



# UBS AG

Standalone financial statements and regulatory information  
for the year ended 31 December 2019



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# UBS AG standalone financial statements (audited)

## Income statement

|   | Note  | USD million        |              | CHF million        |              |
|---|-------|--------------------|--------------|--------------------|--------------|
|   |       | For the year ended | 31.12.18     | For the year ended | 31.12.18     |
| Interest and discount income <sup>1</sup>   |       | 7,421              | 6,439        | 7,380              | 6,347        |
| Interest and dividend income from trading portfolio <sup>1</sup>                                      |       | 3,322              | 2,708        | 3,300              | 2,666        |
| Interest and dividend income from financial investments   |       | 470                | 401          | 467                | 395          |
| Interest expense <sup>2</sup>   |       | (10,474)           | (9,240)      | (10,427)           | (9,106)      |
| Gross interest income   |       | 739                | 308          | 721                | 301          |
| Credit loss (expense) / recovery  |       | (43)               | (54)         | (43)               | (54)         |
| Net interest income   |       | 695                | 254          | 677                | 248          |
| Fee and commission income from securities and investment business and other fee and commission income | 25    | 3,164              | 2,491        | 3,146              | 2,454        |
| Credit-related fees and commissions   |       | 154                | 152          | 153                | 150          |
| Fee and commission expense  |       | (674)              | (844)        | (670)              | (832)        |
| Net fee and commission income   |       | 2,643              | 1,799        | 2,629              | 1,772        |
| Net trading income  | 3     | 3,337              | 4,443        | 3,342              | 4,381        |
| Dividend income from investments in subsidiaries and other participations                             |       | 3,508              | 3,712        | 3,537              | 3,645        |
| Income from real estate holdings  | 25    | 532                | 645          | 530                | 635          |
| Sundry ordinary income  | 4, 25 | 1,579              | 1,786        | 1,569              | 1,761        |
| Sundry ordinary expenses  | 4     | (321)              | (599)        | (322)              | (590)        |
| Other income from ordinary activities   |       | 5,298              | 5,544        | 5,314              | 5,452        |
| Total operating income  |       | 11,975             | 12,040       | 11,962             | 11,853       |
| Personnel expenses  | 5, 25 | 3,330              | 3,456        | 3,310              | 3,407        |
| General and administrative expenses   | 6, 25 | 3,676              | 4,212        | 3,650              | 4,151        |
| Subtotal operating expenses   |       | 7,006              | 7,667        | 6,960              | 7,558        |
| Impairment of investments in subsidiaries and other participations                                    | 25    | 206                | 760          | 202                | 747          |
| Depreciation, amortization and impairment of property, equipment, software and intangible assets      |       | 762                | 712          | 755                | 702          |
| Changes in provisions and other allowances and losses   | 25    | 112                | 399          | 108                | 394          |
| Total operating expenses  |       | 8,086              | 9,539        | 8,026              | 9,400        |
| Operating profit  |       | 3,889              | 2,501        | 3,935              | 2,452        |
| Extraordinary income  | 7     | 204                | 170          | 199                | 167          |
| Extraordinary expenses  | 7     | 1                  | 0            | 1                  | 0            |
| Tax expense / (benefit)   | 8     | 245                | (663)        | 244                | (651)        |
| <b>Net profit / (loss)</b>  |       | <b>3,848</b>       | <b>3,333</b> | <b>3,890</b>       | <b>3,269</b> |

<sup>1</sup> Interest income includes negative interest income of approximately USD 0.4 billion (CHF 0.4 billion) for the year ended 31 December 2019 (approximately USD 0.4 billion (CHF 0.4 billion) for the year ended 31 December 2018). <sup>2</sup> Includes negative interest expense on financial liabilities of approximately USD 0.3 billion (CHF 0.3 billion) for the year ended 31 December 2019 (approximately USD 0.3 billion (CHF 0.3 billion) for the year ended 31 December 2018).

## Balance sheet

|   | Note          | USD million    |                | CHF million    |                |
|---|---------------|----------------|----------------|----------------|----------------|
|   |               | 31.12.19       | 31.12.18       | 31.12.19       | 31.12.18       |
| <b>Assets</b>   |               |                |                |                |                |
| Cash and balances at central banks  |               | 36,258         | 36,297         | 35,102         | 35,688         |
| Due from banks  | 2, 22         | 27,474         | 29,761         | 26,598         | 29,262         |
| Receivables from securities financing transactions  | 9, 22         | 62,844         | 77,893         | 60,841         | 76,587         |
| Due from customers  | 2, 10, 11, 22 | 110,334        | 111,317        | 106,818        | 109,450        |
| Funding provided to significant regulated subsidiaries eligible as total loss-absorbing capacity                                    | 2             | 24,203         | 22,431         | 23,432         | 22,055         |
| Mortgage loans  | 10, 11        | 4,664          | 4,727          | 4,515          | 4,648          |
| Trading portfolio assets  | 12            | 116,843        | 95,612         | 113,119        | 94,009         |
| Derivative financial instruments  | 13            | 12,436         | 15,139         | 12,039         | 14,885         |
| Financial investments   | 14            | 23,463         | 25,666         | 22,715         | 25,235         |
| Accrued income and prepaid expenses   |               | 1,400          | 1,410          | 1,356          | 1,387          |
| Investments in subsidiaries and other participations  | 15            | 49,631         | 49,528         | 48,049         | 48,698         |
| Property, equipment and software  |               | 6,227          | 6,546          | 6,029          | 6,437          |
| Goodwill and other intangible assets  |               | 12             | 22             | 12             | 22             |
| Other assets  | 11, 16        | 3,158          | 3,888          | 3,056          | 3,822          |
| <b>Total assets</b>   |               | <b>478,946</b> | <b>480,238</b> | <b>463,681</b> | <b>472,184</b> |
| <i>of which: subordinated assets</i>  |               | <i>6,688</i>   | <i>6,009</i>   | <i>6,475</i>   | <i>5,908</i>   |
| <i>of which: subject to mandatory conversion and/or debt waiver</i>   |               | <i>4,885</i>   | <i>4,332</i>   | <i>4,729</i>   | <i>4,260</i>   |
| <b>Liabilities</b>  |               |                |                |                |                |
| Due to banks  | 22            | 61,860         | 42,482         | 59,889         | 41,769         |
| Payables from securities financing transactions   | 9, 22         | 27,022         | 44,016         | 26,160         | 43,278         |
| Due to customers  | 22            | 120,417        | 112,794        | 116,580        | 110,903        |
| Funding received from UBS Group AG and UBS Group Funding (Switzerland) AG eligible as total loss-absorbing capacity at UBS AG level | 2, 22         | 47,553         | 41,782         | 46,037         | 41,081         |
| Trading portfolio liabilities   | 12            | 25,292         | 23,453         | 24,486         | 23,060         |
| Derivative financial instruments  | 13            | 16,326         | 17,268         | 15,805         | 16,979         |
| Financial liabilities designated at fair value  | 12, 19        | 65,647         | 56,226         | 63,555         | 55,283         |
| <i>of which: debt issued designated at fair value</i>   |               | <i>64,260</i>  | <i>54,203</i>  | <i>62,212</i>  | <i>53,294</i>  |
| <i>of which: other financial liabilities designated at fair value</i>   |               | <i>1,386</i>   | <i>2,023</i>   | <i>1,342</i>   | <i>1,989</i>   |
| Bonds issued  |               | 55,014         | 83,743         | 53,261         | 82,339         |
| <i>of which: eligible as total loss-absorbing capacity at UBS AG Level</i>  |               | <i>7,266</i>   | <i>7,468</i>   | <i>7,034</i>   | <i>7,343</i>   |
| Accrued expenses and deferred income  |               | 3,362          | 3,350          | 3,255          | 3,294          |
| Other liabilities   | 16            | 3,551          | 2,601          | 3,439          | 2,557          |
| Provisions  | 11            | 1,198          | 1,416          | 1,160          | 1,392          |
| <b>Total liabilities</b>  |               | <b>427,242</b> | <b>429,130</b> | <b>413,626</b> | <b>421,934</b> |
| <b>Equity</b>   |               |                |                |                |                |
| Share capital   | 20            | 393            | 393            | 386            | 386            |
| General reserve   |               | 36,326         | 36,326         | 35,649         | 35,649         |
| <i>of which: statutory capital reserve</i>  |               | <i>36,326</i>  | <i>36,326</i>  | <i>35,649</i>  | <i>35,649</i>  |
| <i>of which: capital contribution reserve<sup>1</sup></i>   |               | <i>36,326</i>  | <i>36,326</i>  | <i>35,649</i>  | <i>35,649</i>  |
| Voluntary earnings reserve  |               | 11,138         | 11,054         | 10,130         | 10,946         |
| Net profit / (loss) for the period  |               | 3,848          | 3,333          | 3,890          | 3,269          |
| <b>Total equity</b>   |               | <b>51,705</b>  | <b>51,107</b>  | <b>50,055</b>  | <b>50,250</b>  |
| <b>Total liabilities and equity</b>   |               | <b>478,946</b> | <b>480,238</b> | <b>463,681</b> | <b>472,184</b> |
| <i>of which: subordinated liabilities</i>   |               | <i>22,236</i>  | <i>18,446</i>  | <i>21,528</i>  | <i>18,137</i>  |
| <i>of which: subject to mandatory conversion and/or debt waiver</i>   |               | <i>21,674</i>  | <i>17,721</i>  | <i>20,984</i>  | <i>17,423</i>  |

**Balance sheet (continued)**

|  | USD million   |              | CHF million   |              |
|--|---------------|--------------|---------------|--------------|
|  | 31.12.19      | 31.12.18     | 31.12.19      | 31.12.18     |
| <b>Off-balance sheet items</b>                                       |               |              |               |              |
| <b>Contingent liabilities, gross</b>                                 | <b>13,116</b> | 16,019       | <b>12,698</b> | 15,750       |
| Sub-participations   | (1,489)       | (1,675)      | (1,441)       | (1,647)      |
| <b>Contingent liabilities, net</b>                                   | <b>11,627</b> | 14,344       | <b>11,257</b> | 14,103       |
| <i>of which: guarantees to third parties related to subsidiaries</i> | <i>5,867</i>  | <i>7,480</i> | <i>5,680</i>  | <i>7,355</i> |
| <b>Irrevocable loan commitments, gross</b>                           | <b>22,232</b> | 25,664       | <b>21,524</b> | 25,234       |
| Sub-participations   | (782)         | (643)        | (758)         | (632)        |
| <b>Irrevocable loan commitments, net</b>                             | <b>21,450</b> | 25,021       | <b>20,766</b> | 24,601       |
| <b>Forward starting transactions<sup>2</sup></b>                     | <b>12,372</b> | 8,536        | <b>11,978</b> | 8,393        |
| <i>of which: reverse repurchase agreements</i>                       | <i>9,288</i>  | <i>4,766</i> | <i>8,992</i>  | <i>4,686</i> |
| <i>of which: securities borrowing agreements</i>                     | <i>0</i>      | <i>12</i>    | <i>0</i>      | <i>12</i>    |
| <i>of which: repurchase agreements</i>                               | <i>3,085</i>  | <i>3,758</i> | <i>2,986</i>  | <i>3,695</i> |
| <b>Liabilities for calls on shares and other equity instruments</b>  | <b>4</b>      | 5            | <b>4</b>      | 5            |

<sup>1</sup> The Swiss Federal Tax Administration's current position is that, of the CHF 35.6 billion capital contribution reserve available as of 31 December 2019, an amount limited to CHF 20.5 billion is available from which dividends may be paid without a Swiss withholding tax deduction. <sup>2</sup> Cash to be paid in the future by either UBS AG or the counterparty.

**Off-balance sheet items**

Contingent liabilities include indemnities and guarantees issued by UBS AG for the benefit of subsidiaries and creditors of subsidiaries.

Where the indemnity amount issued by UBS AG is not specifically defined, the indemnity relates to the solvency or minimum capitalization of a subsidiary, and therefore no amount is included in the table above.

**Joint and several liability – Value added tax (VAT)**

UBS AG is jointly and severally liable for the combined VAT liability of UBS entities that belong to the VAT group of UBS in Switzerland. This contingent liability is not included in the table above.

**Guarantees – UBS Europe SE**

Following the combined UK business transfer and cross-border merger of UBS Limited into UBS Europe SE in March 2019, UBS AG issued a guarantee for the benefit of counterparties of UBS Europe SE's Investment Bank, covering transactions subject to master netting agreements.

A similar guarantee that UBS AG issued in 2003 for the benefit of each counterparty of UBS Limited continues to be effective. This guarantee covers transactions in accordance with and contemplated under any agreement entered into by UBS Limited prior to the merger into UBS Europe SE, to the extent

such an agreement has not been amended by UBS Europe SE thereafter.

Under both guarantees, UBS AG promises to pay to the beneficiary counterparties any unpaid balance of liabilities covered under the terms of the guarantees on demand. These guarantees are included as Contingent liabilities in the off-balance sheet items table above.

**Indemnities – UBS Europe SE**

In connection with the establishment of UBS Europe SE in 2016, UBS AG entered into an agreement with UBS Europe SE under which UBS AG would provide UBS Europe SE with limited indemnification of payment obligations that may arise from certain litigation, regulatory and similar matters.

As of 31 December 2019, the amount of such potential payment obligations could not be reliably estimated and the table above does therefore not include any amount related to this limited indemnification.

In addition, in accordance with the bylaws of the Deposit Protection Fund of the Association of German Banks, UBS AG issued on behalf of UBS Europe SE an indemnity in favor of this fund. The probability of an outflow was assessed to be remote, and as a result, the table above does not include any exposure arising under this indemnity.

## Statement of changes in equity

| <i>USD million</i>                    | Share capital | Statutory capital reserve | Voluntary earnings reserve and profit / (loss) carried forward | Net profit / (loss) for the period | Total equity  |
|---------------------------------------|---------------|---------------------------|--|------------------------------------|---------------|
| <b>Balance as of 1 January 2019</b>   | <b>393</b>    | <b>36,326</b>             | <b>11,054</b>  | <b>3,333</b>                       | <b>51,107</b> |
| Dividends and other distributions     |               |                           | (3,250)  |                                    | (3,250)       |
| Net profit / (loss) appropriation     |               |                           | 3,333  | (3,333)                            | 0             |
| Net profit / (loss) for the period    |               |                           |  | 3,848                              | 3,848         |
| <b>Balance as of 31 December 2019</b> | <b>393</b>    | <b>36,326</b>             | <b>11,138</b>  | <b>3,848</b>                       | <b>51,705</b> |

| <i>CHF million</i>                    | Share capital | Statutory capital reserve | Voluntary earnings reserve and profit / (loss) carried forward | Net profit / (loss) for the period | Total equity  |
|---------------------------------------|---------------|---------------------------|--|------------------------------------|---------------|
| <b>Balance as of 1 January 2019</b>   | <b>386</b>    | <b>35,649</b>             | <b>10,946</b>  | <b>3,269</b>                       | <b>50,250</b> |
| Dividends and other distributions     |               |                           | (3,312)  |                                    | (3,312)       |
| Net profit / (loss) appropriation     |               |                           | 3,269  | (3,269)                            | 0             |
| Net profit / (loss) for the period    |               |                           |  | 3,890                              | 3,890         |
| Currency translation difference       |               |                           | (773)  |                                    | (773)         |
| <b>Balance as of 31 December 2019</b> | <b>386</b>    | <b>35,649</b>             | <b>10,130</b>  | <b>3,890</b>                       | <b>50,055</b> |

## Statement of proposed appropriation of total profit and dividend distribution

The Board of Directors proposes that the Annual General Meeting of Shareholders (AGM) on 27 April 2020 approve the appropriation of total profit and an ordinary dividend distribution of USD 3,848 million as follows:

|   | USD million        | CHF million          |
|---|--------------------|----------------------|
|   | For the year ended | For the year ended   |
|   | 31.12.19           | 31.12.19             |
| Net profit for the period                       | 3,848              | 3,890                |
| Profit / (loss) carried forward                 | 0                  | 0                    |
| <b>Total profit available for appropriation</b> | <b>3,848</b>       | <b>3,890</b>         |
| <b>Appropriation of total profit</b>            |                    |                      |
| Appropriation to voluntary earnings reserve     | 0                  | (165)                |
| Dividend distribution                           | (3,848)            | (3,725) <sup>1</sup> |
| <b>Profit / (loss) carried forward</b>          | <b>0</b>           | <b>0</b>             |

<sup>1</sup> For illustrative purposes, translated at closing exchange rate as of 31 December 2019 (CHF / USD 1.03).

The ordinary dividend distribution is declared and paid in USD. The total amount of the dividend distribution will be capped at CHF 7,696 million (Cap). To the extent that the CHF equivalent of the total dividend distribution of USD 3,848 million would exceed the Cap on the day of the AGM, based on the exchange rate determined by the Board of Directors in its reasonable opinion, the USD per share amount of the dividend will be reduced on a pro-rata basis so that the total CHF amount does

not exceed the Cap. To the extent the CHF equivalent of the total dividend distribution exceeds CHF 3,890 million but does not exceed the Cap, the total dividend distribution in USD remains as is and is booked against the total profit in USD, while the CHF currency difference of maximum CHF 3,806 million is balanced through the CHF translation of the voluntary earnings reserve account.



