

UBS Group AG  
Form 6-K  
March 15, 2019

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**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

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This Form 6-K consists of the UBS AG audited standalone financial statements for the year ended 31 December 2018, as well as the consent of Ernst & Young Ltd. with respect thereto, which appear immediately following this page.

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UBS AG

Standalone financial statements and regulatory information  
for the year ended 31 December 2018





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UBS AG standalone financial statements  
(audited)

**Income statement**

|   | Note | USD million                           |          | CHF million                           |          |
|---|------|---------------------------------------|----------|---------------------------------------|----------|
|   |      | For the year ended<br><b>31.12.18</b> | 31.12.17 | For the year ended<br><b>31.12.18</b> | 31.12.17 |
| Interest and discount income <sup>1</sup>   |      | <b>6,439</b>                          | 5,635    | <b>6,347</b>                          | 5,493    |
| Interest and dividend income from trading portfolio <sup>2</sup>                                      |      | <b>2,708</b>                          | 2,214    | <b>2,666</b>                          | 2,158    |
| Interest and dividend income from financial investments   |      | <b>401</b>                            | 229      | <b>395</b>                            | 224      |
| Interest expense <sup>3</sup>   |      | <b>(9,240)</b>                        | (6,551)  | <b>(9,106)</b>                        | (6,386)  |
| Gross interest income   |      | <b>308</b>                            | 1,528    | <b>301</b>                            | 1,489    |
| Credit loss (expense) / recovery  |      | <b>(54)</b>                           | (118)    | <b>(54)</b>                           | (115)    |
| Net interest income   |      | <b>254</b>                            | 1,410    | <b>248</b>                            | 1,374    |
| Fee and commission income from securities and investment business and other fee and commission income |      | <b>2,491</b>                          | 2,415    | <b>2,454</b>                          | 2,354    |
| Credit-related fees and commissions   |      | <b>152</b>                            | 200      | <b>150</b>                            | 194      |
| Fee and commission expense  |      | <b>(844)</b>                          | (972)    | <b>(832)</b>                          | (948)    |
| Net fee and commission income   |      | <b>1,799</b>                          | 1,642    | <b>1,772</b>                          | 1,601    |
| Net trading income  | 3    | <b>4,443</b>                          | 3,274    | <b>4,381</b>                          | 3,192    |
| Net income from disposal of financial investments   |      | <b>7</b>                              | 87       | <b>7</b>                              | 85       |
| Dividend income from investments in subsidiaries and other participations                             | 4    | <b>3,712</b>                          | 1,293    | <b>3,645</b>                          | 1,261    |
| Income from real estate holdings  |      | <b>645</b>                            | 595      | <b>635</b>                            | 580      |
| Sundry ordinary income  | 5    | <b>1,779</b>                          | 2,760    | <b>1,754</b>                          | 2,690    |
| Sundry ordinary expenses  | 5    | <b>(599)</b>                          | (498)    | <b>(590)</b>                          | (485)    |
| Other income from ordinary activities   |      | <b>5,544</b>                          | 4,237    | <b>5,452</b>                          | 4,131    |
| Total operating income  |      | <b>12,040</b>                         | 10,563   | <b>11,853</b>                         | 10,297   |
| Personnel expenses  | 6    | <b>3,456</b>                          | 4,234    | <b>3,407</b>                          | 4,128    |
| General and administrative expenses   | 7    | <b>4,212</b>                          | 4,671    | <b>4,151</b>                          | 4,553    |
| Subtotal operating expenses   |      | <b>7,667</b>                          | 8,905    | <b>7,558</b>                          | 8,680    |
| Impairment of investments in subsidiaries and other participations                                    |      | <b>760</b>                            | 274      | <b>747</b>                            | 267      |
| Depreciation, amortization and impairment of property,  |      | <b>712</b>                            | 677      | <b>702</b>                            | 660      |



|   |   |              |        |              |       |
|---|---|--------------|--------|--------------|-------|
| equipment, software and intangible assets             |   |              |        |              |       |
| Changes in provisions and other allowances and losses |   | <b>399</b>   | 235    | <b>394</b>   | 229   |
| Total operating expenses                              |   | <b>9,539</b> | 10,091 | <b>9,400</b> | 9,837 |
| Operating profit                                      |   | <b>2,501</b> | 472    | <b>2,452</b> | 460   |
| Extraordinary income                                  | 8 | <b>170</b>   | 391    | <b>167</b>   | 382   |
| Extraordinary expenses                                | 8 | <b>0</b>     | 4      | <b>0</b>     | 4     |
| Tax expense / (benefit)                               | 9 | <b>(663)</b> | (72)   | <b>(651)</b> | (70)  |
| <b>Net profit / (loss)</b>                            |   | <b>3,333</b> | 932    | <b>3,269</b> | 909   |

1 Interest and discount income includes negative interest income on financial assets of USD 364 million (CHF 358 million) for the year ended 31 December 2018 (USD 486 million (CHF 473 million) for the year ended 31 December 2017). 2 Interest and dividend income from trading portfolio includes negative interest income on trading portfolio assets of USD 70 million (CHF 69 million) for the year ended 31 December 2018 (USD 1 million (CHF 1 million) for the year ended 31 December 2017). 3 Includes negative interest expense on financial liabilities of USD 354 million (CHF 349 million) for the year ended 31 December 2018 (USD 410 million (CHF 399 million) for the year ended 31 December 2017).

## UBS AG standalone financial statements (audited)

**Balance sheet**

|   | Note       | USD million<br><b>31.12.18</b> | 31.12.17 | CHF million<br><b>31.12.18</b> | 31.12.17 |
|---|------------|--------------------------------|----------|--------------------------------|----------|
| <b>Assets</b>   |            |                                |          |                                |          |
| Cash and balances at central banks  |            | <b>36,297</b>                  | 37,459   | <b>35,688</b>                  | 36,514   |
| Due from banks  | 24         | <b>46,092</b>                  | 42,038   | <b>45,319</b>                  | 40,978   |
| <i>of which: total loss-absorbing capacity eligible at significant regulated subsidiary level</i> | 2          | <b>16,331</b>                  | 12,620   | <b>16,057</b>                  | 12,301   |
| Receivables from securities financing transactions  | 10, 24     | <b>77,893</b>                  | 62,945   | <b>76,587</b>                  | 61,358   |
| Due from customers  | 11, 12, 24 | <b>117,417</b>                 | 132,900  | <b>115,448</b>                 | 129,550  |
| <i>of which: total loss-absorbing capacity eligible at significant regulated sub-group level</i>  | 2          | <b>600</b>                     | 600      | <b>590</b>                     | 585      |
| Mortgage loans  | 11, 12     | <b>4,727</b>                   | 4,978    | <b>4,648</b>                   | 4,853    |
| Trading portfolio assets  | 13         | <b>95,612</b>                  | 107,355  | <b>94,009</b>                  | 104,649  |
| Derivative financial instruments  | 14         | <b>15,139</b>                  | 15,182   | <b>14,885</b>                  | 14,799   |
| Financial investments   | 15         | <b>25,666</b>                  | 25,048   | <b>25,235</b>                  | 24,417   |
| Accrued income and prepaid expenses   |            | <b>1,410</b>                   | 1,292    | <b>1,387</b>                   | 1,259    |
| Investments in subsidiaries and other participations  | 16         | <b>49,528</b>                  | 49,202   | <b>48,698</b>                  | 47,962   |
| Property, equipment and software  |            | <b>6,546</b>                   | 6,550    | <b>6,437</b>                   | 6,384    |
| Goodwill and other intangible assets  |            | <b>22</b>                      | 6        | <b>22</b>                      | 6        |
| Other assets  | 17         | <b>3,888</b>                   | 4,358    | <b>3,822</b>                   | 4,248    |
| <b>Total assets</b>   |            | <b>480,238</b>                 | 489,313  | <b>472,184</b>                 | 476,977  |
| <i>of which: subordinated assets</i>  |            | <b>6,009</b>                   | 5,486    | <b>5,908</b>                   | 5,348    |
| <i>of which: subject to mandatory conversion and / or debt waiver</i>                             |            | <b>4,332</b>                   | 3,091    | <b>4,260</b>                   | 3,013    |
| <b>Liabilities</b>  |            |                                |          |                                |          |
| Due to banks  | 24         | <b>42,482</b>                  | 29,915   | <b>41,769</b>                  | 29,161   |
| Payables from securities financing transactions   | 10, 24     | <b>44,016</b>                  | 49,563   | <b>43,278</b>                  | 48,313   |
| Due to customers  | 24         | <b>112,794</b>                 | 121,580  | <b>110,903</b>                 | 118,515  |
| Funding received from UBS Group AG and UBS Group Funding (Switzerland) AG                         | 2, 24      | <b>41,782</b>                  | 33,472   | <b>41,081</b>                  | 32,629   |
| Trading portfolio liabilities   | 13         | <b>23,453</b>                  | 24,988   | <b>23,060</b>                  | 24,358   |
| Derivative financial instruments  | 14         | <b>17,268</b>                  | 18,765   | <b>16,979</b>                  | 18,292   |
|   | 13, 20     | <b>56,226</b>                  | 52,495   | <b>55,283</b>                  | 51,171   |

|   |    |                |         |                |         |
|---|----|----------------|---------|----------------|---------|
| Financial liabilities designated at fair value                          |    |                |         |                |         |
| <i>of which: debt issued designated at fair value</i>                   |    | <b>54,203</b>  | 48,023  | <b>53,294</b>  | 46,812  |
| <i>of which: other financial liabilities designated at fair value</i>   |    | <b>2,023</b>   | 4,472   | <b>1,989</b>   | 4,359   |
| Bonds issued  |    | <b>83,743</b>  | 99,086  | <b>82,339</b>  | 96,588  |
| <i>of which: total loss-absorbing capacity eligible at UBS AG level</i> |    | <b>7,468</b>   | 9,080   | <b>7,343</b>   | 8,851   |
| Accrued expenses and deferred income                                    |    | <b>3,350</b>   | 3,434   | <b>3,294</b>   | 3,347   |
| Other liabilities   | 17 | <b>2,601</b>   | 3,650   | <b>2,557</b>   | 3,558   |
| Provisions  | 12 | <b>1,416</b>   | 1,125   | <b>1,392</b>   | 1,097   |
| <b>Total liabilities</b>  |    | <b>429,130</b> | 438,074 | <b>421,934</b> | 427,030 |
| <b>Equity</b>   |    |                |         |                |         |
| Share capital   | 21 | <b>393</b>     | 396     | <b>386</b>     | 386     |
| General reserve   |    | <b>36,326</b>  | 36,571  | <b>35,649</b>  | 35,649  |
| <i>of which: statutory capital reserve</i>                              |    | <b>36,326</b>  | 36,571  | <b>35,649</b>  | 35,649  |
| <i>of which: capital contribution reserve<sup>1</sup></i>               |    | <b>36,326</b>  | 36,571  | <b>35,649</b>  | 35,649  |
| Voluntary earnings reserve  |    | <b>11,054</b>  | 13,340  | <b>10,946</b>  | 13,004  |
| Net profit / (loss) for the period                                      |    | <b>3,333</b>   | 932     | <b>3,269</b>   | 909     |
| <b>Total equity</b>   |    | <b>51,107</b>  | 51,239  | <b>50,250</b>  | 49,947  |
| <b>Total liabilities and equity</b>                                     |    | <b>480,238</b> | 489,313 | <b>472,184</b> | 476,977 |
| <i>of which: subordinated liabilities</i>                               |    | <b>18,446</b>  | 14,687  | <b>18,137</b>  | 14,317  |
| <i>of which: subject to mandatory conversion and / or debt waiver</i>   |    | <b>17,721</b>  | 13,947  | <b>17,423</b>  | 13,596  |

**Balance sheet (continued)**

|  | USD million     |          | CHF million     |          |
|--|-----------------|----------|-----------------|----------|
|  | <b>31.12.18</b> | 31.12.17 | <b>31.12.18</b> | 31.12.17 |
| <b>Off-balance sheet items</b>                                       |                 |          |                 |          |
| <b>Contingent liabilities, gross</b>                                 | <b>16,019</b>   | 22,380   | <b>15,750</b>   | 21,815   |
| Sub-participations   | <b>(1,675)</b>  | (1,898)  | <b>(1,647)</b>  | (1,850)  |
| <b>Contingent liabilities, net</b>                                   | <b>14,344</b>   | 20,481   | <b>14,103</b>   | 19,965   |
| <i>of which: guarantees to third parties related to subsidiaries</i> | <b>7,480</b>    | 14,380   | <b>7,355</b>    | 14,017   |
| <b>Irrevocable loan commitments, gross</b>                           | <b>25,664</b>   | 34,367   | <b>25,234</b>   | 33,500   |
| Sub-participations   | <b>(643)</b>    | (1,098)  | <b>(632)</b>    | (1,070)  |
| <b>Irrevocable loan commitments, net</b>                             | <b>25,021</b>   | 33,269   | <b>24,601</b>   | 32,430   |
| <b>Forward starting transactions<sup>2</sup></b>                     | <b>8,536</b>    | 13,320   | <b>8,393</b>    | 12,984   |
| <i>of which: reverse repurchase agreements</i>                       | <b>4,766</b>    | 8,016    | <b>4,686</b>    | 7,814    |
| <i>of which: securities borrowing agreements</i>                     | <b>12</b>       | 24       | <b>12</b>       | 23       |
| <i>of which: repurchase agreements</i>                               | <b>3,758</b>    | 5,280    | <b>3,695</b>    | 5,147    |
| <b>Liabilities for calls on shares and other equity instruments</b>  | <b>5</b>        | 5        | <b>5</b>        | 5        |

1 Effective 1 January 2011, the Swiss withholding tax law provides that payments out of the capital contribution reserve are not subject to withholding tax. This law has led to interpretational differences between the Swiss Federal Tax Administration and companies about the qualifying amounts of capital contribution reserve and the disclosure in the financial statements. In view of this, the Swiss Federal Tax Administration has confirmed that UBS AG would be able to repay shareholders CHF 20.5 billion of disclosed capital contribution reserve without being subject to the withholding tax deduction that applies to dividends paid out of retained earnings. The confirmation by the Swiss Tax Administration was dated 7 June 2018. The decision about the remaining amount has been deferred to a future point in time. 2 Cash to be paid in the future by either UBS AG or the counterparty.

**Off-balance sheet items**

Off-balance sheet items include indemnities and guarantees issued by UBS AG for the benefit of subsidiaries and creditors of subsidiaries.

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

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

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

### Guarantees – UBS Limited and UBS Europe SE

In 2003 UBS AG issued a guarantee for the benefit of each counterparty of UBS Limited. Under this guarantee, UBS AG irrevocably and unconditionally guarantees each and every obligation that UBS Limited entered into prior to the combined UK business transfer and cross-border merger of UBS Limited into UBS Europe SE. This guarantee is included in the off-balance sheet items table above. Effective after the merger in March 2019, UBS AG issued a similar guarantee for the benefit of each counterparty of UBS Europe SE acting out of its Investment Bank, covering transactions subject to master netting agreements. UBS AG promises to pay to beneficiary counterparties on demand any unpaid balance of such liabilities under the terms of the guarantees.

→ **Refer to Note 27 for more information**

### Indemnities – UBS Europe SE

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

As of 31 December 2018, the amount of such potential payment obligations could not be reliably estimated and the table above does therefore not include any amount related to this limited indemnification.

