UBS

# UBS AG

## Third quarter 2019 report

## Corporate calendar UBS AG

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|---|---|
| Publication of the Annual Report 2019: | Friday, 28 February 2020 |
| Publication of the first quarter 2020 report: | Monday, 4 May 2020 |

Publication dates of quarterly and annual reports and results are made available as part of the corporate calendar of UBS AG at www.ubs.com/investors

## Contacts


**Switchboards**
For all general inquiries
www.ubs.com/contact

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

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

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

www.ubs.com/investors

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

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

www.ubs.com/media

Zurich +41-44-234 8500
mediarelations@ubs.com

London +44-20-7567 4714
ubs-media-relations@ubs.com

New York +1-212-882 5858
mediarelations-ny@ubs.com

Hong Kong +852-2971 8200
sh-mediarelations-ap@ubs.com


## Imprint


Publisher: UBS AG, Zurich, Switzerland l www.ubs.com
Language: English

# UBS AG consolidated key figures

## UBS AG consolidated key figures

| | As of or for the quarter ended | | | | As of or year-to-date | |
|---|---|---|---|---|---|---|
| *USD million, except where indicated* | 30.9.19 | 30.6.19 | 31.12.18 | 30.9.18 | 30.9.19 | 30.9.18 |
| **Results** | | | | | | |
| Operating income | 7,187 | 7,632 | 7,083 | 7,526 | 22,162 | 23,559 |
| Operating expenses | 5,942 | 5,975 | 6,667 | 5,960 | 17,807 | 18,517 |
| Operating profit / (loss) before tax | 1,245 | 1,657 | 416 | 1,566 | 4,355 | 5,042 |
| Net profit / (loss) attributable to shareholders | 967 | 1,307 | 272 | 1,142 | 3,343 | 3,834 |
| **Profitability and growth**[1] | | | | | | |
| Return on equity (%)[2] | 7.2 | 9.9 | 2.1 | 9.0 | 8.4 | 9.9 |
| Return on tangible equity (%)[3] | 8.3 | 11.3 | 2.4 | 10.3 | 9.6 | 11.3 |
| Return on common equity tier 1 capital (%)[4] | 10.9 | 14.8 | 3.1 | 13.2 | 12.6 | 14.8 |
| Return on risk-weighted assets, gross (%)[5] | 11.0 | 11.6 | 11.0 | 11.8 | 11.2 | 12.3 |
| Return on leverage ratio denominator, gross (%)[5] | 3.2 | 3.4 | 3.1 | 3.3 | 3.3 | 3.4 |
| Cost / income ratio (%)[6] | 82.2 | 78.2 | 93.4 | 79.1 | 80.1 | 78.4 |
| Net profit growth (%)[7] | (15.3) | 2.0 | | 21.8 | (12.8) | 17.9 |
| **Resources** | | | | | | |
| Total assets | 972,048 | 968,645 | 958,055 | 950,824 | 972,048 | 950,824 |
| Equity attributable to shareholders | 54,613 | 52,359 | 52,256 | 51,089 | 54,613 | 51,089 |
| Common equity tier 1 capital[8] | 35,211 | 35,881 | 34,608 | 35,046 | 35,211 | 35,046 |
| Risk-weighted assets[8] | 263,777 | 261,364 | 262,840 | 256,206 | 263,777 | 256,206 |
| Common equity tier 1 capital ratio (%)[8] | 13.3 | 13.7 | 13.2 | 13.7 | 13.3 | 13.7 |
| Going concern capital ratio (%)[8] | 17.8 | 17.8 | 16.1 | 16.5 | 17.8 | 16.5 |
| Total loss-absorbing capacity ratio (%)[8] | 32.9 | 33.0 | 31.3 | 31.3 | 32.9 | 31.3 |
| Leverage ratio denominator[8] | 901,926 | 911,601 | 904,458 | 915,977 | 901,926 | 915,977 |
| Common equity tier 1 leverage ratio (%)[8] | 3.90 | 3.94 | 3.83 | 3.83 | 3.90 | 3.83 |
| Going concern leverage ratio (%)[8] | 5.2 | 5.1 | 4.7 | 4.6 | 5.2 | 4.6 |
| Total loss-absorbing capacity leverage ratio (%)[8] | 9.6 | 9.5 | 9.1 | 8.8 | 9.6 | 8.8 |
| **Other** | | | | | | |
| Invested assets (USD billion)[9] | 3,422 | 3,381 | 3,101 | 3,330 | 3,422 | 3,330 |
| Personnel (full-time equivalents)[10] | 47,180 | 47,072 | 47,643 | 47,091 | 47,180 | 47,091 |

1 Refer to the "Performance targets and measurement" section of our Annual Report 2018 for more information about our performance targets. 2 Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders. 3 Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders less average goodwill and intangible assets. Effective 1 January 2019, the definition of the numerator for return on tangible equity has been revised to align with numerators for return on equity and return on common equity tier 1 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) divided by average common equity tier 1 capital. 5 Calculated as operating income before credit loss expense or recovery (annualized as applicable) divided by average risk-weighted assets and average leverage ratio denominator, respectively. 6 Calculated as operating expenses divided by 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 divided by 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 the UBS Group third quarter 2019 report for more information. 9 Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. 10 As of 30 September 2019, the breakdown of personnel by business division and Corporate Center was: Global Wealth Management: 22,704; Personal & Corporate Banking: 5,093; Asset Management: 2,247; Investment Bank: 5,126; Corporate Center: 12,010.

### Changes to our presentation currency

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

# Introduction

## Structure of this report

UBS Group AG is the holding company for the UBS Group and the parent company of UBS AG. UBS Group AG holds 100% of the issued shares in UBS AG. Financial information for UBS AG consolidated does not differ materially from that for UBS Group AG consolidated.

This report includes risk and capital management information for UBS AG consolidated and the interim consolidated financial statements, as well as UBS AG standalone financial information for the quarter ended 30 September 2019. Regulatory information for UBS AG standalone is provided in the 30 September 2019 Pillar 3 report available under "Pillar 3 disclosures" at *www.ubs.com/investors*.

→ **Refer to the UBS Group third quarter 2019 report available under "Quarterly reporting" at *www.ubs.com/investors* for more information**

## Comparison between UBS Group AG consolidated and UBS AG consolidated

The table on the following page contains a comparison of selected financial and capital information between UBS Group AG consolidated and UBS AG consolidated.

The accounting policies applied under International Financial Reporting Standards (IFRS) to both UBS Group AG and UBS AG consolidated financial statements are identical. However, there are certain scope and presentation differences as noted below:

- Assets, liabilities, operating income, operating expenses and operating profit before tax relating to UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG, are reflected in the consolidated financial statements of UBS Group AG but not of UBS AG. UBS AG's assets, liabilities, operating income and operating expenses related to transactions with UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG and other shared services subsidiaries, are not subject to elimination in the UBS AG consolidated financial statements, but are eliminated in the UBS Group AG consolidated financial statements. UBS Business Solutions AG and other shared services subsidiaries of UBS Group AG charge other legal entities within the UBS AG consolidation scope for services provided, including a markup on costs incurred.
- The equity of UBS Group AG consolidated was USD 1.6 billion higher than the equity of UBS AG consolidated as of 30 September 2019. This difference is 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, and defined benefit plan OCI in UBS Business Solutions AG, reflecting the recognition of the Swiss pension plan's surplus in the third quarter of 2019. In addition, UBS Group is the grantor of the majority of the compensation plans of the Group and recognizes share premium for equity-settled awards granted. These effects were partly offset by treasury shares acquired as part of our share repurchase program and those held to hedge share delivery obligations associated with Group compensation plans, as well as 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 3.8 billion lower than going concern capital of UBS Group AG consolidated as of 30 September 2019, reflecting additional tier 1 (AT1) capital of USD 4.3 billion partly offset by higher common equity tier 1 (CET1) capital of USD 0.5 billion.
- CET1 capital of UBS AG consolidated was USD 0.5 billion higher than that of UBS Group AG consolidated as of 30 September 2019. The difference in CET1 capital was primarily due to compensation-related regulatory capital accruals at the UBS Group AG level, partly offset by differences in equity, as mentioned above.
- 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 30 September 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 Group AG consolidated level.

→ **Refer to "Holding company and significant regulated subsidiaries and sub-groups" at *www.ubs.com/investors* for an illustration of the consolidation scope differences between UBS AG and UBS Group AG**

→ **Refer to the "Capital management" section of this report for more information about differences in the loss-absorbing capacity between UBS Group AG consolidated and UBS AG consolidated**

## Comparison between UBS Group AG consolidated and UBS AG consolidated

| | As of or for the quarter ended 30.9.19 | | |
|---|---|---|---|
| *USD million, except where indicated* | UBS Group AG consolidated | UBS AG consolidated | Difference (absolute) |
| **Income statement** | | | |
| Operating income | 7,088 | 7,187 | (100) |
| Operating expenses | 5,743 | 5,942 | (199) |
| Operating profit / (loss) before tax | 1,345 | 1,245 | 100 |
| *of which: Global Wealth Management* | *894* | *877* | *17* |
| *of which: Personal & Corporate Banking* | *354* | *354* | *0* |
| *of which: Asset Management* | *124* | *124* | *0* |
| *of which: Investment Bank* | *172* | *165* | *7* |
| *of which: Corporate Center* | *(200)* | *(275)* | *75* |
| Net profit / (loss) | 1,051 | 969 | 82 |
| *of which: net profit / (loss) attributable to shareholders* | *1,049* | *967* | *82* |
| *of which: net profit / (loss) attributable to non-controlling interests* | *1* | *1* | *0* |
| **Statement of comprehensive income** | | | |
| Other comprehensive income | 2,095 | 1,274 | 821 |
| *of which: attributable to shareholders* | *2,101* | *1,280* | *821* |
| *of which: attributable to non-controlling interests* | *(6)* | *(6)* | *0* |
| Total comprehensive income | 3,146 | 2,243 | 903 |
| *of which: attributable to shareholders* | *3,151* | *2,248* | *903* |
| *of which: attributable to non-controlling interests* | *(5)* | *(5)* | *0* |
| **Balance sheet** | | | |
| Total assets | 973,118 | 972,048 | 1,071 |
| Total liabilities | 916,768 | 917,271 | (503) |
| Total equity | 56,351 | 54,776 | 1,574 |
| *of which: equity attributable to shareholders* | *56,187* | *54,613* | *1,574* |
| *of which: equity attributable to non-controlling interests* | *163* | *163* | *0* |
| **Capital information** | | | |
| Common equity tier 1 capital | 34,673 | 35,211 | (538) |
| Going concern capital | 50,702 | 46,895 | 3,807 |
| Risk-weighted assets | 264,626 | 263,777 | 849 |
| Common equity tier 1 capital ratio (%) | 13.1 | 13.3 | (0.2) |
| Going concern capital ratio (%) | 19.2 | 17.8 | 1.4 |
| Total loss-absorbing capacity ratio (%) | 33.3 | 32.9 | 0.4 |
| Leverage ratio denominator | 901,914 | 901,926 | (11) |
| Common equity tier 1 leverage ratio (%) | 3.84 | 3.90 | (0.06) |
| Going concern leverage ratio (%) | 5.6 | 5.2 | 0.4 |
| Total loss-absorbing capacity leverage ratio (%) | 9.8 | 9.6 | 0.2 |

| As of or for the quarter ended 30.6.19 | | | As of or for the quarter ended 31.12.18 | | |
|---|---|---|---|---|---|
| UBS Group AG consolidated | UBS AG consolidated | Difference (absolute) | UBS Group AG consolidated | UBS AG consolidated | Difference (absolute) |
| | | | | | |
| 7,532 | 7,632 | (100) | 6,972 | 7,083 | (111) |
| 5,773 | 5,975 | (202) | 6,492 | 6,667 | (176) |
| 1,759 | 1,657 | 102 | 481 | 416 | 65 |
| *874* | *857* | *17* | *327* | *316* | *11* |
| *390* | *392* | *(2)* | *644* | *645* | *(1)* |
| *124* | *124* | *0* | *106* | *105* | *1* |
| *427* | *419* | *8* | *(78)* | *(79)* | *1* |
| *(56)* | *(135)* | *79* | *(518)* | *(571)* | *53* |
| 1,393 | 1,308 | 85 | 315 | 273 | 42 |
| *1,392* | *1,307* | *85* | *315* | *272* | *42* |
| *1* | *1* | *0* | *1* | *1* | *0* |
| | | | | | |
| 1,080 | 1,076 | 4 | 893 | 895 | (2) |
| *1,086* | *1,082* | *4* | *892* | *894* | *(2)* |
| *(6)* | *(6)* | *0* | *1* | *1* | *0* |
| 2,473 | 2,384 | 89 | 1,208 | 1,168 | 41 |
| *2,478* | *2,389* | *89* | *1,207* | *1,166* | *41* |
| *(5)* | *(5)* | *0* | *2* | *2* | *0* |
| | | | | | |
| 968,728 | 968,645 | 83 | 958,489 | 958,055 | 434 |
| 915,378 | 916,116 | (738) | 905,386 | 905,624 | (238) |
| 53,350 | 52,529 | 821 | 53,103 | 52,432 | 671 |
| *53,180* | *52,359* | *821* | *52,928* | *52,256* | *671* |
| *170* | *170* | *0* | *176* | *176* | *0* |
| | | | | | |
| 34,948 | 35,881 | (933) | 34,119 | 34,608 | (489) |
| 49,993 | 46,500 | 3,493 | 46,279 | 42,413 | 3,865 |
| 262,135 | 261,364 | 772 | 263,747 | 262,840 | 907 |
| 13.3 | 13.7 | (0.4) | 12.9 | 13.2 | (0.2) |
| 19.1 | 17.8 | 1.3 | 17.5 | 16.1 | 1.4 |
| 33.3 | 33.0 | 0.3 | 31.7 | 31.3 | 0.5 |
| 911,379 | 911,601 | (221) | 904,598 | 904,458 | 140 |
| 3.83 | 3.94 | (0.10) | 3.77 | 3.83 | (0.05) |
| 5.5 | 5.1 | 0.4 | 5.1 | 4.7 | 0.4 |
| 9.6 | 9.5 | 0.1 | 9.3 | 9.1 | 0.2 |

# Risk and capital management

Management report

# Risk management and control

## UBS AG consolidated risk profile

The risk profile of UBS AG consolidated does not differ materially from that of UBS Group AG consolidated and risk information provided in the UBS Group third quarter 2019 report is equally applicable to UBS AG consolidated.

The credit risk profile of UBS AG consolidated differs from that of UBS Group AG consolidated primarily in relation to receivables of UBS AG and UBS Switzerland AG from UBS Group AG. As a result of these receivables, total banking products exposure of UBS AG consolidated as of 30 September 2019 was USD 1.3 billion, or 0.3%, higher than the exposure of UBS Group, compared with USD 1.5 billion, or 0.3%, as of 30 June 2019.

→ **Refer to the "Risk management and control" section of the UBS Group third quarter 2019 report for more information**

# Capital management

## Going and gone concern requirements and information

UBS AG is considered a systemically relevant bank (SRB) under Swiss banking law and, on a consolidated basis, both UBS Group AG and UBS AG are required to comply with regulations based on the Basel III framework as applicable for Swiss SRBs.

The Swiss SRB framework and requirements applicable to UBS AG consolidated are consistent with those applicable to UBS Group AG consolidated and are described in the "Capital management" section of our Annual Report 2018.

UBS AG is subject to going concern requirements on a standalone basis. Capital and other regulatory information for UBS AG standalone and consolidated is provided in the 30 September 2019 Pillar 3 report – UBS Group and significant regulated subsidiaries and sub-groups under "Pillar 3 disclosures" at *www.ubs.com/investors*.

The table below provides the risk-weighted assets (RWA)- and leverage ratio denominator (LRD)-based requirements and information as of 30 September 2019 for UBS AG consolidated.