## Note 1 Name, legal form and registered office

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UBS AG is incorporated and domiciled in Switzerland. Its registered offices are at Bahnhofstrasse 45, CH-8001 Zurich and Aeschenvorstadt 1, CH-4051 Basel, Switzerland. UBS AG operates under art. 620 et seq. of the Swiss Code of Obligations and Swiss banking law as an Aktiengesellschaft, a corporation limited by shares.

UBS AG is a regulated bank in Switzerland and is 100% owned by UBS Group AG, the ultimate parent of the UBS Group. UBS AG holds investments in and provides funding to subsidiaries, including the other banking subsidiaries of the UBS Group. In addition, UBS AG operates globally, including business activities from all four UBS business divisions and Corporate

Center. In the ordinary course of business, main contributors to the net profit / (loss) of UBS AG are Global Wealth Management, the Investment Bank, Group Treasury and Corporate Center - Services. The balance sheet is mainly composed of financial assets and liabilities from the Investment Bank, Group Treasury and Global Wealth Management business booked outside of Switzerland as well as investments in subsidiaries and other participations in Group Treasury and fixed assets of Corporate Center – Services.

UBS AG employed 10,365 personnel on a full-time equivalent basis as of 31 December 2019 compared with 11,099 personnel as of 31 December 2018.

## Note 2 Accounting policies

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### a) Significant accounting policies

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UBS AG standalone financial statements are prepared in accordance with Swiss GAAP (FINMA Circular 2015/1 and the Banking Ordinance) and represent “reliable assessment statutory single-entity financial statements.” The accounting policies are principally the same as for the consolidated financial statements of UBS AG outlined in Note 1 to the consolidated financial statements of UBS AG included in the UBS Group AG and UBS AG Annual Report 2019. Major differences between the Swiss GAAP requirements and International Financial Reporting Standards are described in Note 38 of the consolidated financial statements of UBS AG. The significant accounting policies applied for the standalone financial statements of UBS AG are discussed below.

→ Refer to the UBS Group AG and UBS AG Annual Report 2019 for more information

#### Risk management

UBS AG is fully integrated into the Group-wide risk management process described in the audited part of the “Risk management and control” section of the UBS Group AG and UBS AG Annual Report 2019.

Further information on the use of derivative instruments and hedge accounting is provided in Note 2b below and Notes 1, 11 and 28 to the consolidated financial statements of UBS AG.

→ Refer to the UBS Group AG and UBS AG Annual Report 2019 for more information

#### Compensation policy

The compensation structure and processes of UBS AG conform to the compensation principles and framework of UBS Group AG. For detailed information, refer to the Compensation Report of UBS Group AG.

#### Deferred compensation

Expenses for awards under employee share, option, notional fund and deferred cash compensation plans granted to UBS AG employees are generally charged by UBS Group AG to UBS AG. Obligations related to other compensation vehicles, such as local awards, are held by the relevant employing and / or sponsoring subsidiaries, such as UBS AG.

→ Refer to Note 30 of the UBS AG consolidated financial statements in the UBS Group AG and UBS AG Annual Report 2019 for more information

#### Foreign currency translation

Transactions denominated in foreign currency are translated into US dollars at the spot exchange rate on the date of the transaction. At the balance sheet date, all monetary assets and liabilities, as well as equity instruments recorded in *Trading portfolio assets* and *Financial investments* denominated in foreign currency, are translated into US dollars using the closing exchange rate. Non-monetary items measured at historic cost are translated at the spot exchange rate on the date of the transaction. Assets and liabilities of branches with functional currencies other than the US dollar are translated into US dollars at the closing exchange rate. Income and expense items of such branches are translated at weighted average exchange rates for the period. All currency translation effects are recognized in the income statement.

The main currency translation rates used by UBS AG are provided in Note 37 of the consolidated financial statements of UBS AG.

→ Refer to the UBS Group AG and UBS AG Annual Report 2019 for more information

**Note 2 Accounting policies (continued)****Presentation currencies**

As the primary presentation currency of the financial statements of UBS AG is US dollars, amounts in Swiss francs are additionally presented for each component of the financial statements. UBS AG applies the modified closing rate method for translating the US dollar amounts into Swiss francs: assets and liabilities are translated at the closing rate, equity positions at historic rates and income and expense items at the weighted average rate for the period. All resulting currency translation effects are recognized separately in *Voluntary earnings reserve*, amounting to a negative currency translation effect of CHF 675 million as of 31 December 2019 (positive CHF 98 million as of 31 December 2018).

**Structured debt instruments**

Structured debt instruments comprise debt instruments issued and transacted over-the-counter and include a host contract and one or more embedded derivatives that do not relate to UBS AG's own equity. By applying the fair value option, the vast majority of structured debt instruments are measured at fair value as a whole and recognized in *Financial liabilities designated at fair value*. The fair value option for structured debt instruments can be applied only if the following criteria are cumulatively met:

- The structured debt instrument is measured on a fair value basis and is subject to risk management that is equivalent to risk management for trading activities;
- The application of the fair value option eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- Changes in fair value attributable to changes in unrealized own credit are not recognized.

Fair value changes related to *Financial liabilities designated at fair value*, excluding changes in unrealized own credit, are recognized in *Net trading income*. Interest expense on *Financial liabilities designated at fair value* is recognized in *Interest expense*.

Where the designation criteria for the fair value option are not met, the embedded derivatives are assessed for bifurcation for measurement purposes. Bifurcated embedded derivatives are measured at fair value through profit or loss and presented in the same balance sheet line as the host contract.

→ Refer to Note 19 for more information

**Group-internal funding**

UBS AG obtains funding from UBS Group AG in the form of loans that qualify as going concern additional tier 1 capital at the UBS AG consolidated and standalone levels and as gone concern loss-absorbing capacity at the UBS AG consolidated level. A portion of Group-internal funding obtained is further on-lent by UBS AG to certain subsidiaries in the form of loans.

Where such Group-internal funding is eligible to meet the requirements for total loss-absorbing capacity (TLAC) at the level of UBS AG consolidated or standalone, or at the levels of significant regulated subsidiaries as defined for Pillar 3 disclosure purposes, the aggregate amounts of the respective obligations and claims are separately disclosed on the balance sheet. For those TLAC instruments that are eligible to meet the going concern capital requirements (i.e., are subordinated and subject to mandatory conversion and / or debt waiver, as explained below), the aggregate corresponding amounts are disclosed on the balance sheet.

UBS AG obligations arising from Group-internal funding it has received are presented as *Funding received from UBS Group AG and UBS Group Funding (Switzerland) AG eligible as total loss-absorbing capacity at UBS AG level* and measured at amortized cost. UBS AG claims arising from Group-internal funding it has provided are presented as *Funding provided to significant regulated subsidiaries eligible as total loss-absorbing capacity* and measured at amortized cost less any allowance for credit losses. Previously, these claims were presented as part of *Due from banks* and *Due from customers*, as outlined in the following table.

**Change of the presentation of UBS AG claims arising from Group-internal funding**

|  | USD million                            |  | CHF million                            |  |
|--|--|--|--|--|
|  | As disclosed in the Annual Report 2019 | As disclosed in the Annual Report 2018 | As disclosed in the Annual Report 2019 | As disclosed in the Annual Report 2018 |
|  | 31.12.18                               | 31.12.18                               | 31.12.18                               | 31.12.18                               |
| Due from banks   | 29,761                                 | 46,092                                 | 29,262                                 | 45,319                                 |
| Due from customers   | 111,317                                | 117,417                                | 109,450                                | 115,448                                |
| Funding provided to significant regulated subsidiaries eligible as total loss-absorbing capacity | 22,431                                 |  | 22,055                                 |  |
| <b>Total</b>   | <b>163,508</b>                         | 163,508                                | <b>160,767</b>                         | 160,767                                |

## Note 2 Accounting policies (continued)

### Subordinated assets and liabilities

Subordinated assets are comprised of claims that, based on an irrevocable written declaration, in the event of liquidation, bankruptcy or composition concerning the debtor, rank after the claims of all other creditors and may not be offset against amounts payable to the debtor nor be secured by its assets. Subordinated liabilities are comprised of corresponding obligations.

Subordinated assets and liabilities that contain a point-of-non-viability clause in accordance with Swiss capital requirements per articles 29 and 30 of the Capital Adequacy Ordinance are disclosed as being *Subject to mandatory conversion and / or debt waiver* and provide for the claim or the obligation to be written off or converted into equity in the event that the issuing bank reaches a point of non-viability.

### Investments in subsidiaries and other participations

*Investments in subsidiaries and other participations* are equity interests that are held to carry on the business of UBS AG or for other strategic purposes. They include all subsidiaries directly held by UBS AG through which UBS AG conducts its business on a global basis. The investments are measured individually and carried at cost less impairment. The carrying amount is tested for impairment annually and when indications for a decrease in value exist, which include incurrence of significant operating losses or a severe depreciation of the currency in which the investment is denominated. If an investment in a subsidiary is impaired, its value is generally written down to the net asset value. Subsequent recoveries in value are recognized up to the original cost value based on either the increased net asset value or a value above the net asset value if, in the opinion of management, forecasts of future profitability provide sufficient evidence that a carrying amount above net asset value is supported. Management may exercise its discretion as to what extent and in which period a recovery in value is recognized.

Impairments of investments are presented as *Impairment of investments in subsidiaries and other participations*. Reversals of impairments are presented as *Extraordinary income* in the income statement. Impairments and partial or full reversals of impairments for a subsidiary during the same annual period are determined on a net basis.

→ Refer to Note 15 for more information

### Services received from and provided to Group entities

UBS AG receives services from UBS Business Solutions AG, the main Group service company, mainly relating to Group Technology, Group Operations and Group Corporate Services, as well as certain other services from other Group entities. UBS AG provides services to Group entities mainly relating to real estate and selected other Corporate Center – Services functions. Services

received from and provided to Group entities are settled in cash as hard cost transfers or hard revenue transfers paid or received.

When the nature of the underlying transaction between UBS AG and the Group entity contains a single, clearly identifiable service element, related income and expenses are presented in the respective income statement line item, e.g., *Fee and commission income from securities and investment business and other fee and commission income*, *Fee and commission expense*, *Net trading income* or *General and administrative expenses*. To the extent the nature of the underlying transaction contains various service elements and is not clearly attributable to a particular income statement line item, related income and expenses are presented in *Sundry ordinary income* and *Sundry ordinary expenses*.

→ Refer to Notes 4 and 6 for more information

### Pension and other post-employment benefit plans

Swiss GAAP permits the use of IFRS or Swiss accounting standards for pension and other post-employment benefit plans, with the election made on a plan-by-plan basis.

UBS AG has elected to apply Swiss GAAP (FER 16) for the Swiss pension plan in its standalone financial statements. The requirements of Swiss GAAP are better aligned with the specific nature of Swiss pension plans, which are hybrid in that they combine elements of defined contribution and defined benefit plans, but are treated as defined benefit plans under IFRS. Swiss GAAP requires that the employer contributions to the pension fund are recognized as *Personnel expenses* in the income statement. The employer contributions to the Swiss pension fund are determined as a percentage of contributory compensation. Furthermore, Swiss GAAP requires an assessment as to whether, based on the financial statements of the pension fund prepared in accordance with Swiss accounting standards (FER 26), an economic benefit to, or obligation of, UBS AG arises from the pension fund which is recognized in the balance sheet when conditions are met. Conditions for recording a pension asset or liability would be met if, for example, an employer contribution reserve is available or UBS AG is required to contribute to the reduction of a pension deficit (on a FER 26 basis).

Key differences between Swiss GAAP and IFRS include the treatment of dynamic elements, such as future salary increases and future interest credits on retirement savings, which are not considered under the static method used in accordance with Swiss GAAP. Also, the discount rate used to determine the defined benefit obligation in accordance with IFRS is based on the yield of high-quality corporate bonds of the market in the respective pension plan country. The discount rate used in accordance with Swiss GAAP, i.e., the technical interest rate, is determined by the Pension Foundation Board based on the expected returns of the Board's investment strategy.

→ Refer to Note 21 for more information

## Note 2 Accounting policies (continued)

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UBS AG has elected to apply IFRS (IAS 19) for its non-Swiss defined benefit plans. However, remeasurements of the defined benefit obligation and the plan assets are recognized in the income statement rather than directly in equity. For corresponding disclosures in accordance with IAS 19 requirements, refer to Note 29 of the consolidated financial statements of UBS AG.

→ Refer to the UBS Group AG and UBS AG Annual Report 2019 for more information

### Deferred taxes

Deferred tax assets are not recognized in UBS AG's standalone financial statements. However, deferred tax liabilities may be recognized for taxable temporary differences. Changes in the deferred tax liability balance are recognized in the income statement.

### b) Changes in accounting policies

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#### Hedge accounting for Investments in subsidiaries and other participations

Since 1 July 2019 UBS AG applies hedge accounting for certain investments in subsidiaries and other participations denominated in currencies other than the US dollar, which are designated as hedged item. For this purpose, foreign exchange (FX) derivatives, mainly FX forwards and FX swaps are used and designated as hedging instruments.

The hedged risk is determined as the change in the carrying amount of the hedged item arising solely from changes in spot foreign exchange rates. Consequently, UBS AG only designates the spot element of the FX derivatives as hedging instruments. Changes in the fair value of the hedging instruments

#### Dispensations in the standalone financial statements

As UBS AG prepares consolidated financial statements in accordance with IFRS, UBS AG is exempt from various disclosures in the standalone financial statements. The dispensations include the management report, the statement of cash flows and various note disclosures, as well as the publication of full interim financial statements. As a Swiss issuer of debt, in order to validly issue debt throughout the year, UBS AG discloses interim mid-year financial information as per the requirements of Article 1156 in conjunction with Article 652a of the Swiss Code of Obligations, including an income statement, a balance sheet and a note on the basis of accounting.

attributable to changes in forward points and the effect of discounting are not part of a hedge accounting designation. These amounts, therefore, do not form part of the effectiveness assessment and are recognized in *Net trading income*.

The effective portion of gains and losses of these FX derivatives is deferred on the balance sheet as *Other assets* or *Other liabilities* to the extent no change is recognized in the carrying amount of the hedged item arising from changes in spot foreign exchange rates. Otherwise the effective portion of gains and losses of these FX derivatives is matched with the corresponding valuation adjustments of the hedged item recorded in the income statement and recorded as a reduction of *Impairment of investments in subsidiaries and other participations* and of *Extraordinary income*, respectively.

## Note 2 Accounting policies (continued)

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### c) Accounting policies to be adopted in the future

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#### **Amendment of accounting standards applicable to banks and security dealers**

On 14 November 2019, FINMA published amended accounting standards applicable to banks and security dealers in Switzerland. UBS AG will be required to apply an expected credit loss (ECL) approach in its standalone financial statements under Swiss GAAP and may substantially apply the ECL approach which is applied in its consolidated financial statements under

IFRS. UBS AG will adopt the new ECL requirements on 1 January 2021. A transition period is granted until 31 December 2025, during which allowances and provisions for ECL can be phased-in on a straight-line basis. Apart from these amendments, the existing guidance in FINMA Circular 2015/1 Accounting – banks remains materially unchanged and was incorporated into the new FINMA Accounting Ordinance and the new FINMA Circular 2020/1 Accounting – banks.

**Note 3a Net trading income by business**

|   | USD million        |              | CHF million        |              |
|---|--------------------|--------------|--------------------|--------------|
|   | For the year ended |              | For the year ended |              |
|   | 31.12.19           | 31.12.18     | 31.12.19           | 31.12.18     |
| Investment Bank                               | 3,098              | 4,079        | 3,094              | 4,024        |
| <i>of which: Corporate Client Solutions</i>   | 27                 | 634          | 30                 | 621          |
| <i>of which: Investor Client Services</i>     | 3,071              | 3,446        | 3,065              | 3,403        |
| Other business divisions and Corporate Center | 239                | 364          | 247                | 358          |
| <b>Total net trading income</b>               | <b>3,337</b>       | <b>4,443</b> | <b>3,342</b>       | <b>4,381</b> |

**Note 3b Net trading income by underlying risk category**

|   | USD million        |              | CHF million        |              |
|---|--------------------|--------------|--------------------|--------------|
|   | For the year ended |              | For the year ended |              |
|   | 31.12.19           | 31.12.18     | 31.12.19           | 31.12.18     |
| Interest rate and credit instruments (including funds)  | 660                | 842          | 661                | 817          |
| Foreign exchange instruments  | 889                | 1,164        | 890                | 1,145        |
| Equity instruments (including funds)  | 1,698              | 2,374        | 1,701              | 2,353        |
| Other   | 90                 | 63           | 90                 | 66           |
| <b>Total net trading income</b>   | <b>3,337</b>       | <b>4,443</b> | <b>3,342</b>       | <b>4,381</b> |
| <i>of which: net gains / (losses) from financial liabilities designated at fair value<sup>1</sup></i> | <i>(6,816)</i>     | <i>6,999</i> | <i>(6,733)</i>     | <i>6,956</i> |

<sup>1</sup> Excludes fair value changes of hedges related to financial liabilities designated at fair value and foreign currency effects arising from translating foreign currency transactions into the respective functional currency, both of which are reported within Net trading income.

