

UBS Group AG
Form 6-K
March 15, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

Date: March 15, 2019

UBS Group AG

Commission File Number: 1-36764

UBS AG

Commission File Number: 1-15060

(Registrants' Name)

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Bahnhofstrasse 45, Zurich, Switzerland and
Aeschenvorstadt 1, Basel, Switzerland

(Address of principal executive offices)

Indicate by check mark whether the registrants file or will file annual reports under cover of Form 20 F or Form 40-F.

Form 20-F x

Form 40-F o

This Form 6-K consists of the UBS Switzerland AG audited standalone financial statements for the year ended 31 December 2018, which appear immediately following this page.

UBS Switzerland AG

[Standalone financial statements and regulatory information](#)

for the year ended 31 December 2018

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UBS Switzerland AG standalone financial statements (audited)

Income statement

| <i>CHF million</i> | Note | For the year ended | |
|---|------|--------------------|----------|
| | | 31.12.18 | 31.12.17 |
| Interest and discount income ¹ | | 3,450 | 3,552 |
| Interest and dividend income from financial investments | | 133 | 116 |
| Interest expense ² | | (307) | (363) |
| Gross interest income | | 3,276 | 3,304 |
| Credit loss (expense) / recovery | | (56) | (10) |
| Net interest income | | 3,221 | 3,294 |
| Fee and commission income from securities and investment business | | 3,444 | 3,428 |
| Credit-related fees and commissions | | 169 | 171 |
| Other fee and commission income | | 757 | 740 |
| Fee and commission expense | | (382) | (373) |
| Net fee and commission income | | 3,989 | 3,966 |
| Net trading income | 3 | 869 | 883 |
| Net income from disposal of financial investments | | 1 | 3 |
| Dividend income from investments in subsidiaries and other participations | | 20 | 29 |
| Income from real estate holdings | | (1) | (1) |
| Sundry ordinary income | | 191 | 193 |
| Sundry ordinary expenses | | (33) | (17) |
| Other income from ordinary activities | | 179 | 207 |
| Total operating income | | 8,257 | 8,350 |
| Personnel expenses | 4 | 2,000 | 2,048 |
| General and administrative expenses | 5 | 3,360 | 3,297 |
| Subtotal operating expenses | | 5,361 | 5,345 |
| Impairment of investments in subsidiaries and other participations | | 0 | 3 |
| Depreciation and impairment of property, equipment and software | | 20 | 11 |
| Amortization and impairment of goodwill and other intangible assets | | 1,050 | 1,050 |
| Changes in provisions and other allowances and losses | | 9 | 10 |
| Total operating expenses | | 6,439 | 6,419 |
| Operating profit | | 1,818 | 1,931 |
| Tax expense / (benefit) | 6 | 417 | 418 |
| Net profit / (loss) for the period | | 1,401 | 1,513 |

1 Interest and discount income includes negative interest income on financial assets of CHF 102 million and CHF 85 million for the years ended 31 December 2018 and 31 December 2017, respectively. 2 Interest expense includes negative interest expense on financial liabilities of CHF 198 million and CHF 170 million for the years ended 31 December 2018 and 31 December 2017, respectively.

UBS Switzerland AG standalone financial statements (audited)

Balance sheet

| <i>CHF million</i> | Note | 31.12.18 | 31.12.17 |
|---|--------|-----------------|----------|
| Assets | | | |
| Cash and balances at central banks | | 52,593 | 38,467 |
| Due from banks | 9 | 3,949 | 4,127 |
| Receivables from securities financing transactions | 7 | 28,157 | 34,830 |
| Due from customers | 8, 9 | 39,152 | 38,642 |
| Mortgage loans | 8, 9 | 150,208 | 145,674 |
| Trading portfolio assets | 10 | 1,601 | 1,719 |
| Derivative financial instruments | 11 | 1,662 | 1,784 |
| Financial investments | 12 | 13,057 | 21,615 |
| Accrued income and prepaid expenses | | 259 | 225 |
| Investments in subsidiaries and other participations | 13, 14 | 60 | 56 |
| Property, equipment and software | 15 | 238 | 92 |
| Goodwill and other intangible assets | 16 | 1,313 | 2,363 |
| Other assets | 17 | 786 | 716 |
| Total assets | | 293,034 | 290,310 |
| Liabilities | | | |
| Due to banks | | 24,382 | 20,728 |
| <i>of which: total loss-absorbing capacity eligible</i> | | 15,174 | 11,400 |
| Payables from securities financing transactions | 7 | 1,147 | 1,644 |
| Due to customers | | 241,347 | 241,374 |
| Trading portfolio liabilities | 10 | 485 | 250 |
| Derivative financial instruments | 11 | 915 | 791 |
| Loans from central mortgage institutions | 24 | 8,434 | 8,367 |
| Accrued expenses and deferred income | | 885 | 836 |
| Other liabilities | 17 | 1,444 | 1,389 |
| Provisions | 9 | 161 | 145 |
| Total liabilities | | 279,200 | 275,525 |
| Equity | | | |
| Share capital | 25 | 10 | 10 |
| General reserve | | 12,139 | 12,139 |
| <i>of which: statutory capital reserve</i> | | 12,139 | 12,139 |
| <i>of which: capital contribution reserve</i> | | 12,139 | 12,139 |
| Voluntary earnings reserve | | 284 | 1,122 |
| Net profit / (loss) for the period | | 1,401 | 1,513 |
| Total equity | | 13,834 | 14,785 |
| Total liabilities and equity | | 293,034 | 290,310 |
| <i>of which: subordinated liabilities</i> | | 4,260 | 3,013 |
| <i>of which: subject to mandatory conversion and / or debt waiver</i> | | 4,260 | 3,013 |

Balance sheet (continued)

| <i>CHF million</i> | 31.12.18 | 31.12.17 |
|--|-----------------|----------|
| Off-balance sheet items | | |
| Contingent liabilities, gross | 11,900 | 12,485 |
| Sub-participations | (1,110) | (1,017) |
| Contingent liabilities, net | 10,791 | 11,468 |
| <i>of which: guarantees to third parties related to subsidiaries</i> | 6 | 7 |
| <i>of which: credit guarantees and similar instruments</i> | 4,805 | 5,718 |
| <i>of which: performance guarantees and similar instruments</i> | 2,385 | 2,548 |
| <i>of which: documentary credits</i> | 3,595 | 3,195 |
| Irrevocable commitments, gross | 10,047 | 9,054 |
| Sub-participations | (4) | (4) |
| Irrevocable commitments, net | 10,043 | 9,050 |
| <i>of which: loan commitments</i> | 9,173 | 8,183 |
| <i>of which: payment commitment related to deposit insurance</i> | 870 | 867 |
| Forward starting transactions¹ | 12 | 0 |
| <i>of which: reverse repurchase agreements</i> | 12 | 0 |
| Liabilities for calls on shares and other equity instruments | 43 | 43 |

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

Off-balance sheet items

UBS Switzerland AG is jointly and severally liable for the combined value added tax (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.

Swiss deposit insurance

Swiss banking law and the deposit insurance system require Swiss banks and securities dealers to jointly guarantee an amount of up to CHF 6 billion for privileged client deposits in the event that a Swiss bank or securities dealer becomes insolvent. The Swiss Financial Market Supervisory Authority (FINMA) estimates the share of UBS Switzerland AG from 1 July 2018 to 30 June 2019 to be CHF 870 million, which is reflected in the table above.

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, that 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 31 December 2018, the joint liability of UBS Switzerland AG for contractual obligations of UBS AG amounted to CHF 26 billion compared with CHF 69 billion as of 31 December 2017. 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 31 December 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 exposures 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 UBS Group AG Annual Report 2015 for more information**

UBS Switzerland AG standalone financial statements (audited)

Statement of changes in equity

| <i>CHF million</i> | Share capital | Statutory capital reserve | Voluntary earnings reserve | Net profit / (loss) for the period | Total equity |
|---------------------------------------|---------------|---------------------------|----------------------------|------------------------------------|---------------|
| Balance as of 1 January 2017 | 10 | 12,139 | 0 | 1,313 | 13,463 |
| Dividends and other distributions | | | | (191) | (191) |
| Net profit / (loss) appropriation | | | 1,122 | (1,122) | 0 |
| Net profit / (loss) for the period | | | | 1,513 | 1,513 |
| Balance as of 31 December 2017 | 10 | 12,139 | 1,122 | 1,513 | 14,785 |
| Balance as of 1 January 2018 | 10 | 12,139 | 1,122 | 1,513 | 14,785 |
| Dividends and other distributions | | | (838) | (1,513) | (2,351) |
| Net profit / (loss) for the period | | | | 1,401 | 1,401 |
| Balance as of 31 December 2018 | 10 | 12,139 | 284 | 1,401 | 13,834 |

Statement of appropriation of total profit / (loss) carried forward and proposed dividend distribution out of capital contribution reserve and voluntary earnings reserve

The Board of Directors proposes that the Annual General Meeting of Shareholders (AGM) on 18 April 2019 approve an ordinary dividend distribution of CHF 2,200 million (consisting of the *Net profit for the period* of CHF 1,401 million, CHF 515 million out of the *Capital contribution reserve* and CHF 284 million out of *Voluntary earnings reserve*).

Proposed appropriation of total profit / (loss) carried forward

The Board of Directors proposes that the AGM on 18 April 2019 approve the following appropriation of total profit / (loss) carried forward.

| <i>CHF million</i> | For the year ended |
|--|--------------------|
| Net profit for the period | 1,401 |
| Profit / (loss) carried forward | 0 |
| Total profit / (loss) carried forward available for appropriation | 1,401 |
| Appropriation of total profit / (loss) carried forward | |
| Dividend distribution | (1,401) |
| Profit / (loss) carried forward | 0 |

Proposed dividend distribution out of capital contribution reserve and out of voluntary earnings reserve

The Board of Directors proposes that the AGM on 18 April 2019 approve an ordinary dividend distribution of CHF 515 million out of the *Capital contribution reserve* and CHF 284 million out

of the *Voluntary earnings reserve*.

| | For the year ended |
|--|-----------------------|
| <i>CHF million</i> | 31.12.18 |
| Total capital contribution reserve before distribution | 12,139 |
| Dividend distribution | (515) |
| Total capital contribution reserve after distribution | 11,624 |

| | For the year ended |
|--|-----------------------|
| <i>CHF million</i> | 31.12.18 |
| Total voluntary earnings reserve before distribution | 284 |
| Dividend distribution | (284) |
| Total voluntary earnings reserve after distribution | 0 |

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Note 1 Name, legal form and registered office

UBS Switzerland AG is incorporated and domiciled in Switzerland and operates under art. 620ff. of the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares. Its registered office is at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland. UBS Switzerland AG is 100% owned by UBS AG.