## Swiss SRB going and gone concern requirements and information

| | Swiss SRB, including transitional arrangements | | | | Swiss SRB as of 1.1.20 | | | |
|---|---|---|---|---|---|---|---|---|
| As of 30.9.19 | RWA | | LRD | | RWA | | LRD | |
| *USD million, except where indicated* | in % | | in % | | in % | | in % | |
| **Required going concern capital** | | | | | | | | |
| Total going concern capital | 13.89[1] | 36,627 | 4.50 | 40,587 | 14.61[2] | 38,527 | 5.00[2] | 45,096 |
| Common equity tier 1 capital | 9.99 | 26,340 | 3.20 | 28,862 | 10.31 | 27,184 | 3.50 | 31,567 |
| *of which: minimum capital* | *4.90* | *12,925* | *1.70* | *15,333* | *4.50* | *11,870* | *1.50* | *13,529* |
| *of which: buffer capital* | *4.78* | *12,609* | *1.50* | *13,529* | *5.50* | *14,508* | *2.00* | *18,039* |
| *of which: countercyclical buffer* | *0.31* | *806* | | | *0.31* | *806* | | |
| Maximum additional tier 1 capital | 3.90 | 10,287 | 1.30 | 11,725 | 4.30 | 11,342 | 1.50 | 13,529 |
| *of which: additional tier 1 capital* | *3.10* | *8,177* | *1.30* | *11,725* | *3.50* | *9,232* | *1.50* | *13,529* |
| *of which: additional tier 1 buffer capital* | *0.80* | *2,110* | | | *0.80* | *2,110* | | |
| **Eligible going concern capital** | | | | | | | | |
| Total going concern capital | 19.73 | 52,035 | 5.77 | 52,035 | 17.78 | 46,895 | 5.20 | 46,895 |
| Common equity tier 1 capital | 13.35 | 35,211 | 3.90 | 35,211 | 13.35 | 35,211 | 3.90 | 35,211 |
| Total loss-absorbing additional tier 1 capital[3] | 6.38 | 16,824 | 1.87 | 16,824 | 4.43 | 11,684 | 1.30 | 11,684 |
| *of which: high-trigger loss-absorbing additional tier 1 capital* | *4.43* | *11,684* | *1.30* | *11,684* | *4.43* | *11,684* | *1.30* | *11,684* |
| *of which: low-trigger loss-absorbing tier 2 capital* | *1.95* | *5,140* | *0.57* | *5,140* | | | | |
| **Required gone concern capital** | | | | | | | | |
| Total gone concern loss-absorbing capacity | 9.63 | 25,396 | 3.32 | 29,944 | 10.57 | 27,871 | 3.77 | 33,993 |
| *of which: base requirement* | *10.52* | *27,749* | *3.63* | *32,695* | *12.86* | *33,922* | *4.50* | *40,587* |
| *of which: additional requirement for market share and LRD* | *1.08* | *2,849* | *0.38* | *3,382* | *1.44* | *3,798* | *0.50* | *4,510* |
| *of which: applicable reduction on requirements* | *(1.97)* | *(5,202)* | *(0.68)* | *(6,133)* | *(3.73)* | *(9,849)* | *(1.23)* | *(11,103)* |
| *of which: rebate granted (equivalent to 42.5% of maximum rebate)[4]* | *(1.97)* | *(5,202)* | *(0.68)* | *(6,133)* | *(2.43)* | *(6,412)* | *(0.85)* | *(7,666)* |
| *of which: reduction for usage of low-trigger tier 2 capital instruments* | | | | | *(1.30)* | *(3,437)* | *(0.38)* | *(3,437)* |
| **Eligible gone concern capital** | | | | | | | | |
| Total gone concern loss-absorbing capacity | 13.17 | 34,739 | 3.85 | 34,739 | 15.12 | 39,879 | 4.42 | 39,879 |
| Total tier 1 capital | 0.91 | 2,403 | 0.27 | 2,403 | 0.91 | 2,403 | 0.27 | 2,403 |
| *of which: low-trigger loss-absorbing additional tier 1 capital[5]* | *0.91* | *2,403* | *0.27* | *2,403* | *0.91* | *2,403* | *0.27* | *2,403* |
| Total tier 2 capital | 0.86 | 2,267 | 0.25 | 2,267 | 2.81 | 7,407 | 0.82 | 7,407 |
| *of which: low-trigger loss-absorbing tier 2 capital* | *0.66* | *1,733* | *0.19* | *1,733* | *2.61* | *6,873* | *0.76* | *6,873* |
| *of which: non-Basel III-compliant tier 2 capital* | *0.20* | *534* | *0.06* | *534* | *0.20* | *534* | *0.06* | *534* |
| TLAC-eligible senior unsecured debt | 11.40 | 30,069 | 3.33 | 30,069 | 11.40 | 30,069 | 3.33 | 30,069 |
| **Total loss-absorbing capacity** | | | | | | | | |
| Required total loss-absorbing capacity | 23.51 | 62,024 | 7.82 | 70,531 | 25.17 | 66,398 | 8.77 | 79,090 |
| Eligible total loss-absorbing capacity | 32.90 | 86,774 | 9.62 | 86,774 | 32.90 | 86,774 | 9.62 | 86,774 |
| **Risk-weighted assets / leverage ratio denominator** | | | | | | | | |
| Risk-weighted assets | | 263,777 | | | | 263,777 | | |
| Leverage ratio denominator | | | | 901,926 | | | | 901,926 |

1 Includes applicable add-ons of 0.72% for RWA. 2 Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD. 3 Includes outstanding low-trigger loss-absorbing tier 2 capital instruments under the transitional rules of the Swiss SRB framework to meet the going concern requirements until the earlier of (i) their maturity or first call date or (ii) 31 December 2019, and to meet gone concern requirements thereafter. Outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity, with the amortized portion qualifying as gone concern loss-absorbing capacity. Instruments available to meet gone concern requirements are eligible until one year before maturity, with a haircut of 50% applied in the last year of eligibility. 4 Based on the actions we completed up to December 2018 to improve resolvability, FINMA granted a rebate on the gone concern requirement of 42.5% of the maximum rebate in the third quarter of 2019 as compared with 40% in the previous quarter. 5 The relevant capital instruments were issued after the new Swiss SRB framework had been implemented and therefore qualify as gone concern loss-absorbing capacity.

**Swiss SRB going and gone concern information**

| | Swiss SRB, including transitional arrangements | | | Swiss SRB as of 1.1.20 | | |
|---|---|---|---|---|---|---|
| *USD million, except where indicated* | 30.9.19 | 30.6.19 | 31.12.18 | 30.9.19 | 30.6.19 | 31.12.18 |
| **Eligible going concern capital** | | | | | | |
| Total going concern capital | 52,035 | 52,125 | 48,421 | 46,895 | 46,500 | 42,413 |
| Total tier 1 capital | 46,895 | 46,500 | 42,413 | 46,895 | 46,500 | 42,413 |
| Common equity tier 1 capital | 35,211 | 35,881 | 34,608 | 35,211 | 35,881 | 34,608 |
| Total loss-absorbing additional tier 1 capital | 11,684 | 10,619 | 7,805 | 11,684 | 10,619 | 7,805 |
| *of which: high-trigger loss-absorbing additional tier 1 capital* | *11,684* | *10,619* | *7,805* | *11,684* | *10,619* | *7,805* |
| Total tier 2 capital | 5,140 | 5,625 | 6,008 | | | |
| *of which: low-trigger loss-absorbing tier 2 capital[1]* | *5,140* | *5,625* | *6,008* | | | |
| **Eligible gone concern capital[2]** | | | | | | |
| Total gone concern loss-absorbing capacity | 34,739 | 34,179 | 33,830 | 39,879 | 39,805 | 39,837 |
| Total tier 1 capital | 2,403 | 2,435 | 2,378 | 2,403 | 2,435 | 2,378 |
| *of which: low-trigger loss-absorbing additional tier 1 capital[3]* | *2,403* | *2,435* | *2,378* | *2,403* | *2,435* | *2,378* |
| Total tier 2 capital | 2,267 | 2,024 | 1,464 | 7,407 | 7,649 | 7,471 |
| *of which: low-trigger loss-absorbing tier 2 capital[1]* | *1,733* | *1,322* | *771* | *6,873* | *6,947* | *6,779* |
| *of which: non-Basel III-compliant tier 2 capital[4]* | *534* | *702* | *693* | *534* | *702* | *693* |
| TLAC-eligible senior unsecured debt | 30,069 | 29,721 | 29,988 | 30,069 | 29,721 | 29,988 |
| **Total loss-absorbing capacity** | | | | | | |
| Total loss-absorbing capacity | 86,774 | 86,305 | 82,251 | 86,774 | 86,305 | 82,251 |
| **Risk-weighted assets / leverage ratio denominator** | | | | | | |
| Risk-weighted assets | 263,777 | 261,364 | 262,840 | 263,777 | 261,364 | 262,840 |
| Leverage ratio denominator | 901,926 | 911,601 | 904,458 | 901,926 | 911,601 | 904,458 |
| **Capital and loss-absorbing capacity ratios (%)** | | | | | | |
| Going concern capital ratio | 19.7 | 19.9 | 18.4 | 17.8 | 17.8 | 16.1 |
| *of which: common equity tier 1 capital ratio* | *13.3* | *13.7* | *13.2* | *13.3* | *13.7* | *13.2* |
| Gone concern loss-absorbing capacity ratio | 13.2 | 13.1 | 12.9 | 15.1 | 15.2 | 15.2 |
| Total loss-absorbing capacity ratio | 32.9 | 33.0 | 31.3 | 32.9 | 33.0 | 31.3 |
| **Leverage ratios (%)** | | | | | | |
| Going concern leverage ratio | 5.8 | 5.7 | 5.4 | 5.2 | 5.1 | 4.7 |
| *of which: common equity tier 1 leverage ratio* | *3.90* | *3.94* | *3.83* | *3.90* | *3.94* | *3.83* |
| Gone concern leverage ratio | 3.9 | 3.7 | 3.7 | 4.4 | 4.4 | 4.4 |
| Total loss-absorbing capacity leverage ratio | 9.6 | 9.5 | 9.1 | 9.6 | 9.5 | 9.1 |

1 Under the transitional rules of the Swiss SRB framework, outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity, with the amortized portion qualifying as gone concern loss-absorbing capacity. 2 Instruments available to meet gone concern requirements are eligible until one year before maturity, with a haircut of 50% applied in the last year of eligibility. 3 The relevant capital instruments were issued after the new Swiss SRB framework had been implemented and therefore qualify as gone concern loss-absorbing capacity. 4 Non-Basel III-compliant tier 2 capital instruments qualify as gone concern instruments.

## UBS Group AG vs UBS AG consolidated loss-absorbing capacity and leverage ratio information

### Swiss SRB going and gone concern information (UBS Group AG vs UBS AG consolidated)

| As of 30.9.19 | Swiss SRB, including transitional arrangements | | | Swiss SRB as of 1.1.20 | | |
|---|---|---|---|---|---|---|
| *USD million, except where indicated* | UBS Group AG (consolidated) | UBS AG (consolidated) | Difference | UBS Group AG (consolidated) | UBS AG (consolidated) | Difference |
| **Eligible going concern capital** | | | | | | |
| Total going concern capital | 55,843 | 52,035 | 3,807 | 50,702 | 46,895 | 3,807 |
| Total tier 1 capital | 50,702 | 46,895 | 3,807 | 50,702 | 46,895 | 3,807 |
| Common equity tier 1 capital | 34,673 | 35,211 | (538) | 34,673 | 35,211 | (538) |
| Total loss-absorbing additional tier 1 capital | 16,029 | 11,684 | 4,345 | 16,029 | 11,684 | 4,345 |
| *of which: high-trigger loss-absorbing additional tier 1 capital* | *13,625* | *11,684* | *1,941* | *13,625* | *11,684* | *1,941* |
| *of which: low-trigger loss-absorbing additional tier 1 capital* | *2,404* | | *2,404* | *2,404* | | *2,404* |
| Total tier 2 capital | 5,140 | 5,140 | 0 | | | |
| *of which: low-trigger loss-absorbing tier 2 capital* [1] | *5,140* | *5,140* | *0* | | | |
| **Eligible gone concern capital** [2] | | | | | | |
| Total gone concern loss-absorbing capacity | 32,336 | 34,739 | (2,403) | 37,476 | 39,879 | (2,403) |
| Total tier 1 capital | | 2,403 | (2,403) | | 2,403 | (2,403) |
| *of which: low-trigger loss-absorbing additional tier 1 capital* | | *2,403* [3] | *(2,403)* | | *2,403* [3] | *(2,403)* |
| Total tier 2 capital | 2,267 | 2,267 | 0 | 7,407 | 7,407 | 0 |
| *of which: low-trigger loss-absorbing tier 2 capital* [1] | *1,733* | *1,733* | *0* | *6,873* | *6,873* | *0* |
| *of which: non-Basel III-compliant tier 2 capital* | *534* | *534* | *0* | *534* | *534* | *0* |
| TLAC-eligible senior unsecured debt | 30,069 | 30,069 | 0 | 30,069 | 30,069 | 0 |
| **Total loss-absorbing capacity** | | | | | | |
| Total loss-absorbing capacity | 88,178 | 86,774 | 1,404 | 88,178 | 86,774 | 1,404 |
| **Risk-weighted assets / leverage ratio denominator** | | | | | | |
| Risk-weighted assets | 264,626 | 263,777 | 849 | 264,626 | 263,777 | 849 |
| Leverage ratio denominator | 901,914 | 901,926 | (11) | 901,914 | 901,926 | (11) |
| **Capital and loss-absorbing capacity ratios (%)** | | | | | | |
| Going concern capital ratio | 21.1 | 19.7 | 1.4 | 19.2 | 17.8 | 1.4 |
| *of which: common equity tier 1 capital ratio* | *13.1* | *13.3* | *(0.2)* | *13.1* | *13.3* | *(0.2)* |
| Gone concern loss-absorbing capacity ratio | 12.2 | 13.2 | (1.0) | 14.2 | 15.1 | (1.0) |
| Total loss-absorbing capacity ratio | 33.3 | 32.9 | 0.4 | 33.3 | 32.9 | 0.4 |
| **Leverage ratios (%)** | | | | | | |
| Going concern leverage ratio | 6.2 | 5.8 | 0.4 | 5.6 | 5.2 | 0.4 |
| *of which: common equity tier 1 leverage ratio* | *3.84* | *3.90* | *(0.06)* | *3.84* | *3.90* | *(0.06)* |
| Gone concern leverage ratio | 3.6 | 3.9 | (0.3) | 4.2 | 4.4 | (0.3) |
| Total loss-absorbing capacity leverage ratio | 9.8 | 9.6 | 0.2 | 9.8 | 9.6 | 0.2 |

1 Under the transitional rules of the Swiss SRB framework, outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity, with the amortized portion qualifying as gone concern loss-absorbing capacity. 2 Instruments available to meet gone concern requirements are eligible until one year before maturity, with a haircut of 50% applied in the last year of eligibility. 3 The relevant capital instruments were issued after the new Swiss SRB framework had been implemented and therefore qualify as gone concern loss-absorbing capacity.

**Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital (UBS Group AG vs UBS AG consolidated)**

As of 30.9.19

| *USD million* | UBS Group AG (consolidated) | UBS AG (consolidated) | Differences |
|---|---|---|---|
| **Total IFRS equity** | 56,351 | 54,776 | 1,574 |
| Equity attributable to non-controlling interests | (163) | (163) | 0 |
| Defined benefit plans, net of tax | (2,140) | (1,306) | (834) |
| Deferred tax assets recognized for tax loss carry-forwards | (6,333) | (6,333) | 0 |
| Deferred tax assets on temporary differences, excess over threshold | (119) | (57) | (62) |
| Goodwill, net of tax | (6,256) | (6,256) | 0 |
| Intangible assets, net of tax | (210) | (210) | 0 |
| Compensation-related components (not recognized in net profit) | (1,944) | | (1,944) |
| Expected losses on advanced internal ratings-based portfolio less provisions | (458) | (458) | 0 |
| Unrealized (gains) / losses from cash flow hedges, net of tax | (1,749) | (1,749) | 0 |
| Own credit related to (gains) / losses on financial liabilities measured at fair value that existed at the balance sheet date, net of tax | (114) | (114) | 0 |
| Prudential valuation adjustments | (128) | (128) | 0 |
| Other[1] | (2,061) | (2,790) | 729 |
| **Total common equity tier 1 capital** | 34,673 | 35,211 | (538) |

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

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

The going concern capital of UBS AG consolidated was USD 3.8 billion lower than the going concern capital of UBS Group AG consolidated as of 30 September 2019, primarily reflecting lower additional tier 1 (AT1) capital of USD 4.3 billion, partly offset by higher common equity tier 1 (CET1) capital of USD 0.5 billion. The gone concern loss-absorbing capacity of UBS AG consolidated was USD 2.4 billion higher, due to low-trigger loss-absorbing AT1 capital.

The CET1 capital of UBS AG consolidated was USD 0.5 billion higher than that of UBS Group AG consolidated, primarily due to the deductions for compensation-related regulatory capital components that are only reflected at the level of UBS Group AG consolidated. The effects of these deductions were partly offset by lower equity of UBS AG consolidated.

The going concern loss-absorbing AT1 capital of UBS AG consolidated was USD 4.3 billion lower than that of UBS Group AG consolidated and relates to low-trigger AT1 capital notes of USD 2.4 billion which UBS AG consolidated is treating as gone concern capital, as well as Deferred Contingent Capital Plan awards granted to eligible employees for the performance years 2014 to 2018.

The aforementioned difference of USD 2.4 billion in gone concern low-trigger AT1 capital relates to capital instruments that were on-lent to UBS AG after the new Swiss SRB framework had been implemented and are therefore not recognized within going concern capital but qualify as gone concern loss-absorbing capacity. Issuances of low-trigger AT1 capital from UBS Group AG were all made prior to the implementation of the new Swiss SRB framework and therefore qualify as going concern capital.

Differences in capital between UBS Group AG consolidated and UBS AG consolidated related to employee compensation plans will reverse to the extent underlying services are performed by employees of, and are consequently charged to, UBS AG and its subsidiaries. Such reversal generally occurs over the service period of the employee compensation plans.

The leverage ratio framework for UBS AG consolidated is consistent with that of UBS Group AG consolidated. As of 30 September 2019, the going concern leverage ratio of UBS AG consolidated was 0.4 percentage points lower than that of UBS Group AG consolidated, mainly because the going concern capital of UBS AG consolidated was USD 3.8 billion lower.