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

## UBS AG standalone financial statements (audited)

**Statement of changes in equity**

| <i>USD million</i>   | Share capital | Statutory capital reserve | Voluntary earnings reserve and profit / (loss) carried forward | Net profit / (loss) for the period | Total equity  |
|--|---------------|---------------------------|--|------------------------------------|---------------|
| <b>Balance as of 1 January 2018</b>  | <b>396</b>    | <b>36,571</b>             | <b>13,340</b>  | <b>932</b>                         | <b>51,239</b> |
| Reconciliation of USD balance as of 1 Jan 2018 to reflect CHF / USD rate at conversion date 1 October 2018 | (3)           | (244)                     | (89)   | (6)                                | (342)         |
| Balance as of 1 January 2018, translated at conversion date rate 1 October 2018 <sup>1</sup>               | 393           | 36,326                    | 13,251   | 926                                | 50,897        |
| Dividends and other distributions  |               |                           | (3,123)  |                                    | (3,123)       |
| Net profit / (loss) appropriation  |               |                           | 926  | (926)                              | 0             |
| Net profit / (loss) for the period before conversion   |               |                           |  | 3,768                              | 3,768         |
| USD equity opening balance at conversion date 1 October 2018   | 393           | 36,326                    | 11,054   | 3,768                              | 51,542        |
| Net profit / (loss) for the period after conversion  |               |                           |  | (435)                              | (435)         |
| <b>Balance as of 31 December 2018</b>  | <b>393</b>    | <b>36,326</b>             | <b>11,054</b>  | <b>3,333</b>                       | <b>51,107</b> |

1 Conversion date rate as of 1 October 2018 represents the closing exchange rate as of 30 September 2018 (CHF / USD 1.02).

| <i>CHF million</i> | Share capital | Statutory capital reserve | Voluntary earnings reserve and | Net profit / (loss) for the period | Total equity |
|--------------------|---------------|---------------------------|--------------------------------|------------------------------------|--------------|
|--------------------|---------------|---------------------------|--------------------------------|------------------------------------|--------------|

|  |            |               | profit /<br>(loss) | carried<br>forward |               |
|--|------------|---------------|--------------------|--------------------|---------------|
| <b>Balance as of 1 January 2018</b>                  | <b>386</b> | <b>35,649</b> | <b>13,004</b>      | <b>909</b>         | <b>49,947</b> |
| Dividends and other distributions                    |            |               | (3,065)            |                    | (3,065)       |
| Net profit / (loss) appropriation                    |            |               | 909                | (909)              | 0             |
| Net profit / (loss) for the period before conversion |            |               |                    | 3,698              | 3,698         |
| CHF equity at conversion date 1 October 2018         | 386        | 35,649        | 10,848             | 3,698              | 50,580        |
| Net profit / (loss) for the period after conversion  |            |               |                    | (428)              | (428)         |
| Currency translation difference                      |            |               | 98                 |                    | 98            |
| <b>Balance as of 31 December 2018</b>                | <b>386</b> | <b>35,649</b> | <b>10,946</b>      | <b>3,269</b>       | <b>50,250</b> |

The following table includes a reconciliation of equity from the former Swiss franc presentation currency to the new US dollar presentation currency.

| <i>In million</i>   | Share capital | Statutory capital reserve | Voluntary earnings reserve and  | Net profit / (loss) for the period | Total equity  |
|---|---------------|---------------------------|---------------------------------|------------------------------------|---------------|
|   |               |                           | profit / (loss) carried forward |                                    |               |
| <b>Balance as of 1 January 2018, CHF</b>                  | <b>386</b>    | <b>35,649</b>             | <b>13,004</b>                   | <b>909</b>                         | <b>49,947</b> |
| Dividends and other distributions                         |               |                           | (3,065)                         |                                    | (3,065)       |
| Net profit / (loss) appropriation                         |               |                           | 909                             | (909)                              | 0             |
| Net profit / (loss) for the period before conversion, CHF |               |                           |                                 | 3,698                              | 3,698         |
| CHF equity at conversion date 1 October 2018              | 386           | 35,649                    | 10,848                          | 3,698                              | 50,580        |
|   | 393           | 36,326                    | 11,054                          | 3,768                              | 51,542        |

|  |            |               |               |              |               |
|--|------------|---------------|---------------|--------------|---------------|
| USD equity opening balance at conversion date 1 October 2018 |            |               |               |              |               |
| Net profit / (loss) for the period after conversion, USD     |            |               |               | (435)        | (435)         |
| <b>Balance as of 31 December 2018, USD</b>                   | <b>393</b> | <b>36,326</b> | <b>11,054</b> | <b>3,333</b> | <b>51,107</b> |

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**Statement of appropriation of total profit / (loss) carried forward**

The Board of Directors proposes that the Annual General Meeting of Shareholders (AGM) on 18 April 2019 approve an ordinary dividend distribution of USD 3,250 million. Dividends are declared and paid in US dollars. The total amount of the dividends will be capped at CHF 4,062 million (Cap). To the extent that the CHF dividend calculated based on USD 3,250 million would exceed the Cap on the day of the AGM, due to the exchange rate determined by the Board of Directors in its reasonable opinion, the USD amount of the dividend will be reduced on a pro-rata basis so that the total CHF amount does not exceed the Cap.

**Proposed appropriation of total profit / (loss) carried forward if Cap is not triggered**

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

|  | USD million<br>For the year<br>ended | CHF million<br>For the year<br>ended |
|--|--------------------------------------|--------------------------------------|
|  | <b>31.12.18</b>                      | <b>31.12.18</b>                      |
| Net profit for the period  | <b>3,333</b>                         | <b>3,269</b>                         |
| Profit / (loss) carried forward  | <b>0</b>                             | <b>0</b>                             |
| <b>Total profit / (loss) carried forward<br/>available for appropriation</b> | <b>3,333</b>                         | <b>3,269</b>                         |
| <b>Appropriation of total profit / (loss)<br/>carried forward</b>            |                                      |                                      |
| Appropriation to voluntary earnings reserve                                  | <b>(83)</b>                          | <b>(74)</b>                          |
| Dividend distribution  | <b>(3,250)</b>                       | <b>(3,196)<sup>1</sup></b>           |
| <b>Profit / (loss) carried forward</b>                                       | <b>0</b>                             | <b>0</b>                             |

<sup>1</sup> Translated at closing exchange rate as of 31 December 2018 (CHF / USD 1.02).

**Proposed appropriation of total profit / (loss) carried forward and proposed dividend distribution out of voluntary earnings reserve if Cap is triggered**

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

|                                 | USD million<br>For the year<br>ended | CHF million<br>For the year<br>ended |
|---------------------------------|--------------------------------------|--------------------------------------|
|                                 | <b>31.12.18</b>                      | <b>31.12.18</b>                      |
| Net profit for the period       | <b>3,333</b>                         | <b>3,269</b>                         |
| Profit / (loss) carried forward | <b>0</b>                             | <b>0</b>                             |
|                                 | <b>3,333</b>                         | <b>3,269</b>                         |

**Total profit / (loss) carried forward available for appropriation****Appropriation of total profit / (loss) carried forward**

|   |                |                |
|---|----------------|----------------|
| Appropriation to voluntary earnings reserve | <b>(83)</b>    | <b>0</b>       |
| Dividend distribution                       | <b>(3,250)</b> | <b>(3,269)</b> |
| <b>Profit / (loss) carried forward</b>      | <b>0</b>       | <b>0</b>       |

**Proposed dividend distribution out of voluntary earnings reserve**

|   |               |               |
|---|---------------|---------------|
| <b>Total voluntary earnings reserve before distribution</b> | <b>11,054</b> | <b>10,946</b> |
| Dividend distribution                                       | <b>0</b>      | <b>(793)</b>  |
| <b>Total voluntary earnings reserve after distribution</b>  | <b>11,054</b> | <b>10,153</b> |

The total CHF dividend is capped at CHF 4,062 million. The USD amount (3,250 million) will be reduced to CHF 4,062 million multiplied by the exchange rate determined by the Board of Directors on the day of the AGM.

UBS AG standalone financial statements (audited)

## **Note 1 Name, legal form and registered office**

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

UBS AG is a regulated bank in Switzerland and is 100% owned by UBS Group AG, the ultimate parent of the UBS Group. UBS AG holds investments in and provides funding to subsidiaries, including the other banking subsidiaries of the UBS Group. In addition, UBS AG operates globally, including business activities from all four UBS business divisions and Corporate Center. In the ordinary course of business, main contributors to the profitability of UBS AG are the Investment Bank, Wealth Management business booked outside of Switzerland and Corporate Center – Group Asset and Liability Management (Group ALM). The balance sheet is mainly composed of financial assets and liabilities from the Investment Bank, Corporate Center – Group ALM and Wealth Management business booked outside of Switzerland as well as investments in subsidiaries and other participations in Corporate Center – Group ALM and fixed assets of Corporate Center – Services.

During 2017, shared services functions previously provided by UBS AG to subsidiaries and self-consumed in Switzerland, the UK and US were substantially transferred to Group service companies. UBS AG employed 11,099 personnel on a full-time equivalent basis as of 31 December 2018 compared with 10,551 personnel as of 31 December 2017.

→ **Refer to Note 2b of the UBS AG standalone Annual Report 2017 for more information**

## **Note 2 Accounting policies**

### **a) Significant accounting policies**

UBS AG standalone financial statements are prepared in accordance with Swiss GAAP (FINMA Circular 2015 / 1 and the Banking Ordinance) and represent “reliable assessment statutory single-entity financial statements.” The accounting policies are principally the same as for the consolidated financial statements of UBS AG outlined in Note 1 to the consolidated financial statements of UBS AG included in the UBS Group AG and UBS AG Annual Report 2018. Major differences between the Swiss GAAP requirements and International Financial Reporting Standards are described in Note 39 of the consolidated financial statements of UBS AG. The significant accounting policies applied for the standalone financial statements of UBS AG are discussed below.

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

## **Risk management**

UBS AG is fully integrated into the Group-wide risk management process described in the audited part of the “Risk management and control” section of the UBS Group AG and UBS AG Annual Report 2018.

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

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

### **Compensation policy**

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

### **Foreign currency translation**

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

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

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

## Note 2 Accounting policies (continued)

### Structured debt instruments

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

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

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

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

→ **Refer to Note 20 for more information**

### Group-internal funding

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

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

UBS AG obligations arising from Group-internal funding it has received are presented as *Funding received from UBS Group AG and UBS Group Funding (Switzerland) AG* and measured at amortized cost. UBS AG claims arising from Group-internal funding it has provided are presented as *Due from banks* and *Due from customers* and measured at amortized cost less any allowance for credit losses. Further information on the assessment and recognition of credit losses of claims is provided in Note 1 to the consolidated financial statements of UBS AG.

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

### **Subordinated assets and liabilities**

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

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

### **Investments in subsidiaries and other participations**

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

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

→ **Refer to Note 16 for more information**

UBS AG standalone financial statements (audited)

## **Note 2 Accounting policies (continued)**

### **Services received from and provided to Group entities**

UBS AG receives services from UBS Business Solutions AG, the main Group service company, mainly relating to Group Technology, Group Operations and Group Corporate Services, as well as certain other services from other Group entities. UBS AG provides services to Group entities mainly relating to real estate and selected other Corporate Center – Services functions. Services received from and provided to Group entities are settled in cash as hard cost transfers or hard revenue transfers paid or received.

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

→ **Refer to Notes 5 and 7 for more information**

### **Pension and other post-employment benefit plans**

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

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

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

interest rate, is determined by the Pension Foundation Board based on the expected returns of the Board's investment strategy.

→ **Refer to Note 22 for more information**

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

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

After the transfer of shared services functions to UBS Business Solutions AG as further outlined in Note 2c, UBS AG ceased to make direct contributions to the respective pension plans for transferred employees. Instead, UBS AG receives a service charge from the Group service companies including their respective pension costs, which is recognized as *General and administrative expenses*.

### **Deferred taxes**

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

### **Dispensations in the standalone financial statements**

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



## **Note 2 Accounting policies (continued)**

### **b) Changes in accounting policies**

#### **Change in functional and presentation currency**

As of 1 October 2018 (the conversion date) UBS AG Head office, which comprises the entity's Swiss operations except for its Swiss Real Estate operation, prospectively changed its functional currency from Swiss francs to US dollars. UBS AG London Branch prospectively changed its functional currency from British pounds to US dollars.

UBS AG also prospectively changed the presentation currency of its financial statements from Swiss francs to US dollars. The interim Swiss franc financial information of UBS AG as of 30 September 2018, including the balance sheet, year-to-date income statement, year-to-date statement of changes in equity, including all components, and all related notes, was translated into US dollars at the closing rate on 30 September 2018 (the conversion date rate), except for Notes 26a and 26b. This conversion had no effect on the income statement or equity.

As the primary presentation currency of the financial statements of UBS AG is US dollars, amounts in Swiss francs are additionally presented for each component of the financial statements. UBS AG applies the modified closing rate method for translating the US dollar amounts into Swiss francs: assets and liabilities are translated at the closing rate, equity positions at historic rates and income and expense items at the weighted average rate for the period. All resulting currency translation effects are recognized separately in Voluntary earnings reserve, amounting to a positive currency translation effect of CHF 98 million as of 31 December 2018. Under Swiss GAAP, prior period financial statements are not restated. All comparative prior period information as of and for the year ended 31 December 2017 is translated at the closing rate as of 31 December 2017.

### **c) Other events affecting comparability**

#### **Asset transfer from UBS Limited to UBS AG**

In the fourth quarter of 2018, the previously announced business transfer in connection with the UK withdrawal from the EU was largely completed. Clients and other counterparties of UBS Limited who can be serviced by UBS AG, London Branch were generally migrated in 2018.

This business transfer included a transfer of net assets against cash consideration of USD 0.7 billion (CHF 0.7 billion), with no effect on the equity or profit or loss of UBS AG. Total assets increased by USD 4.4 billion (CHF 4.3 billion) (primarily Due from banks, Due from customers, Trading portfolio assets and Derivative financial instruments), and total liabilities increased by USD 3.7 billion (CHF 3.6 billion) (primarily Due to Banks, Due to customers, Trading portfolio liabilities and Derivative financial instruments).

The business transfer also resulted in a decrease of contingent liabilities in connection with the guarantee issued by UBS AG for the benefit of UBS Limited of USD 4.5 billion (CHF 4.4

billion).

→ **Refer to Note 27 for information on the combined UK business transfer and cross-border merger of UBS Limited into UBS Europe SE**

### **Increase of stake in UBS Securities China**

In December 2018, UBS AG increased its shareholding in UBS Securities China from 24.99% to 51% by completing a share purchase from existing shareholders. As a consequence of market changes, an impairment charge of USD 276 million (CHF 271 million) has been booked against the increased cost of the investment arising from the acquisition.

### **Transfers of shared services functions to UBS Business Solutions AG and UBS Business Solutions US LLC**

The comparative figures presented as of and for the year ended 31 December 2017 include the financial effect of shared services functions in Switzerland, the UK and the US. These functions were substantially transferred to Group service companies in 2017. The transfer in Switzerland to UBS Business Solutions AG, the main Group service company and a wholly owned subsidiary of UBS Group AG, was executed in the second quarter of 2017. For UK shared services, a similar transfer to the UK branch of UBS Business Solutions AG was completed in the fourth quarter of 2017. In the second quarter of 2017, UBS also completed the transfer of the shared services functions in the US, which started in 2016, to its US service company, UBS Business Solutions US LLC, a wholly owned subsidiary of UBS Americas Holding LLC.

→ **Refer to Note 2b of the UBS AG standalone Annual Report 2017 for more information**

UBS AG standalone financial statements (audited)

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

|   | USD million                           |          | CHF million                           |          |
|---|---------------------------------------|----------|---------------------------------------|----------|
|   | For the year ended<br><b>31.12.18</b> | 31.12.17 | For the year ended<br><b>31.12.18</b> | 31.12.17 |
| Investment Bank                               | <b>4,079</b>                          | 3,397    | <b>4,024</b>                          | 3,311    |
| <i>of which: Corporate Client Solutions</i>   | <b>634</b>                            | 553      | <b>621</b>                            | 539      |
| <i>of which: Investor Client Services</i>     | <b>3,446</b>                          | 2,844    | <b>3,403</b>                          | 2,772    |
| Other business divisions and Corporate Center | <b>364</b>                            | (123)    | <b>358</b>                            | (120)    |
| <b>Total net trading income</b>               | <b>4,443</b>                          | 3,274    | <b>4,381</b>                          | 3,192    |

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

|   | USD million                           |          | CHF million                           |          |
|---|---------------------------------------|----------|---------------------------------------|----------|
|   | For the year ended<br><b>31.12.18</b> | 31.12.17 | For the year ended<br><b>31.12.18</b> | 31.12.17 |
| Interest rate instruments<br>(including funds)  | <b>499</b>                            | 293      | <b>483</b>                            | 286      |
| Foreign exchange instruments  | <b>1,164</b>                          | 573      | <b>1,145</b>                          | 559      |
| Equity instruments (including<br>funds)   | <b>2,374</b>                          | 2,098    | <b>2,353</b>                          | 2,045    |
| Credit instruments  | <b>343</b>                            | 239      | <b>334</b>                            | 233      |
| Precious metals / commodities   | <b>63</b>                             | 71       | <b>66</b>                             | 69       |
| <b>Total net trading income</b>   | <b>4,443</b>                          | 3,274    | <b>4,381</b>                          | 3,192    |
| <i>of which: net gains / (losses) from<br/>financial liabilities designated at<br/>fair value<sup>1</sup></i> | <b>6,999</b>                          | (4,073)  | 6,956                                 | (3,971)  |

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

**Note 4 Dividend income from investments in subsidiaries**

UBS AG received dividends from UBS Switzerland AG of USD 2,396 million (CHF 2,351 million) in 2018, compared with USD 196 million (CHF 191 million) in 2017, resulting in an increase in the total *Dividend income from investments in subsidiaries and other participations*.