**Note 4 Sundry ordinary income and expenses**

|  | USD million        |              | CHF million        |              |
|--|--------------------|--------------|--------------------|--------------|
|  | For the year ended |              | For the year ended |              |
|  | 31.12.19           | 31.12.18     | 31.12.19           | 31.12.18     |
| Income from services provided to UBS Group AG or its subsidiaries <sup>1</sup> | 1,297              | 1,746        | 1,288              | 1,722        |
| Other  | 283 <sup>2</sup>   | 40           | 281 <sup>2</sup>   | 40           |
| <b>Total sundry ordinary income</b>  | <b>1,579</b>       | <b>1,786</b> | <b>1,569</b>       | <b>1,761</b> |
| Expenses from revenue transfers to UBS Group AG or its subsidiaries            | (306)              | (516)        | (307)              | (509)        |
| Other  | (15)               | (83)         | (15)               | (81)         |
| <b>Total sundry ordinary expenses</b>  | <b>(321)</b>       | <b>(599)</b> | <b>(322)</b>       | <b>(590)</b> |

<sup>1</sup> Services provided by UBS AG primarily related to Corporate Center functions. Includes the impact of the asset transfer from UBS Limited to UBS AG. Refer to Note 25 for more information. <sup>2</sup> Includes compensation received for the transfer of an onerous lease provision from a subsidiary to UBS AG.

## Note 5 Personnel expenses

|  | USD million        |              | CHF million        |              |
|--|--------------------|--------------|--------------------|--------------|
|  | For the year ended |              | For the year ended |              |
|  | 31.12.19           | 31.12.18     | 31.12.19           | 31.12.18     |
| Salaries   | 1,639              | 1,748        | 1,629              | 1,722        |
| Variable compensation – performance awards   | 1,069              | 1,218        | 1,063              | 1,199        |
| Variable compensation – other  | 75                 | 74           | 75                 | 73           |
| Contractors  | 57                 | 70           | 57                 | 69           |
| Social security  | 176                | 199          | 175                | 196          |
| Pension and other post-employment benefit plans  | 199                | 9            | 198                | 12           |
| <i>of which: value adjustments for economic benefits or obligations from pension funds<sup>1</sup></i> | 75                 | (131)        | 74                 | (126)        |
| Other personnel expenses   | 115                | 139          | 114                | 136          |
| <b>Total personnel expenses</b>  | <b>3,330</b>       | <b>3,456</b> | <b>3,310</b>       | <b>3,407</b> |

<sup>1</sup> Reflects the remeasurement of the defined benefit obligation and return on plan assets excluding amounts included in interest income for the non-Swiss defined benefit plans, for which IAS 19 is applied.

## Note 6 General and administrative expenses

|  | USD million        |              | CHF million        |              |
|--|--------------------|--------------|--------------------|--------------|
|  | For the year ended |              | For the year ended |              |
|  | 31.12.19           | 31.12.18     | 31.12.19           | 31.12.18     |
| Occupancy  | 417                | 510          | 414                | 503          |
| Rent and maintenance of IT equipment   | 44                 | 38           | 44                 | 37           |
| Communication and market data services   | 139                | 150          | 138                | 147          |
| Administration   | 2,598              | 2,857        | 2,579              | 2,817        |
| <i>of which: shared services costs charged by UBS Group AG or its subsidiaries</i> | <i>2,389</i>       | <i>2,543</i> | <i>2,372</i>       | <i>2,507</i> |
| Marketing and public relations   | 53                 | 80           | 52                 | 79           |
| Travel and entertainment   | 87                 | 115          | 87                 | 113          |
| Fees to audit firms  | 18                 | 28           | 18                 | 28           |
| <i>of which: financial and regulatory audits</i>                                   | <i>15</i>          | <i>24</i>    | <i>15</i>          | <i>24</i>    |
| <i>of which: audit-related services</i>  | <i>2</i>           | <i>4</i>     | <i>2</i>           | <i>4</i>     |
| <i>of which: tax and other services</i>  | <i>1</i>           | <i>0</i>     | <i>1</i>           | <i>0</i>     |
| Other professional fees  | 199                | 285          | 198                | 281          |
| Outsourcing of IT and other services   | 121                | 149          | 120                | 147          |
| <b>Total general and administrative expenses</b>                                   | <b>3,676</b>       | <b>4,212</b> | <b>3,650</b>       | <b>4,151</b> |

**Note 7 Extraordinary income and expenses**

|   | USD million        |            | CHF million        |            |
|---|--------------------|------------|--------------------|------------|
|   | For the year ended |            | For the year ended |            |
|   | 31.12.19           | 31.12.18   | 31.12.19           | 31.12.18   |
| Gains from disposals of subsidiaries and other participations                       | 26                 | 30         | 26                 | 29         |
| Reversal of impairments of and provisions for subsidiaries and other participations | 166                | 63         | 161                | 62         |
| Net gains from disposals of properties  | 7                  | 40         | 7                  | 39         |
| Other extraordinary income  | 6                  | 37         | 6                  | 36         |
| <b>Total extraordinary income</b>   | <b>204</b>         | <b>170</b> | <b>199</b>         | <b>167</b> |
| <b>Total extraordinary expenses</b>   | <b>1</b>           | <b>0</b>   | <b>1</b>           | <b>0</b>   |

In 2019, UBS recorded a gain of USD 23 million (CHF 23 million) on the sale of a participation. In 2018, UBS recorded gains of USD 31 million (CHF 30 million) on the sale of real estate and USD 25 million (CHF 25 million) on the sale of subsidiaries and businesses, both related to the sale of Widder Hotel.

**Note 8 Taxes**

|                                      | USD million        |              | CHF million        |              |
|--------------------------------------|--------------------|--------------|--------------------|--------------|
|                                      | For the year ended |              | For the year ended |              |
|                                      | 31.12.19           | 31.12.18     | 31.12.19           | 31.12.18     |
| Income tax expense / (benefit)       | 203                | (708)        | 202                | (696)        |
| <i>of which: current</i>             | 206                | (715)        | 205                | (703)        |
| <i>of which: deferred</i>            | (3)                | 7            | (3)                | 7            |
| Capital tax                          | 42                 | 45           | 41                 | 45           |
| <b>Total tax expense / (benefit)</b> | <b>245</b>         | <b>(663)</b> | <b>244</b>         | <b>(651)</b> |

There was an income tax expense of USD 203 million (CHF 202 million) for 2019, as compared to an income tax benefit of USD 708 million (CHF 696 million) for 2018. The income tax expense for 2019 was reduced by a benefit of USD 126 million (CHF 125 million) in respect of the utilization of tax losses carried forward, primarily in Switzerland and the US. The income tax expense for 2019 relates to UBS AG's taxable profits that were earned in other locations.

The income tax benefit for 2018 included a benefit of USD 809 million (CHF 795 million) in respect of compensation received from other group companies in relation to tax losses that were utilized by those companies. This benefit was mainly driven by a one-time election by UBS Securities LLC to capitalize

real estate costs for US tax purposes, resulting in a significant amount of taxable income, which was offset by the utilization of UBS AG's tax losses. UBS AG agreed to waive the payment of the related benefit resulting in a capital contribution by UBS AG into UBS Americas Holding LLC. The income tax benefit for 2018 also included a benefit of USD 26 million (CHF 26 million) in respect of the utilization of tax losses carried forward, primarily in Switzerland, and also an expense that related to UBS AG's taxable profits that were earned in other locations.

For 2019, the average tax rate, defined as income tax expense divided by the sum of operating profit and extraordinary income minus extraordinary expenses and capital tax, was 5.0% (2018: negative 27.0%).



## Note 9 Securities financing transactions

|  | USD billion |          | CHF billion |          |
|--|-------------|----------|-------------|----------|
|  | 31.12.19    | 31.12.18 | 31.12.19    | 31.12.18 |
| <b>On-balance sheet</b>  |             |          |             |          |
| Receivables from securities financing transactions, gross  | 120.7       | 139.7    | 116.8       | 137.4    |
| Netting of securities financing transactions   | (57.8)      | (61.8)   | (56.0)      | (60.8)   |
| Receivables from securities financing transactions, net  | 62.8        | 77.9     | 60.8        | 76.6     |
| Payables from securities financing transactions, gross   | 84.9        | 105.8    | 82.2        | 104.1    |
| Netting of securities financing transactions   | (57.8)      | (61.8)   | (56.0)      | (60.8)   |
| Payables from securities financing transactions, net   | 27.0        | 44.0     | 26.2        | 43.3     |
| Assets pledged as collateral in connection with securities financing transactions                | 59.7        | 49.8     | 57.8        | 49.0     |
| <i>of which: trading portfolio assets</i>  | 59.7        | 49.7     | 57.8        | 48.9     |
| <i>of which: assets that may be sold or repledged by counterparties</i>                          | 58.3        | 48.1     | 56.4        | 47.3     |
| <i>of which: financial investments</i>   | 0.0         | 0.1      | 0.0         | 0.1      |
| <i>of which: assets that may be sold or repledged by counterparties</i>                          | 0.0         | 0.1      | 0.0         | 0.1      |
| <b>Off-balance sheet</b>   |             |          |             |          |
| Fair value of assets received as collateral in connection with securities financing transactions | 307.1       | 302.5    | 297.3       | 297.5    |
| <i>of which: repledged</i>   | 205.4       | 224.9    | 198.8       | 221.1    |
| <i>of which: sold in connection with short sale transactions</i>                                 | 25.3        | 23.5     | 24.5        | 23.1     |

## Note 10a Collateral for loans and off-balance sheet transactions

| USD million  | 31.12.19              |                               |             |                               | 31.12.18  |                               |             |                               |                     |         |
|--|-----------------------|-------------------------------|-------------|-------------------------------|---|-------------------------------|-------------|-------------------------------|---------------------|---------|
|  | Secured               |                               | Unsecured   | Total                         | Secured   |                               | Unsecured   | Total                         |                     |         |
|  | Secured by collateral |                               |             |                               | Secured by other credit enhancements <sup>2</sup> |                               |             |                               |                     |         |
|  | Real estate           | Other collateral <sup>1</sup> | Real estate | Other collateral <sup>1</sup> | Real estate                                       | Other collateral <sup>1</sup> | Real estate | Other collateral <sup>1</sup> |                     |         |
| <b>On-balance sheet</b>  |                       |                               |             |                               |   |                               |             |                               |                     |         |
| Due from customers, gross <sup>3</sup>   | 3                     | 84,812                        | 50          | 25,627 <sup>4</sup>           | 110,491   | 0                             | 81,070      | 81                            | 30,304 <sup>4</sup> | 111,455 |
| Mortgage loans, gross  | 4,668                 | 0                             | 0           | 0                             | 4,668   | 4,737                         | 0           | 0                             | 0                   | 4,737   |
| <i>of which: residential mortgages</i>   | 4,507                 |                               |             |                               | 4,507   | 4,580                         |             |                               |                     | 4,580   |
| <i>of which: office and business premises mortgages</i>  | 69                    |                               |             |                               | 69  | 59                            |             |                               |                     | 59      |
| <i>of which: industrial premises mortgages</i>   | 0                     |                               |             |                               | 0   | 29                            |             |                               |                     | 29      |
| <i>of which: other mortgages</i>   | 92                    |                               |             |                               | 92  | 69                            |             |                               |                     | 69      |
| Funding provided to significant regulated subsidiaries eligible as total loss-absorbing capacity |                       |                               |             | 24,203                        | 24,203  |                               |             |                               | 22,431              | 22,431  |
| <b>Total on-balance sheet, gross</b>   | 4,671                 | 84,812                        | 50          | 49,830                        | 139,363   | 4,737                         | 81,070      | 81                            | 52,735              | 138,623 |
| Allowances   | (5)                   | (10)                          | 0           | (147)                         | (161)   | (10)                          | (5)         | 0                             | (133)               | (149)   |
| <b>Total on-balance sheet, net</b>   | 4,666                 | 84,802                        | 50          | 49,683                        | 139,201   | 4,727                         | 81,065      | 81                            | 52,602              | 138,475 |
| <b>Off-balance sheet</b>   |                       |                               |             |                               |   |                               |             |                               |                     |         |
| Contingent liabilities, gross  | 0                     | 3,542                         | 1,511       | 8,063                         | 13,116  | 0                             | 2,954       | 1,779                         | 11,286              | 16,019  |
| Irrevocable commitments, gross   | 285                   | 8,743                         | 993         | 12,211                        | 22,232  | 557                           | 9,525       | 1,071                         | 14,511              | 25,664  |
| Forward starting reverse repurchase and securities borrowing transactions                        | 0                     | 9,288                         | 0           | 0                             | 9,288   | 0                             | 4,745       | 0                             | 33                  | 4,778   |
| Liabilities for calls on shares and other equities   | 0                     | 0                             | 0           | 4                             | 4   | 0                             | 0           | 0                             | 5                   | 5       |
| <b>Total off-balance sheet</b>   | 285                   | 21,573                        | 2,504       | 20,279                        | 44,641  | 557                           | 17,225      | 2,850                         | 25,835              | 46,466  |

<sup>1</sup> Mainly comprised of cash and securities. <sup>2</sup> Includes credit default swaps and guarantees. <sup>3</sup> Includes prime brokerage margin lending receivables and prime brokerage receivables relating to securities financing transactions. <sup>4</sup> Primarily comprised of amounts due from subsidiaries and other Group entities.

**Note 10a Collateral for loans and off-balance sheet transactions (continued)**

| CHF million  | 31.12.19              |                               |   |                     |                | 31.12.18              |                               |   |                     |                |
|--|-----------------------|-------------------------------|---|---------------------|----------------|-----------------------|-------------------------------|---|---------------------|----------------|
|  | Secured               |                               | Secured by other credit enhancements <sup>2</sup> | Unsecured           | Total          | Secured               |                               | Secured by other credit enhancements <sup>2</sup> | Unsecured           | Total          |
|  | Secured by collateral |                               |   |                     |                | Secured by collateral |                               |   |                     |                |
|  | Real estate           | Other collateral <sup>1</sup> |   |                     |                | Real estate           | Other collateral <sup>1</sup> |   |                     |                |
| <b>On-balance sheet</b>  |                       |                               |   |                     |                |                       |                               |   |                     |                |
| Due from customers, gross <sup>3</sup>   | 3                     | 82,109                        | 48  | 24,810 <sup>4</sup> | 106,970        | 0                     | 79,711                        | 79  | 29,796 <sup>4</sup> | 109,586        |
| Mortgage loans, gross  | 4,520                 | 0                             | 0   | 0                   | 4,520          | 4,658                 | 0                             | 0   | 0                   | 4,658          |
| of which: residential mortgages  | 4,363                 |                               |   |                     | 4,363          | 4,503                 |                               |   |                     | 4,503          |
| of which: office and business premises mortgages   | 67                    |                               |   |                     | 67             | 58                    |                               |   |                     | 58             |
| of which: industrial premises mortgages  | 0                     |                               |   |                     | 0              | 29                    |                               |   |                     | 29             |
| of which: other mortgages  | 89                    |                               |   |                     | 89             | 68                    |                               |   |                     | 68             |
| Funding provided to significant regulated subsidiaries eligible as total loss-absorbing capacity |                       |                               |   | 23,432              | 23,432         |                       |                               |   | 22,055              | 22,055         |
| <b>Total on-balance sheet, gross</b>   | <b>4,522</b>          | <b>82,109</b>                 | <b>48</b>   | <b>48,242</b>       | <b>134,921</b> | <b>4,658</b>          | <b>79,711</b>                 | <b>79</b>   | <b>51,851</b>       | <b>136,299</b> |
| Allowances   | (4)                   | (9)                           | 0   | (143)               | (156)          | (10)                  | (5)                           | 0   | (131)               | (146)          |
| <b>Total on-balance sheet, net</b>   | <b>4,518</b>          | <b>82,100</b>                 | <b>48</b>   | <b>48,099</b>       | <b>134,765</b> | <b>4,648</b>          | <b>79,706</b>                 | <b>79</b>   | <b>51,720</b>       | <b>136,153</b> |
| <b>Off-balance sheet</b>   |                       |                               |   |                     |                |                       |                               |   |                     |                |
| Contingent liabilities, gross  | 0                     | 3,429                         | 1,463   | 7,806               | 12,698         | 0                     | 2,905                         | 1,749   | 11,096              | 15,750         |
| Irrevocable commitments, gross   | 276                   | 8,465                         | 961   | 11,822              | 21,524         | 548                   | 9,366                         | 1,053   | 14,267              | 25,234         |
| Forward starting reverse repurchase and securities borrowing transactions                        | 0                     | 8,992                         | 0   | 0                   | 8,992          | 0                     | 4,666                         | 0   | 32                  | 4,698          |
| Liabilities for calls on shares and other equities   | 0                     | 0                             | 0   | 4                   | 4              | 0                     | 0                             | 0   | 5                   | 5              |
| <b>Total off-balance sheet</b>   | <b>276</b>            | <b>20,885</b>                 | <b>2,424</b>                                      | <b>19,632</b>       | <b>43,218</b>  | <b>548</b>            | <b>16,936</b>                 | <b>2,802</b>                                      | <b>25,401</b>       | <b>45,687</b>  |

1 Mainly comprised of cash and securities. 2 Includes credit default swaps and guarantees. 3 Includes prime brokerage margin lending receivables and prime brokerage receivables relating to securities financing transactions. 4 Primarily comprised of amounts due from subsidiaries and other Group entities.