→ **Refer to the "Capital management" section of the UBS Group third quarter 2019 report available under "Quarterly reporting" at *www.ubs.com/investors* for information about the developments of loss-absorbing capacity, risk-weighted assets and leverage ratio denominator for UBS Group AG consolidated**

→ **Refer to the "Introduction" section of this report for more information about the differences in equity between UBS AG consolidated and UBS Group AG**

# Consolidated financial statements

Unaudited

# Table of contents

# UBS AG interim consolidated financial statements (unaudited)

**Income statement**

| | | For the quarter ended | | | Year-to-date | |
|---|---|---|---|---|---|---|
| *USD million* | Note | 30.9.19 | 30.6.19 | 30.9.18 | 30.9.19 | 30.9.18 |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3 | 2,704 | 2,755 | 2,542 | 8,133 | 7,430 |
| Interest expense from financial instruments measured at amortized cost | 3 | (1,805) | (1,986) | (1,673) | (5,703) | (4,683) |
| Interest income from financial instruments measured at fair value through profit or loss | 3 | 1,211 | 1,259 | 1,116 | 3,815 | 3,327 |
| Interest expense from financial instruments measured at fair value through profit or loss | 3 | (1,043) | (1,025) | (823) | (3,074) | (2,309) |
| Net interest income | 3 | 1,067 | 1,003 | 1,161 | 3,171 | 3,765 |
| Other net income from financial instruments measured at fair value through profit or loss | | 1,585 | 1,936 | 1,691 | 5,457 | 5,659 |
| Credit loss (expense) / recovery | 9 | (38) | (12) | (10) | (70) | (64) |
| Fee and commission income | 4 | 4,822 | 4,908 | 4,875 | 14,296 | 14,923 |
| Fee and commission expense | 4 | (396) | (434) | (409) | (1,238) | (1,263) |
| Net fee and commission income | 4 | 4,426 | 4,474 | 4,466 | 13,057 | 13,660 |
| Other income | 5 | 147 | 232 | 218 | 547 | 540 |
| Total operating income | | 7,187 | 7,632 | 7,526 | 22,162 | 23,559 |
| Personnel expenses | 6 | 3,438 | 3,571 | 3,398 | 10,478 | 10,730 |
| General and administrative expenses | 7 | 2,101 | 2,004 | 2,277 | 6,131 | 6,981 |
| Depreciation and impairment of property, equipment and software | | 387 | 381 | 269 | 1,148 | 758 |
| Amortization and impairment of intangible assets | | 16 | 18 | 15 | 50 | 48 |
| Total operating expenses | | 5,942 | 5,975 | 5,960 | 17,807 | 18,517 |
| Operating profit / (loss) before tax | | 1,245 | 1,657 | 1,566 | 4,355 | 5,042 |
| Tax expense / (benefit) | 8 | 276 | 349 | 421 | 1,012 | 1,202 |
| Net profit / (loss) | | 969 | 1,308 | 1,145 | 3,343 | 3,840 |
| Net profit / (loss) attributable to non-controlling interests | | 1 | 1 | 3 | 0 | 6 |
| **Net profit / (loss) attributable to shareholders** | | 967 | 1,307 | 1,142 | 3,343 | 3,834 |

## Statement of comprehensive income

| | For the quarter ended | | | Year-to-date | |
|---|---|---|---|---|---|
| *USD million* | 30.9.19 | 30.6.19 | 30.9.18 | 30.9.19 | 30.9.18 |
| **Comprehensive income attributable to shareholders** | | | | | |
| Net profit / (loss) | 967 | 1,307 | 1,142 | 3,343 | 3,834 |
| Other comprehensive income that may be reclassified to the income statement | | | | | |
| Foreign currency translation | | | | | |
| Foreign currency translation movements related to net assets of foreign operations, before tax | (659) | 294 | 31 | (516) | (572) |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax | 300 | (121) | 107 | 205 | 160 |
| Foreign currency translation differences on foreign operations reclassified to the income statement | 45 | 3 | 5 | 49 | 11 |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement | 1 | (13) | 0 | (12) | 0 |
| Income tax relating to foreign currency translations, including the impact of net investment hedges | 0 | (2) | (2) | 0 | (2) |
| Subtotal foreign currency translation, net of tax | (314) | 161 | 141 | (275) | (403) |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Net unrealized gains / (losses), before tax | 30 | 90 | (25) | 201 | (124) |
| Impairment charges reclassified to the income statement from equity | 0 | 0 | 0 | 0 | 0 |
| Realized gains reclassified to the income statement from equity | (26) | (2) | 0 | (30) | 0 |
| Realized losses reclassified to the income statement from equity | 1 | 1 | 0 | 2 | 0 |
| Income tax relating to net unrealized gains / (losses) | (4) | (24) | 6 | (45) | 35 |
| Subtotal financial assets measured at fair value through other comprehensive income, net of tax | 0 | 65 | (18) | 128 | (89) |
| Cash flow hedges of interest rate risk | | | | | |
| Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax | 542 | 987 | (257) | 2,116 | (859) |
| Net (gains) / losses reclassified to the income statement from equity | (49) | (24) | (46) | (93) | (251) |
| Income tax relating to cash flow hedges | (76) | (191) | 65 | (374) | 224 |
| Subtotal cash flow hedges, net of tax | 417 | 773 | (237) | 1,649 | (885) |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | 103 | 999 | (115) | 1,501 | (1,378) |
| Other comprehensive income that will not be reclassified to the income statement | | | | | |
| Defined benefit plans | | | | | |
| Gains / (losses) on defined benefit plans, before tax | 1,459 | 18 | (45) | 1,317 | 171 |
| Income tax relating to defined benefit plans | (283) | (7) | 2 | (306) | 26 |
| Subtotal defined benefit plans, net of tax | 1,176 | 11 | (43) | 1,011 | 197 |
| Own credit on financial liabilities designated at fair value | | | | | |
| Gains / (losses) from own credit on financial liabilities designated at fair value, before tax | 1 | 72 | (289) | (253) | 141 |
| Income tax relating to own credit on financial liabilities designated at fair value | 0 | 0 | 2 | 8 | 0 |
| Subtotal own credit on financial liabilities designated at fair value, net of tax | 1 | 72 | (288) | (245) | 141 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | 1,177 | 83 | (331) | 767 | 338 |
| Total other comprehensive income | 1,280 | 1,082 | (446) | 2,268 | (1,040) |
| Total comprehensive income attributable to shareholders | 2,248 | 2,389 | 696 | 5,611 | 2,795 |

## Statement of comprehensive income (continued)

| | For the quarter ended | | | Year-to-date | |
|---|---|---|---|---|---|
| *USD million* | 30.9.19 | 30.6.19 | 30.9.18 | 30.9.19 | 30.9.18 |
| **Comprehensive income attributable to non-controlling interests** | | | | | |
| Net profit / (loss) | 1 | 1 | 3 | 0 | 6 |
| | | | | | |
| Other comprehensive income that will not be reclassified to the income statement | | | | | |
| Foreign currency translation movements, before tax | (6) | (6) | 1 | (8) | (2) |
| Income tax relating to foreign currency translation movements | 0 | 0 | 0 | 0 | 0 |
| Subtotal foreign currency translation, net of tax | (6) | (6) | 1 | (8) | (2) |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | (6) | (6) | 1 | (8) | (2) |
| Total comprehensive income attributable to non-controlling interests | (5) | (5) | 4 | (8) | 4 |
| | | | | | |
| **Total comprehensive income** | | | | | |
| Net profit / (loss) | 969 | 1,308 | 1,145 | 3,343 | 3,840 |
| Other comprehensive income | 1,274 | 1,076 | (445) | 2,260 | (1,042) |
| *of which: other comprehensive income that may be reclassified to the income statement* | *103* | *999* | *(115)* | *1,501* | *(1,378)* |
| *of which: other comprehensive income that will not be reclassified to the income statement* | *1,171* | *77* | *(330)* | *759* | *336* |
| Total comprehensive income | 2,243 | 2,384 | 700 | 5,603 | 2,798 |

## Balance sheet

| *USD million* | Note | 30.9.19 | 30.6.19 | 31.12.18 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances at central banks | | 91,292 | 101,457 | 108,370 |
| Loans and advances to banks | | 12,938 | 12,682 | 16,642 |
| Receivables from securities financing transactions | | 91,954 | 92,919 | 95,349 |
| Cash collateral receivables on derivative instruments | 11 | 25,659 | 23,774 | 23,603 |
| Loans and advances to customers | 9 | 321,666 | 324,288 | 321,482 |
| Other financial assets measured at amortized cost | 12 | 23,597 | 22,225 | 22,637 |
| Total financial assets measured at amortized cost | | 567,107 | 577,345 | 588,084 |
| Financial assets at fair value held for trading | 10 | 116,020 | 120,232 | 104,513 |
| *of which: assets pledged as collateral that may be sold or repledged by counterparties* | | *40,412* | *36,010* | *32,121* |
| Derivative financial instruments | 10, 11 | 134,242 | 121,687 | 126,212 |
| Brokerage receivables | 10 | 17,653 | 16,915 | 16,840 |
| Financial assets at fair value not held for trading | 10 | 92,869 | 89,269 | 82,387 |
| Total financial assets measured at fair value through profit or loss | | 360,783 | 348,103 | 329,953 |
| Financial assets measured at fair value through other comprehensive income | 10 | 6,993 | 7,422 | 6,667 |
| Investments in associates | | 1,009 | 1,049 | 1,099 |
| Property, equipment and software | | 11,559 | 11,725 | 8,479 |
| Goodwill and intangible assets | | 6,560 | 6,624 | 6,647 |
| Deferred tax assets | | 9,456 | 9,545 | 10,066 |
| Other non-financial assets | 12 | 8,580 | 6,833 | 7,062 |
| Total assets | | 972,048 | 968,645 | 958,055 |

**Balance sheet (continued)**

| *USD million* | Note | 30.9.19 | 30.6.19 | 31.12.18 |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Amounts due to banks | | 8,235 | 9,494 | 10,962 |
| Payables from securities financing transactions | | 5,570 | 6,798 | 10,296 |
| Cash collateral payables on derivative instruments | 11 | 32,291 | 31,449 | 28,906 |
| Customer deposits | | 429,143 | 435,582 | 421,986 |
| Funding from UBS Group AG and its subsidiaries | | 47,554 | 45,224 | 41,202 |
| Debt issued measured at amortized cost | 14 | 69,739 | 75,679 | 91,245 |
| Other financial liabilities measured at amortized cost | 12 | 11,062 | 10,927 | 7,576 |
| **Total financial liabilities measured at amortized cost** | | 603,594 | 615,153 | 612,174 |
| Financial liabilities at fair value held for trading | 10 | 33,502 | 32,277 | 28,949 |
| Derivative financial instruments | 10, 11 | 131,435 | 121,087 | 125,723 |
| Brokerage payables designated at fair value | 10 | 38,260 | 36,929 | 38,420 |
| Debt issued designated at fair value | 10, 13 | 66,709 | 67,984 | 57,031 |
| Other financial liabilities designated at fair value | 10, 12 | 34,782 | 34,407 | 33,594 |
| **Total financial liabilities measured at fair value through profit or loss** | | 304,689 | 292,684 | 283,717 |
| Provisions | 15 | 2,928 | 2,978 | 3,457 |
| Other non-financial liabilities | 12 | 6,059 | 5,301 | 6,275 |
| **Total liabilities** | | 917,271 | 916,116 | 905,624 |
| **Equity** | | | | |
| Share capital | | 338 | 338 | 338 |
| Share premium | | 24,660 | 24,654 | 24,655 |
| Retained earnings | | 24,175 | 22,017 | 23,317 |
| Other comprehensive income recognized directly in equity, net of tax | | 5,440 | 5,350 | 3,946 |
| **Equity attributable to shareholders** | | 54,613 | 52,359 | 52,256 |
| Equity attributable to non-controlling interests | | 163 | 170 | 176 |
| **Total equity** | | 54,776 | 52,529 | 52,432 |
| **Total liabilities and equity** | | 972,048 | 968,645 | 958,055 |

## Statement of changes in equity

| *USD million* | Share capital | Share premium | Retained earnings |
|---|---|---|---|
| **Balance as of 1 January 2018** | **338** | **24,633** | **21,646** |
| Issuance of share capital | | | |
| Premium on shares issued and warrants exercised | | 23 | |
| Tax (expense) / benefit | | 6 | |
| Dividends | | | (3,098) |
| Translation effects recognized directly in retained earnings | | | (22) |
| New consolidations / (deconsolidations) and other increases / (decreases) | | (8) | |
| Total comprehensive income for the period | | | 4,172 |
| *of which: net profit / (loss)* | | | *3,834* |
| *of which: other comprehensive income (OCI) that may be reclassified to the income statement, net of tax* | | | |
| *of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans* | | | *197* |
| *of which: OCI that will not be reclassified to the income statement, net of tax – own credit* | | | *141* |
| *of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation* | | | |
| **Balance as of 30 September 2018** | **338** | **24,654** | **22,700** |
| | | | |
| **Balance as of 1 January 2019 before the adoption of IFRIC 23** | 338 | 24,655 | 23,317 |
| Effect of adoption of IFRIC 23[2] | | | (11) |
| **Balance as of 1 January 2019 after the adoption of IFRIC 23** | 338 | 24,655 | 23,306 |
| Issuance of share capital | | | |
| Premium on shares issued and warrants exercised | | | |
| Tax (expense) / benefit | | 10 | |
| Dividends | | | (3,250) |
| Translation effects recognized directly in retained earnings | | | 8 |
| New consolidations / (deconsolidations) and other increases / (decreases) | | (5) | |
| Total comprehensive income for the period | | | 4,110 |
| *of which: net profit / (loss)* | | | *3,343* |
| *of which: other comprehensive income (OCI) that may be reclassified to the income statement, net of tax* | | | |
| *of which: OCI that will not be reclassified to the income statement, net of tax – defined benefit plans* | | | *1,011* |
| *of which: OCI that will not be reclassified to the income statement, net of tax – own credit* | | | *(245)* |
| *of which: OCI that will not be reclassified to the income statement, net of tax – foreign currency translation* | | | |
| **Balance as of 30 September 2019** | 338 | 24,660 | 24,175 |

1 Excludes defined benefit plans and own credit that are recorded directly in Retained earnings. 2 Refer to "Note 1d International Financial Reporting Standards and Interpretations to be adopted in 2019 and later and other changes" in the "Consolidated financial statements" section of the Annual Report 2018 for more information about IFRIC 23, Uncertainty over Income Tax Treatments, which UBS AG adopted from 1 January 2019.

| Other comprehensive income recognized directly in equity, net of tax[1] | *of which: foreign currency translation* | *of which: financial assets measured at fair value through OCI* | *of which: cash flow hedges* | Total equity attributable to shareholders | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| 4,754 | 4,455 | (61) | 360 | **51,370** | **59** | **51,429** |
| | | | | 0 | | 0 |
| | | | | 23 | | 23 |
| | | | | 6 | | 6 |
| | | | | (3,098) | (7) | (3,104) |
| 22 | | 3 | 18 | 0 | | 0 |
| | | | | (8) | (17) | (24) |
| (1,378) | (403) | (89) | (885) | 2,795 | 4 | 2,798 |
| | | | | 3,834 | 6 | 3,840 |
| (1,378) | (403) | (89) | (885) | (1,378) | | (1,378) |
| | | | | 197 | | 197 |
| | | | | 141 | | 141 |
| | | | | 0 | (2) | (2) |
| 3,398 | 4,052 | (147) | (507) | **51,089** | **39** | **51,128** |
| | | | | | | |
| 3,946 | 3,940 | (103) | 109 | 52,256 | 176 | 52,432 |
| | | | | (11) | | (11) |
| 3,946 | 3,940 | (103) | 109 | 52,245 | 176 | 52,421 |
| | | | | 0 | | 0 |
| | | | | 0 | | 0 |
| | | | | 10 | | 10 |
| | | | | (3,250) | (6) | (3,256) |
| (8) | | 0 | (8) | 0 | | 0 |
| | | | | (5) | 2 | (3) |
| 1,501 | (275) | 128 | 1,649 | 5,611 | (8) | 5,603 |
| | | | | 3,343 | 0 | 3,343 |
| 1,501 | (275) | 128 | 1,649 | 1,501 | | 1,501 |
| | | | | 1,011 | | 1,011 |
| | | | | (245) | | (245) |
| | | | | 0 | (8) | (8) |
| 5,440 | 3,665 | 25 | 1,749 | 54,613 | 163 | 54,776 |

## Statement of cash flows

| | Year-to-date | |
|---|---|---|
| *USD million* | 30.9.19 | 30.9.18 |
| **Cash flow from / (used in) operating activities** | | |
| Net profit / (loss) | 3,343 | 3,840 |
| **Non-cash items included in net profit and other adjustments:** | | |
| Depreciation and impairment of property, equipment and software | 1,148 | 758 |
| Amortization and impairment of intangible assets | 50 | 48 |
| Credit loss expense / (recovery) | 70 | 64 |
| Share of net profits of associates / joint ventures and impairment of associates | (32) | (48) |
| Deferred tax expense / (benefit) | 451 | 612 |
| Net loss / (gain) from investing activities | (42) | (28) |
| Net loss / (gain) from financing activities | 3,281 | 2,449 |
| Other net adjustments | (755) | (70) |
| **Net change in operating assets and liabilities:** | | |
| Loans and advances to banks / amounts due to banks | (2,596) | 2,475 |
| Securities financing transactions | (1,515) | 1,097 |
| Cash collateral on derivative instruments | 1,352 | (435) |
| Loans and advances to customers | (3,880) | (8,516) |
| Customer deposits | 12,590 | (1,934) |
| Financial assets and liabilities at fair value held for trading and derivative financial instruments | (5,471) | (6,631) |
| Brokerage receivables and payables | (969) | 7,692 |
| Financial assets at fair value not held for trading, other financial assets and liabilities | (10,103) | 6,333 |
| Provisions, other non-financial assets and liabilities | 132 | (151) |
| Income taxes paid, net of refunds | (651) | (724) |
| **Net cash flow from / (used in) operating activities** | (3,596) | 6,833 |
| **Cash flow from / (used in) investing activities** | | |
| Purchase of subsidiaries, associates and intangible assets | (25) | (17) |
| Disposal of subsidiaries, associates and intangible assets[1] | 110 | 126 |
| Purchase of property, equipment and software | (1,012) | (1,040) |
| Disposal of property, equipment and software | 8 | 105 |
| Purchase of financial assets measured at fair value through other comprehensive income | (3,130) | (1,097) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 2,958 | 1,098 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (736) | (2,157) |
| **Net cash flow from / (used in) investing activities** | (1,827) | (2,981) |

## Statement of cash flows (continued)

| | Year-to-date | |
|---|---|---|
| *USD million* | 30.9.19 | 30.9.18 |
| **Cash flow from / (used in) financing activities** | | |
| Net short-term debt issued / (repaid) | (12,814) | (7,536) |
| Distributions paid on UBS shares | (3,250) | (3,098) |
| Issuance of long-term debt, including debt issued designated at fair value | 44,677 | 46,490 |
| Repayment of long-term debt, including debt issued designated at fair value | (47,574) | (36,055) |
| Funding from UBS Group AG and its subsidiaries | 5,384 | 4,080 |
| Net changes in non-controlling interests | (6) | 14 |
| Net cash flow from / (used in) financing activities | (13,583) | 3,895 |
| **Total cash flow** | | |
| Cash and cash equivalents at the beginning of the period | 125,853 | 104,787 |
| Net cash flow from / (used in) operating, investing and financing activities | (19,006) | 7,746 |
| Effects of exchange rate differences on cash and cash equivalents | (1,486) | (1,770) |
| Cash and cash equivalents at the end of the period[2] | 105,361 | 110,763 |
| *of which: cash and balances at central banks* | *91,180* | *94,276* |
| *of which: loans and advances to banks* | *11,837* | *14,052* |
| *of which: money market paper[3]* | *2,344* | *2,434* |
| **Additional information** | | |
| Net cash flow from / (used in) operating activities includes: | | |
| Interest received in cash | 11,717 | 10,548 |
| Interest paid in cash | 8,830 | 7,011 |
| Dividends on equity investments, investment funds and associates received in cash[4] | 2,632 | 1,938 |

1 Includes dividends received from associates. 2 USD 2,245 million and USD 3,112 million of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 30 September 2019 and 30 September 2018, respectively. Refer to "Note 26 Restricted and transferred financial assets" in the "Consolidated financial statements" section in the Annual Report 2018 for more information. 3 Money market paper is included in the balance sheet under Financial assets at fair value held for trading, Financial assets measured at fair value through other comprehensive income, Financial assets at fair value not held for trading and Other financial assets measured at amortized cost. 4 Includes dividends received from associates reported within Net cash flow from / (used in) investing activities.

