



UBS Switzerland AG standalone

Interim financial statements for the half year ended 30 June 2018

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UBS Switzerland AG standalone interim financial statements

Income statement

CHF million	For the quarter ended			Year-to-date	
	30.6.18	31.3.18	30.6.17	30.6.18	30.6.17
Interest and discount income ¹	881	833	892	1,714	1,813
Interest and dividend income from financial investments	35	28	35	62	56
Interest expense ²	(78)	(68)	(85)	(145)	(193)
Gross interest income	838	793	841	1,631	1,676
Credit loss (expense) / recovery	1	(27)	(27)	(26)	(15)
Net interest income	838	766	814	1,604	1,661
Fee and commission income from securities and investment business	852	887	864	1,738	1,720
Credit-related fees and commissions	45	45	42	90	87
Other fee and commission income	186	180	183	366	359
Fee and commission expense	(94)	(102)	(96)	(196)	(187)
Net fee and commission income	989	1,010	993	1,999	1,979
Net trading income	221	262	207	484	446
Net income from disposal of financial investments	0	1	1	1	1
Dividend income from investments in subsidiaries and other participations	20	0	29	20	29
Sundry ordinary income	38	34	43	72	123
Sundry ordinary expenses	(2)	(26)	(6)	(29)	(9)
Other income from ordinary activities	56	8	67	65	144
Total operating income	2,105	2,046	2,081	4,151	4,230
Personnel expenses	524	524	548	1,048	1,066
General and administrative expenses	830	816	796	1,646	1,573
Subtotal operating expenses	1,353	1,340	1,344	2,693	2,639
Depreciation and impairment of property, equipment and software	4	4	2	9	5
Amortization and impairment of goodwill and other intangible assets	263	263	263	525	525
Changes in provisions and other allowances and losses	1	5	3	5	4
Total operating expenses	1,621	1,612	1,612	3,232	3,173
Operating profit	484	434	469	919	1,057
Tax expense / (benefit)	104	97	89	201	219
Net profit / (loss) for the period	380	337	380	717	838

¹ Interest and discount income includes negative interest income on financial assets of CHF 29 million, CHF 12 million and CHF 27 million for the quarters ended 30 June 2018, 31 March 2018 and 30 June 2017, respectively. ² Interest expense includes negative interest expense on financial liabilities of CHF 48 million, CHF 49 million and CHF 39 million for the quarters ended 30 June 2018, 31 March 2018 and 30 June 2017, respectively.

Balance sheet

CHF million	30.6.18	31.3.18	31.12.17
Assets			
Cash and balances at central banks	42,990	48,551	38,467
Due from banks	4,282	2,960	4,127
Receivables from securities financing transactions	30,111	25,417	34,830
Due from customers	39,704	39,675	38,642
Mortgage loans	149,464	146,104	145,674
Trading portfolio assets	1,572	1,604	1,719
Derivative financial instruments	1,993	2,146	1,784
Financial investments	17,337	19,834	21,615
Accrued income and prepaid expenses	304	273	225
Investments in subsidiaries and other participations	60	60	56
Property, equipment and software	149	115	92
Goodwill and other intangible assets	1,838	2,100	2,363
Other assets	527	533	716
Total assets	290,331	289,372	290,310
<i>of which: subordinated assets</i>	<i>2</i>	<i>5</i>	<i>0</i>
<i>of which: subject to mandatory conversion and / or debt waiver</i>	<i>0</i>	<i>0</i>	<i>0</i>
Liabilities			
Due to banks	20,389	20,714	20,728
<i>of which: total loss-absorbing capacity eligible</i>	<i>11,400</i>	<i>11,400</i>	<i>11,400</i>
Payables from securities financing transactions	2,794	1,636	1,644
Due to customers	241,538	240,014	241,374
Trading portfolio liabilities	475	365	250
Derivative financial instruments	1,118	981	791
Loans from central mortgage institutions	8,367	8,376	8,367
Accrued expenses and deferred income	825	720	836
Other liabilities	1,539	1,301	1,389
Provisions	134	145	145
Total liabilities	277,180	274,250	275,525
Equity			
Share capital	10	10	10
General reserve	12,139	12,139	12,139
<i>of which: statutory capital reserve</i>	<i>12,139</i>	<i>12,139</i>	<i>12,139</i>
<i>of which: capital contribution reserve</i>	<i>12,139</i>	<i>12,139</i>	<i>12,139</i>
Voluntary earnings reserve ¹	284	1,122	1,122
Profit / (loss) carried forward ¹	0	1,513	0
Net profit / (loss) for the period	717	337	1,513
Total equity	13,151	15,122	14,785
Total liabilities and equity	290,331	289,372	290,310
<i>of which: subordinated liabilities</i>	<i>3,013</i>	<i>3,024</i>	<i>3,013</i>
<i>of which: subject to mandatory conversion and / or debt waiver</i>	<i>3,013</i>	<i>3,024</i>	<i>3,013</i>

¹ During the second quarter of 2018, a payment of a cash dividend of CHF 2,351 million was made out of retained earnings (CHF 1,513 million) and out of the voluntary earnings reserve (CHF 838 million) to UBS AG, as approved at the Annual General Meeting of Shareholders held on 20 April 2018.