Note 2 Accounting policies

UBS Switzerland 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 Group AG outlined in Note 1 to the consolidated financial statements of UBS Group AG included in the UBS Group AG Annual Report 2018. Major differences between the Swiss GAAP requirements and International Financial Reporting Standards are described in Note 36 of the consolidated financial statements of UBS Group AG. The functional currency of UBS Switzerland AG is the Swiss franc. The significant accounting policies applied for the standalone financial statements of UBS Switzerland AG are discussed below.

→ **Refer to the UBS Group AG Annual Report 2018 for more information**

Risk management

UBS Switzerland 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 Annual Report 2018.

Further information on the use of derivative instruments and hedge accounting is provided in Notes 1 and 11 to the consolidated financial statements of UBS Group AG.

→ **Refer to the UBS Group AG Annual Report 2018 for more information**

Compensation policy

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

→ **Refer to the UBS Group AG Annual Report 2018 for more information**

Foreign currency translation

Transactions denominated in foreign currency are translated into Swiss francs 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 Swiss francs 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. All currency translation effects are recognized in the income statement.

The main currency translation rates used by UBS Switzerland AG are provided in Note 35 of the consolidated financial statements of UBS Group AG.

→ **Refer to the UBS Group AG Annual Report 2018 for more information**

Group-internal funding

UBS Switzerland AG obtains funding from UBS AG in the form of loans that qualify as going concern additional tier 1 capital and as gone concern loss-absorbing capacity at the UBS Switzerland AG standalone level.

Where such Group-internal funding is eligible to meet the requirements for total loss-absorbing capacity (TLAC) at the level of UBS Switzerland AG, the aggregate amount of the respective obligations is 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.

Obligations of UBS Switzerland AG arising from Group-internal funding it has received are presented as *Due to banks* and measured at amortized cost.

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.

UBS Switzerland AG standalone financial statements (audited)

Note 2 Accounting policies (continued)

Services received from and provided to Group entities

UBS Switzerland 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 Switzerland AG provides services to Group entities mainly relating to the distribution of security and investment products. 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 Switzerland 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*, *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 Note 5 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 Switzerland AG has elected to apply Swiss GAAP (FER 16) for its pension plan. 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 Switzerland AG arises from the pension fund and 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 Switzerland AG is required to contribute to the reduction of a pension deficit (on a FER 26 basis).

→ **Refer to Note 26 for more information**

Goodwill

As part of the business transfer to UBS Switzerland AG, mainly of the Personal & Corporate Banking and Wealth Management businesses booked in Switzerland, from UBS AG effective 1

April 2015, UBS Switzerland AG recognized goodwill of CHF 5,250 million. This goodwill is amortized on a straight-line basis over five years and assessed for impairment annually.

Deferred taxes

Deferred tax assets are not recognized in UBS Switzerland 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.

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 20 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.

Dispensations in the standalone financial statements

As UBS Switzerland AG has no listed shares outstanding and is within the scope of the UBS Group AG consolidated financial statements prepared in accordance with IFRS, UBS Switzerland AG is exempt from various disclosures in the standalone financial statements. The dispensations include the management report and the statement of cash flows. As the UBS Group AG consolidated financial statements are presented in USD, UBS Switzerland AG provides certain notes disclosures starting from the end of 2018 that would otherwise be covered by the disclosure dispensation; i.e., notes 13, 14, 15, 16, 19, 20, 21, 23 and 24.

Note 3a Net trading income by business

| <i>CHF million</i> | For the year ended | |
|---|--------------------|----------|
| | 31.12.18 | 31.12.17 |
| Global Wealth Management | 431 | 414 |
| Personal & Corporate Banking | 396 | 418 |
| Other business divisions and Corporate Center | 42 | 51 |
| Total net trading income | 869 | 883 |

Note 3b Net trading income by underlying risk category

| <i>CHF million</i> | For the year ended | |
|---|--------------------|----------|
| | 31.12.18 | 31.12.17 |
| Interest rate instruments (including funds) | 33 | 58 |
| Foreign exchange instruments | 818 | 823 |
| Equity instruments (including funds) | (4) | (3) |
| Credit instruments | 0 | 4 |
| Precious metals / commodities | 23 | 1 |
| Total net trading income | 869 | 883 |

Note 4 Personnel expenses

| <i>CHF million</i> | For the year ended | |
|---|--------------------|----------|
| | 31.12.18 | 31.12.17 |
| Salaries | 1,230 | 1,229 |
| Variable compensation – performance awards | 372 | 413 |
| Variable compensation – other | 19 | 12 |
| Contractors | 2 | 3 |
| Social security | 96 | 106 |
| Pension and other post-employment benefit plans | 232 | 237 |
| Other personnel expenses | 49 | 48 |
| Total personnel expenses | 2,000 | 2,048 |

As of 31 December 2018, UBS Switzerland AG employed 9,503 personnel (31 December 2017: 9,533) on a full-time equivalent basis.

UBS Switzerland AG standalone financial statements (audited)

Note 5 General and administrative expenses

| <i>CHF million</i> | For the year ended | |
|---|--------------------|----------|
| | 31.12.18 | 31.12.17 |
| Occupancy | 3 | 4 |
| Rent and maintenance of IT equipment | 2 | 6 |
| Communication and market data services | 52 | 28 |
| Administration | 2,849 | 2,754 |
| <i>of which: hard cost transfers paid¹</i> | 2,765 | 2,648 |
| Marketing and public relations | 122 | 159 |
| Travel and entertainment | 93 | 96 |
| Fees to audit firms | 7 | 10 |
| <i>of which: financial and regulatory audits</i> | 7 | 10 |
| <i>of which: audit-related services</i> | 0 | 0 |
| Other professional fees | 84 | 103 |
| Outsourcing of IT and other services | 148 | 138 |
| Total general and administrative expenses | 3,360 | 3,297 |

1 Represents expenses for services provided by UBS Group AG and subsidiaries in the UBS Group to UBS Switzerland AG.

Note 6 Taxes

| <i>CHF million</i> | For the year ended | |
|--------------------------------------|--------------------|----------|
| | 31.12.18 | 31.12.17 |
| Income tax expense / (benefit) | 393 | 391 |
| <i>of which: current</i> | 393 | 391 |
| <i>of which: deferred</i> | 0 | 0 |
| Capital tax | 24 | 27 |
| Total tax expense / (benefit) | 417 | 418 |

For the year ended 31 December 2018 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 21.9% (2017: 20.5%).

Note 7 Securities financing transactions

| <i>CHF billion</i> | 31.12.18 | 31.12.17 |
|---|-----------------|----------|
| On-balance sheet | | |
| Receivables from securities financing transactions, gross | 30.6 | 37.4 |
| Netting of securities financing transactions | (2.5) | (2.6) |
| Receivables from securities financing transactions, net | 28.2 | 34.8 |

| | | |
|--|--------------|-------|
| Payables from securities financing transactions, gross | 3.6 | 4.2 |
| Netting of securities financing transactions | (2.5) | (2.6) |
| Payables from securities financing transactions, net | 1.1 | 1.6 |

Off-balance sheet

| | | |
|--|--------------|-------|
| Fair value of assets received as collateral in connection with securities financing transactions | 139.6 | 136.6 |
| <i>of which: repledged</i> | 108.4 | 98.9 |
| <i>of which: sold in connection with short sale transactions</i> | 0.5 | 0.3 |

Note 8a Collateral for loans and off-balance sheet transactions

| <i>CHF million</i> | Secured | | 31.12.18 | Unsecured | Total | Secured by collateral Real estate collateral | Secured by collateral Other collateral |
|--|------------------------------|-------------------------------|---|------------------|----------------|---|---|
| | Secured by collateral | Other | Secured by other credit enhancements² | | | | |
| | Real estate | collateral¹ | | | | | |
| On-balance sheet | | | | | | | |
| Due from customers, gross | 1,267 | 25,560 | 1,075 | 11,707 | 39,609 | 1,330 | 27,100 |
| Mortgage loans, gross | 150,208 | | | | 150,208 | 145,692 | |
| of which: residential mortgages | 128,053 | | | | 128,053 | 126,868 | |
| of which: office and business premises mortgages | 9,659 | | | | 9,659 | 6,355 | |
| of which: industrial premises mortgages | 2,876 | | | | 2,876 | 2,841 | |
| of which: other mortgages | 9,620 | | | | 9,620 | 9,628 | |
| Total on-balance sheet, gross | 151,475 | 25,560 | 1,075 | 11,707 | 189,817 | 147,022 | 27,100 |
| Allowances | 0 | (8) | 0 | (449) | (458) | (20) | (600) |
| Total on-balance sheet, net | 151,475 | 25,552 | 1,075 | 11,258 | 189,360 | 147,002 | 27,000 |
| Off-balance sheet | | | | | | | |
| Contingent liabilities, gross | 158 | 2,140 | 1,232 | 8,370 | 11,900 | 179 | 2,400 |
| Irrevocable commitments, gross | 793 | 592 | 24 | 8,638 | 10,047 | 615 | 5,000 |
| | 0 | 10 | 0 | 2 | 12 | 0 | |

| | | | | | | | | |
|---|------------|--------------|--------------|---------------|---------------|-----|-----|--|
| Forward starting reverse repurchase and securities borrowing transactions | | | | | | | | |
| Liabilities for calls on shares and other equities | | | | 43 | 43 | | | |
| Total off-balance sheet | 951 | 2,742 | 1,256 | 17,053 | 22,002 | 794 | 3,0 | |

1 Includes but is not limited to deposits, securities, life insurance contracts, inventory, accounts receivable. Includes credit default swaps and guarantees.