**Note 10b Impaired financial instruments**

| USD million                                 | 31.12.19                             |                           |  |                                    | 31.12.18                             |                           |  |                                    |
|---|--------------------------------------|---------------------------|--|------------------------------------|--------------------------------------|---------------------------|--|------------------------------------|
|   | Gross impaired financial instruments | Allowances and provisions | Estimated liquidation proceeds of collateral | Net impaired financial instruments | Gross impaired financial instruments | Allowances and provisions | Estimated liquidation proceeds of collateral | Net impaired financial instruments |
| Amounts due from customers                  | 428                                  | 156                       | 199  | 72                                 | 381                                  | 138                       | 155  | 87                                 |
| Mortgage loans                              | 196                                  | 4                         | 192  | 0                                  | 65                                   | 10                        | 55   | 0                                  |
| Other assets                                | 373                                  | 16                        | 0  | 357                                | 365                                  | 24                        | 0  | 341                                |
| Guarantees and loan commitments             | 8                                    | 0                         | 8  | 0                                  | 14                                   | 0                         | 14   | 0                                  |
| <b>Total impaired financial instruments</b> | <b>1,005</b>                         | <b>177</b>                | <b>400</b>                                   | <b>429</b>                         | <b>825</b>                           | <b>173</b>                | <b>224</b>                                   | <b>428</b>                         |

| CHF million                                 | 31.12.19                             |                           |  |                                    | 31.12.18                             |                           |  |                                    |
|---|--------------------------------------|---------------------------|--|------------------------------------|--------------------------------------|---------------------------|--|------------------------------------|
|   | Gross impaired financial instruments | Allowances and provisions | Estimated liquidation proceeds of collateral | Net impaired financial instruments | Gross impaired financial instruments | Allowances and provisions | Estimated liquidation proceeds of collateral | Net impaired financial instruments |
| Amounts due from customers                  | 414                                  | 151                       | 193  | 69                                 | 374                                  | 136                       | 153  | 86                                 |
| Mortgage loans                              | 190                                  | 4                         | 186  | 0                                  | 64                                   | 10                        | 54   | 0                                  |
| Other assets                                | 361                                  | 15                        | 0  | 346                                | 359                                  | 23                        | 0  | 335                                |
| Guarantees and loan commitments             | 8                                    | 0                         | 8  | 0                                  | 14                                   | 0                         | 14   | 0                                  |
| <b>Total impaired financial instruments</b> | <b>973</b>                           | <b>171</b>                | <b>387</b>                                   | <b>415</b>                         | <b>811</b>                           | <b>170</b>                | <b>221</b>                                   | <b>421</b>                         |

## Note 11a Allowances

| <i>USD million</i>  | Balance<br>as of<br>31.12.18 | Increase<br>recognized<br>in the<br>income<br>statement | Release<br>recognized<br>in the<br>income<br>statement | Write-offs  | Recoveries<br>and past<br>due interest | Foreign<br>currency<br>translation | Balance<br>as of<br>31.12.19 |
|---|------------------------------|---|--|-------------|--|------------------------------------|------------------------------|
| Specific allowances for amounts due from customers and mortgage loans | 149                          | 51  | (4)  | (40)        | 3                                      | 2                                  | 161                          |
| Allowances for other assets   | 24                           | 1   | (2)  | (10)        | 2                                      | 0                                  | 16                           |
| <b>Total allowances</b>   | <b>173</b>                   | <b>53</b>   | <b>(6)</b>   | <b>(49)</b> | <b>5</b>                               | <b>3</b>                           | <b>177</b>                   |

| <i>CHF million</i>  | Balance<br>as of<br>31.12.18 | Increase<br>recognized<br>in the<br>income<br>statement | Release<br>recognized<br>in the<br>income<br>statement | Write-offs  | Recoveries<br>and past<br>due interest | Foreign<br>currency<br>translation | Balance<br>as of<br>31.12.19 |
|---|------------------------------|---|--|-------------|--|------------------------------------|------------------------------|
| Specific allowances for amounts due from customers and mortgage loans | 146                          | 51  | (4)  | (40)        | 3                                      | 0                                  | 156                          |
| Allowances for other assets   | 23                           | 1   | (2)  | (10)        | 2                                      | 0                                  | 15                           |
| <b>Total allowances</b>   | <b>170</b>                   | <b>52</b>   | <b>(6)</b>   | <b>(49)</b> | <b>5</b>                               | <b>0</b>                           | <b>171</b>                   |

## Note 11b Provisions

| <i>USD million</i>                                      | Balance<br>as of<br>31.12.18 | Increase<br>recognized<br>in the<br>income<br>statement | Release<br>recognized<br>in the<br>income<br>statement | Provisions<br>used in<br>conformity<br>with<br>designated<br>purpose | Recoveries | Reclassifications /<br>other | Foreign<br>currency<br>translation | Balance<br>as of<br>31.12.19 |
|---|------------------------------|---|--|--|------------|------------------------------|------------------------------------|------------------------------|
| Operational risks                                       | 11                           | 2   | 0  | (1)  | 0          | 0                            | 0                                  | 12                           |
| Litigation, regulatory and similar matters <sup>1</sup> | 1,149                        | 113   | (106)  | (274)  | 1          | 0                            | (15)                               | 867                          |
| Restructuring   | 50                           | 150 <sup>2</sup>  | (9)  | (51)   | 1          | (3)                          | 1                                  | 140                          |
| Real estate <sup>3</sup>                                | 71                           | 3   | 0  | (7)  | 0          | (1)                          | 1                                  | 67                           |
| Employee benefits                                       | 29                           | 4   | (5)  | 0  | 0          | (1)                          | 0                                  | 26                           |
| Deferred taxes  | 52                           | 0   | (3)  | 0  | 0          | 0                            | 0                                  | 50                           |
| Other   | 54                           | 3   | (12)   | (8)  | 0          | (1)                          | 1                                  | 36                           |
| <b>Total provisions</b>                                 | <b>1,416</b>                 | <b>274</b>  | <b>(135)</b>   | <b>(341)</b>   | <b>2</b>   | <b>(6)</b>                   | <b>(12)</b>                        | <b>1,198</b>                 |

<sup>1</sup> Includes provisions for litigation resulting from security risks. <sup>2</sup> Includes a transfer of an onerous lease provision from a subsidiary to UBS AG, for which UBS AG was compensated. This compensation was reflected as part of Sundry ordinary income. <sup>3</sup> Includes provisions for onerous lease contracts of USD 9 million as of 31 December 2019 (31 December 2018: USD 12 million) and reinstatement cost provisions for leasehold improvements of USD 58 million as of 31 December 2019 (31 December 2018: USD 59 million).

| <i>CHF million</i>                                      | Balance<br>as of<br>31.12.18 | Increase<br>recognized<br>in the<br>income<br>statement | Release<br>recognized<br>in the<br>income<br>statement | Provisions<br>used in<br>conformity<br>with<br>designated<br>purpose | Recoveries | Reclassifications /<br>other | Foreign<br>currency<br>translation | Balance<br>as of<br>31.12.19 |
|---|------------------------------|---|--|--|------------|------------------------------|------------------------------------|------------------------------|
| Operational risks                                       | 11                           | 2   | 0  | (1)  | 0          | 0                            | 0                                  | 12                           |
| Litigation, regulatory and similar matters <sup>1</sup> | 1,130                        | 112   | (106)  | (272)  | 1          | 0                            | (25)                               | 839                          |
| Restructuring   | 49                           | 146 <sup>2</sup>  | (9)  | (50)   | 1          | (3)                          | 0                                  | 135                          |
| Real estate <sup>3</sup>                                | 70                           | 3   | 0  | (7)  | 0          | 0                            | (1)                                | 65                           |
| Employee benefits                                       | 29                           | 4   | (5)  | 0  | 0          | (1)                          | 0                                  | 26                           |
| Deferred taxes  | 51                           | 0   | (3)  | 0  | 0          | 0                            | 0                                  | 48                           |
| Other   | 53                           | 3   | (12)   | (8)  | 0          | (1)                          | 0                                  | 35                           |
| <b>Total provisions</b>                                 | <b>1,392</b>                 | <b>269</b>  | <b>(134)</b>   | <b>(338)</b>   | <b>2</b>   | <b>(5)</b>                   | <b>(26)</b>                        | <b>1,160</b>                 |

<sup>1</sup> Includes provisions for litigation resulting from security risks. <sup>2</sup> Includes a transfer of an onerous lease provision from a subsidiary to UBS AG, for which UBS AG was compensated. This compensation was reflected as part of Sundry ordinary income. <sup>3</sup> Includes provisions for onerous lease contracts of CHF 9 million as of 31 December 2019 (31 December 2018: CHF 12 million) and reinstatement cost provisions for leasehold improvements of CHF 56 million as of 31 December 2019 (31 December 2018: CHF 58 million).

**Note 12 Trading portfolio and other financial instruments measured at fair value**

|   | USD million    |               | CHF million    |               |
|---|----------------|---------------|----------------|---------------|
|   | 31.12.19       | 31.12.18      | 31.12.19       | 31.12.18      |
| <b>Assets</b>   |                |               |                |               |
| Trading portfolio assets  | 116,843        | 95,612        | 113,119        | 94,009        |
| <i>of which: debt instruments<sup>1</sup></i>   | 17,893         | 17,802        | 17,323         | 17,503        |
| <i>of which: listed</i>   | 14,522         | 12,835        | 14,059         | 12,620        |
| <i>of which: equity instruments</i>   | 96,034         | 75,079        | 92,973         | 73,820        |
| <i>of which: precious metals and other physical commodities</i>   | 2,916          | 2,732         | 2,823          | 2,686         |
| <b>Total assets measured at fair value</b>  | <b>116,843</b> | <b>95,612</b> | <b>113,119</b> | <b>94,009</b> |
| <i>of which: fair value derived using a valuation model</i>   | 11,755         | 13,099        | 11,380         | 12,879        |
| <i>of which: securities eligible for repurchase transactions in accordance with liquidity regulations<sup>2</sup></i> | 10,304         | 10,434        | 9,976          | 10,259        |
| <b>Liabilities</b>  |                |               |                |               |
| Trading portfolio liabilities   | 25,292         | 23,453        | 24,486         | 23,060        |
| <i>of which: debt instruments<sup>1</sup></i>   | 4,019          | 3,474         | 3,891          | 3,416         |
| <i>of which: listed</i>   | 3,799          | 3,193         | 3,678          | 3,140         |
| <i>of which: equity instruments</i>   | 21,273         | 19,979        | 20,595         | 19,644        |
| Financial liabilities designated at fair value <sup>3</sup>   | 65,647         | 56,226        | 63,555         | 55,283        |
| <b>Total liabilities measured at fair value</b>   | <b>90,939</b>  | <b>79,679</b> | <b>88,041</b>  | <b>78,342</b> |
| <i>of which: fair value derived using a valuation model</i>   | 69,286         | 59,645        | 67,078         | 58,645        |

1 Includes money market paper. 2 Consists of high-quality liquid debt securities that are eligible for repurchase transactions at the Swiss National Bank or other central banks. 3 Refer to Note 19 for more information.

## Note 13 Derivative instruments<sup>1</sup>

| USD billion   | 31.12.19                    |                                  |                       | 31.12.18                    |                                  |                       |
|---|-----------------------------|----------------------------------|-----------------------|-----------------------------|----------------------------------|-----------------------|
|   | Derivative financial assets | Derivative financial liabilities | Total notional values | Derivative financial assets | Derivative financial liabilities | Total notional values |
| <b>Interest rate contracts</b>  |                             |                                  |                       |                             |                                  |                       |
| Forwards <sup>2</sup>   | 0.1                         | 0.4                              | 3,167                 | 0.1                         | 0.3                              | 2,890                 |
| Swaps   | 35.7                        | 27.5                             | 8,916                 | 30.8                        | 24.7                             | 8,077                 |
| <i>of which: designated in hedge accounting relationships</i>             | 0.0                         | 0.0                              | 108                   | 0.0                         | 0.0                              | 102                   |
| Futures   | 0.0                         | 0.0                              | 544                   | 0.0                         | 0.0                              | 510                   |
| Over-the-counter (OTC) options  | 8.1                         | 10.0                             | 951                   | 7.6                         | 9.0                              | 1,113                 |
| Exchange-traded options   | 0.1                         | 0.1                              | 380                   | 0.0                         | 0.0                              | 254                   |
| <b>Total</b>  | <b>43.9</b>                 | <b>37.9</b>                      | <b>13,958</b>         | <b>38.5</b>                 | <b>34.0</b>                      | <b>12,843</b>         |
| <b>Foreign exchange contracts</b>   |                             |                                  |                       |                             |                                  |                       |
| Forwards  | 22.4                        | 23.4                             | 1,902                 | 20.2                        | 20.9                             | 1,441                 |
| <i>of which: designated in hedge accounting relationships<sup>3</sup></i> | 0.0                         | 0.0                              | 0                     |                             |                                  |                       |
| Interest and currency swaps   | 23.2                        | 24.0                             | 3,043                 | 25.0                        | 24.7                             | 2,533                 |
| <i>of which: designated in hedge accounting relationships<sup>3</sup></i> | 0.0                         | 0.2                              | 11                    |                             |                                  |                       |
| Futures   | 0.0                         | 0.0                              | 1                     | 0.0                         | 0.0                              | 0                     |
| Over-the-counter (OTC) options  | 7.3                         | 6.9                              | 1,267                 | 8.4                         | 7.8                              | 1,192                 |
| Exchange-traded options   | 0.0                         | 0.0                              | 8                     | 0.1                         | 0.1                              | 9                     |
| <b>Total</b>  | <b>52.9</b>                 | <b>54.3</b>                      | <b>6,221</b>          | <b>53.7</b>                 | <b>53.6</b>                      | <b>5,176</b>          |
| <b>Equity / index contracts</b>   |                             |                                  |                       |                             |                                  |                       |
| Forwards  | 0.0                         | 0.1                              | 25                    | 0.3                         | 0.2                              | 28                    |
| Swaps   | 4.1                         | 5.8                              | 185                   | 4.8                         | 5.6                              | 171                   |
| Futures   | 0.0                         | 0.0                              | 79                    | 0.0                         | 0.0                              | 62                    |
| Over-the-counter (OTC) options  | 5.3                         | 7.0                              | 245                   | 5.6                         | 7.4                              | 246                   |
| Exchange-traded options   | 8.6                         | 8.0                              | 569                   | 12.9                        | 14.0                             | 516                   |
| <b>Total</b>  | <b>18.1</b>                 | <b>20.8</b>                      | <b>1,104</b>          | <b>23.7</b>                 | <b>27.3</b>                      | <b>1,024</b>          |
| <b>Credit derivative contracts</b>  |                             |                                  |                       |                             |                                  |                       |
| Credit default swaps  | 1.8                         | 2.1                              | 131                   | 1.7                         | 2.1                              | 141                   |
| Total return swaps  | 0.3                         | 0.9                              | 5                     | 0.3                         | 0.8                              | 7                     |
| Other   | 0.0                         | 0.0                              | 4                     | 0.0                         | 0.0                              | 4                     |
| <b>Total</b>  | <b>2.1</b>                  | <b>3.0</b>                       | <b>141</b>            | <b>2.0</b>                  | <b>2.9</b>                       | <b>152</b>            |
| <b>Commodity, precious metals and other contracts</b>                     |                             |                                  |                       |                             |                                  |                       |
| Forwards  | 0.1                         | 0.2                              | 10                    | 0.1                         | 0.1                              | 7                     |
| Swaps   | 0.4                         | 0.6                              | 29                    | 0.7                         | 0.4                              | 25                    |
| Futures   | 0.0                         | 0.0                              | 12                    | 0.0                         | 0.0                              | 8                     |
| Over-the-counter (OTC) options  | 1.0                         | 0.4                              | 51                    | 0.4                         | 0.3                              | 35                    |
| Exchange-traded options   | 0.4                         | 0.5                              | 27                    | 0.4                         | 0.7                              | 19                    |
| <b>Total</b>  | <b>1.8</b>                  | <b>1.7</b>                       | <b>129</b>            | <b>1.7</b>                  | <b>1.4</b>                       | <b>94</b>             |
| <b>Total before netting</b>   | <b>118.7</b>                | <b>117.6</b>                     | <b>21,553</b>         | <b>119.6</b>                | <b>119.1</b>                     | <b>19,289</b>         |
| <i>of which: trading derivatives</i>                                      | <i>118.7</i>                | <i>117.5</i>                     |                       | <i>119.6</i>                | <i>119.1</i>                     |                       |
| <i>of which: fair value derived using a valuation model</i>               | <i>118.4</i>                | <i>117.1</i>                     |                       | <i>118.9</i>                | <i>118.5</i>                     |                       |
| <i>of which: derivatives designated in hedge accounting relationships</i> | <i>0.1</i>                  | <i>0.2</i>                       |                       | <i>0.0</i>                  | <i>0.0</i>                       |                       |
| <i>of which: fair value derived using a valuation model</i>               | <i>0.1</i>                  | <i>0.2</i>                       |                       | <i>0.0</i>                  | <i>0.0</i>                       |                       |
| Netting with cash collateral payables / receivables                       | (16.8)                      | (11.8)                           |                       | (14.9)                      | (12.3)                           |                       |
| Replacement value netting   | (89.5)                      | (89.5)                           |                       | (89.6)                      | (89.6)                           |                       |
| <b>Total after netting</b>  | <b>12.4</b>                 | <b>16.3</b>                      |                       | <b>15.1</b>                 | <b>17.3</b>                      |                       |
| <i>of which: with central clearing counterparties</i>                     | <i>0.4</i>                  | <i>0.6</i>                       |                       | <i>0.5</i>                  | <i>0.6</i>                       |                       |
| <i>of which: with bank and broker-dealer counterparties</i>               | <i>5.3</i>                  | <i>5.0</i>                       |                       | <i>6.0</i>                  | <i>6.3</i>                       |                       |
| <i>of which: other client counterparties</i>                              | <i>6.7</i>                  | <i>10.7</i>                      |                       | <i>8.6</i>                  | <i>10.4</i>                      |                       |

<sup>1</sup> Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are excluded from this table. The replacement values and related notional values of these derivatives were not material for the periods presented. <sup>2</sup> Includes forward rate agreements. <sup>3</sup> Since 1 July 2019 UBS AG applies hedge accounting for certain investments in subsidiaries and other participations denominated in currencies other than the US dollar. Refer to Note 2b for more information.

