UBS AG (UBSN), Switzerland’s largest bank, reported second-quarter net income of about 690 million Swiss francs ($734 million) and said it’s nearing a settlement over U.S. mortgage-backed bond sales.

UBS reached an agreement in principle with the U.S. Federal Housing Finance Agency to settle claims related to residential mortgage-backed securities offerings between 2004 and 2007, the Zurich-based bank said in a statement today.

The full cost of the settlement, which still needs final approvals, would be covered by previous provisions and those taken in the second quarter, the bank said.

UBS will book a total of about 865 million francs of pretax charges in the quarter related to legal matters and “certain other significant provisions and an impairment of financial assets,” the company said.

Operating profit before tax in the quarter amounted to about 1.02 billion francs, the bank said.

To contact the editor responsible for this story: Frank Connelly at fconnelly@bloomberg.net