Note 8b Impaired financial instruments

| | 31.12.18 | | | | 31.12.17 | | |
|---|--|------------|--|------------------------------------|--|-----|--|
| | Gross Allowances and financial instruments provisions ¹ | | Estimated liquidation proceeds of collateral | Net impaired financial instruments | Gross Allowances and financial instruments provisions ¹ | | Estimated liquidation proceeds of collateral |
| <i>CHF million</i> | | | | | | | |
| Amounts due from banks | 3 | 3 | 0 | 0 | 3 | 3 | |
| Amounts due from customers | 1,016 | 458 | 490 | 69 | 616 | 457 | |
| Mortgage loans | 806 | 0 | 806 | 0 | 115 | 17 | |
| Guarantees and loan commitments | 363 | 32 | 86 | 244 | 170 | 28 | |
| Total impaired financial instruments² | 2,188 | 493 | 1,382 | 314 | 905 | 505 | |

1 Includes CHF 0 million collective loan loss allowances (31 December 2017: CHF 5 million). 2 Under line with the adoption of IFRS 9 as of 1 January 2018, an instrument is classified as credit-impaired if it has defaulted. It includes credit-impaired exposures for which no loss has occurred or no allowance has been recognized (e.g., because they are expected to be fully recoverable through the collateral held). Refer also to Note 8a for information on refinement of the credit loss calculation.

UBS Switzerland AG standalone financial statements (audited)

Note 9a Allowances

| <i>CHF million</i> | Specific allowances for amounts due from customers and mortgage loans | Specific allowances for amounts due from banks | Collective allowances ¹ | Total allowances |
|---|---|--|------------------------------------|------------------|
| Balance as of 31 December 2017 | 470 | 3 | 5 | 477 |
| Increase recognized in the income statement | 191 | 0 | 0 | 191 |
| Release recognized in the income statement | (132) | 0 | (5) | (137) |
| Write-offs | (101) | 0 | 0 | (101) |
| Recoveries and past due interest | 32 | 0 | 0 | 32 |
| Reclassifications / other | (3) | 0 | 0 | (3) |
| Foreign currency translation | 0 | 0 | 0 | 0 |
| Balance as of 31 December 2018 | 458 | 3 | 0 | 460 |

1 Mainly relates to amounts due from customers.

Note 9b Provisions

| <i>CHF million</i> | Default risk related to loan commitments and guarantees | Operational and risks | Litigation, regulatory and similar matters ¹ | Restructuring | Employee benefits | Other | Total provisions |
|---|---|-----------------------|---|---------------|-------------------|-----------|------------------|
| Balance as of 31 December 2017 | 28 | 3 | 78 | 9 | 16 | 12 | 145 |
| Increase recognized in the income statement | 4 | 4 | 9 | 29 | 2 | 3 | 52 |
| Release recognized in the income statement | (2) | 0 | (4) | (4) | 0 | 0 | (10) |
| Provisions used in conformity with designated purpose | 0 | (2) | (11) | (18) | 0 | 0 | (31) |

| | | | | | | | |
|---|-----------|----------|-----------|-----------|-----------|-----------|------------|
| Recoveries | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| Reclassifications / other | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Foreign currency translation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as of 31 December 2018 | 32 | 4 | 74 | 17 | 18 | 15 | 161 |

1 Includes provisions for litigation resulting from security risks.

Note 10 Trading portfolio and other financial instruments measured at fair value

| <i>CHF million</i> | 31.12.18 | 31.12.17 |
|---|-----------------|----------|
| Assets | | |
| Trading portfolio assets | 1,601 | 1,719 |
| <i>of which: debt instruments¹</i> | 32 | 37 |
| <i>of which: listed</i> | 4 | 23 |
| <i>of which: equity instruments</i> | 29 | 54 |
| <i>of which: precious metals and other physical commodities</i> | 1,540 | 1,628 |
| Total assets measured at fair value | 1,601 | 1,719 |
| <i>of which: fair value derived using a valuation model</i> | 47 | 57 |
| <i>of which: securities eligible for repurchase transactions in accordance with liquidity regulations²</i> | 13 | 16 |
| Liabilities | | |
| Trading portfolio liabilities | 485 | 250 |
| <i>of which: debt instruments¹</i> | 108 | 111 |
| <i>of which: listed</i> | 101 | 97 |
| <i>of which: equity instruments</i> | 377 | 139 |
| Total liabilities measured at fair value | 485 | 250 |
| <i>of which: fair value derived using a valuation model</i> | 214 | 222 |

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.

Note 11 Derivative instruments

| | 31.12.18 | | | 31.12.17 | | |
|---|------------------------|------------------------|--------------------------------------|------------------|------------------|--------------------------------------|
| | | | Total notional values | | | Total notional values |
| <i>CHF million, except where indicated</i> | PRV² | NRV³ | (CHF billion) | PRV ² | NRV ³ | (CHF billion) |
| Interest rate contracts | | | | | | |
| Forwards ¹ | 33 | 37 | 8 | 32 | 30 | 6 |
| Swaps | 1,959 | 1,648 | 149 | 2,181 | 1,877 | 185 |
| <i>of which: designated in hedge accounting relationships⁴</i> | 440 | 328 | 34 | 429 | 320 | 31 |
| Over-the-counter (OTC) options | 51 | 51 | 5 | 62 | 58 | 5 |
| Total | 2,044 | 1,737 | 162 | 2,274 | 1,964 | 196 |
| Foreign exchange contracts | | | | | | |
| Forwards | 311 | 296 | 29 | 395 | 378 | 34 |
| Interest and currency swaps | 408 | 406 | 72 | 634 | 497 | 92 |
| Over-the-counter (OTC) options | 180 | 179 | 30 | 199 | 198 | 27 |
| Total | 898 | 881 | 132 | 1,228 | 1,073 | 153 |
| Equity / index contracts | | | | | | |
| Forwards | 32 | 38 | 4 | 18 | 19 | 3 |
| Swaps | 28 | 28 | 1 | 3 | 3 | 0 |
| Over-the-counter (OTC) options | 97 | 97 | 1 | 147 | 147 | 2 |
| Exchange-traded options | 382 | 382 | 0 | 236 | 236 | 0 |
| Total | 539 | 545 | 6 | 403 | 405 | 6 |
| Credit derivative contracts | | | | | | |
| Credit default swaps | 2 | 3 | 0 | 20 | 37 | 1 |
| Total | 2 | 3 | 0 | 20 | 37 | 1 |
| Commodity, precious metals and other contracts | | | | | | |
| Forwards | 18 | 18 | 1 | 10 | 10 | 1 |
| Swaps | 18 | 18 | 1 | 13 | 13 | 1 |
| Over-the-counter (OTC) options | 251 | 250 | 17 | 173 | 173 | 15 |

| | | | | | | |
|---|----------------|----------------|------------|---------|---------|-----|
| Total | 287 | 286 | 19 | 196 | 196 | 17 |
| Total before netting | 3,770 | 3,451 | 319 | 4,123 | 3,675 | 372 |
| <i>of which: trading derivatives</i> | 3,330 | 3,123 | | 3,694 | 3,355 | |
| <i>of which: fair value derived using a valuation model</i> | 3,275 | 3,066 | | 3,649 | 3,316 | |
| <i>of which: derivatives designated in hedge accounting relationships⁴</i> | 440 | 328 | | 429 | 320 | |
| <i>of which: fair value derived using a valuation model⁴</i> | 440 | 328 | | 429 | 320 | |
| Netting with cash collateral payables / receivables | 0 | (428) | | 0 | (546) | |
| Replacement value netting | (2,108) | (2,108) | | (2,338) | (2,338) | |
| Total after netting | 1,662 | 915 | | 1,784 | 791 | |
| <i>of which: with bank and broker-dealer counterparties</i> | 113 | 388 | | 117 | 214 | |
| <i>of which: other client counterparties</i> | 1,549 | 526 | | 1,667 | 577 | |

1 Includes forward rate agreements. 2 PRV: positive replacement values. 3 NRV: negative replacement values. 4 The comparative period information for PRV and NRV of interest rate swaps designated in hedge accounting relationships has been corrected.

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Note 12a Financial investments by instrument type

| CHF million | 31.12.18 | | 31.12.17 | |
|---|----------------|---------------|----------------|---------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Debt instruments | 12,988 | 12,829 | 21,555 | 21,411 |
| of which: held to maturity | 6,144 | 5,970 | 8,215 | 8,061 |
| of which: available for sale | 6,845 | 6,859 | 13,340 | 13,350 |
| Equity instruments | 21 | 33 | 18 | 26 |
| Property | 47 | 47 | 42 | 42 |
| Total financial investments | 13,057 | 12,909 | 21,615 | 21,480 |
| of which: securities eligible for repurchase transactions in accordance with liquidity regulations ¹ | 12,656 | 12,496 | 21,297 | 21,153 |

1 Consists of high-quality liquid debt securities that are eligible for repurchase transactions at the Swiss National Bank (SNB) or other central banks.