Note 13 Derivative instruments (continued)<sup>1</sup>

| CHF billion   | 31.12.19                    |                                  |                       | 31.12.18                    |                                  |                       |
|---|-----------------------------|----------------------------------|-----------------------|-----------------------------|----------------------------------|-----------------------|
|   | Derivative financial assets | Derivative financial liabilities | Total notional values | Derivative financial assets | Derivative financial liabilities | Total notional values |
| <b>Interest rate contracts</b>  |                             |                                  |                       |                             |                                  |                       |
| Forwards <sup>2</sup>   | 0.1                         | 0.3                              | 3,066                 | 0.1                         | 0.3                              | 2,842                 |
| Swaps   | 34.5                        | 26.6                             | 8,632                 | 30.2                        | 24.3                             | 7,941                 |
| <i>of which: designated in hedge accounting relationships</i>             | 0.0                         | 0.0                              | 104                   | 0.0                         | 0.0                              | 100                   |
| Futures   | 0.0                         | 0.0                              | 527                   | 0.0                         | 0.0                              | 501                   |
| Over-the-counter (OTC) options  | 7.9                         | 9.7                              | 921                   | 7.5                         | 8.9                              | 1,094                 |
| Exchange-traded options   | 0.1                         | 0.1                              | 368                   | 0.0                         | 0.0                              | 249                   |
| <b>Total</b>  | <b>42.5</b>                 | <b>36.7</b>                      | <b>13,513</b>         | <b>37.9</b>                 | <b>33.5</b>                      | <b>12,628</b>         |
| <b>Foreign exchange contracts</b>   |                             |                                  |                       |                             |                                  |                       |
| Forwards  | 21.7                        | 22.6                             | 1,842                 | 19.9                        | 20.6                             | 1,417                 |
| <i>of which: designated in hedge accounting relationships<sup>3</sup></i> | 0.0                         | 0.0                              | 0                     |                             |                                  |                       |
| Interest and currency swaps   | 22.4                        | 23.2                             | 2,946                 | 24.6                        | 24.3                             | 2,490                 |
| <i>of which: designated in hedge accounting relationships<sup>3</sup></i> | 0.0                         | 0.2                              | 10                    |                             |                                  |                       |
| Futures   | 0.0                         | 0.0                              | 1                     | 0.0                         | 0.0                              | 0                     |
| Over-the-counter (OTC) options  | 7.1                         | 6.6                              | 1,227                 | 8.2                         | 7.7                              | 1,172                 |
| Exchange-traded options   | 0.0                         | 0.0                              | 8                     | 0.1                         | 0.1                              | 9                     |
| <b>Total</b>  | <b>51.2</b>                 | <b>52.5</b>                      | <b>6,023</b>          | <b>52.8</b>                 | <b>52.7</b>                      | <b>5,089</b>          |
| <b>Equity / index contracts</b>   |                             |                                  |                       |                             |                                  |                       |
| Forwards  | 0.0                         | 0.1                              | 24                    | 0.3                         | 0.2                              | 28                    |
| Swaps   | 4.0                         | 5.6                              | 180                   | 4.7                         | 5.5                              | 168                   |
| Futures   | 0.0                         | 0.0                              | 76                    | 0.0                         | 0.0                              | 61                    |
| Over-the-counter (OTC) options  | 5.1                         | 6.7                              | 238                   | 5.5                         | 7.3                              | 242                   |
| Exchange-traded options   | 8.3                         | 7.7                              | 551                   | 12.7                        | 13.8                             | 508                   |
| <b>Total</b>  | <b>17.5</b>                 | <b>20.1</b>                      | <b>1,069</b>          | <b>23.3</b>                 | <b>26.9</b>                      | <b>1,007</b>          |
| <b>Credit derivative contracts</b>  |                             |                                  |                       |                             |                                  |                       |
| Credit default swaps  | 1.7                         | 2.0                              | 127                   | 1.7                         | 2.1                              | 139                   |
| Total return swaps  | 0.3                         | 0.8                              | 5                     | 0.3                         | 0.8                              | 7                     |
| Other   | 0.0                         | 0.0                              | 4                     | 0.0                         | 0.0                              | 4                     |
| <b>Total</b>  | <b>2.0</b>                  | <b>2.9</b>                       | <b>136</b>            | <b>1.9</b>                  | <b>2.8</b>                       | <b>150</b>            |
| <b>Commodity, precious metals and other contracts</b>                     |                             |                                  |                       |                             |                                  |                       |
| Forwards  | 0.1                         | 0.2                              | 10                    | 0.1                         | 0.1                              | 6                     |
| Swaps   | 0.4                         | 0.6                              | 28                    | 0.7                         | 0.4                              | 25                    |
| Futures   | 0.0                         | 0.0                              | 12                    | 0.0                         | 0.0                              | 8                     |
| Over-the-counter (OTC) options  | 0.9                         | 0.4                              | 49                    | 0.4                         | 0.3                              | 34                    |
| Exchange-traded options   | 0.3                         | 0.5                              | 26                    | 0.4                         | 0.6                              | 18                    |
| <b>Total</b>  | <b>1.7</b>                  | <b>1.7</b>                       | <b>125</b>            | <b>1.7</b>                  | <b>1.3</b>                       | <b>92</b>             |
| <b>Total before netting</b>   | <b>114.9</b>                | <b>113.9</b>                     | <b>20,866</b>         | <b>117.6</b>                | <b>117.1</b>                     | <b>18,965</b>         |
| <i>of which: trading derivatives</i>                                      | <i>114.9</i>                | <i>113.7</i>                     |                       | <i>117.6</i>                | <i>117.1</i>                     |                       |
| <i>of which: fair value derived using a valuation model</i>               | <i>114.6</i>                | <i>113.4</i>                     |                       | <i>116.9</i>                | <i>116.5</i>                     |                       |
| <i>of which: derivatives designated in hedge accounting relationships</i> | <i>0.1</i>                  | <i>0.2</i>                       |                       | <i>0.0</i>                  | <i>0.0</i>                       |                       |
| <i>of which: fair value derived using a valuation model</i>               | <i>0.1</i>                  | <i>0.2</i>                       |                       | <i>0.0</i>                  | <i>0.0</i>                       |                       |
| Netting with cash collateral payables / receivables                       | (16.3)                      | (11.5)                           |                       | (14.6)                      | (12.1)                           |                       |
| Replacement value netting   | (86.6)                      | (86.6)                           |                       | (88.1)                      | (88.1)                           |                       |
| <b>Total after netting</b>  | <b>12.0</b>                 | <b>15.8</b>                      |                       | <b>14.9</b>                 | <b>17.0</b>                      |                       |
| <i>of which: with central clearing counterparties</i>                     | <i>0.4</i>                  | <i>0.6</i>                       |                       | <i>0.5</i>                  | <i>0.6</i>                       |                       |
| <i>of which: with bank and broker-dealer counterparties</i>               | <i>5.1</i>                  | <i>4.9</i>                       |                       | <i>5.9</i>                  | <i>6.2</i>                       |                       |
| <i>of which: other client counterparties</i>                              | <i>6.5</i>                  | <i>10.3</i>                      |                       | <i>8.5</i>                  | <i>10.2</i>                      |                       |

<sup>1</sup> Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are excluded from this table. The replacement values and related notional values of these derivatives were not material for the periods presented. <sup>2</sup> Includes forward rate agreements. <sup>3</sup> Since 1 July 2019 UBS AG applies hedge accounting for certain investments in subsidiaries and other participations denominated in currencies other than the US dollar. Refer to Note 2b for more information.

## Note 14a Financial investments by instrument type

| USD million   | 31.12.19        |               | 31.12.18        |               |
|---|-----------------|---------------|-----------------|---------------|
|   | Carrying amount | Fair value    | Carrying amount | Fair value    |
| Debt instruments  | 23,402          | 23,523        | 25,442          | 25,460        |
| <i>of which: held to maturity</i>   | 3,048           | 3,089         | 1,983           | 1,981         |
| <i>of which: available-for-sale</i>   | 20,353          | 20,434        | 23,460          | 23,479        |
| Equity instruments  | 60              | 68            | 222             | 257           |
| <i>of which: qualified participations<sup>1</sup></i>   | 32              | 32            | 61              | 64            |
| Property  | 1               | 1             | 2               | 2             |
| <b>Total financial investments</b>  | <b>23,463</b>   | <b>23,593</b> | <b>25,666</b>   | <b>25,718</b> |
| <i>of which: securities eligible for repurchase transactions in accordance with liquidity regulations<sup>2</sup></i> | <i>18,978</i>   | <i>19,095</i> | <i>25,421</i>   | <i>25,436</i> |

1 Qualified participations are investments in which UBS AG holds 10% or more of the total capital or has at least 10% of total voting rights. 2 Consists of high-quality liquid debt securities that are eligible for repurchase transactions at the Swiss National Bank or other central banks.

| CHF million   | 31.12.19        |               | 31.12.18        |               |
|---|-----------------|---------------|-----------------|---------------|
|   | Carrying amount | Fair value    | Carrying amount | Fair value    |
| Debt instruments  | 22,656          | 22,774        | 25,016          | 25,033        |
| <i>of which: held to maturity</i>   | 2,951           | 2,991         | 1,949           | 1,948         |
| <i>of which: available-for-sale</i>   | 19,705          | 19,783        | 23,066          | 23,085        |
| Equity instruments  | 58              | 66            | 218             | 252           |
| <i>of which: qualified participations<sup>1</sup></i>   | 31              | 31            | 60              | 63            |
| Property  | 1               | 1             | 2               | 2             |
| <b>Total financial investments</b>  | <b>22,715</b>   | <b>22,841</b> | <b>25,235</b>   | <b>25,287</b> |
| <i>of which: securities eligible for repurchase transactions in accordance with liquidity regulations<sup>2</sup></i> | <i>18,373</i>   | <i>18,486</i> | <i>24,995</i>   | <i>25,009</i> |

1 Qualified participations are investments in which UBS AG holds 10% or more of the total capital or has at least 10% of total voting rights. 2 Consists of high-quality liquid debt securities that are eligible for repurchase transactions at the Swiss National Bank or other central banks.

## Note 14b Financial investments by counterparty rating – debt instruments

|  | USD million   |               | CHF million   |               |
|--|---------------|---------------|---------------|---------------|
|  | 31.12.19      | 31.12.18      | 31.12.19      | 31.12.18      |
| <b>Internal UBS rating<sup>1</sup></b> |               |               |               |               |
| 0–1                                    | 17,945        | 17,204        | 17,373        | 16,916        |
| 2–3                                    | 5,456         | 8,237         | 5,282         | 8,099         |
| 4–5                                    | 1             | 0             | 1             | 0             |
| 6–8                                    | 0             | 0             | 0             | 0             |
| 9–13                                   | 0             | 0             | 0             | 0             |
| Non-rated                              | 0             | 2             | 0             | 2             |
| <b>Total financial investments</b>     | <b>23,402</b> | <b>25,442</b> | <b>22,656</b> | <b>25,016</b> |

1 Refer to Note 18 for more information.

## Note 15 Investments in subsidiaries and other participations

|   | Registered office         | Equity interest accumulated in % | Carrying amount in USD million |               | Carrying amount in CHF million |               |
|---|---------------------------|----------------------------------|--------------------------------|---------------|--------------------------------|---------------|
|   |                           |                                  | 31.12.19                       | 31.12.18      | 31.12.19                       | 31.12.18      |
| UBS Americas Holding LLC <sup>1</sup>                             | Wilmington, Delaware, USA | 100                              | 32,159                         | 31,935        | 31,134                         | 31,400        |
| UBS Switzerland AG  | Zurich, Switzerland       | 100                              | 7,982                          | 7,982         | 7,728                          | 7,848         |
| UBS Europe SE <sup>2</sup>  | Frankfurt, Germany        | 100                              | 4,806                          | 5,015         | 4,653                          | 4,931         |
| UBS Asset Management AG   | Zurich, Switzerland       | 100                              | 1,643                          | 1,528         | 1,590                          | 1,503         |
| Other   |                           |                                  | 3,041                          | 3,069         | 2,944                          | 3,017         |
| <b>Total investments in subsidiaries and other participations</b> |                           |                                  | <b>49,631</b>                  | <b>49,528</b> | <b>48,049</b>                  | <b>48,698</b> |

1 Includes the impact of the contribution of real estate assets into UBS Americas Holding LLC. Refer to Note 25 for more information. 2 As of 31 December 2018, UBS Europe SE holding reflects the combined UK business transfer and cross-border merger of UBS Limited into UBS Europe SE, which was formally concluded on 1 March 2019. Refer to Note 25 for more information.

**Note 16a Other assets**

|  | USD million  |              | CHF million  |              |
|--|--------------|--------------|--------------|--------------|
|  | 31.12.19     | 31.12.18     | 31.12.19     | 31.12.18     |
| Deferral position for hedging instruments  | 0            | 464          | 0            | 456          |
| Bail deposit <sup>1</sup>  | 1,282        | 1,300        | 1,241        | 1,278        |
| Settlement and clearing accounts   | 64           | 304          | 62           | 299          |
| VAT and other indirect tax receivables   | 192          | 99           | 186          | 97           |
| Other  | 1,620        | 1,722        | 1,567        | 1,692        |
| <i>of which: other receivables due from UBS Group AG and subsidiaries in the UBS Group</i> | <i>820</i>   | <i>1,047</i> | <i>794</i>   | <i>1,030</i> |
| <b>Total other assets</b>  | <b>3,158</b> | <b>3,888</b> | <b>3,056</b> | <b>3,822</b> |

<sup>1</sup> Refer to item 1 in Note 21b to the UBS AG consolidated financial statements in the UBS Group AG and UBS AG Annual Report 2019 for more information.

**Note 16b Other liabilities**

|   | USD million  |              | CHF million  |              |
|---|--------------|--------------|--------------|--------------|
|   | 31.12.19     | 31.12.18     | 31.12.19     | 31.12.18     |
| Deferral position for hedging instruments   | 1,903        | 0            | 1,843        | 0            |
| Settlement and clearing accounts  | 207          | 344          | 200          | 339          |
| Net defined benefit liabilities   | 87           | 279          | 84           | 274          |
| VAT and other indirect tax payables   | 97           | 72           | 94           | 71           |
| Other   | 1,257        | 1,906        | 1,218        | 1,873        |
| <i>of which: other payables due to UBS Group AG and subsidiaries in the UBS Group</i> | <i>1,024</i> | <i>1,461</i> | <i>991</i>   | <i>1,436</i> |
| <b>Total other liabilities</b>  | <b>3,551</b> | <b>2,601</b> | <b>3,439</b> | <b>2,557</b> |

**Note 17 Pledged assets<sup>1</sup>**

The table below provides information on assets that are primarily pledged in connection with derivative transactions and properties. The table excludes securities financing transactions.

