



UBS Switzerland AG standalone

Interim financial statements for the half year ended 30 June 2017

Table of contents

UBS Switzerland AG standalone interim financial statements

- 1 Income statement
- 2 Balance sheet
- 3 Basis of accounting
- 3 Joint and several liability

Appendix

- 4 Cautionary statement

Contacts

Switchboards

For all general inquiries
www.ubs.com/contact

Zurich +41-44-234 1111
London +44-20-7568 0000
New York +1-212-821 3000
Hong Kong +852-2971 8888

Investor Relations

UBS's Investor Relations team supports institutional, professional and retail investors from our offices in Zurich, London and New York.

UBS Group AG, Investor Relations
P.O. Box, CH-8098 Zurich, Switzerland

www.ubs.com/investors

Hotline Zurich +41-44-234 4100
Hotline New York +1-212-882 5734
Fax (Zurich) +41-44-234 3415

Media Relations

UBS's Media Relations team supports global media and journalists from our offices in Zurich, London, New York and Hong Kong.

www.ubs.com/media

Zurich +41-44-234 8500
mediarelations@ubs.com

London +44-20-7567 4714
ubs-media-relations@ubs.com

New York +1-212-882 5857
mediarelations-ny@ubs.com

Hong Kong +852-2971 8200
sh-mediarelations-ap@ubs.com

© UBS 2017. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

UBS Switzerland AG standalone interim financial statements

Income statement

CHF million	For the quarter ended			% change from		Year-to-date	
	30.6.17	31.3.17	30.6.16	1Q17	2Q16	30.6.17	30.6.16
Interest and discount income ¹	892	921	972	(3)	(8)	1,813	1,934
Interest and dividend income from trading portfolio	0	0	(1)		(100)	0	0
Interest and dividend income from financial investments	35	22	25	59	40	56	44
Interest expense ²	(85)	(108)	(125)	(21)	(32)	(193)	(242)
Gross interest income	841	835	871	1	(3)	1,676	1,737
Credit loss (expense) / recovery	(27)	12	5			(15)	11
Net interest income	814	847	876	(4)	(7)	1,661	1,748
Fee and commission income from securities and investment business	864	856	819	1	5	1,720	1,657
Credit-related fees and commissions	42	46	38	(9)	11	87	73
Other fee and commission income	183	176	182	4	1	359	353
Fee and commission expense	(96)	(91)	(88)	5	9	(187)	(176)
Net fee and commission income	993	986	951	1	4	1,979	1,907
Net trading income	207	239	175	(13)	18	446	330
Net income from disposal of financial investments	1	0	136		(99)	1	154
Dividend income from investments in subsidiaries and other participations	29	0	28		4	29	28
Income from real estate holdings	0	0	0			0	0
Sundry ordinary income	43	80	37	(46)	16	123	94
Sundry ordinary expenses	(6)	(2)	(4)	200	50	(9)	(9)
Other income from ordinary activities	67	77	198	(13)	(66)	144	267
Total operating income	2,081	2,149	2,199	(3)	(5)	4,230	4,252
Personnel expenses	548	518	528	6	4	1,066	1,067
General and administrative expenses	796	777	845	2	(6)	1,573	1,706
Subtotal operating expenses	1,344	1,295	1,372	4	(2)	2,639	2,773
Depreciation and impairment of property, equipment and software	2	2	3	0	(33)	5	6
Amortization and impairment of goodwill and other intangible assets	263	263	263	0	0	525	525
Changes in provisions and other allowances and losses	3	1	(1)	200		4	1
Total operating expenses	1,612	1,561	1,637	3	(2)	3,173	3,305
Operating profit	469	589	562	(20)	(17)	1,057	947
Tax expense / (benefit)	89	130	122	(32)	(27)	219	213
Net profit / (loss) for the period	380	459	440	(17)	(14)	838	735

¹ Interest and discount income includes negative interest income on financial assets of CHF 27 million, CHF 21 million and CHF 30 million for the quarters ended 30 June 2017, 31 March 2017 and 30 June 2016, respectively. ² Interest expense includes negative interest expense on financial liabilities of CHF 39 million, CHF 30 million and CHF 35 million for the quarters ended 30 June 2017, 31 March 2017 and 30 June 2016, respectively.