Note 12b Financial investments by counterparty rating – debt instruments

| CHF million | 31.12.18 | 31.12.17 |
|--|---------------|---------------|
| Internal UBS rating¹ | | |
| 0–1 | 11,340 | 16,880 |
| 2–3 | 1,649 | 4,675 |
| 4–5 | 0 | 0 |
| 6–8 | 0 | 0 |
| 9–13 | 0 | 0 |
| Non-rated | 0 | 0 |
| Total financial investments | 12,988 | 21,555 |

1 Refer to Note 22 for more information.

Note 13 Investments in subsidiaries and other participations

| CHF million | 31.12.18 | 31.12.17 |
|--|-----------|-----------|
| Historical cost | | |
| Balance at the beginning of the year | 65 | 63 |
| Additions | 4 | 2 |
| Balance at the end of the year | 69 | 65 |
| Accumulated value adjustments and changes in book value | | |
| Balance at the beginning of the year | (9) | (6) |
| Value adjustments | 0 | (3) |
| Balance at the end of the year | (9) | (9) |
| Net book value | | |
| Book value at the beginning of the year | 56 | 56 |
| Book value at the end of the year | 60 | 56 |
| of which: without market value | 60 | 56 |
| of which: other participations | 53 | 48 |
| of which: Pfandbriefbank | 47 | 47 |

of which: Twint AG
of which: subsidiaries

6
7

2
7

12

Note 14 Companies in which the bank holds a permanent direct or indirect significant participation

| | | 31.12.18 | | | | | |
|---|-------------|------------------------------|---------------|----------------|--------------|----------|------------|
| <i>CHF thousand, except where indicated</i> | | | | Share of | Share of | Held | Held |
| Company name | Domicile | Primary Business Division | Share capital | capital (in %) | votes (in %) | directly | indirectly |
| UBS Card Center AG | Switzerland | Personal & Corporate Banking | 100 | 100 | 100 | 100 | – |
| UBS Hypotheken AG | Switzerland | Personal & Corporate Banking | 100 | 98 | 98 | 98 | – |
| Topcard Service AG | Switzerland | Personal & Corporate Banking | 150 | 100 | 100 | 150 | – |
| TWINT AG | Switzerland | Personal & Corporate Banking | 12,750 | 11 | 11 | 1,462 | – |
| Pfandbriefbank schweizerischer Hypothekarinstitute AG | Switzerland | Personal & Corporate Banking | 900,000 | 9 | 9 | 76,770 | – |
| SwissSign Group AG | Switzerland | Personal & Corporate Banking | 12,500 | 6 | 6 | 766 | – |
| we.trade Innovation DAC | Ireland | Personal & Corporate Banking | 8,000 | 6 | 6 | 500 | – |

Note 15 Property, equipment and software**At historical cost less accumulated depreciation**

| <i>CHF million</i> | IT hardware and communication | Internally generated software | Other machines and equipment | Projects in progress ¹ | 31.12.18 | 31.12.17 |
|---------------------------------|-------------------------------|-------------------------------|------------------------------|-----------------------------------|-----------------|----------|
| Historical cost | | | | | | |
| Balance at the beginning of the | 7 | 15 | 86 | 61 | 169 | 101 |

| | | | | | | |
|---|-----|-----|-----|------|------------|------|
| year | | | | | | |
| Additions | 6 | 0 | 7 | 154 | 167 | 83 |
| Disposals / write-offs ² | (3) | 0 | (1) | 0 | (4) | (15) |
| Reclassifications | (1) | 97 | 1 | (97) | 0 | 0 |
| Balance at the end of the year | 9 | 113 | 94 | 117 | 333 | 169 |
| Accumulated depreciation | | | | | | |
| Balance at the beginning of the year | 5 | 1 | 72 | | 78 | 81 |
| Depreciation | 2 | 10 | 7 | | 20 | 11 |
| Disposals / write-offs ² | (3) | 0 | (1) | | (4) | (15) |
| Balance at the end of the year | 4 | 11 | 79 | | 94 | 78 |
| Net book value | | | | | | |
| Net book value at the beginning of the year | 2 | 14 | 14 | 61 | 92 | 19 |
| Net book value at the end of the year | 5 | 101 | 15 | 117 | 238 | 92 |

1 Entirely related to Internally generated software. 2 Includes write-offs of fully depreciated assets.

**Operating
lease
commitments**

CHF million

31.12.18

**Expenses for
operating
leases to be
recognized in:**

| | |
|--|------------|
| 2019 | 187 |
| 2020 | 183 |
| 2021 | 173 |
| 2022 | 80 |
| 2023 | 42 |
| 2024 and thereafter | 173 |
| Total commitments for minimum payments under operating leases | 838 |

Property, equipment and software are depreciated on a straight-line basis over their useful life which is between 3 and 10 years.

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Note 16 Goodwill**At historical cost less accumulated amortization**

| | | |
|---|-----------------|----------|
| <i>CHF million</i> | 31.12.18 | 31.12.17 |
| Historical cost | | |
| Balance at the beginning of the year | 5,250 | 5,250 |
| Balance at the end of the year | 5,250 | 5,250 |
| Accumulated amortization | | |
| Balance at the beginning of the year | 2,888 | 1,838 |
| Amortization | 1,050 | 1,050 |
| Balance at the end of the year | 3,938 | 2,888 |
| Net book value | | |
| Net book value at the beginning of the year | 2,363 | 3,413 |
| Net book value at the end of the year | 1,313 | 2,363 |

Refer to Note 2 for more information regarding goodwill.

Note 17a Other assets

| | | |
|--|-----------------|----------|
| <i>CHF million</i> | 31.12.18 | 31.12.17 |
| Deferral position for hedging instruments | 42 | 99 |
| Settlement and clearing accounts | 496 | 394 |
| VAT and other indirect tax receivables | 13 | 17 |
| Other | 235 | 207 |
| <i>of which: other receivables due from UBS Group AG and subsidiaries in the UBS Group</i> | 206 | 181 |
| Total other assets | 786 | 716 |

Note 17b Other liabilities

| | | |
|---|-----------------|----------|
| <i>CHF million</i> | 31.12.18 | 31.12.17 |
| Settlement and clearing accounts | 588 | 683 |
| VAT and other indirect tax payables | 147 | 91 |
| Other | 710 | 615 |
| <i>of which: other payables due to UBS Group AG and subsidiaries in the UBS Group</i> | 380 | 328 |
| Total other liabilities | 1,444 | 1,389 |

Note 18 Pledged assets¹

| | | | | |
|-----------------------------|---|-----------------------------|----------------------------------|----------------------|
| | 31.12.18 | | 31.12.17 | |
| | Carrying value of pledged assets | Effective commitment | Carrying value of pledged assets | Effective commitment |
| <i>CHF million</i> | | | | |
| Mortgage loans ² | 17,219 | 12,294 | 17,631 | 12,457 |
| Securities | 21 | 0 | 2 | 0 |
| Total pledged assets | 17,240 | 12,294 | 17,634 | 12,457 |

1 Excluding securities financing transactions. Refer to Note 7 for more information on securities financing transactions. 2 These pledged mortgage loans serve as collateral for existing liabilities against Swiss central mortgage institutions and for existing covered bond issuances. Of these pledged mortgage loans, approximately CHF 1.9 billion as of 31 December 2018 (approximately CHF 2.1 billion as of 31 December 2017) could be withdrawn or used for future liabilities or covered bond issuances without breaching existing collateral requirements.

Note 19 Maturity structure of financial instruments

| <i>CHF million</i> | At sight | Cancellable | Due within 1 and 3 months | Due within 3 and 12 months | Due within 1 and 5 years | Due Perpetual / after 5 years applicable | Not applicable | Total |
|--|---------------|---------------|---------------------------------------|--|--------------------------------------|---|-------------------|----------------|
| Assets | | | | | | | | |
| Cash and balances at central banks | 52,593 | 0 | 0 | 0 | 0 | 0 | 0 | 52,593 |
| Due from banks | 2,913 | 0 | 461 | 522 | 34 | 19 | 0 | 3,949 |
| Receivables from securities financing transactions | 5,335 | 7,236 | 7,647 | 7,938 | 0 | 0 | 0 | 28,157 |
| Due from customers | 10,919 | 9,032 | 4,279 | 6,144 | 7,179 | 1,598 | 0 | 39,152 |
| Mortgage loans | 5,697 | 30,202 | 5,583 | 11,823 | 66,653 | 30,251 | 0 | 150,208 |
| Trading portfolio assets | 1,601 | 0 | 0 | 0 | 0 | 0 | 0 | 1,601 |
| Derivative financial instruments | 1,662 | 0 | 0 | 0 | 0 | 0 | 0 | 1,662 |
| Financial investments | 778 | 0 | 2,052 | 2,501 | 4,873 | 2,785 | 68 | 13,057 |
| Total assets / financial instruments as of 31 December 2018 | 81,496 | 46,471 | 20,022 | 28,928 | 78,740 | 34,653 | 68 | 290,377 |
| Total assets / financial instruments as of 31 December 2017 | 69,129 | 54,434 | 20,262 | 31,980 | 74,033 | 36,961 | 60 | 286,859 |
| Liabilities | | | | | | | | |
| Due to banks ¹ | 9,008 | 78 | 77 | 43 | 2,783 | 8,150 | 4,243 | 24,382 |

| | | | | | | | | |
|---|----------------|----------------|------------|------------|--------------|---------------|--------------|----------------|
| Payables from securities financing transactions | 0 | 1,118 | 0 | 29 | 0 | 0 | 0 | 1,147 |
| Due to customers | 138,373 | 102,267 | 439 | 174 | 72 | 22 | 0 | 241,347 |
| Trading portfolio liabilities | 485 | 0 | 0 | 0 | 0 | 0 | 0 | 485 |
| Derivative financial instruments | 915 | 0 | 0 | 0 | 0 | 0 | 0 | 915 |
| Loans from central mortgage institutions | 9 | 0 | 88 | 655 | 3,463 | 4,220 | 0 | 8,434 |
| Total liabilities / financial instruments as of 31 December 2018 | 148,790 | 103,462 | 604 | 901 | 6,318 | 12,393 | 4,243 | 276,710 |
| Total liabilities / financial instruments as of 31 December 2017 | 151,298 | 101,409 | 583 | 771 | 3,379 | 12,714 | 3,000 | 273,155 |