→ Refer to Note 9 for more information on securities financing transactions

| USD million  | 31.12.19                          |                      | 31.12.18                          |                      |
|--|-----------------------------------|----------------------|-----------------------------------|----------------------|
|  | Carrying amount of pledged assets | Effective commitment | Carrying amount of pledged assets | Effective commitment |
| Securities   | 4,356                             | 38                   | 4,532                             | 187                  |
| Pledges of property, equipment and software <sup>2</sup> | 2,651                             | 0                    | 2,636                             | 0                    |
| <b>Total pledged assets</b>                              | <b>7,007</b>                      | <b>38</b>            | <b>7,168</b>                      | <b>187</b>           |

<sup>1</sup> Excludes assets placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes (31 December 2019: USD 0.6 billion; 31 December 2018: USD 0.8 billion). <sup>2</sup> These pledged properties serve as collateral for an existing mortgage loan from UBS Switzerland AG.

| CHF million  | 31.12.19                          |                      | 31.12.18                          |                      |
|--|-----------------------------------|----------------------|-----------------------------------|----------------------|
|  | Carrying amount of pledged assets | Effective commitment | Carrying amount of pledged assets | Effective commitment |
| Securities   | 4,217                             | 37                   | 4,456                             | 183                  |
| Pledges of property, equipment and software <sup>2</sup> | 2,567                             | 0                    | 2,592                             | 0                    |
| <b>Total pledged assets</b>                              | <b>6,784</b>                      | <b>37</b>            | <b>7,048</b>                      | <b>183</b>           |

<sup>1</sup> Excludes assets placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes (31 December 2019: CHF 0.6 billion; 31 December 2018: CHF 0.8 billion). <sup>2</sup> These pledged properties serve as collateral for an existing mortgage loan from UBS Switzerland AG.



## Note 18 Country risk of total assets

The table below provides a breakdown of total non-Swiss assets by credit rating. These credit ratings reflect the sovereign credit rating of the country to which the ultimate risk of the underlying asset is related. The ultimate country of risk for unsecured loan positions is the domicile of the immediate borrower or, in the case of a legal entity, the domicile of the ultimate parent entity. For collateralized or guaranteed positions, the ultimate country of risk is the domicile of the provider of the collateral or guarantor or, if applicable, the domicile of the ultimate parent entity of the provider of the collateral or guarantor. For

mortgage loans, the ultimate country of risk is the country where the real estate is located. Similarly, the ultimate country of risk for property and equipment is the country where the property and equipment is located. Assets for which Switzerland is the ultimate country of risk are provided separately in order to reconcile them to total balance sheets assets.

→ Refer to the "Risk management and control" section of the UBS Group AG and UBS AG Annual Report 2019 for more information

|                     |                     |                      |                           |             |             | 31.12.19       | 31.12.18   |                |            |
|---------------------|---------------------|----------------------|---------------------------|-------------|-------------|----------------|------------|----------------|------------|
| Classification      | Internal UBS rating | Description          | Moody's Investors Service |             |             | USD million    | %          | USD million    | %          |
|                     |                     |                      | Standard & Poor's         | Fitch       |             |                |            |                |            |
|                     | 0 and 1             | Investment grade     | Aaa                       | AAA         | AAA         | 219,712        | 46         | 210,209        | 44         |
| Low risk            | 2                   |                      | Aa1 to Aa3                | AA+ to AA-  | AA+ to AA-  | 100,804        | 21         | 130,270        | 27         |
|                     | 3                   |                      | A1 to A3                  | A+ to A-    | A+ to AA-   | 65,739         | 14         | 56,410         | 12         |
| Medium risk         | 4                   |                      | Baa1 to Baa2              | BBB+ to BBB | BBB+ to BBB | 12,915         | 3          | 11,928         | 2          |
|                     | 5                   |                      | Baa3                      | BBB-        | BBB-        | 5,457          | 1          | 5,073          | 1          |
| High risk           | 6                   | Sub-investment grade | Ba1                       | BB+         | BB+         | 2,662          | 1          | 1,412          | 0          |
|                     | 7                   |                      | Ba2                       | BB          | BB          | 3,427          | 1          | 2,512          | 1          |
|                     | 8                   |                      | Ba3                       | BB-         | BB-         | 42             | 0          | 10             | 0          |
|                     | 9                   |                      | B1                        | B+          | B+          | 493            | 0          | 679            | 0          |
| Very high risk      | 10                  |                      | B2                        | B           | B           | 569            | 0          | 715            | 0          |
|                     | 11                  |                      | B3                        | B-          | B-          | 84             | 0          | 163            | 0          |
|                     | 12                  |                      | Caa                       | CCC         | CCC         | 228            | 0          | 66             | 0          |
|                     | 13                  |                      | Ca to C                   | CC to C     | CC to C     | 34             | 0          | 72             | 0          |
| Distressed          | Default             | Defaulted            | D                         | D           | D           | 75             | 0          | 17             | 0          |
| <b>Subtotal</b>     |                     |                      |                           |             |             | <b>412,241</b> | <b>86</b>  | <b>419,536</b> | <b>87</b>  |
| Switzerland         |                     |                      |                           |             |             | 66,706         | 14         | 60,701         | 13         |
| <b>Total assets</b> |                     |                      |                           |             |             | <b>478,946</b> | <b>100</b> | <b>480,238</b> | <b>100</b> |

|                     |                     |                      |                           |             |             | 31.12.19       | 31.12.18   |                |            |
|---------------------|---------------------|----------------------|---------------------------|-------------|-------------|----------------|------------|----------------|------------|
| Classification      | Internal UBS rating | Description          | Moody's Investors Service |             |             | CHF million    | %          | CHF million    | %          |
|                     |                     |                      | Standard & Poor's         | Fitch       |             |                |            |                |            |
|                     | 0 and 1             | Investment grade     | Aaa                       | AAA         | AAA         | 212,707        | 46         | 206,648        | 44         |
| Low risk            | 2                   |                      | Aa1 to Aa3                | AA+ to AA-  | AA+ to AA-  | 97,593         | 21         | 128,095        | 27         |
|                     | 3                   |                      | A1 to A3                  | A+ to A-    | A+ to AA-   | 63,644         | 14         | 55,464         | 12         |
| Medium risk         | 4                   |                      | Baa1 to Baa2              | BBB+ to BBB | BBB+ to BBB | 12,503         | 3          | 11,726         | 2          |
|                     | 5                   |                      | Baa3                      | BBB-        | BBB-        | 5,283          | 1          | 4,988          | 1          |
| High risk           | 6                   | Sub-investment grade | Ba1                       | BB+         | BB+         | 2,577          | 1          | 1,389          | 0          |
|                     | 7                   |                      | Ba2                       | BB          | BB          | 3,317          | 1          | 2,470          | 1          |
|                     | 8                   |                      | Ba3                       | BB-         | BB-         | 41             | 0          | 10             | 0          |
|                     | 9                   |                      | B1                        | B+          | B+          | 477            | 0          | 668            | 0          |
| Very high risk      | 10                  |                      | B2                        | B           | B           | 551            | 0          | 703            | 0          |
|                     | 11                  |                      | B3                        | B-          | B-          | 81             | 0          | 160            | 0          |
|                     | 12                  |                      | Caa                       | CCC         | CCC         | 220            | 0          | 65             | 0          |
|                     | 13                  |                      | Ca to C                   | CC to C     | CC to C     | 33             | 0          | 71             | 0          |
| Distressed          | Default             | Defaulted            | D                         | D           | D           | 73             | 0          | 17             | 0          |
| <b>Subtotal</b>     |                     |                      |                           |             |             | <b>399,101</b> | <b>86</b>  | <b>412,472</b> | <b>87</b>  |
| Switzerland         |                     |                      |                           |             |             | 64,580         | 14         | 59,712         | 13         |
| <b>Total assets</b> |                     |                      |                           |             |             | <b>463,681</b> | <b>100</b> | <b>472,184</b> | <b>100</b> |

## Note 19 Structured debt instruments

The table below provides a breakdown of financial liabilities designated at fair value that are considered structured debt instruments.

|   | USD million   |               | CHF million   |               |
|---|---------------|---------------|---------------|---------------|
|   | 31.12.19      | 31.12.18      | 31.12.19      | 31.12.18      |
| Fixed-rate bonds with structured features                   | 3,221         | 3,510         | 3,119         | 3,451         |
| Structured debt instruments issued:                         |               |               |               |               |
| Equity-linked   | 41,466        | 34,528        | 40,145        | 33,949        |
| Rates-linked  | 15,945        | 11,785        | 15,437        | 11,587        |
| Credit-linked   | 1,621         | 2,331         | 1,569         | 2,292         |
| Commodities-linked <sup>1</sup>                             | 1,567         | 1,774         | 1,517         | 1,745         |
| FX-linked   | 439           | 274           | 425           | 270           |
| Structured over-the-counter (OTC) debt instruments          | 1,386         | 2,023         | 1,342         | 1,989         |
| <b>Total financial liabilities designated at fair value</b> | <b>65,647</b> | <b>56,226</b> | <b>63,555</b> | <b>55,283</b> |

<sup>1</sup> Includes precious metals-linked debt instruments issued.

In addition to *Financial liabilities designated at fair value*, certain structured debt instruments were reported within the balance sheet lines *Due to banks*, *Due to customers* and *Bonds issued*. These instruments were bifurcated for measurement purposes. As of 31 December 2019, the total carrying amount of the host instruments was USD 3,696 million (CHF 3,578 million)

(31 December 2018: USD 4,465 million (CHF 4,390 million)) and the total carrying amount of the bifurcated embedded derivatives was positive USD 54 million (CHF 52 million) (31 December 2018: positive USD 76 million (CHF 75 million)).

## Note 20a Share capital

### UBS AG shares

As of 31 December 2019, UBS AG's share capital of CHF 386 million (31 December 2018: CHF 386 million) consisted of fully paid up registered issued shares with a par value of CHF 0.10, which entitle the holder to one vote at the UBS AG shareholders' meeting, if entered into the share register as having the right to vote, as well as a proportionate share of distributed dividends. UBS AG's shares are not subject to any restrictions or limitations on their transferability.

As of 31 December 2019, shares issued by UBS AG totaled 3,858,408,466 shares (unchanged from 31 December 2018).

The shares were all dividend bearing and held by UBS Group AG.

Additionally, as of 31 December 2019, 380,000,000 registered shares with a par value of CHF 0.10 each were available to be issued out of conditional capital (unchanged from 31 December 2018).

### Non-distributable reserves

Non-distributable reserves consist of 50% of the share capital of UBS AG, amounting to USD 197 million (CHF 193 million) as of 31 December 2019 (unchanged from 31 December 2018).

## Note 20b Significant shareholders

The sole direct shareholder of UBS AG is UBS Group AG, which holds 100% of UBS AG shares. These shares are entitled to voting rights. Indirect shareholders of UBS AG included in the table below comprise direct shareholders of UBS Group AG (acting in their own name or in their capacity as nominees for other investors or beneficial owners) that were registered in the UBS Group AG share register with 3% or more of the share capital of UBS Group AG as of 31 December 2019 or as of

31 December 2018. The shares and share capital of UBS AG held by indirect shareholders, as shown in the table below, represent their relative holding of UBS Group AG shares. They do not have voting rights in UBS AG.

→ Refer to Note 24 of the UBS Group AG standalone financial statements in the UBS Group AG Annual Report 2019 for more information on significant shareholders of UBS Group AG

| <i>USD million, except where indicated</i>         | 31.12.19           |                 | 31.12.18           |                 |
|--|--------------------|-----------------|--------------------|-----------------|
|  | Share capital held | Shares held (%) | Share capital held | Shares held (%) |
| <b>Significant direct shareholder of UBS AG</b>    |                    |                 |                    |                 |
| UBS Group AG                                       | 393                | 100             | 393                | 100             |
| <b>Significant indirect shareholders of UBS AG</b> |                    |                 |                    |                 |
| Chase Nominees Ltd., London                        | 43                 | 11              | 48                 | 12              |
| DTC (Cede & Co.), New York <sup>1</sup>            | 30                 | 8               | 28                 | 7               |
| Nortrust Nominees Ltd., London                     | 19                 | 5               | 16                 | 4               |

<sup>1</sup> DTC (Cede & Co.), New York, "The Depository Trust Company," is a US securities clearing organization.

| <i>CHF million, except where indicated</i>         | 31.12.19           |                 | 31.12.18           |                 |
|--|--------------------|-----------------|--------------------|-----------------|
|  | Share capital held | Shares held (%) | Share capital held | Shares held (%) |
| <b>Significant direct shareholder of UBS AG</b>    |                    |                 |                    |                 |
| UBS Group AG                                       | 386                | 100             | 386                | 100             |
| <b>Significant indirect shareholders of UBS AG</b> |                    |                 |                    |                 |
| Chase Nominees Ltd., London                        | 42                 | 11              | 47                 | 12              |
| DTC (Cede & Co.), New York <sup>1</sup>            | 29                 | 8               | 28                 | 7               |
| Nortrust Nominees Ltd., London                     | 19                 | 5               | 16                 | 4               |

<sup>1</sup> DTC (Cede & Co.), New York, "The Depository Trust Company," is a US securities clearing organization.

## Note 21 Swiss pension plan and non-Swiss defined benefit plans

| a) Assets related to non-Swiss defined benefit plans                        | USD million |          | CHF million |          |
|---|-------------|----------|-------------|----------|
|   | 31.12.19    | 31.12.18 | 31.12.19    | 31.12.18 |
| Net defined benefit assets for non-Swiss defined benefit plans <sup>1</sup> | 9           | 0        | 9           | 0        |
| <b>Total assets for non-Swiss defined benefit plans</b>                     | <b>9</b>    | <b>0</b> | <b>9</b>    | <b>0</b> |

<sup>1</sup> As of 31 December 2019, USD 4 million (CHF 4 million) related to the UK defined benefit pension plan and USD 5 million (CHF 5 million) related to the US defined benefit pension plan, presented as Other assets.

| b) Liabilities related to Swiss pension plan and non-Swiss defined benefit plans                               | USD million |            | CHF million |            |
|--|-------------|------------|-------------|------------|
|  | 31.12.19    | 31.12.18   | 31.12.19    | 31.12.18   |
| Provision for Swiss pension plan   | 0           | 0          | 0           | 0          |
| Net defined benefit liabilities for non-Swiss defined benefit plans <sup>1</sup>                               | 87          | 279        | 84          | 274        |
| Total provision for Swiss pension plan and net defined benefit liabilities for non-Swiss defined benefit plans | 87          | 279        | 84          | 274        |
| Bank accounts at UBS and UBS debt instruments held by Swiss pension fund                                       | 12          | 18         | 12          | 18         |
| UBS derivative financial instruments held by Swiss pension fund  | 2           | 5          | 2           | 5          |
| <b>Total liabilities related to Swiss pension plan and non-Swiss defined benefit plans</b>                     | <b>101</b>  | <b>302</b> | <b>98</b>   | <b>297</b> |

<sup>1</sup> As of 31 December 2019, USD 50 million (CHF 49 million) related to the US plans and USD 22 million (CHF 21 million) related to the UK post-employment medical insurance plan. As of 31 December 2018, USD 160 million (CHF 157 million) related to the UK defined benefit pension plan, USD 82 million (CHF 81 million) related to the US plans and USD 22 million (CHF 22 million) related to the UK post-employment medical insurance plan.

### c) Swiss pension plan

|   | USD million                 |           | CHF million |           |
|---|-----------------------------|-----------|-------------|-----------|
|   | As of or for the year ended |           |             |           |
|   | 31.12.19                    | 31.12.18  | 31.12.19    | 31.12.18  |
| Pension plan surplus <sup>1</sup>   | 441                         | 637       | 427         | 626       |
| Economic benefit / (obligation) of UBS AG   | 0                           | 0         | 0           | 0         |
| Change in economic benefit / obligation recognized in the income statement                | 0                           | 0         | 0           | 0         |
| Employer contributions in the period recognized in the income statement                   | 35                          | 48        | 34          | 47        |
| Performance awards-related employer contributions accrued                                 | 7                           | 10        | 6           | 10        |
| <b>Total pension expense recognized in the income statement within Personnel expenses</b> | <b>42</b>                   | <b>58</b> | <b>41</b>   | <b>57</b> |

<sup>1</sup> The pension plan surplus is determined in accordance with FER 26 and consists of the reserve for the fluctuation in asset value. The surplus did not represent an economic benefit for UBS AG in accordance with FER 16 both as of 31 December 2019 and 31 December 2018.

UBS AG has elected to apply FER 16 for its Swiss pension plan and IFRS (IAS 19) for its UK and other non-Swiss defined benefit plans. However, remeasurements of the defined benefit obligations for UK and other non-Swiss defined benefit plans are recognized in the income statement rather than directly in equity.

- Refer to Note 2 for more information
- Refer to Note 29 of the UBS AG consolidated financial statements in the UBS Group AG and UBS AG Annual Report 2019 for more information on non-Swiss defined benefit plans in accordance with IFRS

The Swiss pension plan had no employer contribution reserve as of both 31 December 2019 and 31 December 2018.