**Note 5 Sundry ordinary income and expenses**

|  | USD million        |          | CHF million        |          |
|--|--------------------|----------|--------------------|----------|
|  | For the year ended |          | For the year ended |          |
|  | <b>31.12.18</b>    | 31.12.17 | <b>31.12.18</b>    | 31.12.17 |
| Income from hard cost transfers <sup>1</sup> | <b>1,746</b>       | 2,667    | <b>1,722</b>       | 2,600    |
| Other  | <b>33</b>          | 92       | <b>32</b>          | 90       |
| <b>Total sundry ordinary income</b>          | <b>1,779</b>       | 2,760    | <b>1,754</b>       | 2,690    |
| Expenses from hard revenue transfers         | <b>(516)</b>       | (383)    | <b>(509)</b>       | (373)    |
| Other  | <b>(83)</b>        | (115)    | <b>(81)</b>        | (112)    |
| <b>Total sundry ordinary expenses</b>        | <b>(599)</b>       | (498)    | <b>(590)</b>       | (485)    |

1 Represents income received from UBS Group AG and subsidiaries in the UBS Group for services provided by UBS AG. Services provided by UBS AG primarily related to Corporate Center functions. The decrease mainly arose as UBS AG is no longer charging other Group entities for the shared services functions that were transferred in 2017. Refer to Note 2c for more information.

**Note 6 Personnel expenses**

|  | USD million        |          | CHF million        |          |
|--|--------------------|----------|--------------------|----------|
|  | For the year ended |          | For the year ended |          |
|  | <b>31.12.18</b>    | 31.12.17 | <b>31.12.18</b>    | 31.12.17 |
| Salaries   | <b>1,748</b>       | 2,132    | <b>1,722</b>       | 2,078    |
| Variable compensation – performance awards   | <b>1,218</b>       | 1,438    | <b>1,199</b>       | 1,401    |
| Variable compensation – other  | <b>74</b>          | 92       | <b>73</b>          | 90       |
| Contractors  | <b>70</b>          | 207      | <b>69</b>          | 202      |
| Social security  | <b>199</b>         | 274      | <b>196</b>         | 267      |
| Pension and other post-employment benefit plans  | <b>9</b>           | (83)     | <b>12</b>          | (81)     |
| <i>of which: value adjustments for economic benefits or obligations from pension funds<sup>1</sup></i> | <b>(131)</b>       | (306)    | <b>(126)</b>       | (298)    |
| Other personnel expenses   | <b>139</b>         | 175      | <b>136</b>         | 170      |
| <b>Total personnel expenses<sup>2</sup></b>  | <b>3,456</b>       | 4,234    | <b>3,407</b>       | 4,128    |

1 Reflects the remeasurement of the defined benefit obligation and return on plan assets excluding amounts included in interest income for the non-Swiss defined benefit plans, for which IAS 19 is applied. 2 The decrease is partly due to the transfer of shared services functions from UBS AG to UBS Business Solutions AG and UBS Business Solutions US LLC in 2017. Refer to Note 2c for more information.

**Note 7 General and administrative expenses**

|   | USD million        |          | CHF million        |          |
|---|--------------------|----------|--------------------|----------|
|   | For the year ended |          | For the year ended |          |
|   | <b>31.12.18</b>    | 31.12.17 | <b>31.12.18</b>    | 31.12.17 |
| Occupancy   | <b>510</b>         | 537      | <b>503</b>         | 524      |
| Rent and maintenance of IT equipment                  | <b>38</b>          | 210      | <b>37</b>          | 205      |
| Communication and market data services                | <b>150</b>         | 219      | <b>147</b>         | 213      |
| Administration  | <b>2,857</b>       | 2,313    | <b>2,817</b>       | 2,255    |
| <i>of which: hard cost transfers paid<sup>1</sup></i> | <b>2,543</b>       | 2,004    | <b>2,507</b>       | 1,954    |
| Marketing and public relations                        | <b>80</b>          | 121      | <b>79</b>          | 118      |
| Travel and entertainment                              | <b>115</b>         | 135      | <b>113</b>         | 132      |
| Fees to audit firms                                   | <b>28</b>          | 33       | <b>28</b>          | 32       |
| <i>of which: financial and regulatory audits</i>      | <b>24</b>          | 27       | <b>24</b>          | 26       |
| <i>of which: audit-related services</i>               | <b>4</b>           | 6        | <b>4</b>           | 6        |
| Other professional fees                               | <b>285</b>         | 448      | <b>281</b>         | 436      |
| Outsourcing of IT and other services                  | <b>149</b>         | 654      | <b>147</b>         | 638      |
|   | <b>4,212</b>       | 4,671    | <b>4,151</b>       | 4,553    |

**Total general and administrative expenses<sup>2</sup>**

1 Represents expenses for services provided by UBS Group AG and subsidiaries in the UBS Group to UBS AG. 2 The increase in hard cost transfers paid and the decrease in direct costs are mainly due to the transfer of shared services functions from UBS AG to UBS Business Solutions AG and UBS Business Solutions US LLC in 2017. Refer to Note 2c for more information.

## UBS AG standalone financial statements (audited)

**Note 8 Extraordinary income and expenses**

|   | USD million        |                    | CHF million        |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | For the year ended | For the year ended | For the year ended | For the year ended |
|   | <b>31.12.18</b>    | 31.12.17           | <b>31.12.18</b>    | 31.12.17           |
| Gains from disposals of subsidiaries and other participations                   | <b>30</b>          | 199                | <b>29</b>          | 194                |
| Reversal of impairments and provisions of subsidiaries and other participations | <b>63</b>          | 186                | <b>62</b>          | 181                |
| Net gains from disposals of properties  | <b>40</b>          | 0                  | <b>39</b>          | 0                  |
| Other extraordinary income  | <b>37</b>          | 6                  | <b>36</b>          | 6                  |
| <b>Total extraordinary income</b>   | <b>170</b>         | 391                | <b>167</b>         | 382                |
| <b>Total extraordinary expenses</b>   | <b>0</b>           | 4                  | <b>0</b>           | 4                  |

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

In 2017, UBS recorded a gain of USD 110 million (CHF 107 million) on the sale of its remaining investment in IHS Markit. Also in 2017, UBS completed the sale of a life insurance subsidiary, which resulted in a gain of USD 58 million (CHF 57 million).

**Note 9 Taxes**

|                                      | USD million        |                    | CHF million        |                    |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                      | For the year ended | For the year ended | For the year ended | For the year ended |
|                                      | <b>31.12.18</b>    | 31.12.17           | <b>31.12.18</b>    | 31.12.17           |
| Income tax expense / (benefit)       | <b>(708)</b>       | (121)              | <b>(696)</b>       | (118)              |
| <i>of which: current</i>             | <b>(715)</b>       | (151)              | <b>(703)</b>       | (148)              |
| <i>of which: deferred</i>            | <b>7</b>           | 30                 | <b>7</b>           | 29                 |
| Capital tax                          | <b>45</b>          | 49                 | <b>45</b>          | 48                 |
| <b>Total tax expense / (benefit)</b> | <b>(663)</b>       | (72)               | <b>(651)</b>       | (70)               |

There was an income tax benefit of USD 708 million (CHF 696 million) for the year ended 31 December 2018, compared with an income tax benefit of USD 121 million (CHF 118 million) for the year ended 31 December 2017. The income tax benefit for the year ended 31 December 2018 reflected a benefit of USD 26 million (CHF 26 million) (2017: USD 154 million / CHF 150 million) from the utilization of tax losses carried forward in UBS AG's main tax jurisdictions and also a benefit of USD 809 million (CHF 795 million) (2017: USD 250 million / CHF 244 million) as compensation received from other Group companies in respect of tax losses that were utilized by those companies. The benefit of USD 809 million was mainly driven by a one-time election by UBS Securities LLC to capitalize real estate costs for US tax purposes resulting in a significant amount of taxable income, which was offset by the

utilization of UBS AG's tax losses. UBS AG agreed to waive the payment of the related benefit resulting in a capital contribution by UBS AG into UBS Americas Holding LLC.

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 negative 27.0% (2017: negative 14.9%).



**Note 10 Securities financing transactions**

|  | USD billion     |          | CHF billion     |          |
|--|-----------------|----------|-----------------|----------|
|  | <b>31.12.18</b> | 31.12.17 | <b>31.12.18</b> | 31.12.17 |
| <b>On-balance sheet</b>  |                 |          |                 |          |
| Receivables from securities financing transactions, gross  | <b>139.7</b>    | 115.6    | <b>137.4</b>    | 112.7    |
| Netting of securities financing transactions   | <b>(61.8)</b>   | (52.7)   | <b>(60.8)</b>   | (51.4)   |
| Receivables from securities financing transactions, net  | <b>77.9</b>     | 62.9     | <b>76.6</b>     | 61.4     |
| Payables from securities financing transactions, gross   | <b>105.8</b>    | 102.3    | <b>104.1</b>    | 99.7     |
| Netting of securities financing transactions   | <b>(61.8)</b>   | (52.7)   | <b>(60.8)</b>   | (51.4)   |
| Payables from securities financing transactions, net   | <b>44.0</b>     | 49.6     | <b>43.3</b>     | 48.3     |
| Assets pledged as collateral in connection with securities financing transactions                | <b>49.8</b>     | 59.7     | <b>49.0</b>     | 58.2     |
| <i>of which: trading portfolio assets</i>  | <b>49.7</b>     | 59.1     | <b>48.9</b>     | 57.6     |
| <i>of which: assets that may be sold or repledged by counterparties</i>                          | <b>48.1</b>     | 58.2     | <b>47.3</b>     | 56.7     |
| <i>of which: financial investments</i>   | <b>0.1</b>      | 0.5      | <b>0.1</b>      | 0.5      |
| <i>of which: assets that may be sold or repledged by counterparties</i>                          | <b>0.1</b>      | 0.5      | <b>0.1</b>      | 0.5      |
| <b>Off-balance sheet</b>   |                 |          |                 |          |
| Fair value of assets received as collateral in connection with securities financing transactions | <b>302.5</b>    | 294.4    | <b>297.5</b>    | 287.0    |
| <i>of which: repledged</i>   | <b>224.9</b>    | 220.1    | <b>221.1</b>    | 214.6    |
| <i>of which: sold in connection with short sale transactions</i>                                 | <b>23.5</b>     | 25.0     | <b>23.1</b>     | 24.4     |

**Note 11a Collateral for loans and off-balance sheet transactions**

| USD million                            | 31.12.18              |                  |                         | Unsecured                 | Total          | 31.12.17              |                  |
|--|-----------------------|------------------|-------------------------|---------------------------|----------------|-----------------------|------------------|
|  | Secured by collateral | Secured by other | Secured by other credit |                           |                | Secured by collateral | Secured by other |
|  |                       |                  |                         |                           |                |                       |                  |
| <b>On-balance sheet</b>                |                       |                  |                         |                           |                |                       |                  |
| Due from customers, gross <sup>3</sup> | <b>0</b>              | <b>81,070</b>    | <b>81</b>               | <b>36,404<sup>4</sup></b> | <b>117,555</b> | 0                     | 91,948           |
|  | <b>4,737</b>          | <b>0</b>         | <b>0</b>                | <b>0</b>                  | <b>4,737</b>   | 4,985                 | 0                |

|   |              |               |              |               |                |  |       |        |
|---|--------------|---------------|--------------|---------------|----------------|--|-------|--------|
| Mortgage loans, gross   |              |               |              |               |                |  |       |        |
| of which:   |              |               |              |               |                |  |       |        |
| residential mortgages   | 4,580        |               |              |               | 4,580          |  | 4,890 |        |
| of which: office and business premises mortgages                          | 59           |               |              |               | 59             |  | 34    |        |
| of which: industrial premises mortgages                                   | 29           |               |              |               | 29             |  | 29    |        |
| of which: other mortgages   | 69           |               |              |               | 69             |  | 32    |        |
| <b>Total on-balance sheet, gross</b>                                      | <b>4,737</b> | <b>81,070</b> | <b>81</b>    | <b>36,404</b> | <b>122,292</b> |  | 4,985 | 91,948 |
| Allowances  | (10)         | (5)           | 0            | (133)         | (149)          |  | (6)   | (27)   |
| <b>Total on-balance sheet, net</b>  | <b>4,727</b> | <b>81,065</b> | <b>81</b>    | <b>36,271</b> | <b>122,144</b> |  | 4,978 | 91,921 |
| <b>Off-balance sheet</b>  |              |               |              |               |                |  |       |        |
| Contingent liabilities, gross   | 0            | 2,954         | 1,779        | 11,286        | 16,019         |  | 13    | 1,967  |
| Irrevocable commitments, gross  | 557          | 9,525         | 1,071        | 14,511        | 25,664         |  | 376   | 10,637 |
| Forward starting reverse repurchase and securities borrowing transactions | 0            | 4,745         | 0            | 33            | 4,778          |  | 0     | 7,800  |
| Liabilities for calls on shares and other equities                        | 0            | 0             | 0            | 5             | 5              |  | 0     | 0      |
| <b>Total off-balance sheet</b>  | <b>557</b>   | <b>17,225</b> | <b>2,850</b> | <b>25,835</b> | <b>46,466</b>  |  | 389   | 20,404 |

1 Mainly comprised of cash and securities. 2 Includes credit default swaps and guarantees. 3 Includes receivables and prime brokerage receivables relating to securities financing transactions. 4 Primary subsidiaries.



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**Note 11a Collateral for loans and off-balance sheet transactions (continued)**

| <i>CHF million</i>                               | 31.12.18              |                               |                           | Unsecured           | Total          | Secured               |                         |
|--|-----------------------|-------------------------------|---------------------------|---------------------|----------------|-----------------------|-------------------------|
|  | Secured by collateral |                               | Secured by other credit   |                     |                | Secured by collateral | Other                   |
|  | Real estate           | Other collateral <sup>1</sup> | enhancements <sup>2</sup> |                     |                | Real estate           | collateral <sup>1</sup> |
| <b>On-balance sheet</b>                          |                       |                               |                           |                     |                |                       |                         |
| Due from customers, gross <sup>3</sup>           | 0                     | 79,711                        | 79                        | 35,794 <sup>4</sup> | 115,584        | 0                     | 89,630                  |
| Mortgage loans, gross                            | 4,658                 | 0                             | 0                         | 0                   | 4,658          | 4,859                 | 0                       |
| of which: residential mortgages                  | 4,503                 |                               |                           |                     | 4,503          | 4,767                 |                         |
| of which: office and business premises mortgages | 58                    |                               |                           |                     | 58             | 33                    |                         |
| of which: industrial premises mortgages          | 29                    |                               |                           |                     | 29             | 28                    |                         |
| of which: other mortgages                        | 68                    |                               |                           |                     | 68             | 31                    |                         |
| <b>Total on-balance sheet, gross</b>             | <b>4,658</b>          | <b>79,711</b>                 | <b>79</b>                 | <b>35,794</b>       | <b>120,242</b> | 4,859                 | 89,630                  |
| Allowances                                       | (10)                  | (5)                           | 0                         | (131)               | (146)          | (6)                   | (26)                    |
| <b>Total on-balance sheet, net</b>               | <b>4,648</b>          | <b>79,706</b>                 | <b>79</b>                 | <b>35,663</b>       | <b>120,096</b> | 4,853                 | 89,603                  |
| <b>Off-balance sheet</b>                         |                       |                               |                           |                     |                |                       |                         |
| Contingent liabilities, gross                    | 0                     | 2,905                         | 1,749                     | 11,096              | 15,750         | 12                    | 1,917                   |
| Irrevocable commitments, gross                   | 548                   | 9,366                         | 1,053                     | 14,267              | 25,234         | 367                   | 10,369                  |
|  | 0                     | 4,666                         | 0                         | 32                  | 4,698          | 0                     | 7,603                   |

|   |            |               |              |               |               |     |        |  |
|---|------------|---------------|--------------|---------------|---------------|-----|--------|--|
| Forward starting reverse repurchase and securities borrowing transactions |            |               |              |               |               |     |        |  |
| Liabilities for calls on shares and other equities                        | 0          | 0             | 0            | 5             | 5             | 0   | 0      |  |
| <b>Total off-balance sheet</b>  | <b>548</b> | <b>16,936</b> | <b>2,802</b> | <b>25,401</b> | <b>45,687</b> | 379 | 19,889 |  |

1 Mainly comprised of cash and securities. 2 Includes credit default swaps and guarantees. 3 Includes receivables and prime brokerage receivables relating to securities financing transactions. 4 Primary subsidiaries.