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

## Note 1 Basis of accounting

### Basis of preparation

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

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

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

### Adoption of IFRS 16, *Leases*

#### Application and transition effect

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

IFRS 16 introduces a single lessee accounting model and fundamentally changes how UBS AG accounts for operating leases when acting as a lessee, with a requirement to record a right-of-use asset and lease liability on the balance sheet. UBS AG is a lessee in a number of leases, primarily of real estate, including offices, retail branches and sales offices, with a smaller number of IT hardware leases. As permitted by the transitional provisions of IFRS 16, UBS AG elected to apply the modified retrospective approach and has not restated comparative figures. Overall, adoption of IFRS 16 resulted in a USD 3.4 billion increase in both total assets and total liabilities in UBS AG's consolidated financial statements. There was no effect on equity.

→ **Refer to the tables on the next page for more information**

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

## Note 1 Basis of accounting (continued)

The measurement of leases previously classified as finance leases where UBS AG acts as a lessee has not changed on transition to IFRS 16. Similarly, UBS AG has made no adjustments where UBS AG acts as a lessor, in either a finance or operating lease, of physical assets it owns. Where UBS AG acts as an intermediate lessor, i.e., where UBS AG enters into a head lease and sub-leases the asset to a third party, the sub-lease has been classified as either a finance or operating lease based primarily on whether the sub-lease term consumes the majority of the remaining useful life of the right-of-use asset arising from the head lease as at the transition date.

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

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

| *USD million* | |
|---|---|
| **Total undiscounted operating lease commitments as of 31 December 2018** | **4,546** |
| Leases with a remaining term of less than one year as of 1 January 2019 | (18) |
| Excluded service components | (296) |
| Reassessment of lease term for extension or termination options | 424 |
| **Total undiscounted lease payments** | **4,657** |
| Discounted at a weighted average incremental borrowing rate of 3.07% | (720) |
| **IFRS 16 transition adjustment** | **3,937** |
| Finance lease liabilities as of 31 December 2018 | 19 |
| **Carrying amount of total lease liabilities as of 1 January 2019** | **3,956** |

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

**Determination of right-of-use (RoU) assets on transition**

| *USD million* | Carrying amount |
|---|---|
| **Recognition of gross RoU assets upon adoption of IFRS 16 (IFRS 16 transition adjustment)** | **3,937** |
| Offset by liabilities recognized as of 31 December 2018 | (515) |
| *of which: other non-financial liabilities (lease incentives)* | *(204)* |
| *of which: other financial liabilities measured at amortized cost (rent accruals)* | *(180)* |
| *of which: provisions (onerous lease provisions)* | *(131)* |
| **Increase in total assets resulting from the adoption of IFRS 16 on 1 January 2019[1]** | **3,422** |
| Reclassification of assets recognized as of 31 December 2018 as an addition to RoU assets | 38 |
| *of which: other financial assets measured at amortized cost (finance lease assets recognized under IAS 17 as of 31 December 2018)* | *19* |
| *of which: other non-financial assets (prepaid rent)* | *19* |
| Reclassification of finance lease receivables from subleases to other financial assets measured at amortized cost resulting in a reduction of RoU assets | (176) |
| **Total right-of-use assets as of 1 January 2019 presented within Property, equipment and software** | **3,284** |

1 Total liabilities increased by the same amount upon adoption of IFRS 16.

Lease liabilities are presented within *Other financial liabilities measured at amortized cost* and right-of-use assets within *Property, equipment and software*. Finance lease receivables are included within *Other financial assets measured at amortized cost*. Due to the practical expedients taken on transition, there was no effect on equity. The weighted average lease term on 1 January 2019 was approximately 9 years.

During the third quarter of 2019 the depreciation expense for right-of-use assets presented within *Depreciation and impairment of property, equipment and software* was USD 112 million (second quarter of 2019: USD 113 million; first quarter of 2019: USD 113 million). The interest expense on lease liabilities presented within *Interest expense from financial instruments measured at amortized cost* was USD 29 million (second quarter of 2019: USD 30 million; first quarter of 2019: USD 30 million) and other rent expenses (including non-lease components paid to landlords) presented within *General and administrative expenses* were USD 14 million (second quarter of 2019: USD 12 million; first quarter of 2019: USD 16 million). This compares with total rent expenses presented in *General and administrative expenses* of USD 142 million, USD 143 million and USD 147 million for the quarters ended 30 September 2018, 30 June 2018 and 31 March 2018, respectively.

## Note 1 Basis of accounting (continued)

### Update to significant accounting policy – Leasing (disclosed in "Note 1a item 15 Leasing" in the "Consolidated financial statements" section of the Annual Report 2018)

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

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

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

Where UBS AG acts as a lessor or sub-lessor under a finance lease, a receivable is recognized in *Other financial assets measured at amortized cost* at an amount equal to the present value of the aggregate of the lease payments plus any unguaranteed residual value that UBS AG expects to recover at the end of the lease term. Initial direct costs are also included in the initial measurement of the lease receivable. Lease payments received during the lease term are allocated as repayments of the outstanding receivable. Interest income reflects a constant periodic rate of return on UBS AG's net investment using the interest rate implicit in the lease (or, for sub-leases, the rate for the head lease). UBS AG reviews the estimated unguaranteed residual value annually, and if the estimated residual value to be realized is less than the amount assumed at lease inception, a loss is recognized for the expected shortfall. Where UBS AG acts as a lessor or sub-lessor in an operating lease, UBS AG recognizes the operating lease income on a straight-line basis over the lease term.

Lease receivables are subject to impairment requirements as set out in "Note 1a item 3g" in the "Consolidated financial statements" section of the Annual Report 2018. Expected credit losses (ECL) on lease receivables are determined following the general impairment model within IFRS 9, *Financial Instruments*, without utilizing the simplified approach of always measuring impairment at the amount of lifetime ECL.

## Other changes to accounting policies

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

Effective from 1 January 2019, UBS AG made changes to Corporate Center segment reporting, as well as cost and resource allocation to business divisions.

→ **Refer to Note 2 for more information**

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

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

Refer to "Note 1d International Financial Reporting Standards and Interpretations to be adopted in 2019 and later and other changes" in the "Consolidated financial statements" section of the Annual Report 2018 for further details on standards adopted by UBS AG from 1 January 2019, none of which had a material effect on UBS AG's financial statements.

## Note 1 Basis of accounting (continued)

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

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

### Changes in accounting standards to be adopted in future reporting periods

#### Amendments to IAS 39, IFRS 9 and IFRS 7 (*Interest Rate Benchmark Reform*)

In September 2019, the IASB issued *Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7*, enabling hedge accounting to continue during the period of uncertainty before existing interest rate benchmarks are replaced with alternative risk-free interest rates. The amendments are mandatorily effective from 1 January 2020, with early adoption permitted, and apply to hedge relationships that exist at the beginning of the reporting period or are designated thereafter, and to the gains or losses that exist in OCI on adoption. Adopting these amendments will allow UBS AG to maintain current hedge accounting relationships and to assume that the current benchmark rates will continue to exist, with no consequential impact on the financial statements. In addition, the amendments bring in a number of new disclosure requirements to provide detail on the effects arising from the change in interest rate benchmarks. UBS AG is continuing to assess the effects of the amendments and will shortly determine whether it expects to early adopt the revisions in the fourth quarter of 2019 or instead from their mandatory effective date in the first quarter of 2020.

## Note 2 Segment reporting

### Overview and changes in Corporate Center segment reporting

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

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

As a consequence of a substantial reduction in the Non-core and Legacy Portfolio and following changes to UBS AG's methodology for allocating Corporate Center costs to the business divisions, beginning with the first quarter 2019 report, UBS AG provides results for total Corporate Center only and does not separately report Corporate Center – Services, Group Asset and Liability Management and Non-core and Legacy Portfolio.

| USD million | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Corporate Center | UBS AG |
|---|---|---|---|---|---|---|
| For the nine months ended 30 September 2019[1] | | | | | | |
| Net interest income | 2,953 | 1,492 | (19) | (592) | (662) | 3,171 |
| Non-interest income | 9,260 | 1,372 | 1,406 | 6,203 | 820 | 19,061 |
| Income | 12,213 | 2,864 | 1,386 | 5,611 | 158 | 22,232 |
| Credit loss (expense) / recovery | (11) | (29) | 0 | (24) | (7) | (70) |
| Total operating income | 12,203 | 2,835 | 1,386 | 5,587 | 151 | 22,162 |
| Personnel expenses | 5,706 | 646 | 536 | 2,187 | 1,403 | 10,478 |
| General and administrative expenses | 917 | 167 | 143 | 475 | 4,429 | 6,131 |
| Services (to) / from Corporate Center and other business divisions | 2,951 | 881 | 355 | 2,144 | (6,331) | 0 |
| *of which: services from Corporate Center* | *2,833* | *963* | *388* | *2,184* | *(6,368)* | *0* |
| Depreciation and impairment of property, equipment and software | 4 | 10 | 1 | 5 | 1,128 | 1,148 |
| Amortization and impairment of intangible assets | 42 | 0 | 0 | 5 | 3 | 50 |
| Total operating expenses | 9,621 | 1,703 | 1,035 | 4,816 | 631 | 17,807 |
| **Operating profit / (loss) before tax** | **2,581** | **1,132** | **351** | **771** | **(481)** | **4,355** |
| Tax expense / (benefit) | | | | | | 1,012 |
| **Net profit / (loss)** | | | | | | **3,343** |
| As of 30 September 2019 | | | | | | |
| **Total assets** | **311,705** | **202,447** | **32,156** | **325,176** | **100,564** | **972,048** |

## Note 2 Segment reporting (continued)

| USD million | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Corporate Center | UBS AG |
|---|---|---|---|---|---|---|
| **For the nine months ended 30 September 2018**[1] | | | | | | |
| Net interest income[2] | 3,073 | 1,532 | (22) | (272) | (547) | 3,765 |
| Non-interest income[2] | 9,587 | 1,391 | 1,406 | 6,812 | 663 | 19,858 |
| Income | 12,660 | 2,923 | 1,384 | 6,540 | 117 | 23,623 |
| Credit loss (expense) / recovery | (4) | (39) | 0 | (20) | (1) | (64) |
| Total operating income | 12,656 | 2,884 | 1,384 | 6,519 | 116 | 23,559 |
| Personnel expenses | 5,799 | 615 | 537 | 2,402 | 1,377 | 10,730 |
| General and administrative expenses | 942 | 179 | 148 | 446 | 5,266 | 6,981 |
| Services (to) / from Corporate Center and other business divisions | 2,981 | 926 | 378 | 2,134 | (6,419) | 0 |
| *of which: services from Corporate Center* | *2,885* | *1,004* | *411* | *2,172* | *(6,472)* | *0* |
| Depreciation and impairment of property, equipment and software | 3 | 10 | 1 | 6 | 738 | 758 |
| Amortization and impairment of intangible assets | 36 | 0 | 1 | 10 | 1 | 48 |
| Total operating expenses | 9,760 | 1,730 | 1,065 | 4,999 | 964 | 18,517 |
| **Operating profit / (loss) before tax** | **2,896** | **1,154** | **320** | **1,521** | **(848)** | **5,042** |
| Tax expense / (benefit) | | | | | | 1,202 |
| **Net profit / (loss)** | | | | | | **3,840** |
| **As of 31 December 2018** | | | | | | |
| **Total assets**[1] | **313,737** | **200,767** | **28,140** | **302,434** | **112,977** | **958,055** |

1 Prior-period information for the nine months ended 30 September 2018 has been restated to reflect the changed approach used for allocating Corporate Center funding costs and expenses to the business divisions and the updated fund transfer pricing framework, resulting in a decrease in Operating profit / (loss) before tax for Global Wealth Management of USD 270 million, for Personal & Corporate Banking of USD 85 million, for Asset Management of USD 18 million and for the Investment Bank of USD 122 million, with a corresponding increase for Corporate Center of USD 495 million. Additionally, Total assets as of 31 December 2018, has been restated to reflect the changed approach used for allocating balance sheet resources from Corporate Center to the business divisions, predominantly from high-quality liquid assets, resulting in an increase of Total assets in Global Wealth Management of USD 114 billion, in Personal & Corporate Banking of USD 62 billion, in Asset Management of USD 4 billion and in the Investment Bank of USD 44 billion, with a corresponding decrease of assets in Corporate Center of USD 223 billion. Upon adoption of IFRS 16, Leases, as of 1 January 2019, UBS AG additionally allocated approximately USD 3.4 billion of newly recognized right-of-use assets and finance lease receivables to the business divisions. 2 Effective from the first quarter of 2019, UBS AG refined the presentation of dividend income and expense, reclassifying dividends from financial instruments measured at fair value through profit or loss from Net interest income to Non-interest income. Prior-period information was restated accordingly, with virtually all of the effect on UBS AG arising from the Investment Bank. Refer to Note 1 for more information.

## Note 3 Net interest income[1]

| | For the quarter ended | | | Year-to-date | |
|---|---|---|---|---|---|
| *USD million* | 30.9.19 | 30.6.19 | 30.9.18 | 30.9.19 | 30.9.18 |
| **Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income** | | | | | |
| Interest income from loans and deposits[2] | 2,009 | 2,070 | 1,944 | 6,107 | 5,766 |
| Interest income from securities financing transactions[3] | 521 | 545 | 398 | 1,564 | 1,100 |
| Interest income from other financial instruments measured at amortized cost | 91 | 83 | 108 | 270 | 176 |
| Interest income from debt instruments measured at fair value through other comprehensive income | 31 | 27 | 39 | 83 | 112 |
| Interest income from derivative instruments designated as cash flow hedges | 53 | 29 | 53 | 108 | 275 |
| **Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income** | 2,704 | 2,755 | 2,542 | 8,133 | 7,430 |
| Interest expense on loans and deposits[4] | 1,145 | 1,228 | 936 | 3,510 | 2,514 |
| Interest expense on securities financing transactions[5] | 285 | 324 | 278 | 897 | 847 |
| Interest expense on debt issued | 347 | 404 | 459 | 1,207 | 1,323 |
| Interest expense on lease liabilities[6] | 29 | 30 | | 89 | 0 |
| **Total interest expense from financial instruments measured at amortized cost** | 1,805 | 1,986 | 1,673 | 5,703 | 4,683 |
| **Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income** | 899 | 769 | 868 | 2,430 | 2,746 |
| **Net interest income from financial instruments measured at fair value through profit or loss** | | | | | |
| Net interest income from financial instruments at fair value held for trading | 216 | 327 | 243 | 977 | 752 |
| Net interest income from brokerage balances | 92 | 43 | 134 | 212 | 471 |
| Interest income from financial instruments at fair value not held for trading | 624 | 575 | 445 | 1,720 | 1,218 |
| Other interest income | 44 | 42 | 48 | 131 | 165 |
| Interest expense on financial instruments designated at fair value | (807) | (753) | (577) | (2,299) | (1,587) |
| **Total net interest income from financial instruments measured at fair value through profit or loss** | 168 | 234 | 293 | 741 | 1,018 |
| **Total net interest income** | 1,067 | 1,003 | 1,161 | 3,171 | 3,765 |

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

## Note 4 Net fee and commission income

| | For the quarter ended | | | Year-to-date | |
|---|---|---|---|---|---|
| *USD million* | 30.9.19 | 30.6.19 | 30.9.18 | 30.9.19 | 30.9.18 |
| **Fee and commission income** | | | | | |
| Underwriting fees | 184 | 224 | 210 | 588 | 659 |
| *of which: equity underwriting fees* | *71* | *118* | *98* | *237* | *313* |
| *of which: debt underwriting fees* | *113* | *105* | *113* | *350* | *346* |
| M&A and corporate finance fees | 204 | 296 | 261 | 616 | 646 |
| Brokerage fees | 800 | 826 | 786 | 2,454 | 2,699 |
| Investment fund fees | 1,200 | 1,196 | 1,221 | 3,572 | 3,727 |
| Portfolio management and related services | 1,958 | 1,915 | 1,949 | 5,677 | 5,820 |
| Other | 477 | 451 | 448 | 1,388 | 1,373 |
| **Total fee and commission income[1]** | 4,822 | 4,908 | 4,875 | 14,296 | 14,923 |
| *of which: recurring* | *3,195* | *3,136* | *3,240* | *9,329* | *9,691* |
| *of which: transaction-based* | *1,613* | *1,749* | *1,617* | *4,903* | *5,172* |
| *of which: performance-based* | *14* | *23* | *19* | *64* | *59* |
| **Fee and commission expense** | | | | | |
| Brokerage fees paid | 68 | 88 | 63 | 235 | 228 |
| Other | 328 | 345 | 346 | 1,003 | 1,035 |
| **Total fee and commission expense** | 396 | 434 | 409 | 1,238 | 1,263 |
| **Net fee and commission income** | 4,426 | 4,474 | 4,466 | 13,057 | 13,660 |
| *of which: net brokerage fees* | *732* | *738* | *723* | *2,218* | *2,470* |

1 Reflects third-party fee and commission income for the third quarter of 2019 of USD 2,989 million for Global Wealth Management (second quarter of 2019: USD 2,946 million; third quarter of 2018: USD 2,971 million), USD 333 million for Personal & Corporate Banking (second quarter of 2019: USD 327 million; third quarter of 2018: USD 340 million), USD 644 million for Asset Management (second quarter of 2019: USD 647 million; third quarter of 2018: USD 637 million), USD 838 million for the Investment Bank (second quarter of 2019: USD 962 million; third quarter of 2018: USD 907 million) and USD 18 million for Corporate Center (second quarter of 2019: USD 25 million; third quarter of 2018: USD 21 million).