1 Due to banks with maturity above 1 year and perpetual mainly relates to loss-absorbing capacity eligible positions.

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Note 20 Assets and liabilities by domestic and foreign origin in accordance with the domicile principle

| <i>CHF million</i> | 31.12.18 | | 31.12.17 | |
|--|-----------------|----------------|----------|---------|
| | Domestic | Foreign | Domestic | Foreign |
| Assets | | | | |
| Cash and balances at central banks | 52,593 | 0 | 38,467 | 0 |
| Due from banks | 887 | 3,062 | 1,121 | 3,006 |
| Receivables from securities financing transactions | 4,957 | 23,200 | 1,946 | 32,884 |
| Due from customers | 19,177 | 19,974 | 18,189 | 20,454 |
| Mortgage loans | 150,184 | 24 | 145,649 | 25 |
| Trading portfolio assets | 1,582 | 19 | 1,678 | 41 |
| Derivative financial instruments | 1,035 | 627 | 1,225 | 559 |
| Financial investments | 1,582 | 11,475 | 2,070 | 19,545 |
| Accrued income and prepaid expenses | 102 | 157 | 91 | 134 |
| Investments in subsidiaries and other participations | 60 | 0 | 56 | 0 |
| Property, equipment and software | 238 | 0 | 92 | 0 |
| Goodwill and other intangible assets | 1,313 | 0 | 2,363 | 0 |
| Other assets | 721 | 65 | 690 | 26 |
| Total assets | 234,432 | 58,602 | 213,635 | 76,674 |
| Liabilities | | | | |
| Due to banks | 19,275 | 5,107 | 16,568 | 4,160 |
| Payables from securities financing transactions | 220 | 927 | 131 | 1,513 |
| Due to customers | 186,676 | 54,671 | 180,289 | 61,085 |
| Trading portfolio liabilities | 48 | 437 | 16 | 234 |
| Derivative financial instruments | 348 | 566 | 355 | 436 |
| Loans from central mortgage institutions | 8,434 | 0 | 8,367 | 0 |
| Accrued expenses and deferred income | 861 | 24 | 821 | 15 |
| Other liabilities | 1,370 | 74 | 1,163 | 226 |
| Provisions | 159 | 1 | 144 | 1 |
| Total liabilities | 217,391 | 61,808 | 207,855 | 67,669 |
| Equity | | | | |
| Share capital | 10 | 0 | 10 | 0 |
| General reserve | 12,139 | 0 | 12,139 | 0 |
| Voluntary earning reserve | 284 | 0 | 1,122 | 0 |

| | | | | |
|-------------------------------------|----------------|---------------|---------|--------|
| Net profit / (loss) for the period | 1,401 | 0 | 1,513 | 0 |
| Total equity | 13,834 | 0 | 14,785 | 0 |
| Total liabilities and equity | 231,226 | 61,808 | 222,640 | 67,669 |

Note 21 Total assets by geographic location

| <i>CHF million</i> | 31.12.18 CHF million | % | 31.12.17 CHF million | % |
|---|---|------------|----------------------------|----------|
| Assets | | | | |
| Switzerland | 234,432 | 80 | 213,635 | 74 |
| Europe, Middle East and Africa | 40,801 | 14 | 58,730 | 20 |
| <i>of which: United Kingdom</i> | 22,723 | 8 | 29,917 | 10 |
| <i>of which: Germany</i> | 4,857 | 2 | 9,073 | 3 |
| Americas | 14,500 | 5 | 15,274 | 5 |
| <i>of which: United States</i> | 6,527 | 2 | 6,501 | 2 |
| <i>of which: British Virgin Islands</i> | 3,067 | 1 | 2,892 | 1 |
| Asia Pacific | 3,302 | 1 | 2,671 | 1 |
| Total assets | 293,034 | 100 | 290,310 | 100 |

Note 22 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 sheet assets.

→ **Refer to the “Risk management and control” section of the UBS Group AG Annual Report 2018 for more information**

| Internal UBS Classification | UBS rating | Description Investment grade | Moody's Investors Service | Standard & Poor's | Fitch | 31.12.18 | | 31.12.17 | |
|-----------------------------|------------|------------------------------|---------------------------|-------------------|------------|---------------|-----------|-------------|----|
| | | | | | | CHF million | % | CHF million | % |
| 0 and 1 | | | Aaa | AAA | AAA | 27,988 | 10 | 39,897 | 14 |
| Low risk | 2 | | Aa1 to Aa3 | AA+ to AA- | AA+ to AA- | 18,523 | 6 | 20,380 | 7 |
| | 3 | | A1 to A3 | A+ to A- | | 2,452 | 1 | 3,799 | 1 |

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Note 23 Assets and liabilities by the most significant currencies for the bank

| <i>CHF million</i> | CHF | USD | 31.12.18 | GBP | other | Total |
|--|----------------|---------------|-----------------|--------------|---------------|----------------|
| | | | EUR | | | |
| Assets | | | | | | |
| Cash and balances at central banks | 52,374 | 15 | 191 | 6 | 8 | 52,593 |
| Due from banks | 221 | 2,162 | 890 | 318 | 357 | 3,949 |
| Receivables from securities financing transactions | 4,971 | 13,372 | 8,311 | 1,502 | 0 | 28,157 |
| Due from customers | 13,676 | 14,760 | 8,754 | 1,103 | 859 | 39,152 |
| Mortgage loans | 149,407 | 754 | 46 | 0 | 1 | 150,208 |
| Trading portfolio assets | 13 | 22 | 12 | 1 | 1,552 | 1,601 |
| Derivative financial instruments | 1,662 | 0 | 0 | 0 | 0 | 1,662 |
| Financial investments | 1,582 | 9,106 | 1,165 | 30 | 1,174 | 13,057 |
| Accrued income and prepaid expenses | 93 | 132 | 27 | 5 | 3 | 259 |
| Investments in subsidiaries and other participations | 60 | 0 | 0 | 0 | 0 | 60 |
| Property, equipment and software | 238 | 0 | 0 | 0 | 0 | 238 |
| Goodwill and other intangible assets | 1,313 | 0 | 0 | 0 | 0 | 1,313 |
| Other assets | 566 | 141 | 48 | 24 | 7 | 786 |
| Total assets shown in balance sheet | 226,176 | 40,463 | 19,444 | 2,989 | 3,962 | 293,034 |
| Delivery entitlements from spot exchange, forward forex and forex options transactions | 12,308 | 21,374 | 14,383 | 4,811 | 6,126 | 59,002 |
| Total assets | 238,484 | 61,837 | 33,827 | 7,800 | 10,087 | 352,036 |
| Liabilities | | | | | | |
| Due to banks | 19,114 | 2,726 | 1,480 | 223 | 839 | 24,382 |
| Payables from securities financing transactions | 41 | 950 | 144 | 12 | 0 | 1,147 |
| Due to customers | 175,932 | 24,697 | 31,416 | 3,746 | 5,557 | 241,347 |
| Trading portfolio liabilities | 38 | 147 | 202 | 91 | 7 | 485 |
| Derivative financial instruments | 915 | 0 | 0 | 0 | 0 | 915 |
| Loans from central mortgage institutions | 8,430 | 2 | 2 | 0 | 0 | 8,434 |

| | | | | | | |
|---|----------------|---------------|-----------------|----------------|----------------|----------------|
| Accrued expenses and deferred income | 806 | 29 | 50 | 0 | 0 | 885 |
| Other liabilities | 934 | 378 | 79 | 17 | 36 | 1,444 |
| Provisions | 144 | 9 | 8 | 0 | 0 | 161 |
| Total liabilities shown in balance sheet | 206,353 | 28,937 | 33,381 | 4,090 | 6,438 | 279,200 |
| Equity | | | | | | |
| Share capital | 10 | 0 | 0 | 0 | 0 | 10 |
| General reserve | 12,139 | 0 | 0 | 0 | 0 | 12,139 |
| Voluntary earning reserve | 284 | 0 | 0 | 0 | 0 | 284 |
| Net profit / (loss) for the period | 1,401 | 0 | 0 | 0 | 0 | 1,401 |
| Total equity shown in balance sheet | 13,834 | 0 | 0 | 0 | 0 | 13,834 |
| Total liabilities and equity shown in balance sheet | 220,187 | 28,937 | 33,381 | 4,090 | 6,438 | 293,034 |
| Delivery obligations from spot exchange, forward forex and forex options transactions | 12,217 | 21,802 | 14,280 | 4,715 | 5,976 | 58,989 |
| Total equity and liabilities | 232,404 | 50,739 | 47,661 | 8,805 | 12,415 | 352,023 |
| Net position per currency as of 31 December 2018 | 6,080 | 11,098 | (13,833) | (1,005) | (2,327) | 13 |
| Net position per currency as of 31 December 2017 | (4,310) | 16,390 | (6,829) | (2,252) | (2,983) | 17 |

Note 24 Loans from central mortgage institutions**Contractual maturity of carrying value**

| <i>CHF million</i> | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | Total | Total |
|------------------------------|---------|---------|---------|---------|---------|------------|-----------------|----------|
| Non-subordinated debt | | | | | | | 31.12.18 | 31.12.17 |
| Fixed-rate | 751 | 724 | 995 | 824 | 920 | 4,220 | 8,434 | 8,367 |
| Interest rates (range in %) | 0.1-4.0 | 0.1-2.8 | 0.1-2.4 | 0.1-3.4 | 0.1-2.2 | 0.2-2.8 | | |
| Total | 751 | 724 | 995 | 824 | 920 | 4,220 | 8,434 | 8,367 |

Note 25a Share capital

| | 31.12.18 | | | 31.12.17 | | |
|-------------------------------------|-------------------|--------------------|-----------------------------------|------------------|------------------|-----------------------------------|
| | Par value in CHF | Number of shares | <i>of which: dividend bearing</i> | Par value in CHF | Number of shares | <i>of which: dividend bearing</i> |
| Share capital ¹ | 10,000,000 | 100,000,000 | 100,000,000 | 10,000,000 | 100,000,000 | 100,000,000 |
| <i>of which: shares outstanding</i> | 10,000,000 | 100,000,000 | 100,000,000 | 10,000,000 | 100,000,000 | 100,000,000 |

1 Registered shares issued.

UBS Switzerland AG's share capital is fully paid up. Each share has a par value of CHF 0.10 and entitles the holder to one vote at the UBS Switzerland 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 Switzerland AG does not apply any restrictions or limitations on the transferability of shares.

Non-distributable reserves

Non-distributable reserves consist of 50% of the share capital of UBS Switzerland AG, amounting to CHF 5 million as of 31 December 2018.

Note 25b Significant shareholders

The sole direct shareholder of UBS Switzerland AG is UBS AG, which holds 100% of UBS Switzerland AG shares. These shares are entitled to voting rights. Indirect shareholders of UBS

Switzerland AG, who do not have voting rights, include UBS Group AG, which holds 100% of UBS AG shares. Included in the table below are also 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 2018 or as of 31 December 2017.

