, generally due to increased levels of trading activity observed within the market for these instruments. Liabilities transferred from Level 2 to Level 1 during the first quarter of 2019 were not material. Assets and liabilities transferred from Level 1 to Level 2 during the first quarter of 2019 were also not material.

Note 11 Fair value measurement (continued)**d) Level 3 instruments: valuation techniques and inputs**

The table below presents material Level 3 assets and liabilities together with the valuation techniques used to measure fair value, the significant inputs used in the valuation technique that are considered unobservable and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level input used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance sheet date. Furthermore, the ranges and weighted averages of unobservable inputs may differ across other financial institutions due to the diversity of the products in each firm's inventory.

The significant unobservable inputs disclosed in the table below are consistent with those included in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2018. A description of the potential effect that a change in each unobservable input in isolation may have on a fair value measurement, including information to facilitate an understanding of factors that give rise to the input ranges shown, is also provided in "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2018.

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

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

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					Market comparable and securitization model	Discount margin		
<i>Auction rate securities</i>	1.6	1.7	0.0	0.0	Relative value to market comparable	Bond price equivalent	79	99
<i>Investment fund units³</i>	0.4	0.6	0.0	0.0	Relative value to market comparable	Net asset value		
<i>Equity instruments³</i>	0.6	0.6	0.0	0.0	Relative value to market comparable	Price		
Debt issued designated at fair value⁴			12.4	11.0				
Other financial liabilities designated at fair value⁴			0.7	1.0				
Derivative financial instruments								
<i>Interest rate contracts</i>	0.4	0.4	0.2	0.2	Option model	Volatility of interest rates	46	69
<i>Credit derivative contracts</i>	0.5	0.5	0.6	0.5	Discounted expected cash flows	Credit spreads	4	574
						Bond price equivalent	3	99
<i>Equity / index contracts</i>	0.4	0.5	1.3	1.4	Option model	Equity dividend yields	0	9
						Volatility of equity stocks, equity and other indices	0	109
						Equity-to-FX correlation	(45)	64
						Equity-to-equity correlation	(50)	98

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 related to 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

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

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

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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**

<i>USD billion</i>	Balance as of 31 December 2017	Reclassifi-cations and remeasure- ments upon adoption of IFRS 9	Balance as of 1 January 2018	Total gains / (losses) included in comprehensive income		Purchases	Sales
				Net gains / (losses) included in income ¹	<i>of which: related to Level 3 instruments held at the end of the reporting period</i>		
Financial assets at fair value held for trading	2.0	0.4	2.4	(0.2)	(0.1)	0.5	(1.5)
<i>of which:</i>							
<i>Corporate and 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 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)
Financial assets at fair value not held for trading	1.5	3.0	4.4	(0.3)	(0.3)	0.9	(0.4)
<i>of which:</i>							
<i>Loans</i>	0.8	0.6	1.4	(0.3)	(0.3)	0.8	(0.2)
<i>Auction rate securities</i>		1.9	1.9	0.0	0.0	0.0	(0.2)
<i>Equity 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
Financial assets measured at fair value through other comprehensive income	0.5	(0.5)					

Derivative financial instruments – assets	1.6		1.6	(0.1)	(0.1)	0.0	0.0
<i>of which:</i>							
<i>Interest rate contracts</i>	0.1		0.1	0.0	0.0	0.0	0.0
<i>Credit derivative contracts</i>	0.6		0.6	(0.1)	0.0	0.0	0.0
<i>Equity / index contracts</i>	0.7		0.7	0.0	(0.1)	0.0	0.0
<i>Other</i>	0.2		0.2	0.0	0.0	0.0	0.0
Derivative financial instruments – liabilities	2.9	0.0	2.9	(0.2)	(0.2)	0.0	0.0
<i>of which:</i>							
<i>Credit derivative contracts</i>	0.6		0.6	0.0	0.0	0.0	0.0
<i>Equity / index contracts</i>	2.0		2.0	(0.3)	(0.3)	0.0	0.0
<i>Other</i>	0.3	0.0	0.3	0.1	0.1	0.0	0.0
Debt issued designated at fair value	11.2		11.2	(0.3)	(0.3)	0.0	0.0
Other financial liabilities designated at fair value	2.0		2.0	(0.3)	(0.3)	0.0	0.0

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)

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

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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

<i>USD billion</i>	31.3.19	Fair value	31.12.18	
	Carrying value	value	Carrying value	Fair value
Assets				
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
Liabilities				
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 amortized cost				
Other financial liabilities measured at amortized cost	10.4	10.4	6.9	6.9

The fair values included in the table above have been calculated for disclosure purposes only. The fair value valuation techniques and assumptions relate only to the fair value of UBS's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimation, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another.