#### Note 11b Impaired financial instruments

|   | 31.12.18                        |            |  |                                    | 31.12.17                        |            |  |
|---|---------------------------------|------------|--|------------------------------------|---------------------------------|------------|--|
|   | Gross Allowances and provisions |            | Estimated liquidation proceeds of collateral | Net impaired financial instruments | Gross Allowances and provisions |            | Estimated liquidation proceeds of collateral |
| <i>USD million</i>                          | impaired financial instruments  |            |  |                                    | impaired financial instruments  |            |  |
| Amounts due from customers                  | 381                             | 138        | 155  | 87                                 | 268                             | 192        |  |
| Mortgage loans                              | 65                              | 10         | 55   | 0                                  | 2                               | 1          |  |
| Other assets                                | 365                             | 24         | 0  | 341                                | 359                             | 18         |  |
| Guarantees and loan commitments             | 14                              | 0          | 14   | 0                                  | 29                              | 0          |  |
| <b>Total impaired financial instruments</b> | <b>825</b>                      | <b>173</b> | <b>224</b>                                   | <b>428</b>                         | <b>658</b>                      | <b>211</b> |  |

|                    | 31.12.18                        |  |                       |                                    | 31.12.17                        |  |                       |
|--------------------|---------------------------------|--|-----------------------|------------------------------------|---------------------------------|--|-----------------------|
|                    | Gross Allowances and provisions |  | Estimated liquidation | Net impaired financial instruments | Gross Allowances and provisions |  | Estimated liquidation |
| <i>CHF million</i> | impaired financial instruments  |  |                       |                                    | impaired financial instruments  |  |                       |
|                    |                                 |  |                       |                                    |                                 |  |                       |

|   |            |            | <b>proceeds<br/>of<br/>collateral</b> |            |     | proc<br>colla |
|---|------------|------------|---------------------------------------|------------|-----|---------------|
| Amounts due from customers                  | <b>374</b> | <b>136</b> | <b>153</b>                            | <b>86</b>  | 261 | 187           |
| Mortgage loans                              | <b>64</b>  | <b>10</b>  | <b>54</b>                             | <b>0</b>   | 2   | 1             |
| Other assets                                | <b>359</b> | <b>23</b>  | <b>0</b>                              | <b>335</b> | 350 | 17            |
| Guarantees and loan commitments             | <b>14</b>  | <b>0</b>   | <b>14</b>                             | <b>0</b>   | 28  | 0             |
| <b>Total impaired financial instruments</b> | <b>811</b> | <b>170</b> | <b>221</b>                            | <b>421</b> | 641 | 205           |

**Note 12a Allowances**

| <i>USD million</i>   | Specific<br>allowances for<br>amounts due<br>from customers<br>and mortgage<br>loans | Allowances for<br>other assets | <b>Total<br/>allowances</b> |
|--|--|--------------------------------|-----------------------------|
| <b>Balance as of 1 January 2018</b>  | <b>193</b>   | <b>18</b>                      | <b>211</b>                  |
| Reconciliation of USD balance as of 1 January 2018 to reflect CHF / USD rate at conversion date 1 October 2018 | (1)  | 0                              | (1)                         |
| <b>Balance as of 31 December 2017, translated at conversion date rate 1 October 2018<sup>1</sup></b>           | <b>192</b>   | <b>18</b>                      | <b>209</b>                  |
| Increase recognized in the income statement <sup>2</sup>   | 52   | 16                             | 69                          |
| Release recognized in the income statement <sup>2</sup>  | (32)   | (8)                            | (39)                        |
| Write-offs <sup>2</sup>  | (5)  | (2)                            | (7)                         |
| Recoveries and past due interest <sup>2</sup>  | 25   | 0                              | 24                          |
| Reclassifications / other <sup>2</sup>   | (26)   | 0                              | (26)                        |
| Foreign currency translation <sup>2</sup>  | (2)  | 0                              | (2)                         |
| <b>Balance as of 1 October 2018</b>  | <b>203</b>   | <b>24</b>                      | <b>228</b>                  |
| Increase recognized in the income statement  | 25   | 0                              | 25                          |
| Release recognized in the income statement   | (2)  | 0                              | (2)                         |
| Write-offs   | (79)   | 0                              | (79)                        |
| Recoveries and past due interest   | (16)   | 0                              | (16)                        |
| Reclassifications / other  | 20   | 0                              | 20                          |
| Foreign currency translation   | (2)  | 0                              | (2)                         |
| <b>Balance as of 31 December 2018</b>  | <b>149</b>   | <b>24</b>                      | <b>173</b>                  |

1 Conversion date rate as of 1 October 2018 represents the closing exchange rate as of 30 September 2018 (CHF / USD 1.02). 2 Movements from 1 January 2018 to 30 September 2018 translated at conversion date rate.

| <i>CHF million</i> | Specific<br>allowances<br>for<br>amounts<br>due from<br>customers<br>and mortgage<br>loans | Allowances<br>for other<br>assets | <b>Total<br/>allowances</b> |
|--------------------|--|-----------------------------------|-----------------------------|
|--------------------|--|-----------------------------------|-----------------------------|

|   |            |           |            |
|---|------------|-----------|------------|
| <b>Balance as of 1 January 2018</b>         | <b>188</b> | <b>17</b> | <b>205</b> |
| Increase recognized in the income statement | 51         | 16        | 67         |
| Release recognized in the income statement  | (31)       | (7)       | (38)       |
| Write-offs                                  | (5)        | (2)       | (7)        |
| Recoveries and past due interest            | 24         | 0         | 24         |
| Reclassifications / other                   | (26)       | 0         | (26)       |
| Foreign currency translation                | (2)        | 0         | (2)        |
| <b>Balance as of 1 October 2018</b>         | <b>200</b> | <b>24</b> | <b>223</b> |
| Increase recognized in the income statement | 26         | 0         | 26         |
| Release recognized in the income statement  | (2)        | 0         | (2)        |
| Write-offs                                  | (78)       | 0         | (78)       |
| Recoveries and past due interest            | (16)       | 0         | (16)       |
| Reclassifications / other                   | 20         | 0         | 20         |
| Foreign currency translation                | (3)        | 0         | (3)        |
| <b>Balance as of 31 December 2018</b>       | <b>146</b> | <b>23</b> | <b>170</b> |



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**Note 12b Provisions**

| <i>USD million</i>  | Default risk<br>related to<br>loan<br>commitments<br>and<br>guarantees | Operational<br>risks | Litigation,<br>regulatory<br>and similar<br>matters <sup>3</sup> | Restructuring | Real estate <sup>4</sup> | Employee<br>benefits | Deferred<br>taxes | Other     |
|---|--|----------------------|--|---------------|--------------------------|----------------------|-------------------|-----------|
| <b>Balance as of<br/>1 January<br/>2018</b>   | <b>0</b>   | <b>14</b>            | <b>828</b>   | <b>62</b>     | <b>77</b>                | <b>32</b>            | <b>45</b>         | <b>67</b> |
| Reconciliation of<br>USD balance as<br>of 1 January<br>2018 to reflect<br>CHF / USD rate<br>at conversion<br>date 1 October<br>2018 | 0  | 0                    | (6)  | 0             | (1)                      | 0                    | 0                 | 0         |
| <b>Balance as of<br/>31 December<br/>2017,<br/>translated at<br/>conversion<br/>date rate 1<br/>October 2018<sup>1</sup></b>        | <b>0</b>   | <b>13</b>            | <b>822</b>   | <b>62</b>     | <b>77</b>                | <b>32</b>            | <b>45</b>         | <b>67</b> |
| Increase<br>recognized in<br>the income<br>statement <sup>2</sup>   | 5  | 2                    | 78   | 28            | 1                        | 3                    | 5                 | 22        |
| Release<br>recognized in<br>the income<br>statement <sup>2</sup>  | (6)  | (2)                  | (103)  | (11)          | (1)                      | (5)                  | 0                 | (4)       |
| Provisions used<br>in conformity<br>with designated<br>purpose <sup>2</sup>   | 0  | (2)                  | (54)   | (42)          | (7)                      | 0                    | 0                 | (16)      |
| Recoveries <sup>2</sup>   | 0  | 0                    | 5  | 0             | 0                        | 0                    | 0                 | 0         |
| Reclassifications<br>/ other <sup>2</sup>   | 0  | 0                    | 0  | 0             | (1)                      | 0                    | 0                 | 0         |
| Foreign<br>currency<br>translation <sup>2</sup>   | 0  | 0                    | (7)  | (1)           | 0                        | (1)                  | 0                 | 0         |
| <b>Balance as of<br/>1 October<br/>2018</b>   | <b>0</b>   | <b>11</b>            | <b>742</b>   | <b>36</b>     | <b>68</b>                | <b>29</b>            | <b>50</b>         | <b>68</b> |

|   |          |           |              |           |           |           |           |           |
|---|----------|-----------|--------------|-----------|-----------|-----------|-----------|-----------|
| Increase recognized in the income statement           | 0        | 1         | 503          | 31        | 3         | 1         | 2         | 7         |
| Release recognized in the income statement            | 0        | 0         | (93)         | (4)       | 0         | (1)       | 0         | (9)       |
| Provisions used in conformity with designated purpose | 0        | (1)       | (2)          | (10)      | (2)       | 0         | 0         | (12)      |
| Recoveries  | 0        | 0         | 0            | 0         | 0         | 0         | 0         | 0         |
| Reclassifications / other                             | 0        | 0         | 0            | (4)       | 2         | 0         | 0         | 0         |
| Foreign currency translation                          | 0        | 0         | 0            | 0         | 0         | 0         | 0         | 0         |
| <b>Balance as of 31 December 2018</b>                 | <b>0</b> | <b>11</b> | <b>1,149</b> | <b>50</b> | <b>71</b> | <b>29</b> | <b>52</b> | <b>54</b> |

1 Conversion date rate as of 1 October 2018 represents the closing exchange rate as of 30 September 2018 (CHF / USD 1.02). 2 Movements from 1 January 2018 to 30 September 2018 translated at conversion date rate. 3 Includes provisions for litigation resulting from security risks. 4 Includes provisions for one contracts of USD 12 million as of 31 December 2018 (31 December 2017: USD 12 million) and reinstated cost provisions for leasehold improvements of USD 59 million as of 31 December 2018 (31 December 2017: USD 65 million).

| <i>CHF million</i>                                    | Default risk related to loan commitments and guarantees | Operational risks | Litigation, regulatory and similar matters <sup>1</sup> | Restructuring | Real estate <sup>2</sup> | Employee benefits | Deferred taxes | Other     |
|---|---|-------------------|---|---------------|--------------------------|-------------------|----------------|-----------|
| <b>Balance as of 1 January 2018</b>                   | <b>0</b>  | <b>13</b>         | <b>807</b>  | <b>61</b>     | <b>75</b>                | <b>31</b>         | <b>44</b>      | <b>66</b> |
| Increase recognized in the income statement           | 5   | 2                 | 77  | 28            | 1                        | 3                 | 5              | 21        |
| Release recognized in the income statement            | (5)   | (2)               | (101)   | (11)          | (1)                      | (5)               | 0              | (4)       |
| Provisions used in conformity with designated purpose | 0   | (2)               | (53)  | (41)          | (7)                      | 0                 | 0              | (16)      |
| Recoveries  | 0   | 0                 | 5   | 0             | 0                        | 0                 | 0              | 0         |

|   |          |           |              |           |           |           |           |           |
|---|----------|-----------|--------------|-----------|-----------|-----------|-----------|-----------|
| Reclassifications / other                             | 0        | 0         | 0            | 0         | (1)       | 0         | 0         | 0         |
| Foreign currency translation                          | 0        | 0         | (6)          | (1)       | 0         | (1)       | 0         | 0         |
| <b>Balance as of 1 October 2018</b>                   | <b>0</b> | <b>11</b> | <b>729</b>   | <b>35</b> | <b>67</b> | <b>29</b> | <b>49</b> | <b>67</b> |
| Increase recognized in the income statement           | 0        | 1         | 495          | 31        | 3         | 1         | 2         | 7         |
| Release recognized in the income statement            | 0        | 0         | (90)         | (4)       | 0         | (1)       | 0         | (9)       |
| Provisions used in conformity with designated purpose | 0        | (1)       | 0            | (10)      | (2)       | 0         | 0         | (12)      |
| Recoveries  | 0        | 0         | 0            | 0         | 0         | 0         | 0         | 0         |
| Reclassifications / other                             | 0        | 0         | 0            | (4)       | 1         | 0         | 0         | 0         |
| Foreign currency translation                          | 0        | 0         | (3)          | 0         | 0         | 0         | 0         | (1)       |
| <b>Balance as of 31 December 2018</b>                 | <b>0</b> | <b>11</b> | <b>1,130</b> | <b>49</b> | <b>70</b> | <b>29</b> | <b>51</b> | <b>53</b> |

1 Includes provisions for litigation resulting from security risks. 2 Includes provisions for onerous lease contracts of CHF 12 million as of 31 December 2018 (31 December 2017: CHF 12 million) and reinstatement cost provisions for leasehold improvements of CHF 58 million as of 31 December 2018 (31 December 2017: CHF 63 million).

**Note 13 Trading portfolio and other financial instruments measured at fair value**

|   | USD million     |          | CHF million     |          |
|---|-----------------|----------|-----------------|----------|
|   | <b>31.12.18</b> | 31.12.17 | <b>31.12.18</b> | 31.12.17 |
| <b>Assets</b>   |                 |          |                 |          |
| Trading portfolio assets  | <b>95,612</b>   | 107,355  | <b>94,009</b>   | 104,649  |
| <i>of which: debt instruments<sup>1</sup></i>   | <b>17,802</b>   | 19,235   | <b>17,503</b>   | 18,750   |
| <i>of which: listed</i>   | <b>12,835</b>   | 13,676   | <b>12,620</b>   | 13,331   |
| <i>of which: equity instruments</i>   | <b>75,079</b>   | 85,109   | <b>73,820</b>   | 82,963   |
| <i>of which: precious metals and other physical commodities</i>   | <b>2,732</b>    | 3,012    | <b>2,686</b>    | 2,936    |
| <b>Total assets measured at fair value</b>  | <b>95,612</b>   | 107,355  | <b>94,009</b>   | 104,649  |
| <i>of which: fair value derived using a valuation model</i>   | <b>13,099</b>   | 12,915   | <b>12,879</b>   | 12,590   |
| <i>of which: securities eligible for repurchase transactions in accordance with liquidity regulations<sup>2</sup></i> | <b>10,434</b>   | 11,620   | <b>10,259</b>   | 11,327   |
| <b>Liabilities</b>  |                 |          |                 |          |
| Trading portfolio liabilities   | <b>23,453</b>   | 24,988   | <b>23,060</b>   | 24,358   |
| <i>of which: debt instruments<sup>1</sup></i>   | <b>3,474</b>    | 4,896    | <b>3,416</b>    | 4,773    |
| <i>of which: listed</i>   | <b>3,193</b>    | 4,615    | <b>3,140</b>    | 4,498    |
| <i>of which: equity instruments</i>   | <b>19,979</b>   | 20,091   | <b>19,644</b>   | 19,585   |
| Financial liabilities designated at fair value <sup>3</sup>   | <b>56,226</b>   | 52,495   | <b>55,283</b>   | 51,171   |
| <b>Total liabilities measured at fair value</b>   | <b>79,679</b>   | 77,482   | <b>78,342</b>   | 75,529   |
| <i>of which: fair value derived using a valuation model</i>   | <b>59,645</b>   | 55,274   | <b>58,645</b>   | 53,880   |

1 Includes money market paper. 2 Consists of high-quality liquid debt securities that are eligible for repurchase transactions at the Swiss National Bank or other central banks. 3 Refer to Note 20 for more information.