Balance sheet (continued)

CHF million	30.6.18	31.3.18	31.12.17
Off-balance sheet items			
Contingent liabilities, gross	13,214	12,269	12,485
Sub-participations	(1,145)	(1,121)	(1,017)
Contingent liabilities, net	12,069	11,148	11,468
<i>of which: guarantees to third parties related to subsidiaries</i>	<i>6</i>	<i>6</i>	<i>7</i>
<i>of which: credit guarantees and similar instruments</i>	<i>5,609</i>	<i>5,558</i>	<i>5,718</i>
<i>of which: performance guarantees and similar instruments</i>	<i>2,327</i>	<i>2,395</i>	<i>2,548</i>
<i>of which: documentary credits</i>	<i>4,127</i>	<i>3,189</i>	<i>3,195</i>
Irrevocable commitments, gross	9,965	8,982	9,054
Sub-participations	(5)	(5)	(4)
Irrevocable commitments, net	9,960	8,977	9,050
<i>of which: loan commitments</i>	<i>9,093</i>	<i>8,110</i>	<i>8,183</i>
<i>of which: payment commitment related to deposit insurance</i>	<i>867</i>	<i>867</i>	<i>867</i>
Forward starting transactions¹	158	20	0
<i>of which: reverse repurchase agreements</i>	<i>33</i>	<i>20</i>	<i>0</i>
<i>of which: repurchase agreements</i>	<i>125</i>	<i>0</i>	<i>0</i>
Liabilities for calls on shares and other equity instruments	43	43	43

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

Basis of accounting

The UBS Switzerland AG standalone financial statements are prepared in accordance with the interim reporting requirements of Swiss GAAP (FINMA Circular 2015/1 and the Banking Ordinance).

The accounting policies are principally the same as the IFRS-based accounting policies for the consolidated financial statements of UBS Group AG outlined in Note 1 to the consolidated financial statements of UBS Group AG included in the Annual Report 2017. Major differences between Swiss GAAP and IFRS are described in Note 36 to the consolidated financial statements of UBS Group AG. Further information on the accounting policies applied for the standalone financial statements of UBS Switzerland AG is provided in Note 2 to the UBS Switzerland AG standalone financial statements as of 31 December 2017.

In preparing the interim financial statements for UBS Switzerland AG, the same accounting policies and methods of computation have been applied as in the annual standalone financial statements as of 31 December 2017, except for a refinement of the credit loss calculation.

As of 1 January 2018, UBS Switzerland AG made enhancements to its valuation methodology to calculate incurred losses for Swiss mortgage loans measured at amortized cost under Swiss GAAP resulting in approximately CHF 21 million additional credit loss expense for UBS Switzerland AG.

From the first quarter of 2018 onwards, the incurred loss calculation takes into account forward-looking macroeconomic information. In addition, an appropriate selection of a range of scenarios was developed to capture material non-linearity and asymmetries between different possible forward-looking scenarios and associated credit losses and adequate weights to reflect a likelihood of their occurrence were determined.

The interim financial statements are unaudited and should be read in conjunction with the audited 2017 standalone financial statements of UBS Switzerland AG, available under "Holding company and significant regulated subsidiaries and sub-groups" at www.ubs.com/investors.

Joint and several liability

In June 2015, the Personal & Corporate Banking and Wealth Management businesses booked in Switzerland were transferred from UBS AG to UBS Switzerland AG through an asset transfer in accordance with the Swiss Merger Act. Under the Swiss Merger Act, UBS AG assumed joint liability for obligations existing on the asset transfer date, 14 June 2015, which were transferred to UBS Switzerland AG.

Similarly under the terms of the asset transfer agreement, UBS Switzerland AG assumed joint liability for approximately CHF 325 billion of contractual obligations of UBS AG existing on the asset transfer date, excluding the collateralized portion of secured contractual obligations and covered bonds. UBS Switzerland AG has no liability for new obligations incurred by UBS AG after the asset transfer date. The joint liability amount declines as obligations mature, terminate or are novated following the asset transfer date.

As of 30 June 2018, the joint liability of UBS Switzerland AG for contractual obligations of UBS AG amounted to

approximately CHF 33 billion compared with CHF 69 billion as of 31 December 2017. The joint liability decreased mainly as the joint liability related to demand obligations booked in foreign branches expired in the second quarter of 2018, three years after the effective date of the asset transfer. Under certain circumstances, the Swiss Banking Act and the Bank Insolvency Ordinance of FINMA authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank. As of 30 June 2018, the probability of an outflow under this joint and several liability was assessed to be remote, and as a result, the table above does not include any exposure arising under this joint and several liability.

→ **Refer to “Establishment of UBS Switzerland AG” in the “Legal entity financial and regulatory information” section of the Annual Report 2015 for more information**

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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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