## Note 22 Related parties

Transactions with related parties are conducted at internally agreed transfer prices, at arm's length or, with respect to loans, fixed advances and mortgages to non-independent members of the governing bodies in the ordinary course of business, on substantially the same terms and conditions that are available to other employees, including interest rates and collateral, and

neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. Independent members of the governing bodies are granted loans and mortgages in the ordinary course of business at general market conditions.

| USD million  | 31.12.19         |                | 31.12.18         |                |
|--|------------------|----------------|------------------|----------------|
|  | Amounts due from | Amounts due to | Amounts due from | Amounts due to |
| Qualified shareholders <sup>1</sup>  | 973              | 50,576         | 639              | 2,087          |
| of which: due from/to customers  | 931              | 1,996          | 627              | 1,819          |
| of which: funding received from UBS Group AG eligible as total loss-absorbing capacity at UBS AG level                       |                  | 47,553         |                  |                |
| Subsidiaries   | 79,939           | 79,702         | 97,219           | 74,413         |
| of which: due from/to banks  | 22,516           | 57,167         | 22,849           | 35,114         |
| of which: due from/to customers  | 17,036           | 2,148          | 21,110           | 1,544          |
| of which: receivables / payables from securities financing transactions  | 12,229           | 17,556         | 26,453           | 32,558         |
| of which: funding provided to significant regulated subsidiaries eligible as total loss-absorbing capacity                   | 24,203           |                | 22,431           |                |
| Affiliated entities <sup>2</sup>   | 315              | 240            | 570              | 42,793         |
| of which: due from/to customers  | 271              | 19             | 474              | 125            |
| of which: funding received from UBS Group Funding (Switzerland) AG eligible as total loss-absorbing capacity at UBS AG level |                  |                |                  | 41,782         |
| Members of governing bodies <sup>3</sup>   | 33               |                | 34               |                |
| External auditors  |                  | 3              |                  | 12             |
| Other related parties  |                  | 2              | 2                |                |

<sup>1</sup> The qualified shareholder of UBS AG is UBS Group AG. <sup>2</sup> Affiliated entities of UBS AG are all direct subsidiaries of UBS Group AG. <sup>3</sup> Members of governing bodies consist of members of the Board of Directors and Group Executive Board of UBS Group AG and members of the Board of Directors and Executive Board of UBS AG.

| CHF million  | 31.12.19         |                | 31.12.18         |                |
|--|------------------|----------------|------------------|----------------|
|  | Amounts due from | Amounts due to | Amounts due from | Amounts due to |
| Qualified shareholders <sup>1</sup>  | 942              | 48,964         | 628              | 2,052          |
| of which: due from/to customers  | 901              | 1,932          | 616              | 1,788          |
| of which: funding received from UBS Group AG eligible as total loss-absorbing capacity at UBS AG level                       |                  | 46,037         |                  |                |
| Subsidiaries   | 77,391           | 77,162         | 95,588           | 73,166         |
| of which: due from/to banks  | 21,799           | 55,345         | 22,466           | 34,525         |
| of which: due from/to customers  | 16,493           | 2,079          | 20,756           | 1,518          |
| of which: receivables / payables from securities financing transactions  | 11,839           | 16,996         | 26,010           | 32,012         |
| of which: funding provided to significant regulated subsidiaries eligible as total loss-absorbing capacity                   | 23,432           |                | 22,055           |                |
| Affiliated entities <sup>2</sup>   | 305              | 233            | 560              | 42,076         |
| of which: due from/to customers  | 262              | 18             | 466              | 123            |
| of which: funding received from UBS Group Funding (Switzerland) AG eligible as total loss-absorbing capacity at UBS AG level |                  |                |                  | 41,081         |
| Members of governing bodies <sup>3</sup>   | 32               |                | 34               |                |
| External auditors  |                  | 3              |                  | 12             |
| Other related parties  |                  | 2              | 2                |                |

<sup>1</sup> The qualified shareholder of UBS AG is UBS Group AG. <sup>2</sup> Affiliated entities of UBS AG are all direct subsidiaries of UBS Group AG. <sup>3</sup> Members of governing bodies consist of members of the Board of Directors and Group Executive Board of UBS Group AG and members of the Board of Directors and Executive Board of UBS AG.

As of 31 December 2019, off-balance sheet positions related to subsidiaries amounted to USD 10.9 billion (CHF 10.6 billion) (31 December 2018: USD 13.3 billion (CHF 13.0 billion)), of which USD 5.9 billion (CHF 5.7 billion) were guarantees to third

parties (31 December 2018: USD 7.5 billion (CHF 7.4 billion)) and USD 3.9 billion (CHF 3.7 billion) were loan commitments (31 December 2018: USD 3.3 billion (CHF 3.2 billion)).

**Note 23 Fiduciary transactions**

|   | USD million |            | CHF million |            |
|---|-------------|------------|-------------|------------|
|   | 31.12.19    | 31.12.18   | 31.12.19    | 31.12.18   |
| Fiduciary deposits  | 212         | 145        | 205         | 143        |
| <i>of which: placed with third-party banks</i>                    | 212         | 145        | 205         | 143        |
| <i>of which: placed with subsidiaries and affiliated entities</i> | 0           | 0          | 0           | 0          |
| <b>Total fiduciary transactions</b>                               | <b>212</b>  | <b>145</b> | <b>205</b>  | <b>143</b> |

Fiduciary transactions encompass transactions entered into or granted by UBS AG that result in holding or placing assets on behalf of individuals, trusts, defined benefit plans and other institutions. Unless the recognition criteria for the assets are satisfied, these assets and the related income are excluded from UBS AG's balance sheet and income statement but disclosed in

this Note as off-balance sheet fiduciary transactions. Client deposits that are initially placed as fiduciary transactions with UBS AG may be recognized on UBS AG's balance sheet in situations in which the deposit is subsequently placed within UBS AG. In such cases, these deposits are not reported in the table above.

**Note 24a Invested assets and net new money**

|                                   | USD billion                             |            | CHF billion                             |            |
|-----------------------------------|---|------------|---|------------|
|                                   | As of or for the year ended<br>31.12.19 | 31.12.18   | As of or for the year ended<br>31.12.19 | 31.12.18   |
| Fund assets managed <sup>1</sup>  |   | 25         |   | 25         |
| Discretionary assets <sup>1</sup> | 57                                      | 184        | 55                                      | 180        |
| Other invested assets             | 443                                     | 379        | 429                                     | 373        |
| <b>Total invested assets</b>      | <b>500</b>                              | <b>588</b> | <b>484</b>                              | <b>578</b> |
| <i>of which: double counts</i>    | 0                                       | 6          | 0                                       | 6          |
| <b>Net new money</b>              | <b>19</b>                               | <b>9</b>   | <b>19</b>                               | <b>9</b>   |

<sup>1</sup> Decrease mainly driven by the transfer of Asset Management business from UBS AG to UBS Asset Management Switzerland AG. Refer to Note 25 for more information.

**Note 24b Development of invested assets**

|   | USD billion |            | CHF billion |            |
|---|-------------|------------|-------------|------------|
|   | 31.12.19    | 31.12.18   | 31.12.19    | 31.12.18   |
| Total invested assets at the beginning of the year <sup>1</sup> | 588         | 646        | 578         | 630        |
| Net new money   | 19          | 9          | 19          | 9          |
| Market movements <sup>2</sup>                                   | 78          | (51)       | 76          | (50)       |
| Foreign currency translation                                    | 6           | (7)        | (3)         | (1)        |
| Transfer to UBS Asset Management Switzerland AG <sup>3</sup>    | (189)       |            | (183)       |            |
| Other effects   | (2)         | (10)       | (3)         | (10)       |
| <b>Total invested assets at the end of the year</b>             | <b>500</b>  | <b>588</b> | <b>484</b>  | <b>578</b> |

<sup>1</sup> Includes double counts. <sup>2</sup> Includes interest and dividend income. <sup>3</sup> Refer to Note 25 for more information.

→ Refer to Note 36 of the UBS AG consolidated financial statements in the UBS Group AG and UBS AG Annual Report 2019 for more information

## Note 25 Changes in organization and other events affecting comparability

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### Transfer of Global Wealth Management international from UBS Switzerland AG to UBS AG

In the second quarter of 2019, the beneficial ownership of a portion of Global Wealth Management international business booked in Switzerland was transferred from UBS Switzerland AG to UBS AG to further optimize Group legal and operational structures. The transfer was made in the form of a dividend in kind in the amount of USD 2.1 billion (CHF 2.1 billion). UBS AG expects full legal transfer to take place before the end of 2022. UBS AG's share of the profits for the full year of USD 0.4 billion (CHF 0.4 billion) is reflected in *Fee and commission income from securities and investment business and other fee and commission income*. Invested assets are reported in UBS Switzerland AG until the full legal transfer is completed; no double counting is applied.

### Transfer of Asset Management business from UBS AG to UBS Asset Management Switzerland AG

As part of UBS's efforts to improve the resolvability of the Group, the portion of the Asset Management business in Switzerland conducted by UBS AG was transferred from UBS AG to its indirect subsidiary, UBS Asset Management Switzerland AG. The business transfer, which was effective 1 April 2019, included a contribution at book value of net assets of USD 0.1 billion (CHF 0.1 billion) into the equity of UBS Asset Management AG. The transfer resulted in a net decrease in *Net fee and commission income* of approximately USD 0.3 billion (CHF 0.3 billion) and offsetting decreases in *Personnel expenses* and *General and administrative expenses* that together totaled approximately USD 0.3 billion (CHF 0.3 billion) in 2019. Invested assets decreased by USD 189 billion (CHF 183 billion) as a result of the transfer.

### Merger of UBS Limited into UBS Europe SE

On 1 March 2019, the previously announced combined UK business transfer and cross-border merger of UBS Limited into UBS Europe SE was formally concluded. As a result of this transaction the impairment loss of the investment in UBS Limited for the year 2018 was reduced by USD 0.2 billion (CHF 0.2 billion). As the transaction was substantially completed in 2018, the effect of the transaction was recognized in the UBS AG standalone financial statements for the year ended 31 December 2018.

### Asset transfer from UBS Limited to UBS AG

In the fourth quarter of 2018, the business transfer in connection with the UK withdrawal from the EU was largely completed. Clients and other counterparties of UBS Limited who can be serviced by UBS AG, London Branch were generally migrated in 2018. The asset transfer resulted in an increase in *Net fee and commission income* and an offsetting decrease in *Sundry ordinary income* in 2019 compared with 2018.

→ Refer to Note 4 for more information

### Contribution of real estate assets into UBS Americas Holding LLC

In the second quarter of 2019, UBS AG has contributed certain real estate assets into UBS Americas Holding LLC totaling USD 0.2 billion (CHF 0.2 billion). The carrying amount of UBS AG's investment in UBS Americas Holding LLC was increased by the book value of the derecognized real estate assets. The contribution resulted in a decrease in *Income from real estate holdings* of approximately USD 0.1 billion (CHF 0.1 billion) and an offsetting decrease in *General and administrative expenses* in 2019 compared with 2018.

→ Refer to Note 15 for more information

### Provisions for litigation, regulatory and similar matters

2018 included an adjusting event after the balance sheet date of USD 340 million (CHF 334 million) for provisions for litigation, regulatory and similar matters.



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To the General Meeting of  
UBS AG, Zurich and Basel

Basel, 27 February 2020

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of UBS AG, which comprise the balance sheet, income statement and notes (pages 2 to 29), for the year ended 31 December 2019.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibility section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.



#### **Legal provision and contingencies**

**Area of focus** We focused on this area because UBS AG operates in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities. Overall, the legal provision represents UBS AG's best estimate for existing legal matters that have a probable and estimable impact on the financial position of UBS AG. See note 11b to the UBS AG financial statements on page 17.

**Our audit response** We obtained an understanding, evaluated the design and tested the operational effectiveness of UBS AG's key controls over the legal provision and contingencies process.

We assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information. We read the legal analyses supporting the judgmental aspects impacted by legal interpretations. We obtained correspondence directly from external legal counsel to assess the information provided by UBS AG and followed up directly with external counsel as deemed necessary.

We also assessed UBS AG's provisions and contingent liabilities disclosure (within note 11b).

#### **Valuation of investments in subsidiaries and other participations**

**Area of focus** We focused on this area because of the judgments and assumptions over the valuation of the investments in subsidiaries and other participations. Investments in subsidiaries and other participations comprise directly held equity interests. See note 15 to the UBS AG financial statements on page 21.

**Our audit response** We obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls over the valuation of investments in subsidiaries and other participations at UBS AG.

We tested a sample of the valuation models and the inputs used in those models. We also assessed UBS AG's disclosure (within note 15).



**Valuation of complex or illiquid trading portfolio assets and liabilities, other financial instruments and liabilities and derivative financial instruments measured at fair value**

**Area of focus** We focused on this area because of the complexity and judgments and assumptions over the fair valuation of financial assets and liabilities with significant unobservable inputs. We focused on market developments in fair value methodologies and specifically on the higher estimation uncertainty ("HEU") products, credit valuation adjustment ("CVA") and funding valuation adjustment ("FVA"). See note 13 and 14 to the UBS AG financial statements on pages 19 to 21.

**Our audit response** We obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls over the financial instrument valuation processes, including controls over market data inputs into valuation models, model governance, and valuation adjustments.

We tested a sample of the valuation models and the inputs used in those models, using a variety of techniques, including comparing inputs to available market data. We selected a sample of positions and independently calculated estimated values and compared the values to UBS AG's recorded values. In addition, we evaluated the methodology and inputs used by the UBS AG in determining funding and credit fair value adjustments on uncollateralized derivatives and fair value option liabilities.

We also assessed UBS AG's disclosure (within note 13 and 14).

**IT Controls relevant to financial reporting**

**Area of focus** We focused on this area because UBS AG is highly dependent on its IT systems for business processes and financial reporting. UBS AG continues to invest in its IT systems to meet client needs and business requirements including the effectiveness of its logical access and change management IT controls. IT implementations are complex by nature and impose risks related to the migration of data and the design and operating effectiveness of key controls that could have a significant impact on the financial statements.

**Our audit response** In assessing the reliability of electronic data processing, we included specialized IT auditors as part of our audit team. Our audit procedures focused on the IT infrastructure and applications relevant to financial reporting including evaluation of the design and testing of the operating effectiveness of key IT logical access, change management and IT automated controls. Our audit procedures related to logical access included testing of user access management, privileged user access, periodic access right recertifications and user authentication controls.

Our audit procedures related to change management included testing of management's program change test approach, approval of change requests as well as segregation of duties.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and Independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 726a para. 1 Item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Marie-Laure Delarue  
Licensed audit expert  
(Auditor in charge)



Bruno Patusi  
Licensed audit expert

# UBS AG standalone regulatory information

## UBS AG standalone regulatory information

### Key metrics

The table below is based on the Basel Committee on Banking Supervision (BCBS) Basel III rules. During the fourth quarter of 2019, common equity tier 1 (CET1) capital decreased by USD 0.9 billion to USD 49.5 billion, mainly due to accruals for capital returns, partly offset by operating profit. Tier 1 capital decreased by USD 0.7 billion to USD 63.9 billion as the aforementioned decrease in CET1 was partly offset by an additional USD 0.3 billion of high-trigger loss-absorbing AT1 capital instruments. Risk-weighted assets (RWA) decreased by

USD 9.2 billion to USD 288.0 during the fourth quarter of 2019, primarily driven by decreases in credit and counterparty credit risk RWA related to third parties and Group entities. Leverage ratio exposure decreased by USD 21 billion, mainly due to a decrease in on-balance sheet exposures from securities financing transactions and derivatives. Average high-quality liquid assets decreased by USD 2.5 billion driven by lower average cash balances reflecting higher funding consumption by the business divisions and decreases in issued debt. Average total net cash outflows decreased by USD 1.6 billion, reflecting lower average outflows from intercompany transactions.