The shares and share capital of UBS Switzerland AG held by indirect shareholders shown in the table below represent their relative holding of UBS Group AG shares.

→ **Refer to Note 23 of the UBS Group AG standalone financial statements in the UBS Group AG Annual Report 2018 for more information on significant shareholders of UBS Group AG**

| <i>CHF million, except where indicated</i> | 31.12.18 | | 31.12.17 | |
|--|---------------------------|------------------------|--------------------|-----------------|
| | Share capital held | Shares held (%) | Share capital held | Shares held (%) |
| Significant direct shareholder of UBS Switzerland AG | | | | |
| UBS AG | 10 | 100 | 10 | 100 |
| Significant indirect shareholders of UBS Switzerland AG | | | | |
| UBS Group AG | 10 | 100 | 10 | 100 |
| Chase Nominees Ltd., London | 1 | 12 | 1 | 11 |
| DTC (Cede & Co.), New York ¹ | 1 | 7 | 1 | 7 |
| Nortrust Nominees Ltd., London | 0 | 4 | 0 | 4 |

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

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Note 26 Swiss pension plan**a) Liabilities related to Swiss pension plan**

| <i>CHF million</i> | 31.12.18 | 31.12.17 |
|--|-----------------|----------|
| Provision for Swiss pension plan | 0 | 0 |
| Bank accounts at UBS and UBS debt instruments held by Swiss pension fund | 68 | 59 |
| UBS derivative financial instruments held by Swiss pension fund | 18 | 19 |
| Total liabilities related to Swiss pension plan | 86 | 78 |

b) Swiss pension plan

| <i>CHF million</i> | As of or for the year ended | |
|---|-----------------------------|----------|
| | 31.12.18 | 31.12.17 |
| Pension plan surplus ¹ | 2,385 | 3,065 |
| Economic benefit / (obligation) of UBS Switzerland AG | 0 | 0 |
| Change in economic benefit / (obligation) recognized in the income statement | 0 | 0 |
| Employer contributions in the period recognized in the income statement | 204 | 206 |
| Performance awards-related employer contributions accrued | 28 | 31 |
| Total pension expense recognized in the income statement within Personnel expenses | 232 | 237 |

¹ 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 Switzerland AG in accordance with FER 16 both as of 31 December 2018 and 31 December 2017. Refer to Note 2 for more information.

The Swiss pension plan had no employer contribution reserve both as of 31 December 2018 and 31 December 2017.

Note 27 Share-based compensation

UBS Group AG is the grantor of the majority of UBS's deferred compensation plans. Expenses for awards granted under such plans to UBS Switzerland AG employees are charged by UBS Group AG to UBS Switzerland AG.

→ **Refer to Note 30 of the UBS Group AG consolidated financial statements in the UBS Group AG Annual Report 2018 for more information**

Note 28 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.

| <i>CHF million</i> | 31.12.18 | | 31.12.17 | |
|--|-----------------------------|---------------------------|---------------------|-------------------|
| | Amounts due from | Amounts due to | Amounts due from | Amounts due to |
| Qualified shareholders ¹ | 26,578 | 19,753 | 28,945 | 17,387 |
| <i>of which: due from / to banks</i> | 4,718 | 19,074 | 1,269 | 15,925 |
| <i>of which: receivables / payables from securities financing transactions</i> | 21,528 | 0 | 27,420 | 439 |
| <i>of which: due from / to customers</i> | 59 | 102 | 53 | 645 |
| Subsidiaries ² | 36 | 4 | 29 | 8 |
| <i>of which: due from / to customers</i> | 34 | 4 | 27 | 8 |
| Affiliated entities ³ | 407 | 1,449 | 799 | 1,539 |
| <i>of which: due from / to banks</i> | 348 | 908 | 407 | 741 |
| <i>of which: due from / to customers</i> | 4 | 319 | 2 | 313 |
| Members of governing bodies ⁴ | 52 | | 53 | |
| External auditors | | 0 | | 1 |
| Other related parties | 533 | | 538 | |

1 Qualified shareholders of UBS Switzerland AG are UBS Group AG and UBS AG. 2 Subsidiaries of UBS Switzerland AG are UBS Card Center AG, Topcard Service AG and UBS Hypotheken AG. 3 Affiliated entities of UBS Switzerland AG are all direct and indirect subsidiaries of UBS Group AG including subsidiaries of UBS AG. 4 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 Switzerland AG and UBS AG.

Note 29 Fiduciary transactions

| | | |
|---|-----------------|----------|
| <i>CHF million</i> | 31.12.18 | 31.12.17 |
| Fiduciary deposits | 31,280 | 23,505 |
| <i>of which: placed with third-party banks</i> | 13,035 | 12,498 |
| <i>of which: placed with subsidiaries and affiliated entities</i> | 18,245 | 11,007 |
| Total fiduciary transactions | 31,280 | 23,505 |

Fiduciary transactions encompass transactions entered into or granted by UBS Switzerland 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 Switzerland 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 Switzerland AG may be recognized on UBS Switzerland AG's balance sheet in situations in which the deposit is subsequently placed within UBS Switzerland AG. In such cases, these deposits are not reported in the table above.

Note 30a Invested assets and net new money

| | | |
|---|-----------------|----------|
| <i>CHF billion</i> | 31.12.18 | 31.12.17 |
| Fund assets managed | 0 | 0 |
| Discretionary assets | 96 | 101 |
| Other invested assets | 458 | 485 |
| Total invested assets (double counts included) | 554 | 586 |
| <i>of which: double counts</i> | 0 | 0 |
| Net new money (double counts included) | 8 | 7 |

Note 30b Development of invested assets

| | | |
|---|--------------------|----------|
| | For the year ended | |
| <i>CHF billion</i> | 31.12.18 | 31.12.17 |
| Total invested assets (including double counts) at the beginning of the year | 586 | 535 |
| Net new money inflows / (outflows) | 8 | 7 |
| Market movements (including dividends and interests) | (34) | 42 |
| Currency effects | (5) | 3 |
| Other effects | 0 | (1) |
| <i>of which: acquisitions / (divestments)</i> | 0 | (1) |
| Total invested assets (including double counts) at the end of the year¹ | 554 | 586 |

1 As of 31 December 2018 and 31 December 2017 there were no invested assets double counts.

→ **Refer to Note 36 of the UBS Group AG consolidated financial statements in the UBS Group AG Annual Report 2018 for more information**

UBS Switzerland AG standalone financial statements (audited)

UBS Switzerland AG standalone
regulatory information

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UBS Switzerland AG standalone regulatory information**Key metrics**

The table below is provided for the first time based on BCBS Basel III phase-in rules. All key metrics of UBS Switzerland AG remained stable throughout the quarters of 2018.

Effective from 31 December 2018, UBS opted to phase in the effects of IFRS 9 expected credit loss (ECL) on CET1 capital, if any, over a five-year transitional period. This conclusion did not have an effect on our CET1 capital as of 31 December 2018.

KM1: Key metrics

CHF million, except where indicated

| | | 31.12.18 | 30.9.18 | 30.6.18 | 31.3.18 | 31.12.17 |
|---|--|-----------------|----------------|----------------|----------------|---------------------|
| Available capital (amounts)¹ | | | | | | |
| 1 | Common equity tier 1 (CET1) | 10,225 | 10,165 | 10,072 | 10,118 | 10,160 |
| 1a | Fully loaded ECL accounting model | 10,225 | 10,165 | 10,072 | 10,118 | |
| 2 | Tier 1 | 14,468 | 13,165 | 13,072 | 13,118 | 13,160 |
| 2a | Fully loaded ECL accounting model Tier 1 | 14,468 | 13,165 | 13,072 | 13,118 | |
| 3 | Total capital | 14,468 | 13,165 | 13,072 | 13,118 | 13,188 |
| 3a | Fully loaded ECL accounting model total capital | 14,468 | 13,165 | 13,072 | 13,118 | |
| Risk-weighted assets (amounts) | | | | | | |
| 4 | Total risk-weighted assets (RWA) | 95,646 | 95,541 | 94,887 | 94,311 | 92,894 ¹ |
| 4a | Total risk-weighted assets (pre-floor) | 91,457 | 88,299 | 88,357 | 83,890 | 81,551 |
| Risk-based capital ratios as a percentage of RWA¹ | | | | | | |
| 5 | Common equity tier 1 ratio (%) | 10.69 | 10.64 | 10.61 | 10.73 | 10.94 |
| 5a | Fully loaded ECL accounting model Common Equity Tier 1 (%) | 10.69 | 10.64 | 10.61 | 10.73 | |
| 6 | Tier 1 ratio (%) | 15.13 | 13.78 | 13.78 | 13.91 | 14.17 |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | 15.13 | 13.78 | 13.78 | 13.91 | |
| 7 | | 15.13 | 13.78 | 13.78 | 13.91 | 14.20 |

| | | | | | | |
|---|---|----------------|---------|---------|---------|----------------------|
| | Total capital ratio (%) | | | | | |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | 15.13 | 13.78 | 13.78 | 13.91 | |
| Additional CET1 buffer requirements as a percentage of RWA² | | | | | | |
| 8 | Capital conservation buffer requirement (2.5% from 2019) (%) | 1.88 | 1.88 | 1.88 | 1.88 | 1.25 |
| 9 | Countercyclical buffer requirement (%) | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| 9a | Additional countercyclical buffer for Swiss mortgage loans (%) | 0.56 | 0.56 | 0.54 | 0.52 | 0.52 |
| 10 | Bank G-SIB and/or D-SIB additional requirements (%) ³ | | | | | |
| 11 | Total of bank CET1 specific buffer requirements (%) | 1.88 | 1.88 | 1.88 | 1.88 | 1.25 |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) ¹ | 6.19 | 6.14 | 6.11 | 6.23 | 6.44 |
| Basel III leverage ratio | | | | | | |
| 13 | Total Basel III leverage ratio exposure measure | 306,487 | 303,257 | 304,046 | 301,968 | 302,987 ¹ |
| 14 | Basel III leverage ratio (%) ¹ | 4.72 | 4.34 | 4.30 | 4.34 | 4.34 |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (%) ¹ | 4.72 | 4.34 | 4.30 | 4.34 | |
| Liquidity coverage ratio | | | | | | |
| 15 | Total HQLA | 67,427 | 66,174 | 68,620 | 69,024 | 68,798 |
| 16 | Total net cash outflow | 52,846 | 53,130 | 53,731 | 54,782 | 47,718 |
| 17 | LCR ratio (%) | 128 | 125 | 128 | 126 | 144 |

¹ Based on BCBS Basel III phase-in rules. ² As Annex 8 of ERV does not apply to the systemically relevant banks, UBS can abstain from disclosing the information required in lines 12a-12e. In the event of a waiver, UBS nevertheless provides information about the Swiss sector specific countercyclical buffer in row 9a pursuant to Art. 44 ERV. ³ Swiss SRB going concern requirements and information for UBS Switzerland AG is provided on the next page.