Balance sheet

CHF million	30.6.17	31.3.17	31.12.16	% change from	
				31.3.17	31.12.16
Assets					
Cash and balances with central banks	44,036	48,379	44,528	(9)	(1)
Due from banks	5,007	4,781	4,355	5	15
Receivables from securities financing transactions	34,420	32,344	25,930	6	33
<i>of which: cash collateral on securities borrowed</i>	14,406	10,481	6,657	37	116
<i>of which: reverse repurchase agreements</i>	20,013	21,864	19,273	(8)	4
Due from customers	37,832	38,530	38,168	(2)	(1)
Mortgage loans	146,353	146,131	146,061	0	0
Trading portfolio assets	1,600	1,691	1,673	(5)	(4)
Positive replacement values	2,089	1,870	2,133	12	(2)
Financial investments	21,304	22,222	27,002	(4)	(21)
Accrued income and prepaid expenses	288	243	264	19	9
Investments in subsidiaries and other participations	56	56	56	0	0
Property, equipment and software	40	18	19	122	111
Goodwill and other intangible assets	2,888	3,150	3,413	(8)	(15)
Other assets	680	622	893	9	(24)
Total assets	296,593	300,038	294,497	(1)	1
<i>of which: subordinated assets</i>	1	1	0	0	
<i>of which: subject to mandatory conversion and / or debt waiver</i>	0	0	0		
Liabilities					
Due to banks	17,028	18,881	13,248	(10)	29
Payables from securities financing transactions	7,367	7,383	6,903	(0)	7
<i>of which: cash collateral on securities lent</i>	1,722	1,670	1,518	3	13
<i>of which: repurchase agreements</i>	5,644	5,714	5,385	(1)	5
Due to customers	246,078	247,977	248,796	(1)	(1)
Trading portfolio liabilities	232	253	154	(8)	51
Negative replacement values	1,193	1,029	1,212	16	(2)
Bonds issued and loans from central mortgage institutions	8,405	8,335	8,331	1	1
Accrued expenses and deferred income	664	820	929	(19)	(29)
Other liabilities	1,349	1,271	1,276	6	6
Provisions	168	168	186	0	(10)
Total liabilities	282,483	286,117	281,034	(1)	1
Equity					
Share capital	10	10	10	0	0
General reserve	12,139	12,139	12,139	0	0
<i>of which: statutory capital reserve</i>	12,139	12,139	12,139	0	0
<i>of which: capital contribution reserve</i>	12,139	12,139	12,139	0	0
Voluntary earnings reserve ¹	1,122	0	0		
Retained earnings / (loss) carried forward ¹	0	1,313	0	(100)	
Net profit / (loss) for the period	838	459	1,313	83	(36)
Total equity	14,110	13,921	13,463	1	5
Total liabilities and equity	296,593	300,038	294,497	(1)	1
<i>of which: subordinated liabilities</i>	4,520	4,540	4,521	0	(0)
<i>of which: subject to mandatory conversion and / or debt waiver</i>	4,520	4,540	4,521	0	(0)

¹ At the Annual General Meeting held on 21 April 2017, shareholders approved the proposed appropriation of retained earnings of CHF 1,313 million, comprised of a cash dividend of CHF 191 million to UBS AG and an appropriation of CHF 1,122 million to the voluntary earnings reserve.