## Note 5 Other income

| | For the quarter ended | | | Year-to-date | |
|---|---|---|---|---|---|
| *USD million* | 30.9.19 | 30.6.19 | 30.9.18 | 30.9.19 | 30.9.18 |
| **Associates, joint ventures and subsidiaries** | | | | | |
| Net gains / (losses) from acquisitions and disposals of subsidiaries[1] | (46) | 10 | 20 | (35) | 19 |
| Net gains / (losses) from disposals of investments in associates | 0 | 0 | 0 | 4 | 0 |
| Share of net profits of associates and joint ventures | 7 | 10 | 17 | 33 | 48 |
| Impairments related to associates | 0 | (1) | 0 | (1) | 0 |
| **Total** | (38) | 20 | 37 | 1 | 67 |
| Net gains / (losses) from disposals of financial assets measured at fair value through other comprehensive income | 26 | 1 | 0 | 28 | 0 |
| Net gains / (losses) from disposals of financial assets measured at amortized cost | 0 | 0 | 0 | 0 | 0 |
| Income from properties[2] | 7 | 6 | 6 | 20 | 18 |
| Net gains / (losses) from disposals of properties held for sale | 0 | 7 | 31 | 7 | 31 |
| Income from shared services provided to UBS Group AG or its subsidiaries | 107 | 127 | 117 | 354 | 350 |
| Other | 46 | 70 | 28 | 137 | 74 |
| **Total other income** | 147 | 232 | 218 | 547 | 540 |

1 Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to the disposal or closure of foreign operations. 2 Includes rent received from third parties.

## Note 6 Personnel expenses

| | For the quarter ended | | | Year-to-date | |
|---|---|---|---|---|---|
| *USD million* | 30.9.19 | 30.6.19 | 30.9.18 | 30.9.19 | 30.9.18 |
| Salaries and variable compensation | 1,975 | 2,120 | 1,957 | 6,122 | 6,409 |
| Financial advisor compensation[1] | 1,029 | 1,005 | 1,016 | 2,994 | 3,055 |
| Contractors | 34 | 38 | 43 | 108 | 137 |
| Social security | 156 | 152 | 148 | 478 | 507 |
| Pension and other post-employment benefit plans | 130 | 139 | 99 | 440 | 240[2] |
| Other personnel expenses | 114 | 116 | 134 | 336 | 381 |
| **Total personnel expenses** | 3,438 | 3,571 | 3,398 | 10,478 | 10,730 |

1 Financial advisor compensation consists of grid-based compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. 2 Changes to the pension fund of UBS AG in Switzerland in the first quarter of 2018 resulted in a reduction in the pension obligation recognized by UBS AG. As a consequence, a pre-tax gain of USD 132 million was recognized in the income statement in the first quarter of 2018, with no overall effect on total equity. Refer to "Note 29 Pension and other post-employment benefit plans" in the "Consolidated financial statements" section of the Annual Report 2018 for more information.

## Note 7 General and administrative expenses

| | For the quarter ended | | | Year-to-date | |
|---|---|---|---|---|---|
| *USD million* | 30.9.19 | 30.6.19 | 30.9.18 | 30.9.19 | 30.9.18 |
| Occupancy | 84 | 81 | 216 | 253 | 642 |
| Rent and maintenance of IT and other equipment | 79 | 79 | 77 | 246 | 235 |
| Communication and market data services | 129 | 131 | 131 | 391 | 387 |
| Administration | 1,234 | 1,236 | 1,301 | 3,739 | 3,901 |
| *of which: shared services costs charged by UBS Group AG or its subsidiaries* | *1,108* | *1,139* | *1,179* | *3,383* | *3,566* |
| *of which: UK and German bank levies* | *(4)* | *(32)* | *0* | *(21)* | *(28)* |
| Marketing and public relations | 49 | 49 | 59 | 148 | 195 |
| Travel and entertainment | 77 | 87 | 88 | 241 | 269 |
| Professional fees | 208 | 173 | 201 | 537 | 618 |
| Outsourcing of IT and other services | 153 | 140 | 179 | 439 | 548 |
| Litigation, regulatory and similar matters[1] | 65 | 4 | 2 | 61 | 123 |
| Other | 24 | 24 | 23 | 77 | 61 |
| **Total general and administrative expenses** | 2,101 | 2,004 | 2,277 | 6,131 | 6,981 |

1 Reflects the net increase in / (release of) provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 15 for more information. Also includes recoveries from third parties (third quarter of 2019: USD 2 million; second quarter of 2019: USD 1 million; third quarter of 2018: USD 0 million).

## Note 8 Income taxes

UBS AG recognized income tax expenses of USD 276 million for the third quarter of 2019, compared with USD 421 million for the third quarter of 2018.

Current tax expenses were USD 206 million, compared with USD 215 million, and related to taxable profits of UBS Switzerland AG and other entities.

Deferred tax expenses were USD 70 million, compared with USD 206 million. Deferred tax expenses in the third quarter of 2019 include expenses of USD 130 million that primarily reflect the amortization of deferred tax assets (DTAs) previously recognized in relation to tax losses carried forward and deductible temporary differences to reflect their offset against profits for the quarter, including the amortization of US tax loss DTAs at the level of UBS Americas Inc. Deferred tax expenses were decreased by a benefit of USD 65 million in respect of additional DTA recognition that resulted from the contribution of real estate assets by UBS AG to UBS Americas Inc. during the second quarter of 2019 in accordance with the requirements of IAS 34, *Interim Financial Reporting*, as described in the second quarter 2019 report. A further benefit of USD 65 million will be recognized in the fourth quarter of 2019.

## Note 9 Expected credit loss measurement

### a) Expected credit losses in the period

Total net credit loss expenses were USD 38 million, reflecting net expenses of USD 43 million related to credit-impaired (stage 3) positions and recoveries of USD 5 million related to stage 1 and stage 2 positions.

The recoveries of USD 5 million in stage 1 and 2 ECL during the quarter were primarily the result of a model update in the Investment Bank of USD 20 million, updates to macroeconomic and market data mainly in Personal & Corporate Banking and Global Wealth Management, partly offset by an update of the scenario weights and movements in book size and book quality.

Stage 3 net expenses of USD 43 million were recognized across a number of defaulted positions: USD 29 million in Personal & Corporate Banking, mainly related to a single exposure; USD 8 million in the Investment Bank; and USD 6 million in Global Wealth Management.

UBS AG uses four different economic scenarios in the ECL calculation: an upside, a baseline, a mild downside and a severe downside scenario. During the quarter, the macroeconomic and market data were updated to reflect current conditions across all scenarios. The forecast values used in the baseline scenario were also updated.

The reviews during the third quarter of 2019 reflected the increasing probability of a weakening economy in key markets, after a long period of substantial expansion, and the uncertainties about the influence that several political developments with unpredictable outcomes may have on future growth. At the end of the third quarter, management reflected these developments by increasing the weight of the severe downside scenario by 2.5 percentage points, with a corresponding adjustment to the weight of the baseline scenario.

**Economic scenarios and weights applied**

| ECL scenario | Assigned weights in % | |
|---|---|---|
| | 30.9.19 | 30.6.19 |
| Upside | 10.0 | 10.0 |
| Baseline | 42.5 | 45.0 |
| Mild downside | 35.0 | 35.0 |
| Severe downside | 12.5 | 10.0 |

With the exception of the aforementioned model update in the Investment Bank, no further model changes which give rise to a material effect on ECL or stage allocation were made.

→ **Refer to "Note 1a Significant accounting policies item 3g" 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 about financial instruments and certain non-financial instruments that are subject to ECL. For amortized-cost instruments, the carrying amount 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 for credit losses for FVOCI instruments does not reduce the carrying value of these financial assets. Rather, 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 the maximum contractual amounts.

## Note 9 Expected credit loss measurement (continued)

| *USD million* | 30.9.19 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount[1] | | | | ECL allowance | | | |
| Financial instruments measured at amortized cost | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 91,292 | 91,292 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 12,938 | 12,904 | 34 | 0 | (5) | (4) | 0 | (1) |
| Receivables from securities financing transactions | 91,954 | 91,954 | 0 | 0 | (3) | (3) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 25,659 | 25,659 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 321,666 | 302,337 | 17,447 | 1,882 | (787) | (74) | (137) | (576) |
| *of which: Private clients with mortgages* | *128,526* | *119,659* | *7,925* | *942* | *(115)* | *(14)* | *(63)* | *(38)* |
| *of which: Real estate financing* | *36,843* | *30,624* | *6,205* | *14* | *(39)* | *(3)* | *(31)* | *(5)* |
| *of which: Large corporate clients* | *10,635* | *9,885* | *654* | *96* | *(146)* | *(13)* | *(10)* | *(124)* |
| *of which: SME clients* | *11,566* | *9,271* | *1,632* | *663* | *(297)* | *(15)* | *(19)* | *(263)* |
| *of which: Lombard* | *111,326* | *111,261* | *0* | *64* | *(21)* | *(3)* | *0* | *(18)* |
| *of which: Credit cards* | *1,624* | *1,284* | *320* | *20* | *(34)* | *(7)* | *(14)* | *(12)* |
| *of which: Commodity trade finance* | *2,825* | *2,425* | *376* | *24* | *(79)* | *(5)* | *0* | *(74)* |
| Other financial assets measured at amortized cost | 23,597 | 22,758 | 310 | 529 | (142) | (36) | (7) | (99) |
| *of which: Loans to financial advisors* | *3,004* | *2,670* | *171* | *162* | *(107)* | *(30)* | *(4)* | *(72)* |
| **Total financial assets measured at amortized cost** | **567,107** | **546,904** | **17,792** | **2,411** | **(937)** | **(117)** | **(144)** | **(676)** |
| **Financial assets measured at fair value through other comprehensive income** | **6,993** | **6,993** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Total on-balance sheet financial assets in scope of ECL requirements** | **574,100** | **553,897** | **17,792** | **2,411** | **(937)** | **(117)** | **(144)** | **(676)** |

| | Total exposure | | | | ECL provision | | | |
|---|---|---|---|---|---|---|---|---|
| Off-balance sheet (in scope of ECL) | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 15,570 | 15,066 | 419 | 86 | (41) | (7) | (2) | (32) |
| *of which: Large corporate clients* | *3,470* | *3,250* | *190* | *30* | *(8)* | *(1)* | *(1)* | *(6)* |
| *of which: SME clients* | *1,159* | *992* | *118* | *49* | *(22)* | *0* | *0* | *(21)* |
| *of which: Financial intermediaries and hedge funds* | *5,997* | *5,975* | *22* | *0* | *(4)* | *(4)* | *0* | *0* |
| *of which: Lombard* | *635* | *635* | *0* | *0* | *(1)* | *0* | *0* | *(1)* |
| *of which: Commodity trade finance* | *2,025* | *1,935* | *83* | *7* | *(1)* | *(1)* | *0* | *0* |
| Irrevocable loan commitments | 27,122 | 26,443 | 634 | 45 | (26) | (15) | (10) | (1) |
| *of which: Large corporate clients* | *19,124* | *18,527* | *571* | *26* | *(19)* | *(11)* | *(7)* | *(1)* |
| Forward starting reverse repurchase and securities borrowing agreements | 1,093 | 1,093 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 34,553 | 33,454 | 1,056 | 43 | (35) | (18) | (17) | 0 |
| *of which: Real estate financing* | *2,755* | *2,385* | *371* | *0* | *(16)* | *(3)* | *(13)* | *0* |
| *of which: Large corporate clients* | *3,979* | *3,890* | *74* | *16* | *(1)* | *(1)* | *0* | *0* |
| *of which: SME clients* | *4,524* | *4,271* | *230* | *23* | *(9)* | *(7)* | *(2)* | *0* |
| *of which: Lombard* | *7,594* | *7,594* | *0* | *0* | *0* | *0* | *0* | *0* |
| *of which: Credit cards* | *7,624* | *7,307* | *317* | *0* | *(6)* | *(5)* | *(2)* | *0* |
| Irrevocable committed prolongation of existing loans | 2,854 | 2,849 | 0 | 5 | (2) | (2) | 0 | 0 |
| **Total off-balance sheet financial instruments and other credit lines** | **81,192** | **78,904** | **2,109** | **179** | **(104)** | **(42)** | **(28)** | **(33)** |
| **Total allowances and provisions** | | | | | **(1,041)** | **(160)** | **(173)** | **(709)** |

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

## Note 9 Expected credit loss measurement (continued)

| *USD million* | 30.6.19 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount[1] | | | | ECL allowance | | | |
| Financial instruments measured at amortized cost | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 101,457 | 101,457 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 12,682 | 12,662 | 19 | 0 | (5) | (2) | 0 | (3) |
| Receivables from securities financing transactions | 92,919 | 92,919 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 23,774 | 23,774 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 324,288 | 304,421 | 18,262 | 1,605 | (755) | (78) | (130) | (546) |
| *of which: Private clients with mortgages* | *129,715* | *120,461* | *8,467* | *787* | *(120)* | *(15)* | *(67)* | *(38)* |
| *of which: Real estate financing* | *37,605* | *30,501* | *7,089* | *14* | *(45)* | *(4)* | *(36)* | *(5)* |
| *of which: Large corporate clients* | *11,000* | *10,483* | *448* | *69* | *(110)* | *(14)* | *(4)* | *(91)* |
| *of which: SME clients* | *11,861* | *9,866* | *1,348* | *647* | *(277)* | *(18)* | *(9)* | *(249)* |
| *of which: Lombard* | *110,903* | *110,874* | *0* | *29* | *(23)* | *(3)* | *0* | *(20)* |
| *of which: Credit cards* | *1,561* | *1,231* | *311* | *19* | *(32)* | *(7)* | *(13)* | *(12)* |
| *of which: Commodity trade finance* | *3,387* | *2,930* | *442* | *15* | *(84)* | *(5)* | *(1)* | *(78)* |
| Other financial assets measured at amortized cost | 22,225 | 21,568 | 212 | 445 | (145) | (36) | (4) | (105) |
| *of which: Loans to financial advisors* | *3,075* | *2,951* | *63* | *61* | *(110)* | *(32)* | *(2)* | *(76)* |
| **Total financial assets measured at amortized cost** | **577,345** | **556,801** | **18,493** | **2,050** | **(907)** | **(119)** | **(134)** | **(654)** |
| **Financial assets measured at fair value through other comprehensive income** | **7,422** | **7,422** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Total on-balance sheet financial assets in scope of ECL requirements** | **584,766** | **564,223** | **18,493** | **2,050** | **(907)** | **(119)** | **(134)** | **(654)** |

| | Total exposure | | | | ECL provision | | | |
|---|---|---|---|---|---|---|---|---|
| Off-balance sheet (in scope of ECL) | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 16,810 | 16,202 | 413 | 195 | (40) | (6) | (1) | (33) |
| *of which: Large corporate clients* | *3,573* | *3,352* | *98* | *123* | *(3)* | *(1)* | *0* | *(1)* |
| *of which: SME clients* | *1,192* | *970* | *153* | *69* | *(30)* | *0* | *0* | *(29)* |
| *of which: Financial intermediaries and hedge funds* | *6,825* | *6,796* | *29* | *0* | *(3)* | *(3)* | *0* | *0* |
| *of which: Lombard* | *642* | *642* | *0* | *0* | *(1)* | *0* | *0* | *(1)* |
| *of which: Commodity trade finance* | *1,740* | *1,615* | *122* | *3* | *(2)* | *(1)* | *0* | *(1)* |
| Irrevocable loan commitments | 27,463 | 26,885 | 563 | 14 | (40) | (33) | (7) | 0 |
| *of which: Large corporate clients* | *18,944* | *18,453* | *489* | *2* | *(34)* | *(29)* | *(6)* | *0* |
| Forward starting reverse repurchase and securities borrowing agreements | 2,259 | 2,259 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 31,713 | 30,567 | 1,078 | 68 | (40) | (19) | (21) | 0 |
| *of which: Real estate financing* | *2,893* | *2,488* | *405* | *0* | *(21)* | *(4)* | *(17)* | *0* |
| *of which: Large corporate clients* | *4,409* | *4,340* | *52* | *17* | *(1)* | *(1)* | *0* | *0* |
| *of which: SME clients* | *4,427* | *4,135* | *243* | *48* | *(9)* | *(7)* | *(1)* | *0* |
| *of which: Lombard* | *4,254* | *4,254* | *0* | *0* | *0* | *0* | *0* | *0* |
| *of which: Credit cards* | *7,755* | *7,447* | *308* | *0* | *(6)* | *(4)* | *(2)* | *0* |
| Irrevocable committed prolongation of existing loans | 3,668 | 3,667 | 0 | 0 | (3) | (3) | 0 | 0 |
| **Total off-balance sheet financial instruments and other credit lines** | **81,912** | **79,581** | **2,055** | **277** | **(122)** | **(60)** | **(29)** | **(33)** |
| **Total allowances and provisions** | | | | | **(1,030)** | **(180)** | **(163)** | **(687)** |