UBS Switzerland AG standalone regulatory information

Swiss SRB going and gone concern requirements and information

UBS Switzerland AG is considered a systemically relevant bank (SRB) under Swiss banking law and is subject to capital regulations on a standalone basis. As of 31 December 2018, the phase-in going concern capital and leverage ratio requirements for UBS Switzerland AG standalone were 13.43% and 4.0%, respectively. The gone concern requirements on a phase-in basis were 7.48% for the RWA-based requirement and 2.52% for the LRD-based requirement.

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

→ Refer to “Regulatory framework” in the “Capital Management” section of the UBS Group AG Annual Report 2018 for more information on loss-absorbing capacity, leverage ratio requirements and gone concern rebate

→ Refer to “Additional information” in the “Capital Management” section of the UBS Group AG Annual Report 2018 for more information on the joint liability of UBS AG and UBS Switzerland AG

Swiss SRB going and gone concern requirements and information¹

| As of 31.12.18 | Swiss SRB, including transitional arrangements | | | | Swiss SRB as of 1.1.20 | | | |
|---|---|--------------|-------------|--------------|-------------------------------|---------------|-------------|---------------|
| | RWA | | LRD | | RWA | | LRD | |
| <i>CHF million, except where indicated</i> | | | | | | | | |
| Required loss-absorbing capacity | in %² | | in % | | in % | | in % | |
| Common equity tier 1 capital | 10.03 | 9,595 | 2.90 | 8,888 | 10.57 | 10,112 | 3.50 | 10,727 |
| <i>of which: minimum capital</i> | 5.40 | 5,165 | 1.90 | 5,823 | 4.50 | 4,304 | 1.50 | 4,597 |
| <i>of which: buffer capital</i> | 4.06 | 3,883 | 1.00 | 3,065 | 5.50 | 5,261 | 2.00 | 6,130 |
| <i>of which: countercyclical buffer³</i> | 0.57 | 547 | | | 0.57 | 547 | | |
| Maximum additional tier 1 capital | 3.40 | 3,252 | 1.10 | 3,371 | 4.30 | 4,113 | 1.50 | 4,597 |

| | | | | | | | | | |
|---|-------------------|---------------|-------------------|---------------|--------------------------|---------------|-------------------------|---------------|--|
| <i>of which:</i> | | | | | | | | | |
| <i>high-trigger</i> | | | | | | | | | |
| <i>loss-absorbing</i> | | | | | | | | | |
| <i>additional tier 1</i> | | | | | | | | | |
| <i>minimum capital</i> | 2.60 | 2,487 | 1.10 | 3,371 | 3.50 | 3,348 | 1.50 | 4,597 | |
| <i>of which:</i> | | | | | | | | | |
| <i>high-trigger</i> | | | | | | | | | |
| <i>loss-absorbing</i> | | | | | | | | | |
| <i>additional tier 1</i> | | | | | | | | | |
| <i>buffer capital</i> | 0.80 | 765 | | | 0.80 | 765 | | | |
| Total going concern capital | 13.43 | 12,847 | 4.00 | 12,259 | 14.87⁴ | 14,224 | 5.00⁴ | 15,324 | |
| <i>Base gone concern</i> | | | | | | | | | |
| <i>loss-absorbing capacity, including applicable add-ons and rebate</i> | 7.48 ⁵ | 7,151 | 2.52 ⁵ | 7,723 | 12.01 ⁶ | 11,489 | 4.20 ⁶ | 12,872 | |
| Total gone concern loss-absorbing capacity | 7.48 | 7,151 | 2.52 | 7,723 | 12.01 | 11,489 | 4.20 | 12,872 | |
| Total loss-absorbing capacity | 20.91 | 19,998 | 6.52 | 19,983 | 26.88 | 25,713 | 9.20 | 28,197 | |
| Eligible loss-absorbing capacity | | | | | | | | | |
| Common equity tier 1 capital | 10.69 | 10,225 | 3.34 | 10,225 | 10.69 | 10,225 | 3.34 | 10,225 | |
| High-trigger loss-absorbing additional tier 1 capital | 4.44 | 4,243 | 1.38 | 4,243 | 4.44 | 4,243 | 1.38 | 4,243 | |
| <i>of which:</i> | | | | | | | | | |
| <i>high-trigger loss-absorbing additional tier 1 capital</i> | 4.44 | 4,243 | 1.38 | 4,243 | 4.44 | 4,243 | 1.38 | 4,243 | |
| Total going concern capital | 15.13 | 14,468 | 4.72 | 14,468 | 15.13 | 14,468 | 4.72 | 14,468 | |
| Gone concern loss-absorbing capacity | 11.43 | 10,932 | 3.57 | 10,932 | 11.43 | 10,932 | 3.57 | 10,932 | |
| <i>of which:</i> | | | | | | | | | |
| <i>TLAC-eligible debt</i> | 11.43 | 10,932 | 3.57 | 10,932 | 11.43 | 10,932 | 3.57 | 10,932 | |
| | 11.43 | 10,932 | 3.57 | 10,932 | 11.43 | 10,932 | 3.57 | 10,932 | |

Total gone concern loss-absorbing capacity
Total loss-absorbing capacity

26.56 25,400 8.29 25,400 26.56 25,400 8.29 25,400

Risk-weighted assets / leverage ratio denominator

Risk-weighted assets

95,646

95,646

Leverage ratio denominator

306,487

306,487

1 This table includes a rebate equal to 40% of the maximum rebate on the gone concern requirements, which was granted by FINMA and will be phased in until 1 January 2020. Refer to the "Capital management" section of our Annual Report 2018 for more information. 2 The total loss-absorbing capacity ratio requirement of 20.91% is the current requirement based on the transitional rules of the Swiss Capital Adequacy Ordinance including the aforementioned rebate on the gone concern requirements. In addition, FINMA has defined a total capital ratio requirement, which is the sum of 14.4% and the effect of countercyclical buffer (CCB) requirements of 0.57%, of which 10% plus the effect of CCB requirements must be satisfied with CET1 capital. These FINMA requirements will be effective until they are exceeded by the Swiss SRB requirements based on the transitional rules. 3 Going concern capital ratio requirements include CCB requirements of 0.57%. 4 Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD. 5 Includes applicable add-ons of 0.72% for RWA and 0.25% for LRD and a rebate of 1.42% for RWA and 0.48% for LRD. 6 Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD and a rebate of 2.29% for RWA and 0.8% for LRD.

Swiss SRB loss-absorbing capacity

Swiss SRB going and gone concern information

| CHF million, except where indicated | Swiss SRB, including transitional arrangements | | Swiss SRB as of 1.1.20 | |
|--|--|----------|------------------------|----------|
| | 31.12.18 | 31.12.17 | 31.12.18 | 31.12.17 |
| Going concern capital | | | | |
| Common equity tier 1 capital | 10,225 | 10,160 | 10,225 | 10,160 |
| High-trigger loss-absorbing additional tier 1 capital | 4,243 | 3,000 | 4,243 | 3,000 |
| Total tier 1 capital | 14,468 | 13,160 | 14,468 | 13,160 |
| Total going concern capital | 14,468 | 13,160 | 14,468 | 13,160 |
| Gone concern loss-absorbing capacity | | | | |
| TLAC-eligible debt | 10,932 | 8,400 | 10,932 | 8,400 |
| Total gone concern loss-absorbing capacity | 10,932 | 8,400 | 10,932 | 8,400 |
| Total loss-absorbing capacity | | | | |
| Total loss-absorbing capacity | 25,400 | 21,560 | 25,400 | 21,560 |
| Risk-weighted assets / leverage ratio denominator | | | | |
| Risk-weighted assets | 95,646 | 92,894 | 95,646 | 92,894 |
| Leverage ratio denominator | 306,487 | 302,987 | 306,487 | 302,987 |
| Capital and loss-absorbing capacity ratios (%) | | | | |
| Going concern capital ratio | 15.1 | 14.2 | 15.1 | 14.2 |
| <i>of which: common equity tier 1 capital ratio</i> | 10.7 | 10.9 | 10.7 | 10.9 |
| Gone concern loss-absorbing capacity ratio | 11.4 | 9.0 | 11.4 | 9.0 |
| Total loss-absorbing capacity ratio | 26.6 | 23.2 | 26.6 | 23.2 |
| Leverage ratios (%) | | | | |
| Going concern leverage ratio | 4.7 | 4.3 | 4.7 | 4.3 |
| <i>of which: common equity tier 1 leverage ratio</i> | 3.3 | 3.4 | 3.3 | 3.4 |
| Gone concern leverage ratio | 3.6 | 2.8 | 3.6 | 2.8 |

| | | | | |
|--|------------|-----|------------|-----|
| Total loss-absorbing capacity leverage ratio | 8.3 | 7.1 | 8.3 | 7.1 |
|--|------------|-----|------------|-----|

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

| | | |
|---|-----------------|----------|
| <i>CHF billion</i> | 31.12.18 | 31.12.17 |
| Equity – Swiss banking law | 13.8 | 14.8 |
| Deferred tax assets | 0.2 | 0.5 |
| Goodwill and intangible assets | (1.3) | (2.4) |
| Accruals for proposed dividends to shareholders | (2.2) | (2.4) |
| Other | (0.3) | (0.3) |
| Common equity tier 1 capital (phase-in) | 10.2 | 10.2 |

1 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.