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**Note 14 Derivative instruments<sup>1</sup>**

| USD billion   | 31.12.18         |                  |                             | 31.12.17         |                  | Total<br>notional<br>values |
|---|------------------|------------------|-----------------------------|------------------|------------------|-----------------------------|
|   | PRV <sup>3</sup> | NRV <sup>4</sup> | Total<br>notional<br>values | PRV <sup>3</sup> | NRV <sup>4</sup> |                             |
| <b>Interest rate contracts</b>                                |                  |                  |                             |                  |                  |                             |
| Forwards <sup>2</sup>   | 0.1              | 0.3              | 2,890                       | 0.2              | 0.3              | 2,418                       |
| Swaps   | 30.8             | 24.7             | 8,077                       | 37.9             | 30.3             | 8,741                       |
| <i>of which: designated in hedge accounting relationships</i> | 0.0              | 0.0              | 102                         | 0.1              | 0.0              | 99                          |
| Futures   | 0.0              | 0.0              | 510                         | 0.0              | 0.0              | 461                         |
| Over-the-counter (OTC) options                                | 7.6              | 9.0              | 1,113                       | 8.7              | 10.1             | 1,134                       |
| Exchange-traded options                                       | 0.0              | 0.0              | 254                         | 0.0              | 0.0              | 218                         |
| <b>Total</b>  | <b>38.5</b>      | <b>34.0</b>      | <b>12,843</b>               | <b>46.8</b>      | <b>40.7</b>      | <b>12,972</b>               |
| <b>Foreign exchange contracts</b>                             |                  |                  |                             |                  |                  |                             |
| Forwards  | 20.2             | 20.9             | 1,441                       | 17.6             | 18.3             | 1,407                       |
| Interest and currency swaps                                   | 25.0             | 24.7             | 2,533                       | 24.6             | 22.7             | 2,479                       |
| Futures   | 0.0              | 0.0              | 0                           | 0.0              | 0.0              | 0                           |
| Over-the-counter (OTC) options                                | 8.4              | 7.8              | 1,192                       | 6.3              | 6.0              | 846                         |
| Exchange-traded options                                       | 0.1              | 0.1              | 9                           | 0.0              | 0.1              | 11                          |
| <b>Total</b>  | <b>53.7</b>      | <b>53.6</b>      | <b>5,176</b>                | <b>48.5</b>      | <b>47.0</b>      | <b>4,743</b>                |
| <b>Equity / index contracts</b>                               |                  |                  |                             |                  |                  |                             |
| Forwards  | 0.3              | 0.2              | 28                          | 0.1              | 0.1              | 19                          |
| Swaps   | 4.8              | 5.6              | 171                         | 4.0              | 5.7              | 173                         |
| Futures   | 0.0              | 0.0              | 62                          | 0.0              | 0.0              | 43                          |
| Over-the-counter (OTC) options                                | 5.6              | 7.4              | 246                         | 6.0              | 8.4              | 226                         |
| Exchange-traded options                                       | 12.9             | 14.0             | 516                         | 7.6              | 7.6              | 500                         |
| <b>Total</b>  | <b>23.7</b>      | <b>27.3</b>      | <b>1,024</b>                | <b>17.7</b>      | <b>21.8</b>      | <b>962</b>                  |
| <b>Credit derivative contracts</b>                            |                  |                  |                             |                  |                  |                             |
| Credit default swaps  | 1.7              | 2.1              | 141                         | 2.6              | 2.9              | 185                         |
| Total return swaps  | 0.3              | 0.8              | 7                           | 0.2              | 0.9              | 7                           |
| Other   | 0.0              | 0.0              | 4                           | 0.0              | 0.0              | 4                           |
| <b>Total</b>  | <b>2.0</b>       | <b>2.9</b>       | <b>152</b>                  | <b>2.8</b>       | <b>3.8</b>       | <b>197</b>                  |
| <b>Commodity, precious metals and other contracts</b>         |                  |                  |                             |                  |                  |                             |
| Forwards  | 0.1              | 0.1              | 7                           | 0.1              | 0.1              | 7                           |

|   |               |               |               |        |        |        |
|---|---------------|---------------|---------------|--------|--------|--------|
| Swaps   | <b>0.7</b>    | <b>0.4</b>    | <b>25</b>     | 0.2    | 0.4    | 22     |
| Futures   | <b>0.0</b>    | <b>0.0</b>    | <b>8</b>      | 0.0    | 0.0    | 8      |
| Over-the-counter (OTC) options  | <b>0.4</b>    | <b>0.3</b>    | <b>35</b>     | 0.3    | 0.1    | 20     |
| Exchange-traded options   | <b>0.4</b>    | <b>0.7</b>    | <b>19</b>     | 0.6    | 0.5    | 24     |
| <b>Total</b>  | <b>1.7</b>    | <b>1.4</b>    | <b>94</b>     | 1.2    | 1.1    | 81     |
| <b>Total before netting</b>   | <b>119.6</b>  | <b>119.1</b>  | <b>19,289</b> | 117.0  | 114.4  | 18,955 |
| <i>of which: trading derivatives</i>                                      | <b>119.6</b>  | <b>119.1</b>  |               | 116.9  | 114.4  |        |
| <i>of which: fair value derived using a valuation model</i>               | <b>118.9</b>  | <b>118.5</b>  |               | 116.6  | 114.0  |        |
| <i>of which: derivatives designated in hedge accounting relationships</i> | <b>0.0</b>    | <b>0.0</b>    |               | 0.1    | 0.0    |        |
| <i>of which: fair value derived using a valuation model</i>               | <b>0.0</b>    | <b>0.0</b>    |               | 0.1    | 0.0    |        |
| Netting with cash collateral payables / receivables                       | <b>(14.9)</b> | <b>(12.3)</b> |               | (16.1) | (9.9)  |        |
| Replacement value netting   | <b>(89.6)</b> | <b>(89.6)</b> |               | (85.7) | (85.7) |        |
| <b>Total after netting</b>  | <b>15.1</b>   | <b>17.3</b>   |               | 15.2   | 18.8   |        |
| <i>of which: with central clearing counterparties</i>                     | <b>0.5</b>    | <b>0.6</b>    |               | 0.0    | 0.2    |        |
| <i>of which: with bank and broker-dealer counterparties</i>               | <b>6.0</b>    | <b>6.3</b>    |               | 5.7    | 6.6    |        |
| <i>of which: other client counterparties</i>                              | <b>8.6</b>    | <b>10.4</b>   |               | 9.5    | 12.0   |        |

1 Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are excluded from this table. The replacement values and related notional values of these derivatives were not material for the periods presented. 2 Includes forward rate agreements. 3 PRV: positive replacement values. 4 NRV: negative replacement values.

**Note 14 Derivative instruments (continued)<sup>1</sup>**

| CHF billion   | 31.12.18         |                  |                             | 31.12.17         |                  | Total<br>notional<br>values |
|---|------------------|------------------|-----------------------------|------------------|------------------|-----------------------------|
|   | PRV <sup>3</sup> | NRV <sup>4</sup> | Total<br>notional<br>values | PRV <sup>3</sup> | NRV <sup>4</sup> |                             |
| <b>Interest rate contracts</b>  |                  |                  |                             |                  |                  |                             |
| Forwards <sup>2</sup>   | 0.1              | 0.3              | 2,842                       | 0.2              | 0.3              | 2,357                       |
| Swaps   | 30.2             | 24.3             | 7,941                       | 36.9             | 29.5             | 8,520                       |
| <i>of which: designated in<br/>hedge accounting<br/>relationships</i> | 0.0              | 0.0              | 100                         | 0.1              | 0.0              | 96                          |
| Futures   | 0.0              | 0.0              | 501                         | 0.0              | 0.0              | 449                         |
| Over-the-counter (OTC)<br>options                                     | 7.5              | 8.9              | 1,094                       | 8.5              | 9.8              | 1,106                       |
| Exchange-traded options   | 0.0              | 0.0              | 249                         | 0.0              | 0.0              | 212                         |
| <b>Total</b>  | <b>37.9</b>      | <b>33.5</b>      | <b>12,628</b>               | <b>45.6</b>      | <b>39.7</b>      | <b>12,645</b>               |
| <b>Foreign exchange contracts</b>                                     |                  |                  |                             |                  |                  |                             |
| Forwards  | 19.9             | 20.6             | 1,417                       | 17.2             | 17.9             | 1,371                       |
| Interest and currency<br>swaps  | 24.6             | 24.3             | 2,490                       | 23.9             | 22.1             | 2,417                       |
| Futures   | 0.0              | 0.0              | 0                           | 0.0              | 0.0              | 0                           |
| Over-the-counter (OTC)<br>options                                     | 8.2              | 7.7              | 1,172                       | 6.2              | 5.8              | 825                         |
| Exchange-traded options   | 0.1              | 0.1              | 9                           | 0.0              | 0.1              | 10                          |
| <b>Total</b>  | <b>52.8</b>      | <b>52.7</b>      | <b>5,089</b>                | <b>47.3</b>      | <b>45.9</b>      | <b>4,624</b>                |
| <b>Equity / index contracts</b>                                       |                  |                  |                             |                  |                  |                             |
| Forwards  | 0.3              | 0.2              | 28                          | 0.1              | 0.1              | 19                          |
| Swaps   | 4.7              | 5.5              | 168                         | 3.9              | 5.6              | 169                         |
| Futures   | 0.0              | 0.0              | 61                          | 0.0              | 0.0              | 42                          |
| Over-the-counter (OTC)<br>options                                     | 5.5              | 7.3              | 242                         | 5.8              | 8.2              | 220                         |
| Exchange-traded options   | 12.7             | 13.8             | 508                         | 7.4              | 7.4              | 488                         |
| <b>Total</b>  | <b>23.3</b>      | <b>26.9</b>      | <b>1,007</b>                | <b>17.3</b>      | <b>21.2</b>      | <b>938</b>                  |
| <b>Credit derivative contracts</b>                                    |                  |                  |                             |                  |                  |                             |
| Credit default swaps  | 1.7              | 2.1              | 139                         | 2.5              | 2.8              | 181                         |
| Total return swaps  | 0.3              | 0.8              | 7                           | 0.2              | 0.9              | 7                           |
| Other   | 0.0              | 0.0              | 4                           | 0.0              | 0.0              | 4                           |
| <b>Total</b>  | <b>1.9</b>       | <b>2.8</b>       | <b>150</b>                  | <b>2.7</b>       | <b>3.7</b>       | <b>192</b>                  |
| <b>Commodity, precious metals and other contracts</b>                 |                  |                  |                             |                  |                  |                             |
| Forwards  | 0.1              | 0.1              | 6                           | 0.1              | 0.1              | 7                           |

|   |               |               |               |        |        |        |
|---|---------------|---------------|---------------|--------|--------|--------|
| Swaps   | <b>0.7</b>    | <b>0.4</b>    | <b>25</b>     | 0.2    | 0.4    | 22     |
| Futures   | <b>0.0</b>    | <b>0.0</b>    | <b>8</b>      | 0.0    | 0.0    | 8      |
| Over-the-counter (OTC) options  | <b>0.4</b>    | <b>0.3</b>    | <b>34</b>     | 0.3    | 0.1    | 19     |
| Exchange-traded options   | <b>0.4</b>    | <b>0.6</b>    | <b>18</b>     | 0.6    | 0.5    | 23     |
| <b>Total</b>  | <b>1.7</b>    | <b>1.3</b>    | <b>92</b>     | 1.2    | 1.0    | 79     |
| <b>Total before netting</b>   | <b>117.6</b>  | <b>117.1</b>  | <b>18,965</b> | 114.1  | 111.5  | 18,477 |
| <i>of which: trading derivatives</i>                                      | <b>117.6</b>  | <b>117.1</b>  |               | 114.0  | 111.5  |        |
| <i>of which: fair value derived using a valuation model</i>               | <b>116.9</b>  | <b>116.5</b>  |               | 113.6  | 111.2  |        |
| <i>of which: derivatives designated in hedge accounting relationships</i> | <b>0.0</b>    | <b>0.0</b>    |               | 0.1    | 0.0    |        |
| <i>of which: fair value derived using a valuation model</i>               | <b>0.0</b>    | <b>0.0</b>    |               | 0.1    | 0.0    |        |
| Netting with cash collateral payables / receivables                       | <b>(14.6)</b> | <b>(12.1)</b> |               | (15.7) | (9.7)  |        |
| Replacement value netting   | <b>(88.1)</b> | <b>(88.1)</b> |               | (83.5) | (83.5) |        |
| <b>Total after netting</b>  | <b>14.9</b>   | <b>17.0</b>   |               | 14.8   | 18.3   |        |
| <i>of which: with central clearing counterparties</i>                     | <b>0.5</b>    | <b>0.6</b>    |               | 0.0    | 0.2    |        |
| <i>of which: with bank and broker-dealer counterparties</i>               | <b>5.9</b>    | <b>6.2</b>    |               | 5.5    | 6.4    |        |
| <i>of which: other client counterparties</i>                              | <b>8.5</b>    | <b>10.2</b>   |               | 9.2    | 11.7   |        |

1 Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are excluded from this table. The replacement values and related notional values of these derivatives were not material for the periods presented. 2 Includes forward rate agreements. 3 PRV: positive replacement values. 4 NRV: negative replacement values.



## UBS AG standalone financial statements (audited)

**Note 15a Financial investments by instrument type**

| USD million   | 31.12.18       |               | 31.12.17       |               |
|---|----------------|---------------|----------------|---------------|
|   | Carrying value | Fair value    | Carrying value | Fair value    |
| Debt instruments  | 25,442         | 25,460        | 24,847         | 24,846        |
| of which: held to maturity  | 1,983          | 1,981         | 975            | 966           |
| of which: available-for-sale  | 23,460         | 23,479        | 23,872         | 23,880        |
| Equity instruments  | 222            | 257           | 193            | 218           |
| of which: qualified participations <sup>1</sup>   | 61             | 64            | 52             | 57            |
| Property  | 2              | 2             | 9              | 9             |
| <b>Total financial investments</b>  | <b>25,666</b>  | <b>25,718</b> | <b>25,048</b>  | <b>25,072</b> |
| of which: securities eligible for repurchase transactions in accordance with liquidity regulations <sup>2</sup> | <b>25,421</b>  | <b>25,436</b> | <b>23,563</b>  | <b>23,589</b> |

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

| CHF million   | 31.12.18       |               | 31.12.17       |               |
|---|----------------|---------------|----------------|---------------|
|   | Carrying value | Fair value    | Carrying value | Fair value    |
| Debt instruments  | 25,016         | 25,033        | 24,221         | 24,220        |
| of which: held until maturity   | 1,949          | 1,948         | 950            | 942           |
| of which: available-for-sale  | 23,066         | 23,085        | 23,270         | 23,278        |
| Equity instruments  | 218            | 252           | 188            | 212           |
| of which: qualified participations <sup>1</sup>   | 60             | 63            | 51             | 56            |
| Property  | 2              | 2             | 8              | 8             |
| <b>Total financial investments</b>  | <b>25,235</b>  | <b>25,287</b> | <b>24,417</b>  | <b>24,440</b> |
| of which: securities eligible for repurchase transactions in accordance with liquidity regulations <sup>2</sup> | <b>24,995</b>  | <b>25,009</b> | <b>22,969</b>  | <b>22,994</b> |

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

**Note 15b Financial investments by counterparty rating – debt instruments**

| Internal UBS rating <sup>1</sup> | USD million |          | CHF million |          |
|----------------------------------|-------------|----------|-------------|----------|
|                                  | 31.12.18    | 31.12.17 | 31.12.18    | 31.12.17 |

|                                    |               |        |               |        |
|------------------------------------|---------------|--------|---------------|--------|
| 0-1                                | <b>17,204</b> | 17,794 | <b>16,916</b> | 17,345 |
| 2-3                                | <b>8,237</b>  | 7,052  | <b>8,099</b>  | 6,875  |
| 4-5                                | <b>0</b>      | 0      | <b>0</b>      | 0      |
| 6-8                                | <b>0</b>      | 0      | <b>0</b>      | 0      |
| 9-13                               | <b>0</b>      | 0      | <b>0</b>      | 0      |
| Non-rated                          | <b>2</b>      | 1      | <b>2</b>      | 1      |
| <b>Total financial investments</b> | <b>25,442</b> | 24,847 | <b>25,016</b> | 24,221 |

1 Refer to Note 19 for more information.

## Note 16 Investments in subsidiaries and other participations

|   | Registered office         | Equity interest accumulated in % | Carrying amount in USD million |          | Carrying amount in CHF million |          |
|---|---------------------------|----------------------------------|--------------------------------|----------|--------------------------------|----------|
|   |                           |                                  | <b>31.12.18</b>                | 31.12.17 | <b>31.12.18</b>                | 31.12.17 |
| UBS Americas Holding LLC <sup>1</sup>                             | Wilmington, Delaware, USA | 100                              | <b>31,935</b>                  | 31,316   | <b>31,400</b>                  | 30,527   |
| UBS Switzerland AG  | Zurich, Switzerland       | 100                              | <b>7,982</b>                   | 8,034    | <b>7,848</b>                   | 7,832    |
| UBS Limited <sup>2</sup>  | London, United Kingdom    | 100                              |                                | 3,828    |                                | 3,731    |
| UBS Asset Management AG   | Zurich, Switzerland       | 100                              | <b>1,528</b>                   | 1,532    | <b>1,503</b>                   | 1,493    |
| UBS Europe SE <sup>2</sup>  | Frankfurt, Germany        | 100                              | <b>5,015</b>                   | 1,060    | <b>4,931</b>                   | 1,033    |
| Other   |                           |                                  | <b>3,069</b>                   | 3,432    | <b>3,017</b>                   | 3,345    |
| <b>Total investments in subsidiaries and other participations</b> |                           |                                  | <b>49,528</b>                  | 49,202   | <b>48,698</b>                  | 47,962   |

1 Includes the effects of a capital contribution by UBS AG into UBS Americas Holding LLC related to a waiver agreement. Refer to Note 9 for more information. 2 As of 31 December 2018, UBS Europe SE holding reflects the combined UK business transfer and cross-border merger of UBS Limited into UBS Europe SE, which was formally concluded on 1 March 2019. Refer to Note 27 for more information.