Balance sheet (continued)

CHF million	30.6.17	31.3.17	31.12.16	% change from	
				31.3.17	31.12.16
Off-balance sheet items					
Contingent liabilities, gross	9,130	9,707	9,608	(6)	(5)
Sub-participations	(875)	(909)	(976)	(4)	(10)
Contingent liabilities, net	8,255	8,798	8,632	(6)	(4)
<i>of which: guarantees to third parties related to subsidiaries</i>	<i>7</i>	<i>8</i>	<i>7</i>	<i>(13)</i>	<i>0</i>
<i>of which: credit guarantees and similar instruments</i>	<i>3,304</i>	<i>3,229</i>	<i>3,180</i>	<i>2</i>	<i>4</i>
<i>of which: performance guarantees and similar instruments</i>	<i>2,529</i>	<i>2,383</i>	<i>2,442</i>	<i>6</i>	<i>4</i>
<i>of which: documentary credits</i>	<i>2,415</i>	<i>3,178</i>	<i>3,002</i>	<i>(24)</i>	<i>(20)</i>
Irrevocable commitments, gross	8,962	8,541	8,780	5	2
Sub-participations	(8)	(5)	(2)	60	300
Irrevocable commitments, net	8,954	8,536	8,778	5	2
<i>of which: loan commitments</i>	<i>8,083</i>	<i>7,665</i>	<i>7,906</i>	<i>5</i>	<i>2</i>
<i>of which: payment commitment related to deposit insurance</i>	<i>872</i>	<i>872</i>	<i>872</i>	<i>0</i>	<i>0</i>
Forward starting transactions¹	813	3,941	0	(79)	
<i>of which: reverse repurchase agreements</i>	<i>813</i>	<i>147</i>	<i>0</i>	<i>453</i>	
<i>of which: repurchase agreements</i>	<i>0</i>	<i>3,793</i>	<i>0</i>	<i>(100)</i>	
Liabilities for calls on shares and other equity instruments	43	43	43	0	0

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

Basis of accounting

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

The accounting policies are principally the same as the IFRS-based accounting policies for the consolidated financial statements of UBS Group AG outlined in Note 1 to the consolidated financial statements of UBS Group AG in the Annual Report 2016. Major differences between the Swiss GAAP requirements and IFRS are described in Note 36 to the consolidated financial statements of UBS Group AG in the Annual Report 2016. Further information on the accounting

policies applied for the standalone financial statements of UBS Switzerland AG is provided in Note 2 to the UBS Switzerland AG standalone financial statements as of 31 December 2016.

In preparing the interim financial statements for UBS Switzerland AG, the same accounting policies and methods of computation have been applied as in the standalone annual financial statements as of 31 December 2016. The interim financial statements are unaudited and should be read in conjunction with the standalone audited financial statements as of 31 December 2016.

Joint and several liability

In June 2015, the Personal & Corporate Banking and Wealth Management businesses booked in Switzerland were transferred from UBS AG to UBS Switzerland AG through an asset transfer in accordance with the Swiss Merger Act. Under the Swiss Merger Act, UBS AG assumed joint liability for obligations existing on the asset transfer date, 14 June 2015, which were transferred to UBS Switzerland AG. Similarly under the terms of the asset transfer agreement, UBS Switzerland AG assumed joint liability for approximately CHF 325 billion of contractual obligations of UBS AG existing on the asset transfer date, excluding the collateralized portion of secured contractual obligations and covered bonds. UBS Switzerland AG has no liability for new obligations incurred by UBS AG after the asset transfer date. Under certain circumstances, the Swiss Banking Act and the bank insolvency ordinance of the Swiss Financial Market Supervisory Authority (FINMA) authorize FINMA to

modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.

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

The joint liability amount declines as obligations mature, terminate or are novated following the asset transfer date. As of 30 June 2017, the joint liability of UBS Switzerland AG for contractual obligations of UBS AG amounted to approximately CHF 77 billion compared with CHF 109 billion as of 30 June 2016.

As of 30 June 2017, the probability of an outflow under this joint and several liability was assessed to be remote, and as a result, the table Off-balance sheet items does not include any exposure arising under this joint and several liability.

Cautionary Statement | This report 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 report. Refer to UBS's second quarter 2017 report and its Annual Report 2016, available at www.ubs.com/investors, for additional information.

Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages, percent changes and absolute variances are calculated on the basis of rounded figures displayed in the tables and text and may not precisely reflect the percentages, percent changes and absolute variances that would be calculated on the basis of figures that are not rounded.

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

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

www.ubs.com