Note 12 Derivative instruments**a) Derivative instruments**

		Notional values		Notional values	
	Derivative financial assets	related to derivative financial assets³	Derivative financial liabilities	related to derivative financial liabilities³	Other notional values⁴
<i>As of 31.3.19, USD billion</i>					
Derivative financial instruments^{1,2}					
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 ⁵	0.2	29	0.2	17	
Unsettled sales of non-derivative financial instruments ⁵	0.2	27	0.3	22	
Total derivative financial instruments, based on IFRS netting⁶	111.2	4,617	110.8	4,550	11,180
Further netting potential not recognized on the balance sheet ⁷	(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)		
Total derivative financial instruments, after consideration of further netting potential	10.2		13.3		

As of 31.12.18, USD billion

Derivative financial instruments^{1,2}

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 ⁵	0.2	17	0.1	6	
Unsettled sales of non-derivative financial instruments ⁵	0.4	15	0.2	13	

Total derivative financial instruments, based on IFRS netting⁶

	126.2	4,239	125.7	4,163	10,894
Further netting potential not recognized on the balance sheet ⁷	(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		
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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**

	Receivables	Payables	Receivables	Payables
<i>USD billion</i>	31.3.19	31.3.19	31.12.18	31.12.18
Cash collateral on derivative instruments, based on IFRS netting ¹	25.2	30.3	23.6	28.9
Further netting potential not recognized on the balance sheet ²	(14.1)	(15.0)	(14.5)	(15.4)
<i>of which: netting of recognized financial liabilities / assets</i>	(12.2)	(13.7)	(13.5)	(14.2)
<i>of which: netting with collateral received / pledged</i>	(1.9)	(1.4)	(1.0)	(1.2)
Cash collateral on derivative instruments, after consideration of further netting potential	11.1	15.3	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>	31.3.19	31.12.18
Debt securities	12,938	13,562
<i>of which: government bills / bonds</i>	8,094	8,778
Loans to financial advisors ¹	3,158	3,291
Fee- and commission-related receivables	1,824	1,643
Finance lease receivables ²	1,224	1,091
Settlement and clearing accounts	707	1,050
Accrued interest income	729	694

Other	1,855	1,233
Total other financial assets measured at amortized cost	22,433	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>	31.3.19	31.12.18
Precious metals and other physical commodities	3,816	4,298
Bail deposit ¹	1,286	1,312
Prepaid expenses	1,026	990
Net defined benefit pension and post-employment assets	3	0
VAT and other tax receivables	280	334
Properties and other non-current assets held for sale	58	82
Other	425	395
Total other non-financial assets	6,893	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>	31.3.19	31.12.18
Other accrued expenses	1,909	2,192
Accrued interest expenses	1,300	1,544
Settlement and clearing accounts	1,164	1,486
Lease liabilities ¹	3,968	
Other	2,075	1,663
Total other financial liabilities measured at amortized cost	10,416	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>	31.3.19	31.12.18
Amounts due under unit-linked investment contracts	24,317	21,679
Securities financing transactions	6,190	9,461
Over-the-counter debt instruments	1,882	2,450
<i>of which: life-to-date own credit (gain) / loss</i>	(27)	(51)
Other	5	5
Total other financial liabilities designated at fair value	32,394	33,594

e) Other non-financial liabilities

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

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Note 14 Debt issued designated at fair value

<i>USD million</i>	31.3.19	31.12.18
Issued debt instruments		
Equity-linked ¹	41,033	34,392
Rates-linked	14,430	12,073
Credit-linked	3,389	3,282
Fixed-rate	5,681	5,099
Other	2,386	2,185
Total debt issued designated at fair value	66,919	57,031
<i>of which: life-to-date own credit (gain) / loss</i>	33	(270)