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

## Note 9 Expected credit loss measurement (continued)

| *USD million* | 31.12.18 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount[1] | | | | ECL allowance | | | |
| Financial instruments measured at amortized cost | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 108,370 | 108,370 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 16,642 | 16,440 | 202 | 0 | (7) | (4) | (1) | (3) |
| Receivables from securities financing transactions | 95,349 | 95,349 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 23,603 | 23,603 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 321,482 | 299,378 | 20,357 | 1,748 | (772) | (69) | (155) | (549) |
| *of which: Private clients with mortgages* | *126,335* | *115,679* | *9,859* | *796* | *(138)* | *(16)* | *(83)* | *(39)* |
| *of which: Real estate financing* | *36,474* | *28,578* | *7,858* | *38* | *(59)* | *(3)* | *(40)* | *(16)* |
| *of which: Large corporate clients* | *11,390* | *10,845* | *457* | *88* | *(95)* | *(9)* | *(4)* | *(82)* |
| *of which: SME clients* | *9,924* | *8,029* | *1,263* | *632* | *(281)* | *(13)* | *(12)* | *(256)* |
| *of which: Lombard* | *111,722* | *111,707* | *0* | *14* | *(21)* | *(4)* | *0* | *(17)* |
| *of which: Credit cards* | *1,529* | *1,216* | *297* | *16* | *(30)* | *(6)* | *(13)* | *(11)* |
| *of which: Commodity trade finance* | *3,260* | *2,798* | *445* | *16* | *(86)* | *(5)* | *(3)* | *(78)* |
| Other financial assets measured at amortized cost | 22,637 | 21,936 | 223 | 478 | (155) | (43) | (4) | (109) |
| *of which: Loans to financial advisors* | *3,291* | *3,104* | *62* | *125* | *(113)* | *(34)* | *(2)* | *(77)* |
| **Total financial assets measured at amortized cost** | **588,084** | **565,076** | **20,782** | **2,226** | **(937)** | **(117)** | **(159)** | **(660)** |
| **Financial assets measured at fair value through other comprehensive income** | **6,667** | **6,667** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Total on-balance sheet financial assets in scope of ECL requirements** | **594,750** | **571,743** | **20,782** | **2,226** | **(937)** | **(117)** | **(159)** | **(660)** |

| | Total exposure | | | | ECL provision | | | |
|---|---|---|---|---|---|---|---|---|
| Off-balance sheet (in scope of ECL) | 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) |
| *of which: Large corporate clients* | *3,862* | *3,599* | *136* | *127* | *(8)* | *(1)* | *(1)* | *(6)* |
| *of which: SME clients* | *1,298* | *1,057* | *164* | *77* | *(26)* | *0* | *0* | *(25)* |
| *of which: Financial intermediaries and hedge funds* | *7,193* | *7,125* | *67* | *0* | *(4)* | *(3)* | *0* | *0* |
| *of which: Lombard* | *834* | *834* | *0* | *0* | *0* | *0* | *0* | *0* |
| *of which: Commodity trade finance* | *2,097* | *1,851* | *236* | *11* | *(1)* | *(1)* | *0* | *0* |
| Irrevocable loan commitments | 31,212 | 30,590 | 568 | 53 | (37) | (32) | (5) | 0 |
| *of which: Large corporate clients* | *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 | 38,851 | 37,338 | 1,420 | 93 | (36) | (19) | (16) | 0 |
| *of which: Real estate financing* | *2,562* | *2,150* | *401* | *11* | *(17)* | *(4)* | *(12)* | *0* |
| *of which: Large corporate clients* | *4,260* | *4,152* | *91* | *17* | *(2)* | *(1)* | *0* | *0* |
| *of which: SME clients* | *4,505* | *4,163* | *285* | *57* | *(7)* | *(6)* | *(1)* | *0* |
| *of which: Lombard* | *7,402* | *7,402* | *0* | *0* | *0* | *(1)* | *0* | *0* |
| *of which: Credit cards* | *7,343* | *7,035* | *309* | *0* | *(6)* | *(4)* | *(2)* | *0* |
| Irrevocable committed prolongation of existing loans | 3,339 | 2,861 | 456 | 22 | (1) | (1) | 0 | 0 |
| **Total off-balance sheet financial instruments and other credit lines** | **92,486** | **89,048** | **3,055** | **383** | **(116)** | **(59)** | **(23)** | **(34)** |
| **Total allowances and provisions** | | | | | **(1,054)** | **(176)** | **(183)** | **(695)** |

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

## Note 10 Fair value measurement

This Note provides fair value measurement information for both financial and non-financial instruments and should be read in conjunction with "Note 24 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2018, which provides more information about 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.

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which the instrument is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurement:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
– Level 2: valuation techniques for which all significant inputs are, or are based on, observable market data; or
– Level 3: valuation techniques for which significant inputs are not based on observable market data.

## Note 10 Fair value measurement (continued)

### a) Fair value hierarchy

The fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value is summarized in the table below.

**Determination of fair values from quoted market prices or valuation techniques[1]**

| | 30.9.19 | | | | 30.6.19 | | | | 31.12.18 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *USD million* | Level 1 | Level 2 | Level 3 | Total | 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 | 101,301 | 12,307 | 2,412 | 116,020 | 105,660 | 12,948 | 1,625 | 120,232 | 88,455 | 14,096 | 1,962 | 104,513 |
| *of which:* | | | | | | | | | | | | |
| *Government bills / bonds* | *10,786* | *1,659* | *63* | *12,509* | *11,966* | *1,564* | *71* | *13,601* | *9,554* | *1,607* | *0* | *11,161* |
| *Corporate and municipal bonds* | *511* | *7,740* | *293* | *8,544* | *538* | *6,638* | *481* | *7,657* | *558* | *5,699* | *651* | *6,908* |
| *Loans* | *0* | *790* | *1,730* | *2,520* | *0* | *1,968* | *695* | *2,663* | *0* | *2,886* | *680* | *3,566* |
| *Investment fund units* | *8,501* | *1,323* | *118* | *9,942* | *7,895* | *1,578* | *153* | *9,625* | *6,074* | *3,200* | *442* | *9,716* |
| *Asset-backed securities* | *1* | *453* | *139* | *593* | *1* | *464* | *138* | *603* | *0* | *248* | *144* | *392* |
| *Equity instruments* | *81,502* | *342* | *69* | *81,913* | *85,259* | *736* | *88* | *86,083* | *72,270* | *455* | *46* | *72,771* |
| Derivative financial instruments | 631 | 132,471 | 1,139 | 134,242 | 449 | 119,692 | 1,546 | 121,687 | 753 | 124,035 | 1,424 | 126,212 |
| *of which:* | | | | | | | | | | | | |
| *Interest rate contracts* | *0* | *50,475* | *322* | *50,798* | *0* | *43,867* | *576* | *44,443* | *0* | *36,658* | *418* | *37,076* |
| *Credit derivative contracts* | *0* | *1,732* | *342* | *2,074* | *0* | *1,734* | *515* | *2,248* | *0* | *1,444* | *476* | *1,920* |
| *Foreign exchange contracts* | *422* | *56,003* | *20* | *56,445* | *166* | *47,962* | *16* | *48,144* | *311* | *53,151* | *30* | *53,492* |
| *Equity / index contracts* | *12* | *21,452* | *455* | *21,919* | *6* | *23,178* | *437* | *23,620* | *3* | *30,905* | *496* | *31,404* |
| *Commodity contracts* | *0* | *2,721* | *0* | *2,722* | *2* | *2,870* | *0* | *2,872* | *0* | *1,768* | *2* | *1,769* |
| Brokerage receivables | 0 | 17,653 | 0 | 17,653 | 0 | 16,915 | 0 | 16,915 | 0 | 16,840 | 0 | 16,840 |
| Financial assets at fair value not held for trading | 45,293 | 44,054 | 3,521 | 92,869 | 43,131 | 42,240 | 3,898 | 89,269 | 40,204 | 37,770 | 4,413 | 82,387 |
| *of which:* | | | | | | | | | | | | |
| *Government bills / bonds* | *19,202* | *4,171* | *0* | *23,373* | *17,470* | *4,127* | *0* | *21,597* | *17,687* | *4,806* | *0* | *22,493* |
| *Corporate and municipal bonds* | *812* | *19,439* | *0* | *20,250* | *752* | *17,066* | *0* | *17,818* | *781* | *16,455* | *0* | *17,236* |
| *Financial assets for unit-linked investment contracts* | *25,011* | *94* | *1* | *25,106* | *24,699* | *8* | *0* | *24,707* | *21,440* | *5* | *0* | *21,446* |
| *Loans* | *0* | *10,016* | *744* | *10,760* | *0* | *10,132* | *1,268* | *11,400* | *0* | *6,380* | *1,752* | *8,132* |
| *Securities financing transactions* | *0* | *10,161* | *152* | *10,313* | *0* | *10,107* | *146* | *10,252* | *0* | *9,899* | *39* | *9,937* |
| *Auction rate securities* | *0* | *0* | *1,543* | *1,543* | *0* | *0* | *1,551* | *1,551* | *0* | *0* | *1,664* | *1,664* |
| *Investment fund units* | *176* | *146* | *101* | *423* | *122* | *203* | *112* | *437* | *173* | *125* | *109* | *407* |
| *Equity instruments* | *93* | *5* | *468* | *566* | *89* | *25* | *476* | *590* | *123* | *62* | *517* | *702* |
| *Other* | *0* | *23* | *511* | *534* | *0* | *572* | *344* | *916* | *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 | 2,414 | 4,579 | 0 | 6,993 | 2,357 | 5,065 | 0 | 7,422 | 2,319 | 4,347 | 0 | 6,667 |
| *of which:* | | | | | | | | | | | | |
| *Government bills / bonds* | *2,368* | *13* | *0* | *2,381* | *2,308* | *13* | *0* | *2,321* | *2,171* | *69* | *0* | *2,239* |
| *Corporate and municipal bonds* | *45* | *429* | *0* | *474* | *48* | *447* | *0* | *495* | *149* | *348* | *0* | *497* |
| *Asset-backed securities* | *0* | *4,137* | *0* | *4,137* | *0* | *4,605* | *0* | *4,605* | *0* | *3,931* | *0* | *3,931* |
| **Non-financial assets measured at fair value on a recurring basis** | | | | | | | | | | | | |
| Precious metals and other physical commodities | 4,193 | 0 | 0 | 4,193 | 3,920 | 0 | 0 | 3,920 | 4,298 | 0 | 0 | 4,298 |
| **Non-financial assets measured at fair value on a non-recurring basis** | | | | | | | | | | | | |
| Other non-financial assets[2] | 0 | 67 | 29 | 96 | 0 | 70 | 29 | 98 | 0 | 82 | 0 | 82 |
| **Total assets measured at fair value** | 153,832 | 211,131 | 7,101 | 372,064 | 155,517 | 196,929 | 7,098 | 359,543 | 136,029 | 197,170 | 7,800 | 340,999 |

## Note 10 Fair value measurement (continued)

**Determination of fair values from quoted market prices or valuation techniques (continued)**[1]

| | 30.9.19 | | | | 30.6.19 | | | | 31.12.18 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *USD million* | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial liabilities measured at fair value on a recurring basis** | | | | | | | | | | | | |
| Financial liabilities at fair value held for trading | 28,584 | 4,866 | 53 | 33,502 | 26,803 | 5,365 | 109 | 32,277 | 24,413 | 4,468 | 69 | 28,949 |
| *of which:* | | | | | | | | | | | | |
| *Government bills / bonds* | *2,841* | *595* | *0* | *3,436* | *2,955* | *577* | *0* | *3,531* | *2,423* | *416* | *0* | *2,839* |
| *Corporate and municipal bonds* | *47* | *3,809* | *13* | *3,870* | *21* | *4,003* | *40* | *4,063* | *126* | *3,377* | *27* | *3,530* |
| *Investment fund units* | *465* | *168* | *3* | *635* | *533* | *178* | *1* | *711* | *551* | *137* | *0* | *689* |
| *Equity instruments* | *25,232* | *273* | *36* | *25,541* | *23,294* | *583* | *69* | *23,946* | *21,313* | *537* | *42* | *21,892* |
| Derivative financial instruments | 770 | 128,652 | 2,014 | 131,435 | 493 | 118,707 | 1,888 | 121,087 | 580 | 122,933 | 2,210 | 125,723 |
| *of which:* | | | | | | | | | | | | |
| *Interest rate contracts* | *0* | *43,956* | *212* | *44,169* | *0* | *39,334* | *191* | *39,525* | *7* | *32,511* | *226* | *32,743* |
| *Credit derivative contracts* | *0* | *2,712* | *446* | *3,158* | *0* | *2,742* | *570* | *3,312* | *0* | *2,203* | *519* | *2,722* |
| *Foreign exchange contracts* | *447* | *55,835* | *64* | *56,347* | *180* | *48,620* | *92* | *48,893* | *322* | *52,964* | *86* | *53,372* |
| *Equity / index contracts* | *9* | *23,616* | *1,291* | *24,915* | *5* | *25,328* | *1,032* | *26,365* | *1* | *33,669* | *1,371* | *35,041* |
| *Commodity contracts* | *1* | *2,463* | *0* | *2,464* | *3* | *2,601* | *1* | *2,605* | *0* | *1,487* | *0* | *1,487* |
| **Financial liabilities designated at fair value on a recurring basis** | | | | | | | | | | | | |
| Brokerage payables designated at fair value | 0 | 38,260 | 0 | 38,260 | 0 | 36,929 | 0 | 36,929 | 0 | 38,420 | 0 | 38,420 |
| Debt issued designated at fair value | 9 | 56,731 | 9,970 | 66,709 | 0 | 56,581 | 11,404 | 67,984 | 0 | 46,074 | 10,957 | 57,031 |
| Other financial liabilities designated at fair value | 0 | 34,043 | 739 | 34,782 | 0 | 33,708 | 700 | 34,407 | 0 | 32,569 | 1,025 | 33,594 |
| *of which:* | | | | | | | | | | | | |
| *Financial liabilities related to unit-linked investment contracts* | *0* | *25,422* | *0* | *25,422* | *0* | *25,087* | *0* | *25,087* | *0* | *21,679* | *0* | *21,679* |
| *Securities financing transactions* | *0* | *7,304* | *0* | *7,304* | *0* | *7,436* | *0* | *7,436* | *0* | *9,461* | *0* | *9,461* |
| *Over-the-counter debt instruments* | *0* | *1,315* | *709* | *2,024* | *0* | *1,183* | *645* | *1,828* | *0* | *1,427* | *1,023* | *2,450* |
| **Total liabilities measured at fair value** | 29,362 | 262,552 | 12,775 | 304,689 | 27,296 | 251,288 | 14,100 | 292,684 | 24,992 | 244,465 | 14,260 | 283,717 |

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.

**Note 10 Fair value measurement (continued)**

## b) Valuation adjustments

### Deferred day-1 profit or loss reserves

The table below summarizes the changes in deferred day-1 profit or loss reserves during the relevant period.

Deferred day-1 profit or loss is generally released into *Other net income from financial instruments measured at fair value through profit or loss* when pricing of equivalent products or the underlying parameters become observable or when the transaction is closed out.

**Deferred day-1 profit or loss reserves**

| | For the quarter ended | | | Year-to-date | |
|---|---|---|---|---|---|
| *USD million* | 30.9.19 | 30.6.19 | 30.9.18 | 30.9.19 | 30.9.18 |
| **Reserve balance at the beginning of the period** | 158 | 161 | 276 | 255 | 338 |
| Profit / (loss) deferred on new transactions | 32 | 58 | 43 | 122 | 293 |
| (Profit) / loss recognized in the income statement | (58) | (60) | (68) | (245) | (376) |
| Foreign currency translation | (1) | 0 | (1) | (2) | (4) |
| **Reserve balance at the end of the period** | 131 | 158 | 250 | 131 | 250 |

## 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 0.7 billion, which mainly consisted of exchange traded 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 nine months 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 nine months of 2019 were not material. Assets and liabilities transferred from Level 1 to Level 2 during the first nine months of 2019 were also not material.

## Note 10 Fair value measurement (continued)

### d) Level 3 instruments: valuation techniques and inputs

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

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

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

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

| | Fair value | | | | | | Range of inputs | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | | | 30.9.19 | | | 31.12.18 | | | |
| *USD billion* | 30.9.19 | 31.12.18 | 30.9.19 | 31.12.18 | Valuation technique(s) | Significant unobservable input(s)[1] | low | high | weighted average[2] | low | high | weighted average[2] | unit[1] |
| **Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading** | | | | | | | | | | | | | |
| *Corporate and municipal bonds* | *0.3* | *0.7* | *0.0* | *0.0* | Relative value to market comparable | Bond price equivalent | 0 | 161 | 98 | 0 | 134 | 89 | points |
| *Traded loans, loans designated at fair value, loan commitments and guarantees* | *2.9* | *2.7* | *0.0* | *0.0* | Relative value to market comparable | Loan price equivalent | 0 | 101 | 99 | 0 | 100 | 99 | points |
| | | | | | Discounted expected cash flows | Credit spread | 250 | 530 | | 301 | 513 | | basis points |
| | | | | | Market comparable and securitization model | Discount margin | 1 | 14 | 2 | 1 | 14 | 2 | % |
| *Auction rate securities* | *1.5* | *1.7* | | | Relative value to market comparable | Bond price equivalent | 79 | 99 | 89 | 79 | 99 | 89 | points |
| *Investment fund units[3]* | *0.2* | *0.6* | *0.0* | *0.0* | Relative value to market comparable | Net asset value | | | | | | | |
| *Equity instruments[3]* | *0.5* | *0.6* | *0.0* | *0.0* | Relative value to market comparable | Price | | | | | | | |
| **Debt issued designated at fair value[4]** | | | 10.0 | 11.0 | | | | | | | | | |
| **Other financial liabilities designated at fair value[4]** | | | 0.7 | 1.0 | | | | | | | | | |
| **Derivative financial instruments** | | | | | | | | | | | | | |
| *Interest rate contracts* | *0.3* | *0.4* | *0.2* | *0.2* | Option model | Volatility of interest rates | 47 | 67 | | 50 | 81 | | basis points |
| *Credit derivative contracts* | *0.3* | *0.5* | *0.4* | *0.5* | Discounted expected cash flows | Credit spreads | 1 | 563 | | 4 | 545 | | basis points |
| | | | | | | Bond price equivalent | 3 | 100 | | 3 | 99 | | points |
| *Equity / index contracts* | *0.5* | *0.5* | *1.3* | *1.4* | Option model | Equity dividend yields | 0 | 16 | | 0 | 12 | | % |
| | | | | | | Volatility of equity stocks, equity and other indices | 4 | 91 | | 4 | 93 | | % |
| | | | | | | Equity-to-FX correlation | (45) | 64 | | (39) | 67 | | % |
| | | | | | | Equity-to-equity correlation | (17) | 97 | | (50) | 97 | | % |

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

**Note 10 Fair value measurement (continued)**

## e) Level 3 instruments: sensitivity to changes in unobservable input assumptions

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, and the estimated effect thereof.

