

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>	31.12.18		Unsecured	Total	Secured by collateral	Other	
	Secured by collateral	Secured by other credit					
	Real estate collateral ¹	Real estate collateral ¹	Real estate collateral ¹	Real estate collateral ¹	Real estate collateral ¹	Real estate collateral ¹	
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)	(6)
Total on-balance sheet, net	151,475	25,552	1,075	11,258	189,360	147,002	27,094
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 provisions ¹		Estimated liquidation proceeds of collateral	Net impaired financial instruments	Gross Allowances and provisions ¹		Estimated liquidation proceeds of collateral
<i>CHF million</i>	impaired financial instruments	and provisions ¹	of collateral	impaired financial instruments	impaired financial instruments	and provisions ¹	of collateral
Amounts due from banks	3	3	0	0	3	3	
Amounts due from customers	1,016	458	490	69	616	457	
Mortgage loans and loan commitments	806	0	806	0	115	17	
	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)	PRV²	NRV³	(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.

UBS Switzerland AG standalone financial statements (audited)

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

<i>CHF thousand, except where indicated</i>	Domicile	Primary Business Division	31.12.18				
			Share capital	Share of capital (in %)	Share of votes (in %)	Held directly	Held indirectly
Company name							
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