



UBS Switzerland AG standalone

Interim financial statements for the six months ended 30 June 2020

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UBS Switzerland AG standalone interim financial statements

Income statement

CHF million	For the quarter ended			Year-to-date	
	30.6.20	31.3.20	30.6.19	30.6.20	30.6.19
Interest and discount income ¹	791	837	841	1,628	1,677
Interest and dividend income from financial investments	30	38	37	69	76
Interest expense ²	(41)	(79)	(107)	(120)	(213)
Gross interest income	780	797	771	1,577	1,539
Credit loss (expense) / recovery	(9)	(68)	3	(77)	5
Net interest income	772	729	774	1,501	1,544
Fee and commission income from securities and investment business	824	950	839	1,775	1,687
Credit-related fees and commissions	44	49	40	94	87
Other fee and commission income	154	181	204	335	398
Fee and commission expense	(210)	(226)	(334)	(437)	(421)
Net fee and commission income	812	955	749	1,767	1,751
Net trading income	229	139	212	368	448
Net income from disposal of financial investments	19	11	3	30	3
Dividend income from investments in subsidiaries and other participations	16	0	15	16	15
Sundry ordinary income	66	58	62	123	116
Sundry ordinary expenses	(1)	(4)	(3)	(5)	(5)
Other income from ordinary activities	99	64	77	163	128
Total operating income	1,912	1,887	1,812	3,799	3,871
Personnel expenses	489	613	497	1,103	1,007
General and administrative expenses	760	829	799	1,588	1,614
Subtotal operating expenses	1,249	1,442	1,296	2,691	2,621
Depreciation and impairment of property, equipment and software	13	13	9	26	17
Amortization and impairment of goodwill and other intangible assets	0	263	263	263	525
Changes in provisions and other allowances and losses	(2)	3	51	1	55
Total operating expenses	1,260	1,720	1,618	2,980	3,218
Operating profit	652	167	194	819	653
Tax expense / (benefit)	128	37	51	165	151
Net profit / (loss) for the period³	524	130	142	654	502

¹ Interest and discount income includes negative interest income on financial assets of CHF 6 million, CHF 6 million and CHF 41 million for the quarters ended 30 June 2020, 31 March 2020 and 30 June 2019, respectively. ² Interest expense includes negative interest expense on financial liabilities of CHF 72 million, CHF 65 million and CHF 53 million for the quarters ended 30 June 2020, 31 March 2020 and 30 June 2019, respectively. ³ Net profit for the periods ended 30 June 2020 and 31 March 2020 does not include the share of profit of a portion of Global Wealth Management's international business, see the "Basis of accounting" section below.

Balance sheet

CHF million	30.6.20	31.3.20	31.12.19
Assets			
Cash and balances at central banks	73,129	68,578	58,984
Due from banks	3,284	6,451	4,466
Receivables from securities financing transactions	1,917	2,392	12,136
Due from customers	47,298	43,951	39,575
Mortgage loans	154,863	154,154	152,591
Trading portfolio assets	1,913	2,083	1,679
Derivative financial instruments	2,868	3,301	2,085
Financial investments	17,676	17,150	11,928
Accrued income and prepaid expenses	250	233	189
Investments in subsidiaries and other participations	85	69	68
Property, equipment and software	480	421	372
Goodwill and other intangible assets	0	0	263
Other assets	493	675	678
Total assets	304,256	299,459	285,014
<i>of which: subordinated assets</i>	<i>1</i>	<i>2</i>	<i>1</i>
Liabilities			
Due to banks	30,137	27,014	27,344
<i>of which: total loss-absorbing capacity eligible</i>	<i>15,594</i>	<i>15,619</i>	<i>15,626</i>
Payables from securities financing transactions	651	491	547
Due to customers	247,284	244,562	231,693
Trading portfolio liabilities	614	1,243	371
Derivative financial instruments	1,526	1,881	1,092
Loans from central mortgage institutions	8,334	8,291	8,308
Accrued expenses and deferred income	659	447	748
Other liabilities	2,326	2,539	2,099
Provisions	147	189	139
Total liabilities	291,679	286,656	272,341
Equity			
Share capital	10	10	10
General reserve	11,624	11,624	11,624
<i>of which: statutory capital reserve</i>	<i>11,624</i>	<i>11,624</i>	<i>11,624</i>
<i>of which: capital contribution reserve</i>	<i>11,624</i>	<i>11,624</i>	<i>11,624</i>
Voluntary earnings reserve	289	0	0
Profit / (loss) carried forward	0	1,039	0
Net profit / (loss) for the period	654	130	1,039
Total equity	12,577	12,803	12,673
Total liabilities and equity	304,256	299,459	285,014
<i>of which: subordinated liabilities</i>	<i>15,614</i>	<i>15,650</i>	<i>4,729</i>
<i>of which: subject to mandatory conversion and/or debt waiver</i>	<i>15,614</i>	<i>15,650</i>	<i>4,729</i>

Balance sheet (continued)

CHF million	30.6.20	31.3.20	31.12.19
Off-balance sheet items			
Contingent liabilities, gross	9,263	10,945	12,338
Sub-participations	(1,067)	(1,080)	(1,120)
Contingent liabilities, net	8,195	9,865	11,218
<i>of which: guarantees to third parties related to subsidiaries</i>	<i>13</i>	<i>12</i>	<i>10</i>
<i>of which: credit guarantees and similar instruments</i>	<i>2,612</i>	<i>4,036</i>	<i>5,023</i>
<i>of which: performance guarantees and similar instruments</i>	<i>2,359</i>	<i>2,392</i>	<i>2,302</i>
<i>of which: documentary credits</i>	<i>3,212</i>	<i>3,425</i>	<i>3,882</i>
Irrevocable commitments, gross	17,713	11,158	10,580
Sub-participations	(7)	(4)	(4)
Irrevocable commitments, net	17,706	11,154	10,576
<i>of which: loan commitments</i>	<i>16,830</i>	<i>10,278</i>	<i>9,700</i>
<i>of which: payment commitment related to deposit insurance</i>	<i>876</i>	<i>876</i>	<i>876</i>
Forward starting transactions¹	191	1,459	0
<i>of which: reverse repurchase agreements</i>	<i>96</i>	<i>735</i>	<i>0</i>
<i>of which: repurchase agreements</i>	<i>96</i>	<i>724</i>	<i>0</i>
Liabilities for calls on shares and other equity instruments	50	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 Accounting Ordinance, FINMA Circular 2020/1 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 2019. Major differences between Swiss GAAP and IFRS are described in Note 38 to the consolidated financial statements of UBS Group AG. Further information about 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 2019.

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 2019.

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 CHF 2.1 billion. We expect full legal transfer to take place before the end of 2022. The compensation of UBS AG for its share of the net profits for the first half year of CHF 212 million is reflected in *Fee and commission expense*.

The interim financial statements are unaudited and should be read in conjunction with the audited 2019 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 2020, the joint liability of UBS Switzerland AG for contractual obligations of UBS AG amounted to approximately CHF 11 billion compared with CHF 17 billion as of 31 December 2019. 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 2020, the probability of an outflow under this joint and several liability was assessed to be remote, and as a result, the table on the previous page 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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Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages and percent changes 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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