The table shown presents the favorable and unfavorable effects for each class of financial assets and liabilities for which the potential change in fair value is considered significant. The sensitivity of fair value measurements for debt issued designated at fair value and over-the-counter debt instruments designated at fair value is reported with the equivalent derivative or structured financing instrument within the table below.

The sensitivity data shown below presents an estimation of valuation uncertainty based on reasonably possible alternative values for Level 3 inputs at the balance sheet date and does not represent the estimated effect of stress scenarios. Typically, these financial assets and liabilities are sensitive to a combination of inputs from Levels 1–3. Although well-defined interdependencies may exist between Levels 1–2 and Level 3 parameters (e.g., between interest rates, which are generally Level 1 or Level 2, and prepayments, which are generally Level 3), these have not been incorporated in the table. Furthermore, direct interrelationships between the Level 3 parameters are not a significant element of the valuation uncertainty.

**Sensitivity of fair value measurements to changes in unobservable input assumptions**

| | 30.9.19 | | 30.6.19 | | 31.12.18 | |
|---|---|---|---|---|---|---|
| *USD million* | Favorable changes | Unfavorable changes | Favorable changes | Unfavorable changes | Favorable changes | Unfavorable changes |
| Traded loans, loans designated at fair value, loan commitments and guarantees | 93 | (21) | 88 | (18) | 99 | (44) |
| Securities financing transactions | 27 | (15) | 33 | (20) | 17 | (11) |
| Auction rate securities | 77 | (77) | 78 | (78) | 81 | (81) |
| Asset-backed securities | 38 | (41) | 39 | (43) | 27 | (23) |
| Equity instruments | 144 | (84) | 148 | (87) | 155 | (94) |
| Interest rate derivative contracts, net | 15 | (29) | 10 | (25) | 8 | (39) |
| Credit derivative contracts, net | 32 | (36) | 32 | (36) | 33 | (37) |
| Foreign exchange derivative contracts, net | 10 | (7) | 12 | (8) | 10 | (5) |
| Equity / index derivative contracts, net | 154 | (168) | 168 | (180) | 213 | (225) |
| Other | 25 | (28) | 22 | (26) | 19 | (19) |
| **Total** | 616 | (505) | 629 | (519) | 661 | (578) |

## 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.

## Note 10 Fair value measurement (continued)

**Movements of Level 3 instruments**

| | | | | Total gains / losses included in comprehensive income | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *USD billion* | **Balance as of 31 December 2017** | **Reclassifi-cations and remeasure-ments upon adoption of IFRS 9** | **Balance as of 1 January 2018** | Net gains / losses included in income[1] | *of which: related to Level 3 instruments held at the end of the reporting period* | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | **Balance as of 30 September 2018** |
| **Financial assets at fair value held for trading** | **2.0** | **0.4** | **2.4** | **(0.4)** | ***(0.4)*** | **1.6** | **(5.7)** | **3.9** | **0.0** | **0.8** | **(0.2)** | **0.0** | **2.5** |
| *of which:* | | | | | | | | | | | | | |
| *Corporate and municipal bonds* | *0.6* | | *0.6* | *(0.2)* | *(0.2)* | *0.5* | *(0.8)* | *0.0* | *0.0* | *0.6* | *0.0* | *0.0* | *0.6* |
| *Loans* | *0.5* | *0.4* | *0.9* | *0.0* | *0.0* | *0.6* | *(4.3)* | *3.9* | *0.0* | *0.1* | *0.0* | *0.0* | *1.2* |
| *Investment fund units* | *0.6* | | *0.6* | *(0.2)* | *(0.1)* | *0.2* | *(0.2)* | *0.0* | *0.0* | *0.1* | *(0.1)* | *0.0* | *0.4* |
| *Other* | *0.4* | | *0.4* | *0.0* | *(0.1)* | *0.3* | *(0.4)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.3* |
| **Financial assets at fair value not held for trading** | **1.5** | **3.0** | **4.4** | **0.1** | ***0.1*** | **1.5** | **(1.4)** | **0.0** | **0.0** | **0.1** | **(0.1)** | **0.1** | **4.8** |
| *of which:* | | | | | | | | | | | | | |
| *Loans* | *0.8* | *0.6* | *1.4* | *(0.2)* | *(0.1)* | *1.3* | *(0.6)* | *0.0* | *0.0* | *0.1* | *0.0* | *0.0* | *1.9* |
| *Auction rate securities* | | *1.9* | *1.9* | *0.1* | *0.1* | *0.0* | *(0.3)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* | *1.8* |
| *Equity instruments* | | *0.4* | *0.4* | *0.1* | *0.1* | *0.2* | *(0.2)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.6* |
| *Other* | *0.7* | *0.1* | *0.8* | *0.0* | *0.0* | *0.1* | *(0.3)* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.5* |
| **Financial assets measured at fair value through other comprehensive income** | **0.5** | **(0.5)** | | **0.0** | ***0.0*** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Derivative financial instruments – assets** | **1.6** | | **1.6** | **(0.3)** | ***(0.3)*** | **0.0** | **0.0** | **0.9** | **(0.9)** | **0.6** | **(0.3)** | **0.0** | **1.6** |
| *of which:* | | | | | | | | | | | | | |
| *Interest rate contracts* | *0.1* | | *0.1* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.2* | *(0.1)* | *0.5* | *(0.1)* | *0.0* | *0.5* |
| *Credit derivative contracts* | *0.6* | | *0.6* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.5* |
| *Equity / index contracts* | *0.7* | | *0.7* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.7* | *(0.7)* | *0.1* | *(0.1)* | *0.0* | *0.6* |
| *Other* | *0.2* | | *0.2* | *(0.1)* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| **Derivative financial instruments – liabilities** | **2.9** | **0.0** | **2.9** | **(0.5)** | ***(0.4)*** | **0.0** | **0.0** | **1.2** | **(1.1)** | **0.3** | **(0.4)** | **0.0** | **2.5** |
| *of which:* | | | | | | | | | | | | | |
| *Credit derivative contracts* | *0.6* | | *0.6* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.6* |
| *Equity / index contracts* | *2.0* | | *2.0* | *(0.3)* | *(0.2)* | *0.0* | *0.0* | *0.9* | *(0.9)* | *0.2* | *(0.4)* | *0.0* | *1.4* |
| *Other* | *0.3* | *0.0* | *0.3* | *(0.2)* | *(0.2)* | *0.0* | *0.0* | *0.3* | *0.0* | *0.1* | *0.0* | *0.0* | *0.4* |
| **Debt issued designated at fair value** | **11.2** | | **11.2** | **0.7** | ***0.3*** | **0.0** | **0.0** | **5.1** | **(3.7)** | **1.4** | **(4.3)** | **(0.1)** | **10.3** |
| **Other financial liabilities designated at fair value** | **2.0** | | **2.0** | **0.0** | ***0.0*** | **0.0** | **0.0** | **0.9** | **(2.1)** | **0.0** | **0.0** | **0.0** | **0.7** |

1 Net gains / losses included in comprehensive income are comprised of Net interest income, Other net income from financial instruments measured at fair value through profit or loss and Other income. 2 Total Level 3 assets as of 30 September 2019 were USD 7.1 billion (31 December 2018: USD 7.8 billion). Total Level 3 liabilities as of 30 September 2019 were USD 12.8 billion (31 December 2018: USD 14.3 billion).

## Note 10 Fair value measurement (continued)

| Balance as of 31 December 2018[2] | Total gains / losses included in comprehensive income | | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | Balance as of 30 September 2019[2] |
|---|---|---|---|---|---|---|---|---|---|---|
| | Net gains / losses included in income[1] | *of which: related to Level 3 instruments held at the end of the reporting period* | | | | | | | | |
| 2.0 | (0.3) | *0.0* | 0.8 | (3.7) | 3.7 | 0.0 | 0.3 | (0.4) | 0.0 | 2.4 |
| | | | | | | | | | | |
| *0.7* | *0.0* | *0.0* | *0.3* | *(0.5)* | *0.0* | *0.0* | *0.0* | *(0.2)* | *0.0* | *0.3* |
| *0.7* | *(0.2)* | *0.0* | *0.1* | *(2.6)* | *3.7* | *0.0* | *0.1* | *0.0* | *0.0* | *1.7* |
| *0.4* | *0.0* | *0.0* | *0.1* | *(0.4)* | *0.0* | *0.0* | *0.2* | *(0.2)* | *0.0* | *0.1* |
| *0.2* | *0.0* | *0.0* | *0.3* | *(0.2)* | *0.0* | *0.0* | *0.1* | *0.0* | *0.0* | *0.3* |
| 4.4 | 0.1 | *0.1* | 0.7 | (0.7) | 0.0 | 0.0 | 0.2 | (1.2) | 0.0 | 3.5 |
| | | | | | | | | | | |
| *1.8* | *0.0* | *0.0* | *0.3* | *(0.3)* | *0.0* | *0.0* | *0.2* | *(1.2)* | *0.0* | *0.7* |
| *1.7* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *1.5* |
| *0.5* | *0.1* | *0.1* | *0.1* | *(0.2)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.5* |
| *0.5* | *0.0* | *0.0* | *0.3* | *(0.1)* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.8* |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.4 | (0.2) | *(0.1)* | 0.0 | 0.0 | 0.7 | (0.7) | 0.2 | (0.3) | 0.0 | 1.1 |
| | | | | | | | | | | |
| *0.4* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* | *0.0* | *0.0* | *(0.2)* | *0.0* | *0.3* |
| *0.5* | *0.0* | *0.0* | *0.0* | *0.0* | *0.2* | *(0.3)* | *0.1* | *(0.1)* | *0.0* | *0.3* |
| *0.5* | *(0.2)* | *0.0* | *0.0* | *0.0* | *0.5* | *(0.4)* | *0.2* | *(0.1)* | *0.0* | *0.5* |
| *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| 2.2 | 0.1 | *0.0* | 0.0 | 0.0 | 0.8 | (0.9) | 0.2 | (0.3) | 0.0 | 2.0 |
| | | | | | | | | | | |
| *0.5* | *0.0* | *0.0* | *0.0* | *0.0* | *0.1* | *(0.2)* | *0.1* | *(0.1)* | *0.0* | *0.4* |
| *1.4* | *0.1* | *0.0* | *0.0* | *0.0* | *0.7* | *(0.8)* | *0.1* | *(0.2)* | *0.0* | *1.3* |
| *0.3* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *(0.1)* | *0.0* | *0.3* |
| 11.0 | 0.5 | *0.3* | 0.0 | 0.0 | 6.0 | (5.2) | 0.6 | (2.8) | (0.1) | 10.0 |
| 1.0 | 0.2 | *0.1* | 0.0 | 0.0 | 0.2 | (0.7) | 0.1 | 0.0 | 0.0 | 0.7 |

**Note 10 Fair value measurement (continued)**

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

Assets transferred into and out of Level 3 in the first nine months of 2019 totaled USD 0.8 billion and USD 1.9 billion, respectively. Transfers into Level 3 mainly consisted of loans, investment fund units and equity / index contracts, reflecting decreased observability of the relevant valuation inputs. Transfers out of Level 3 mainly consisted of loans, reflecting increased observability of the relevant valuation inputs.

Liabilities transferred into and out of Level 3 in the first nine months of 2019 totaled USD 0.8 billion and USD 3.1 billion, respectively. Transfers into and out of Level 3 mainly consisted of debt issued designated at fair value, primarily equity-linked issued debt instruments, 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**

| | 30.9.19 | | 30.6.19 | | 31.12.18 | |
|---|---|---|---|---|---|---|
| *USD billion* | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| **Assets** | | | | | | |
| Cash and balances at central banks | 91.3 | 91.3 | 101.5 | 101.5 | 108.4 | 108.4 |
| Loans and advances to banks | 12.9 | 12.9 | 12.7 | 12.7 | 16.6 | 16.6 |
| Receivables from securities financing transactions | 92.0 | 92.0 | 92.9 | 92.9 | 95.3 | 95.4 |
| Cash collateral receivables on derivative instruments | 25.7 | 25.7 | 23.8 | 23.8 | 23.6 | 23.6 |
| Loans and advances to customers | 321.7 | 324.9 | 324.3 | 327.5 | 321.5 | 322.0 |
| Other financial assets measured at amortized cost | 23.6 | 23.9 | 22.2 | 22.4 | 22.6 | 22.5 |
| **Liabilities** | | | | | | |
| Amounts due to banks | 8.2 | 8.2 | 9.5 | 9.5 | 11.0 | 11.0 |
| Payables from securities financing transactions | 5.6 | 5.6 | 6.8 | 6.8 | 10.3 | 10.3 |
| Cash collateral payables on derivative instruments | 32.3 | 32.3 | 31.4 | 31.4 | 28.9 | 28.9 |
| Customer deposits | 429.1 | 429.3 | 435.6 | 435.7 | 422.0 | 422.0 |
| Funding from UBS Group AG and its subsidiaries | 47.6 | 49.5 | 45.2 | 46.8 | 41.2 | 41.7 |
| Debt issued measured at amortized cost | 69.7 | 70.4 | 75.7 | 76.6 | 91.2 | 93.5 |
| Other financial liabilities measured at amortized cost | 11.1 | 11.1 | 10.9 | 10.9 | 7.6 | 7.6 |

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

## Note 11 Derivative instruments

### a) Derivative instruments

| *As of 30.9.19, USD billion* | Derivative financial assets | Notional values related to derivative financial assets[3] | Derivative financial liabilities | Notional values related to derivative financial liabilities[3] | Other notional values[4] |
|---|---|---|---|---|---|
| Derivative financial instruments[1,2] | | | | | |
| Interest rate contracts | 50.8 | 1,120 | 44.2 | 1,079 | 11,972 |
| Credit derivative contracts | 2.1 | 73 | 3.2 | 74 | 0 |
| Foreign exchange contracts | 56.4 | 3,402 | 56.3 | 3,254 | 0 |
| Equity / index contracts | 21.9 | 486 | 24.9 | 587 | 123 |
| Commodity contracts | 2.7 | 69 | 2.5 | 62 | 10 |
| Unsettled purchases of non-derivative financial instruments[5] | 0.1 | 24 | 0.1 | 14 | |
| Unsettled sales of non-derivative financial instruments[5] | 0.1 | 22 | 0.3 | 19 | |
| Total derivative financial instruments, based on IFRS netting[6] | 134.2 | 5,197 | 131.4 | 5,090 | 12,105 |
| Further netting potential not recognized on the balance sheet[7] | (123.0) | | (118.7) | | |
| *of which: netting of recognized financial liabilities / assets* | *(100.7)* | | *(100.7)* | | |
| *of which: netting with collateral received / pledged* | *(22.4)* | | *(18.0)* | | |
| Total derivative financial instruments, after consideration of further netting potential | 11.2 | | 12.8 | | |
| *As of 30.6.19, USD billion* | | | | | |
| Derivative financial instruments[1,2] | | | | | |
| Interest rate contracts | 44.4 | 1,167 | 39.5 | 1,133 | 11,968 |
| Credit derivative contracts | 2.2 | 73 | 3.3 | 75 | 0 |
| Foreign exchange contracts | 48.1 | 3,191 | 48.9 | 3,091 | 1 |
| Equity / index contracts | 23.6 | 467 | 26.4 | 553 | 111 |
| Commodity contracts | 2.9 | 70 | 2.6 | 53 | 2 |
| Unsettled purchases of non-derivative financial instruments[5] | 0.2 | 31 | 0.2 | 12 | |
| Unsettled sales of non-derivative financial instruments[5] | 0.2 | 21 | 0.2 | 24 | |
| Total derivative financial instruments, based on IFRS netting[6] | 121.7 | 5,019 | 121.1 | 4,942 | 12,082 |
| Further netting potential not recognized on the balance sheet[7] | (110.2) | | (105.9) | | |
| *of which: netting of recognized financial liabilities / assets* | *(88.9)* | | *(88.9)* | | |
| *of which: netting with collateral received / pledged* | *(21.3)* | | *(17.0)* | | |
| Total derivative financial instruments, after consideration of further netting potential | 11.5 | | 15.2 | | |
| *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 netting[6] | 126.2 | 4,239 | 125.7 | 4,163 | 10,894 |
| Further netting potential not recognized on the balance sheet[7] | (114.8) | | (111.7) | | |
| *of which: netting of recognized financial liabilities / assets* | *(90.8)* | | *(90.8)* | | |
| *of which: netting with collateral received / pledged* | *(24.0)* | | *(20.9)* | | |
| Total derivative financial instruments, after consideration of further netting potential | 11.4 | | 14.0 | | |

1 Derivative financial liabilities as of 30 September 2019 include USD 12 million related to derivative loan commitments (30 June 2019: USD 14 million; 31 December 2018: USD 17 million). No notional amounts related to these commitments are included in this table, but they are disclosed in Note 16 under Loan commitments. 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 30 September 2019, 30 June 2019 or 31 December 2018. No notional amounts related to these instruments are included in this table, but they are disclosed in Note 16 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 AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. 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.