UBS Switzerland AG standalone regulatory information

Leverage ratio information

Swiss SRB leverage ratio denominator

| | | |
|--------------------|-----------------|----------|
| <i>CHF billion</i> | 31.12.18 | 31.12.17 |
|--------------------|-----------------|----------|

Leverage ratio denominator

| | | |
|-------------------------|--------------|-------|
| Swiss GAAP total assets | 293.0 | 290.3 |
|-------------------------|--------------|-------|

| | | |
|---|------------|-----|
| Difference between Swiss GAAP and IFRS total assets | 1.8 | 1.3 |
|---|------------|-----|

| | | |
|--|---------------|--------|
| Less: derivative exposures and SFTs ¹ | (32.5) | (39.6) |
|--|---------------|--------|

On-balance sheet exposures

| | | |
|--|--------------|-------|
| (excluding derivative exposures and SFTs) | 262.3 | 252.0 |
|--|--------------|-------|

| | | |
|----------------------|------------|-----|
| Derivative exposures | 3.7 | 4.0 |
|----------------------|------------|-----|

| | | |
|-----------------------------------|-------------|------|
| Securities financing transactions | 28.5 | 35.3 |
|-----------------------------------|-------------|------|

| | | |
|-------------------------|-------------|------|
| Off-balance sheet items | 12.4 | 12.2 |
|-------------------------|-------------|------|

| | | |
|--|--------------|-------|
| Items deducted from Swiss SRB tier 1 capital | (0.5) | (0.5) |
|--|--------------|-------|

| | | |
|---|--------------|-------|
| Total exposures (leverage ratio denominator) | 306.5 | 303.0 |
|---|--------------|-------|

¹ 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 (phase-in)

| | | | | | |
|--|-----------------|---------|---------|---------|----------|
| <i>CHF million, except where indicated</i> | 31.12.18 | 30.9.18 | 30.6.18 | 31.3.18 | 31.12.17 |
|--|-----------------|---------|---------|---------|----------|

| | | | | | |
|----------------------|---------------|--------|--------|--------|--------|
| Total tier 1 capital | 14,468 | 13,165 | 13,072 | 13,118 | 13,160 |
|----------------------|---------------|--------|--------|--------|--------|

| | | | | | |
|--|----------------|---------|---------|---------|---------|
| Total exposures (leverage ratio denominator) | 306,487 | 303,257 | 304,046 | 301,968 | 302,987 |
|--|----------------|---------|---------|---------|---------|

| | | | | | |
|-----------------------------------|------------|-----|-----|-----|-----|
| BCBS Basel III leverage ratio (%) | 4.7 | 4.3 | 4.3 | 4.3 | 4.3 |
|-----------------------------------|------------|-----|-----|-----|-----|

Liquidity coverage ratio

UBS Switzerland AG, as a Swiss SRB, is required to maintain a minimum liquidity coverage ratio of 100%.

Liquidity coverage ratio

| <i>CHF billion, except where indicated</i> | Weighted value¹ | |
|--|-----------------------------------|---------------------------|
| | Average 4Q18² | Average 4Q17 ² |
| High-quality liquid assets | 67 | 69 |
| Total net cash outflows | 53 | 48 |
| <i>of which: cash outflows</i> | 86 | 89 |
| <i>of which: cash inflows</i> | 34 | 41 |
| Liquidity coverage ratio (%) | 128 | 144 |

1 Calculated after the application of haircuts and inflow and outflow rates. 2 Calculated based on an average of 64 data points in the fourth quarter of 2018 and 63 data points in the fourth quarter of 2017.

Capital instruments

Capital instruments of UBS Switzerland AG – key features

Presented according to issuance date.

| | Share capital | Additional tier 1 capital | | | | |
|---|--|----------------------------------|--|---------------------------------|---------------------------------|---------------------------------|
| 1 Issuer | UBS Switzerland AG, Switzerland | UBS Switzerland AG, Switzerland | UBS Switzerland AG, Switzerland | UBS Switzerland AG, Switzerland | UBS Switzerland AG, Switzerland | UBS Switzerland AG, Switzerland |
| 1a Instrument number | 1 | 2 | 3 | 4 | 5 | 6 |
| 2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | N/A | N/A | N/A | N/A | N/A | N/A |
| 3 Governing law(s) of the instrument | Swiss | Swiss | Swiss | Swiss | Swiss | Swiss |
| 3a Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law) | n/a | n/a | n/a | n/a | n/a | n/a |
| Regulatory treatment | | | | | | |
| 4 Transitional Basel III rules ¹ | CET1 – Going concern capital | | | | Additional tier 1 capital | |
| 5 Post-transitional Basel III rules ² | CET1 – Going concern capital | | | | Additional tier 1 capital | |
| 6 Eligible at solo/group/group and solo | UBS Switzerland AG consolidated and standalone | | UBS Switzerland AG consolidated and standalone | | | |

| | | | | | | | |
|----|---|---|---|---|--|--|--|
| 7 | Instrument type (types to be specified by each jurisdiction) | Ordinary shares | | | Loan ⁴ | | |
| 8 | Amount recognized in regulatory capital (currency in millions, as of most recent reporting date) ¹ | CHF 10.0 | CHF 1,500 | CHF 500 | CHF 1,000 | CHF 825 | USD 425 |
| 9 | Par value of instrument | CHF 10.0 | CHF 1,500 | CHF 500 | CHF 1,000 | CHF 825 | USD 425 |
| 10 | Accounting classification ³ | Equity attributable to UBS Switzerland AG shareholders Due to banks held at amortized cost | | | | | |
| 11 | Original date of issuance | – | 1 April 2015 | 11 March 2016 | 18 December 2017 | 12 December 2018 | 12 December 2018 |
| 12 | Perpetual or dated | – | | | Perpetual | | |
| 13 | Original maturity date | – | | | – | | |
| 14 | Issuer call subject to prior supervisory approval | – | | | Yes | | |
| 15 | Optional call date, contingent call dates and redemption amount | – | First optional repayment date: 1 April 2020 | First optional repayment date: 11 March 2021 | First optional repayment date: 18 December 2022 | First optional repayment date: 12 December 2023 | First optional repayment date: 12 December 2023 |
| 16 | Subsequent call dates, if applicable | – | Repayable at any time after the first optional repayment date. Repayment subject to FINMA approval. Optional repayment amount: principal amount, together with any accrued and unpaid interest thereon Early repayment possible due to a tax or regulatory event. Repayment due to tax event subject to FINMA approval. Repayment amount: principal amount, together with accrued and unpaid interest | | | | |

UBS Switzerland AG standalone regulatory information

**Capital instruments of UBS Switzerland AG – key features
(continued)**

| Coupons | | | | | | | |
|----------------|---|---------------------|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 17 | Fixed or floating dividend/coupon | – | | | | | Floating |
| 18 | Coupon rate and any related index | – | 6-month CHF Libor + 370 bps per annum semiannually | 3-month CHF Libor + 459 bps per annum | 3-month CHF Libor + 250 bps per annum | 3-month CHF Libor + 489 bps per annum | 3-month USD Libor + 547 bps per annum |
| 19 | Existence of a dividend stopper Fully discretionary, partially discretionary or mandatory | – | | | | | No |
| 20 | Existence of step-up or other incentive to redeem | Fully discretionary | | | | | Fully discretionary |
| 21 | Non-cumulative or cumulative | – | | | | | No |
| 22 | Convertible or non-convertible | Non-cumulative | | | | | Non-cumulative |
| 23 | If convertible, conversion trigger(s) | – | | | | | Non-convertible |
| 24 | If convertible, fully or partially | – | | | | | – |
| 25 | If convertible, conversion rate | – | | | | | – |
| 26 | If convertible, mandatory or optional conversion | – | | | | | – |
| 27 | If convertible, specify instrument type convertible into | – | | | | | – |
| 28 | If convertible, specify issuer of instrument it | – | | | | | – |

| | | | |
|-----|---|---|--|
| | converts into | | |
| 30 | Write-down feature | – | Yes |
| 31 | If writedown, writedown trigger(s) | – | Trigger: CET1 ratio is less than 7% FINMA determines a write-down necessary to ensure UBS Switzerland AG's viability; or UBS Switzerland AG receives a commitment of governmental support that FINMA determines necessary to ensure UBS Switzerland AG's viability. |
| | | | Subject to applicable conditions |
| 32 | If writedown, fully or partially | – | Fully |
| 33 | If writedown, permanent or temporary | – | Permanent |
| 34 | If temporary write-down, description of writeup mechanism | – | – |
| 34a | Type of subordination | statutory | Contractual |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned). | Unless otherwise stated in the Articles of Association, once debts are paid back, the assets of the liquidated company are divided between the shareholders pro rata based on their contributions and considering the preferences attached to certain categories of shares (article 745, Swiss Code of Obligations) | Subject to any obligations that are mandatorily preferred by law, all obligations of UBS Switzerland AG that are unsubordinated or that are subordinated and do not rank junior, such as all classes of share capital, or at par, such as tier 1 instruments |
| 36 | Non-compliant transitioned features | – | – |

If yes, specify
37 non-compliant features – –

1 Based on Swiss SRB phase-in (including transitional arrangement) requirements. 2 Based on Swiss SRB requirements applicable as of 1 January 2020. 3 As applied in UBS Switzerland AG's financial statements under Swiss GAAP. 4 Loans granted by UBS AG, Switzerland.

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Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Starting in 2018, percentages, percent changes, and adjusted results are calculated on the basis of unrounded figures. Information on absolute changes between reporting periods, which is provided in text and that can be derived from figures displayed in the tables, is calculated on a rounded basis.

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

UBS Group AG

P.O. Box

CH-8098 Zurich

www.ubs.com

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

UBS Group AG

By: /s/ Todd Tuckner

Name: Todd Tuckner

Title: Group Controller and

Chief Accounting Officer

By: /s/ David Kelly

Name: David Kelly

Title: Managing Director

UBS AG

By: /s/ Todd Tuckner

Name: Todd Tuckner

Title: Group Controller and
Chief Accounting Officer

By: /s/ David Kelly

Name: David Kelly

Title: Managing Director

Date: March 15, 2019