**Note 17a Other assets**

|  | USD million     |          | CHF million     |          |
|--|-----------------|----------|-----------------|----------|
|  | <b>31.12.18</b> | 31.12.17 | <b>31.12.18</b> | 31.12.17 |
| Deferral position for hedging instruments  | <b>464</b>      | 0        | <b>456</b>      | 0        |
| Settlement and clearing accounts   | <b>304</b>      | 80       | <b>299</b>      | 78       |
| VAT and other indirect tax receivables   | <b>99</b>       | 156      | <b>97</b>       | 152      |
| Bail deposit <sup>1</sup>  | <b>1,300</b>    | 1,359    | <b>1,278</b>    | 1,325    |
| Other  | <b>1,722</b>    | 2,763    | <b>1,692</b>    | 2,693    |
| <i>of which: other receivables due from UBS Group AG and subsidiaries in the UBS Group</i> | <b>1,047</b>    | 1,776    | <b>1,030</b>    | 1,731    |
| <b>Total other assets</b>  | <b>3,888</b>    | 4,358    | <b>3,822</b>    | 4,248    |

<sup>1</sup> Refer to item 1 in Note 21b to the UBS AG consolidated financial statements in the UBS Group AG and UBS AG Annual Report 2018 for more information.

**Note 17b Other liabilities**

|   | USD million     |          | CHF million     |          |
|---|-----------------|----------|-----------------|----------|
|   | <b>31.12.18</b> | 31.12.17 | <b>31.12.18</b> | 31.12.17 |
| Deferral position for hedging instruments   | <b>0</b>        | 213      | <b>0</b>        | 208      |
| Settlement and clearing accounts  | <b>344</b>      | 513      | <b>339</b>      | 500      |
| Net defined benefit liabilities   | <b>279</b>      | 429      | <b>274</b>      | 418      |
| VAT and other indirect tax payables   | <b>72</b>       | 74       | <b>71</b>       | 72       |
| Other   | <b>1,906</b>    | 2,421    | <b>1,873</b>    | 2,360    |
| <i>of which: other payables due to UBS Group AG and subsidiaries in the UBS Group</i> | <b>1,461</b>    | 1,960    | <b>1,436</b>    | 1,910    |
| <b>Total other liabilities</b>  | <b>2,601</b>    | 3,650    | <b>2,557</b>    | 3,558    |

**Note 18 Pledged assets<sup>1</sup>**

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

→ **Refer to Note 10 for more information on securities financing transactions**

|   | 31.12.18             |            | 31.12.17             |            |
|---|----------------------|------------|----------------------|------------|
|   | Carrying<br>value of | Effective  | Carrying<br>value of | Effective  |
| <i>USD million</i>  | pledged<br>assets    | commitment | pledged<br>assets    | commitment |
| Securities  | 4,532                | 187        | 2,469                | 162        |
| Pledges of property,<br>equipment and software <sup>2</sup> | 2,636                | 0          | 0                    | 0          |
| <b>Total pledged assets</b>                                 | <b>7,168</b>         | <b>187</b> | 2,469                | 162        |

1 Excludes assets placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes (31 December 2018: USD 0.8 billion; 31 December 2017: USD 2.7 billion). 2 These pledged properties serve as collateral for an existing mortgage loan from UBS Switzerland AG.

|   | 31.12.18             |            | 31.12.17             |            |
|---|----------------------|------------|----------------------|------------|
|   | Carrying<br>value of | Effective  | Carrying<br>value of | Effective  |
| <i>CHF million</i>  | pledged<br>assets    | commitment | pledged<br>assets    | commitment |
| Securities  | 4,456                | 183        | 2,407                | 158        |
| Pledges of property,<br>equipment and software <sup>2</sup> | 2,592                | 0          | 0                    | 0          |
| <b>Total pledged assets</b>                                 | <b>7,048</b>         | <b>183</b> | 2,407                | 158        |

1 Excludes assets placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes (31 December 2018: CHF 0.8 billion; 31 December 2017: CHF 2.7 billion). 2 These pledged properties serve as collateral for an existing mortgage loan from UBS Switzerland AG.

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**Note 19 Country risk of total assets**

The table below provides a breakdown of total non-Swiss assets by credit rating. These credit ratings reflect the sovereign credit rating of the country to which the ultimate risk of the underlying asset is related. The ultimate country of risk for unsecured loan positions is the domicile of the immediate borrower or, in the case of a legal entity, the domicile of the ultimate parent entity. For collateralized or guaranteed positions, the ultimate country of risk is the domicile of the provider of the collateral or guarantor or, if applicable, the domicile of the ultimate parent entity of the provider of the collateral or guarantor. For mortgage loans, the ultimate country of risk is the country where the real estate is located. Similarly, the ultimate country of risk for property and equipment is the country where the property and equipment is located. Assets for which Switzerland is the ultimate country of risk are provided separately in order to reconcile them to total balance sheets assets.

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

| Classification | Internal UBS rating | Description          | Moody's Investors |                   |             | 31.12.18       |           | 31.12.17    |    |
|----------------|---------------------|----------------------|-------------------|-------------------|-------------|----------------|-----------|-------------|----|
|                |                     |                      | Service           | Standard & Poor's | Fitch       | USD million    | %         | USD million | %  |
|                | 0 and 1             | Investment grade     | Aaa               | AAA               | AAA         | <b>210,209</b> | <b>44</b> | 212,964     | 44 |
| Low risk       | 2                   |                      | Aa1 to Aa3        | AA+ to AA-        | AA+ to AA-  | <b>130,270</b> | <b>27</b> | 147,027     | 30 |
|                | 3                   |                      | A1 to A3          | A+ to A-          | A+ to AA-   | <b>56,410</b>  | <b>12</b> | 50,213      | 10 |
| Medium risk    | 4                   |                      | Baa1 to Baa2      | BBB+ to BBB       | BBB+ to BBB | <b>11,928</b>  | <b>2</b>  | 15,810      | 3  |
|                | 5                   |                      | Baa3              | BBB-              | BBB-        | <b>5,073</b>   | <b>1</b>  | 5,201       | 1  |
| High risk      | 6                   | Sub-investment grade | Ba1               | BB+               | BB+         | <b>1,412</b>   | <b>0</b>  | 1,575       | 0  |
|                | 7                   |                      | Ba2               | BB                | BB          | <b>2,512</b>   | <b>1</b>  | 2,057       | 0  |
|                | 8                   |                      | Ba3               | BB-               | BB-         | <b>10</b>      | <b>0</b>  | 49          | 0  |
|                | 9                   |                      | B1                | B+                | B+          | <b>679</b>     | <b>0</b>  | 894         | 0  |
|                | 10                  |                      | B2                | B                 | B           | <b>715</b>     | <b>0</b>  | 1,002       | 0  |
| Very high risk | 11                  |                      | B3                | B-                | B-          | <b>163</b>     | <b>0</b>  | 358         | 0  |

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|                     |         |           |         |         |         |                |            |         |     |
|---------------------|---------|-----------|---------|---------|---------|----------------|------------|---------|-----|
|                     | 12      |           | Caa     | CCC     | CCC     | <b>66</b>      | <b>0</b>   | 150     | 0   |
|                     | 13      |           | Ca to C | CC to C | CC to C | <b>72</b>      | <b>0</b>   | 113     | 0   |
| Distressed          | Default | Defaulted | D       | D       | D       | <b>17</b>      | <b>0</b>   | 1       | 0   |
| <b>Subtotal</b>     |         |           |         |         |         | <b>419,536</b> | <b>87</b>  | 437,415 | 89  |
| Switzerland         |         |           |         |         |         | <b>60,701</b>  | <b>13</b>  | 51,898  | 11  |
| <b>Total assets</b> |         |           |         |         |         | <b>480,238</b> | <b>100</b> | 489,313 | 100 |

|                     |                     |                      |                           |                   |             | <b>31.12.18</b> |            | 31.12.17 |     |
|---------------------|---------------------|----------------------|---------------------------|-------------------|-------------|-----------------|------------|----------|-----|
| Classification      | Internal UBS rating | Description          | Moody's Investors Service | Standard & Poor's | Fitch       | CHF             |            | CHF      |     |
|                     |                     |                      |                           |                   |             | million         | %          | million  | %   |
|                     | 0 and 1             | Investment grade     | Aaa                       | AAA               | AAA         | <b>206,648</b>  | <b>44</b>  | 207,595  | 44  |
| Low risk            | 2                   |                      | Aa1 to Aa3                | AA+ to AA-        | AA+ to AA-  | <b>128,095</b>  | <b>27</b>  | 143,320  | 30  |
|                     | 3                   |                      | A1 to A3                  | A+ to A-          | A+ to AA-   | <b>55,464</b>   | <b>12</b>  | 48,947   | 10  |
|                     | 4                   |                      | Baa1 to Baa2              | BBB+ to BBB       | BBB+ to BBB | <b>11,726</b>   | <b>2</b>   | 15,411   | 3   |
| Medium risk         | 5                   |                      | Baa3                      | BBB-              | BBB-        | <b>4,988</b>    | <b>1</b>   | 5,070    | 1   |
|                     | 6                   | Sub-investment grade | Ba1                       | BB+               | BB+         | <b>1,389</b>    | <b>0</b>   | 1,536    | 0   |
| High risk           | 7                   |                      | Ba2                       | BB                | BB          | <b>2,470</b>    | <b>1</b>   | 2,005    | 0   |
|                     | 8                   |                      | Ba3                       | BB-               | BB-         | <b>10</b>       | <b>0</b>   | 48       | 0   |
|                     | 9                   |                      | B1                        | B+                | B+          | <b>668</b>      | <b>0</b>   | 872      | 0   |
|                     | 10                  |                      | B2                        | B                 | B           | <b>703</b>      | <b>0</b>   | 976      | 0   |
| Very high risk      | 11                  |                      | B3                        | B-                | B-          | <b>160</b>      | <b>0</b>   | 349      | 0   |
|                     | 12                  |                      | Caa                       | CCC               | CCC         | <b>65</b>       | <b>0</b>   | 146      | 0   |
|                     | 13                  |                      | Ca to C                   | CC to C           | CC to C     | <b>71</b>       | <b>0</b>   | 110      | 0   |
| Distressed          | Default             | Defaulted            | D                         | D                 | D           | <b>17</b>       | <b>0</b>   | 1        | 0   |
| <b>Subtotal</b>     |                     |                      |                           |                   |             | <b>412,472</b>  | <b>87</b>  | 426,387  | 89  |
| Switzerland         |                     |                      |                           |                   |             | <b>59,712</b>   | <b>13</b>  | 50,590   | 11  |
| <b>Total assets</b> |                     |                      |                           |                   |             | <b>472,184</b>  | <b>100</b> | 476,977  | 100 |

**Note 20 Structured debt instruments**

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

|   | USD million     |          | CHF million     |          |
|---|-----------------|----------|-----------------|----------|
|   | <b>31.12.18</b> | 31.12.17 | <b>31.12.18</b> | 31.12.17 |
| Fixed-rate bonds with structured features                   | <b>3,510</b>    | 2,949    | <b>3,451</b>    | 2,875    |
| Structured debt instruments issued:                         |                 |          |                 |          |
| Equity-linked   | <b>34,528</b>   | 35,073   | <b>33,949</b>   | 34,189   |
| Rates-linked  | <b>11,785</b>   | 5,837    | <b>11,587</b>   | 5,689    |
| Credit-linked   | <b>2,331</b>    | 1,685    | <b>2,292</b>    | 1,642    |
| Commodities-linked <sup>1</sup>                             | <b>1,774</b>    | 2,038    | <b>1,745</b>    | 1,986    |
| FX-linked   | <b>274</b>      | 442      | <b>270</b>      | 431      |
| Structured over-the-counter (OTC) debt instruments          | <b>2,023</b>    | 4,472    | <b>1,989</b>    | 4,359    |
| <b>Total financial liabilities designated at fair value</b> | <b>56,226</b>   | 52,495   | <b>55,283</b>   | 51,171   |

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

In addition to *Financial liabilities designated at fair value*, certain structured debt instruments were reported within the balance sheet lines *Due to banks*, *Due to customers* and *Bonds issued*. These instruments were bifurcated for measurement purposes. As of 31 December 2018, the total carrying value of the host instruments was USD 4,465 million (CHF 4,390 million) (31 December 2017: USD 4,034 million (CHF 3,932 million)) and the total carrying value of the bifurcated embedded derivatives was positive USD 76 million (CHF 75 million) (31 December 2017: positive USD 70 million (CHF 68 million)).

**Note 21a Share capital****UBS AG shares**

As of 31 December 2018, UBS AG's share capital of CHF 386 million (31 December 2017: CHF 386 million) consisted of fully paid up registered issued shares with a par value of CHF 0.10, which entitle the holder to one vote at the UBS AG shareholders' meeting, if entered into the share register as having the right to vote, as well as a proportionate share of distributed dividends. UBS AG's shares are not subject to any restrictions or limitations on their transferability.

As of 31 December 2018, shares issued by UBS AG totaled 3,858,408,466 shares (unchanged from 31 December 2017). The shares were all dividend bearing and held by UBS Group AG.

Additionally, as of 31 December 2018, 380,000,000 registered shares with a par value of CHF 0.10 each were available to be issued out of conditional capital (31 December 2017: 516,200,312 registered shares). During 2018, 136,200,312 conditional capital shares available upon the exercise of employee options were cancelled.

During 2018 and 2017, there were no new share issuances out of conditional capital.

### **Non-cash dividend**

There was no non-cash dividend in 2018. With the transfer of shared services functions in Switzerland, UBS AG transferred its participation in a service center subsidiary to UBS Group AG in June 2017 by way of distribution of a dividend in kind, which resulted in a USD 256 million (CHF 250 million) reduction in the capital contribution reserve.

→ **Refer to Note 2c for more information on the transfer of shared services functions**

### **Non-distributable reserves**

Non-distributable reserves consist of 50% of the share capital of UBS AG, amounting to USD 197 million (CHF 193 million) as of 31 December 2018 (USD 198 million / CHF 193 million as of 31 December 2017).



## UBS AG standalone financial statements (audited)

**Note 21b Significant shareholders**

The sole direct shareholder of UBS AG is UBS Group AG, which holds 100% of UBS AG shares. These shares are entitled to voting rights. Indirect shareholders of UBS AG included in the table below comprise direct shareholders of UBS Group AG (acting in their own name or in their capacity as nominees for other investors or beneficial owners) that were registered in the UBS Group AG share register with 3% or more of the share capital of UBS Group AG as of 31 December 2018 or as of 31 December 2017. The shares and share capital of UBS AG held by indirect shareholders, as shown in the table below, represent their relative holding of UBS Group AG shares. They do not have voting rights in UBS AG.

→ **Refer to Note 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>USD million, except where indicated</i>         | <b>31.12.18</b>           |                        | 31.12.17           |                 |
|--|---------------------------|------------------------|--------------------|-----------------|
|  | <b>Share capital held</b> | <b>Shares held (%)</b> | Share capital held | Shares held (%) |
| <b>Significant direct shareholder of UBS AG</b>    |                           |                        |                    |                 |
| UBS Group AG                                       | <b>393</b>                | <b>100</b>             | 396                | 100             |
| <b>Significant indirect shareholders of UBS AG</b> |                           |                        |                    |                 |
| Chase Nominees Ltd., London                        | <b>48</b>                 | <b>12</b>              | 44                 | 11              |
| DTC (Cede & Co.), New York <sup>1</sup>            | <b>28</b>                 | <b>7</b>               | 27                 | 7               |
| Nortrust Nominees Ltd., London                     | <b>16</b>                 | <b>4</b>               | 16                 | 4               |

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

| <i>CHF million, except where indicated</i>         | <b>31.12.18</b>           |                        | 31.12.17           |                 |
|--|---------------------------|------------------------|--------------------|-----------------|
|  | <b>Share capital held</b> | <b>Shares held (%)</b> | Share capital held | Shares held (%) |
| <b>Significant direct shareholder of UBS AG</b>    |                           |                        |                    |                 |
| UBS Group AG                                       | <b>386</b>                | <b>100</b>             | 386                | 100             |
| <b>Significant indirect shareholders of UBS AG</b> |                           |                        |                    |                 |
| Chase Nominees Ltd., London                        | <b>47</b>                 | <b>12</b>              | 43                 | 11              |
| DTC (Cede & Co.), New York <sup>1</sup>            | <b>28</b>                 | <b>7</b>               | 26                 | 7               |
| Nortrust Nominees Ltd., London                     | <b>16</b>                 | <b>4</b>               | 16                 | 4               |

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



**Note 22 Swiss pension plan and non-Swiss defined benefit plans****a) Liabilities related to Swiss pension plan and non-Swiss defined benefit plans**

|  | USD million     |          | CHF million     |          |
|--|-----------------|----------|-----------------|----------|
|  | <b>31.12.18</b> | 31.12.17 | <b>31.12.18</b> | 31.12.17 |
| Provision for Swiss pension plan   | <b>0</b>        | 0        | <b>0</b>        | 0        |
| Net defined benefit liabilities for non-Swiss defined benefit plans <sup>1</sup>                               | <b>279</b>      | 429      | <b>274</b>      | 418      |
| Total provision for Swiss pension plan and net defined benefit liabilities for non-Swiss defined benefit plans | <b>279</b>      | 429      | <b>274</b>      | 418      |
| Bank accounts at UBS and UBS debt instruments held by Swiss pension fund                                       | <b>18</b>       | 15       | <b>18</b>       | 15       |
| UBS derivative financial instruments held by Swiss pension fund  | <b>5</b>        | 5        | <b>5</b>        | 5        |
| <b>Total liabilities related to Swiss pension plan and non-Swiss defined benefit plans</b>                     | <b>302</b>      | 449      | <b>297</b>      | 438      |

<sup>1</sup> As of 31 December 2018, USD 160 million (CHF 157 million) related to the UK defined benefit pension plan and USD 22 million (CHF 22 million) related to the UK post-employment medical insurance plan. As of 31 December 2017, USD 275 million (CHF 268 million) related to the UK defined benefit pension plan and USD 27 million (CHF 26 million) related to the UK post-employment medical insurance plan.