## Note 11 Derivative instruments (continued)

### b) Cash collateral on derivative instruments

| USD billion | Receivables 30.9.19 | Payables 30.9.19 | Receivables 30.6.19 | Payables 30.6.19 | Receivables 31.12.18 | Payables 31.12.18 |
|---|---|---|---|---|---|---|
| Cash collateral on derivative instruments, based on IFRS netting[1] | 25.7 | 32.3 | 23.8 | 31.4 | 23.6 | 28.9 |
| Further netting potential not recognized on the balance sheet[2] | (15.5) | (18.9) | (14.2) | (17.9) | (14.5) | (15.4) |
| *of which: netting of recognized financial liabilities / assets* | *(14.6)* | *(17.3)* | *(13.4)* | *(16.2)* | *(13.5)* | *(14.2)* |
| *of which: netting with collateral received / pledged* | *(0.9)* | *(1.5)* | *(0.7)* | *(1.7)* | *(1.0)* | *(1.2)* |
| **Cash collateral on derivative instruments, after consideration of further netting potential** | 10.2 | 13.4 | 9.6 | 13.5 | 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 12 Other assets and liabilities

### a) Other financial assets measured at amortized cost

| USD million | 30.9.19 | 30.6.19 | 31.12.18 |
|---|---|---|---|
| Debt securities | 14,291 | 12,906 | 13,562 |
| *of which: government bills / bonds* | *9,048* | *8,163* | *8,778* |
| Loans to financial advisors[1] | 3,004 | 3,075 | 3,291 |
| Fee- and commission-related receivables | 1,735 | 1,830 | 1,644 |
| Finance lease receivables[2] | 1,389 | 1,259 | 1,091 |
| Settlement and clearing accounts | 564 | 582 | 1,039 |
| Accrued interest income | 789 | 821 | 700 |
| Other | 1,826 | 1,752 | 1,310 |
| **Total other financial assets measured at amortized cost** | 23,597 | 22,225 | 22,637 |

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

| USD million | 30.9.19 | 30.6.19 | 31.12.18 |
|---|---|---|---|
| Precious metals and other physical commodities | 4,193 | 3,920 | 4,298 |
| Bail deposit[1] | 1,255 | 1,306 | 1,312 |
| Prepaid expenses | 709 | 760 | 731 |
| Net defined benefit pension and post-employment assets[2] | 1,601 | 3 | 0 |
| VAT and other tax receivables | 290 | 290 | 282 |
| Properties and other non-current assets held for sale | 96 | 98 | 82 |
| Other | 436 | 456 | 358 |
| **Total other non-financial assets** | 8,580 | 6,833 | 7,062 |

1 Refer to item 1 in Note 15b for more information. 2 Net defined benefit pension assets of USD 1,601 million as of 30 September 2019 reflected the surplus of the Swiss pension plan. Following a 36-basis-point decrease in the applicable discount rate during the third quarter of 2019, the estimated future economic benefit of the Swiss pension plan turned positive and exceeded the plan's surplus. As a result, the full surplus of the plan was recognized as of 30 September 2019.

## Note 12 Other assets and liabilities (continued)

### c) Other financial liabilities measured at amortized cost

| *USD million* | 30.9.19 | 30.6.19 | 31.12.18 |
|---|---|---|---|
| Other accrued expenses | 1,516 | 1,565 | 1,911 |
| Accrued interest expenses | 1,322 | 1,441 | 1,501 |
| Settlement and clearing accounts | 2,207 | 1,787 | 1,477 |
| Lease liabilities[1] | 3,633 | 3,777 | |
| Other | 2,383 | 2,358 | 2,688 |
| Total other financial liabilities measured at amortized cost | 11,062 | 10,927 | 7,576 |

1 Relates to lease liabilities of USD 3,956 million recognized upon adoption of IFRS 16 on 1 January 2019. Refer to Note 1 for more information.

### d) Other financial liabilities designated at fair value

| *USD million* | 30.9.19 | 30.6.19 | 31.12.18 |
|---|---|---|---|
| Financial liabilities related to unit-linked investment contracts | 25,422 | 25,087 | 21,679 |
| Securities financing transactions | 7,304 | 7,436 | 9,461 |
| Over-the-counter debt instruments | 2,024 | 1,828 | 2,450 |
| *of which: life-to-date own credit (gain) / loss* | *(42)* | *(26)* | *(51)* |
| Other | 32 | 56 | 5 |
| Total other financial liabilities designated at fair value | 34,782 | 34,407 | 33,594 |

### e) Other non-financial liabilities

| *USD million* | 30.9.19 | 30.6.19 | 31.12.18 |
|---|---|---|---|
| Compensation-related liabilities | 4,023 | 3,578 | 4,645 |
| *of which: financial advisor compensation plans* | *1,388* | *1,295* | *1,454* |
| *of which: other compensation plans* | *1,408* | *986* | *1,929* |
| *of which: net defined benefit pension and post-employment liabilities* | *802* | *871* | *773* |
| *of which: other compensation-related liabilities* [1] | *425* | *427* | 490 |
| Current and deferred tax liabilities | 1,352 | 1,061 | 915 |
| VAT and other tax payables | 436 | 405 | 403 |
| Deferred income | 160 | 168 | 215 |
| Other | 89 | 89 | 98 |
| Total other non-financial liabilities | 6,059 | 5,301 | 6,275 |

1 Includes liabilities for payroll taxes and untaken vacation.

## Note 13 Debt issued designated at fair value

| *USD million* | 30.9.19 | 30.6.19 | 31.12.18 |
|---|---|---|---|
| **Issued debt instruments** | | | |
| Equity-linked[1] | 40,820 | 42,812 | 34,392 |
| Rates-linked | 15,818 | 14,449 | 12,073 |
| Credit-linked | 3,036 | 3,310 | 3,282 |
| Fixed-rate | 4,930 | 5,007 | 5,099 |
| Other | 2,106 | 2,405 | 2,185 |
| **Total debt issued designated at fair value** | 66,709 | 67,984 | 57,031 |
| *of which: life-to-date own credit (gain) / loss* | *(20)* | *(34)* | *(270)* |

1 Includes investment fund unit-linked instruments issued.

## Note 14 Debt issued measured at amortized cost

| *USD million* | 30.9.19 | 30.6.19 | 31.12.18 |
|---|---|---|---|
| Certificates of deposit | 5,278 | 4,523 | 7,980 |
| Commercial paper | 17,826 | 17,266 | 27,514 |
| Other short-term debt | 2,616 | 2,902 | 3,531 |
| **Short-term debt[1]** | 25,719 | 24,692 | 39,025 |
| Senior unsecured debt | 24,257 | 30,707 | 32,135 |
| Covered bonds | 3,682 | 3,853 | 3,947 |
| Subordinated debt | 7,567 | 7,649 | 7,511 |
| *of which: low-trigger loss-absorbing tier 2 capital instruments* | *6,873* | *6,947* | *6,808* |
| *of which: non-Basel III-compliant tier 2 capital instruments* | *534* | *702* | *703* |
| Debt issued through the Swiss central mortgage institutions | 8,463 | 8,724 | 8,569 |
| Other long-term debt | 51 | 54 | 58 |
| **Long-term debt[2]** | 44,020 | 50,988 | 52,220 |
| **Total debt issued measured at amortized cost[3]** | 69,739 | 75,679 | 91,245 |

1 Debt with an original maturity of less than one year. 2 Debt with an 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 15 Provisions and contingent liabilities

### a) Provisions

The table below presents an overview of total provisions recognized under both IAS 37 and IFRS 9.

| *USD million* | 30.9.19 | 30.6.19 | 31.12.18 |
|---|---|---|---|
| Provisions recognized under IAS 37 | 2,825 | 2,855 | 3,341 |
| Provisions for off-balance sheet financial instruments | 66 | 80 | 79 |
| Provisions for other credit lines | 38 | 42 | 37 |
| **Total provisions** | 2,928 | 2,978 | 3,457 |

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

| *USD million* | Operational risks[2] | Litigation, regulatory and similar matters[3] | Restructuring | Real estate | Employee benefits[6] | Other | Total |
|---|---|---|---|---|---|---|---|
| **Balance as of 31 December 2018** | 45 | 2,827 | 215 | 122 | 55 | 77 | 3,341 |
| Adjustment from adoption of IFRS 16[1] | 0 | 0 | (103) | (28) | 0 | 0 | (131) |
| **Balance as of 1 January 2019** | 45 | 2,827 | 112 | 94 | 55 | 77 | 3,210 |
| **Balance as of 30 June 2019** | 43 | 2,509 | 86 | 90 | 55 | 73 | 2,855 |
| Increase in provisions recognized in the income statement | 2 | 72 | 12 | 0 | 1 | 2 | 88 |
| Release of provisions recognized in the income statement | 0 | (4) | (8) | 0 | (1) | 0 | (14) |
| Provisions used in conformity with designated purpose | (3) | (44) | (19) | (1) | 0 | (2) | (69) |
| Capitalized reinstatement costs | 0 | 0 | 0 | (1) | 0 | 0 | (1) |
| Foreign currency translation / unwind of discount | (1) | (29) | (1) | (2) | (1) | (2) | (36) |
| **Balance as of 30 September 2019** | 41 | 2,503 | 70[4] | 87[5] | 53 | 71 | 2,825 |

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 8 million as of 30 September 2019 (30 June 2019: USD 18 million; 31 December 2018: USD 40 million) and provisions for onerous contracts of USD 57 million as of 30 September 2019 (30 June 2019: USD 63 million; 31 December 2018: USD 170 million). 5 Consists of reinstatement costs for leasehold improvements of USD 79 million as of 30 September 2019 (30 June 2019: USD 82 million; 31 December 2018: USD 83 million) and provisions for onerous contracts of USD 8 million as of 30 September 2019 (30 June 2019: USD 9 million; 31 December 2018: USD 40 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 AG is committed to pay for non-lease components, such as utilities, when a property is vacated or not fully recovered from subtenants. Severance-related provisions are used within a short time period, usually within six months, but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring event and therefore the estimated costs.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 15b. There are no material contingent liabilities associated with the other classes of provisions.

**Note 15 Provisions and contingent liabilities (continued)**

## b) Litigation, regulatory and similar matters

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

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

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.

## Note 15 Provisions and contingent liabilities (continued)

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in Note 15a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require us to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although we therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, we believe that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the non-prosecution agreement described in item 5 of this Note, which we entered into with the US Department of Justice (DOJ), Criminal Division, Fraud Section in connection with our submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate (LIBOR), was terminated by the DOJ based on its determination that we had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and is subject to probation through January 2020.

A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require us to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations, and may permit financial market utilities to limit, suspend or terminate our participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining our capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the UBS Group third quarter 2019 report.

**Provisions for litigation, regulatory and similar matters by business division and in Corporate Center[1]**

| *USD million* | Global Wealth Manage-ment | Personal & Corporate Banking | Asset Manage-ment | Investment Bank | Corporate Center | UBS |
|---|---|---|---|---|---|---|
| Balance as of 31 December 2018 | 1,003 | 117 | 0 | 269 | 1,438 | 2,827 |
| Balance as of 30 June 2019 | 858 | 114 | 0 | 202 | 1,334 | 2,509 |
| Increase in provisions recognized in the income statement | 71 | 0 | 0 | 0 | 0 | 72 |
| Release of provisions recognized in the income statement | (1) | 0 | 0 | 0 | (4) | (4) |
| Provisions used in conformity with designated purpose | (42) | (1) | 0 | 0 | (1) | (44) |
| Foreign currency translation / unwind of discount | (20) | (4) | 0 | (5) | (1) | (29) |
| Balance as of 30 September 2019 | 867 | 110 | 0 | 197 | 1,329 | 2,503 |

1 Provisions, if any, for the matters described in this disclosure are recorded in Global Wealth Management (item 3, item 4 and item 7) and Corporate Center (item 2). Provisions, if any, for the matters described in items 1 and 6 of this disclosure are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this disclosure in item 5 are allocated between the Investment Bank and Corporate Center.

**Note 15 Provisions and contingent liabilities (continued)**

1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that the implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration (FTA) to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests.

The Swiss Federal Administrative Court ruled in 2016 that, in the administrative assistance proceedings related to a French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. On 30 July 2018, the Swiss Federal Administrative Court granted UBS's appeal by holding the French administrative assistance request inadmissible. The FTA filed a final appeal with the Swiss Federal Supreme Court. The Supreme Court on 26 July 2019, reversed the decision of the Federal Administrative Court. The judges also stated that the FTA must ensure that the French authorities respect the principle of "speciality", which requires the information furnished may only be used for the purposes specified in the request.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France for alleged complicity in unlawful solicitation of 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 unlawful solicitation of 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 30 September 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 30 September 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. In June 2019, UBS entered into a settlement agreement with the Italian tax authorities under which it paid EUR 101 million to resolve the claims asserted by the authority related to UBS AG's potential permanent establishment in Italy. In October 2019, the Judge of Preliminary Investigations of the Milan Court approved an agreement with the Milan prosecutor under Article 63 of Italian Administrative Law 231 under which UBS AG, UBS Switzerland AG and UBS Monaco will pay an aggregate of EUR 10.3 million to resolve claims premised on the alleged inadequacy of historical internal controls. No admission of wrongdoing was required in connection with this resolution.

Our balance sheet at 30 September 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.

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

## 3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

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

**Note 15 Provisions and contingent liabilities (continued)**

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. In August 2019, the defendants, including UBS, filed a petition to the US Supreme Court requesting that it review the Court of Appeals' decision. The bankruptcy proceedings have been stayed pending a decision with respect to that petition.

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 3.4 billion, of which claims with aggregate claimed damages of USD 2.4 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.

In May 2019, the oversight board filed complaints in Puerto Rico federal district court bringing claims against financial, legal and accounting firms that had participated in Puerto Rico municipal bond offerings, including UBS, seeking a return of underwriting and swap fees paid in connection with those offerings. UBS estimates that it received approximately USD 125 million in fees in the relevant offerings.

In August 2019, two US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and seven other underwriters of Puerto Rico municipal bonds, alleging an aggregate of USD 720 million in damages from the defendants. The plaintiffs allege that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs allege they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters.

Our balance sheet at 30 September 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.

### 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. In 2019 the European Commission announced two decisions with respect to foreign exchange trading. UBS was granted immunity by the European Commission in these matters and therefore was not fined. 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 investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. UBS reached settlements or otherwise concluded investigations relating to benchmark interest rates with the investigating authorities. 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. UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission (WEKO), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

**Note 15 Provisions and contingent liabilities (continued)**

*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, 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 and certain of these actions are now proceeding. 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 claims. The defendants moved to dismiss the complaint on 30 August 2019.

*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. Plaintiffs in the other Yen LIBOR, Euroyen TIBOR and the EURIBOR actions have appealed the dismissals. 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 filed amended complaints following the dismissals, and the courts granted renewed motions to dismiss in July 2019 (SIBOR / SOR) and in September 2019 (CHF LIBOR). Plaintiffs in the SIBOR / SOR action have appealed the dismissal. 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 filed an amended complaint in April 2019, which UBS and other defendants named in the amended complaint have moved to dismiss. The court dismissed the GBP LIBOR action in August 2019, and plaintiffs appealed the dismissal in September 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 30 September 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.

## 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 30 September 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.

## 7. Securities transaction pricing and disclosure

UBS identified and reported to the relevant authorities instances in which some Global Wealth Management clients booked in Hong Kong and Singapore may have been charged inappropriate spreads on debt securities transactions between 2008 and 2015. UBS intends to reimburse affected customers on a basis agreed with the relevant authorities. UBS expects the relevant authorities will subject UBS to reprimands and fines as a result of their investigations.

Our balance sheet at 30 September 2019 reflected a provision with respect to the matter described in this item 7 in an amount that UBS believes to be appropriate under the applicable accounting standard. 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 greater (or may be less) than the provision that we have recognized.

## Note 16 Guarantees, commitments and forward starting transactions

The table below presents the maximum irrevocable amount of guarantees, commitments and forward starting transactions.

| | Gross | | Total gross | Sub-participations | Net |
|---|---|---|---|---|---|
| *As of 30.9.19, USD million* | Measured at fair value | Not measured at fair value | | | |
| Total guarantees | 1,844 | 15,570 | 17,414 | (2,833) | 14,582 |
| Loan commitments | 7,021 | 27,122 | 34,143 | (776) | 33,367 |
| Forward starting transactions[1] | | | | | |
| Reverse repurchase agreements | 36,559 | 1,070 | 37,629 | | |
| Securities borrowing agreements | | 23 | 23 | | |
| Repurchase agreements | 20,098 | 750 | 20,848 | | |
| | | | | | |
| *As of 30.6.19, USD million* | | | | | |
| Total guarantees | 1,830 | 16,810 | 18,640 | (2,929) | 15,712 |
| Loan commitments | 3,990 | 27,463 | 31,453 | (675) | 30,778 |
| Forward starting transactions[1] | | | | | |
| Reverse repurchase agreements | 32,037 | 2,240 | 34,276 | | |
| Securities borrowing agreements | | 19 | 19 | | |
| Repurchase agreements | 17,700 | 1,138 | 18,838 | | |
| | | | | | |
| *As of 31.12.18, USD million* | | | | | |
| Total guarantees | 1,639 | 18,146 | 19,785 | (2,803) | 16,982 |
| Loan commitments | 3,535 | 31,212 | 34,747 | (647) | 34,099 |
| Forward starting transactions[1] | | | | | |
| Reverse repurchase agreements | 8,117 | 925 | 9,042 | | |
| Securities borrowing agreements | | 12 | 12 | | |
| Repurchase agreements | 7,926 | 400 | 8,326 | | |

1 Cash to be paid in the future by either UBS or the counterparty.

## Note 17 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of UBS AG's operations with a functional currency other than the US dollar into US dollars.

| | Closing exchange rate | | | | Average rate[1] | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | As of | | | | For the quarter ended | | | Year-to-date | |
| | 30.9.19 | 30.6.19 | 31.12.18 | 30.9.18 | 30.9.19 | 30.6.19 | 30.9.18 | 30.9.19 | 30.9.18 |
| 1 CHF | 1.00 | 1.02 | 1.02 | 1.02 | 1.01 | 1.00 | 1.02 | 1.00 | 1.02 |
| 1 EUR | 1.09 | 1.14 | 1.15 | 1.16 | 1.10 | 1.13 | 1.16 | 1.12 | 1.19 |
| 1 GBP | 1.23 | 1.27 | 1.28 | 1.30 | 1.22 | 1.28 | 1.30 | 1.27 | 1.35 |
| 100 JPY | 0.92 | 0.93 | 0.91 | 0.88 | 0.93 | 0.92 | 0.89 | 0.92 | 0.91 |

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 UBS AG with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for UBS AG.

**Cautionary Statement Regarding Forward-Looking Statements |** This report contains statements that constitute "forward-looking statements," including but not limited to management's outlook for UBS's financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development. While these forward-looking statements represent UBS's judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations. These factors include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), including to counteract regulatory-driven increases, liquidity coverage ratio and other financial resources, and the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (ii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions, developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions on the financial position or creditworthiness of UBS's clients and counterparties as well as on client sentiment and levels of activity; (iii) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (iv) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, liquidity and funding requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across 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's 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 regulations 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 about 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.

UBS AG
P.O. Box, CH-8098 Zurich
P.O. Box, CH-4002 Basel

ubs.com