1 Includes investment fund unit-linked instruments issued.

Note 15 Debt issued measured at amortized cost

<i>USD million</i>	31.3.19	31.12.18
Certificates of deposit	6,869	7,980
Commercial paper	21,711	27,514
Other short-term debt	3,453	3,531
Short-term debt¹	32,033	39,025
Senior unsecured debt that contributes to total loss-absorbing capacity (TLAC)	30,548	29,988
Senior unsecured debt other than TLAC	32,850	33,018
Covered bonds	3,815	3,947
Subordinated debt	20,299	17,665
<i>of which: high-trigger loss-absorbing additional tier 1 capital instruments</i>	10,396	7,785
<i>of which: low-trigger loss-absorbing additional tier 1 capital instruments</i>	2,381	2,369
<i>of which: low-trigger loss-absorbing tier 2 capital instruments</i>	6,821	6,808
<i>of which: non-Basel III-compliant tier 2 capital instruments</i>	700	703
Debt issued through the Swiss central mortgage institutions	8,505	8,569
Other long-term debt	55	58
Long-term debt²	96,072	93,246
Total debt issued measured at amortized cost³	128,105	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>	31.3.19	31.12.18
Provisions recognized under IAS 37	3,063	3,377
Provisions for off-balance sheet financial instruments	91	79
Provisions for other credit lines	43	37
Total provisions	3,197	3,494

The following table presents additional information for provisions recognized under IAS 37.

<i>USD million</i>	Operational and similar risks²	Litigation, regulatory matters³	Restructuring	Real estate	Employee benefits⁶	Other	Total
Balance as of 31 December 2018	46	2,827	224	131	70	78	3,377
Adjustment from adoption of IFRS 16 ¹	0	0	(103)	(29)	0	0	(132)
Balance as of 1 January 2019	46	2,827	121	102	70	78	3,245
Increase in provisions recognized in the income statement	4	16	6	0	1	2	29
Release of provisions recognized in the income statement	0	(17)	(5)	0	(2)	0	(24)
Provisions used in conformity with designated purpose	(4)	(134)	(23)	(4)	0	(6)	(171)
Foreign currency translation / unwind of	(2)	(15)	0	(1)	0	(1)	(18)

discount

Balance as of

31 March 2019	45	2,677	101⁴	98⁵	69	73	3,063
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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 Center¹

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

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.

<i>USD million</i>						
		31.3.19				31.12.18
	Gross		Sub-	Net		Gross
						Sub-

	Measured		Not measured		Measured		Not measured	
	at fair value		at fair value		at fair value		at fair value	
Total guarantees	1,840	17,434	(2,760)	16,514	1,639	18,146	(2,803)	16,343
Loan commitments	6,401	27,919	(690)	33,630	3,535	31,212	(647)	34,160
Forward starting transactions¹								
Reverse repurchase agreements	29,284	2,038			8,117	925		
Securities borrowing agreements		20				12		
Repurchase agreements	15,321	629			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 ¹		
	As of			For the quarter ended		
	31.3.19	31.12.18	31.3.18	31.3.19	31.12.18	31.3.18
1 CHF	1.00	1.02	1.05	1.00	1.00	1.06
1 EUR	1.12	1.15	1.23	1.14	1.14	1.23
1 GBP	1.30	1.28	1.40	1.31	1.28	1.40
100 JPY	0.90	0.91	0.94	0.91	0.89	0.93

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.

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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, 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 **As of or for the quarter ended 31.12.18**

UBS Group AG **UBS AG** **Difference** **UBS Group AG** **UBS AG** **Difference**

(consolidated) **(consolidated)** **(absolute)** **(consolidated)** **(consolidated)** **(absolute)**

Income statement

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

Statement of comprehensive income

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

<i>of which:</i>						
<i>attributable to</i>						
<i>non-controlling</i>	4	4	0	1	1	
<i>interests</i>						
Total						
comprehensive	1,039	977	62	1,208	1,168	4
income						
<i>of which:</i>						
<i>attributable to</i>	1,037	974	62	1,207	1,166	4
<i>shareholders</i>						
<i>of which:</i>						
<i>attributable to</i>	2	2	0	2	2	
<i>non-controlling</i>						
<i>interests</i>						
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
<i>of which: equity</i>						
<i>attributable to</i>	53,667	53,216	451	52,928	52,256	67
<i>shareholders</i>						
<i>of which: equity</i>						
<i>attributable to</i>	173	173	0	176	176	
<i>non-controlling</i>						
<i>interests</i>						
Capital						
information						
Common equity	34,658	34,933	(275)	34,119	34,608	(489)
tier 1 capital						
Going concern	49,436	45,368	4,068	46,279	42,413	3,86
capital						
Risk-weighted	267,556	266,581	976	263,747	262,840	90
assets						
Common equity	13.0	13.1	(0.2)	12.9	13.2	(0.2)
tier 1 capital ratio						
(%)						
Going concern	18.5	17.0	1.5	17.5	16.1	1.4
capital ratio (%)						
Total	32.7	32.2	0.5	31.7	31.3	0.4
loss-absorbing						
capacity ratio (%)						
Leverage ratio	910,993	911,410	(417)	904,598	904,458	14
denominator						
Common equity	3.80	3.83	(0.03)	3.77	3.83	(0.05)
tier 1 leverage						
ratio (%)						
Going concern	5.4	5.0	0.4	5.1	4.7	0.4
leverage ratio						
(%)						

Total
loss-absorbing
capacity leverage
ratio (%)

9.6

9.4

0.2

9.3

9.1

0.