**b) Swiss pension plan**

|  | USD million                 |          | CHF million     |          |
|--|-----------------------------|----------|-----------------|----------|
|  | <b>31.12.18</b>             | 31.12.17 | <b>31.12.18</b> | 31.12.17 |
|  | As of or for the year ended |          |                 |          |
| Pension plan surplus <sup>1</sup>  | <b>637</b>                  | 806      | <b>626</b>      | 786      |
| Economic benefit / (obligation) of UBS AG                                    | <b>0</b>                    | 0        | <b>0</b>        | 0        |
| Change in economic benefit / (obligation) recognized in the income statement | <b>0</b>                    | 0        | <b>0</b>        | 0        |
| Employer contributions in the period recognized in the income statement      | <b>48</b>                   | 92       | <b>47</b>       | 90       |
| Performance awards-related employer contributions accrued                    | <b>10</b>                   | 13       | <b>10</b>       | 12       |

|   |           |     |           |     |
|---|-----------|-----|-----------|-----|
| <b>Total pension expense recognized in the income statement within Personnel expenses</b> | <b>58</b> | 105 | <b>57</b> | 102 |
|---|-----------|-----|-----------|-----|

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 AG in accordance with FER 16 both as of 31 December 2018 and 31 December 2017.

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

→ **Refer to Note 2 for more information**

→ **Refer to Note 29 of the UBS AG consolidated financial statements in the UBS Group AG and UBS AG Annual Report 2018 for more information on non-Swiss defined benefit plans in accordance with IFRS**

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

### **Note 23 Share-based compensation**

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

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

## UBS AG standalone financial statements (audited)

**Note 24 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>USD million</i>   | <b>31.12.18</b>             |                           | <b>31.12.17</b>     |                   |
|--|-----------------------------|---------------------------|---------------------|-------------------|
|  | <b>Amounts<br/>due from</b> | <b>Amounts<br/>due to</b> | Amounts<br>due from | Amounts<br>due to |
| Qualified shareholders <sup>1</sup>  | <b>639</b>                  | <b>2,087</b>              | 1,843               | 11,099            |
| <i>of which: due from / to<br/>customers</i>   | <b>627</b>                  | <b>1,819</b>              | 1,839               | 5,357             |
| <i>of which: funding received<br/>from UBS Group AG</i>                                |                             |                           |                     | 5,050             |
| Subsidiaries   | <b>97,219</b>               | <b>74,413</b>             | 94,920              | 74,069            |
| <i>of which: due from / to banks</i>   | <b>39,180</b>               | <b>35,114</b>             | 37,895              | 25,105            |
| <i>of which: due from / to<br/>customers</i>   | <b>27,210</b>               | <b>1,544</b>              | 33,498              | 1,908             |
| <i>of which: receivables /<br/>payables from securities<br/>financing transactions</i> | <b>26,453</b>               | <b>32,558</b>             | 17,938              | 42,251            |
| Affiliated entities <sup>2</sup>   | <b>570</b>                  | <b>42,793</b>             | 433                 | 29,245            |
| <i>of which: due from / to<br/>customers</i>   | <b>474</b>                  | <b>125</b>                | 315                 | 25                |
| <i>of which: funding received<br/>from UBS Group Funding<br/>(Switzerland) AG</i>      |                             | <b>41,782</b>             |                     | 28,422            |
| Members of governing<br>bodies <sup>3</sup>  | <b>34</b>                   |                           | 42                  |                   |
| External auditors  |                             | <b>12</b>                 |                     | 11                |
| Other related parties  | <b>2</b>                    |                           | 13                  |                   |

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

| <i>CHF million</i>                  | <b>31.12.18</b>             |                           | <b>31.12.17</b>     |                   |
|-------------------------------------|-----------------------------|---------------------------|---------------------|-------------------|
|                                     | <b>Amounts<br/>due from</b> | <b>Amounts<br/>due to</b> | Amounts<br>due from | Amounts<br>due to |
| Qualified shareholders <sup>1</sup> | <b>628</b>                  | <b>2,052</b>              | 1,797               | 10,819            |

|  |               |               |        |        |
|--|---------------|---------------|--------|--------|
| <i>of which: due from / to customers</i>                                       | <b>616</b>    | <b>1,788</b>  | 1,793  | 5,222  |
| <i>of which: funding received from UBS Group AG Subsidiaries</i>               | <b>95,588</b> | <b>73,166</b> | 92,527 | 72,202 |
| <i>of which: due from / to banks</i>   | <b>38,523</b> | <b>34,525</b> | 36,940 | 24,472 |
| <i>of which: due from / to customers</i>                                       | <b>26,754</b> | <b>1,518</b>  | 32,654 | 1,860  |
| <i>of which: receivables / payables from securities financing transactions</i> | <b>26,010</b> | <b>32,012</b> | 17,486 | 41,186 |
| Affiliated entities <sup>2</sup>   | <b>560</b>    | <b>42,076</b> | 422    | 28,508 |
| <i>of which: due from / to customers</i>                                       | <b>466</b>    | <b>123</b>    | 307    | 24     |
| <i>of which: funding received from UBS Group Funding (Switzerland) AG</i>      |               | <b>41,081</b> |        | 27,706 |
| Members of governing bodies <sup>3</sup>                                       | <b>34</b>     |               | 41     |        |
| External auditors  |               | <b>12</b>     |        | 10     |
| Other related parties  | <b>2</b>      |               | 13     |        |

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

As of 31 December 2018, off-balance sheet positions related to subsidiaries amounted to USD 13.3 billion (CHF 13.0 billion) (31 December 2017: USD 21.6 billion (CHF 21.1 billion)), of which USD 7.5 billion (CHF 7.4 billion) were guarantees to third parties (31 December 2017: USD 14.4 billion (CHF 14.0 billion)) and USD 3.3 billion (CHF 3.2 billion) were loan commitments (31 December 2017: USD 5.7 billion (CHF 5.6 billion)).

**Note 25 Fiduciary transactions**

|   | USD million     |          | CHF million     |          |
|---|-----------------|----------|-----------------|----------|
|   | <b>31.12.18</b> | 31.12.17 | <b>31.12.18</b> | 31.12.17 |
| Fiduciary deposits  | <b>145</b>      | 211      | <b>143</b>      | 205      |
| <i>of which: placed with third-party banks</i>                    | <b>145</b>      | 211      | <b>143</b>      | 205      |
| <i>of which: placed with subsidiaries and affiliated entities</i> | <b>0</b>        | 0        | <b>0</b>        | 0        |
| <b>Total fiduciary transactions</b>                               | <b>145</b>      | 211      | <b>143</b>      | 205      |

Fiduciary transactions encompass transactions entered into or granted by UBS AG that result in holding or placing assets on behalf of individuals, trusts, defined benefit plans and other institutions. Unless the recognition criteria for the assets are satisfied, these assets and the related income are excluded from UBS AG's balance sheet and income statement but disclosed in this Note as off-balance sheet fiduciary transactions. Client deposits that are initially placed as fiduciary transactions with UBS AG may be recognized on UBS AG's balance sheet in situations in which the deposit is subsequently placed within UBS AG. In such cases, these deposits are not reported in the table above.

**Note 26a Invested assets and net new money<sup>1</sup>**

|                                | USD billion     |          | CHF billion     |          |
|--------------------------------|-----------------|----------|-----------------|----------|
|                                | <b>31.12.18</b> | 31.12.17 | <b>31.12.18</b> | 31.12.17 |
| Fund assets managed            | <b>25</b>       | 23       | <b>25</b>       | 23       |
| Discretionary assets           | <b>184</b>      | 203      | <b>180</b>      | 198      |
| Other invested assets          | <b>379</b>      | 420      | <b>373</b>      | 409      |
| <b>Total invested assets</b>   | <b>588</b>      | 646      | <b>578</b>      | 630      |
| <i>of which: double counts</i> | <b>6</b>        | 5        | <b>6</b>        | 5        |
| <b>Net new money</b>           | <b>9</b>        | 47       | <b>9</b>        | 46       |

<sup>1</sup> The US dollar amounts disclosed in Notes 26a and 26b have been recalculated on a retrospective basis, as if the conversion to the new US dollar presentation currency had occurred on 1 January 2017.

**Note 26b Development of invested assets<sup>1</sup>**

|   | USD billion     |          | CHF billion     |          |
|---|-----------------|----------|-----------------|----------|
|   | <b>31.12.18</b> | 31.12.17 | <b>31.12.18</b> | 31.12.17 |
| Total invested assets at the beginning of the year <sup>2</sup> | <b>646</b>      | 500      | <b>630</b>      | 509      |

|   |             |     |             |     |
|---|-------------|-----|-------------|-----|
| Net new money   | <b>9</b>    | 47  | <b>9</b>    | 46  |
| Market movements <sup>3</sup>                                       | <b>(51)</b> | 87  | <b>(50)</b> | 84  |
| Foreign currency translation  | <b>(7)</b>  | 13  | <b>(1)</b>  | (9) |
| Other effects   | <b>(10)</b> | (1) | <b>(10)</b> | (1) |
| <i>of which: acquisitions /<br/>(divestments)</i>                   | <b>0</b>    | 0   | <b>0</b>    | 0   |
| <b>Total invested assets at the<br/>end of the year<sup>2</sup></b> | <b>588</b>  | 646 | <b>578</b>  | 630 |

1 The US dollar amounts disclosed in Notes 26a and 26b have been recalculated on a retrospective basis, as if the conversion to the new US dollar presentation currency had occurred on 1 January 2017. 2 Includes double counts. 3 Includes interest and dividend income.

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



UBS AG standalone financial statements (audited)

## **Note 27 Events after the reporting period**

### **Merger of UBS Limited into UBS Europe SE**

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

### **Provisions for litigation, regulatory and similar matters**

Provisions for litigation, regulatory and similar matters reflect the effects of adjusting events after the balance sheet date of USD 340 million (CHF 334 million).

→ **Refer to Note 21 of the UBS AG consolidated financial statements in the UBS Group AG and UBS AG Annual Report 2018 and to Note 12b of this report for more information**





UBS AG standalone financial statements (audited)



UBS AG standalone financial statements (audited)







UBS AG standalone  
regulatory information

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

The table below is based on BCBS Basel III phase-in rules. During the fourth quarter of 2018, CET1 capital remained largely stable. RWA increased USD 4.8 billion to USD 292.9 billion, mainly reflecting a USD 7.2 billion increase in market risk RWA due to higher average regulatory and stressed value-at-risk levels, partly offset by a USD 3.0 billion decrease in operational risk RWA after the recalibration of the advanced measurement approach model used for calculation of operational risk capital.

Leverage ratio exposure decreased by USD 19 billion to USD 601 billion, mainly due to on-balance sheet exposures (excluding derivative exposures and SFT).

Effective from 31 December 2018, UBS opted to phase in the effects from 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**

*USD million, except where indicated*

|   |   | <b>31.12.18</b> | <b>30.9.18</b> | <b>30.6.18</b> | <b>31.3.18</b> | <b>31.12.17</b>      |
|---|---|-----------------|----------------|----------------|----------------|----------------------|
| <b>Available capital (amounts)<sup>1</sup></b>                      |   |                 |                |                |                |                      |
| 1   | Common equity tier 1 (CET1)                     | <b>49,411</b>   | 49,810         | 49,583         | 49,833         | 49,625               |
| 1a  | Fully loaded ECL accounting model               | <b>49,411</b>   | 49,810         | 49,583         | 49,833         |                      |
| 2   | Tier 1  | <b>59,595</b>   | 59,341         | 59,161         | 59,537         | 54,600               |
| 2a  | Fully loaded ECL accounting model Tier 1        | <b>59,595</b>   | 59,341         | 59,161         | 59,537         |                      |
| 3   | Total capital                                   | <b>66,295</b>   | 66,005         | 66,258         | 68,329         | 63,471               |
| 3a  | Fully loaded ECL accounting model total capital | <b>66,295</b>   | 66,005         | 66,258         | 68,329         |                      |
| <b>Risk-weighted assets (amounts)</b>                               |   |                 |                |                |                |                      |
| 4   | Total risk-weighted assets (RWA)                | <b>292,888</b>  | 288,045        | 286,457        | 302,296        | 284,707 <sup>1</sup> |
| 4a  | Total risk-weighted assets (pre-floor)          | <b>292,888</b>  | 288,045        | 286,457        | 302,296        | 284,707              |
| <b>Risk-based capital ratios as a percentage of RWA<sup>1</sup></b> |   |                 |                |                |                |                      |
| 5   | Common equity tier 1 ratio (%)                  | <b>16.87</b>    | 17.29          | 17.31          | 16.48          | 17.43                |

|   |   |                |         |         |         |                      |
|---|---|----------------|---------|---------|---------|----------------------|
| 5a  | Fully loaded ECL accounting model Common Equity Tier 1 (%)                            | <b>16.87</b>   | 17.29   | 17.31   | 16.48   |                      |
| 6   | Tier 1 ratio (%)  | <b>20.35</b>   | 20.60   | 20.65   | 19.69   | 19.18                |
| 6a  | Fully loaded ECL accounting model Tier 1 ratio (%)                                    | <b>20.35</b>   | 20.60   | 20.65   | 19.69   |                      |
| 7   | Total capital ratio (%)   | <b>22.63</b>   | 22.91   | 23.13   | 22.60   | 22.29                |
| 7a  | Fully loaded ECL accounting model total capital ratio (%)                             | <b>22.63</b>   | 22.91   | 23.13   | 22.60   |                      |
| <b>Additional CET1 buffer requirements as a percentage of RWA</b> |   |                |         |         |         |                      |
| 8   | Capital conservation buffer requirement (2.5% from 2019) (%)                          | <b>1.88</b>    | 1.88    | 1.88    | 1.88    | 1.25                 |
| 9   | Countercyclical buffer requirement (%)  | <b>0.07</b>    | 0.05    | 0.08    | 0.04    | 0.02                 |
| 9a  | Additional countercyclical buffer for Swiss mortgage loans (%)                        | <b>0.00</b>    | 0.00    | 0.00    | 0.00    | 0.00                 |
| 10  | Bank G-SIB and/or D-SIB additional requirements (%) <sup>2</sup>                      |                |         |         |         |                      |
| 11  | Total of bank CET1 specific buffer requirements (%)                                   | <b>1.95</b>    | 1.92    | 1.96    | 1.91    | 1.27                 |
| 12  | CET1 available after meeting the bank's minimum capital requirements (%) <sup>1</sup> | <b>12.37</b>   | 12.79   | 12.81   | 11.98   | 12.93                |
| <b>Basel III leverage ratio</b>                                   |   |                |         |         |         |                      |
| 13  | Total Basel III leverage ratio exposure measure                                       | <b>601,013</b> | 619,741 | 620,074 | 620,353 | 615,238 <sup>1</sup> |
| 14  | Basel III leverage ratio (%) <sup>1</sup>   | <b>9.92</b>    | 9.58    | 9.54    | 9.60    | 8.87                 |
| 14a   | Fully loaded ECL accounting model Basel III leverage ratio (%) <sup>1</sup>           | <b>9.92</b>    | 9.58    | 9.54    | 9.60    |                      |
| <b>Liquidity coverage ratio</b>                                   |   |                |         |         |         |                      |
| 15  | Total HQLA  | <b>76,456</b>  | 81,214  | 83,473  | 89,631  | 87,800               |
| 16  |   | <b>55,032</b>  | 59,450  | 60,786  | 70,367  | 66,505               |

|    |                           |            |     |     |     |     |
|----|---------------------------|------------|-----|-----|-----|-----|
|    | Total net cash<br>outflow |            |     |     |     |     |
| 17 | LCR ratio (%)             | <b>139</b> | 137 | 137 | 127 | 132 |

1 Based on BCBS Basel III phase-in rules. 2 Swiss SRB going concern requirements and information for UBS AG standalone is provided in the following pages in this section.