### KM1: Key metrics

USD million, except where indicated

|   | 31.12.19 | 30.9.19 | 30.6.19 | 31.3.19 | 31.12.18 |
|---|----------|---------|---------|---------|----------|
| <b>Available capital (amounts)</b>  |          |         |         |         |          |
| 1 Common equity tier 1 (CET1)   | 49,521   | 50,458  | 51,261  | 49,024  | 49,411   |
| 1a Fully loaded ECL accounting model CET1 <sup>1</sup>                          | 49,518   | 50,456  | 51,258  | 49,021  | 49,411   |
| 2 Tier 1  | 63,893   | 64,545  | 64,315  | 61,839  | 59,595   |
| 2a Fully loaded ECL accounting model tier 1 <sup>1</sup>                        | 63,891   | 64,543  | 64,312  | 61,836  | 59,595   |
| 3 Total capital   | 69,576   | 70,194  | 70,612  | 68,542  | 66,295   |
| 3a Fully loaded ECL accounting model total capital <sup>1</sup>                 | 69,574   | 70,191  | 70,609  | 68,539  | 66,295   |
| <b>Risk-weighted assets (amounts)</b>   |          |         |         |         |          |
| 4 Total risk-weighted assets (RWA)  | 287,999  | 297,200 | 294,348 | 300,734 | 292,888  |
| 4a Minimum capital requirement <sup>2</sup>                                     | 23,040   | 23,776  | 23,548  | 24,059  | 23,431   |
| 4b Total risk-weighted assets (pre-floor)                                       | 287,999  | 297,200 | 294,348 | 300,734 | 292,888  |
| <b>Risk-based capital ratios as a percentage of RWA</b>                         |          |         |         |         |          |
| 5 Common equity tier 1 ratio (%)  | 17.19    | 16.98   | 17.41   | 16.30   | 16.87    |
| 5a Fully loaded ECL accounting model CET1 ratio (%) <sup>1</sup>                | 17.19    | 16.98   | 17.41   | 16.30   | 16.87    |
| 6 Tier 1 ratio (%)  | 22.19    | 21.72   | 21.85   | 20.56   | 20.35    |
| 6a Fully loaded ECL accounting model tier 1 ratio (%) <sup>1</sup>              | 22.18    | 21.72   | 21.85   | 20.56   | 20.35    |
| 7 Total capital ratio (%)   | 24.16    | 23.62   | 23.99   | 22.79   | 22.63    |
| 7a Fully loaded ECL accounting model total capital ratio (%) <sup>1</sup>       | 24.16    | 23.62   | 23.99   | 22.79   | 22.63    |
| <b>Additional CET1 buffer requirements as a percentage of RWA</b>               |          |         |         |         |          |
| 8 Capital conservation buffer requirement (2.5% from 2019) (%)                  | 2.50     | 2.50    | 2.50    | 2.50    | 1.88     |
| 9 Countercyclical buffer requirement (%)  | 0.07     | 0.08    | 0.08    | 0.09    | 0.07     |
| 9a Additional countercyclical buffer for Swiss mortgage loans (%)               | 0.00     | 0.00    | 0.00    | 0.00    | 0.00     |
| 10 Bank G-SIB and/or D-SIB additional requirements (%) <sup>3</sup>             |          |         |         |         |          |
| 11 Total of bank CET1-specific buffer requirements (%)                          | 2.57     | 2.58    | 2.58    | 2.59    | 1.95     |
| 12 CET1 available after meeting the bank's minimum capital requirements (%)     | 12.69    | 12.48   | 12.91   | 11.80   | 12.37    |
| <b>Basel III leverage ratio</b>   |          |         |         |         |          |
| 13 Total Basel III leverage ratio exposure measure                              | 589,127  | 609,656 | 618,704 | 617,329 | 601,013  |
| 14 Basel III leverage ratio (%)   | 10.85    | 10.59   | 10.40   | 10.02   | 9.92     |
| 14a Fully loaded ECL accounting model Basel III leverage ratio (%) <sup>1</sup> | 10.84    | 10.59   | 10.39   | 10.02   | 9.92     |
| <b>Liquidity coverage ratio<sup>4</sup></b>                                     |          |         |         |         |          |
| 15 Total HQLA   | 73,805   | 76,330  | 82,201  | 86,690  | 76,456   |
| 16 Total net cash outflow   | 53,960   | 55,607  | 56,626  | 51,434  | 55,032   |
| 17 LCR (%)  | 137      | 137     | 145     | 169     | 139      |

<sup>1</sup> The fully loaded ECL accounting model excludes the transitional relief of recognizing ECL allowances and provisions in CET1 capital in accordance with FINMA Circular 2013/1 "Eligible capital – banks."

<sup>2</sup> Calculated as 8% of total RWA, based on total capital minimum requirements, excluding CET1 buffer requirements. <sup>3</sup> Swiss SRB going concern requirements and information for UBS AG standalone is provided on the following pages in this section. <sup>4</sup> Calculated based on quarterly average. Refer to "Liquidity coverage ratio" in this section for more information.

### Swiss SRB going concern requirements and information

UBS AG standalone is considered a systemically relevant bank (SRB) under Swiss banking law and is subject to capital regulations on a standalone basis. Under Swiss SRB regulations, article 125 “Reliefs for financial groups and individual institutions” of the Capital Adequacy Ordinance stipulates that the Swiss Financial Market Supervisory Authority (FINMA) may grant, under certain conditions, capital relief to individual institutions to ensure that an individual institution’s compliance with the capital requirements does not lead to a de facto overcapitalization of the group of which it is a part.

FINMA granted relief concerning the regulatory capital requirements of UBS AG on a standalone basis by means of decrees issued on 20 December 2013 and 20 October 2017, the latter effective as of 1 July 2017 and partly replacing the former.

The FINMA decree issued in 2017 established the measure of total going concern capital for UBS AG. Common equity tier 1 (CET1) and high-trigger additional tier 1 capital instruments are eligible as going concern capital, and low-trigger tier 2 capital instruments remained eligible to meet high-trigger AT1 requirements until the earlier of (i) their maturity or the first call date or (ii) 31 December 2019.

Capital requirements based on RWA and the leverage ratio denominator (the LRD) are the same under both the phase-in and fully applied rules. The capital requirements based on RWA include a minimum CET1 capital requirement of 9.64% plus the effects from countercyclical buffers (CCyBs), and a total going concern capital requirement of 13.94% plus the effects from CCyBs. The capital requirements based on LRD include a minimum CET1 capital requirement of 3.375% and a total going concern leverage ratio requirement of 4.875%. For direct and indirect investments, including holding of regulatory capital instruments of UBS AG in subsidiaries that are active in banking and finance, the FINMA decree introduced a risk-weighting approach, with a phase-in period until 1 January 2028. Starting from 1 July 2017, these investments have been risk weighted at 200%. From 1 January 2019, the risk weights are being gradually raised 5 percentage points per year for Switzerland-domiciled investments and 20 percentage points per year for foreign-domiciled investments until the fully applied risk weights are 250% and 400%, respectively.

→ Refer to the “Introduction and basis of preparation” section of the 31 December 2019 Pillar 3 report available under “Pillar 3 disclosures” at [www.ubs.com/investors](http://www.ubs.com/investors) for more information about the revised gone concern requirements

### Swiss SRB going concern requirements and information

| As of 31.12.19   | Swiss SRB, including transitional arrangements |        |                   |        | Swiss SRB as of 1.1.20, after transition arrangements |        |                   |        |
|--|--|--------|-------------------|--------|---|--------|-------------------|--------|
|  | RWA  |        | LRD               |        | RWA   |        | LRD               |        |
| <i>USD million, except where indicated</i>                             | in % <sup>1</sup>                              |        | in % <sup>1</sup> |        | in %  |        | in %              |        |
| <b>Required going concern capital</b>                                  |  |        |                   |        |   |        |                   |        |
| <b>Total going concern capital</b>                                     | 14.01 <sup>2</sup>                             | 40,353 | 4.88 <sup>2</sup> | 28,720 | 14.01 <sup>2</sup>                                    | 52,453 | 4.88 <sup>2</sup> | 28,720 |
| <b>Common equity tier 1 capital</b>                                    | 9.71   | 27,970 | 3.38              | 19,883 | 9.71  | 36,356 | 3.38              | 19,883 |
| <i>of which: minimum capital</i>                                       | 4.50   | 12,960 | 1.50              | 8,837  | 4.50  | 16,846 | 1.50              | 8,837  |
| <i>of which: buffer capital</i>  | 5.14   | 14,803 | 1.88              | 11,046 | 5.14  | 19,242 | 1.88              | 11,046 |
| <i>of which: countercyclical buffer</i>                                | 0.07   | 206    |                   |        | 0.07  | 268    |                   |        |
| <b>Maximum additional tier 1 capital</b>                               | 4.30   | 12,384 | 1.50              | 8,837  | 4.30  | 16,097 | 1.50              | 8,837  |
| <i>of which: additional tier 1 capital</i>                             | 3.50   | 10,080 | 1.50              | 8,837  | 3.50  | 13,102 | 1.50              | 8,837  |
| <i>of which: additional tier 1 buffer capital</i>                      | 0.80   | 2,304  |                   |        | 0.80  | 2,995  |                   |        |
| <b>Eligible going concern capital</b>                                  |  |        |                   |        |   |        |                   |        |
| <b>Total going concern capital</b>                                     | 23.14  | 66,632 | 11.31             | 66,632 | 16.42   | 61,479 | 10.44             | 61,479 |
| Common equity tier 1 capital   | 17.19  | 49,521 | 8.41              | 49,521 | 13.23   | 49,521 | 8.41              | 49,521 |
| <b>Total loss-absorbing additional tier 1 capital<sup>3</sup></b>      | 5.94   | 17,111 | 2.90              | 17,111 | 3.19  | 11,958 | 2.03              | 11,958 |
| <i>of which: high-trigger loss-absorbing additional tier 1 capital</i> | 4.15   | 11,958 | 2.03              | 11,958 | 3.19  | 11,958 | 2.03              | 11,958 |
| <i>of which: low-trigger loss-absorbing tier 2 capital</i>             | 1.79   | 5,153  | 0.87              | 5,153  |   |        |                   |        |
| <b>Total loss-absorbing capacity</b>                                   |  |        |                   |        |   |        |                   |        |
| Required total loss-absorbing capacity                                 | 14.01  | 40,353 | 4.88              | 28,720 | 14.01   | 40,353 | 4.88              | 28,720 |
| Eligible total loss-absorbing capacity                                 | 23.14  | 66,632 | 11.31             | 66,632 | 16.42   | 61,479 | 10.44             | 61,479 |

<sup>1</sup> Requirements as stipulated by FINMA decree. These exceed the requirements according to the transitional arrangements of the Swiss Capital Adequacy Ordinance (the CAO), which require a minimum total going concern capital ratio of 13.4% plus the effect of the countercyclical buffer (CCyB) of 0.07%, of which 9.5% plus the effect of CCyB of 0.07% must be satisfied with CET1 capital, as well as a minimum total going concern leverage ratio of 4.5%, of which 3.2% must be satisfied with CET1 capital. As of 1 January 2020, the capital requirements as per the revised CAO will apply. <sup>2</sup> Includes applicable add-ons of 1.08% for RWA and 0.375% for LRD. <sup>3</sup> Includes outstanding low-trigger loss-absorbing tier 2 capital instruments, which are available under the transitional rules of the Swiss SRB framework to meet the going concern requirements until the earlier of (i) their maturity or first call date or (ii) 31 December 2019. Outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity.

## Swiss SRB going concern information

|  | Swiss SRB, including transitional arrangements |         |          | Swiss SRB as of 1.1.20, after transition arrangements |         |          |
|--|--|---------|----------|---|---------|----------|
| <i>USD million, except where indicated</i>   | 31.12.19                                       | 30.9.19 | 31.12.18 | 31.12.19  | 30.9.19 | 31.12.18 |
| <b>Eligible going concern capital</b>  |  |         |          |   |         |          |
| <b>Total going concern capital</b>   | <b>66,632</b>                                  | 67,267  | 63,225   | <b>61,479</b>   | 62,142  | 57,217   |
| <b>Total tier 1 capital</b>  | <b>61,479</b>                                  | 62,142  | 57,217   | <b>61,479</b>   | 62,142  | 57,217   |
| Common equity tier 1 capital   | <b>49,521</b>                                  | 50,458  | 49,411   | <b>49,521</b>   | 50,458  | 49,411   |
| <b>Total loss-absorbing additional tier 1 capital</b>  | <b>11,958</b>                                  | 11,684  | 7,805    | <b>11,958</b>   | 11,684  | 7,805    |
| <i>of which: high-trigger loss-absorbing additional tier 1 capital</i>                         | <b>11,958</b>                                  | 11,684  | 7,805    | <b>11,958</b>   | 11,684  | 7,805    |
| <b>Total tier 2 capital</b>  | <b>5,153</b>                                   | 5,125   | 6,008    |   |         |          |
| <i>of which: low-trigger loss-absorbing tier 2 capital<sup>1</sup></i>                         | <b>5,153</b>                                   | 5,125   | 6,008    |   |         |          |
| <b>Risk-weighted assets / leverage ratio denominator</b>                                       |  |         |          |   |         |          |
| Risk-weighted assets   | <b>287,999</b>                                 | 297,200 | 292,888  | <b>374,351</b>  | 382,770 | 383,578  |
| <i>of which: direct and indirect investments in Swiss-domiciled subsidiaries<sup>2</sup></i>   | <b>34,418</b>                                  | 32,803  | 31,711   | <b>41,973</b>   | 40,004  | 39,639   |
| <i>of which: direct and indirect investments in foreign-domiciled subsidiaries<sup>2</sup></i> | <b>96,307</b>                                  | 95,784  | 82,762   | <b>175,104</b>  | 174,153 | 165,525  |
| Leverage ratio denominator   | <b>589,127</b>                                 | 609,656 | 601,013  | <b>589,127</b>  | 609,656 | 601,013  |
| <b>Capital and loss-absorbing capacity ratios (%)</b>  |  |         |          |   |         |          |
| Going concern capital ratio  | <b>23.1</b>                                    | 22.6    | 21.6     | <b>16.4</b>   | 16.2    | 14.9     |
| <i>of which: common equity tier 1 capital ratio</i>  | <b>17.2</b>                                    | 17.0    | 16.9     | <b>13.2</b>   | 13.2    | 12.9     |
| <b>Leverage ratios (%)</b>   |  |         |          |   |         |          |
| Going concern leverage ratio   | <b>11.3</b>                                    | 11.0    | 10.5     | <b>10.4</b>   | 10.2    | 9.5      |
| <i>of which: common equity tier 1 leverage ratio</i>   | <b>8.4</b>                                     | 8.3     | 8.2      | <b>8.4</b>  | 8.3     | 8.2      |

<sup>1</sup> Outstanding low-trigger loss-absorbing tier 2 capital instruments qualify as going concern capital until the earlier of (i) their maturity or first call date or (ii) 31 December 2019, and are subject to amortization starting five years prior to their maturity. <sup>2</sup> Carrying amount for direct and indirect investments including holding of regulatory capital instruments in Swiss-domiciled subsidiaries (31 December 2019: USD 16,789 million; 31 December 2018: USD 15,856 million), and for direct and indirect investments including holding of regulatory capital instruments in foreign-domiciled subsidiaries (31 December 2019: USD 43,776 million; 31 December 2018: USD 41,381 million), is risk weighted at 205% and 220%, respectively, for the current year (31 December 2018: the applicable risk weight was 200% for both Swiss-domiciled and foreign-domiciled investments). Risk weights will gradually increase by 5 percentage points per year for Swiss-domiciled investments and 20 percentage points per year for foreign-domiciled investments until the fully applied risk weights of 250% and 400%, respectively, are applied.

## Reconciliation of Swiss banking law equity to Swiss SRB common equity tier 1 capital

| <i>USD billion</i>                                    | 31.12.19     | 31.12.18 |
|---|--------------|----------|
| <b>Equity – Swiss banking law<sup>1</sup></b>         | <b>51.7</b>  | 51.1     |
| Deferred tax assets                                   | <b>0.2</b>   | 0.5      |
| Valuation differences for investments in subsidiaries | <b>1.7</b>   | 1.6      |
| Accruals for proposed dividends to UBS Group AG       | <b>(3.9)</b> | (3.3)    |
| Other   | <b>(0.2)</b> | (0.5)    |
| <b>Common equity tier 1 capital</b>                   | <b>49.5</b>  | 49.4     |

<sup>1</sup> Equity under Swiss banking law is adjusted to derive equity in accordance with IFRS and then further adjusted to derive common equity tier 1 (CET1) capital in accordance with Swiss SRB requirements.

**Leverage ratio information****Swiss SRB leverage ratio denominator**

| <i>USD billion</i>  | 31.12.19     | 31.12.18     |
|---|--------------|--------------|
| <b>Leverage ratio denominator</b>   |              |              |
| Swiss GAAP total assets   | 478.9        | 480.0        |
| Difference between Swiss GAAP and IFRS total assets                         | 122.3        | 118.6        |
| Less: derivative exposures and SFTs <sup>1</sup>                            | (220.4)      | (236.7)      |
| <b>On-balance sheet exposures (excluding derivative exposures and SFTs)</b> | <b>380.8</b> | <b>361.9</b> |
| Derivative exposures  | 94.8         | 99.3         |
| Securities financing transactions   | 92.6         | 114.2        |
| Off-balance sheet items   | 21.7         | 26.1         |
| Items deducted from Swiss SRB tier 1 capital                                | (0.8)        | (0.5)        |
| <b>Total exposures (leverage ratio denominator)</b>                         | <b>589.1</b> | <b>601.0</b> |

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

**BCBS Basel III leverage ratio**

| <i>USD million, except where indicated</i>   | 31.12.19    | 30.9.19     | 30.6.19     | 31.3.19     | 31.12.18   |
|--|-------------|-------------|-------------|-------------|------------|
| Total tier 1 capital                         | 63,893      | 64,545      | 64,315      | 61,839      | 59,595     |
| Total exposures (leverage ratio denominator) | 589,127     | 609,656     | 618,704     | 617,329     | 601,013    |
| <b>BCBS Basel III leverage ratio (%)</b>     | <b>10.8</b> | <b>10.6</b> | <b>10.4</b> | <b>10.0</b> | <b>9.9</b> |

**Liquidity coverage ratio**

UBS AG is required to maintain a minimum liquidity coverage ratio of 105% as communicated by FINMA.

**Liquidity coverage ratio**

| <i>USD billion, except where indicated</i> | Weighted value <sup>1</sup> |                           |
|--|-----------------------------|---------------------------|
|  | Average 4Q19 <sup>2</sup>   | Average 4Q18 <sup>2</sup> |
| High-quality liquid assets                 | 74                          | 76                        |
| Total net cash outflows                    | 54                          | 55                        |
| of which: cash outflows                    | 160                         | 169                       |
| of which: cash inflows                     | 106                         | 114                       |
| <b>Liquidity coverage ratio (%)</b>        | <b>137</b>                  | <b>139</b>                |

<sup>1</sup> Calculated after the application of haircuts and inflow and outflow rates. <sup>2</sup> Calculated based on an average of 64 data points in the fourth quarter of 2019 and 64 data points in the fourth quarter of 2018.



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**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 which can be derived from figures displayed in the tables, is calculated on a rounded basis.

**Tables** | Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Percentage changes are presented as a mathematical calculation of the change between periods.



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