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Significant regulated subsidiary and sub-group information

Unaudited

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	31.3.19	31.12.18	31.3.19	31.12.18	31.3.19¹		31.3.19	31.12.18 ²
Financial information^{3,4,5}								
Income statement								
Total operating income	2,237	1,912	2,060	2,039	193		2,933	3,124
Total operating expenses	2,200	3,173	1,600	1,637	186		2,626	2,799
Operating profit / (loss) before tax	37	(1,260)	460	402	7		307	325
Net profit / (loss)	55	(435)	360	298	11		225	2,385
Balance sheet								
Total assets	498,426	480,238	295,806	293,034	56,687		140,376	142,761
Total liabilities	447,264	429,130	281,612	279,200	51,972		112,662	115,340
Total equity	51,162	51,107	14,194	13,834	4,715		27,714	27,421
Capital^{6,7}								
Common equity tier 1 capital	49,024	49,411	10,463	10,225	3,568		12,028	11,746
Additional tier 1 capital	10,435	7,805	4,248	4,243	290		2,141	2,141
Tier 1 capital	59,460	57,217	14,712	14,468	3,858		14,170	13,887
Total going concern capital	65,472	63,225	14,712	14,468				
Tier 2 capital							713	714
Total gone concern loss-absorbing capacity			10,945	10,932				
Total capital					3,858		14,882	14,601
Total loss-absorbing capacity			25,657	25,400				
						0		
Risk-weighted assets and								

Leverage ratio denominator^{6,7}

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

0

Capital and leverage ratios (%)^{6,7}

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

0

Liquidity^{7,9,10}

High-quality liquid assets (billion)	87	76	71	67	15		
Net cash outflows (billion)	51	55	52	53	7		
Liquidity coverage ratio (%) ^{11,12}	169	139	137	128	214		

Other

Joint and several liability between UBS AG and UBS Switzerland AG (billion)¹³

26	26
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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 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.

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.

UBS AG consolidated key figures

<i>USD million, except where indicated</i>	As of or for the quarter ended		
	31.3.19	31.12.18	31.3.18
Results			
Operating income	7,343	7,083	8,301
Operating expenses	5,890	6,667	6,404
Operating profit / (loss) before tax	1,454	416	1,897
Net profit / (loss) attributable to shareholders	1,069	272	1,412
Profitability and growth¹			
Return on equity (%) ²	8.1	2.1	10.7
Return on tangible equity (%) ³	9.3	2.4	12.3
Return on common equity tier 1 capital (%) ⁴	12.3	3.1	16.3
Return on risk-weighted assets, gross (%) ⁵	11.1	11.0	13.1
Return on leverage ratio denominator, gross (%) ⁵	3.2	3.1	3.6
Cost / income ratio (%) ⁶	80.0	93.4	76.9
Net profit growth (%) ⁷	(24.3)		16.4
Resources			
Total assets	956,737	958,055	965,224
Equity attributable to shareholders	53,216	52,256	53,185
Common equity tier 1 capital ⁸	34,933	34,608	35,060

Risk-weighted assets ⁸	266,581	262,840	266,202
Common equity tier 1 capital ratio (%) ⁸	13.1	13.2	13.2
Going concern capital ratio (%) ⁸	17.0	16.1	15.9
Total loss-absorbing capacity ratio (%) ⁸	32.2	31.3	30.7
Leverage ratio denominator ⁸	911,410	904,458	926,914
Common equity tier 1 leverage ratio (%) ⁸	3.83	3.83	3.78
Going concern leverage ratio (%) ⁸	5.0	4.7	4.6
Total loss-absorbing capacity leverage ratio (%) ⁸	9.4	9.1	8.8
Other			
Invested assets (USD billion) ⁹	3,318	3,101	3,309
Personnel (full-time equivalents) ¹⁰	47,773	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 ratings-based	advanced internal 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 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 Swiss occupational
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 collateralized debt
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 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 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 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 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.

Messaging service: Email alerts to news about UBS can be subscribed to under "UBS news alert" at 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. Refer to 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).

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