## UBS AG standalone regulatory information

### Swiss SRB going concern requirements and information

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

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

The FINMA decree issued in 2017 established the measure of total going concern capital for UBS AG. Common equity tier 1 (CET1) and high-trigger additional tier 1 capital instruments are eligible as going concern capital, and low-trigger tier 2 capital instruments remain eligible until the earlier of

- (i) their maturity or the first call date or
- (ii) 31 December 2019.

Capital requirements based on risk-weighted assets (RWA) and leverage ratio denominator (LRD) are the same under both the phase-in and fully applied rules. The capital requirements based on RWA include a minimum CET1 capital requirement of 10% plus the effects from countercyclical buffers (CCBs), and a total going concern capital requirement of 14.3% plus the effects from CCBs. The capital requirements based on LRD include a minimum CET1 capital requirement of 3.5% and a total going concern leverage ratio requirement of 5.0%. For direct and indirect investments, including holding of regulatory capital instruments of UBS AG in subsidiaries that are active in banking and finance, the FINMA decree introduced a risk-weighting approach, with a phase-in period until 1 January 2028. Starting 1 July 2017, these investments have been risk-weighted at 200%. As of 1 January 2019, the risk weights will gradually be raised by 5 percentage points per year for Swiss-domiciled investments and by 20 percentage points per year for foreign-domiciled investments until the fully applied risk weights are 250% and 400%, respectively.

More information on this change is provided in “Section 2 UBS AG standalone” of the UBS Group AG and significant regulated subsidiaries and sub-groups third quarter 2017 Pillar 3 report available under “Pillar 3 disclosures” at [www.ubs.com/investors](http://www.ubs.com/investors).

## Swiss SRB going concern requirements and information

**Swiss SRB going concern requirements and information**

| <b>As of 31.12.18</b>  | <b>Swiss SRB, including transitional arrangements</b> |               |                         |               | <b>Swiss SRB after transition</b> |               |                         |               |
|--|---|---------------|-------------------------|---------------|-----------------------------------|---------------|-------------------------|---------------|
| <i>USD million, except where indicated</i>                                     | <b>RWA</b>  |               | <b>LRD</b>              |               | <b>RWA</b>                        |               | <b>LRD</b>              |               |
| <b>Required going concern capital</b>  | <b>in %<sup>1</sup></b>                               |               | <b>in %<sup>1</sup></b> |               | <b>in %</b>                       |               | <b>in %</b>             |               |
| <b>Common equity tier 1 capital</b>  | <b>10.07</b>  | <b>29,497</b> | <b>3.50</b>             | <b>21,035</b> | <b>10.07</b>                      | <b>38,630</b> | <b>3.50</b>             | <b>21,035</b> |
| <i>of which: minimum capital</i>   | 4.50  | 13,180        | 1.50                    | 9,015         | 4.50                              | 17,261        | 1.50                    | 9,015         |
| <i>of which: buffer capital</i>  | 5.50  | 16,109        | 2.00                    | 12,020        | 5.50                              | 21,097        | 2.00                    | 12,020        |
| <i>of which: countercyclical buffer<sup>2</sup></i>                            | 0.07  | 208           |                         |               | 0.07                              | 273           |                         |               |
| <b>Maximum additional tier 1 capital</b>                                       | <b>4.30</b>   | <b>12,594</b> | <b>1.50</b>             | <b>9,015</b>  | <b>4.30</b>                       | <b>16,494</b> | <b>1.50</b>             | <b>9,015</b>  |
| <i>of which: high-trigger loss-absorbing additional tier 1 minimum capital</i> | 3.50  | 10,251        | 1.50                    | 9,015         | 3.50                              | 13,425        | 1.50                    | 9,015         |
| <i>of which: high-trigger loss-absorbing additional tier 1 buffer capital</i>  | 0.80  | 2,343         |                         |               | 0.80                              | 3,069         |                         |               |
| <b>Total going concern capital</b>   | <b>14.37<sup>3</sup></b>                              | <b>42,091</b> | <b>5.00<sup>3</sup></b> | <b>30,051</b> | <b>14.37<sup>3</sup></b>          | <b>55,124</b> | <b>5.00<sup>3</sup></b> | <b>30,051</b> |
| <b>Eligible going concern capital</b>  |   |               |                         |               |                                   |               |                         |               |
| <b>Common equity tier 1 capital</b>  | <b>16.87</b>  | <b>49,411</b> | <b>8.22</b>             | <b>49,411</b> | <b>12.88</b>                      | <b>49,411</b> | <b>8.22</b>             | <b>49,411</b> |
| <b>High-trigger loss-absorbing additional tier</b>                             | <b>4.72</b>   | <b>13,813</b> | <b>2.30</b>             | <b>13,813</b> | <b>2.03</b>                       | <b>7,805</b>  | <b>1.30</b>             | <b>7,805</b>  |

**1 capital<sup>4</sup>***of which:**high-trigger**loss-absorbing**additional tier 1**capital*

|      |       |      |       |      |       |      |       |
|------|-------|------|-------|------|-------|------|-------|
| 2.66 | 7,805 | 1.30 | 7,805 | 2.03 | 7,805 | 1.30 | 7,805 |
|------|-------|------|-------|------|-------|------|-------|

*of which:**low-trigger**loss-absorbing**tier 2 capital*

|      |       |      |       |
|------|-------|------|-------|
| 2.05 | 6,008 | 1.00 | 6,008 |
|------|-------|------|-------|

**Total going****concern capital**

|              |               |              |               |              |               |             |               |
|--------------|---------------|--------------|---------------|--------------|---------------|-------------|---------------|
| <b>21.59</b> | <b>63,225</b> | <b>10.52</b> | <b>63,225</b> | <b>14.92</b> | <b>57,217</b> | <b>9.52</b> | <b>57,217</b> |
|--------------|---------------|--------------|---------------|--------------|---------------|-------------|---------------|

**Risk-weighted****assets /****leverage ratio****denominator**

Risk-weighted

**292,888**

assets

**383,578**

Leverage ratio

**601,013**

denominator

**601,013**

1 By FINMA decree, requirements exceed those based on the transitional arrangements of the Swiss Capital Adequacy Ordinance, i.e., a total going concern capital ratio requirement of 12.86% plus the effect of countercyclical buffer (CCB) requirements of 0.07%, of which 9.46% plus the effect of CCB requirements of 0.07% must be satisfied with CET1 capital, and a total going concern leverage ratio requirement of 4%, of which 2.9% must be satisfied with CET1 capital. 2 Going concern capital ratio requirements as of 31 December 2018 include CCB requirements of 0.07%. 3 Includes applicable add-ons of 1.44% for RWA and 0.5% for LRD. 4 Includes outstanding low-trigger loss-absorbing tier 2 capital instruments, which are available under the transitional rules of the Swiss SRB framework to meet the going concern requirements until the earlier of (i) their maturity or first call date or (ii) 31 December 2019. Outstanding low-trigger loss-absorbing tier 2 capital instruments are subject to amortization starting five years prior to their maturity.

## UBS AG standalone regulatory information

**Swiss SRB going concern information**

| <i>USD million, except where indicated</i>   | <b>Swiss SRB, including transitional arrangements</b> |          | <b>Swiss SRB after transition</b> |          |
|--|---|----------|-----------------------------------|----------|
|  | <b>31.12.18</b>                                       | 31.12.17 | <b>31.12.18</b>                   | 31.12.17 |
| <b>Going concern capital</b>   |   |          |                                   |          |
| <b>Common equity tier 1 capital</b>  | <b>49,411</b>   | 49,625   | <b>49,411</b>                     | 49,424   |
| High-trigger loss-absorbing additional tier 1 capital  | <b>7,805</b>  | 3,761    | <b>7,805</b>                      | 3,761    |
| <b>Total loss-absorbing additional tier 1 capital</b>  | <b>7,805</b>  | 3,761    | <b>7,805</b>                      | 3,761    |
| <b>Total tier 1 capital</b>  | <b>57,217</b>   | 53,386   | <b>57,217</b>                     | 53,185   |
| Low-trigger loss-absorbing tier 2 capital <sup>1</sup>   | <b>6,008</b>  | 8,077    |                                   |          |
| <b>Total tier 2 capital</b>  | <b>6,008</b>  | 8,077    |                                   |          |
| <b>Total going concern capital</b>   | <b>63,225</b>   | 61,464   | <b>57,217</b>                     | 53,185   |
| <b>Risk-weighted assets / leverage ratio denominator</b>                                       |   |          |                                   |          |
| Risk-weighted assets   | <b>292,888</b>  | 284,707  | <b>383,578</b>                    | 374,811  |
| <i>of which: direct and indirect investments in Swiss-domiciled subsidiaries<sup>2</sup></i>   | <b>31,711</b>   | 29,335   | <b>39,639</b>                     | 36,668   |
| <i>of which: direct and indirect investments in foreign-domiciled subsidiaries<sup>2</sup></i> | <b>82,762</b>   | 82,771   | <b>165,525</b>                    | 165,542  |
| Leverage ratio denominator   | <b>601,013</b>  | 615,238  | <b>601,013</b>                    | 615,037  |
| <b>Capital ratios (%)</b>  |   |          |                                   |          |
| Total going concern capital ratio  | <b>21.6</b>   | 21.6     | <b>14.9</b>                       | 14.2     |
| <i>of which: CET1 capital ratio</i>  | <b>16.9</b>   | 17.4     | <b>12.9</b>                       | 13.2     |
| <b>Leverage ratios (%)</b>   |   |          |                                   |          |
| Total going concern leverage ratio   | <b>10.5</b>   | 10.0     | <b>9.5</b>                        | 8.6      |
| <i>of which: CET1 leverage ratio</i>   | <b>8.2</b>  | 8.1      | <b>8.2</b>                        | 8.0      |

1 Outstanding low-trigger loss-absorbing tier 2 capital instruments qualify as going concern capital until the earlier of (i) their maturity or first call date or (ii) 31 December 2019, and are subject to amortization starting five years prior to their maturity. 2 Carrying value for direct and indirect investments including holding of regulatory capital instruments in Swiss-domiciled subsidiaries (31 December 2018: USD 15,856 million; 31 December 2017: USD 14,668 million), and for direct and indirect investments including holding of regulatory capital instruments in foreign-domiciled subsidiaries (31 December 2018: USD 41,381 million; 31 December 2017: USD 41,386 million), is currently risk weighted at 200%. Risk weights are gradually increased by 5% per year for Swiss-domiciled investments and 20% per year for foreign-domiciled investments starting 1 January 2019 until the fully applied risk weights of 250% and 400%, respectively, are applied.



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

|   |                 |                   |
|---|-----------------|-------------------|
| <i>USD billion</i>                                    | <b>31.12.18</b> | 31.12.17          |
| <b>Equity – Swiss banking law</b>                     | <b>51.1</b>     | 51.2              |
| Deferred tax assets                                   | <b>0.5</b>      | 0.6               |
| Valuation differences for investments in subsidiaries | <b>1.6</b>      | 1.8               |
| Goodwill and intangible assets                        | <b>0.0</b>      | (0.4)             |
| Accruals for proposed dividends to shareholders       | <b>(3.3)</b>    | (3.1)             |
| Other   | <b>(0.5)</b>    | (0.4)             |
| <b>Common equity tier 1 capital</b>                   | <b>49.4</b>     | 49.6 <sup>2</sup> |

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. 2 Based on Swiss SRB requirements, including transitional arrangements.

## Leverage ratio information

**Swiss SRB leverage ratio denominator**

| <i>USD billion</i>  | <b>LRD (fully applied)</b> |          | LRD                    |
|---|----------------------------|----------|------------------------|
|   | <b>31.12.18</b>            | 31.12.17 | (phase-in)<br>31.12.17 |
| <b>Leverage ratio denominator</b>   |                            |          |                        |
| Swiss GAAP total assets   | <b>480.0</b>               | 489.3    | 489.3                  |
| Difference between Swiss GAAP and IFRS total assets                         | <b>118.6</b>               | 115.5    | 115.5                  |
| Less: derivative exposures and SFTs <sup>1</sup>                            | <b>(236.7)</b>             | (221.6)  | (221.6)                |
| <b>On-balance sheet exposures (excluding derivative exposures and SFTs)</b> | <b>361.9</b>               | 383.2    | 383.2                  |
| Derivative exposures  | <b>99.3</b>                | 97.0     | 97.0                   |
| Securities financing transactions   | <b>114.2</b>               | 104.4    | 104.4                  |
| Off-balance sheet items   | <b>26.1</b>                | 32.4     | 32.4                   |
| Items deducted from Swiss SRB tier 1 capital                                | <b>(0.5)</b>               | (2.0)    | (1.8)                  |
| <b>Total exposures (leverage ratio denominator)</b>                         | <b>601.0</b>               | 615.0    | 615.2                  |

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

**BCBS Basel III leverage ratio (phase-in)**

| <i>USD million, except where indicated</i>   | <b>31.12.18</b> | 30.9.18 | 30.6.18 | 31.3.18 | 31.12.17 |
|--|-----------------|---------|---------|---------|----------|
| Total tier 1 capital                         | <b>59,595</b>   | 59,341  | 59,161  | 59,537  | 54,600   |
| Total exposures (leverage ratio denominator) | <b>601,013</b>  | 619,741 | 620,074 | 620,353 | 615,238  |
|  | <b>9.9</b>      | 9.6     | 9.5     | 9.6     | 8.9      |

BCBS Basel III leverage  
ratio (%)

### Liquidity coverage ratio

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

### Liquidity coverage ratio

| <i>USD billion, except where indicated</i> | <b>Weighted value<sup>1</sup></b> |                           |
|--|-----------------------------------|---------------------------|
|  | <b>Average 4Q18<sup>2</sup></b>   | Average 4Q17 <sup>2</sup> |
| High-quality liquid assets                 | <b>76</b>                         | 88                        |
| Total net cash outflows                    | <b>55</b>                         | 67                        |
| <i>of which: cash outflows</i>             | <b>169</b>                        | 191                       |
| <i>of which: cash inflows</i>              | <b>114</b>                        | 124                       |
| <b>Liquidity coverage ratio (%)</b>        | <b>139</b>                        | 132                       |

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.





**Notice to investors** | This document and the information contained herein are provided solely for information purposes, and are not to be construed as solicitation of an offer to buy or sell any securities or other financial instruments in Switzerland, the United States or any other jurisdiction. No investment decision relating to securities of or relating to UBS Group AG, UBS AG or their affiliates should be made on the basis of this document. Refer to UBS's Annual Report 2018 for additional information. This report is available at [www.ubs.com/investors](http://www.ubs.com/investors).

**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.

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UBS Group AG  
P.O. Box  
CH-8098 Zurich

[www.ubs.com](http://www.ubs.com)

Zurich, 15 March 2019

### **Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in each of the following registration statements of UBS Group AG, UBS AG and their affiliates:

- (1) on Form F-3 (Registration Number 333-225551), and each related prospectus currently outstanding under such registration statement,
- (2) on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; and 333-228653), and each related prospectus currently outstanding under any of the aforementioned registration statements,
- (3) the base prospectus of Corporate Asset Backed Corporation (CABCO) dated 23 June 2004 (Registration Number 333-111572),
- (4) the Form 8-K of CABCO dated 23 June 2004 (SEC File Number 001-13444), and
- (5) the Prospectus Supplements relating to the CABCO Series 2004-101 Trust dated 10 May 2004 (Registration Number 033-91744) and 17 May 2004 (Registration Number 033-91744-05),

of our report dated 14 March 2019, with respect to the standalone financial statements of UBS AG for the year ended 31 December 2018 included in this Report of Foreign Private Issuer (Form 6-K) dated March 15, 2019, filed with the Securities and Exchange Commission.

Ernst & Young Ltd

/s/ Marie-Laure Delarue

/s/ Ira S. Fitlin

Marie-Laure Delarue

Ira S. Fitlin

Licensed Audit Expert

Certified Public Accountant (U.S.)

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## Edgar Filing: UBS Group AG - Form 6-K

This Form 6-K is hereby incorporated by reference into (1) each of the registration statements of UBS AG on Form F-3 (Registration Number 333-225551) and of UBS Group AG on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; and 333-228653), and into each prospectus outstanding under any of the foregoing registration statements, (2) any outstanding offering circular or similar document issued or authorized by UBS AG that incorporates by reference any Form 6-K's of UBS AG that are incorporated into its registration statements filed with the SEC, and (3) the base prospectus of Corporate Asset Backed Corporation ("CABCO") dated June 23, 2004 (Registration Number 333-111572), the Form 8-K of CABCO filed and dated June 23, 2004 (SEC File Number 001-13444), and the Prospectus Supplements relating to the CABCO Series 2004-101 Trust dated May 10, 2004 and May 17, 2004 (Registration Number 033-91744 and 033-91744-05).

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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

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